Zhongtian Construction (Hunan) Group Limited

中天建設(湖南)集團有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 2433

GLOBAL OFFERING

Sole Sponsor

Grande Capital Limited 均富融資有限公司

Joint Overall Coordinators, Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

民銀資本 CMBC CAPITAL HOLDINGS LIMITED

Grande Capital Limited 均富融資有限公司

Joint Bookrunners and Joint Lead Managers

浦銀國際 SPDB INTERNATIONAL

交銀國際 BOCOM International

一盈證券有限公司 I WIN SECURITIES LTD.

光大證券 | 國際 EVERBRIGHT SECURITIES INTERNATIONAL

東吳證券(香港) SOOCHOW SECURITIES (HK)

Alliance Capital Partners Limited 同人融資有限公司

IMPORTANT: If you are in any doubt about any of the contents of this prospectus, you should obtain independent professional advice.

Zhongtian Construction (Hunan) Group Limited
中天建設（湖南）集團有限公司

(Incorporated in the Cayman Islands with limited liability)

GLOBAL OFFERING

Number of Offer Shares under the Global Offering	**:**	**120,000,000 Shares (subject to the Over-allotment Option)**
Number of Hong Kong Public Offer Shares	**:**	**12,000,000 Shares (subject to reallocation)**
Number of International Placing Shares	**:**	**108,000,000 Shares (subject to reallocation and the Over-allotment Option)**
Offer Price	**:**	**Not more than HK$1.28 per Offer Share and expected to be not less than HK$1.08 per Offer Share, plus brokerage of 1%, SFC transaction levy of 0.0027%, AFRC transaction levy of 0.00015% and Stock Exchange trading fee of 0.00565% (payable in full on application in Hong Kong dollars and subject to refund)**
Nominal value	**:**	**HK$0.01 per Share**
Stock code	**:**	**2433**

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Joint Lead Managers

EDDID 艾德金融

邁時資本 MAXA CAPITAL

潮商證券有限公司 ChaoShang Securities Limited

哪吒II證券投資有限公司 Leeds Securities Investment Limited

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached thereto the documents specified in the paragraph headed "Documents delivered to the Registrar of Companies in Hong Kong" in Appendix VI to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or any other document referred to above.

The final Offer Price is expected to be fixed by agreement between the Joint Overall Coordinators and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company on the Price Determination Date, which is expected to be on or around Thursday, 23 March 2023 and in any event, not later than Tuesday, 28 March 2023. The Offer Price will not be more than HK$1.28 and is currently expected to be not less than HK$1.08. If, for any reason, the final Offer Price is not agreed by Tuesday, 28 March 2023 between the Joint Overall Coordinators and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company, the Global Offering will not proceed and will lapse.

The Joint Overall Coordinators and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) may, with the consent of our Company, reduce the indicative Offer Price range and/or the number of Offer Shares below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, an announcement of the reduction in the number of Offer Shares and/or the indicative Offer Price range will be made on our Company's website at *www.ztcon.com* and the website of the Stock Exchange at *www.hkexnews.hk* not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering.

The Offer Shares have not been and will not be registered under the US Securities Act 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 US Securities Act and in accordance with any applicable US state securities laws. The Offer Shares are being offered and sold only outside the United States in offshore transactions in reliance on Regulation S.

The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement are subject to termination by the Joint Overall Coordinators and the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) if certain grounds for termination arise prior to 8:00 a.m. on the Listing Date. Such grounds are set out in "Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Grounds for Termination" in this prospectus.

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

ATTENTION

We have adopted a fully electronic application process for the Hong Kong Public Offering. We will not provide printed copies of this prospectus or printed copies of any application forms to the public in relation to the Hong Kong Public Offering.

This prospectus is available at the website of the Hong Kong Stock Exchange at ***www.hkexnews.hk*** and our Company's website at ***www.ztcon.com***. If you require a printed copy of this prospectus, you may download and print from the website addresses above.

20 March 2023

IMPORTANT NOTICE TO INVESTORS:
FULLY ELECTRONIC APPLICATION PROCESS

We have adopted a fully electronic application process for the Hong Kong Public Offering. We will not provide any printed copies of this prospectus or any printed copies of any application forms for use by the public.

This prospectus is available at the website of the Stock Exchange at *www.hkexnews.hk*, under "HKEXnews > New Listings > New Listing Information", and our website at *www.ztcon.com*. If you require a printed copy of this prospectus, you may download and print from the website addresses above.

To apply for the Hong Kong Public Offer Shares, you may:

(1) apply online through the **eWhite Form** service at *www.ewhiteform.com.hk*;

(2) apply through **CCASS EIPO** service to electronically cause HKSCC Nominees to apply on your behalf, including by:

(i) instructing your **broker** or **custodian** who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Public Offer Shares on your behalf; or

(ii) (if you are an existing **CCASS Investor Participant**) giving **electronic application instructions** through the CCASS Internet System (*https://ip.ccass.com*) or through the CCASS Phone System by calling +852 2979 7888 (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time). HKSCC can also input **electronic application instructions** for CCASS Investor Participants through HKSCC's Customer Service Center at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong by completing an input request.

If you have any question about the application for the Hong Kong Public Offer Shares, you may call the enquiry hotline of our Hong Kong Share Registrar, Boardroom Share Registrars (HK) Limited, at +852 2153 1688 on the following dates and times:

Monday, 20 March 2023 — 9:00 a.m. to 6:00 p.m.
Tuesday, 21 March 2023 — 9:00 a.m. to 6:00 p.m.
Wednesday, 22 March 2023 — 9:00 a.m. to 6:00 p.m.
Thursday, 23 March 2023 — 9:00 a.m. to 12:00 noon

We will not provide any physical channels to accept any application for the Hong Kong Public Offer Shares by the public. The contents of the electronic version of this prospectus are identical to the printed prospectus as registered with the Registrar of Companies in Hong Kong pursuant to section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

If you are an **intermediary**, **broker** or **agent**, please remind your customers, clients or principals, as applicable, that this Prospectus is available online at the website addresses above.

Please refer to the section headed "How to Apply for the Hong Kong Public Offer Shares" in this prospectus for further details of the procedures through which you can apply for the Public Offer Shares electronically.

Your application through the **eWhite Form** service or the **CCASS EIPO** service must be for a minimum of 2,000 Hong Kong Public Offer Shares and in one of the numbers set out in the table below. You are required to pay the amount next to the number you select.

NUMBER OF HONG KONG PUBLIC OFFER SHARES THAT MAY BE APPLIED FOR AND PAYMENTS

No. of Hong Kong Public Offer Shares applied for	Amount payable on application	No. of Hong Kong Public Offer Shares applied for	Amount payable on application	No. of Hong Kong Public Offer Shares applied for	Amount payable on application
	HK$		*HK$*		*HK$*
2,000	2,585.81	32,000	41,373.08	800,000	1,034,327.05
4,000	5,171.64	36,000	46,544.71	1,200,000	1,551,490.55
6,000	7,757.45	40,000	51,716.35	1,600,000	2,068,654.08
8,000	10,343.28	80,000	103,432.70	2,000,000	2,585,817.60
10,000	12,929.09	120,000	155,149.06	2,400,000	3,102,981.12
12,000	15,514.90	160,000	206,865.41	2,800,000	3,620,144.65
14,000	18,100.72	200,000	258,581.75	3,200,000	4,137,308.15
16,000	20,686.54	240,000	310,298.11	3,600,000	4,654,471.68
18,000	23,272.35	280,000	362,014.47	4,000,000	5,171,635.20
20,000	25,858.18	320,000	413,730.81	6,000,000*	7,757,452.80
24,000	31,029.82	360,000	465,447.17		
28,000	36,201.44	400,000	517,163.52	* Maximum Number of Hong Kong Public Offer Shares you may apply for	

No application for any other number of Hong Kong Public Offer Shares will be considered and any such application is liable to be rejected.

*If there is any change in the following expected timetable of the Hong Kong Public Offering, we will issue an announcement on the websites of the Stock Exchange at **www.hkexnews.hk** and our Company at **www.ztcon.com**.*

	Date[1]
Hong Kong Public Offering commences on	9:00 a.m. on Monday, 20 March 2023
Latest time to complete electronic applications under the **eWhite Form** service through the designated website at ***www.ewhiteform.com.hk*** [2]	11:30 a.m. on Thursday, 23 March 2023
Application lists of the Hong Kong Public Offering open [3]	11:45 a.m. on Thursday, 23 March 2023
Latest time for (a) completing payment for **eWhite Form** applications by effecting PPS payment transfer(s) and (b) giving **electronic application instructions** to HKSCC [4]	12:00 noon on Thursday, 23 March 2023

If you are instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Public Offer Shares on your behalf, you are advised to contact your broker or custodian for the latest time for giving such instructions which may be different from the latest time as stated above.

Application lists of the Hong Kong Public Offering close [3]	12:00 noon on Thursday, 23 March 2023
Expected Price Determination Date [5]	Thursday, 23 March 2023
Announcement of the final Offer Price, the levels of indication of interest in the International Placing, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Public Offer Shares to be published on the website of the Stock Exchange at ***www.hkexnews.hk*** and our Company's website at ***www.ztcon.com*** [6] on or before	Wednesday, 29 March 2023

Announcement of results of allocations in the Hong Kong Public Offering (with successful applicants' identification document numbers, where appropriate) to be available through a variety of channels as described in the section headed "How to Apply for the Hong Kong Public Offer Shares — 11. Publication of results" in this prospectus from	Wednesday, 29 March 2023
Results of allocations in the Hong Kong Public Offering to be available at ***www.ewhiteform.com.hk/results*** with a "search by ID" function from	Wednesday, 29 March 2023
Despatch/collection of share certificates or deposit of share certificates into CCASS in respect of wholly or partially successful applications pursuant to the Hong Kong Public Offering on or before [(8)]	Wednesday, 29 March 2023
Despatch of **eWhite Form** e-Refund payment instructions/refund cheques in respect of wholly successful (in the event that the final Offer Price is less than initial price per Hong Kong Public Offer Share payable on application) and wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering on or before [(7)] [(8)]	Wednesday, 29 March 2023
Dealings in the Shares on the Stock Exchange to commence at	9:00 a.m. on Thursday, 30 March 2023

Notes:

(1) All times and dates refer to Hong Kong local times and dates except as otherwise stated. Details of the structure of the Global Offering, including its conditions of the Hong Kong Public Offering, are set out in "Structure and conditions of the Global Offering" in this prospectus. If there is any change in this expected timetable, an announcement will be published on the website of the Stock Exchange at ***www.hkexnews.hk*** and the website of our Company at ***www.ztcon.com***.

(2) You will not be permitted to submit your application to the **eWhite Form** Service Provider through the designated website at ***www.ewhiteform.com.hk*** after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained a payment reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.

(3) If there is a "black" rainstorm warning, a tropical cyclone warning signal number eight or above and/or Extreme Conditions in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, 23 March 2023, the application lists will not open and close on that day. Please refer to "How to apply for the Hong Kong Public Offer Shares — 10. Effect of bad weather on the opening of the application lists" in this prospectus. If the application lists do not open and close on Thursday, 23 March 2023, the dates mentioned in this section may be affected.

(4) Applicants who apply for the Hong Kong Public Offer Shares by giving **electronic application instructions** to HKSCC via CCASS or instructing your broker or custodian to apply on your behalf via CCASS should refer to the section headed "How to Apply for the Hong Kong Public Offer Shares — 6. Applying Through **CCASS EIPO** Service" in this prospectus.

(5) The Price Determination Date, being the date on which the final Offer Price is to be determined, is expected to be on or around Thursday, 23 March 2023 and in any event, not later than Tuesday, 28 March 2023. If, for any reason, the final Offer Price is not agreed by Tuesday, 28 March 2023 between the Joint Overall Coordinators and the Joint Global Coordinators (for themselves on behalf of the Underwriters) and us, the Global Offering will not proceed and will lapse.

(6) None of the websites or any of the information contained on the websites form part of this prospectus.

(7) e-Refund payment instructions/refund cheques will be issued in respect of wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering and also in respect of wholly or partially successful applications in the event that the final Offer Price is less than the price payable per Offer Share on application. Part of the applicant's Hong Kong identity card number or passport number, or, if the application is made by joint applicants, part of the Hong Kong identity card number or passport number of the first-named applicant, provided by the applicant(s) may be printed on the refund cheque, if any. Such data would also be transferred to a third party for refund purposes. Banks may require verification of an applicant's Hong Kong identity card number or passport number before encashment of the refund cheque. Inaccurate completion of an applicant's Hong Kong identity card number or passport number may invalidate or delay encashment of the refund cheque.

(8) Applicants who have applied on **eWhite Form** for 1,000,000 or more Hong Kong Public Offer Shares may collect any refund cheques (where applicable) and/or Share certificates in person from our Hong Kong Branch Share Registrar, Boardroom Share Registrars (HK) Limited from 9:00 a.m. to 1:00 p.m. on Wednesday, 29 March 2023 or such other date as notified by us as the date of dispatch/collection of Share certificates/e-Refund payment instructions/refund cheques.

Individuals who are eligible for personal collection must not authorise any other person(s) to make collection on their behalf. Corporate applicants which opt for personal collection must attend by their authorised representative(s) bearing a letter of authorisation from such corporation(s) stamped with the corporation's chop. Both individuals and authorised representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to our Hong Kong Branch Share Registrar.

Applicants who have applied for Hong Kong Public Offer Shares through CCASS should refer to the section headed "How to Apply for the Hong Kong Public Offer Shares — 14. Despatch/collection of share certificates and refund monies — Personal collection — (b) If you apply through CCASS EIPO service" for details.

Applicants who have applied through the **eWhite Form** service and paid their applications monies through single bank accounts may have refund monies (if any) dispatched to the bank account in the form of e-Refund payment instructions. Applicants who have applied through the **eWhite Form** service and paid their application monies through multiple bank accounts may have refund monies (if any) dispatched to the address as specified in their application instructions in the form of refund cheques by ordinary post at their own risk.

Share certificates and/or refund cheques for applicants who have applied for less than 1,000,000 Hong Kong Public Offer Shares and any uncollected Share certificates and/or refund cheques will be dispatched by ordinary post, at the applicants' risk, to the addresses specified in the relevant applications.

For further information, applicants should refer to the paragraph headed "How to Apply for the Hong Kong Public Offer Shares — 14. Despatch/collection of share certificates and refund monies" in this prospectus.

You should read carefully the sections headed "Structure and conditions of the Global Offering" and "How to apply for the Hong Kong Public Offer Shares" in this prospectus for details.

Share certificates are expected to be issued on Wednesday, 29 March 2023 but will only become valid evidence of title provided that the Global Offering has become unconditional in all respect and neither of the Underwriting Agreements has been terminated in accordance with its terms. Investors who trade Shares on the basis of publicly available allocation details prior to the receipt of share certificates or prior to the share certificates becoming valid evidence of title do so entirely at their own risk.

IMPORTANT NOTICE TO INVESTORS

This prospectus is issued by our Company solely in connection with the Hong Kong Public Offering and the Hong Kong Public Offer Shares and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Hong Kong Public Offer Shares offered by this prospectus pursuant to the Hong Kong Public Offering. This prospectus may not be used for the purpose of, and does not constitute, an offer to sell or a solicitation of an offer to buy in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong. The distribution of this prospectus and the offering of the Offer Shares in other jurisdictions are subject to restrictions and 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 prospectus to make your investment decision.

We have not authorised anyone to provide you with information that is different from what is contained in this prospectus.

Any information or representation not included in this prospectus must not be relied on by you as having been authorised by us, the Joint Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Capital Market Intermediaries, the Sole Sponsor, any of the Underwriters, any of our or their respective directors or any other person or party involved in the Global Offering.

Please note that the totals set forth in the tables in this prospectus may differ from the sum of individual items in such tables due to rounding.

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

BUSINESS OVERVIEW

We are a general contracting construction group in Hunan Province with over 40 years of operating history. According to the F&S Report, we (i) were one of the top ten non-state owned construction enterprises in terms of construction revenue in 2021 among 3,438 non-state owned construction enterprises in Hunan Province with a market share of approximately 0.2% in 2021; and (ii) ranked the fifth among 302 non-state owned construction enterprise with first grade general contractor qualification in Hunan Province in terms of construction revenue in 2021, with a market share of approximately 0.4% in 2021. In 2021, Hunan Province accounts for approximately 4.5% of the market size of construction industry in the PRC. We possess six first-grade construction qualifications (i) first-grade qualification in building construction general contracting (建築工程施工總承包壹級); (ii) first-grade qualification in municipal and public construction general contracting (市政公用工程施工總承包壹級); (iii) first-grade qualification in building renovation and decoration specialised contracting (建築裝修裝飾工程專業承包壹級); (iv) first-grade qualification in steel structure construction specialised contracting (鋼結構工程專業承包壹級); (v) first-grade qualification in foundation construction specialised contracting (地基基礎工程專業承包壹級); and (vi) first-grade qualification in lifting equipment installation construction specialised contracting (起重設備安裝工程專業承包壹級). We also possess six other second-grade and third-grade contracting qualifications covering aspects such as electrical and mechanical construction, curtain wall construction, highway construction, water resources and electric power construction and environmental protection construction. For details, please refer to the section headed "Business — Licences, qualifications and permits" in this prospectus.

We were granted various awards for achieving high standards in construction quality, including the National Quality Project Silver Award (國家優質工程銀質獎), the Furong Prize (芙蓉獎), being the highest honour for construction quality in Hunan awarded by Hunan Construction Industry Association (湖南省建築業協會), and Shennong Prize (神農獎), being the highest honour for construction quality in Zhuzhou awarded by Zhuzhou Construction Industry Association (株洲市建築業協會). In addition, we were also awarded various accolades in recognition of our emphasis on work safety. For details of the accolades obtained by our Group, please refer to the section headed "Business — Our business operations — Awards and recognitions" in this prospectus.

During the Track Record Period, we primarily focused on the provision of construction services comprising (i) civil building construction services, provision of construction contracting mainly as general contractor for residential, industrial and commercial construction projects; (ii) municipal works construction services, which mainly consisted of construction of urban roads, education institutions, sports stadiums and water supply works; (iii) foundation works services which include foundation construction as well as earthwork construction; (iv) prefabricated steel structure construction services; and (v) other specialised contracting works which includes building renovation and decoration construction specialised contracting. We provide comprehensive construction services to customers throughout the construction process from project procurement, management, construction to supervision and to a lesser extent, we also engage in the provision of construction machinery and equipment service.

Being the fifth-ranked non-state owned construction enterprise with first grade contractor qualification in Hunan Province in terms of construction revenue in 2021 and having an operating history of over 40 years, we are well-positioned to benefit from the continuous development of Hunan Province. As part of our development plan, we have tapped into the Hainan market since 2010 and as at the Latest Practicable Date, we have 24 branch offices across various provinces in the PRC.

We have been dedicated to R&D for improvements in our construction know-how essential for the advancement of our construction efficiency and quality, which in turn enhance our competitiveness within the construction industry. For details, please refer to the section headed "Business — Our business operations — R&D and know-how" in this prospectus.

The following table sets forth a breakdown of our revenue, gross profit and gross profit margin by business segment for the periods indicated:

	FY2019			FY2020			FY2021			3Q2021			3Q2022		
	Revenue	Gross profit	Gross profit margin	Revenue	Gross profit	Gross profit margin	Revenue	Gross profit	Gross profit margin	Revenue	Gross profit	Gross profit margin	Revenue	Gross profit	Gross profit margin
	RMB'000	*RMB'000*	*%*	*RMB'000*	*RMB'000*	*%*	*RMB'000*	*RMB'000*	*%*	*RMB'000* (unaudited)	*RMB'000* (unaudited)	*%*	*RMB'000*	*RMB'000*	*%*
Construction contracts															
Civil building construction	888,497	90,927	10.2	1,031,904	107,412	10.4	885,259	95,433	10.8	657,407	67,180	10.2	670,050	65,438	9.8
Municipal works construction	669,011	67,839	10.1	485,033	54,039	11.1	427,745	42,027	9.8	262,359	26,358	10.1	461,373	49,883	10.8
Foundation works	146,162	11,882	8.1	120,067	9,247	7.7	114,195	7,782	6.8	81,161	4,933	6.1	22,455	1,405	6.3
Prefabricated steel structure construction	62,650	7,177	11.5	106,345	12,991	12.2	369,761	45,293	12.2	305,023	40,673	13.3	202,563	27,980	13.8
Other specialised contracting works *(Note)*	49,666	3,518	7.1	17,857	2,232	12.5	17,170	2,362	13.8	12,924	2,210	17.1	3,796	1,673	44.1
Subtotal	1,815,986	181,343	10.0	1,761,206	185,921	10.6	1,814,130	192,897	10.6	1,318,874	141,354	10.7	1,360,237	146,379	10.8
Provision of construction machinery and equipment service	5,930	2,100	35.4	8,694	3,193	36.7	9,254	2,750	29.7	6,518	2,433	37.3	5,793	2,183	37.7
Total revenue/total gross profit/average gross profit margin	1,821,916	183,443	10.1	1,769,900	189,114	10.7	1,823,384	195,647	10.7	1,325,392	143,787	10.9	1,366,030	148,562	10.9

Note: Our other specialised contracting works mainly include building renovation and decoration works.

The table below sets forth the details of the movements of the number of on-going construction projects and completed construction projects of our Group during the Track Record Period and up to the Latest Practicable Date:

	FY2019		FY2020		FY2021		3Q2022		After Track Record Period and up to the Latest Practicable Date	
	Number of contracts attributed	Contract Sum(3)	Number of contracts attributed	Contract Sum(3)	Number of contracts attributed	Contract Sum(3)	Number of contracts attributed	Contract Sum(3)	Number of contracts attributed	Contract Sum(3)
		RMB'000		*RMB'000*		*RMB'000*		*RMB'000*		*RMB'000*
Opening on-going projects(1)	172	5,928,010	135	5,663,392	141	7,109,593	146	7,578,404	143	8,701,599
Add: new construction projects contracted	33	1,139,565	43	2,356,557	37	1,225,156	22	1,630,394	18	438,901
Deduct: construction projects completed(2)	70	1,404,183	37	910,356	32	756,345	25	507,199	21	511,290
Closing on-going construction projects	135	5,663,392	141	7,109,593	146	7,578,404	143	8,701,599	140	8,629,210

Notes:

1 Opening on-going projects represented projects that have confirmed engagements, excluding (i) those inactive and immaterial projects which generated aggregate revenue and incurred aggregate costs of less than RMB10,000 each over the Track Record Period; and (ii) new contracted construction projects for the corresponding financial year/period.

2 A construction project is considered completed when (i) an acceptance of project completion inspection report issued by the relevant government authority(ies) has been issued; or (ii) revenue has been fully recognised with respect to contract sum as amended from time to time. Please refer to the section headed "Business — Operation process — Customer inspection and acceptance" in this prospectus for further details.

3 Contract sums do not include any variation orders and/or VAT.

4 Part of the closing contract sum of on-going projects has already been recognised as revenue by our Group during the Track Record Period and up to the Latest Practicable Date.

CUSTOMERS AND SUPPLIERS

Our customers include government entities, state-owned enterprises and state-invested enterprises (collectively, the "**Government-related Entities**") and private enterprises. For FY2019, FY2020, FY2021 and 3Q2022, approximately RMB662.9 million, RMB453.3 million, RMB447.7 million and RMB676.5 million of our revenue was generated from the Government-related Entities, representing 36.4%, 25.6%, 24.6% and 49.5% of our total revenue during the same period, respectively. For each of FY2019, FY2020, FY2021 and 3Q2022, revenue from our top five customers amounted to approximately RMB841.7 million, RMB796.6 million, RMB846.0 million and RMB579.7 million, respectively, accounting for 46.2%, 45.0%, 46.4% and 42.4% of our total revenue, respectively. Revenue from our largest customer for each of FY2019, FY2020, FY2021 and 3Q2022 amounted to approximately RMB328.5 million, RMB312.1 million, RMB367.7 million and RMB223.2 million, respectively, accounting for 18.0%, 17.6%, 20.2% and 16.3% of our total revenue, respectively. During the Track Record Period, except for the EPC Tripartite Framework Agreement, we did not have any long-term strategic cooperation agreement with our customers. For details, please refer to the section headed "Business — Customers and suppliers — Customers" in this prospectus.

Our suppliers mainly include raw materials suppliers, subcontractors for labour services and subcontractors for specialised construction works. For each of FY2019, FY2020, FY2021 and 3Q2022, purchase from our top five suppliers amounted to approximately RMB357.9 million, RMB322.3 million, RMB474.5 million and RMB298.3 million, respectively, accounting for 21.8%, 20.3%, 29.2% and 24.5% of our total cost of sales, respectively. Purchase from our largest supplier for each of FY2019, FY2020, FY2021 and 3Q2022 amounted to approximately RMB138.0 million, RMB97.1 million, RMB158.5 million and RMB74.9 million, respectively, accounting for 8.4%, 6.1%, 9.7% and 6.2% of our total cost of sales, respectively. For details, please refer to the section headed "Business — Customers and suppliers — Suppliers" in this prospectus.

During the Track Record Period, we engaged subcontractors to provide labour subcontracting services and certain specialised construction services such as curtain wall construction, installation of lifts, waterproofing and fireproofing works. For each of FY2019, FY2020, FY2021 and 3Q2022, the total labour and construction subcontracting fees paid by us to our subcontractors amounted to approximately RMB569.0 million, RMB569.6 million, RMB644.4 million and RMB502.1 million, respectively, accounting for approximately 34.7%, 36.0%, 39.6% and 41.2% of our total cost of sales, respectively.

During the Track Record Period and up to the Latest Practicable Date, we have not been subjected to any material penalties as a result of the delay of work and/or other quality and safety issues caused by our subcontractors. Our Directors have weighed the benefits and costs for insurance coverage as a result of delay of work or quality issues arising from the subcontractors and consider that there is no specific need to arrange insurance policies to cover the risk associated with the engagement of subcontractors given the low historical risk in this area during the Track Record Period. As advised by our PRC Legal Advisers, we maintained insurance policies that are required under PRC laws and regulations. According to F&S, it is also in line with the customary practice in China that construction contractors will not carry out any business interruption insurance policies, including the coverage of the risk associated with the engagement of subcontractors. Our Directors consider that our existing insurance coverage is in line with industry norm and is sufficient for our current operations.

OVERLAPPING OF CUSTOMERS AND SUPPLIERS

Hangxiao Technology had been both a customer and a supplier of our Group during the Track Record Period. Hangxiao Technology is our deemed connected person. For details, please refer to the section headed "Connected Transactions" in this prospectus.

Hangxiao Technology is principally engaged in the design and manufacture of steel structure. During the Track Record Period, Hangxiao Technology acted as our supplier for steel construction products or processing services. On the other hand, two construction projects of our Group were also engaged by Hangxiao Technology to construct the building base and R&D building of Hangxiao Technology. Our gross profit for such sales amounted to approximately RMB7.2 million, RMB3.0 million, RMB1.2 million and RMB0.2 million, respectively, for FY2019, FY2020, FY2021 and 3Q2022, representing approximately 3.9%, 1.6%, 0.6% and 0.1% of our total gross profit during the same period. For details, please refer to the section headed "Business — Customers and suppliers — Overlapping of customers and suppliers" in this prospectus.

COMPETITIVE STRENGTHS

We have the following competitive strengths which differentiate our Group from our competitors: (i) we have long operating history in Hunan Province; (ii) we leverage our broad range of regulated qualifications to undertake a wide range of construction projects; (iii) we are a renowned market player in the construction industry in Hunan Province as demonstrated by numerous awards accredited to us; (iv) we possess R&D capabilities and expertise in developing know-how for construction use; (v) we are well-positioned to embrace the latest development trend of prefabricated construction method and EPC model in the PRC; and (vi) our experienced and dedicated senior management team and highly skilled personnel in construction industry. For details, please refer to the section headed "Business — Competitive strengths" in this prospectus.

BUSINESS STRATEGIES

We strive to attain sustainable growth and continue to leverage our market position in the competitive construction industry and seek to promote long-term shareholder value by implementing the following business strategies: (i) expand business through funding our capital needs and cash flows for upcoming projects and enhance our market presence to capture more business opportunities; (ii) invest in construction machinery and equipment to enhance our technical equipment capability; (iii) further strengthen our R&D capabilities to embrace the latest development trend of PRC construction industry; (iv) capture the opportunities arising from the latest development trend of EPC model and green building including prefabricated construction method in the PRC; and (v) strive to secure more projects from Government-related Entities. For details, please refer to the section headed "Business — Business strategies" in this prospectus.

In light of the growing business scale, to enhance the accountability of the persons-in-charge of the construction projects and in line with the industry practice, we had formally put in place a project management responsibility system for better monitoring of our construction projects with reference to the Predecessor Construction Project Management Code and the Construction Project Management Code since 2017. The Directors considered that the project management responsibility system is mutually beneficial to us and to the persons-in-charge of the projects. Our PRC Legal Advisers is of the view that (i) the signing of the responsibility letter under the project management responsibility system is not regarded as a circumvention of the law against illegal act of qualification affiliation; (ii) the purpose of the project management responsibility system is to enable the person-in-charge to take up additional responsibilities in accordance with the Construction Project Management Code and does not contradict the person-in-charge's capacity as an employee of our Group; and (iii) the project management responsibility system is in compliance with all the relevant rules and regulations during the Track Record Period and up to the Latest Practicable Date.

The table below sets forth a comparison of number and contract sum of projects as to whether they were managed under the project management responsibility system as at the dates indicated:

	As at 31 December												As at 30 September			
	2019				2020				2021				2022			
	Number of projects	*%*	*Contract sum of projects (RMB'000)*	*%*	*Number of projects*	*%*	*Contract sum of projects (RMB'000)*	*%*	*Number of projects*	*%*	*Contract sum of projects (RMB'000)*	*%*	*Number of projects*	*%*	*Contract sum of projects (RMB'000)*	*%*
Projects under project management responsibility system	71	52.6	3,179,857	56.1	50	35.5	5,035,840	70.8	44	30.1	4,267,672	56.3	33	23.1	3,774,210	43.4
Projects not under project management responsibility system	64	47.4	2,483,535	43.9	91	64.5	2,073,753	29.2	102	69.9	3,310,732	43.7	110	76.9	4,927,389	56.6
Total	**135**	**100**	**5,663,392**	**100**	**141**	**100**	**7,109,593**	**100**	**146**	**100**	**7,578,404**	**100**	**143**	**100**	**8,701,599**	**100**
Number of person-in-charge involved in the relevant projects	70				75				76				59			
Total amounts of responsibility deposits *(RMB'000)*	32,252.7				36,402.5				34,820.0				25,269.7			
Average percentage of responsibility deposits paid as a percentage of contract sum	1.0%				0.7%				0.8%				0.7%			

Each project is assessed individually in determining whether the project should be managed under the project management responsibility system. During the Track Record Period, our number of projects managed under the project management responsibility system decreased from 71 projects as at 31 December 2019 to 50 projects as at 31 December 2020 and further decreased to 44 projects and 33 projects as at 31 December 2021 and 30 September 2022, respectively. As at 31 December 2019, 2020 and 2021 and 30 September 2022, 52.6%, 35.5%, 30.1% and 23.1% of our projects (in terms of numbers) and 56.1%, 70.8%, 56.3% and 43.4% of our projects (in terms of contract sum), respectively, were managed under the project management responsibility system. The decrement of the percentage of our projects managed under the project management responsibility system, in terms of both numbers and contract sum from 31 December 2019 to 30 September 2022 was mainly due to the number of projects completed was more than the number of new projects under the project management responsibility system for the relevant year during the Track Record Period. In particular, the decrement of the balance of responsibility deposits from RMB34.8 million as at 31 December 2021 to RMB25.3 million as at 30 September 2022 was mainly due to (i) the project assessment process of a new construction contract secured by our

Group with large contract sums in 2022 has not yet commenced as at 30 September 2022; and (ii) some on-going projects based on project assessment process are not required to be managed under the project management responsibility system.

As at 31 December 2019, 2020 and 2021 and 30 September 2022, the average responsibility deposits paid as a percentage of contract sum represented approximately 1.0%, 0.7%, 0.8% and 0.7%, respectively. The decrement of the percentage from 1.0% as at 31 December 2019 to 0.7% as at 31 December 2020 and remained stable as at 31 December 2021 and 30 September 2022 was due to the fact that more sizable projects are managed under the project management responsibility system from FY2020 onwards, which is in-line with our increasing total contract sums of on-going projects.

For further details, please refer to the paragraph headed "Business — Operation process — Project implementation phase — Project management responsibility system" in this prospectus.

OUR SHAREHOLDERS AND PRE-IPO INVESTMENT

Immediately after completion of the Capitalisation Issue and the Global Offering (without taking into account any Share that may be allotted and issued upon the exercise of the Over-allotment Option and any option which may be granted under the Share Option Scheme), our Company will be owned as to approximately 55.62% by ZT (A), an investment holding company incorporated in the BVI owned by 79 individual shareholders, including 12 individuals who are directors or senior management members of our Group or their associates as to approximately 49.04% in aggregate and the balance by 67 individuals who are Independent Third Parties including our employees. For details, please refer to the sections headed "History, Development and Reorganisation" and "Relationship with our Controlling Shareholder" in this prospectus.

On 9 March 2020, Ms. Yang Shufen subscribed for approximately 1.09% of the equity interest in Jicai Trading for a consideration of the HKD equivalent of approximately RMB2.39 million. Immediately upon completion of the Capitalisation Issue and the Global Offering (without taking into account any Share that may be allotted and issued upon the exercise of the Over-allotment Option and any option which may be granted under the Share Option Scheme), Ms. Yang Shufen will be interested in approximately 0.82% of the issued share capital of our Company. For further details, please refer to the section headed "History, Development and Reorganisation — Pre-IPO Investment" in this prospectus.

SELECTED FINANCIAL INFORMATION

The following table is the consolidated statements of profit or loss and other comprehensive income of our Group during the Track Record Period, extracted from the Accountants' Report in Appendix I to this prospectus.

	FY2019	FY2020	FY2021	3Q2021	3Q2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Revenue	1,821,916	1,769,900	1,823,384	1,325,392	1,366,030
Gross profit	183,443	189,114	195,647	143,787	148,562
Profit before taxation	59,594	59,537	72,015	56,768	58,934
Profit and other comprehensive income for the year	50,860	49,599	61,903	47,791	51,166
Profit and other comprehensive income for the year attributable to					
Owners of the Company	49,778	48,533	60,570	47,697	50,832
Non-controlling interests	1,082	1,066	1,333	94	334
	50,860	49,599	61,903	47,791	51,166

Revenue

Our revenue increment was mainly due to the increase in revenue generated from construction contracts. Revenue generated from construction contracts slightly decreased by RMB54.8 million or 3.0% from approximately RMB1,816.0 million in FY2019 to RMB1,761.2 million in FY2020. The decrement in FY2020 was mainly due to decrement in revenue generated from other specialised contracting works, municipal works construction and foundation works of approximately RMB31.8 million, RMB184.0 million and RMB26.1 million, respectively, while partially net-off by the increment in civil building construction and prefabricated steel structure construction of approximately RMB143.4 million and RMB43.7 million, respectively. Our revenue generated from construction contracts increased by approximately RMB52.9 million or 3.0% from approximately RMB1,761.2 million in FY2020 to approximately RMB1,814.1 million in FY2021. The increment was mainly due to increase in revenue generated from prefabricated steel structure construction works, which grew by approximately RMB263.4 million or 247.7% while partially net-off by the decrement in (i) revenue generated from civil building construction of approximately RMB146.6 million or 14.2%; and (ii) revenue generated from municipal works construction of approximately RMB57.3 million or 11.8%. For 3Q2022, our revenue generated from construction contracts increased by approximately RMB41.4 million or 3.1% from approximately RMB1,318.9

million for 3Q2021 to approximately RMB1,360.2 million for 3Q2022. The increment was mainly due to the increase in revenue generated from municipal works construction works, which grew by approximately RMB199.0 million or 75.9% while partially net-off by the decrement in revenue generated from prefabricated steel structure construction works of approximately RMB102.5 million or 33.6%.

Gross profit and gross profit margin

Our Group's gross profit increased from approximately RMB183.4 million in FY2019 to RMB189.1 million in FY2020 and further increased to RMB195.6 million in FY2021. Our Group's overall gross profit margins increased from approximately 10.1% in FY2019 to 10.7% in FY2020 and remained at 10.7% in FY2021. In 3Q2022, our gross profit was approximately RMB148.6 million and gross profit margin was further increased to approximately 10.9%. The primary reason leading to our growth in gross profit margins was that we were able to undertake construction projects with higher gross margins through careful selection of tenders to submit and our Group's tighten control on major costs such as labour costs and labour subcontracting costs (which in aggregate accounted for approximately 20% to 35% of the total cost of sales during each of FY2019, FY2020, FY2021 and 3Q2022) by shifting our Group's own labour costs to labour subcontractors for performing certain labour intensive construction process in order to maximise cost efficiency and flexibility.

Net profit

Our Group's net profit decreased slightly from RMB50.9 million for FY2019 to RMB49.6 million for FY2020, which was mainly attributable to the increase in Listing expenses and administrative expenses for FY2020. Our Group's net profit increased from RMB49.6 million for FY2020 to RMB61.9 million for FY2021, which was mainly attributable to the increase in revenue and the decrease in (i) impairment on financial and contract asset and (ii) finance costs. Our Group's net profit increased from RMB47.8 million for 3Q2021 to RMB51.2 million for 3Q2022, which was mainly attributable to the increase in gross profit and partially net-off by the decrease in other income and other gains.

Our consolidated statements of financial position as at each of the year ended during the Track Record Period set forth below are extracted from the Accountants' Report set out in Appendix I to this prospectus:

	As at 31 December			As at 30 September
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets	35,295	29,281	28,001	25,386
Current assets	1,830,814	1,940,111	1,855,653	1,790,091
Current liabilities	1,685,707	1,737,177	1,589,486	1,466,246
Total assets less current liabilities	180,402	232,215	294,168	349,231
Non-current liabilities	657	28	—	3,855
Net current assets	145,107	202,934	266,167	323,845
Net assets	179,745	232,187	294,168	345,376
Non-controlling interests	6,484	7,573	8,906	9,240

Net current assets

Net current assets increased from approximately RMB145.1 million as at 31 December 2019 to approximately RMB202.9 million as at 31 December 2020 mainly due to the increase in contract assets and trade, bills and other receivables of approximately RMB53.6 million and RMB45.9 million, respectively, which was in line with the net profit of approximately RMB49.6 million generated in FY2020. The increase was partly offset by an increase in accruals and other payables of approximately RMB68.9 million. Our net current assets further increased from approximately RMB202.9 million as at 31 December 2020 to approximately RMB266.2 million as at 31 December 2021, primarily due to decrease in trade and bills payables by approximately RMB175.6 million, partially offset by the decrease in trade, bills and other receivables and contract assets by approximately RMB77.3 million and RMB11.1 million, respectively. Our net current assets continued to increase from approximately RMB266.2 million as at 31 December 2021 to approximately RMB323.8 million as at 30 September 2022 mainly due to increase in cash and cash equivalents by approximately RMB37.9 million.

Net assets

Net assets increased by RMB52.4 million from approximately RMB179.7 million as at 31 December 2019 to approximately RMB232.2 million as at 31 December 2020 mainly due to (i) our Group's profit and total comprehensive income for the year of approximately RMB49.6 million in FY2020 and (ii) increase in other reserve as a result of group reorganisation of approximately RMB2.4 million. Our net assets further increased by approximately RMB62.0 million to approximately RMB294.2 million as at 31 December 2021 and by approximately RMB51.2 million to approximately RMB345.4 million as at 30 September 2022, primarily attributable to our Group's profit and total comprehensive income for the year/period of approximately RMB61.9 million in FY2021 and RMB51.2 million in 3Q2022, respectively.

For further details, please refer to the section headed "Financial Information — Discussion on selected items of consolidated statements of financial position" in this prospectus and the Consolidated Statements of Changes in Equity of the Accountants' Report set out in Appendix I to this prospectus.

The following table sets forth a summary of our consolidated statements of cash flows for the periods indicated:

	FY2019	FY2020	FY2021	3Q2021	3Q2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Net cash (used in)/generated from operating activities	96,130	42,501	31,593	(64,438)	(26,048)
Net cash (used in)/generated from investing activities	66,569	7,110	(5,180)	(5,022)	(171)
Net cash generated from/(used in) financing activities	(150,231)	(53,358)	(14,145)	17,976	64,071
Net increase/(decrease) in cash and cash equivalents	12,468	(3,747)	12,268	(51,484)	37,852
Cash and cash equivalents at the beginning of the year/period	68,117	80,585	76,838	76,838	89,106
Cash and cash equivalents at the end of the year/period	80,585	76,838	89,106	25,354	126,958

Cash flows

For 3Q2022, we recorded a profit before taxation of approximately RMB58.9 million and net cash used in operating activities of approximately RMB26.0 million. The cash outflow was principally due to the decrease in trade and bills payables of approximately RMB298.5 million as we made faster repayment for trade payables in 3Q2022, partially offset by the increase in accruals and other payables of approximately RMB79.6 million due to increase in net VAT payables and the decrease in trade, bills and other receivables of approximately RMB53.2 million because more effort was put to collect trade receivables from our customers. For 3Q2021, we recorded a profit before taxation of approximately RMB56.8 million and net cash used in operating activities of approximately RMB64.4 million. The cash outflow was principally due to the increase in trade and bills receivables of approximately RMB204.8 million, partially offset by the decrease in contract assets of approximately RMB40.5 million and the increase in accruals and other payables of approximately RMB31.9 million. As generally more trade receivables are settled towards the end of a year, we typically generate net operating cash outflow in the first nine months of a year.

For FY2021, we recorded a profit before taxation of approximately RMB72.0 million and net cash generated from operating activities of approximately RMB31.6 million. The cash inflow was principally due to (i) our net profits of approximately RMB61.9 million generated during FY2021, (ii) the decrease in trade, bills and other receivables and increase in accruals and other payables of approximately RMB79.9 million and RMB49.9 million, respectively, partially offset by the decrease in trade and bill payables of approximately RMB175.6 million.

For FY2020, we recorded a profit before taxation of approximately RMB59.5 million and net cash generated from operating activities of approximately RMB42.5 million. The cash inflow was principally due to our profits of approximately RMB49.6 million generated during FY2020, the increase in trade and bills payable and accruals and other payables of approximately RMB89.8 million, partly offset by increase in trade, bills and other receivables of approximately RMB51.6 million and contract assets of approximately RMB55.8 million.

For FY2019, we recorded a profit before taxation of approximately RMB59.6 million and net cash generated from operating activities of approximately RMB96.1 million. The result was reflected in the increase in trade and bills payables of approximately RMB561.3 million, partially offset by (i) an increase in contract assets of approximately RMB436.8 million in line with the increase in revenue recognised from our construction services during the year; and (ii) an increase in trade, bills and other receivables of approximately RMB188.2 million.

The table below sets forth our major financial ratios as at the dates indicated:

	Year ended/As at 31 December			Nine months ended/As at 30 September
	2019	2020	2021	2022
Gross profit margin *(Note 1)*	10.1%	10.7%	10.7%	10.9%
Net profit margin *(Note 2)*	2.8%	2.8%	3.4%	3.7%
Return on assets *(Note 3)*	2.7%	2.5%	3.3%	N/A *(Note 11)*
Return on equity *(Note 4)*	29.4%	22.1%	21.7%	N/A *(Note 11)*
Current ratio *(Note 5)*	1.1 times	1.1 times	1.2 times	1.2 times
Quick ratio *(Note 6)*	1.1 times	1.1 times	1.2 times	1.2 times
Interest coverage ratio *(Note 7)*	7.7 times	12.2 times	21.3 times	13.3 times
Net debt to equity ratio *(Note 8)*	N/A *(Note 10)*	N/A *(Note 10)*	N/A *(Note 10)*	4.6%
Gearing ratio *(Note 9)*	44.0%	28.5%	22.7%	41.4%

Notes:

1. Gross profit margin = gross profit ÷ revenue × 100%
2. Net profit margin = profit for the year/period ÷ revenue × 100%
3. Return on assets = profit for the year ÷ total assets × 100%
4. Return on equity = profit for the year ÷ total equity attributable to owner of the Company × 100%
5. Current ratio = total current assets ÷ total current liabilities
6. Quick ratio = (total current assets − inventories) ÷ total current liabilities
7. Interest coverage ratio = profit before finance costs and income tax expense ÷ finance costs
8. Net debt to equity ratio = (total interest-bearing debt including borrowings and lease liabilities net of cash and cash equivalent) ÷ total equity × 100%
9. Gearing ratio = (total interest-bearing debt including borrowings and lease liabilities) ÷ total equity × 100%
10. Net debt to equity ratio is not applicable to our Group as at 31 December 2019, 2020 and 2021 as our Group recorded net cash as at 31 December 2019, 2020 and 2021.
11. Return on assets and return on equity are calculated on a full year basis.

RECENT DEVELOPMENT

The Impact of the COVID-19 outbreak

According to the F&S Report, the construction industry in the PRC was affected by the COVID-19 pandemic in the first quarter of 2020 and the resurgence of COVID-19 including the highly transmissible Omicron variant, in various provinces across the PRC (the "**Resurgence**") in the first half of 2022 with short term adverse impacts on the delay in construction projects schedule, shortage of construction labour resources and increasing labour costs due to various isolation measures imposed by the PRC Government on business and social activities, including lockdowns, stringent travel restrictions, heightened quarantine measures and mandated temporary suspension of business operations across certain regions.

Due to the outbreak of COVID-19, in 2020, we extended the duration of our Chinese New Year's holiday and our employees resumed work by 24 February 2020.

According to the F&S Report, the outbreak of COVID-19 in the PRC has generally delayed the completion of the construction projects by 30 to 50 days in the PRC. During the Track Record Period, all of our construction projects which are on-going immediately before the outbreak of COVID-19 had encountered suspension for around 37.1 days on average due to the outbreak of COVID-19 and had resumed on or before 1 April 2020. Based on the review of the status of all such projects, the average delay in recognition of revenue due to the outbreak of COVID-19 is estimated to be less than two months and the total revenue delayed in recognition of all of our on-going projects amounted to approximately RMB91.7 million in FY2020, which has been fully recognised in FY2020. In 2021 and 2022, we did not encounter any material suspension of projects and are not subject to any penalties to our customers due to the COVID-19 pandemic and the Resurgence. Despite containment measures, such as city lockdown, were imposed by the PRC Government, the COVID-19 pandemic and the Resurgence has no material impacts on our business operation because (i) so long as the construction workers complied with the movement restriction rule imposed by the PRC Government, operation of construction projects are not restricted by the PRC Government, and all of our customers decided not to suspend their construction projects and (ii) our suppliers and subcontractors were also available to deliver the materials or services to us without material delay during the COVID-19 pandemic and the Resurgence. Save as disclosed above, up to the Latest Practicable Date, we did not encounter suspension of our projects due to COVID-19.

The outbreak of the COVID-19 pandemic and the Resurgence did not have material impacts on the progress of our construction projects, the financial position and viability of our customers and business operation of our suppliers and subcontractors in relation to our projects during the Track Record Period and as at the Latest Practicable Date.

Since the beginning of the COVID-19 outbreak and up to the Latest Practicable Date, during the outbreak of COVID-19, we have not received any notice from (i) our customers to terminate our existing projects or to demand penalties for delay in progress of our on-going projects due to the outbreak of COVID-19; (ii) our suppliers or subcontractors to terminate its provision of raw materials or subcontracting services; or (iii) our banks to terminate our bank loans or credit facilities.

For further details in relation to the outbreak of COVID-19, please refer to the section headed "Risk Factors — The outbreak of COVID-19 or any other severe communicable disease could adversely affect our Group's financial positions and results of operations" in this prospectus.

Regulatory Developments on Overseas Listing

On 17 February 2023, the CSRC formally released the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies《境內企業境外發行證券和上市管理試行辦法》(the "**Trial Overseas Listing Measures**") and five filing guidelines, which are expected to take effect on 31 March 2023. The Trial Overseas Listing Measures will regulate both direct and indirect overseas offerings and listings of securities by PRC domestic companies by adopting a filing-based regulatory regime. Where an issuer submits an application for initial public offering for overseas offering or listing directly or indirectly, such issuer must file with the CSRC within three business days after such application is submitted.

On 17 February 2023, the CSRC also held a press conference for the release of the Trial Overseas Listing Measures and issued the Notice on Administration for the Filing of Overseas Offering and Listing by Domestic Companies (關於境內企業境外發行上市備案管理安排的通知), which, among others, clarifies that companies which apply for an indirect overseas listing and satisfy all of the following conditions shall be deemed as "existing applicants (存量企業)" and are not required to complete the overseas listing filing immediately, but shall complete filings as required if they conduct refinancing or are involved in other circumstances that require filing with the CSRC: (i) the application for overseas offering or listing shall have been approved by the relevant overseas regulatory authorities or stock exchanges (such as passing the hearing for the listing application in Hong Kong) prior to 31 March 2023, (ii) the company is not required to reapply for offering and listing procedures to the overseas regulatory authorities or securities exchanges (such as a new hearing for the listing application in Hong Kong) after 31 March 2023, and (iii) such overseas securities offering or listing shall be completed on or prior to 30 September 2023. For details, please refer to section headed "Regulatory Overview — Regulations Relating to Overseas Listing" in this prospectus.

Based on the above and the current expected timetable of the Global Offering that the Listing will take place before the effective date of the Trial Overseas Listing Measures, our PRC Legal Advisers are of the view that we do not need to perform the record-filing procedures for the Global Offering and the Listing.

No material adverse change

Our business model remains unchanged subsequent to the Track Record Period. Subsequent to the Track Record Period and up to the Latest Practicable Date, we have continued to focus on construction contracting business, in which we have submitted 112 tender documents and have been awarded 17 projects, representing a tender success rate of approximately 15.2%.

The following tables sets forth the breakdown of movement in contract value of backlog by project type after the Track Record Period and as at the Latest Practicable Date including the new contract value of construction project contracted and closing backlog of contract value for each year, and estimated revenue expected to be recognised by project type for each year after the Track Record Period, by business segments.

Movement of contract value of backlog after the Track Record Period and as at the Latest Practicable Date and estimated revenue expected to be recognised by project type after the Track Record Period

	Contract value of backlog as at 30 September 2022	New contract value of construction projects contracted	Add/(less): variation orders	Less: revenue recognised	Ending contract value of backlog as at the Latest Practicable Date	Revenue expected to be recognised in FY2023	Revenue expected to be recognised in FY2024	Revenue expected to be recognised in FY2025
						(Note 2)	*(Note 2)*	*(Note 2)*
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Civil building construction	2,355,851	136,632	92,423	217,116	2,367,790	1,406,983	641,081	319,726
Municipal works construction	257,372	222,207	158,709	343,601	294,687	258,129	36,558	—
Foundation works	11,561	—	738	4,533	7,766	7,644	122	—
Prefabricated steel structure construction works	103,789	80,062	336	58,948	125,239	125,079	160	—
Other specialised contracting work *(Note 1)*	35,978	—	176	6,522	29,632	27,138	2,494	—
	2,764,551	438,901	252,382	630,720	2,825,114	1,824,973	680,415	319,726

Notes:

1. Our other specialised contracting works mainly include building renovation and decoration works.

2. Such amount is only an estimate and is subject to change due to actual progress and completion date of the relevant projects.

Taking into account the discussions as set out in the paragraph headed "The Impact of the COVID-19 Outbreak" above, our Directors were of the view that, up to the date of this prospectus, there has been no material adverse change in the financial or trading position or prospects of our Group since 30 September 2022, being the end of the period reported on the Accountants' Report set out in Appendix I to this prospectus.

The unaudited financial information as of and for the year ended 31 December 2022 have been agreed with the reporting accountants following their work under Practice Note 730 "Guidance for Auditors Regarding Preliminary Announcements of Annual Results" issued by the Hong Kong Institute of Certified Public Accountants. Our unaudited financial information for FY2022 is set out in Appendix III to this prospectus. Based on the unaudited financial information for FY2022, our net profit increased to RMB65.5 million in FY2022 by approximately RMB3.6 million as compared to FY2021 mainly attributable to the increment in gross profits of approximately RMB10.9 million partially net-off by the increase in Listing expenses of approximately RMB1.7 million, increase in finance costs of approximately RMB3.9 million and increase in impairment on financial and contract assets of approximately RMB2.0 million. For details, please refer to Appendix III to this prospectus.

LISTING EXPENSES

The total estimated Listing expenses primarily consist of the estimated underwriting commissions for the Hong Kong Public Offering and the International Placing in addition to the professional fees paid in relation to the Global Offering.

Assuming the Over-allotment Option is not exercised and assuming an Offer Price of HK$1.18, being the mid-point of our indicative price range for the Global Offering, the total Listing expenses is estimated to be RMB51.2 million (equivalent to HK$56.1 million), representing approximately 39.6% of the gross proceeds from the Global Offering. The Listing expenses comprise (i) underwriting-related expenses of approximately RMB19.6 million (equivalent to HK$21.5 million); (ii) non-underwriting-related expenses of RMB31.6 million (equivalent to HK$34.6 million), including (a) fees and expenses of legal advisers and Reporting accountants of approximately RMB15.4 million (equivalent to HK$16.9 million); and (b) other non-underwriting-related fees and expenses of approximately RMB16.2 million (equivalent to HK$17.7 million). Listing expenses of approximately RMB17.3 million (equivalent to HK$18.9 million) is directly attributable to the issue of the Offer Shares in the Global Offering which was and is expected to be accounted for as a deduction from equity in accordance with relevant accounting standards. The remaining expenses of RMB33.9 million (equivalent to HK$37.2 million) were or are expected to be charged as expenses to our consolidated statements of profit or loss, of which RMB2.4 million (equivalent to HK$2.6 million), RMB10.7 million (equivalent to HK$11.8 million), RMB4.5 million (equivalent to HK$4.9 million) and RMB4.5 million (equivalent to HK$4.9 million) was charged for FY2019, FY2020, FY2021 and 3Q2022, respectively, while the balance of RMB11.8 million (equivalent to HK$13.0 million) is expected to be charged after 30 September 2022. The above total Listing expenses are the latest practicable estimates for reference only. The final amount to be recognised may differ from these estimates.

DIVIDENDS

For FY2019, FY2020, FY2021 and 3Q2022, our Group declared dividends of RMB0.1 million, RMB0.2 million, nil and nil, respectively. All the dividends declared during the Track Record Period had been fully settled as at the Latest Practicable Date. A decision to declare or to pay any dividends in the future, and the amount of any dividends, will depend on, among other things, the results of our operations, cash flows, financial conditions, our Articles of Association, statutory and regulatory restrictions and other factors that it may consider relevant. There is no assurance that dividends of such amount or any amount will be declared or distributed each year or in any year. Investors should note that historical dividend distributions are not indicative of our future dividend distribution policy.

FUTURE PLANS AND PROSPECTS/ USE OF PROCEEDS

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

We estimate that we will receive net proceeds of HK$85.5 million (equivalent to approximately RMB77.9 million) from the Global Offering, after deducting the underwriting commissions and other estimated expenses payable by us in connection with the Global Offering, assuming an Offer Price of HK$1.18 per Share, being the mid-point of the indicative Offer Price range. We intend to use such net proceeds from the Global Offering for the purposes and in the amounts set forth below:

Amount of net proceeds	**Use of proceeds**
(i) approximately 50.0%, or approximately HK$42.8 million (equivalent to approximately RMB38.9 million)	to fund our upfront expenditure of three projects on hand
(ii) approximately 20.0%, or approximately HK$17.1 million (equivalent to approximately RMB15.6 million)	to acquire and/or replace our construction machinery and equipment

(iii) approximately 20.0%, or approximately HK$17.1 million (equivalent to approximately RMB15.6 million)	to fund the establishment and operations of our know-how centre including (a) recruiting professionals ; (b) purchasing equipment and software; (c) financing the operating costs including purchasing the materials to be used in R&D; and (d) paying the rent and renovation costs of the know-how centre to strengthen our R&D capabilities
(iv) approximately 10.0%, or HK$8.5 million (equivalent to approximately RMB7.8 million)	for working capital and general corporate purposes

PRIOR QUOTATION AND WITHDRAWAL OF QUOTATION ON THE NEEQ

The shares of Zhongtian Construction had been quoted on the NEEQ (stock code: 871407) from 16 May 2017 to 20 January 2019. For details, please refer to section headed "History, Development and Reorganisation — Prior Quotation and Withdrawal of Quotation on the NEEQ" in this prospectus.

As advised by our PRC Legal Advisers based on searches conducted on the official websites of the NEEQ and CSRC and as confirmed by our Company, Zhongtian Construction complied with the relevant rules governing NEEQ in all material respects, and Zhongtian Construction, its subsidiaries and all its then directors or senior management had not been subject to any investigation or disciplinary action by the relevant regulators during the period when its shares were quoted on the NEEQ and up to the withdrawal of the quotation of its shares on the NEEQ. Our Directors confirm that (i) there is no matter that might materially and adversely affect our Company's suitability for the Listing in relation to the previous quotation of shares of Zhongtian Construction on the NEEQ; and (ii) there has not been any matter that needs to be brought to the attention of the potential investors or regulators in Hong Kong in respect of the previous quotation of shares of Zhongtian Construction on the NEEQ. Based on the views of our PRC Legal Advisers and the due diligence works conducted by the Sole Sponsor, the Sole Sponsor concurs with the above Directors' view.

Prospective investors should not place reliance on the information published by Zhongtian Construction on NEEQ as the information was prepared based on regulatory requirements, market practices and accounting standards may be different from that applicable to the Global Offering.

For details, please refer to section headed "Risk Factors — You should not place any reliance on the information published regarding to Zhongtian Construction's prior quotation on the NEEQ" in this prospectus.

LEGAL PROCEEDINGS

As at the Latest Practicable Date, our Group was involved in certain material on-going litigations, which mainly include contractual disputes regarding construction service fees. For details, please refer to the section headed "Business — Legal and regulatory — Legal proceedings" in this prospectus.

INTELLECTUAL PROPERTY

The Chinese name of our Company and our subsidiaries contain "中天" (Zhongtian). In particular, Zhongtian Construction, our major operating subsidiary, has been using "中天" (Zhongtian) in its name since 2004. Meanwhile, there are many companies whose names contain "中天" (Zhongtian) in the PRC and Hong Kong, including companies in the construction industry. As at the Latest Practicable Date, we had not registered any trademark containing "Zhongtian" or "中天" in the PRC and were the registered owner of six trademarks containing "Zhongtian" or "中天" in Hong Kong.

As advised by Ms. Queenie W.S. Ng, the legal adviser to our Company as to Hong Kong laws, given that, amongst others, we have successfully registered trademarks containing "中天" or "Zhongtian" in Hong Kong, and no other companies had registered trademarks containing "中天" or "Zhongtian" in class 37 in Hong Kong as at the Latest Practicable Date; and the names of our Company and Zhongtian Construction also contain "Construction" and "Hunan", so that the public can distinguish our Company and Zhongtian Construction from other companies whose names contain "中天" (Zhongtian), the chance of our Group to be successfully claimed for infringement of intellectual property rights and/or passing off in Hong Kong by other companies established in the PRC whose names contain "中天" (Zhongtian), bearing same or similar names and trademarks and conducting similar businesses as our Group, is remote.

As advised by our PRC Legal Advisers, taking into account that various factors including (i) we do not carry out our business directly under the name of our Company in the PRC and would mainly continue to carry out its business under the name of Zhongtian Construction, whose name was approved by Zhuzhou AMR; (ii) our Group refers our Company as its holding company during business negotiations, which is true and accurate; (iii) Zhuzhou AMR clearly confirmed to our PRC Legal Advisers that if Zhongtian Construction refers to our Company as its holding company during business negotiations and carry out business under its own name, it would not be regarded as engaging in acts of confusion and/or unfair competition under the Anti-Unfair Competition Law of the PRC, our PRC Legal Advisers are of the view that, in the absence of evidence that the other PRC companies whose name contain "中天" (Zhongtian) and engage in the construction industry were influential or that the use of the name of our Company and Zhongtian Construction may cause any confusion and misunderstanding to others that they have any relationship with such other companies, the risk that the use of our registered company names would be regarded as engaging in acts of unfair competition through acts of confusion under the Anti-Unfair Competition Law of the PRC is low.

For details, please refer to the sections headed "Risk Factors — Risks relating to our business — Our Chinese company name may be identical or similar to other companies in the construction industry established in the PRC" and "Business — Intellectual property" in this prospectus.

RISK FACTORS

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

Our major risks include: (i) our business operations, working capital and cash flow position may be adversely affected if our customers delay in processing payment or fail to settle our bills; (ii) if we are unable to fully recover our contract assets or if retention money is not fully released to us after expiry of the warranty period, our liquidity and financial position may be adversely affected; (iii) if we are unable to perform our contracts with customers and unable to fulfil our obligation in respect of contract liabilities, our financial position and results of operations may be adversely affected; (iv) our working capital, liquidity and financial condition may be adversely affected if we do not maintain comparable level of responsibility deposits from the persons-in-charge of our construction projects; (v) discontinuation of any of the preferential tax treatments we enjoy or imposition of any additional taxes can adversely affect our financial conditions and results of operations; (vi) we have limited control over the quality, availability and costs of our subcontractors and subcontracted workers; (vii) there is uncertainty as to the tender success rate of our Group in the future; (viii) our operating results may be significantly affected by changes in the prices and availability of raw materials; and (ix) any material discrepancies between the estimated costs and the actual costs ultimately incurred may adversely affect our financial conditions and result of operations. For details, please refer to the section headed "Risk Factors" in this prospectus.

OFFERING STATISTICS

	Based on the maximum Offer Price of HK$1.28 per Offer Share	Based on the minimum Offer Price of HK$1.08 per Offer Share
Market capitalisation of our Shares [(1)]	HK$614.4 million	HK$518.4 million
Unaudited pro forma adjusted net tangible assets per Share [(2)]	HK$1.00	HK$0.95

Notes:

1. The market capitalisation is calculated based on 480,000,000 Shares expected to be in issue immediately following completion of the Capitalisation Issue and the Global Offering and assuming that the Over-allotment Option is not exercised.

2. The unaudited pro forma adjusted net tangible assets per Share is calculated after making the adjustments referred to in Appendix II headed "Unaudited pro forma financial information" to this prospectus and on the basis of a total of 480,000,000 Shares in issue immediately following completion of the Capitalisation Issue and the Global Offering and assuming that the Over-allotment Option is not exercised.

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

"3Q2021"	the nine months ended 30 September 2021
"3Q2022"	the nine months ended 30 September 2022
"Accountants' Report"	the accountants' report set out in Appendix I to this prospectus
"AFRC"	Accounting and Financial Reporting Council (formerly known as Financial Reporting Council)
"Articles" or "Articles of Association"	the amended and restated articles of association of our Company, adopted on 10 March 2023, a summary of which is set out in Appendix IV to this prospectus, as amended, supplemented or otherwise modified from time to time
"associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Bizoe (International)"	Bizoe (International) Company Limited (佰卓(國際)有限公司), a company incorporated in BVI with limited liability on 15 January 2020, the entire issued share capital of which is wholly-owned by our Pre-IPO Investor namely Ms. Yang Shufen, and save for the Pre-IPO Investment, it is an Independent Third Party
"Board" or "Board of Directors"	the board of Directors
"Business Day(s)"	any day (other than a Saturday, Sunday or public holiday) on which banks in Hong Kong are generally open for business
"BVI"	the British Virgin Islands
"CAGR"	compound annual growth rate

"Capitalisation Issue"	the issue of 359,898,900 Shares to be made upon capitalisation of certain sums standing to the credit of the share premium account of our Company as referred to in the paragraph headed "A. Further information about our Group — 5. Written resolutions of our Shareholders passed on 10 March 2023" in Appendix V to this prospectus
"Capital Market Intermediary(ies)" or "CMIs"	the capital market intermediaries participating in the Global Offering, namely CMBC Securities, Grande Capital, SPDB International Capital Limited, BOCOM International Securities Limited, I Win Securities Limited, China Everbright Securities (HK) Limited, Soochow Securities International Brokerage Limited, Alliance Capital Partners Limited, Eddid Securities and Futures Limited, Maxa Capital Limited, ChaoShang Securities Limited and Leeds Securities Investment Limited
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"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 EIPO"	the application for the Hong Kong Public Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account through causing HKSCC Nominees to apply on your behalf, including by (i) instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give electronic application instructions via CCASS terminals to apply for the Hong Kong Public Offer Shares on your behalf; or (ii) if you are an existing CCASS Investor Participant, giving electronic application instructions through the CCASS Internet System (***https://ip.ccass.com)*** or through the CCASS Phone System (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time). HKSCC can also input electronic application instructions for CCASS Investor Participants through HKSCC's Customer Service Center by completing an input request
"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(s)"	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
"China" or "PRC"	The People's Republic of China, but for the purpose of this prospectus and for geographical reference only and except where the context requires, references in this prospectus to "China" and the "PRC" exclude Taiwan, Macau Special Administrative Region and Hong Kong
"close associate(s)"	has the meaning ascribed thereto under the Listing Rules

"CMBC Securities"	CMBC Securities Company Limited, a licensed corporation to carry out type 1 (dealing in securities) and type 4 (advising on securities) regulated activities as defined under the SFO
"Companies Act"	the Companies Act (as revised) of the Cayman Islands, as amended, supplemented or otherwise modified from time to time
"Companies Ordinance" or "Hong Kong Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Companies (Winding Up and Miscellaneous Provisions) Ordinance"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Company" or "our Company"	Zhongtian Construction (Hunan) Group Limited (中天建設（湖南）集團有限公司) (formerly known as Zhongtian Construction Group Limited (中天建設集團有限公司)), a company incorporated in the Cayman Islands as an exempted company with limited liability on 27 March 2020
"connected person(s)"	has the meaning ascribed thereto under the Listing Rules
"Construction Project Management Code"	the Code for Construction Project Management (建設工程項目管理規範), approved by the MOHURD on 4 May 2017 and effective on 1 January 2018, in replacement of the former Predecessor Construction Project Management Code (GB/T50326-2006)
"Controlling Shareholder"	has the meaning ascribed thereto under the Listing Rules and, unless the context requires otherwise, refers to ZT (A)
"Corporate Governance Code"	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
"core connected person(s)"	has the meaning ascribed thereto under the Listing Rules

"CSRC"	the 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
"Customer Shicuiying"	Ningbo Shicuiying Real Estate Company Limited* (寧波史翠英置業有限公司), a company established in the PRC on 24 December 2010 with limited liability and an Independent Third Party
"Deed of Indemnity"	the deed of indemnity dated 17 March 2023 executed by our Controlling Shareholder and Zhongtian Holdings in favour of our Company (for ourselves and as trustee for each of our subsidiaries) regarding certain indemnities, particulars of which are set out in "E. Other Information — 1. Tax and other indemnities" in Appendix V to this prospectus
"Deed of Non-Competition"	the deed of non-competition dated 17 March 2023 executed by our Controlling Shareholder and Zhongtian Holdings in favour of our Company (for ourselves and as trustee for each of our subsidiaries), particulars of which are set out in the section headed "Relationship with our Controlling Shareholder — Non-competition undertakings" in this prospectus
"Demerger"	the demerger (分立) of Zhongtian Construction into two companies, namely Zhongtian Construction and Puhui Commercial, which was registered by Zhuzhou AMR on 2 July 2019
"Director(s)"or "Our Director(s)"	director(s) of our Company
"EIT"	the PRC enterprise income tax
"EIT Law"	the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法), enacted on 16 March 2007, effective from 1 January 2008 and amended on 29 December 2018 by the NPC

"EPC Tripartite Framework Agreement"	an EPC tripartite framework agreement entered into among Hunan Design Institute, Hangxiao Technology and Zhongtian Construction on 16 November 2017, details of which are set out in the section headed "Business — Contracting models" in this prospectus
"**eWhite Form**"	the application for Hong Kong Public Offer Shares to be issued in the applicant's own name by submitting applications online through the designated website of the **eWhite Form** Service Provider at ***www.ewhiteform.com.hk***
"**eWhite Form** Service Provider"	the **eWhite Form** Service Provider designated by our Company, as specified on the designated website at ***www.ewhiteform.com.hk***
"Extreme Conditions"	extreme conditions caused by a super typhoon as announced by the government of Hong Kong
"Fangge Intelligence"	Hunan Fangge Intelligence Technology Company Limited* (湖南方格智能節能科技股份有限公司), a company limited by shares established in the PRC on 20 December 2007 and owned by Zhongtian Holdings as to 70.00%, and a deemed connected person of our Company
"FY2018", "FY2019", "FY2020", "FY2021", "FY2022"	financial years ended 31 December 2018, 2019, 2020, 2021 and 2022, respectively
"FY2023", "FY2024", "FY2025", "FY2026"	financial years ending 31 December 2023, 2024, 2025 and 2026, respectively
"F&S" or "Frost & Sullivan"	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., an independent industry consultant
"F&S Report"	the market research report prepared by F&S and commissioned by us
"GDP"	gross domestic product

"General Rules of CCASS"	the terms and conditions regulating the use of CCASS, as may be amended or modified from time to time and where the context so permits, shall include the CCASS Operational Procedures
"Global Offering"	the Hong Kong Public Offering and the International Placing
"Government-related Entities"	government entities, state-owned enterprises and state-invested enterprises
"Grande Capital" or "Sole Sponsor"	Grande Capital Limited, a licensed corporation to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities as defined under the SFO, being the Sole Sponsor and one of the Joint Overall Coordinators to the Global Offering
"**Green** Application Form(s)"	the application form(s) to be completed by the **eWhite Form** Service Provider
"Group", "our Group", "we", "our" or "us"	our Company and its subsidiaries or, where the context so requires, in respect of the period before our Company became the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of our Company at that time
"Hangxiao Materials"	Zhuzhou Hangxiao Materials Trading Company Limited* (株洲杭蕭材料貿易有限公司), a company established in the PRC with limited liability on 31 July 2019, and an indirect wholly-owned subsidiary of our Company
"Hangxiao Steel Structure"	Hangxiao Steel Structure Company Limited* (杭蕭鋼構股份有限公司), a company limited by shares established in the PRC on 28 December 2000 with its shares listed on the Shanghai Stock Exchange, an Independent Third Party and holds 10.71% of the shareholding in Hangxiao Technology

"Hangxiao Technology"	Hunan Zhongtian Hangxiao Structural Technology Company Limited* (湖南中天杭蕭鋼構科技股份有限公司), a company limited by shares established in the PRC on 19 September 2017 and owned by Zhongtian Holdings as to 68.29%, and a deemed connected person of our Company
"Head Sage"	Head Sage Limited, a company incorporated in BVI with limited liability on 23 December 2019, and a direct wholly-owned subsidiary of our Company
"Hengji Real Estate"	Hunan Hengji Real Estate Development Company Limited* (湖南中天恒基房地產開發有限公司), a company established in the PRC with limited liability on 17 July 1998 and owned by Zhongtian Holdings as to approximately 85.82%, and a deemed connected person of our Company
"HHURD"	Department of Housing and Urban-Rural Development of Hunan Province (湖南省住房和城鄉建設廳)
"HKFRSs"	Hong Kong Financial Reporting Standards issued by the HKICPA
"HKICPA"	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
"Hong Kong dollars", "HKD" or "HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong Public Offer Shares"	the 12,000,000 Shares (subject to reallocation) being initially offered by our Company for subscription pursuant to the Hong Kong Public Offering, as described in the section headed "Structure and Conditions of the Global Offering" in this prospectus

"Hong Kong Public Offering"	the issue and offer of the Hong Kong Public Offer Shares for subscription in Hong Kong at the Offer Price (plus brokerage, Stock Exchange trading fee, SFC transaction levy and AFRC transaction levy) on and subject to the terms and conditions described in this prospectus
"Hong Kong Share Registrar"	Boardroom Share Registrars (HK) Limited
"Hong Kong Underwriters"	the Underwriters of the Hong Kong Public Offering, whose names are set out in the section headed "Underwriting — Hong Kong Underwriters" in this prospectus
"Hong Kong Underwriting Agreement"	the underwriting agreement dated 17 March 2023 and entered into among our Company, our executive Directors, our Controlling Shareholder, the Sole Sponsor, the Joint Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Hong Kong Underwriters and the CMIs relating to the Hong Kong Public Offering
"Hunan Design Institute"	Hunan Province Architectural Design Institute Limited Company* (湖南省建築設計院有限公司), a state-owned company established in the PRC with limited liability on 23 March 1990, and an Independent Third Party
"Independent Third Party(ies)"	an individual(s) or a company(ies) who or which is/are, to the best knowledge, information and belief of our Directors, not connected person(s) of our Group
"Independent Valuer"	APAC Asset Valuation and Consulting Limited, an independent valuer
"International Placing"	the placing of the International Placing Shares at the final Offer Price to professional, institutional and other investors, as described in "Structure and Conditions of the Global Offering" of this prospectus

"International Placing Shares"	the 108,000,000 Shares offered by our Company for subscription under the International Placing, subject to reallocation and the exercise of the Over-allotment Option, as described in "Structure and Conditions of the Global Offering" of this prospectus
"International Underwriters"	the underwriters of the International Placing, who are expected to enter into the International Underwriting Agreement
"International Underwriting Agreement"	the underwriting agreement expected to be entered into among our Company, our executive Directors, our Controlling Shareholder, the Sole Sponsor, the Joint Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Capital Market Intermediaries and the International Underwriters relating to the International Placing
"Jicai Trading"	Zhuzhou Jicai Trading Company Limited* (株洲集采商貿有限公司), a company established in the PRC with limited liability on 9 July 2018, and an indirect wholly-owned subsidiary of our Company
"Joint Bookrunners"	CMBC Securities, Grande Capital, SPDB International Capital Limited, BOCOM International Securities Limited, I Win Securities Limited, China Everbright Securities (HK) Limited, Soochow Securities International Brokerage Limited and Alliance Capital Partners Limited
"Joint Global Coordinators"	CMBC Securities and Grande Capital
"Joint Lead Managers"	CMBC Securities, Grande Capital, SPDB International Capital Limited, BOCOM International Securities Limited, I Win Securities Limited, China Everbright Securities (HK) Limited, Soochow Securities International Brokerage Limited, Alliance Capital Partners Limited, Eddid Securities and Futures Limited, Maxa Capital Limited, ChaoShang Securities Limited and Leeds Securities Investment Limited

"Joint Overall Coordinators"	CMBC Securities and Grande Capital
"Kaida Apparatus"	Zhuzhou Kaida Lifting Apparatus Leasing Company Limited* (株洲凱大起重設備安裝工程有限公司), formerly known as Zhuzhou Kaida Equipment Leasing Co., Ltd.* (株洲凱大物資設備租賃有限公司), a company established in the PRC with limited liability on 28 April 2004 and an indirect non-wholly owned subsidiary of our Company, which is held by Zhongtian Construction as to approximately 56.99% and by 23 individuals as to approximately 43.01% in aggregate including five individuals who are directors or senior management members of our Group or their associates as to approximately 16.40% in aggregate and 18 individuals who are Independent Third Parties including our employees and ex-employee as to approximately 26.61% in aggregate, with each of the Independent Third Parties holding approximately 0.24% to 7.69%, for further details, please refer to the section headed "History, Development and Reorganisation — Corporate structure — Corporate structure of our Group immediately after the Reorganisation and the Pre-IPO Investment but prior to the Capitalisation Issue and the Global Offering" in this prospectus
"Latest Practicable Date"	10 March 2023, being the latest practicable date for the purpose of ascertaining certain information in this prospectus prior to its publication
"Listing"	the listing of the Shares on the Main Board
"Listing Committee"	the Listing Committee of the Stock Exchange
"Listing Date"	the date on which dealings in the Shares on the Main Board first commence
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time

"M&A Rules"	the Rules on the 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 issued by the State-owned Assets Supervision and Administration Commission (國務院國有資產監督管理委員會), MOFCOM, SAT, SAIC, CSRC and SAFE on 8 August 2006 and amended by MOFCOM on 22 June 2009
"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with GEM of the Stock Exchange
"Memorandum" or "Memorandum of Association"	the amended and restated memorandum of association of our Company adopted on 10 March 2023, as amended from time to time, a summary of which is contained in Appendix IV to this prospectus
"MOFCOM"	the PRC Ministry of Commerce (中華人民共和國商務部), or its predecessor, the Ministry of Foreign Trade and Economic Cooperation, as appropriate to the context
"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. Chen"	Mr. Chen Weiwu (陳衛武先生), our executive Director
"Mr. Liu"	Mr. Liu Xiaohong (劉小紅先生), our executive Director and our chief executive officer
"Mr. Min"	Mr. Min Shixiong (閔世雄先生), our executive Director
"Mr. Shen"	Mr. Shen Qiang (沈强先生), our executive Director
"Mr. Yang"	Mr. Yang Zhongjie (楊中杰先生) (formerly known as 楊忠杰), our executive Director and chairman of our Board

"Ms. Yang Shufen" or "Pre-IPO Investor"	Ms. Yang Shufen (楊淑芬女士), our Pre-IPO Investor who holds the entire issued share capital of Bizoe (International), and save for the Pre-IPO Investment, she is an Independent Third Party
"NEEQ"	the National Equities Exchange and Quotations of the PRC (全國中小企業股份轉讓系統)
"Ningbo Properties"	11 properties located at No. 101-105 and 1101-1106, Cuiyuan Building, Changle Village, Gaoqiao Town, Yinzhou District, Ningbo, PRC (寧波市鄞州區高橋鎮長樂村翠園大廈101-105、1101-1106號) with a total gross floor area of 1,665.8 sq.m.
"NPC"	the National People's Congress of the PRC (中華人民共和國全國人民代表大會)
"Offer Price"	the offer price per Offer Share (exclusive of brokerage of 1%, SFC transaction levy of 0.0027%, AFRC transaction levy of 0.00015% and Stock Exchange trading fee of 0.00565%) at which the Offer Shares are to be subscribed pursuant to the Global Offering
"Offer Shares"	the Hong Kong Public Offer Shares and the International Placing Shares
"Other Businesses"	other businesses held by Zhongtian Holdings as at the Latest Practicable Date, please refer to the section headed "Relationship with our Controlling Shareholder — Other Businesses held by Zhongtian Holdings" in this prospectus for details

"Over-allotment Option"	the option expected to be granted by our Company under the International Underwriting Agreement to the International Underwriters, exercisable by the Joint Overall Coordinators and the Joint Global Coordinators (for themselves and on behalf of the International Underwriters), pursuant to which our Company may be required to allot and issue up to an aggregate of 18,000,000 additional new Shares at the Offer Price, representing 15% of the initial number of Offer Shares offered under the Global Offering, at the Offer Price to, among other things, cover the over-allocations (if any) in the International Placing, as described in the section headed "Structure and Conditions of the Global Offering" in this prospectus
"PRC Company Law"	Company Law of the PRC (中華人民共和國公司法) as amended, supplemented and otherwise modified from time to time
"PRC Construction Legal Advisers"	Hunan Dongsheng Law Firm* (湖南東盛律師事務所), the legal advisers to our Company as to PRC laws in respect of construction matters in the PRC
"PRC Government" or "State"	the central government of the PRC, including all governmental subdivisions (including provincial, municipal and other regional or local government entities) and instrumentalities thereof, or where the context require, any of them
"PRC Legal Advisers"	Beijing Dentons Law Offices, LLP (Shenzhen), the legal advisers to our Company as to the PRC laws
"Predecessor Construction Project Management Code"	The former GB/T50326-2006 "Code for Construction Project Management" (建設工程專案管理規範), which was abolished and replaced by the Construction Project Management Code on 1 January 2018
"Pre-IPO Investment"	the subscription of approximately 1.09% of the then equity interest in Jicai Trading by Ms. Yang Shufen as described in the section headed "History, Development and Reorganisation — Pre-IPO Investment" in this prospectus

"Price Determination Date"	the date, expected to be on or around Thursday, 23 March 2023 but in any event not later than Tuesday, 28 March 2023, on which the Offer Price will be determined for the purposes of the Global Offering
"Province"	a province or, where the context requires, a provincial level autonomous region or municipality, under the direct supervision of the central government of the PRC
"Puhui Commercial"	Zhuzhou Puhui Commercial Management Company Limited* (株洲普惠商業管理股份有限公司), a company limited by shares established in the PRC pursuant to the Demerger on 28 June 2019 and owned by Zhongtian Holdings as to approximately 74.97%
"Regulation S"	Regulation S under the US Securities Act
"Renminbi" or "RMB"	Renminbi, the lawful currency of the PRC
"Reorganisation"	the corporate reorganisation of our Group in the preparation for the Listing, details of which are set out in the section headed "History, Development and Reorganisation — Reorganisation" in this prospectus
"Reporting Accountants"	BDO Limited, the auditors and reporting accountants of our Company
"R&D"	research and development
"SAFE"	State Administration of Foreign Exchange of the PRC (中華人民共和國國家外滙管理局)
"SAFE Circular No. 13"	Circular on Further Simplification and Improvement in Foreign Exchange Administration on Direct Investment (關於進一步簡化和改進直接投資外滙管理政策的通知) promulgated by SAFE on 28 February 2015

"SAFE Circular No. 37"	the Circular on Relevant Issues concerning Foreign Exchange Administration of Overseas Investment and Financing and Round-trip Investment by Domestic Residents via 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) promulgated by SAFE on 4 July 2014
"SAIC"	State Administration of Industry and Commerce of the PRC (中華人民共和國國家工商行政管理總局)
"SAT"	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
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Share(s)"	ordinary share(s) with par value of HK$0.01 each in the share capital of our Company
"Shareholder(s)" or "our Shareholders"	holder(s) of the Share(s)
"Share Option Scheme"	the share option scheme conditionally adopted by our Company on 10 March 2023, the principal terms of which are summarised in the paragraph headed "D. Share Option Scheme" in Appendix V to this prospectus
"Stabilising Manager"	CMBC Securities
"State Council"	State Council of the PRC (中華人民共和國國務院)
"Stock Borrowing Agreement"	the stock borrowing agreement expected to be entered into between ZT (A) and the Stabilising Manager on or about the same date as the International Underwriting Agreement
"Stock Exchange" or "HKEx"	The Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	has the meaning ascribed to it under the Listing Rules

"substantial shareholder(s)"	has the meaning ascribed to it under the Listing Rules
"Takeovers Code"	the Hong Kong Code on Takeovers and Mergers, as approved by the SFC and as amended, supplemented or otherwise modified from time to time
"Track Record Period"	the period comprising FY2019, FY2020, FY2021 and 3Q2022
"Underwriters"	the Hong Kong Underwriters and the International Underwriters
"Underwriting Agreements"	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
"United States" or "US"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"US Securities Act"	the United States Securities Act of 1933, as amended, supplemented or otherwise modified from time to time
"US$" or "USD"	the lawful currency for the time being of the United States
"VAT"	value-added tax
"Wuguang Investment"	Zhuzhou Wuguang New Milestone Investment Development Company Limited* (株洲武廣新里程投資發展有限責任公司), a company established in the PRC with limited liability on 18 December 2014 and wholly-owned by Hengji Real Estate, and a deemed connected person of our Company
"Zhaolin Trading"	Zhuzhou Zhaolin Trading Company Limited (株洲兆麟貿易有限公司), a company established in the PRC with limited liability on 21 April 2020, and an indirect wholly-owned subsidiary of our Company

"Zhongtian Building"	Hunan Zhongtian Building Safety Technology Company Limited* (湖南中天建築安全科技有限公司) (formerly known as Zhuzhou Yongan Labour Service Contract Construction Corporation* (株洲永安建設勞務分包有限公司) from March 2006 to April 2013 and Zhuzhou Yongan Labour Construction Corporation* (株洲永安建設勞務有限公司) from April 2013 to June 2019), a company established in the PRC with limited liability on 13 March 2006 and an indirect non-wholly owned subsidiary of our Company, which is held by Zhongtian Construction as to 61.40% and eight individuals as to 38.60% in aggregate, including five individuals who are directors or senior management members of our Group or their associates as to 33.40% in aggregate and three individuals who are Independent Third Parties including our employees and ex-employee as to 5.20% in aggregate, with each of the Independent Third Parties holding 1.20% to 2.00%, for further details, please refer to the section headed "History, Development and Reorganisation — Corporate structure — Corporate structure of our Group immediately after the Reorganisation and the Pre-IPO Investment but prior to the Capitalisation Issue and the Global Offering" in this prospectus

"Zhongtian Construction"	Hunan Zhongtian Construction Group Corporation* (湖南中天建設集團股份有限公司) (formerly known as Zhuzhou Residential Construction Company* (株洲市住宅建築公司) from March 1979 to November 1984, Zhuzhou Second Construction Engineering Company* (株洲市第二建築工程公司) from November 1984 to March 2004, Hunan Zhongtian Construction Company Limited* (湖南中天建設有限公司) from March 2004 to April 2007 and Hunan Zhongtian Construction Group Company Limited* (湖南中天建設集團有限公司) from April 2007 to June 2016, a company limited by shares established in the PRC on 1 March 1979, and an indirect non-wholly owned subsidiary of our Company which is held by Hangxiao Materials as to approximately 99.50%, while the remaining approximately 0.50% is held by the directors, supervisors and senior management members of Zhongtian Construction, with each of the Independent Third Parties holding approximately 0.04% to 0.10%, for further details, please refer to the section headed "History, Development and Reorganisation — Corporate structure — Corporate structure of our Group immediately after the Reorganisation and the Pre-IPO Investment but prior to the Capitalisation Issue and the Global Offering" in this prospectus
"Zhongtian HK"	Zhongtian Holdings (Hong Kong) Limited (中天控股(香港)有限公司), a company incorporated in Hong Kong with limited liability on 6 April 2020, and an indirect wholly-owned subsidiary of our Company

"Zhongtian Holdings"	Hunan Zhongtian Holdings Group Company Limited* (湖南中天控股集團股份有限公司, formerly known as Hunan Zhongtian Shiji Investment Company Limited* (湖南中天世紀投資股份有限公司)), a company limited by shares established in the PRC on 6 December 2010, the holding company which held approximately 74.97% of the share capital of Zhongtian Construction immediately before the Reorganisation, a deemed connected person of our Company, and was held by 79 individuals including 12 individuals who are directors or senior management members of our Group or their associates as to approximately 49.04% in aggregate and 67 individuals who are Independent Third Parties including our employees and ex-employees as to approximately 50.96% in aggregate, for further details, please refer to the section headed "History, Development and Reorganisation — Corporate structure — Corporate structure of our Group immediately prior to the Reorganisation" in this prospectus
"Zhongtian Holdings Group"	four companies which Zhongtian Holdings had interests, namely Hengji Real Estate, Wuguang Investment, Hangxiao Technology and Fangge Intelligence
"Zhongtian Gongying"	Zhuzhou Zhongtian Gongying Business Services (Limited Partnership)* (株洲中天共贏商務服務合夥企業(有限合夥)), a limited partnership established in the PRC on 22 December 2015, which held approximately 2.87% of the share capital in Zhongtian Construction immediately before the Reorganisation, and was held by 39 partners, with Ms. Zhang Weihui (張偉輝), an Independent Third Party, as the general partner holding approximately 11.03% of partnership interest, and 38 limited partners including two individuals who are directors or senior management members of our Group or their associates as to approximately 9.78% in aggregate and 36 individuals who are Independent Third Parties including our employees and ex-employees as to approximately 79.19% in aggregate, for further details, please refer to the section headed "History, Development and Reorganisation — Corporate structure — Corporate structure of our Group immediately prior to the Reorganisation" in this prospectus

"Zhongtian Steel Structure Construction"	Hunan Zhongtian Hangxiao Steel Structure Construction Limited* (湖南中天杭蕭鋼構建設有限公司), a company established in the PRC with limited liability on 22 October 2021, and a direct wholly-owned subsidiary of Zhongtian Construction
"Zhongtian Weijing"	Zhuzhou Zhongtian Weijing Business Services (Limited Partnership)* (株洲中天惟精商務服務合夥企業(有限合夥)), a limited partnership established in the PRC on 22 December 2015, which held approximately 3.69% of the share capital in Zhongtian Construction immediately before the Reorganisation, and was held by 38 partners, with Mr. Liu as the general partner holding approximately 13.71% of partnership interest, and 37 limited partners including two individuals who are directors or senior management members of our Group or their associates as to approximately 3.72% in aggregate and 35 individuals who are Independent Third Parties including our employees and ex-employees as to approximately 82.57% in aggregate, for further details, please refer to the section headed "History, Development and Reorganisation — Corporate structure — Corporate structure of our Group immediately prior to the Reorganisation" in this prospectus
"Zhongtian Weiyi"	Zhuzhou Zhongtian Weiyi Business Services (Limited Partnership)* (株洲中天惟一商務服務合夥企業(有限合夥)), a limited partnership established in the PRC on 22 December 2015, which held approximately 3.64% of the share capital of Zhongtian Construction immediately before the Reorganisation, and was held by 37 partners, with Mr. Tan Xuewen (譚學文), an Independent Third Party, as the general partner holding approximately 9.84% of partnership interest, and 36 limited partners including three individuals who are directors or senior management members of our Group or their associates as to approximately 7.54% in aggregate and 33 individuals who are Independent Third Parties including our employees and ex-employees as to approximately 82.62% in aggregate, for further details, please refer to the section headed "History, Development and Reorganisation — Corporate structure — Corporate structure of our Group immediately prior to the Reorganisation" in this prospectus

"ZHURD"	Bureau of Housing and Urban-Rural Development of Zhuzhou City (株洲市住房和城鄉建設局)
"Zhuzhou"	Zhuzhou City, Hunan Province
"Zhuzhou AMR" or "Zhuzhou AIC"	Zhuzhou Administration for Market and Regulation* (株洲市市場監督管理局), formerly known as Zhuzhou Administration for Industry and Commerce of Hunan Province* (湖南省株洲市工商行政管理局)
"ZT (A)"	ZT (A) Limited, a company incorporated in BVI with limited liability on 23 March 2020, which was held by 79 individuals, being the same group of shareholders of Zhongtian Holdings, proportional to their respective shareholdings (subject to rounding) in Zhongtian Holdings immediately before the Reorganisation, including 12 individuals who are directors or senior management members of our Group or their associates as to approximately 49.04% in aggregate and 67 individuals who are Independent Third Parties including our employees and ex-employees as to approximately 50.96% in aggregate, with each of the Independent Third Parties holding approximately 0.04% to 9.87%, for further details, please refer to the section headed "History, Development and Reorganisation — The individual shareholders of ZT (A), ZT (B), ZT (C), ZT (D), ZT (E), ZT (F), ZT (G), ZT (H), ZT (I), ZT (J), ZT (K), ZT (L) and ZT (M)" in this prospectus

"ZT (B)"	ZT (B) Limited, a company incorporated in BVI with limited liability on 23 March 2020, which was held by the 38 partners of Zhongtian Weijing proportional to their respective partnership interest (subject to rounding) in Zhongtian Weijing immediately before the Reorganisation, including three individuals who are directors or senior management members of our Group or their associates as to approximately 17.37% in aggregate and 35 individuals who are Independent Third Parties including our employees and ex-employees as to approximately 82.63% in aggregate, with each of the Independent Third Parties holding approximately 0.41% to 6.86%, for further details, please refer to the section headed "History, Development and Reorganisation — The individual shareholders of ZT (A), ZT (B), ZT (C), ZT (D), ZT (E), ZT (F), ZT (G), ZT (H), ZT (I), ZT (J), ZT (K), ZT (L) and ZT (M)" in this prospectus
"ZT (C)"	ZT (C) Limited, a company incorporated in BVI with limited liability on 23 March 2020, which was held by the 37 partners of Zhongtian Weiyi proportional to their respective partnership interest (subject to rounding) in Zhongtian Weiyi immediately before the Reorganisation, including three individuals who are directors or senior management members of our Group or their associates as to approximately 7.55% in aggregate and 34 individuals who are Independent Third Parties including our employees and ex-employees as to approximately 92.45% in aggregate, with each of the Independent Third Parties holding approximately 0.44% to 9.84%, for further details, please refer to the section headed "History, Development and Reorganisation — The individual shareholders of ZT (A), ZT (B), ZT (C), ZT (D), ZT (E), ZT (F), ZT (G), ZT (H), ZT (I), ZT (J), ZT (K), ZT (L) and ZT (M)" in this prospectus

"ZT (D)"	ZT (D) Limited, a company incorporated in BVI with limited liability on 23 March 2020, which was held by the 39 partners of Zhongtian Gongying proportional to their respective partnership interest (subject to rounding) in Zhongtian Gongying immediately before the Reorganisation, including two individuals who are directors or senior management members of our Group or their associates as to approximately 9.78% in aggregate and 37 individuals who are Independent Third Parties including our employees and ex-employees as to approximately 90.22% in aggregate, with each of the Independent Third Parties holding approximately 0.56% to 11.07%, for further details, please refer to the section headed "History, Development and Reorganisation — The individual shareholders of ZT (A), ZT (B), ZT (C), ZT (D), ZT (E), ZT (F), ZT (G), ZT (H), ZT (I), ZT (J), ZT (K), ZT (L) and ZT (M)" in this prospectus
"ZT (E)"	ZT (E) Limited, a company incorporated in BVI with limited liability on 23 March 2020, which was owned as to approximately 77.93% by Mr. Yang and approximately 22.07% by Ms. Gan Yinghua (甘映華) (spouse of Mr. Yang)
"ZT (F)"	ZT (F) Limited, a company incorporated in BVI with limited liability on 23 March 2020, which was wholly-owned by Mr. Liu
"ZT (G)"	ZT (G) Limited, a company incorporated in BVI with limited liability on 23 March 2020, which was wholly-owned by Mr. Xu Zhongguang (許忠光) (director of Jicai Trading and Hangxiao Materials)
"ZT (H)"	ZT (H) Limited, a company incorporated in BVI with limited liability on 23 March 2020, which was owned as to approximately 94.97% by Mr. Chen and approximately 5.03% by Ms. Yang Zhonghua (楊中華) (spouse of Mr. Chen and sister of Mr. Yang)
"ZT (I)"	ZT (I) Limited, a company incorporated in BVI with limited liability on 23 March 2020, which was wholly-owned by Mr. Shen

"ZT (J)"	ZT (J) Limited, a company incorporated in BVI with limited liability on 23 March 2020, which was wholly-owned by Mr. Chen Peirun (陳培潤) (our senior management member)
"ZT (K)"	ZT (K) Limited, a company incorporated in BVI with limited liability on 23 March 2020, which was wholly-owned by Mr. Min
"ZT (L)"	ZT (L) Limited, a company incorporated in BVI with limited liability on 23 March 2020, which was wholly-owned by Mr. Wu Qian (吳謙) (director of Kaida Apparatus)
"ZT (M)"	ZT (M) Limited, a company incorporated in BVI with limited liability on 23 March 2020, which was held by 25 Independent Third Parties including our employees and ex-employees, with each of the Independent Third Parties holding approximately 0.04% to 20.42%, for further details, please refer to the section headed "History, Development and Reorganisation — The individual shareholders of ZT (A), ZT (B), ZT (C), ZT (D), ZT (E), ZT (F), ZT (G), ZT (H), ZT (I), ZT (J), ZT (K), ZT (L) and ZT (M)" in this prospectus
"%"	per cent.

In this prospectus, the English names of PRC nationals, entities, departments, facilities, certificates, titles, etc. marked "" are translations of their Chinese names and are for identification purposes only. If there is any inconsistency, the Chinese name shall prevail.*

Unless expressly stated or otherwise required by the context, all data contained in this prospectus are as at the Latest Practicable Date.

Unless otherwise specified, all references to any shareholding in our Company in this prospectus assume no exercise of the Over-allotment Option and any option which may be granted under the Share Option Scheme.

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

This glossary contains certain definitions and technical terms in this prospectus which relate to our business and the industries and sectors that we operate in. As such, some terms and definitions may not correspond to standard industry definitions or usage of such terms.

"Belt and Road Initiative"	the trading policy of the PRC Government aimed at linking China to the world and to facilitate the trading between China and its neighbouring Asian and European countries along the new silk road
"cement"	a substance used in construction that sets and hardens and can bind other materials together
"concrete"	a composite material composed mainly of water, construction aggregate and cement
"contract value" or "contract sum"	final negotiated or proposed price of a contract before tax
"curtain wall"	an outer covering of a building in which the outer walls are non-structural, designed to handle all loads imposed on it as well as keep air and water from penetrating the building envelope
"EPC" or "EPC projects"	engineering, procurement and construction, a common form of contracting model whereby the contractor is commissioned by the project owner to carry out such project work as survey, design, procurement, construction testing and commissioning of an engineering project, or any combination of the above, either through the contractor's own labour or by subcontracting part or all of the project work, and be responsible for the quality, safety, timely delivery and cost of the project
"GB/T 19001-2016"	the PRC equivalent standard of ISO 9001:2015
"GB/T 24001-2016"	the PRC equivalent standard of ISO 14001:2015
"GB/T 50430-2017"	the code for quality management of engineering construction enterprises issued by MOHURD in 2017

"ISO"	acronym for International Organisation for Standardisation, a series of international standards, including quality management and quality assurance standards published by the Universal Certification Services Co., Ltd., a non-government organisation for assessing the quality system of business organisations
"ISO 9001:2015"	one of the guidelines of ISO, which is applicable to any organisation to enhance its quality management system
"ISO 14001:2015"	one of the guidelines of ISO which is applicable to any organisation that wishes to establish, implement, maintain and improve its environmental management system
"ISO 45001:2018"	one of the guidelines of ISO, which is applicable to all organisations to enhance its occupational health and safety system
"m^2" or "sq.m."	square metres
"PC"	Procurement-Construction (being the general contracting of procurement and construction), under which the owner is in charge of design management and the contractor is in charge of equipment selection, procurement and construction of the project and take full responsibilities for the quality, safety, construction period and cost of the contracted projects in accordance with agreements under the contract
"person(s)-in-charge"	employee(s) of our Group jointly selected by our operation, production and human resources departments from the project management department to take up the role of the person(s)-in-charge in our construction projects managed under the project management responsibility system
"prefabricated steel structure construction works"	a type of construction works that consists of steel structural components such as columns, beams and trusses that are assembled on-site to complete the construction

"project management responsibility system"	a project management system adopted with reference to the Predecessor Construction Project Management Code and the Construction Project Management Code since 2017 for better monitoring of our construction projects. For details, please refer to the section headed "Business — Our Business Operations — Operation Process — Project Implementation Phase — Project Management" in this prospectus
"responsibility deposits"	the amount of the deposits placed by person(s)-in-charge under the project management responsibility system, which will be returned to the person(s)-in-charge of the construction project (subject to the deduction in accordance with the penalty mechanism in case of a delay of project schedule caused by the person(s)-in-charge or any quality or safety issue caused by the person(s)-in-charge) after the completion of the construction of the project regardless of whether the person(s)-in-charge achieved the prescribed goals, for entitlement of potential rewards and better opportunities to take part in sizable or complex projects
"Revitalisation Plans of Ten Key Industries"	the policy of the PRC Government to stimulate the growth of ten industries, including steel, automobile, shipbuilding, petrochemical, non-ferrous metals, equipment manufacturing, textile, light industry, information technology and logistics
"settlement audit"	a process of a project to certify the final settlement value of the completed construction works of the project by customers (through engagement of qualified surveyors)
"steel"	an alloy of iron and carbon, widely used in construction because of its high tensile strength and low costs

This prospectus contains certain statements that are "forward-looking" and uses forward-looking terminology such as "anticipate", "believe", "expect", "may", "plan", "consider", "ought to", "should", "would", "shall", "will" and the negative of these terms and other similar expressions, as they relate to us. Those statements include, among other things, the discussion of our growth strategy and the expectations of our future operations, liquidity and capital resources, which reflect the current view of our management with respect to future events based on the beliefs of our management and assumptions made by and information currently available to our management, and are subject to certain risks, uncertainties and factors, including the risk factors described in the section headed "Risk Factors" of this prospectus. Potential investors of the Offer Shares are cautioned that reliance on any forward-looking statement involves risk and uncertainties and that, any or all of those assumptions could prove to be inaccurate and as a result, the forward-looking statements based on those assumptions could also be incorrect. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way we expect or at all. In light of these, the inclusion of forward-looking statements in this prospectus should not be regarded as representations or warranties by us that our Group's plans and objectives will be achieved and these forward-looking statements should be considered in light of various important factors, including those set forth in the section headed "Risk Factors" of this prospectus. We do not intend to update these forward-looking statements in addition to our on-going disclosure obligations pursuant to the Listing Rules or other requirements of the Stock Exchange. Investors should not place undue reliance on such forward-looking information.

You should carefully consider all information set out in this prospectus, including the risks and uncertainties described below before making an investment in the Offer Shares. You should pay particular attention to the fact that we are incorporated in the Cayman Islands and that all of our operations are conducted in the PRC and are governed by a legal and regulatory environment that differs from that prevailing in other countries. Our business, financial condition and results of operations could be materially and adversely affected by any of these risks. The trading price of the Shares could decline due to any of these risks and you may lose all or part of your investment.

RISKS RELATING TO OUR BUSINESS

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

Our working capital, future operations and cashflow largely depend on the timely settlement of the payments by our customers. Our major projects generally take three years or more to complete. Moreover, even after we have completed the work required, the process of the settlement audit as well as the internal procedure for our customers to settle their payments to us afterwards may take years to complete, especially for some Government-related Entities customers, which require a longer settlement audit period as the internal approval processes for Government-related Entities customers are generally more complicated and require multiple rounds of negotiations with multiple levels of responsible persons to determine the final settlement. Therefore it may take more than four years for us to receive the corresponding payments for our construction work, which may affect our working capital and cash flow position. If we experience late payments from our customers, our trade and bill receivables will increase.

Moreover, according to the data published by the Ministry of Finance, the general public budget income of PRC local governments in 2022 amounted to approximately RMB10.9 trillion, representing a decrease of approximately 2.1% as compared to that in 2021; and the general public budget expenditure of PRC local governments in 2022 amounted to approximately RMB22.5 trillion, representing an increase of approximately 6.4% as compared to that in 2021. For FY2019, FY2020, FY2021 and 3Q2022, approximately RMB662.9 million, RMB453.3 million, RMB447.7 million and RMB676.5 million of our revenue was generated from Government-related Entities, representing approximately 36.4%, 25.6%, 24.6% and 49.5% of our total revenue during the same period, respectively. The amount of trade receivables attributable to Government-related Entities was approximately RMB226.2 million, RMB216.6 million, RMB266.3 million and RMB252.1 million as at 31 December 2019, 2020, 2021 and 30 September 2022, respectively, representing 47.2%, 42.2%, 58.8% and 64.0% of the trade receivables as at the same date, respectively. The amount of contract assets attributable to the Government-related Entities was approximately

RMB669.3 million, RMB669.6 million, RMB638.5 million and RMB663.8 million as at 31 December 2019, 2020, 2021 and 30 September 2022, respectively, representing 56.8%, 54.3%, 52.2% and 55.8% of the contract assets as at the same date, respectively. Given the contribution of our Government-related Entities customers on our revenue, trade receivables and contract assets during the Track Record Period, if the fiscal conditions of the PRC local governments continue to deteriorate, they may reassess or adjust the future budget on construction works and engage in less construction works, or may delay the settlement of trade receivables and contract assets to us.

Further, we would make payments in advance for procuring construction materials, equipment and labour at the beginning of a project or before achieving certain project milestones. As such, if our customers fail to make timely payments or are in default in making payments or if there is a lapse in time between our receipt of payments from our customers and our payments due to our suppliers, our results of operations would be adversely affected and our working capital would be reduced. In the event that we are unable to generate sufficient cash flow from our operations or are otherwise unable to obtain sufficient funds to bridge the temporary cash flow mismatch, our liquidity and financial condition may be materially and adversely affected.

Our trade and bills receivables (gross) amounted to approximately RMB488.8 million, RMB518.7 million, RMB453.8 million and RMB394.6 million as at 31 December 2019, 2020, 2021 and 30 September 2022, respectively, representing 26.2%, 26.3%, 24.1% and 21.7% of our total assets, respectively. As at 31 December 2019, 2020, 2021 and 30 September 2022, the provision for impairment of trade and bills receivables amounted to RMB6.0 million, RMB8.8 million, RMB8.3 million and RMB7.8 million, respectively, accounting for 1.2%, 1.7%, 1.8% and 2.0% of our trade and bills receivables, respectively. For each of FY2019, FY2020, FY2021 and 3Q2022, our average trade and bills receivables turnover days were 76.9 days, 103.9 days, 97.3 days and 85.1 days, respectively. Our average trade and bills receivables turnover days increased from 76.9 days for FY2019 to 103.9 days for FY2020 when compared with that of FY2019 mainly because a number of projects have completed their settlement audit during FY2020, thus we were entitled to bill a larger amount of contract assets and our trade receivables as at 31 December 2020 were proportionately larger, leading to a higher trade and bills receivables turnover day for FY2020. Our trade receivables aged over one year based on invoice dates and on due dates amounted to RMB107.1 million and RMB20.1 million as at 31 December 2021, respectively. Our trade receivables (net of impairment loss) aged over one year based on invoice dates and on due dates amounted to RMB114.4 million and RMB33.5 million as at 30 September 2022, respectively. For further details, please refer to the section headed "Financial Information — Discussion on selected items of consolidated statements of financial position — Trade, bills and other receivables" in this prospectus. We cannot assure you that we will be able to collect all or any of our trade and bill receivables and we may record impairment losses on such receivables in the future, which may materially and adversely affect our business, results of operations and financial conditions.

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

Contract assets represent our right to consideration for work completed at the reporting date on revenue related to the provisions of construction services. Contract assets are recognised when our Group recognises revenue before being unconditionally entitled to the consideration under the payment terms as set out in the contract (such as upon completion of settlement audit). For details of the billing progress and accounting treatments of our construction projects, please refer to the section headed "Financial Information — Significant factors affecting our financial condition and results of operations — Billing progress and accounting treatments of our construction projects" in this prospectus. Contract assets are transferred to receivables when the rights to the consideration has become unconditional which usually occurs when we bill the customers. Our Group recorded contract assets of approximately RMB1,173.5 million, RMB1,227.2 million, RMB1,216.1 million and RMB1,179.0 million as at 31 December 2019, 2020, 2021 and 30 September 2022, respectively.

We cannot assure you that the financial position of our customers will remain solvent or that our customers will settle our progress payments or release the retention money on time or that we will be able to recover our contract assets in full or at all in the future. If we are unable to receive our progress payments and retention money or recover our contract assets, our liquidity and financial position may be materially and adversely affected.

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

We may receive advance payment from our customers for providing construction contracting services on a case-by-case basis, giving rise to contract liabilities. As at 31 December 2019, 2020, 2021 and 30 September 2022, our contract liabilities amounted to RMB29.1 million, RMB37.2 million, RMB25.0 million and RMB50.1 million, respectively. For details, please refer to the section headed "Financial Information — Discussion on selected items of consolidated statements of financial position — Contract assets and contract liabilities — Contract liabilities" in this prospectus. If we fail to fulfil our obligations under our contracts with customers, we may not be able to convert such contract liabilities into revenue, and our customers may also require us to refund the payments we have received, which may adversely affect our cash flow and liquidity position and our ability to meet our working capital requirements and in turn, our financial position and results of operations.

Our working capital, liquidity and financial condition may be adversely affected if we do not maintain comparable level of responsibility deposits from the persons-in-charge of our construction projects.

We had put in place a project management responsibility system for better monitoring of our construction projects, which the person(s)-in-charge of our construction projects place responsibility deposits to us. We assess each project individually in determining whether a project should be managed under the project management responsibility system and if so, the minimum amount of responsibility deposits and the minimum number of person(s)-in-charge we require for the project. As at 31 December 2019, 2020 and 2021 and 30 September 2022, approximately 52.6%, 35.5%, 30.1% and 23.1% of our projects (in terms of numbers) and approximately 56.1%, 70.8%, 56.3% and 43.4% of our projects (in terms of contract sum), respectively, are managed under the project management responsibility system. For further details, please refer to the section headed "Business — Operation process — Project implementation phase — Project management — Project management responsibility system" in this prospectus.

As at 31 December 2019, 2020 and 2021 and 30 September 2022, responsibility deposits of approximately RMB32.3 million, RMB36.4 million, RMB34.8 million and RMB25.3 million, respectively, were placed by the persons-in-charge to our Group, representing approximately 40.0%, 47.4%, 39.1% and 19.9% of our Group's cash and cash equivalents as at the same date. If we receive significantly less amount of responsibility deposits from the persons-in-charge under the project management responsibility system or if we cease to put in place the project management responsibility system, our working capital may be reduced. In the event that we are unable to generate sufficient cash flow from our operations or are otherwise unable to obtain sufficient funds, our liquidity and financial condition may be materially and adversely affected.

We recorded negative cash flows from operating activities during the Track Record Period, which may have an adverse effect on our business, financial condition, results of operations and prospects.

We recorded net cash used in operating activities of RMB23.5 million for 3Q2022, primarily due to the decrease in trade and bills payables of approximately RMB298.5 million, partially offset by the increase in accruals and other payables of approximately RMB79.6 million and the decrease in trade, bills and other receivables of approximately RMB53.2 million. For further details, please refer to the section headed "Financial Information — Liquidity and capital resources — Cash flows" in this prospectus. Net operating cash outflow could impair our ability to make necessary capital expenditures and constrain our operational flexibility as well as adversely affect our ability to meet our liquidity requirements.

While we believe we have sufficient working capital to fund our current operations, we may, however, experience net cash outflows from our operating activities in the future. If we are unable to maintain adequate working capital, we may default in our payment obligations and may not be able to meet our capital expenditure requirements or pursue our growth strategies, which may have a material adverse effect on our business, financial condition, results of operations and prospects.

Discontinuation of any of the preferential tax treatments we enjoy or imposition of any additional taxes can adversely affect our financial conditions and results of operations.

Pursuant to the EIT Law, the EIT rate generally applicable in the PRC has been 25% since 1 January 2008. However, Zhongtian Construction, our principal operating subsidiary, was certified as a High and New Technology Enterprise (高新技術企業) in October 2018 and enjoyed a preferential enterprise income tax rate of 15% for FY2018, FY2019 and FY2020. Zhongtian Construction successfully renewed its status of a High and New Technology Enterprise (高新技術企業) in September 2021, and is entitled to the preference income tax rate of 15% for FY2021, FY2022 and FY2023. The preferential tax treatment will expire on 17 September 2024 unless the High and New Technology Enterprise Certificate (高新技術企業證書) is renewed in FY2024. If Zhongtian Construction fails to maintain or renew the High and New Technology Enterprise certification or the PRC government changes its tax policy of supporting new technology development, the applicable EIT rate would increase to 25%, which can have an adverse effect on our financial condition and cash flow position.

We have limited control over the quality, availability and costs of our subcontractors and subcontracted workers.

We subcontract certain of our construction services from time to time and engage labour subcontractors to provide labour to conduct manual work in the course of our project execution. Despite the fact that we regularly monitor and conduct quality check on the performance of our subcontractors and subcontracted workers, we cannot guarantee the service quality provided by our subcontractors. We are exposed to legal liabilities if we are not able to monitor the performance of our subcontractors as efficiently as communed to our own staff, or if our subcontractors violate any laws, rules or regulations in relation to environmental protection, and health and safety matters regulations, which may affect their renewal of relevant registrations or licences or may even lead to revocation of their registrations or licences.

In addition, the subcontracting arrangement also exposes us to risks associated with any non-performance, delayed performance or sub-standard performance by our subcontractors or their respective employees. If this happens to our subcontractors in our projects, we will have to appoint replacement subcontractor(s) and additional costs will be incurred. We may also incur additional costs or be subject to liability due to delay in schedule or defect in the works of our subcontractors or if there is any accident causing personal injuries or death of our subcontractors' employees. In addition, our inability to hire qualified subcontractors may hinder our ability to complete a project successfully.

These events may impact upon our profitability, financial results and reputation, as well as result in litigation or damage claims.

There is uncertainty as to the tender success rate of our Group in the future.

Due to our industry nature, all of our revenue is derived from contracts awarded through tendering and such contracts are not recurring in nature. During the Track Record Period, a vast majority of our revenue were generated from projects that were awarded by either public tender or invitation by tender. Our Group's tender success rates for FY2019, FY2020, FY2021 and 3Q2022 were approximately 28.1%, 19.2%, 25.5% and 10.6%, respectively. After the Track Record Period and up to the Latest Practicable Date, our tender success rate was approximately 15.2%. We cannot guarantee that we will be invited to participate in the tender process and even if we are invited, our tender success rate is influenced by the following factors which may be out of our control, including (i) our Group's project capacity; (ii) the number of tenders submitted by our Group and (iii) the pricing and other terms and conditions offered by our competitors. Therefore, we cannot assure you that we will succeed in the tender process and we may not be able to maintain or increase our tender success rate. Moreover, we may not be awarded with new contracts by our customers upon expiry of the existing contracts. If our Group is not able to maintain the current tender success rate, or if we are unable to secure new projects with a contract sum similar to or larger than the contract sum of our current projects on a continuous basis, our revenue and operation may be materially and adversely affected.

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

We are vulnerable to changes in market prices and the availability of our raw materials. Our principal raw materials include steel, cement, concrete and gravel. Our raw materials represent a substantial portion of our cost of sales. For FY2019, FY2020, FY2021 and 3Q2022, costs of our raw materials represented 48.6%, 43.5%, 39.5% and 43.7% of our total cost of sales, respectively. Raw materials prices depend on a variety of factors beyond our control, including the global and PRC economy and related government policies, climatic change and industry demand. For example, according to the F&S Report, the price index of steel in China increased from 84.8 in 2016 to 131.70 in 2021 while the price index of concrete increased from 93.5 in 2016 to 157.20 in 2021. We cannot guarantee that the price of our raw materials will remain at the current level and will not be in shortage. In addition, we may not be able to shift the price increase to our customers in a timely manner or at all. If there is shortage of raw materials or fluctuation of their prices, our costs of sales may increase and our results of operations may be adversely affected.

Any material discrepancies between the estimated costs and the actual costs ultimately incurred may adversely affect our financial conditions and result of operations.

We determine the tender price based on among other things, our cost analysis. As it is difficult to predict the costs accurately at the outset, cost overruns may be resulted due to the evolving macroeconomic conditions, variations in labour and equipment productivity, price fluctuations of raw materials, cost fluctuations of labour and unforeseen project conditions. Cost overruns may result in lower profits or even a loss in spite of any buffers we may have built into the contract value to safeguard against the increase of costs. Some of our contracts may have a price adjustment mechanism, which allows adjustment of price in certain circumstances. For details, please refer to the section headed "Business — Operation process — Project preparation phase — Price determination and costs management" in this prospectus. However, we cannot guarantee that the price adjustment clause could adequately cover the amount of increased costs. In the event that our actual costs significantly exceed our estimated costs and the price adjustment mechanism is not adequate to cover the increased costs, our financial conditions and results of operations could be materially and adversely affected.

During the Track Record Period, there were seven loss-making projects out of 164 projects which has completed construction during the Track Record Period. The total contract sum for these projects was approximately RMB63.5 million and the total net loss recorded for these projects during the Track Record Period was approximately RMB1.9 million. Save as disclosed above, our Group did not have any other loss-making projects which has completed construction during the Track Record Period.

Our borrowings and significant interest payment obligations could limit our working capital required for our business operations.

We fund the working capital required for our business operations and capital expenditure mainly through cash generated from operations and interest-bearing bank and other borrowings. As at 31 December 2019, 2020, 2021 and 30 September 2022, our borrowings amounted to approximately RMB76.2 million, RMB65.6 million, RMB66.9 million and RMB142.8 million, respectively. For further details, please refer to the section headed "Financial Information — Indebtedness" in this prospectus. We cannot assure you that we will be able to renew existing borrowings upon expiry, or secure new borrowings from banks or other financial institutions, whether on commercially acceptable terms or not. If the banks and other financial institutions providing existing borrowings do not continue to extend similar or more favourable facilities to us and we fail to obtain alternative borrowings on comparable terms or at all, our construction projects may result in delay, our operation and expansion may be curtailed and we may be forced to give up certain business opportunities. As a result, our business, financial position and results of operations will be adversely affected.

If there is disagreement on the value of the works performed by our Group, we may have profit lower than the estimated profits or incur losses on contracts.

Disagreement may arise between us and our customers as to the value of work performed and the progress billing that we are entitled to in the relevant period. The value of our work done is generally ascertained with reference to the scope of work and fees specified in the contracts or determined by the mechanism specified in the contracts. However, we and our customers may have different assessment as to the valuation of the works performed. Any dispute regarding the value of the work performed may prolong our payment application, which may affect our liquidity and financial position.

There is no assurance that we will be able to recover the disputed cost of the works performed under such circumstances in full, and we may not be able to maintain the same or similar profit margins under such circumstances, resulting in adverse effect on our financial condition and results of operations.

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

We are subject to extensive laws and regulations at the national and local levels, which govern various aspects of our operations. Despite the implementation of the internal control measures, we cannot assure you that our measures are sufficient and effective to protect our Group from violation of laws and regulations in the PRC. Certain legal uncertainties, inconsistent interpretations and enforcement of current PRC laws and regulations, rapid changes in the relevant laws and regulations and their interpretation and enforcement may expose us to risk of non-compliance of the laws and regulations. We may be subject to administrative or regulatory fines and penalties, including the suspension or revocation of our licences, if non-compliance is identified and our operations may be hindered or halted, which could have a material and adverse effect on our business and results of operations. During the Track Record Period, we entered into interest bearing loans with our related parties which do not comply with the General Rules for Loans (貸款通則) promulgated by the People's Bank of China. For more information, please refer to the section headed "Business — Legal and regulatory — Non-compliance incidents" in this prospectus. As advised by our PRC Legal Advisers, the maximum penalty for non-compliance of the General Rules for Loans (貸款通則) promulgated by the People's Bank of China would be up to five times of the income deriving from such loan. Should the non-compliance loan arrangements incur any claim or penalty, our results of operation may be adversely affected.

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

Since we operate a heavily regulated business, we are required to maintain and renew a number of qualifications, operating licences, certificates and permits. For details of the material qualification, operating licences and permits possessed by our Group, please refer to the section headed "Business — Licences, qualifications and permits" in this prospectus. To maintain or renew such qualifications, operating licences, certificates and permits, our Group may subject to inspections, examinations and inquiries by the relevant government authorities. We cannot guarantee that we will be able to maintain or renew the requisite qualifications, operating licences, certificates and permits or comply with the new requirements for maintaining those qualifications, operating licences, certificates and permits if new laws and regulations are promulgated or the existing laws and regulations are amended. Failure in renewing any material qualifications, operating licences, certificates and permits may prevent us from undertaking or carrying certain types of projects or works or we may be subject to penalties or may incur additional costs. As a result, our business, financial condition and results of operations may be adversely affected.

We may not be able to complete a construction project in a timely manner.

The following factors may lead to project delays:

- suspension of the construction of certain outdoor projects owing to unexpected adverse weather conditions such as inclement weather, prolonged precipitation and extreme temperature;

- temporary halt of the construction of certain outdoor projects ordered by authorities under severe air pollution;

- unexpected natural disasters and other operating hazards such as earthquakes, floods, typhoons, landslides or fire;

- outbreak, epidemic and/or pandemic of (or the escalation and/or intensification of any outbreak, epidemic and/or pandemic of) infectious or contagious diseases (such as the avian influenza A (H5N1), swine influenza (H1N1), Severe Acute Respiratory Syndrome (SARS) or COVID-19) and/or other adverse public health development in the PRC;

- failure to obtain various regulatory approvals, licences or permits from government agencies as scheduled;

- delivery delays caused by shortages of key equipment, materials or labour;

- quality problems with equipment;

- suspension of water and electricity supplies;

- unexpected engineering, design, environmental or geological problems; and

- failure to obtain sufficient bank loans or other financing on favourable terms, or at all.

All of the above situations may result in our inability to meet the key milestones as agreed in the construction contracts and thus delays in the target completion date for the concerned projects. Moreover, the extreme weather conditions, natural disasters and operating hazards may also cause damages to our construction projects which are in progress, and additional time and costs may be incurred to repair those destructions. Any delay in construction projects that is resulted by other than force majeure events could impair our ability to meet our contractual obligations and cause us to be liable for damages or cause our customers to cancel orders, any of which could negatively affect our reputation, business and results of operations. We cannot assume that we can always complete our projects in time in the future and if this occurs, we may be held liable for the delay in schedule and therefore be required to make compensation to our customers for their losses in the future. Further, any delay in achieving key milestones of a construction project or completing a construction project could result in a delay or a reduction of payment of the contract value by our customers and hence our business operations and financial condition will be materially and adversely affected.

The outbreak of COVID-19 or any other severe communicable disease could adversely affect our Group's financial positions and results of operations

Our business could be materially and adversely affected by widespread epidemic of COVID-19 or other communicable disease such as Severe Acute Respiratory Syndrome (SARS), Middle East Respiratory Syndrome (MERS), H5N1 flu, H7N9 flu, H1N1 flu and Ebola virus. Our operations could also be disrupted if any of our employees were suspected of contracting or contracted an epidemic disease, since this could require us to quarantine some or all of our employees and disinfect the buildings or sites. Moreover, the outbreak may also result in shortage of raw materials and labour and may cause temporary suspension of our construction projects which may result in the delay of our construction projects. In addition, the outbreak may also severely affect and restrict the level of economic activity as the government may impose regulatory or administrative measures quarantining affected areas or other measures to control or contain the outbreak of the severe communicable diseases. Any economic downturn and travel restrictions as a result of severe communicable diseases may result in delay in payment from our customers and/or termination of projects. Should any such events occur, our financial positions and results of operations may be adversely affected. During the Track Record Period, all of our construction projects which are on-going immediately before the outbreak of COVID-19 had encountered suspension for around 37.1 days on average due to the outbreak of COVID-19 and have resumed on or before 1 April 2020. For details, please refer to the section headed "Summary — Recent development — The impact of the COVID-19 outbreak" in this prospectus.

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

The Chinese company name of our Company and our subsidiaries contain "中天" (Zhongtian). In particular, Zhongtian Construction, our major operating subsidiary, has been using "中天" (Zhongtian) in its name since 2004. As at the Latest Practicable Date, we have not registered any trademark containing "Zhongtian" or "中天" in the PRC and have registered six trademarks in Hong Kong which contain the words "中天" and/or "Zhongtian". For more information on our intellectual property rights, please refer to the section headed "B. Further information about the business of our Group — 2. Intellectual property rights" in Appendix V to this prospectus. Meanwhile, there are many PRC and Hong Kong companies whose names contain "中天" (Zhongtian), including companies in the construction industry.

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

We may also be subject to dispute over the use of company name(s) containing "中天" (Zhongtian) with other companies whose names contain "中天" (Zhongtian). We cannot guarantee that we will be able to resolve such disputes in our favour. For details of the potential liability that may arise from the use of "中天" (Zhongtian) in our company names, please refer to the section headed "Business — Intellectual property" in this prospectus. If any of such dispute arose against us, even if groundless, our reputation, market recognition and business could be adversely affected.

We may be involved in intellectual property disputes and claims of infringement, which may divert our management's attention and harm our reputation and profitability.

We rely upon a combination of patents, trademarks and domain names to protect against infringement. As at the Latest Practicable Date, we have registered 31 patents and one domain name in the PRC while three patent applications were under review in the PRC. As at the Latest Practicable Date, we have also registered six trademarks in Hong Kong which contain the words "中天" and/or "Zhongtian". For more information on our intellectual property rights, please refer to the section headed "B. Further information about the business of our Group — 2. Intellectual property rights" in Appendix V to this prospectus.

We may have to resort to litigation to enforce our intellectual property rights and protect our proprietary information. Similarly, we may also face litigation for infringement of the intellectual property rights of third parties, whether with merits or not. In particular, there are many PRC and Hong Kong companies whose names contain "中天" (Zhongtian), including companies in the construction industry established in the PRC, and we may be subject to litigation regarding infringement of intellectual property rights and/or passing off commenced by such companies, whether with merits or not. Any legal proceeding, litigation or claim, brought by us or against us, can incur additional costs, divert our management's attention and resources and hence may undermine our profitability. In case of unfavourable determination of any legal proceeding, litigation or claim, our business, financial condition and results of operations could be adversely affected. If any third party commence litigation against us claiming for infringement of their intellectual property rights and/or passing off, even if groundless, our reputation could be adversely affected.

In addition, we cannot guarantee our employees will not breach the employee confidentiality agreements and therefore cannot ensure that there will not be any misappropriation of proprietary information. Any case of such misappropriation may result in a decrease in our revenue and a decline in our competitiveness.

Backlog may not be indicative of our future results of operations.

We have provided our contract backlog amount, which represents the aggregate value of the construction contracts we have executed as at certain dates, less revenue already recognised in connection with such contracts up to and including the same date. For details of the contract backlog amount, please refer to the section headed "Business — Our business operations — Backlog and new contract value" in this prospectus. It gives an indication of the value of work contracted for and yet to be completed and the revenue expected to be recognised in the future. The values are calculated based on the assumption that the construction contracts will not be terminated and will be performed in full in accordance with the terms. However, we are subject to risks that the contracts may be modified, cancelled or even terminated under certain circumstances which may be out of our control, including, project delays and failure to settle the contract value by our customers. We cannot assure you that the contract backlog amount can accurately reflect our actual earnings in the future. We also cannot guarantee that our backlog amount will be recognised timely, or at all, or that our backlog amount once recognised will result in profits. Therefore, our backlog information as at 31 December 2019, 2020 and 2021 and 30 September 2022 and as at the Latest Practicable Date may not be an accurate indicator of our future results of operations and earnings.

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

For FY2019, FY2020, FY2021 and 3Q2022, our revenue accounted for approximately RMB1,821.9 million, RMB1,769.9 million, RMB1,823.4 million and RMB1,366.0 million, respectively, while our net profit accounted for approximately RMB50.9 million, RMB49.6 million, RMB61.9 million and RMB51.2 million, respectively, representing a CAGR of 10.3% from FY2019 to FY2021. Such trend of historical financial information of our Group is merely an analysis of our past performance and does not have any implication or may not necessarily reflect our financial performance in the future. Our future financial performance largely depends on our capability to secure new contracts, maintain our relationships with our existing customers and keep our costs at a level comparable to the current level. We cannot assure you that such growth rate can be sustained and if our Group experiences any stagnant or negative growth in the future, our profitability will be adversely affected.

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

We believe our success depends, to a significant extent, on the services and effort of our senior management and key personnel and our ability to attract, retain and motivate them. We compete with other construction contracting companies for experienced personnel. If the terms of the service agreements of our senior management and key personnel expire, we may not be able to retain those personnel due to such intense competition. The loss of service of any personnel holding an important position or possessing industry expertise or experience, especially those specialised key technical personnel, could have an adverse impact on our business operations. Further, owing to the intense competition, we cannot guarantee that we will be able to recruit sufficient personnel with comparable qualifications and experience timely. As such, our business and growth may be hindered.

We may be unable to detect, deter and prevent misconduct by our employees, customers, suppliers, subcontractors and other third parties.

Fraud or other misconduct including, among others, acceptance of kickbacks, bribes or other illegal benefits or gains by our employees at different levels of our Group, whether individually or in collusion with other employees, customers, suppliers, subcontractors or other third parties, could reduce our operational efficiency and business performance, and may even result in violations of laws by our Group, third party claims and regulatory actions against our Group and serious reputation or financial harm to our Group. We cannot assure that all of our employees will fully comply with our internal control procedures and systems when performing their duties. In addition, we may also be subject to misconduct by third parties such as our customers, suppliers, subcontractors. We cannot guarantee that we will be able to prevent or detect all incidents of wrongdoings by our employees or other third parties timely, or at all. Any misconduct committed against us or our interests, which may include past acts that have gone undetected or past acts that have failed to be identified timely or future acts, could subject us to financial losses, harm our reputation and may have an adverse effect on our business and results of operations.

We may be unable to detect, deter and prevent the involvement of our employees in the "qualification affiliation" arrangement.

Our employees including the project managers and the persons-in-charge of our projects may bid for, undertake and/or engage in projects themselves in the name of our Group without our knowledge, which may result in violation of the laws by our Group and we may be liable to rectify the non-compliance, confiscation of illegal income, fines, being restricted from bidding new construction projects, or being ordered to suspend our business for rectification and reduce our qualification level. If such incident occurs and we are not able to prevent or detect involvement of our employees in the "qualification affiliation" arrangement in a timely manner, or at all, we may be subject to financial losses, harm our reputation and may have an adverse effect on our business and results of operations.

If we fail to meet specified technical standards or industry requirements, we may have to incur additional costs to remedy the defects.

We are generally required to comply with certain technical standards and industry requirements as stipulated in our contracts. If we fail to adhere to the standards and requirements stipulated in our contracts, additional capital, manpower, time and other resources may be incurred to rectify the defects. Further, our reputation may be harmed, which would as a result, hinder our business expansion in the future. If any of the foregoing events occur, our business, results of operations and financial condition may be adversely affected.

We are exposed to claims and litigations in our ordinary course of business and we may suffer financial losses and damage to reputation if we are found liable.

We may be involved in claims and litigation in the ordinary course of business for, among other things, defective services, personal injuries, damage to or destruction of property, payment disputes, breaches of contract and project delays. Please refer to the section headed "Business — Legal and regulatory — Legal proceedings" in this prospectus for the details of material on-going litigation of our Group as at the Latest Practicable Date. If the legal proceedings resulted in unfavourable judgement or finding against us, we could face significant financial losses and find ourselves subject to government sanctions, including fines and the loss of operational licences, approvals, certificates, permits and qualifications. Further, we may be subject to lengthy and expensive legal proceedings if the dispute is not resolved through negotiations. Some of the claims or litigation may raise the attention of the public, damaging our reputation.

We may subject to fines for failing to register the lease agreement of leased property

As at the Latest Practicable Date, the lease agreement of one of our leased properties had yet to be registered with the relevant Government authorities. For details, please refer to the section headed "Properties — Leased properties — Properties leased from Independent Third Parties" in this prospectus. As advised by our PRC Legal Advisers, lease agreement have to be registered with the relevant authorities within 30 days of signing according to the Administration Measures for Commodity House Leasing (《商品房屋租賃管理辦法》). We may be subject to a fine of RMB1,000 to RMB10,000 for each unregistered lease, amounting to a total maximum potential fine of RMB10,000. Our PRC Legal Advisers further advised that the non-registration of lease agreement would however not affect the enforceability of such lease.

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

We believe that R&D is of great importance to our business owing to the constantly evolving construction industry. Through R&D, we endeavour to enhance the efficiency and effectiveness of our construction solutions and to develop more innovative construction solutions so as to maintain or even enhance our competitiveness in the construction industry. For further details, please refer to the section headed "Business — Intellectual property" and "B. Further information about the business of our Group — 2. Intellectual property rights" in Appendix V to this prospectus. Our R&D expenses for FY2019, FY2020, FY2021 and 3Q2022 amounted to approximately RMB60.8 million, RMB54.1 million, RMB56.7 million and RMB42.1 million, respectively, representing approximately 56.3%, 48.1%, 48.6% and 52.3% of our total administrative expenses. Going forward, we intend to apply approximately 20.0% or approximately HK$17.1 million (equivalent to approximately RMB15.6 million), of the net proceeds from the Global Offering to fund the establishment and operation of our know-how centre. For further details, please refer to the section headed "Future Plans and Use of Proceeds" in this prospectus. However, the outcomes resulting from R&D may not realise within the timeline as our Company has expected and there may also be a discrepancy between the actual returns resulting from applying the outcome of the R&D. As a result, if the profits generated from the R&D are not able to cover its costs in the short run, our revenue, results of operations and business will be adversely affected in the short run.

We may experience failures in our information technology systems.

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

We may be unable to implement our business strategies effectively.

Our ability to continue to grow our business depends on our continuing ability to successfully implement our business strategies, which primarily depends on our ability to tender for and compete for more construction projects, improve our profitability, as well as capture more business opportunities. Further, our ability to implement our business strategies depends on factors which are beyond our control, including the general macroeconomic conditions in the PRC, the relationships with our customers, suppliers and subcontractors, the policies of the PRC government and its increasing spending on construction infrastructure projects. In the event that we are unable to implement our business strategies, we may not be able to grow at a rate comparable to our growth in the past, or at all. As a result, our business, financial position and results of operations may be adversely affected.

RISKS RELATING TO OUR INDUSTRY

Our business and future growth are subject to changes in the construction industry and real estate market in the PRC.

Our business and future growth depends on the growth of the construction industry in the PRC which in turn depends on the government policies in the PRC. For example, the Thirteenth Five-Year Plan is introduced to promote the reconstruction of dilapidated houses in rural areas, accelerate the shantytowns transformation and indemnificatory housing construction, accelerate the construction of trunk road system and branch road system in urban central areas and promote the construction of transportation infrastructure. Moreover, as the PRC government considers urbanisation as one of the core national strategies, the urbanisation and reconstruction in Hunan Province are promoted and accelerated which stimulated the local demand for civil buildings and municipal works. As we were one of the top ten non-state owned construction enterprises in Zhuzhou in terms of total construction revenue in 2021 in Hunan Province and our revenue generated from Hunan Province accounted for 71.5%, 74.9%, 75.8% and 67.5% of our total revenue for FY2019, FY2020, FY2021 and 3Q2022, respectively, we believe we can benefit from the existing government policies. However, we cannot assure that the government policies will be implemented as effectively as planned, or at all, or will remain favourable to our business and future growth. Our business and future growth may also be affected by other factors which may affect the construction industry and are beyond our control such as market preference, consumption habit, costs of raw materials and labour supply, investment atmosphere, availability and performance of other market participants. If these factors are unfavourable to our business, or if there is slowdown or regression in the China's construction industry, which is shown in some negative news in relation to the apparently deteriorated property sales in the PRC since the second half of FY2021 and certain property developers has been in financial distress, the demand for our services will be adversely affected, which may have a material and adverse effect on our business, results of operations and prospect and leads to a higher default risk of our customers.

Furthermore, we are susceptible to adverse changes in government policies which will affect the PRC's construction industry, such as implementation of laws, regulations and policies which limit the land supply for real estate development, tighten project financing, impose heavier tax burden, reduce local government budgets and funding in the construction industry. The series of macro-control policies issued by the PRC government which target to restrict the total amount of real estate investment may also affect the growth of the real estate market. Moreover, the regulations and policies implemented by the PRC government to cool down the real estate market and hinder the growth in property prices, including the restriction policy on purchases of residential properties by domicile of household, restrictions on mortgage and increase in interest rate for real estate loans in the secondary market as adopted in certain cities, may hinder the growth of the real estate market in the PRC and hence would adversely affect the development of the PRC's construction market. In the event that laws, regulations and polices which are adverse to the growth of the construction industry are introduced, our business, results of operations and prospect may be adversely affected.

We face intense competition in our industry, and failure to compete effectively may cause us to lose market share and our business operations and financial conditions could be adversely and materially affected.

The construction industry in the PRC is highly competitive. Accordingly, we face intense competition from a significant number of construction companies which provide similar services or alternatives. According to the F&S Report, we are the fifth-ranked non-state owned construction enterprise with first grade general contractor qualification in Hunan Province in terms of construction revenue in 2021. We cannot guarantee that we will be able to increase or maintain our existing market share since some of our competitors may have greater capital, financial, technical and marketing resources and a wider range of services than we do. Owing to the above competitive strengths, our competitors may be capable of providing better services and responding to market changes promptly and effectively than we do. These intense competitions would adversely and materially affect our business operations and financial conditions.

We may have inadequate insurance coverage, and the occurrence of uninsured damages could have adverse effects on our business, financial conditions and results of operations.

We maintain insurance policies that are required under PRC laws and regulations as well as policies based on our assessment of our operational needs and industry practice. For further details on our insurance policies, please refer to the section headed "Business — Insurance" in this prospectus. We cannot assure you that the insurance policies will provide adequate coverage for all of the risks associated with our business operations. In addition, the occurrence of certain incidents including accidents which led to personal injuries, property damage or death, earthquakes, fires, adverse weather conditions, war, floods, power outages may not be covered adequately, or at all, by our insurance policies. Any uninsured losses or liabilities may cause us to incur substantial costs and to divert resources from our business operations, which could have an adverse effect on our business, financial conditions and results of operations.

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

Construction sites are potentially dangerous workplaces and our construction projects routinely place our employees, subcontracted workers and others in close proximity with heavy duty construction machinery and equipment, moving motor vehicles and highly regulated and volatile materials. Our employees and subcontracted workers are subject to the risks associated with our construction activities, such as equipment failure, industrial accidents, geological catastrophes, fire and explosions. These hazards would cause personal injuries and fatalities and damage to our properties and equipment. During the Track Record Period, we did not record any fatal incident in connection with occupational safety. Despite the implementation of safety policies, we cannot guarantee that workplace accidents will not occur in the future. Even the accidents are not caused by our fault or negligence, they may result in disciplinary action by the PRC government and/or cause us to incur relatively large costs, damage our reputation and result in loss of future business. Further, there may be work safety related claims or legal proceedings against us, which may incur substantial costs and could divert our senior management's attention from our business. As a result, our business, financial conditions and results of operations may be adversely affected.

Our business operations may be adversely affected by present or future environmental regulations or enforcement.

Our operations are subject to environmental protection laws, regulations, including the Law of the People's Republic of China on Prevention and Control of Noise Pollution (中華人民共和國環境噪聲污染防治法). For example, we are required to adopt measures to control environmental pollution produced at the construction sites and are subject to fees for discharging waste substances. In the event of serious environmental offences, we may be subject to fines and other administrative punishments. Enforcement agents are also authorised to order the close of our construction facilities if our construction facilities cause harm or damage to the environment and we fail to remediate the damage. As confirmed by our PRC Legal Advisers, our operations were in compliance with the PRC environmental laws and regulations in all material respects during the Track Record Period. However, we cannot assure you that we will not be subject to any fines or administrative punishments for damage to the environment, if any, in the future. If the amount of the fines is substantial or punishments are imposed, our results of operations, financial condition and business may be adversely affected.

In addition, the PRC government and the relevant government authority may impose additional or more stringent environmental protection laws, regulations, policies and standards from time to time, and as a result, we may be subject to more onerous duties and obligations. We may also be required to revise our current practices, implement enhanced compliance and internal control manuals and systems, purchase new pollution control equipment, offer training to our employees and subcontractors and introduce new preventive or remedial measures so as to ensure compliance with the relevant laws, regulations, policies and standards, which would incur additional financial, human and other resources. If we fail to comply with the relevant laws, regulations, policies and standards in a timely manner, or at all, we may be subject to penalties and hence our results of operations, financial condition and business may be adversely affected.

RISKS RELATING TO THE PRC

The macroeconomic conditions in China determine our prospects and future growth.

The demand for our services, prospect and future growth, depends on the macroeconomic conditions in China, including the GDP growth rate, levels of inflation, unemployment rates and interest rates. According to the F&S Report, due to a series of economic stimulus policies including the Revitalisation Plans of Ten Key Industries and the Belt and Road Initiative, the nominal GDP in China has been growing moderately over the past five years, increasing from RMB74.6 trillion in 2016 to RMB114.4 trillion in 2021 with a CAGR of 8.9% and it is estimated that the nominal GDP in China would continue to grow at a CAGR of 5.2% from RMB121.0 trillion in 2022 to RMB148.3 trillion in 2026. If the local economy experiences slower growth or enters into rescission or if there is an adverse change in other economic conditions such as levels of inflation, unemployment rates and interest rates, our business, results of operations and prospect would be materially and adversely affected.

Political and economic policies of the PRC government could affect our Group's business.

Since the commencement of the PRC government's effort to reform the Chinese economy in late 1970s, these reforms have led to significant economic growth and progress in social development.

We anticipate that the PRC government will continue to further implement these reforms, further reduce government interference on enterprises, and rely more on free market mechanisms for the allocation of resources, bring positive effect on our overall and long-term development. Any changes in the political climate, economic and social situation, the laws, regulations and policies of the PRC arising therefrom, may have an adverse effect on the present or future operations of our Group. With our business and operations are based in the PRC, our operations and financial results could be adversely affected by the restrictive or austere policies introduced by the PRC government. We may not be able to capitalise on economic reform measures adopted by the PRC government. We cannot assure you that the PRC government will not impose economic and regulatory controls that may adversely affect our Group's business, financial position and results of operations.

Introduction of new laws or changes to existing laws by the PRC government may adversely affect the construction industry.

Our business and operations in the PRC are governed by the legal system of the PRC. The legal system in the PRC is based on statutory law. Under this system, prior court decisions may be cited for references but do not have binding precedential effect. Accordingly, the outcome of dispute resolution may not be consistent as in other common law jurisdictions.

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

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

RMB is not currently a freely convertible currency and our Group needs to convert RMB into foreign currency for payment of dividends, if any, to Shareholders. Our PRC subsidiaries are subject to the PRC rules and regulations on currency conversion. In the PRC, SAFE regulates the conversion of RMB into foreign currencies. Foreign invested enterprises ("**FIEs**") are required to apply to SAFE or its local branches for Foreign Exchange Registration Certificates.

Under relevant PRC foreign exchange laws and regulations, payment of current account items, including profit distributions and interest payment are permitted to be made in foreign currencies without prior government approval but are subject to certain procedural requirements. Strict foreign exchange control continues to apply to capital account transactions, which must be approved by and/or registered with SAFE. The PRC regulatory authorities may impose further restrictions on foreign exchange transactions for current-account items, including payment of dividends.

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

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

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

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

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

Our Company is incorporated under the laws of the Cayman Islands and holds interests in our PRC subsidiaries through a number of subsidiaries incorporated in BVI and Hong Kong. According to the EIT Law and the Regulation on the Implementation of the PRC Enterprise Income Tax Law (中華人民共和國企業所得稅法實施條例), if our Company is deemed to be a non-PRC tax resident enterprise without an office or premises in the PRC, a withholding tax at the rate of 10% will be applicable to any dividends paid to our Company, unless our Company is entitled to reduction or elimination of such tax, including by tax treaties. Under the Arrangement between the Mainland and HKSAR for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with

Respect to Taxes on Income (內地和香港特別行政區關於所得稅避免雙重徵稅和防止偷漏稅的安排), such dividend withholding tax rate is reduced to 5% if a Hong Kong tax resident enterprise owns over 25% of equity interest in the PRC company distributing the dividends. Pursuant to the Measures for the Administration of Non-Resident Taxpayers' Enjoyment of the Treatment under Agreements (非居民納稅人享受協定待遇管理辦法) released by the State Administration of Taxation on 14 October 2019 and took effect on 1 January 2020, non-resident taxpayers who need to enjoy the treatment of the agreement shall submit the report forms and materials by themselves or by the withholding agent at the time of tax declaration. Any new enactment of PRC tax law affecting tax exemptions on dividends may reduce the amount of dividends that could be distributed to our Company and Shareholders.

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

RISKS RELATING TO THE GLOBAL OFFERING

The shares of Zhongtian Construction, our principal operating subsidiary, had been quoted on NEEQ from 16 May 2017 to 20 January 2019, and the characteristics of NEEQ and our Shares market may differ.

The shares of Zhongtian Construction, our principal operating subsidiary, had been quoted on the NEEQ from 16 May 2017 to 20 January 2019. On 21 January 2019, the shares of Zhongtian Construction ceased to be quoted on the NEEQ. With different trading characteristics, the Stock Exchange and the NEEQ have divergent trading volumes, liquidity and investor bases, as well as different levels of retail and institutional investor participation. As a result, the trading performance of the NEEQ may not be comparable to that of the Stock Exchange. Due to the different characteristics of the Stock Exchange and the NEEQ, the historical prices of the NEEQ may not be indicative of the performance of our Shares. You should therefore not place undue reliance on our prior trading history on the NEEQ when evaluating an investment in our Shares.

You should not place any reliance on the information published regarding to Zhongtian Construction's prior quotation on the NEEQ.

As the shares of Zhongtian Construction had been quoted on the NEEQ from 16 May 2017 to 20 January 2019, Zhongtian Construction was required to comply with the then PRC regulations on periodic reports and other disclosures. Accordingly, Zhongtian Construction published its relevant information on the NEEQ or other media designated by the CSRC. However, the information published on the NEEQ was based on the regulatory requirements and market practices of the PRC securities regulatory authorities and the financial information published on the NEEQ was prepared based on accounting principles generally accepted in the PRC which may be different from that applicable to the Global Offering. Therefore, such published information does not form a part of this prospectus. As a result, prospective investors in our Shares are reminded that, when making their investment decisions as to whether to purchase our Shares, they should rely only on the financial, operating and other information included in this prospectus. By applying for the Offer Shares, you will be deemed to have agreed that you will not rely on any information other than that contained in this prospectus and other formal announcements made by us regarding the Global Offering in Hong Kong.

There has been no prior public market for our Shares and an active trading market for our Shares may not develop or be sustained.

Prior to the Global Offering, no public market for our Shares existed. Following the completion of the Global Offering, the Stock Exchange will be the only market on which the Shares are publicly traded. We cannot assure you that an active trading market for our Shares will develop or be sustained after the Global Offering.

In addition, we cannot assure you that our Shares will be traded in the public market subsequent to the Global Offering at or above the Offer Price. The Offer Price for the Shares is expected to be fixed by agreement among the Joint Overall Coordinators and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and us, and may not be indicative of the market price of the Shares following the completion of the Global Offering. If an active trading market for our Shares does not develop or is not sustained after the Global Offering, the market price and liquidity of Shares could be materially and adversely affected.

The trading prices of our Shares may be volatile, which could result in substantial losses to you.

The trading prices of our Shares may be volatile and could fluctuate widely in response to factors beyond our control, including general market conditions of the securities markets in Hong Kong, the PRC, the United States and elsewhere in the world. Various broad market and industry factors may significantly affect the market price and volatility of our Shares, regardless of our actual operating performance. In addition to market and industry factors, the price and trading volume of our Shares may be highly volatile for specific business reasons. In particular, factors such as variations in our revenue, net income and cash flow could cause the market price of our Shares to change substantially. Any of these factors may result in large and sudden changes in the volume and trading price of our Shares.

Since there will be a gap of several days between pricing and trading of our Offer Shares, holders of our Offer Shares are subject to the risk that the price of our Offer Shares could fall during the period before trading of our Offer Shares begins.

The Offer Price of our Shares is expected to be determined on the Price Determination Date. However, our Shares will not commence trading on the Stock Exchange until they are delivered, which is expected to be four Business Days after the Price Determination Date. As a result, investors may not be able to sell or otherwise deal in our Shares during that period. Accordingly, holders of our Shares are subject to the risk that the price of our Shares could fall before trading begins as a result of adverse market conditions or other adverse developments that could occur between the time of sale and the time trading begins.

Our Controlling Shareholder has substantial influence over our Group and its interests may not be aligned with the interests of our other Shareholders.

Immediately upon completion of the Capitalisation Issue and the Global Offering, our Controlling Shareholder will directly own an aggregate of approximately 55.62% of our Shares (without taking into account any Share which may be issued upon exercise of the Over-allotment Option or any option which may be granted under the Share Option Scheme). The interests of our Controlling Shareholder may differ from the interests of our other Shareholders. Our Controlling Shareholder could have significant influence in determining the outcome of any corporate transaction or other matter submitted to our Shareholders for approval, including mergers, consolidations and the sale of all or substantially all of our assets, election of Directors and other significant corporate actions. This concentration of ownership, as a result, may discourage, delay or prevent a change in control of our Company, which could deprive our Shareholders of an opportunity to receive a premium for their Shares in a sale of our Company or may reduce the market price of our Shares. In addition, to the extent the interests of our Controlling Shareholder conflict with the interests of other Shareholders, the interests of other Shareholders may be disadvantaged or harmed.

We have a dispersed shareholder base and there is a lack of agreement among our Shareholders or their respective shareholders regarding the arrangement on the disposal of our Shares.

We have a dispersed shareholder base with 14 corporate Shareholders. There is no shareholder agreement among these Shareholders or their respective shareholders regarding the arrangement or restrictions on the disposal of our Shares. The Shares held by ZT (A), ZT (B), ZT (C), ZT (D), ZT (E), ZT (F), ZT (G), ZT (H), ZT (I), ZT (J), ZT (K), ZT (L) and ZT (M) as well as the shares of ZT (A) and ZT (E) are subject to lock-up undertakings commencing from the Listing Date. For details, please refer to the section headed "Underwriting — Undertakings pursuant to the Hong Kong Underwriting Agreement" in this prospectus. In the event that any of these Shareholders dispose of the Shares after the expiry of the relevant lock-up periods, it could negatively impact the market price of our Shares or lead to volatility in the market price or trading volume of our Shares, affecting the value of your investment.

There can be no assurance that we will be able to declare or distribute any dividend in the amount set out in any of our plans or at all.

For FY2019, FY2020, FY2021 and 3Q2022, we declared and paid an aggregate dividend of approximately RMB0.1 million, RMB0.2 million, nil and nil, respectively. After the completion of the Global Offering, we may in the future distribute dividends by way of cash or by other means that we consider appropriate. A decision to declare and pay any dividends would require the recommendations of our Board and approval of our Shareholders. Under the Articles, our Directors have the power to pay interim dividends but only if they are justified by the profits of our Company. The decision to pay dividends will be reviewed in light of factors such as our results of operations, financial condition and position, and other factors deemed relevant. Any distributable profits that are not distributed in any given year may be retained and available for distribution in subsequent years. To the extent profits are distributed as dividends, such portion of profits will not be available to be reinvested in our operations. There can be no assurance that we will be able to declare or distribute any dividend in the amount set out in any of our plans or at all. Our future declarations of dividends will be at the absolute discretion of our Board.

Because the Offer Price of our Shares is higher than our net tangible book value per Share, purchasers of our Shares in the Global Offering will experience immediate dilution.

If you purchase our Shares in the Global Offering, you will pay more for your Shares than our net book value on a per Share basis. As a result, investors of our Shares in the Global Offering will experience an immediate dilution in the net tangible asset value and our existing Shareholders will receive an increase in the pro forma adjusted consolidated net tangible asset value per Share of their Shares. In addition, holders of our Shares may experience a further dilution of their interest if the Joint Overall Coordinators and the Joint Global Coordinators (for themselves and on behalf of the International Underwriters) exercises the Over-allotment Option or if we obtain additional capital in the future through equity offerings.

There may be a dilutive effect on the earnings per Share associated with the Share Option Scheme.

We have adopted the Share Option Scheme, details of which are set out in the paragraph headed "D. Share Option Scheme" in Appendix V to this prospectus. Issuance of Shares pursuant to the exercise of options granted or to be granted under the Share Option Scheme will result in an increase in the number of Shares in issue after the issuance and thereby will cause dilution to the percentage of ownership of the existing Shareholders, the earnings per Share, and net asset per Share.

The laws of the Cayman Islands relating to the protection of the interests of minority shareholders may be different from those in Hong Kong.

Our corporate affairs are governed by our Memorandum and Articles of Association and by the Companies Act and common law of the Cayman Islands. The laws of the Cayman Islands relating to the protection of the interests of minority shareholders may differ in some aspects from those established under statutes or judicial precedent in existence in Hong Kong. This may mean that the remedies available to our Company's minority shareholders may be different from those they would have under the laws of other jurisdictions. A summary of Cayman Islands company law is set out in Appendix IV to this prospectus.

Certain statistics and forecasts in this prospectus were derived from official government sources and have not been independently verified.

This prospectus includes certain statistics and facts that have been extracted from official government sources and publications which we believe to be reliable. We have taken reasonable care in the reproduction or extraction of the official government sources and publications for the purpose of disclosure in this prospectus. However, we cannot guarantee neither the quality nor the reliability of such source materials. They have not been prepared or independently verified by us, the Sole Sponsor, the Underwriters or any of its or their respective affiliates or advisers, and therefore we make no representation as to the accuracy of such facts and statistics. In all cases, investors should give due consideration as to how much weight or importance they should attach to, or place on, such facts and statistics in this prospectus.

There are risks associated with the forward-looking statements contained in this prospectus.

This prospectus contains certain forward-looking statements and information relating to us and the subsidiaries comprising our Group, which are based on the beliefs of our management as well as assumptions made by and information currently available to our management. Such statements reflect the current views of our Company's management with respect to future events, operations, liquidity and capital resources, some of which may not materialise or may change. These statements are subject to certain risks, uncertainties and assumptions, including the other risk factors as described in this prospectus.

You should not rely on any information contained in press articles or other media regarding our Group and the Global Offering.

Prior to the publication of this prospectus, there may be certain press and media coverage regarding our Group and the Global Offering which may include certain information relating to business operations, financial information, industry comparisons and other information about our Group that does not appear in this prospectus. We did not authorise the disclosure of any such information in the press or media and do not accept any responsibility for any such press or media coverage or the accuracy or completeness of any such information. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. Prospective investors should not rely on any such information and should only rely on information included in this prospectus in making any investment decision.

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purpose of giving information with regard to us. Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive; and there are no other matters the omission of which would make any statement herein or in this prospectus misleading.

INFORMATION AND REPRESENTATION

We have not authorised anyone to provide any information or to make any representation not contained in this prospectus. You should not rely on any information or representation not contained in this prospectus as having been authorised by us, the Joint Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Capital Market Intermediaries, the Sole Sponsor, the Underwriters or any of our or their respective directors, officers or representatives or any other person involved in the Global Offering. No representation is made that there has been no change or development reasonably likely to involve a change in our affairs since the date of this prospectus or imply that the information contained in this prospectus is correct as at any date subsequent to the date of this prospectus.

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Global Offering are recommended to consult their professional advisers if they are in any doubt as to the taxation implications in relation to subscribing for, purchasing, holding or disposal of, and dealing in our Shares (or exercising rights attached to them). It is emphasised that none of us, the Joint Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Capital Market Intermediaries, the Sole Sponsor, any of the Underwriters, any of their respective directors, agents, advisers, employees, personnel or any other persons or parties involved in the Global Offering accepts responsibility for any tax affairs or liabilities of any person resulting from the subscription, purchase, holding or disposal of, dealing in our Shares, or the exercise of any rights attached to our Shares.

Issuer	Zhongtian Construction (Hunan) Group Limited (中天建設（湖南）集團有限公司)

The Global Offering	The Global Offering of initially 120,000,000 Shares comprising (i) 12,000,000 new Shares for subscription by the public in Hong Kong and (ii) initially 108,000,000 new Shares for subscription under International Placing (subject to reallocation and the Over-allotment Option). If the Over-allotment Option is exercised, our Company will be issuing up to 18,000,000 additional new Shares.
Offer price range	Not more than HK$1.28 and not less than HK$1.08 per Share
Share borrowing arrangements in connection with settlement	The Stabilising Manager or any person acting for it may borrow from ZT (A) up to 18,000,000 Shares (assuming the Over-allotment Option is exercised in full).
Over-allotment Option	Up to 18,000,000 additional new Shares to be issued by our Company.
Procedure for application for Hong Kong Public Offer Shares	Please refer to "How to Apply for the Hong Kong Public Offer Shares" in this prospectus.
Conditions of the Hong Kong Public Offering	Details of the conditions of the Hong Kong Public Offering are set out in "Structure and Conditions of the Global Offering — Conditions of the Global Offering" in this prospectus.
Lock-up undertakings by our Company and the Controlling Shareholder	See "Underwriting — Underwriting Arrangements and Expenses — Undertakings to the Stock Exchange pursuant to the Listing Rules" and "Underwriting — Underwriting Arrangements and Expenses — Undertakings Pursuant to the Hong Kong Underwriting Agreement" in this prospectus.
Share registrar	Our principal register of members will be maintained by our Company's principal share registrar, Appleby Global Services (Cayman) Limited in the Cayman Islands and our Hong Kong branch register of members will be maintained by our Hong Kong Share Registrar, Boardroom Share Registrars (HK) Limited in Hong Kong.

Stamp duty

Dealings in the Shares registered on our Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty. The current ad valorem rate of Hong Kong stamp duty is 0.13% on the higher of the consideration for or the market value of the Shares and it is charged on the purchaser on every purchase and on the seller on every sale of the Shares. In other words, a total stamp duty of 0.26% is currently payable on a typical sale and purchase transaction involving the Shares.

Transfers of the Shares registered on our principal register of members in the Cayman Islands will not be subject to Cayman Islands stamp duty unless our Company holds an interest in land in the Cayman Islands.

Application for Listing

Application has been made to the Listing Committee for the granting of the listing of, and permission to deal in, our Shares in issue and to be issued pursuant to the Global Offering (including any Share which may be issued pursuant to the exercise of the Over-allotment Option), the Capitalisation Issue and any Share which fall to be issued pursuant to the exercise of any option which may be granted under the Share Option Scheme. No part of the Share or the loan capital of our Company is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought in the near future.

Restrictions on offer of Offer Shares

No action has been taken to permit a public offering of the Offer Shares in any jurisdiction other than Hong Kong, or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstance in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation.

Eligibility for admission into CCASS

Subject to the granting of the listing of, and permission to deal in, our Shares on the Stock Exchange and compliance of the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date as determined by HKSCC.

Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second settlement day after any trading day. You should seek the advice of your stockbroker or other professional adviser for details of those settlement arrangements as such arrangements will affect your rights and interests.

All necessary arrangements have been made for the Shares to be admitted into CCASS. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Language

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, this prospectus shall prevail. Translated English names of Chinese laws and regulations, government authorities, institutions, natural persons or other entities included in this prospectus and for which no official English translation exists are unofficial translations for your reference only.

Rounding of figures

In this prospectus, where information is presented in hundreds, thousands, ten thousands, millions, hundred millions or billions, certain amounts of less than one hundred, one thousand, ten thousand, one million, a hundred million or a billion, as the case may be, have been rounded to the nearest hundred, thousand, ten thousand, million, hundred million or billion, respectively. Unless otherwise stated, all the numerical figures are rounded to one decimal place and figures in this prospectus are in approximate figures. Any discrepancies in any table or chart between totals and sums of amounts listed therein are due to rounding.

Exchange rate	For the purpose of illustration only and unless otherwise specified in this prospectus, the following exchange rates is adopted: RMB1.00 = HK$1.0967 No representation is made that the relevant amounts in any particular could have been, or could be, converted into such other currencies or vice versa at such rates or at any other rate on such date or on any other date.
Commencement of dealing in the Shares	Dealings in our Shares on the Main Board are expected to commence at 9:00 a.m. (Hong Kong time) on Thursday, 30 March 2023. Shares will be traded in board lots of 2,000 Shares each.

In preparation for the Listing, our Company has sought the following waivers from strict compliance with the relevant provisions of the Listing Rules and exemption from strict compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance:

WAIVER IN RELATION TO MANAGEMENT PRESENCE IN HONG KONG

Rule 8.12 of the Listing Rules provides that a new applicant applying for a primary listing on the Stock Exchange must have a sufficient management presence in Hong Kong. This normally means that at least two of its executive Directors must be ordinarily resident in Hong Kong.

The business and operations of our Group are based, managed and conducted in the PRC and all of the assets of our Group are located in the PRC. In particular, our headquarters are situated in Zhuzhou, our 24 branch offices as at the Latest Practicable Date are located in various provinces in the PRC including Hunan, Hainan, Hubei, Guangdong and Fujian Provinces, and the construction sites of our projects are located in various provinces in the PRC including Hunan, Hainan and Hubei Provinces. As such, our executive Directors and members of the senior management of our Group are and will be expected to continue to be based in the PRC. In addition, it would be practically difficult and commercially unnecessary for our Company to relocate our executive Directors to Hong Kong or appoint additional executive Directors who are ordinarily resident in Hong Kong. As a result, our Company does not, and in the foreseeable future will not, have a sufficient management presence in Hong Kong for the purpose of satisfying the requirements under Rule 8.12 of the Listing Rules.

Accordingly, our Company has applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with Rule 8.12 of the Listing Rules on the following conditions:

(i) our Company has appointed and will continue to maintain two authorised representatives, namely Ms. Chan Kit Ming, the company secretary of our Company, who is an ordinary resident in Hong Kong and Mr. Yang, the chairman of our Board and our executive Director, to serve as the principal channel of communication at all times between the Stock Exchange and our Company. Each of the authorised representatives will be readily contactable by the Stock Exchange by telephone, facsimile and/or email to deal promptly with enquiries in relation to our Company from the Stock Exchange in short notice. Each of our authorised representatives is authorised to communicate on our behalf with the Stock Exchange. Mr. Lau Kwok Fai Patrick, our independent non-executive Director, is also an ordinary resident in Hong Kong;

(ii) our Company will keep the Stock Exchange up to date in respect of any change to the contact details of our authorised representatives. Our Company will only change the authorised representatives after notifying the Stock Exchange of such change and the reasons and having made an appropriate replacement;

(iii) each of the authorised representatives of our Company has means to contact all Directors (including our independent non-executive Directors) promptly at all times as and when the Stock Exchange wishes to contact any of our Directors for any reason. All of our Directors (including our independent non-executive Directors) who are not ordinarily resident in Hong Kong possess or can apply for valid travel documents to visit Hong Kong and will be able to meet with the Stock Exchange within a reasonable period of time when required. To enhance the communication among the Stock Exchange, the authorised representatives and our Directors, our Company will implement a policy whereby (a) our Directors (including our independent non-executive Directors) have provided to our authorised representatives their respective mobile phone numbers, office phone numbers, fax numbers and email addresses; and (b) in the event that a Director expects to travel, he or she will provide the telephone number of the place of his or her accommodation to our authorised representatives or maintain an open line of communication via his or her mobile telephone. Further, each of our Directors and authorised representatives have provided his or her mobile phone number, office phone number, email address and fax number to the Stock Exchange;

(iv) our Company has appointed Grande Capital to act as our compliance adviser under Rule 3A.19 of the Listing Rules, who will, among others, act as the additional communication channel with the Stock Exchange for a period commencing from the Listing Date and ending on the date on which our Company distributes the annual report for the first full financial year after the Listing Date in accordance with Rule 13.46 of the Listing Rules. Our Company will ensure that our compliance adviser has prompt access to our authorised representatives and our Directors who will provide our compliance adviser with such information and assistance as our compliance adviser may need or may reasonably request in connection with the performance of our compliance adviser's duties; and

(v) meetings between the Stock Exchange and our Directors could be arranged through the authorised representatives or our compliance adviser, or directly with our Directors within a reasonable time. Our Company will inform the Stock Exchange as soon as practicable in respect of any change in the authorised representatives and/or our compliance adviser in accordance with the Listing Rules.

WAIVER IN RELATION TO NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

Our Group entered into and is expected to continue with certain transactions which would constitute non-exempt continuing connected transactions under Chapter 14A of the Listing Rules, following completion of the Listing. Our Company has applied for, and the Stock Exchange has granted, a waiver from strict compliance with the relevant requirements under Chapter 14A of the Listing Rules in respect of such non-exempt continuing connected transactions. For details, please refer to the section headed "Connected Transactions" in this prospectus.

WAIVER AND EXEMPTION IN RESPECT OF FINANCIAL STATEMENTS IN THIS PROSPECTUS

According to Rule 4.04(1) of the Listing Rules, the Accountants' Report as set out in Appendix I to this prospectus must include the consolidated results of our Group in respect of each of the three financial years immediately preceding the issue of this prospectus or such shorter period as may be acceptable to the Stock Exchange.

Section 342(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance requires all prospectuses to include an accountants' report which contains the matters specified in the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

According to paragraph 27 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, our Company is required to include in this prospectus a statement as to the gross trading income or sales turnover (as may be appropriate) of our Group for each of the three financial years immediately preceding the issue of this prospectus including an explanation of the method used for the computation of such income or turnover, and a reasonable breakdown between the more important trading activities.

According to paragraph 31 of Part II of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, our Company is required to include in this prospectus a report by the auditors of our Company in respect of the profits and losses and assets and liabilities of our Group for each of the three financial years immediately preceding the issue of this prospectus.

Pursuant to section 342A of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the SFC may issue, subject to such conditions (if any) as the SFC thinks fit, a certificate of exemption from compliance with the relevant requirements under the Companies (Winding Up and Miscellaneous Provisions) Ordinance if, having regard to the circumstances, the

SFC considers that the exemption will not prejudice the interests of the investing public and compliance with any or all of such requirements would be irrelevant or unduly burdensome, or is otherwise unnecessary or inappropriate.

The Accountants' Report for FY2019, FY2020, FY2021 and 3Q2022 is set out in Appendix I to this prospectus but does not include the consolidated results of our Group in respect of the full year immediately preceding the proposed date of the Listing, being full year for FY2022. However, strict compliance with paragraph 27 of Part I and paragraph 31 of Part II of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance and Rule 4.04(1) of the Listing Rules would be unduly burdensome and the exemption would not prejudice the interest of the investing public given the following reasons:

(i) there would not be sufficient time for our Group and the Reporting Accountants to finalise the audited financial statements for FY2022 for inclusion in this prospectus, which shall be issued on or before 20 March 2023. If the financial information is required to be audited up to FY2022, our Company and the Reporting Accountants would have to undertake a substantial amount of work to prepare, update and finalise the Accountants' Report and this prospectus and the relevant sections of this prospectus will need to be updated to cover such additional period, which will lead to a delay in the listing timetable;

(ii) our Company has included in this prospectus (a) the Accountants' Report covering FY2019, FY2020, FY2021 and 3Q2022; (b) the unaudited preliminary financial information of our Group for FY2022 as set out in Appendix III to this prospectus, which has been agreed with our Reporting Accountants, BDO Limited, following their review under Practice Note 730 ''Guidance for Auditors Regarding Preliminary Announcements of Annual Results'' issued by the Hong Kong Institute of Certified Public Accountants, and a commentary on the results for the year as set out in Appendix III to this prospectus, and such disclosure is no less than the content requirements for a preliminary results announcement under Rule 13.49 of the Listing Rules; and (c) the information regarding the recent development of our Group subsequent to the Track Record Period and up to the Latest Practicable Date. As such, our Company and the Sole Sponsor are of the view that information included in this prospectus have already provided potential investors with adequate and reasonably up-to-date information in the circumstances to form a view on the track record and earnings trend of our Group. Our Directors and the Sole Sponsor confirm that all information that is necessary for the potential investors to make an informed assessment of the activities, assets and liabilities, financial position, management and profitability of our Company has been included in this prospectus. Our Directors believe that a waiver from strict compliance with Rule 4.04(1) of the Listing Rules and the exemption from strict compliance with paragraph 27 of Part I and paragraph 31 of Part II of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance would not prejudice the interests of the investing public;

(iii) our Directors and the Sole Sponsor confirmed that, after performing sufficient due diligence work up to the date of this prospectus, save for the Listing expenses, there has been no material adverse change in our financial and trading positions or prospects since 30 September 2022 and there has been no event since 30 September 2022 which would materially affect the information shown in the Accountants' Report set out in Appendix I to this prospectus, the unaudited pro forma information, the unaudited preliminary financial information of our Group for FY2022 as included in Appendix III to this prospectus and the section headed "Financial Information" in this prospectus and other parts of this prospectus; and

(iv) our Company will comply with the requirements under Rules 13.46(2) of the Listing Rules in respect of the publication of its annual report. Our Company currently expects to issue its annual report for the FY2022 on or before 30 April 2023. In this regard, our Directors consider that our Shareholders, the investing public as well as potential investors of our Company will be kept informed of the financial results of our Group for FY2022.

In such circumstances, an application has been made to the Stock Exchange for, and the Stock Exchange has granted to our Company, a waiver from strict compliance with Rule 4.04(1) of the Listing Rules, on the conditions that:

(i) this prospectus will be issued on or before 20 March 2023 and our Shares will be listed on the Stock Exchange on or before 31 March 2023, i.e. within three months after the latest financial year end;

(ii) our Company will obtain a certificate of exemption from the SFC on compliance with the requirements under section 342(1) in relation to paragraph 27 of Part I and paragraph 31 of Part II of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance;

(iii) this prospectus will include the preliminary unaudited financial information for FY2022 and a commentary on the results for the year. The financial information to be included in this prospectus must (a) follow the same content requirements as for a preliminary results announcement under Rule 13.49 of the Listing Rules; and (b) be agreed with the Reporting Accountants following their review under Practice Note 730 ''Guidance for Auditors Regarding Preliminary Announcements of Annual Results'' issued by the Hong Kong Institute of Certified Public Accountants; and

(iv) our Company will not be in breach of our constitutional documents or laws and regulations of the Cayman Islands, where our Company is incorporated, or other regulatory requirements regarding our obligation to publish preliminary results announcements.

An application has also been made to the SFC for a certificate of exemption from strict compliance with section 342(1) in respect of the requirements under paragraph 27 of Part I and paragraph 31 of Part II of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to the inclusion of the accountants' report for the full FY2022 in this prospectus. A certificate of exemption has been granted by the SFC under section 342A of the Companies (Winding Up and Miscellaneous Provisions) Ordinance on the conditions that:

(i) the particulars of the exemption are set out in this prospectus; and

(ii) this prospectus will be issued on or before 20 March 2023, and our Shares will be listed on the Stock Exchange on or before 31 March 2023, i.e. three months after the latest financial year end.

DIRECTORS

Name	Residential Address	Nationality
Executive Directors		
Mr. Yang Zhongjie (楊中杰先生, whose former Chinese name was 楊忠杰) *(Chairman of our Board)*	1809, Unit 3, Block 10 Dongfang Mingyuan East Xinhua Road Hetang District, Zhuzhou City Hunan Province PRC	Chinese
Mr. Liu Xiaohong (劉小紅先生) *(Chief executive officer)*	No. 101, Unit 1, Block 11 Zijinyuan, Rose City Hetang District, Zhuzhou City Hunan Province PRC	Chinese
Mr. Min Shixiong (閔世雄先生)	No. 114, Block 33 Xianghua Village Hetang District, Zhuzhou City Hunan Province PRC	Chinese
Mr. Shen Qiang (沈强先生)	No. 701, Block 7 Xinguidu Xintang Road Hetang District, Zhuzhou City Hunan Province PRC	Chinese
Mr. Chen Weiwu (陳衛武先生)	No. 602, Block 1 No. 57 East Xinhua Road Hetang District, Zhuzhou City Hunan Province PRC	Chinese

Name	Residential Address	Nationality
Independent non-executive Directors		
Dr. Liu Jianlong (劉建龍博士)	801, Block 29 Shanshui Wenyuan No. 1568 Taishan Road Tianyuan District, Zhuzhou City Hunan Province PRC	Chinese
Ms. Deng Jianhua (鄧建華女士)	Building 47 Jianqiao District 2 Hetang Yuese Manor Zhengxing Road No. 118 Changsha City Hunan Province PRC	Chinese
Mr. Lau Kwok Fai Patrick (劉國煇先生)	Flat D, 23rd Floor Downtown 38 38 Pak Tai Street To Kwa Wan Kowloon Hong Kong	Chinese

For detailed information of our Directors, please refer to the section headed "Directors and Senior Management" in this prospectus.

PARTIES INVOLVED IN THE GLOBAL OFFERING

Sole Sponsor	**Grande Capital Limited** Room 2701, 27/F Tower One, Admiralty Centre 18 Harcourt Road Admiralty Hong Kong
Joint Overall Coordinators	**CMBC Securities Company Limited** 45/F, One Exchange Square 8 Connaught Place Central Hong Kong
	Grande Capital Limited Room 2701, 27/F Tower One, Admiralty Centre 18 Harcourt Road Admiralty Hong Kong
Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers	**CMBC Securities Company Limited** 45/F, One Exchange Square 8 Connaught Place Central Hong Kong
	Grande Capital Limited Room 2701, 27/F Tower One, Admiralty Centre 18 Harcourt Road Admiralty Hong Kong

Joint Bookrunners and Joint Lead Managers	**SPDB International Capital Limited** 33/F SPD Bank Tower One Hennessy 1 Hennessy Road Hong Kong
	BOCOM International Securities Limited 9/F, Man Yee Building 68 Des Voeux Road Central Hong Kong
	I Win Securities Limited Room 201, 2/F China Insurance Group Building 141 Des Voeux Road Central Central Hong Kong
	China Everbright Securities (HK) Limited 12/F, Everbright Centre 108 Gloucester Road Wan Chai Hong Kong
	Soochow Securities International Brokerage Limited Level 17, Three Pacific Place 1 Queen's Road East Hong Kong
	Alliance Capital Partners Limited Unit 03, 7/F, Worldwide House 19 Des Voeux Road Central Hong Kong

Joint Lead Managers	**Eddid Securities and Futures Limited** 21/F, Citic Tower 1 Tim Mei Avenue Central Hong Kong
	Maxa Capital Limited Unit 1908, 19/F, Harbour Center 25 Harbour Road Wan Chai Hong Kong
	ChaoShang Securities Limited Rooms 2206-2210, 22/F China Resources Building 26 Harbour Road Wanchai, Hong Kong
	Leeds Securities Investment Limited Room 2701-2703, 27/F Everbright Centre 108 Gloucester Road Wan Chai Hong Kong
Capital Market Intermediaries	**CMBC Securities Company Limited** 45/F, One Exchange Square 8 Connaught Place Central Hong Kong
	Grande Capital Limited Room 2701, 27/F Tower One, Admiralty Centre 18 Harcourt Road Admiralty Hong Kong

SPDB International Capital Limited
33/F
SPD Bank Tower
One Hennessy
1 Hennessy Road
Hong Kong

BOCOM International Securities Limited
9/F, Man Yee Building
68 Des Voeux Road Central
Hong Kong

I Win Securities Limited
Room 201, 2/F
China Insurance Group Building
141 Des Voeux Road Central
Central
Hong Kong

China Everbright Securities (HK) Limited
12/F, Everbright Centre
108 Gloucester Road
Wan Chai
Hong Kong

Soochow Securities International Brokerage Limited
Level 17, Three Pacific Place
1 Queen's Road East
Hong Kong

Alliance Capital Partners Limited
Unit 03, 7/F, Worldwide House
19 Des Voeux Road Central
Hong Kong

Eddid Securities and Futures Limited
21/F, Citic Tower
1 Tim Mei Avenue
Central
Hong Kong

Maxa Capital Limited
Unit 1908, Harbour Center
25 Harbour Road
Wan Chai
Hong Kong

ChaoShang Securities Limited
Rooms 2206-2210, 22/F
China Resources Building
26 Harbour Road
Wan Chai
Hong Kong

Leeds Securities Investment Limited
Room 2701-2703, 27/F Everbright Centre
108 Gloucester Road
Wan Chai
Hong Kong

Legal advisers to the Company

As to Hong Kong laws
ONC Lawyers
19th Floor
Three Exchange Square
8 Connaught Place
Central
Hong Kong

As to Hong Kong laws
Ms. Queenie W.S. Ng
Rooms 2203 A&B
Fairmont House
8 Cotton Tree Drive
Central
Hong Kong

As to Cayman Islands laws
Appleby
Suites 4201-03 & 12, 42/F
One Island East, Taikoo Place
18 Westlands Road
Quarry Bay
Hong Kong

As to PRC laws
Beijing Dentons Law Offices, LLP (Shenzhen)
3/F, 4/F & 12/F, Block A
International Innovation Center
No. 1006, Shennan Boulevard
Futian District, Shenzhen
PRC

As to PRC laws in respect of construction matters in the PRC
Hunan Dongsheng Law Firm*
(湖南東盛律師事務所)
2205–2206, Block A
Zhongwang Jin'ancheng
No. 88 Qiyi Road
Zhuzhou City
Hunan Province
PRC

Legal advisers to the Sole Sponsor and the Underwriters	***As to Hong Kong laws*** **DeHeng Law Offices (Hong Kong) LLP** 28/F, Henley Building 5 Queen's Road Central & Room 3507, 35/F, Edinburgh Tower, The Landmark, 15 Queen's Road Central Central, Hong Kong ***As to PRC laws*** **AllBright Law Offices (Shenzhen)** 22, 23/F, Tower 1, Excellence Century Center FuHua 3 Road Futian District, Shenzhen PRC
Auditors and Reporting Accountants	**BDO Limited** *Certified Public Accountants* 25th Floor, Wing On Centre 111 Connaught Road Central Central Hong Kong
Industry consultant	**Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.** 2504, Wheelock Square 1717 Nanjing West Road Shanghai PRC
Compliance Adviser	**Grande Capital Limited** Room 2701, 27/F Tower One, Admiralty Centre 18 Harcourt Road Admiralty Hong Kong
Receiving bank	**Industrial and Commercial Bank of China (Asia) Limited** 33/F., ICBC Tower, 3 Garden Road, Central Hong Kong

Registered office	71 Fort Street PO Box 500 George Town Grand Cayman KY1-1106 Cayman Islands
Headquarters and principal place of business in the PRC	No. 1197, East Xinhua Road Hetang District, Zhuzhou City Hunan Province PRC
Principal place of business in Hong Kong registered under Part 16 of the Companies Ordinance	Unit E, 17th Floor 8 Hart Avenue Tsim Sha Tsui, Kowloon Hong Kong
Company's website	www.ztcon.com *(Note: information contained in this website does not form part of this prospectus)*
Company secretary	Ms. Chan Kit Ming *(CPA)* Flat H, 30th Floor Tower 6, Island Harbourview 11 Hoi Fai Road Tai Kok Tsui, Kowloon Hong Kong
Authorised representatives (for the purposes of the Listing Rules)	Ms. Chan Kit Ming *(CPA)* Flat H, 30th Floor Tower 6, Island Harbourview 11 Hoi Fai Road Tai Kok Tsui, Kowloon Hong Kong Mr. Yang Zhongjie 1809, Unit 3, Block 10 Dongfang Mingyuan East Xinhua Road Hetang District, Zhuzhou City Hunan Province PRC

Audit committee	Mr. Lau Kwok Fai Patrick (劉國煇) *(Chairperson)* Dr. Liu Jianlong (劉建龍) Ms. Deng Jianhua (鄧建華)
Remuneration committee	Ms. Deng Jianhua (鄧建華) *(Chairperson)* Mr. Liu Xiaohong (劉小紅) Mr. Lau Kwok Fai Patrick (劉國煇)
Nomination committee	Mr. Yang Zhongjie (楊中杰) *(Chairperson)* Dr. Liu Jianlong (劉建龍) Ms. Deng Jianhua (鄧建華)
Principal share registrar and transfer office in the Cayman Islands	**Appleby Global Services (Cayman) Limited** 71 Fort Street PO Box 500 George Town Grand Cayman KY1-1106 Cayman Islands
Hong Kong Share Registrar	**Boardroom Share Registrars (HK) Limited** 2103B, 21st Floor 148 Electric Road North Point Hong Kong
Principal bank	**China Construction Bank Corporation Zhuzhou Renmin Road Sub-branch** No. 2 Qiyi Road, Zhuzhou City Hunan Province PRC

The information that appears in this section contains information and statistics on the industry in which we operate. The information and statistics contained in this section have been derived partly from publicly available government and official sources. Certain information and statistics set forth in this section have been extracted from the market research report prepared by F&S, an Independent Third Party which we commissioned. The information from official government sources has not been independently verified by us, the Sole Sponsor, the Joint Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Capital Market Intermediaries, the Underwriters, any of our or their respective directors, supervisors, officers, employees, advisors, agents or representatives or other party involved in the Global Offering and no representation is given as to its accuracy.

SOURCE AND RELIABILITY OF INFORMATION

We had commissioned F&S, an independent market research and consulting company, to conduct an analysis of, and to prepare a report on construction market in the PRC, in order to evaluate the existing market scale and future potential market, and provide a fair and objective overview of China's construction industry in this prospectus. The report prepared by F&S for us is referred to in this prospectus as the F&S Report. We paid F&S a fee of RMB735,849 for this research service, which we believe reflects the prevailing market rates and the payment of such amount was not conditional on our Group's successful listing or on the results of the F&S Report.

Founded in 1961, F&S has 40 offices with more than 2,000 industry consultants, market research analysts, technology analysts and economists globally. F&S's services include technology research, independent market research, economic research, corporate best practices advising, training, client research, competitive intelligence and corporate strategy.

F&S's independent research consists of both primary and secondary research obtained from various sources in respect of the target market. Primary research involved in-depth interviews with leading industry participants and industry experts. Secondary research involved reviewing company reports, independent research reports and data based on F&S's own research database. Projected data were obtained from historical data analysis plotted against macroeconomic data with reference to specific industry-related factors. Except as otherwise noted, all of the data and forecasts contained in this section are derived from the F&S Report, various official government publications and other publications. According to F&S, this methodology ensures a full circle and multilevel information sourcing process, where information gathered can be cross-referenced to ensure accuracy. In compiling and preparing the F&S Report, F&S has adopted the following assumptions: (i) China's economy is likely to maintain a steady growth across the forecast period; (ii) China's social, economic and political environment is likely to remain stable in the forecast period, which ensures the stable and healthy development of construction industry in China; and (iii) 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.

Our Directors confirm that, as at the Latest Practicable Date, after making reasonable enquiries, there had been no material adverse change in the market information since the date of the report prepared by F&S which may qualify, contradict or have an impact on the information in this section.

OVERVIEW OF MACRO ECONOMY IN CHINA

Due to a series of economic stimulus policies including the Revitalisation Plans of Ten Key Industries and the Belt and Road Initiative, the nominal GDP in China has been growing moderately over the past five years, increasing from RMB74.6 trillion in 2016 to 114.4 trillion in 2021, representing a CAGR of 8.9%. Driven by the industry upgrade and supply-side structural reform, it is estimated that nominal GDP in China would continue to grow at a CAGR of 5.2%, from RMB121.0 trillion in 2022 to RMB148.3 trillion in 2026.

Consistent with the steady growth of nominal GDP, the nominal GDP per capita in China has also witnessed a steady growth in the past five years, increasing from RMB53.8 thousand in 2016 to RMB 81 thousand in 2021, representing a CAGR of 8.5%. It is estimated that nominal GDP per capita in China would continue to grow at a CAGR of 4.3%, from RMB84.8 thousand in 2022 to RMB100.3 thousand in 2026.

OVERVIEW OF MACRO ECONOMY IN HUNAN PROVINCE

The nominal GDP in Hunan Province increased from RMB3.2 trillion in 2016 to RMB4.6 trillion in 2021, representing a CAGR of 7.9%, while the nominal GDP per capita in Hunan Province grew from RMB46.4 thousand in 2016 to RMB69.3 thousand in 2021, representing a CAGR of 8.4%. Driven by the ongoing urbanisation and industrialisation, the per capita disposable income of urban residents in Hunan Province increased from RMB31.3 thousand in 2016 to RMB44.9 thousand in 2021, representing a CAGR of 7.5%, and would continue to grow at a CAGR of 6.4% from 2022 to 2026. The table below sets out selected economic statistics of Hunan Province for the periods indicated.

	2016	2017	2018	2019	2020	2021	2016-2021 CAGR (%)	2022E-2026E CAGR (%)
Population (million)	68.2	68.6	69.0	69.2	69.5	69.8	0.5%	0.3% *(note)*
Nominal GDP (RMB billion)	3,155.1	3,390.3	3,642.6	3,975.2	4,178.1	4,606.3	7.9%	6.2%
Nominal GDP per capita (RMB thousand)	46.4	49.6	52.9	57.6	61.4	69.3	8.4%	5.6%
Urbanisation rate (%) . . .	52.8	54.6	56.0	57.4	59.0	60.6	2.8%	1.1%
Per capita disposable Income of urban residents (RMB thousand).	31.3	33.9	36.7	39.8	42.3	44.9	7.5%	6.4%

Source: National Bureau of Statistics of China and F&S estimate as at the Latest Practicable Date

Note: The population of Hunan Province is expected to maintain a positive growth because (i) the development of economy in Hunan will further drive the population growth; and (ii) the sustainable growth of urbanisation rate in Hunan will drive influx of population from other areas.

THE CONSTRUCTION INDUSTRY IN CHINA AND HUNAN PROVINCE

Construction industry is one of the pillar industries in China, which plays a significant role in national economic development.

Value Chain

The value chain of the construction market mainly consists of upstream suppliers, midstream contractors and downstream customers. In general, upstream suppliers initiate construction projects and invite tenders from engineering consultancies and contractors before confirming the construction contract. Therefore, it is the industry norm for the upstream suppliers and midstream construction contractors to have relatively short business relationship as project(s) are obtained through tendering and the contractors are engaged on a project-by-project basis. The typical market participants of the upstream suppliers from public and private sectors are government departments and property developers, respectively. Payments for construction services are generally made upon achieving key milestones set forth in the construction services contracts, and there is usually a timing difference between the date of completion of construction works and the date of progress billings for such work. In 2021, construction companies generally received approximately 30% to 78% of the amount of their trade receivables outstanding as at 31 December 2020. It is common for the companies in the PRC construction industry to adopt bill financing arrangement for their daily operation. In general, it takes longer time for Government-related Entities to settle trade receivables. The contractors conduct the construction works after the preliminary works such as site investigation, engineering design and planning have been finished while construction contracts usually take three to five years to complete. The downstream customers (end users) of the construction market include the government, enterprises and individual customers. It is customary in the construction industry in the PRC that general contractors would negotiate with their subcontractors and suppliers for extension of payment dates prior to receipt of payment from the relevant project owners.

Market Participants

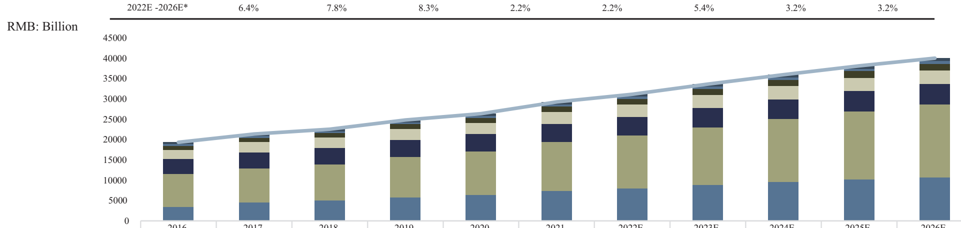
Based on service type, the construction industry can be divided into construction engineering, planning and design, supervision, decoration, installation and provision of corresponding supporting services. Among all of the market participants, construction engineering industry occupies over 85% of the market share in 2021. Based on construction object, construction industry could be divided into four categories: civil building, municipal works, transportation infrastructure and others.

In terms of the qualification classification, construction industry qualifications are divided into three main qualification categories: general construction contracting qualification (12 qualification categories), specialised contracting qualification (36 qualification categories) and construction labour qualification.

Overview of the Construction Industry in China

Total Output Value of Construction and its Growth Rate in China, 2016-2026E

CAGR	Total	General Contractor				Specialised Contractor		
		Premium Grade	First Grade	Second Grade	Third Grade	First Grade	Second Grade	Third Grade
2016 -2021	8.7%	15.7%	8.4%	4.5%	5.1%	7.1%	5.7%	4.5%
2022E -2026E*	6.4%	7.8%	8.3%	2.2%	2.2%	5.4%	3.2%	3.2%



	2016	2017	2018	2019	2020	2021	2022E	2023E	2024E	2025E	2026E
Specialised Contractor-Third Grade	459.7	498.0	504.6	532.9	537.9	573.3	592.0	619.9	643.1	660.9	672.8
Specialised Contractor-Second Grade	420.5	465.4	474.0	503.3	516.0	555.7	573.8	600.9	623.3	640.6	652.1
Specialised Contractor-First Grade	908.7	1,002.9	1,037.4	1,118.5	1,164.6	1,280.2	1,349.1	1,441.8	1,526.6	1,601.2	1,663.6
General Contractor-Third Grade	2,321.8	2,557.1	2,591.0	2,736.6	2,791.1	2,975.2	3,040.4	3,150.8	3,235.0	3,290.3	3,315.0
General Contractor-Second Grade	3,647.8	3,904.5	3,956.3	4,178.6	4,261.8	4,542.9	4,642.4	4,811.0	4,939.5	5,024.0	5,061.8
General Contractor-First Grade	8,070.2	8,456.1	9,014.6	10,017.1	10,748.6	12,054.3	13,024.1	14,270.3	15,490.9	16,740.7	17,920.6
General Contractor-Premium Grade	3,528.0	4,510.4	5,003.7	5,757.3	6,374.8	7,326.3	7,976.1	8,783.3	9,559.9	10,203.3	10,763.7
Total	19,356.7	21,394.4	22,581.7	24,844.3	26,394.7	29,307.9	31,198.0	33,678.0	36,018.3	38,161.1	40,049.7

Source: National Bureau of Statistics of China and F&S estimate as at the Latest Practicable Date

Notes:

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

2. Property development investment is a leading indicator in the construction sector, whereas construction output value is a lagging indicator that is prone to inaccuracy. The prediction for 2022 reflects the output value after investment in property development in previous few years.

3. Premium-grade general contractors may manage any construction project while first-grade general contractors may only manage industrial and civil construction projects with height under 200 meters and structures with height under 240 meters.

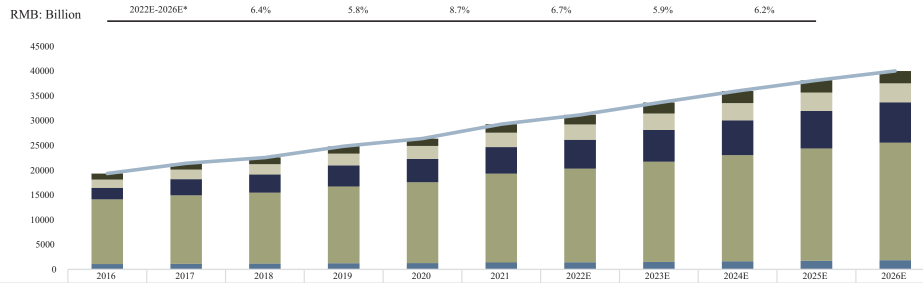
In China, projects constructed by general contractors occupy the majority of the market share of the construction industry in terms of output value. In 2016, general contractors took 90.8% of the construction market share and this dominant market occupation rate further increased to 91.8% in 2021. Among all qualification grades of general contractors, the general contractors with premium-grade, first-grade and second-grade accounted for 25.0%, 41.1%, 15.5%, respectively, of the total construction market in terms of the output value in 2021. Except for projects with special requirements, most project owners prefer to choose a general contractor to manage the construction project as a whole rather than subcontract to several specialised contractors themselves. Considering (i) the GDP growth target of approximately 5% in 2023 recently announced during the opening of the National People's Congress and (ii) the rebounce of economy after the impact of COVID-19 in 2023, it is expected that the demand for urban-rural development, industry upgrade, and the renovation of the old community will be gradually recovering and the output value of the construction industry will keep increasing in a moderate rate. The general contractor is expected to continue to dominate the construction industry in China and its output value is projected to reach RMB37,061.1 billion in 2026, representing a CAGR of 6.6% from 2022 to 2026.

The relatively high and stable expected growth of the industry is justified by the proposed incentive policies related to real estate and building construction in 2022–2023. In November 2022, the central bank and the China Banking and Insurance Regulatory Commission jointly issued the Notice on the Current Work of Financial Support for the Stable and Healthy Development of the Real Estate Market, which increased support for real estate enterprises from the perspective of financial institutions to stabilize the development of the real estate market. Since 2023, local governments have also continued to introduce policies to boost demand in the sector by lowering purchase and lending limitations, relaxing household requirements and increasing central provident fund loan limits. Regarding building construction, in November 2022, the National Development and Reform Commission, the MOHURD, and 18 other departments issued the Action Plan to

Further Improve the Quality of Products, Works, and Services (2022–2025), focusing on the improvement of building quality and usage functions, and promoting quality improvement in the construction industry to achieve sustainable and healthy development.

Total Output Value of Construction and its Growth Rate in China, 2016-2026E

CAGR	Total	Civil Building Construction	Transportation Infrastructure	Industrial Construction	Municipal Works Construction	Others
2016-2021	8.7%	6.5%	18.1%	5.3%	11.6%	7.3%
2022E-2026E*	6.4%	5.8%	8.7%	6.7%	5.9%	6.2%



	2016	2017	2018	2019	2020	2021	2022E	2023E	2024E	2025E	2026E
Others	1,212.9	1,248.8	1,336.8	1,474.5	1,474.1	1,724.7	1,945.2	2,217.7	2,443.8	2,474.7	2,477.0
Municipal Works Construction	1,673.7	1,937.5	2,115.8	2,411.9	2,641.6	2,903.9	3,075.5	3,303.2	3,514.7	3,704.7	3,868.1
Transportation Infrastructure	2,329.3	3,255.7	3,646.1	4,228.2	4,690.0	5,354.2	5,824.3	6,422.0	7,012.3	7,582.1	8,117.6
Civil Building Construction	13,080.7	13,817.7	14,333.0	15,515.0	16,324.8	17,950.7	18,921.2	20,223.2	21,412.4	22,648.1	23,729.0
Industrial Construction	1,060.0	1,134.7	1,150.0	1,214.7	1,264.2	1,374.4	1,431.8	1,512.0	1,635.0	1,751.4	1,858.1
Total	19,356.7	21,394.4	22,581.7	24,844.3	26,394.7	29,307.9	31,198.0	33,678.0	36,018.3	38,161.1	40,049.7

Source: *National Bureau of Statistics of China and F&S estimate as at the Latest Practicable Date*

Note: Civil building mainly includes commercial buildings, residential buildings and industrial buildings, whose output value contains the output of construction work and its corresponding service such as design and supervision. The transportation infrastructure mainly includes the highways, railways, bridges and other transportation infrastructure (road inside the city is not included in the transportation infrastructure). Municipal works mainly include the urban road, power supply, water supply, etc. Other construction mainly includes the construction works of agriculture buildings such as grain and fodder processing stations, livestock and poultry farms, etc.

Among all of the subsectors, civil building construction held the dominant market position representing 67.6% of the market share in 2016 and 61.3% of the market share in 2021, respectively. For municipal works subsector, according to the Several Opinions of the General Office on Further Strengthening the Management of Urban Planning and Construction (關於進一步加強城市規劃建設管理工作的若干意見), the municipal works maintenance in the urban area and the construction of underground integrated corridor, which are mostly financed and led by governments, will be important market drivers for the municipal works construction market. As such, the growth rate of civil building and municipal works subsector is projected to be growing steadily at a CAGR of 5.8% and 5.9% from 2022 to 2026, respectively.

Project Management Responsibility System of the Construction Industry in China

The Construction Project Management Code (建設工程項目管理規範), was approved by the MOHURD, with effect from 1 January 2018. The Predecessor Construction Project Management Code for construction project management was abolished on the same day.

The Construction Project Management Code is applicable nationwide to the project management activities of all parties involved in construction projects and is the basis for establishment of project management team, clarifying the responsibilities and working relationships of all levels and personnels, and assessment and evaluation of the results of project. It provides a clear guidance to all parties involved in construction projects, including construction enterprises, surveying units, design units, supervision units, construction units, etc., on the implementation and relevant requirements of project management responsibility system.

According to the Construction Project Management Code, project management responsibility system plays an important role in managing construction projects. The Construction Project Management Code sets forth the major components of the project management responsibility system, which should include the project manager or other management role of the construction enterprise, the relevant responsibility and authority of the person-in-charge, the framework requirement of responsibility letter as well as the rewards and penalty mechanism thereafter. For each project, the responsibility letter is designed according to the specific requirements and prescribed goals of the project based on management assessment and negotiation with the respective individuals. A responsibility letter will be entered into between the authorised representative of the construction enterprise and the appointed person(s)-in-charge to outline the corresponding responsibilities and prescribed goals to be achieved for assessment on rewards and penalty upon the completion of the construction project.

The Predecessor Construction Project Management Code, which should be followed for construction project management, was approved by the MOHURD on 21 June 2006 with effect from 1 December 2006 and had been abolished since 31 December 2017. The Predecessor Construction Project Management Code served as the basis for establishment of project management team, clarifying the responsibilities and working relationships of all levels and personnels, specifying project management measures and assessment and evaluation of the results of the project. The Predecessor Construction Project Management Code stipulates that responsibility system of project manager shall be fully implemented for construction project management.

Key Market Drivers

There are a number of factors driving the growth of China's construction industry, including:

Accelerating Urbanisation Process

In 2021, the urbanisation rate in China has reached 65.7%, growing at a CAGR of 2.7% from 2016 to 2021. According to the National Population Development Plan Notice (2016-2030) (國務院關於印發國家人口發展規劃(2016-2030年)) published in 2016, China's urbanisation rate is expected to reach 75.8% in 2026. With the accelerated urbanisation process in China, a lot of new demands have been brought to the construction industry, particularly for civil building. The reasons for the accelerating urbanisation process in the PRC mainly includes: (i) economic development bringing agglomeration effect; (ii) support from regional government; (iii) the break of geographical restrictions for the flow of population; and (iv) social transformation.

Accelerating urbanisation drives the growth of the construction industry in China and in Hunan in the following ways:

1. urban economic development drives the demand for sizeable buildings construction;

2. regional urbanisation planning promotes the expansion of construction industry to second-tier and third-tier cities; and

3. urbanisation increase the demand for development of infrastructure in the construction industry.

In the report to the 20th National Congress of the Communist Party, it proposes to renovate more than 42 million sets of shantytown housing, renovate more than 24 million rural houses, and significantly improve the housing condition of urban and rural residents. In the future, the government will keep focusing on the renovation project of shantytown, city village and dilatated buildings, and the fixed asset investment from the government on transportation infrastructure and municipal works will sustain a stable growth. As such, the construction industry in China and Hunan Province still has enormous potential for growth in the future.

Supportive Government Policies

The Belt and Road Initiative refers to a cooperative development initiative between China and other countries. The Belt and Road Initiative horizontally runs across eastern, central and western China, and vertically connects major coastal port cities in China, and continues to extend to central Asia and Association of Southeast Asian Nations (ASEAN) countries. In the Thirteenth Five-Year Plan of Modern Comprehensive Transportation System Development (「十三五」現代綜合交通運輸體系發展規劃) issued by the State Council in February 2017, it was proposed to actively promote the construction of railway, highway, water transportation, and pipeline connection projects between China and neighbouring countries as well as regions to build "The Belt and Road" connection channel. The initiative addressed the importance of transportation connectivity between countries, which will stimulate the domestic and overseas fixed asset investment. Due to the fact that the majority of the Belt and Road countries are middle-income countries with continuous construction demand, the market potential for construction industry is still enormous. Besides, the State Council issued the Opinions on Promoting the Sustainable and

Healthy Development of the Construction Industry (關於促進建築業持續健康發展的意見), which encourages the rapid development of the prefabricated buildings in the next decades whose market penetration rate is expected to account for 30% of new buildings areas by 2025.

Innovation of Steel Structure in Construction Market

The increasing labour costs and the stringent environmental protection supervision policy have to some extent limited the development of the traditional construction industry. The innovation of steel structure in the construction industry with a higher material utilisation rate has to some extent helped with the reduction of environmental impact of construction projects. Besides, the less labour-intensive character compared with traditional construction model has been considered as an alternative solution for the increasing labour cost. The steel structure construction project used to be primarily applied in the construction of municipal buildings and large-scale factories. However, with the establishment of a series of supportive government policies, it is expected that the penetration rate of the steel structure in the civil building construction subsector will witness rapid growth in the future.

Major Challenges

The principal challenges to the development of China's construction industry include:

Increasing Operational Cost

The civil building construction market in China is a labour-intensive industry. Along with the ageing population in China, the labour cost is rising gradually. In addition, most of the current employees are migrant workers born from 1960 to 1970. The poor working environment could not appeal to the post-80s and 90s new generation of migrant workers, which makes it difficult to recruit workers, thus raising labour costs in the civil building construction market. It is customary in the PRC construction industry that except for the certified technical and management staff, such as constructors, construction companies do not employ their own construction labour force, but may instead enter into labour services contracts with qualified labour service subsidiary companies or third parties for labour force required in construction projects. In this regard, it is an industry norm for construction companies to procure a significant amount of such labour subcontracting services from newly established companies, which are generally able to procure the substantial amount of labour required by the enterprises. This industry norm is mainly due to the fact that these newly established companies usually provide more competitive offers than well-established labour subcontractors in order to expand their business and increase their market share at their early stage of development. Moreover, construction labour supply in Hunan and Hainan Province is sufficient and it is not difficult for labour subcontracting company to hire sufficient labour to perform for their engaged projects. In relation to construction project management, it is the industry norm for companies to retain deposits from the project manager or other responsible employees as responsibility deposit to guarantee the due performance of the project as reward or penalty.

Increasing Investment in Technological Innovation

At present, the R&D investment in China's construction industry is insufficient compared with other developed countries. The main reason is that the required capital investment in advanced technology in the construction industry is very high and it demands a long-term investment period before generating profits. Long-term high investment cost leads to the situation that many construction enterprises are reluctant to invest in technological innovation.

The level of R&D expenses incurred by our Group was in line with those of its industry peers.

Weakened Impact from the COVID-19

The impact of outbreak of COVID-19 on China's construction industry is expected to be limited in the long run, due to the fact that China's solid economic scale is capable of withholding the impact of COVID-19. In addition, the PRC Government has introduced various types of policies to support the recovery of national economy in 2023, including China's Ministry of Finance has increased the 2023 new local government special debt limit to RMB219 billion, which represented an increase of 50% compared to the previous year, one of the reasons was for boosting local infrastructure construction.

To combat the pandemic during 2020 to 2022, some major cities in the PRC has adopted isolation measures imposed by the PRC Government on business and social activities, including lockdowns, stringent travel restrictions, heightened quarantine measures and mandated temporary suspension of business operations across certain regions and as the construction industry being a typical labour-intensive industry, has been affected in the first quarter of 2020 with short term adverse impacts on the construction projects, such as the short-term project schedule delay, shortage of construction materials supply and slow down of government approval. Despite the isolation measures, such as city lockdown, were imposed by the PRC Government, operation of construction projects are not restricted by the PRC Government as long as the construction workers complied with the movement restriction rule imposed by the PRC Government. Since the resumption of work in late February 2020, the construction industry has seen clear sign of recovery, with various economic indicators picking up again gradually and the impact of the

COVID-19 on the construction industry in the PRC was weakened based on the observations below:

- The COVID-19 infection rate remained at a very low level as reported by the PRC Government and the isolation measures has been relaxed since the end of 2022;

- The resumption of construction activities as evidenced by the increase in total investment value of fixed income in the PRC from approximately RMB259.4 billion in January 2020, to approximately RMB6,237.0 billion in May 2020; From January to December 2022, the overall infrastructure investment growth was 9.4%;

- The demand for construction services as at mid-May 2020, has basically resumed to the level before the outbreak of COVID-19 and from January to December 2022, the total output value and newly signed contract value of the Construction Industry in China reached RMB31,398.0 billion and RMB36,648.1 billion respectively; and

- The urbanisation rate in China has witnessed a sustainable growth from 57.4% in 2016 to 65.7% in 2021. Driven by the favourable policies such as The State Council on Issuing the National Population Development Plan (2016-2030) (國務院關於於印發國家人口發展規劃(2016-2030年)), the urbanisation rate in China is expected to reach 75.8% in 2026. The rising urbanisation rate is expected to provide more market opportunities for the construction industry in the PRC despite the outbreak of COVID-19.

Market Trends

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

Development of the EPC Model

The EPC model refers to a model that the construction company undertakes the construction project during a whole construction process (including engineering, procurement, construction and commissioning) or its several phases. It is widely accepted that EPC model is capable to optimise the project efficiency through overall coordination and resource allocation of the project. The government has been promoting the development of the EPC model for several years. In 2016, the MOHURD issued the Opinions on Further Promoting the Development of EPC (關於進一步推進工程總承包發展的若干意見), which proposed that the development organisations should give priority to the EPC model when selecting the contracting model of the construction project. In

2017, the MOHURD also issued the National Standard Code for General Contracting Management of Construction Projects (建設項目工程總承包管理規範國家標準) which has standardised the EPC construction standard to accelerating the promotion process of EPC projects in PRC.

Development of Green Buildings including Prefabricated Construction Method

Green buildings refer to maximising resource conservation and reducing pollution throughout the entire cycle of the construction process, providing residents healthy, efficient and environmentally-friendly buildings. According to Notice on the Medium and Long Term Development Plan for Green Buildings in Hunan Province (湖南省綠色建築中期發展規劃(2021–2035)) issued by HHURD in 2021, it is targeted that, by 2025, the completion area that are recognised as green building should reach 75% of the total completion area of all newly developed buildings while the completion area that are recognised as starred green building should reach at least 14% of the completion area of all newly developed buildings.

Prefabricated construction method, which is a kind of green building technology, consisting of factory-built components or units to be assembled on-site that efficiently eliminates the resource wastage and pollution compared to the traditional construction method. It possesses multiple strengths compared with the traditional building and is becoming increasingly popular in the PRC construction industry given its efficiency, quality and environmental-friendly attribute. The extra materials of the prefabricated building can be recycled, which can help solving the pollution problem brought by the traditional building construction. In addition, the construction model of prefabricated buildings, assembly of factory-made components on-site, needs less manual labour and thereby reducing the labour cost. Hence, the government is actively promoting the development of prefabricated building. In February 2017, the State Council issued the Opinions on Promoting the Sustainable and Healthy Development of the Construction Industry (國務院辦公廳關於促進建築業持續健康發展的意見), which proposed that prefabricated buildings are encouraged to develop, and it should account for 30% of new buildings by 2025.

Entry Barriers

Qualification Certificate of Contractors

General contractors are required to obtain qualifications approved by the MOHURD and local government authorities in order to perform construction works in China. The scope and scale of a construction project that a general contractor can undertake depends on the general contractor's construction qualification. In China, the construction industry is under strict regulation. The qualification management system specifies the limitation and boundaries of business that a construction enterprise under each qualification category at each grade can undertake. Construction enterprise are prohibited to undertake the project which beyond its qualification. The construction qualification is awarded based on factors including, but not limited to net assets, track record of construction works, machinery and equipment capacity, minimum number of technical and managerial employees.

Reputation and Track Record

Reputation and successful track records maintained by the construction companies are also important entry barriers for new market entrants. For property owners, the proven track record and reputation provide a convincing endorsement for construction quality and contractual capacity. With the in-depth promotion of the reform of the credit management system in the construction industry, the importance of the reputation and proven track record is expected to maintain an upward trend.

Professional Technical Staff

According to the Measure for the Management of the Practice of National Certified Constructor (註冊建造師執業資格管理辦法), both first-grade (一級) and second-grade (二級) constructors are qualified to undertake the leader role for medium-scale project but only the first-grade constructors are qualified to undertake the leader role for large-scale projects. All constructors with constructor licence are prohibited to undertake the leader role as the project manager of more than one construction project at the same time. Considering the long construction period before the project completion acceptance, sufficient qualified constructors guarantees the maximum project capability of a construction company. As at 31 December 2021, there are approximately 1,300,000 qualified first-grade constructors in China, which accounts for around 1.1% of the total employees in the construction industry. Considering the limited number of the qualified constructors, employing sufficient first-grade qualified constructors is essential for new entrants.

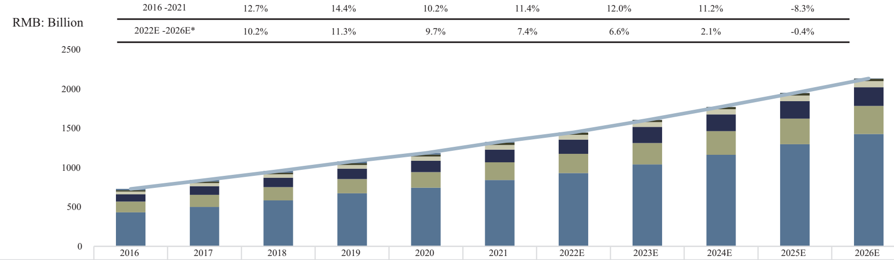
Capital Requirement

Capital, especially the net asset and sufficient cash flow, is an important barrier for new entrants as it is not only essential for meeting the qualification requirement but also important for the smooth operation of the project. For example, according to the "Qualification Standards for Construction Enterprises (《建築業企業資質等級標準》)", for the first-grade general contractors of construction (一級建築工程施工總承包企業), the minimum requirement for net asset should be above RMB100 million. Generally, the capital capability of a tenderer is an important selection criteria in public tendering.

Overview of the Construction Industry in Hunan Province

Total Output Value of Construction and its Growth Rate in Hunan by Contractor Type, 2016-2026E

CAGR	Total	General Contractor			Specialized Contractor		
		First Grade and Above	Second Grade	Third Grade	First Grade	Second Grade	Third Grade
2016 -2021	12.7%	14.4%	10.2%	11.4%	12.0%	11.2%	-8.3%
2022E -2026E*	10.2%	11.3%	9.7%	7.4%	6.6%	2.1%	-0.4%



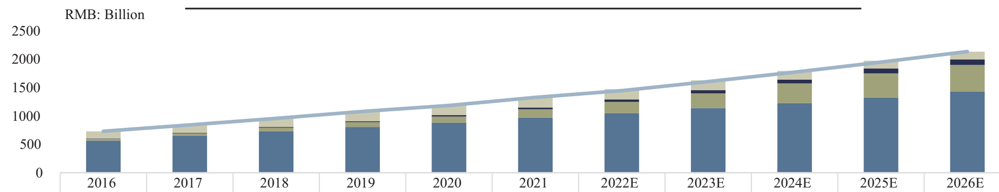
	2016	2017	2018	2019	2020	2021	2022E	2023E	2024E	2025E	2026E
Specialised Contractor-Third Grade	17.3	19.6	21.4	23.2	20.7	11.2	3.3	0.1	3.5	3.9	3.2
Specialised Contractor-Second Grade	15.9	18.3	20.1	21.9	24.0	27.0	27.2	25.6	26.1	28.0	29.5
Specialised Contractor-First Grade	34.3	39.5	44.0	48.6	53.4	60.5	61.3	63.2	66.8	72.2	79.1
General Contractor-Third Grade	94.3	109.6	120.6	131.5	144.4	162.1	179.2	203.6	213.7	223.5	238.4
General Contractor-Second Grade	137.6	153.7	167.9	181.7	199.5	223.9	246.7	272.6	300.6	325.4	357.2
General Contractor-First Grade and Above	431.0	501.6	584.2	673.2	744.3	843.3	930.5	1,041.5	1,163.6	1,297.8	1,427.6
Total	730.4	842.3	958.1	1,080.1	1,186.4	1,328.0	1,448.1	1,606.6	1,774.3	1,950.7	2,134.9

Source: National Bureau of Statistics of China and F&S estimate as at the Latest Practicable Date

Similar to the situation in other parts of China, the output value of the first-grade general contractor in Hunan Province occupies the majority of the market share from 2016 to 2021. Considering the Several Measures to Help Construction Enterprises Solving Difficulties and Promote Steady Economic Growth (《助力建築企業紓困解難促進經濟平穩增長的若干措施》) jointly issued by 11 government departments including ZHURD in November 2022 which set out a set of specific policies in support of construction industry in Hunan that also contributed to the sustainable growth of construction industry in Hunan, it is estimated that the output value of the construction industry in Hunan Province will be gradually recovering and increasing in a moderate rate consistent with the overall market growth rate in China. The whole market size of construction industry in Hunan Province is thus projected to reach RMB2,134.9 billion in 2026, representing a CAGR of 10.2% from 2022 to 2026. As at 30 September 2022, there are 14 premium grade general contractors and 341 first-grade general contractors in Hunan Province. In consistent with the market growth in Hunan Province, the first-grade general contractor is expected to maintain its dominant market position and is expected to grow at a CAGR of 11.3% from 2022 to 2026.

Total Output Value of Construction and its Growth Rate in Hunan by Project Type, 2016-2026E

CAGR	Total	EPC	PC	PPP	Others
2016-2021	12.7%	38.9%	11.3%	37.2%	7.1%
2022E-2026E*	10.2%	24.6%	7.9%	23.7%	-7.0%



	2016	2017	2018	2019	2020	2021	2022E	2023E	2024E	2025E	2026E
Others	127.1	138.3	149.8	168.6	168.3	179.0	181.6	173.5	151.9	137.6	136.0
PPP	6.4	10.6	15.1	18.9	25.5	31.3	42.0	54.6	69.1	86.0	98.4
EPC	28.8	41.5	59.1	83.2	108.6	149.1	196.2	260.2	344.3	428.3	473.0
PC	568.0	651.8	734.2	809.3	883.9	971.9	1,053.7	1,139.7	1,229.8	1,323.9	1,427.6
Total	730.4	842.3	958.1	1,080.1	1,186.4	1,328.0	1,448.1	1,606.6	1,774.3	1,950.7	2,134.9

Source: National Bureau of Statistics of China and F&S estimate as at the Latest Practicable Date

Hunan Province's construction market has witnessed a steady increase from 2016 to 2021 with its total output value increasing from RMB730.4 billion in 2016 to RMB1,328.0 billion in 2021, representing a CAGR of 12.7%. Among all of the subsectors, civil building construction holds the dominant market position, attributing to 69.1% and 70.4%, respectively of the total output value of the construction industry in 2016 and 2021. The outperformance of the growth rate of civil buildings in Hunan Province is mainly due to the rapid development of the prefabricated buildings which is mainly driven by supportive government policies such as the Planning of the Distribution of Residential Industrial Production Bases in Hunan Province (湖南省住宅產業生產基地布點規劃 (2015-2020). As for outperform of Industrial Construction market, with the gradual completion of the new market, industrial buildings will enter the stock market, thus industrial building maintenance is a big market opportunity in the future.

In the construction market of Hunan Province, the majority of the construction projects are accomplished under the PC model, which accounted for around 77.8% in 2016. Compared with the EPC model, the property owner separates the design services from procurement and construction services under the PC model. For large scale construction projects whose property owner has higher requirement on the project quality, the EPC model is more preferable than the PC model as the potential risk could be transferred to the general contractors. This is because the EPC model could minimise the risk taken by the property owner, improve the project coordination efficiency and reduce the project construction period. For the general contractors, more coordination and management responsibility indicate higher project quotation for EPC projects. Besides, under the premise of the safety and quality of the project, the EPC model allows the general contractor to accelerate the project schedule and reduce construction costs through optimised project management abilities. As such, the EPC projects generally retain higher gross profit than PC projects. It is common in the construction industry that the engineering units and construction units with corresponding qualification jointly bid and cooperate for EPC, according to the Administrative Measures for the EPC activities of Building Construction and Municipal Works Construction Projects (房屋建築和市政基礎設施專案工程總承包管理辦法) formulated by

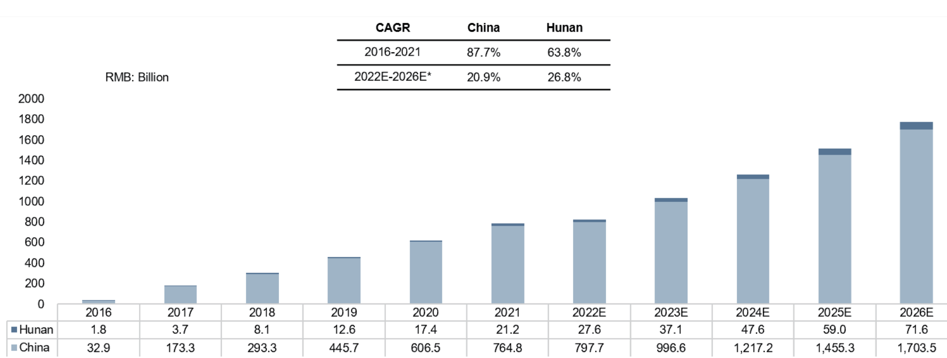
MOHURD in December 2019. In the future, it is estimated that the market size of the EPC model will increase at a rapid growth rate of 24.6% from 2022 to 2026 because of the establishment of a series of the supportive government policies.

The estimated output value of construction in China and in Hunan Province from 2022 to 2026 is estimated based on the recent modifications of the macroeconomic environment and policies taking into consideration the more moderate GDP growth target of 5% proposed by the PRC Government in the annual sessions of NPC and Chinese People's Political Consultative Conference (CPPCC) National Committee. Our Directors considered that the modifications of the macroeconomic environment and policies would not have a material impact on the business of the Group for the following reasons:

(i) The more moderate GDP growth target was proposed considering the effects of shrinking exports and international tradings. While we primarily focus on domestic market, the modifications of the macroeconomic environment and policies due to the shrinking exports and international tradings have no material impact on our business; and

(ii) We focus on the provision of construction services comprising civil building construction services, which are still leading the growth rate of the construction industry. While installation and building decoration services are most significantly impacted by the modifications, we have limited involvement in these subsectors and thus the modifications of the macroeconomic environment and policies have no material impact on our business.

Total Output Value of Prefabricated Steel Civil Building Market in China and Hunan, 2016-2026E



Source: *F&S estimate as at the Latest Practicable Date*

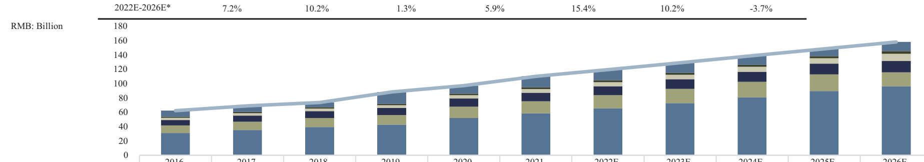
Note: The market size of prefabricated steel building construction market is determined by prefabricated ratio, new floor area of prefabricated building and unit prefabricated steel building construction price.

With the introduction of a series of supportive policies and government subsidies in recent years, the output value of prefabricated steel building construction in China has increased from RMB32.9 billion to RMB764.8 billion from 2016 to 2021, representing a CAGR of approximately 87.7%. In the future, considering the ongoing government supportive policies and the increasing maturity of the market in the next five years, the market size of prefabricated steel civil buildings in China is projected to reach RMB1,703.5 billion in 2026. Hunan Province, as one of the seven pilot districts for prefabricated steel building development in 2019, plans to cultivate more than 5 large-scale construction general contractors for prefabricated steel building and complete more than 10 demonstration prefabricated steel building projects from 2019 to 2021 according to the Promotion of Prefabricated Steel Building in Hunan Province (湖南省推進鋼結構裝配式住宅建設試點方案) issued by Hunan Province Department of Housing and Urban-Rural Development and approved by MOHURD. As such, it is estimated that the prefabricated steel building market in Hunan Province is projected to reach RMB71.6 billion in 2026, representing a CAGR of 20.9% which is much higher than the average growing speed of China due to the strong policy support.

Overview of the Construction Industry in Zhuzhou

Total Output Value of Construction and its Growth Rate in Zhuzhou, 2016-2026E

CAGR	Total	General Contractor			Specialized Contractor		
		First Grade or Above	Second Grade	Third Grade	First Grade	Second Grade	Third Grade
2016-2021	12.1%	13.5%	9.7%	9.9%	10.6%	9.7%	12.6%
2022E-2026E*	7.2%	10.2%	1.3%	5.9%	15.4%	10.2%	-3.7%



	2016	2017	2018	2019	2020	2021	2022E	2023E	2024E	2025E	2026E
Specialised Contractor-Third Grade	8.5	8.6	6.6	16.6	11.1	15.5	15.0	14.2	12.7	10.4	12.9
Specialised Contractor-Second Grade	1.4	1.6	1.8	1.8	2.2	2.3	2.4	2.6	2.7	2.8	3.6
Specialised Contractor-First Grade	3.2	3.4	3.8	4.0	4.7	5.2	5.7	6.3	6.8	7.5	10.2
General Contractor-Third Grade	7.4	8.4	9.4	9.7	11.3	11.9	12.5	13.4	14.1	15.0	15.7
General Contractor-Second Grade	10.7	11.8	12.8	13.6	15.8	16.9	18.4	19.9	21.6	23.3	19.4
General Contractor-First Grade or Above	31.0	35.1	39.3	42.6	52.1	58.5	65.5	72.8	80.9	89.7	96.4
Total	62.3	69.0	73.7	88.4	97.1	110.3	119.6	129.2	138.8	148.5	158.2

Source: F&S estimate as at the Latest Practicable Date

As encouraged by the expansion and development of central city areas, and the improvement of old city areas proposed in the Outline of the Thirteenth Five-Year Plan for National Economic and Social Development of Zhuzhou (株洲市國民經濟和社會發展第十三個五年規劃綱要), the construction output value in Zhuzhou witnessed rapid growth from RMB62.3 billion in 2016 to RMB 110.3 billion in 2021 with a CAGR of 12.1%. General contractors of first-grade and above hold the dominant market position in Zhuzhou, which witness the most rapid growth speed at a CAGR of 13.5% from RMB31.0 billion to RMB58.5 billion between 2016 and 2021.

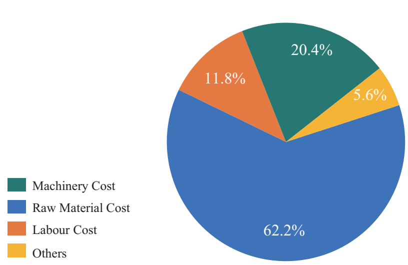
According to the Action Plan of Zhuzhou for the Integrated Development of Changsha-Zhuzhou-Xiangtan City Cluster (長株潭城市群一體化發展株洲市行動方案) proposed in 2019, the government of Zhuzhou would vigorously promote the civil building and construction of transportation infrastructure to facilitate the integrated development of the Changsha-Zhuzhou-Xiangtan City Cluster. Benefiting from this plan, the construction output value in Zhuzhou is expected to grow from RMB119.6 billion to RMB158.2 billion at a CAGR of 7.2% from 2022 to 2026. Also, along with the continuous enhancement of the construction capability of construction enterprises, the construction output value of first-grade general contractors or above is estimated to show an upward trend, rising from RMB65.5 billion to RMB96.4 billion at a CAGR of 10.2% from 2022 to 2026.

In Zhuzhou, there are only four construction companies with first-grade general contractor qualifications among the total number of 251 as of 30 September 2022. Among those qualified construction companies, Zhongtian Construction, the principal operating subsidiary of our Group, is the only company that is accredited as High and New Technology Enterprises (高新技術企業).

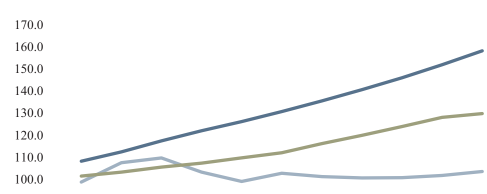
Price Trend of Project Price and Operation Cost

Price Indices of Construction Cost and its Components in China, 2016-2026E

Cost Breakdown of Construction Project, China, 2021



CAGR	Building Material	Labour Cost	Machinery Cost
2016-2021	0.8%	3.8%	2.0%
2022E-2026E	0.6%	4.0%	2.8%



	2016	2017	2018	2019	2020	2021	2022E	2023E	2024E	2025E	2026E
Building Materials	98.8	107.6	109.7	103.3	99.1	102.8	101.3	100.7	100.8	101.8	103.6
Labour Cost	108.3	112.5	117.4	122.0	126.1	130.7	135.5	140.6	146.0	151.9	158.2
Machinery Cost	101.5	103.3	105.6	107.4	109.8	112.1	116.2	119.9	123.9	128.1	129.8

Source: National Bureau of Statistics of China and F&S estimate as at the Latest Practicable Date

Note: The base year in the index is 2014 when index equal to 100. The price indices of construction project and its related cost (raw materials, labour cost and machinery cost) reflects the price trend of construction project investment and its cost in the fixed asset investment. Raw materials in the construction project includes steel, concrete, wood, chemicals, electricity and other direct materials.

For a construction project, the majority of operation cost is attributable to the raw materials such as steel, concrete, wood, chemicals, electricity, and other direct materials which accounted for 62.2% of the total project cost in 2021, followed by the machinery cost which accounts for 20.4% of the total construction cost. The machinery cost could be even higher for the transportation infrastructure construction projects and municipal works construction projects because of the increasing demand for equipment. With the increasing production efficiency, the growth speed of the price index for building materials is expected to experience a slight decrease from 2022 to 2026 at a CAGR of 0.6%. According to the National Bureau of Statistics of China, the CAGR of the total number of employees in the construction industry is 3.8% from 2016 to 2021, which is much slower than the CAGR of 8.7% of the construction industry in terms of the output value. The inconsistency of the rapidly growing construction demand with the labor supply market drives up the labor cost. The average wages of the workers in the construction industry in the urban area is approximately RMB51,256 per year in 2021 and is expected to increase in line with the increase of the nominal GDP per capita from 2022 to 2026 assuming that the labor demand and supply situation remains stable. Due to the technical upgrade of construction equipment, the price of machinery cost is also expected to increase during the same period.

The fixed asset investment price index indicates the average price changes of the fixed asset investment. Steel and concrete are the two major raw materials used in the construction industry. According to the National Bureau of Statistics of China, the price of the steel and concrete has witnessed an increase at a CAGR of 7.6% and 6.2%, respectively, from 2016 to 2020 despite a sudden drop in 2016 due to the implementation of a "decapacity" policy by the PRC government. "Decapacity" Policy refers to the Opinions of the State Council on Resolving Excessive Production Capacity in the Iron and Steel Industry (《國務院關於鋼鐵行業化解過剩產能實現脱困發展的意見》) by which the PRC Government imposes stricter environmental law enforcement measures, for example, comprehensively investigating the conducts of the steel enterprises in relation to environmental protection, penalising steel enterprises that do not meet environmental protection standards in accordance with the law, and further improving the online system for monitoring major pollutants emitted by all steel enterprises. The PRC Government also strictly enforces safety production supervision and law enforcement, comprehensively investigates the safety production situation of the steel industry, promptly publishes the "blacklist" to announce poor production safety records of steel enterprises and investigates and penalises steel enterprises that do not meet the safe production requirements in accordance with the law. As a result, those underperformers that cannot meet the environmental and safety requirements will be punished, such as monetary punishment and suspension of operation, which lead to their withdrawal from the market so as to alleviate the problem of overcapacity of the iron and steel industry in China. There is no evidence that the market supply of raw materials has experienced the shortage situation in the past 5 years. In the future, under the assumption of the stable growth construction demand, it is expected that the supply of those raw materials will be sufficient in the market and the price of steel and concrete will experience a stable increase in consistent with the inflation rate.

COMPETITIVE LANDSCAPE OF CONSTRUCTION INDUSTRY IN HUNAN PROVINCE AND ZHUZHOU

Hunan Province Top 15 Non-state Owned Construction Enterprises in terms of Construction Revenue, 2021

Overall Ranking	Company	City	Main Business	Qualification Grade	Revenue (Million)	Market Share
1	Hunan Sunpeak Construction Co., Ltd. (湖南省沙坪建設有限公司)	Changsha	Civil Building	Premium	9,570.4	1.1%
2	Hunan Gaoling Construction Group Co., Ltd. (湖南高嶺建設集團股份有限公司)	Changsha	Civil Building	Premium	5,790.5	0.7%
3	Hunan Skyer Construction Group Co., Ltd. (湖南順天建設集團有限公司)	Changsha	Civil Building	First-Grade	3,612.9	0.4%
4	Hunan Dongfanghong Construction Group Co., Ltd. (湖南東方紅建設集團有限公司)	Changsha	Civil Building	First-Grade	3,553.0	0.4%
5	Hunan Changda Construction Group Co., Ltd. (湖南長大建設集團股份有限公司)	Changsha	Civil Building	Premium	2,429.2	0.3%
6	Hunan Yuanyi Architecture Group Co., Ltd. (湖南園藝建築集團有限公司)	Changsha	Municipal Works	First-Grade	2,425.4	0.3%
7	Hunan Xingda Construction Group Co., Ltd. (湖南星大建設集團有限公司)	Changsha	Civil Building	First-Grade	2,228.0	0.3%
8	Hunan Wangxin Construction Group Co., Ltd. (湖南望新建設集團股份有限公司)	Changsha	Civil Building	Premium	2,204.1	0.3%
9	The Group	Zhuzhou	Civil Building	First-Grade	1,823.4	0.2%
10	Hunan Hengzhou Construction Co., Ltd. (湖南省衡洲建設有限公司)	Hengyang	Civil Building	First-Grade	1,499.8	0.2%
11	Hunan Xihu Construction Group Co. Ltd. (湖南省西湖建築集團有限公司)	Changsha	Civil Building	First-Grade	1,335.1	0.2%
12	Chenzhou Construction Group Co., Ltd. (湖南省郴州建設集團有限公司)	Chenzhou	Civil Building	First-Grade	1,328.1	0.2%
13	Hunan Hengwu Construction Co., Ltd. (湖南省衡五建設有限公司)	Hengyang	Civil Building	First-Grade	1,225.9	0.1%
14	Hunan Haoyu Construction Co., Ltd. (湖南浩宇建設有限公司)	Changde	Civil Building	First-Grade	1,203.4	0.1%
15	Loudi Engineering Construction Co., Ltd. (婁底工程建設有限公司)	Loudi	Civil Building	First-Grade	1,164.6	0.1%
	Top 15 Non-state Owned Construction Companies			40,937.0		4.7%
	Others			830,559.5		95.3%
	Total Non-state Owned Construction Revenue in Hunan Province			871,496.4		100%

Source: *MOHURD and F&S estimate as at 30/09/2022*

According to the National Bureau of Statistics of China, in 2021, there were around 129,000 construction enterprises in China. The top 15 players in the construction industry in Hunan Province only accounted for approximately 4.7% of the total output value of the construction industry in 2021, which implies that the construction industry in China is fragmented. In 2021, our Group ranked ninth in terms of the construction revenue among non-state-owned construction enterprises in Hunan Province, which reached RMB1,823.4 million, placing it ninth among non-state construction businesses in Hunan Province. None of our Group's competitors in the top 15 in Hunan Province is a listed company and all of these companies are principally engaged in civil building construction except for Hunan Yuanyi Architecture Group Co., Ltd. (湖南園藝建築集團有限公司). Our Group ranked fifth among non-state-owned construction enterprises with a first-grade general contracting qualification in Hunan Province whose main business is civil building construction.

Zhuzhou Top 5 Non-state Owned Construction Enterprise in terms of Construction Revenue, 2021

Rank	Company	Main Business	Qualification Grades	Revenue (RMB Million)	Market Share
1	The Group	Civil Building	First	1,823.4	1.6%
2	Hunan Furong Construction Group Co., Ltd (湖南芙蓉建設集團有限公司)	Civil Building	First	738.4	0.7%
3	Hunan Mightier Group Construction Co., Ltd. (湖南偉大集團建設有限公司)	Civil Building	First	705.1	0.6%
4	Hunan Hong Wei Construction Engineering Co., Ltd (湖南宏偉建設工程有限公司)	Civil Building	Second	657.1	0.6%
5	Hunan United City Construction Group Co., Ltd (湖南聯合城市建設集團有限公司)	Civil Building	Second	632.3	0.6%
	Top 5			4,556.3	4.1%
	Others			106,314.9	95.9%
	Total Construction Revenue			110,871.2	100%

Source: Zhuzhou Public Resource Trading Centre and F&S estimate as at 30/09/2022

Note: Hunan Furong Construction Group Co., Ltd (湖南芙蓉建設集團有限公司), Hunan Mightier Group Construction Co., Ltd. (湖南偉大集團建設有限公司) and our Group are general contractors with first-grade qualification and Hunan Hong Wei Construction Engineering Co., Ltd (湖南宏偉建設工程有限公司) and Hunan United City Construction Group Co., Ltd (湖南聯合城市建設集團有限公司) are general contractors with second-grade qualification. The main business of Hunan Mightier Group Construction Co., Ltd. (湖南偉大集團建設有限公司) also includes real estate development in addition to provision of construction service. None of the above companies is a listed company.

In 2021, our Group ranked the first in terms of total construction revenue among non-state owned construction enterprises in Zhuzhou, which reached RMB1,823.4 million.

COMPETITIVE LANDSCAPE OF PREFABRICATED BUILDING MARKET IN CHINA

Prefabricated building is a type of building consisting of factory-built components or units to be assembled on-site and can be divided into three major categories including prefabricated concrete building, prefabricated steel structure building and prefabricated timber building based on the types of the main structural component of the building.

Top Five Prefabricated Steel Construction Enterprises in China in terms of Prefabricated Building Revenue, 2021

Rank	Company	Stock Code	Main Business	Prefabricated Building Revenue (Million)	Market Share
1	Zhejiang Southeast Grid Co., Ltd. (浙江東南網架股份有限公司)	002135	Prefabricated Steel	413.6	0.05%
2	the Group	/	/	369.8	0.05%
3	Jinggong Steel Building Group (長江金工鋼結構(集團)股份有限公司)	600496	Prefabricated Steel	298.2	0.04%
4	Hangxiao Steel Structure	600477	Prefabricated Steel	237.0	0.03%
5	Anhui Honglu Steel Structure (Group) Co., Ltd. (安徽鴻路鋼結構(集團)股份有限公司)	002541	Prefabricated Steel	187.0	0.02%
Top 5 Prefabricated Steel Construction Participants				1,505.6	0.2%
Others				763,317.1	99.8%
Total Revenue from Prefabricated Steel Construction Participants in China				764,822.6	100.00%

Source: F&S estimate as at 30/09/2022

In 2021, Zhejiang Southeast Grid Co., Ltd. (浙江東南網架股份有限公司) ranked first in the prefabricated steel construction market in China in terms of total revenue derived from the provision of prefabricated steel construction services, which reached approximately RMB413.6 million. The top five players in the prefabricated steel construction market only accounted for 0.2% of the total revenue of the prefabricated building market in 2021, which implies that the market is very fragmented.

REGULATORY AUTHORITIES

We are principally subject to the supervision of, and regulations promulgated by, the following authorities of the PRC Government and their local counterparts:

- MOHURD, which is the successor of the Ministry of Construction (建設部) (the "**MOC**") and responsible for the supervision and administration of the qualification of construction enterprise, the establishment of national standards of construction, and the supervision and administration of the construction market of the PRC;

- The National Development and Reform Commission (國家發展和改革委員會) (the "**NDRC**"), which is responsible for the planning, reviewing and approval of construction projects with fixed asset investments;

- The Ministry of Emergency Management of the People's Republic of China (中華人民共和國應急管理部), which is responsible for the supervision and administration of construction safety in the PRC; the respective local authorities at county level or above are responsible for the comprehensive supervision and administration of construction safety work within their respective jurisdictions; and

- The Ministry of Ecology and Environment of the People's Republic of China (中華人民共和國生態環境部) and the local administrative authorities for environmental protection, which are responsible for the administration of environmental protection issues of construction projects, including the review and approval of environmental impact assessment documents for construction projects, the assessment of qualifications of enterprises that conduct environmental impact assessment for construction projects and the inspection and acceptance of environmental protection facilities of construction projects.

QUALIFICATIONS

The Construction Law of the PRC (中華人民共和國建築法, the "**Construction Law**") promulgated by the Standing Committee of the National People's Congress (the "**SCNPC**") on 1 November 1997 which came into effect on 1 March 1998 and last amended on 23 April 2019, the Provisions on the Administration of Qualifications of Enterprises in the Construction Industry (建築業企業資質管理規定) promulgated by the MOHURD on 22 January 2015 which came into effect on 1 March 2015 and last amended on 22 December 2018, the Notice on Issuance of Qualification Standards of Enterprises in the Construction Industry (住房和城鄉建設部關於印發《建築業企業資質標準》的通知) promulgated by the MOHURD on 6 November 2014, implemented on 1 January 2015 and amended on 14 October 2016, the Implementing Measures of

Premium Class Qualification Standards for General Construction Contractors (施工總承包企業特級資質標準實施辦法) promulgated by the MOHURD on 30 November 2010 and amended on 9 November 2015, the Notice on Issuance of the Construction Enterprise Qualification Management Regulations and the Implementation of Quality Standards (住房和城鄉建設部關於印發《建築業企業資質管理規定和資質標準實施意見》的通知) promulgated by the MOHURD on 31 January 2015 which came into effect on 1 March 2015 and last amended on 16 January 2020, together with other regulations, stipulate the application requirements and the scope of activities of contracting construction enterprises. Construction enterprises shall comply with the aforesaid regulations and apply for relevant qualifications to engage in the construction contracting business. Qualifications for construction enterprises are categorised into three groups, namely, general construction contracting, specialised subcontracting and labour subcontracting. The general construction contracting qualification has 12 categories and is generally divided into four classes, namely, the premium class, the first class, the second class and the third class. The specialised subcontracting qualification has 36 categories and is generally divided into three classes, namely, the first class, the second class and the third class. Labour subcontracting is regardless of category and grade. The Qualification Standards of Construction Enterprises (建築業企業資質標準) sets forth detailed provisions on the application requirements for each type and class of qualification mentioned above.

Enterprises holding the qualification for general construction contracting work may undertake construction project management services in accordance with the scope of their qualification. Such enterprises may undertake all aspects of the construction works themselves, or subcontract non-essential construction works, namely, construction works other than the construction of the main structure of the construction programme to subcontracting enterprises. Such enterprises may also hire labour subcontracting agents to carry out the construction work.

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, general contract of highway 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, environmental protection works, construction decoration works, construction curtain wall works, hoisting facilities installation works and general contract of construction works, hydroelectric works, 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 and labour subcontracting, 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.

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

Pursuant to the Administrative Measures for the Subcontracting of Housing and Municipal Infrastructure Projects (房屋建築和市政基礎設施工程施工分包管理辦法) issued by the MOC on 3 February 2004 and last amended by the MOHURD and effective on 13 March 2019, construction work should be subcontracted to subcontracting enterprises with relevant qualifications, and labour services should be subcontracted to labour subcontracting agents with relevant qualifications. Enterprises holding subcontracting certificates may undertake projects subcontracted from a general construction contractor in compliance with relevant regulations. An enterprise that has obtained subcontracting certifications should undertake the entire subcontracting project itself but a subcontracting enterprise may subcontract any labour work to labour subcontracting agents with relevant qualifications in accordance with relevant PRC laws and regulations. If the construction enterprise needs to continue to use qualification certificates after they expire, an application for renewal shall be made within three months before the expiration.

Prior to the promulgation of the Administrative Measures of the Determination, Investigation and Handling of Breaches of the Laws on Contract-issuing and Contracting in connection with Construction Works (建築工程施工發包與承包違法行為認定查處管理辦法) (the "**Administrative Measures**") by the MOHURD in January 2019, there was no clear definition of the term "qualification affiliation (掛靠)". It was generally interpreted as a qualified construction company allowing unqualified persons or companies, or lending its qualification to unqualified persons and companies, to undertake construction project in its name. However, even before the promulgation of the Administrative Measures, according to the Construction Law of the PRC (中華人民共和國建築法) and the Administrative Regulations on Construction Project Quality (建設工程質量管理條例) promulgated by the State Council on 30 January 2000 and last amended on 23 April 2019, if a construction company is regarded to be involved in qualification affiliation, it may be liable to rectify the non-compliance, confiscation of illegal income, fines, being restricted from bidding new construction projects, or being ordered to suspend its business for rectification and reduce its qualification level. If the non-compliance is serious, the qualifications held by such construction company may be revoked.

Pursuant to the Administrative Measures, "qualification affiliation (掛靠)" refers to the situation when an entity or individual undertake a construction contract in the name of any other qualified construction entity. The Administrative Measures further sets out the following circumstances shall be considered as qualification affiliation:

(i) where an unqualified entity or individual contracts a project by borrowing the qualification of any other construction entity;

(ii) where qualified construction entities undertake projects by the mutual borrowing of each other's qualifications, including the borrowing of the qualification of construction entities with higher qualification grades by those with lower ones, the borrowing of the qualification of construction entities with lower qualification grades by those with higher ones, and the mutual borrowing of the qualification of construction entities with the same qualification grades; or

(iii) where there is evidence that can support that the subcontracting involved qualification affiliation.

If a construction company is regarded to be involved in qualification affiliation by permitting other entities/individuals to undertake projects in its own name, it shall be punished in accordance with the Construction Law of the PRC and the Administrative Regulations on Construction Project Quality.

As confirmed by our Directors and the ZHURD, the business model of our Group during the Track Record Period did not involve any qualification affiliation.

The Several Opinions of the Ministry of Housing and Urban-Rural Development on Further Pushing the Development of EPC (住房城鄉建設部關於進一步推進工程總承包發展的若干意見) (Jian Shi [2016] No.93) promulgated on 20 May 2016 explicitly stipulates the main model of EPC, EPC subcontracting, responsibilities and obligations of the EPC companies and regulatory procedures of EPC project management.

Administration Rules for Construction Market in Hunan Province (湖南省建築市場管理條例) promulgated by the People's Congress of Hunan Province on 30 August 1994 and last amended on 31 March 2021, etc. regulate construction activities Hunan Province in the construction market in terms of qualification management, construction project contracting and contracting management, construction cost and quality control.

PREFABRICATED CONSTRUCTION

The Guiding Opinions of the General Office of the State Council on Vigorously Developing Prefabricated Buildings (Guo Ban Fa [2016] No.71) (國務院辦公廳關於大力發展裝配式建築的指導意見(國辦發[2016]71號)) was promulgated by the General Office of the State Council on 27 September 2016, it proposes to perfect related standard, speed up to prepare national standards, industry standards and local standards for prefabricated buildings; innovates architectural design for prefabricated buildings; optimises the production of prefabricated parts and components; improves the standard of construction; promotes fully-furnished units to coordinate the construction among prefabricated construction decoration, the main structure and mechanical and electrical equipment; encourages the use of green materials; promotes the general contracting business. In principal, prefabricated buildings should apply the general contracting mode and can be tendered based on the criterion of technically complex projects.

The Action Plan for the 13th Five-Year Prefabricated Construction (Jian Ke [2017] No.77) ("十三五"裝配式建築行動方案(建科[2017]77號)) was promulgated by the MOHURD on 23 March 2017. It stipulates that the proportion of prefabricated buildings in newly constructed buildings should be more than 15% in the PRC by 2020, among which, such proportion should be more than 20% in major promoted areas, 15% in actively promoted areas and 10% in encouraged promoted areas. By 2020, over 50 prefabricated construction demonstration cities, over 200 prefabricated construction industrial bases and over 500 prefabricated construction demonstration projects will be developed, and over 30 prefabricated construction technology innovation bases will be built, all of which is exemplary and encouraging as demonstration.

According to Administrative Measures for Prefabricated Construction Demonstration City (裝配式建築示範城市管理辦法) promulgated by the MOHURD on 23 March 2017, during the development of prefabricated construction, to be recognised as a prefabricated construction demonstration city by such administrative measures entails having relatively strong industrial foundation and playing an exemplary role in the development goal, supporting policy, technological standards, project implementation and development mechanism of prefabricated construction. Each region should favour the demonstration city while formulating and implementing relevant preferential supporting policies.

According to the Implementation Opinions of the General Office under Hunan Provincial People's Government concerning Accelerating Development of Prefabricated Buildings (Xiang Zheng Ban Fa [2017] No. 28) (湖南省人民政府辦公廳關於加快推進裝配式建築發展的實施意見湘政辦發[2017]28號) promulgated on 24 May 2017, prefabricated buildings should be adopted in certain construction projects in order to expand the coverage of prefabricated buildings, and some tasks are proposed, such as preparing industrial development plans, enhancing design and production capacity and putting more efforts into promoting the development of steel-structures and wood-structured prefabricated buildings, increases fiscal support, project fulfilment and financial support, implements tax concessions and plot-ratio reward, prioritises policy support for pre-sale of commercial housing and optimisation of project bidding procedures.

According to the Notice on the Implementation Plan of Green Building Creation Action in Hunan Province (湖南省綠色建築創建行動實施方案的通知(湘建科〔2021〕22號)) promulgated on 28 January 2021, by 2022, the province of Hunan will create three national demonstration cities for assembly-type buildings and six at the provincial level, 15 national assembly-type building industrial bases and 60 at the provincial level, and cultivate and publicize excellent examples of building energy efficiency and green building, and create 20 assembly-type building demonstration projects each.

The Notice of the Ministry of Housing and Urban-Rural Development on the Issuance of the 14th Five-Year Plan for the Development of the Construction Industry (住房和城鄉建設部關於印發「十四五」建築業發展規劃的通知(建市〔2022〕11號)) was promulgated by the MOHURD on 19 January 2022, which proposes to vigorously develop assembled buildings, including building a standardized design and production system for assembled buildings, improving the comprehensive benefits of assembled buildings, promoting the in-depth integration of assembled decoration and assembled buildings, vigorously promoting the application of assembled buildings, and cultivating a number of production bases for assembled buildings.

ADMINISTRATION OF TENDER AND BID

According to the Bidding Law of the People's Republic of China (中華人民共和國招標投標法) promulgated by the SCNPC on 30 August 1999 and amended on 27 December 2017, a tender is required for the following construction projects: (i) large-scale infrastructure, public utilities and other projects that relate to general public interests and public security; (ii) projects that are financed in whole or in part by state-owned funds or by the PRC Government; and (iii) projects that are financed by loans or financial aids from international organisations and foreign governments.

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

The Interim Provisions on the Administration of Tendering and Bidding Activities for Contracting of Housing Construction and Municipal Infrastructure Construction in Hunan Province (湖南省房屋建築和市政基礎設施工程總承包招標投標活動管理暫行規定) promulgated by the Housing and Construction Department of Hunan Province on 5 May 2017 specify the definition of construction contracting, the conditions for contracting bidding, the qualification requirements for bidder, the bidding documents, bidding notice, bidding evaluation, and contract execution during bidding process.

ADMINISTRATION OF QUALITY CONTROL OF CONSTRUCTION PROJECTS

Pursuant to the Administrative Regulations on Construction Project Quality (建設工程質量管理條例) promulgated by the State Council on 30 January 2000 and last amended on 23 April 2019, construction enterprises, survey firms, designers and project supervisory enterprises shall be responsible for the quality of their construction works. For construction projects, where all of the construction works are governed by a main contract, the main contractor of the construction project shall be responsible for the quality of the whole project. Whereas if the main contractor subcontracts the construction works to a subcontractor, the subcontractor shall be liable to the main contractor when the quality of the subcontracted works fails to meet the standard provided by the contract between them, and the main contractor and subcontractor shall be jointly and severally responsible for the quality of the subcontracted works. Quality warranty system shall be adopted for construction works projects. If any quality problem occurs, which falls within the scope of quality warranty and the warranty period, the construction entity shall perform the warranty obligation and be liable for the compensation of losses therefrom.

Pursuant to the Administrative Measures for Reporting Details Regarding Acceptance Examination upon Completion of Buildings and Municipal Infrastructure (房屋建築和市政基礎設施工程竣工驗收備案管理辦法) amended and implemented by the MOHURD on 19 October 2009, the Provisions on Acceptance Examination upon Completion of Buildings and Municipal Infrastructure (房屋建築和市政基礎設施工程竣工驗收規定) promulgated and implemented by the MOHURD on 2 December 2013 and the Administrative Measures for Reporting Details Regarding Acceptance Examination upon Completion of Buildings and Municipal Infrastructure of Hunan Province (湖南省房屋建築和市政基礎設施工程竣工驗收備案管理實施辦法) promulgated on 23 December 2019 and implemented on 15 January 2020, upon the completion of a property development project, the property developer shall organise construction completion acceptance examination conducted by competent institutions, and within 15 days from the date on which the acceptance examination of the project is passed, the property developer shall conduct filing with the competent construction department of the people's government at or above county level at the place where the project is located.

CONSTRUCTION WORKS COMMENCEMENT PERMIT

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

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

CONSTRUCTION SAFETY

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

According to the Regulations on the Administration of Work Safety of Construction Projects (建設工程安全生產管理條例) issued on 24 November 2003 and came into effect on 1 February 2004, in the case of a project covered by a main contract, the main contractor will be liable for the general work safety of the construction site and assume joint and several liabilities for the sub-contracted portions of the project together with the sub-contractors. In the case of a construction work covered by a main contract, the accidental injury insurance premium shall be paid by the main contractor. The period covered by the insurance policies should commence on the start date of the construction project and terminate on the date of the inspection and acceptance upon the completion of the project.

Work safety licences

Pursuant to the Work Safety Law of PRC (中華人民共和國安全生產法), the Regulation on the Administration of Work Safety of Construction Projects (建設工程安全生產管理條例), the Regulation on the Work Safety Licenses (安全生產許可證條例) issued by the State Council on 13 January 2004 and last amended on 29 July 2014, and the Provisions on the Administration Regulation on Work Safety License of Construction Enterprise (建築施工企業安全生產許可證管理規定) promulgated by the MOC on 5 July 2004, implemented on the same date and further amended by the MOHURD on 22 January 2015, construction enterprises shall be subject to the work safety licence system implemented by the PRC Government and apply for a work safety licence (安全生產許可證). The work safety licence shall be valid for three years. A construction enterprise should apply for renewing the licence three months before its expiration. Before undertaking any construction activity, a construction enterprise shall file an application to the competent department of construction at or above the provincial level for obtaining a work safety licence. Without work safety licences, construction enterprises shall not engage in construction activities. The competent department of construction shall, when making examination and issuing a construction licence, examine whether the construction enterprise has obtained a work safety licence. If the enterprise fails to obtain a work safety licence, it shall not be issued a construction licence. If a construction enterprise suffers any major safety accidents, its work safety licence will be suspended temporarily and it shall make the rectification within a prescribed time.

Accident prevention

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

Safety training and labour protection

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

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

Work safety accidents regulations

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

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

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

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

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

PROJECT PRICING

The Provisional Regulations on Construction Project Management for Contracting Price (建設工程施工發包與承包價格管理暫行規定), issued by the MOC on 5 January 1999, the Pricing Management Approach of Contracting of Construction Projects (建築工程施工發包與承包計價管理辦法), issued by the MOHURD on 5 November 2001, amended on 11 December 2013 and effective on 1 February 2014 and the Interim Measures for Settling Construction Price (建設工程價款結算暫行辦法), issued by the Ministry of Finance and the MOC on 20 October 2004, set forth the construction cost, pricing, valuation methods, the time of payment and dispute resolution methods of the construction projects.

GOVERNMENT INVESTMENT REGULATION

Pursuant to the Government Investment Regulation (政府投資條例) issued by the State Council on 14 April 2019 and effective on 1 July 2019, government investment projects shall be fully funded in accordance with relevant regulations. It also stipulates that advance payment by construction enterprise is not allowed in government investment projects.

PRIORITY OF COMPENSATION

According to the Civil Code of the PRC (中華人民共和國民法典) promulgated by the NPC on 28 May 2020 and became effective on 1 January 2021, where the property developer does not make payments as agreed, the contractor may demand the property developer to make the said payments within a reasonable period of time. Where the property developer has not made the said payments within the said period of time, then except where it is not appropriate to conduct a sale at a depreciated price or an auction due to the nature of the construction project, the contractor may conclude an agreement with the developer to sell off the project, or may apply to the People's Court for the said project to be auctioned in accordance with the law. With respect to all monies received in selling off or auctioning the said project, priority shall be given to using the monies to make the relevant payments on the construction project.

INTELLECTUAL PROPERTY

According to the Patent Law of the PRC (中華人民共和國專利法) promulgated by the SCNPC on 12 March 1984 and last amended on 17 October 2020 and effective on 1 June 2021 and the Detailed Rule for the Implementation of Patent Law (中華人民共和國專利法實施細則) promulgated by the State Council on 15 June 2001 and last amended on 9 January 2010, patent is divided into three categories which include invention patent, utility model patent, and design patent.

Invention patent is intended to protect new technical solution for a product. The applicant for invention patent must prove that the subject matter product possesses novelty, creativity and practical applicability. The grant of invention patent is subject to disclosure and publication. The patent administrative authority conducts a substantive review within three years from the date the application is filed. The term of protection is 20 years from the date of application.

Utility model patent is intended to protect new technical solution in relation to a product's shape, structure or a combination thereof, which is fit for practical use. The utility model patent is subject to the disclosure and publication upon application. The term of protection is 10 years from the date of application.

Design patent is intended to protect new design of a product's shape, pattern or combination thereof as well as its combination with the colour and the shape or pattern of a product, which creates an aesthetic feeling and is fit for industrial application. The term of protection is 10 years from the date of application.

ANTI-UNFAIR COMPETITION LAW

The principal legal provisions governing market competition are set out in the Anti-unfair Competition Law of the People's Republic of China (《中華人民共和國反不正當競爭法》) (the "**Anti-Unfair Competition Law of the PRC**"), which was promulgated by the SCNPC on 2 September 1993 and then amended respectively on 4 November 2017 and 23 April 2019. The Anti-Unfair Competition Law of the PRC provides that business operators shall not perform any of the following acts enabling people to mistake its goods for those of someone else or speculate that there are certain relations between the aforesaid goods:

- using of marks identical or similar to the names, packaging or decorations of the goods of someone else without proper authorisation, which are influential to some extent;
- using the names (including any shortened name, business name, pen name, stage name, translated name, etc., if applicable) of some other enterprises, social groups or individuals without proper authorisation, who are influential to some extent;
- using the main part of the domain name, website name or webpage without proper authorisation, which are influential to some extent; or
- other confusing acts sufficient for enabling people to mistake its goods for those of someone else or reckon that there are certain relations between the aforesaid goods.

Violations of the Anti-Unfair Competition Law of the PRC may result in the imposition of fines and, in serious cases, the revocation of business licenses, as well as the incurrence of criminal liability.

REGULATIONS RELATING TO ENVIRONMENTAL PROTECTION

In accordance with the Environmental Protection Law of the PRC (中華人民共和國環境保護法) promulgated on 26 December 1989 and last amended on 24 April 2014 by the SCNPC, the Law on the Prevention and Control of Water Pollution (中華人民共和國水污染防治法) promulgated on 11 May 1984 and last amended on 27 June 2017 by the SCNPC, the Law on the Prevention and Control of Air Pollution (中華人民共和國大氣污染防治法) promulgated on 5 September 1987 and last amended on 26 October 2018 by the SCNPC, the Law on the Prevention and Control of Solid Waste Pollution (中華人民共和國固體廢物污染環境防治法) promulgated on 30 October 1995 and last amended on 29 April 2020 by the SCNPC, and the Law on the Prevention and Control of Environmental Noise Pollution (中華人民共和國環境噪聲污染防治法) promulgated by the SCNPC on 29 October 1996 and amended on 29 December 2018, the construction of any project that causes pollution shall adopt measures to prevent and control pollution and damage to environment caused by waste gas, waste water, waste residue, medical wastes, dust, malodorous gases, radioactive substances, noise, vibration, optical radiation, electromagnetic radiation, and other substances generated during construction. Different penalties may be imposed for violation of above laws depending on individual circumstances and the extent of contamination. Such penalties may include warnings, fines, orders to stop production or close down, specifically, non-compliance with the Law on the Prevention and Control of Air Pollution (中華人民共和國大氣污染防治法) by a company could cause the company be liable to a fine of RMB100,000 to RMB1,000,000 upon conviction, non-compliance with the Law on the Prevention and Control of Environmental Noise Pollution (中華人民共和國環境噪聲污染防治法) by a company could result in a fine for both the company and the person-in-charge, non-compliance with the Law on the Prevention and Control of Water Pollution (中華人民共和國水污染防治法) by a company could cause the company be subject to a fine of RMB20,000 to RMB200,000 upon conviction, and non-compliance with the Law on the Prevention and Control of Solid Waste Pollution (中華人民共和國固體廢物污染環境防治法) by a company may result in a fine of RMB50,000 to RMB1,000,000 upon conviction.

Pursuant to the Environmental Impact Assessment Law of the PRC (中華人民共和國環境影響評價法) promulgated by the SCNPC on 28 October 2002 and last amended on 29 December 2018, the Administrative Regulations on Environmental Protection for Development Projects (建設項目環境保護管理條例) promulgated by the State Council on 29 November 1998 and last amended on 16 July 2017, and Category-based Management Directory on the Environmental Impact Assessment for Construction Projects (建設項目環境影響評價分類管理名錄) promulgated by the Ministry of Environmental Protection on 2 September 2008 and last amended on 30

November 2020, depending on the impact of the project on the environment, either an environmental impact study report, an environmental impact analysis table or an environmental impact registration form shall be submitted by a property developer before the relevant authorities granting approval for the commencement of construction projects. The project construction shall not proceed in case its environmental impact assessment documents fail to pass the review of the competent authority in accordance with the laws and regulations or which are disapproved after review. The property developer commencing the construction without preparing the required environmental impact assessment documents or without obtaining the approval of the relevant government authorities could be subject to a fine ranging from 1% to 5% of the overall investment amount for such construction project depending on the materiality and consequences of such violations, and it may be ordered to restore the construction site to its original state.

Pursuant to the Environmental Protection Tax Law of the People's Republic of China (中華人民共和國環境保護稅法) issued by the SCNPC on 26 October, 2018 and became effective on the same date, enterprises, entities and other production operators that discharge taxable pollutants directly to the environment within the territorial areas of the PRC and other sea areas under the jurisdiction of the PRC are the taxpayers of the environmental protection tax and should pay environmental protection tax based on the requirements of the law. Pursuant to Article 62 of the Law of Administration of Tax Collection of the PRC, where, within the prescribed time limit, a taxpayer fails to go through the formalities for tax declaration and submit information on tax payment or a withholding agent fails to submit to the tax authorities statements on taxes withheld and remitted or collected and remitted and other relevant information, he or she shall be ordered by the tax authorities to rectify within a time limit and may be liable for a fine not more than RMB2,000; and if the circumstances are deemed serious, he or she may be liable for a fine not less than RMB2,000 but not more than RMB10,000.

TAXES

Enterprise income tax

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

The Administrative Measures for Determination of High-tech Enterprises (高新技術企業認定管理辦法) issued by the Ministry of Science and Technology, the MOF and the SAT on 29 January 2016 and became effective on 1 January 2016, the High-tech Technology Areas Entitled to the Key Support of the State (國家重點支持的高新技術領域) issued by the Ministry of Science and Technology on 5 February 2016 and became effective on the same date and the EIT Law set out the sort of enterprises that are capable of enjoying tax reduction.

Pursuant to the Circular of the State Administration of Taxation on the Issues Concerning Implementation of the Preferential Income Tax Policy for New High-Tech Enterprises (國家稅務總局關於實施高新技術企業所得稅優惠政策有關問題的公告) issued on 19 June 2017, the enterprise income tax rate of new high-tech enterprises requiring national major support should be reduced to 15%. The new high-tech areas with national major support, the administrative measures for the accreditation of new high-tech enterprises and the enterprise income tax law provide for the business types entitled to tax reduction.

Withholding income tax

In addition, pursuant to the Arrangement between Mainland China and Hong Kong for the Avoidance of Double Taxation and Prevention of Fiscal Evasion with respect to Taxes on Income (內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排) signed on 19 July 2019, which was effective on 6 December 2019 and newly applicable to income derived in any year of assessment commencing on or after 1 January 2020 in Mainland China and to any year commencing on or after 1 April 2020 in Hong Kong, a company incorporated in Hong Kong will be subject to withholding income tax at a rate of 5% on dividends it receives from its PRC subsidiaries if it holds 25% or more of equity interest in each of such PRC subsidiary at the time of the distribution, or a rate of 10% if it holds less than 25% equity interest in that subsidiary.

According to the Measures for the Administration of Non-Resident Taxpayers' Enjoyment of the Treatment under Agreements (非居民納稅人享受協定待遇管理辦法) promulgated by the SAT on 14 October 2019 and became effective on 1 January 2020, the withholding tax rate of 5% does not automatically apply. To enjoy the treatment of tax treaties on the dividend clause of the tax treaty, an enterprise shall apply to the local competent tax authorities for approval.

VAT

Pursuant to the Provisional Regulations of the PRC on Value-added Tax (中華人民共和國增值稅暫行條例) promulgated by the State Council on 13 December 1993 and last amended on 19 November 2017 and the Detailed Rules for the Implementation of the Provisional Regulations of the PRC on Value-added Taxes (中華人民共和國增值稅暫行條例實施細則) promulgated by the Ministry of Finance on 25 December 1993, and last amended on 28 October 2011, all enterprises and individuals engaged in the sale of goods, the provision of processing, repair and replacement services, and the importation of goods within the territory of the PRC shall pay VAT in accordance with the nature of the sold and imported goods or labour service. The amount of tax payable shall be calculated based on the output tax for current period minus current input tax.

The Notice of the Ministry of Finance and the State Administration of Taxation on Overall Implementation of the Pilot Program of Replacing Business Tax with Value-added Tax (財政部、國家稅務總局關於全面推開營業稅改徵增值稅試點的通知) (the "**Circular 36**"), promulgated on 23 March 2016 and last amended on 20 March 2019, provides that upon approval by the State Council, the pilot programme of the collection of VAT in lieu of business tax shall be implemented nationwide with effect from 1 May 2016 and all business tax payers in the construction industry, property industry, finance industry and consumer service industry, etc. shall be included in the scope of the pilot programme and pay VAT in lieu of business tax. According to Circular 36 and the Interim Regulation of PRC on Value Added Tax (中華人民共和國增值稅暫行條例) promulgated by the State Council on 13 December 1993 and last revised on 19 November 2017, the VAT rate to be imposed on construction services shall be 11%. According to the Notice of the Ministry of Finance and the SAT on Adjusting Value-added Tax Rates (財政部、稅務總局關於調整增值稅稅率的通知) promulgated on 4 April 2018, the tax rate of 11% applicable to any taxpayer's VAT taxable construction services shall be adjusted to 10%. According to the Announcement of the Ministry of Finance, the SAT and the General Administration of Customs on Relevant Policies for Deepening the Value-Added Tax Reform (財政部、稅務總局、海關總署關於深化增值稅改革有關政策的公告) promulgated on 20 March 2019 and came into effect on 1 April 2019, the tax rate of 10.0% applicable to any taxpayer's VAT taxable construction services shall be adjusted to 9.0%.

LABOUR PROTECTION AND SOCIAL SECURITY

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

As required under the Regulations of Insurance for Labor Injury (工傷保險條例) promulgated by the State Council on 27 April 2003 and last amended on 20 December 2010, the Provisional Measures for Maternity Insurance of Employees of Enterprises (企業職工生育保險試行辦法) issued on 14 December 1994 by the Ministry of Labor (the predecessor of the Ministry of Human Resources and Social Security of the PRC), the Decisions on the Establishment of a Unified Program for Old-Aged Pension Insurance of Employees of Enterprises (關於建立統一的企業職工基本養老保險制度的決定) issued by the State Council on 16 July 1997, the Decisions on the Establishment of the Basic Medical Insurance Program for Urban Workers (關於建立城鎮職工基本醫療保險制度的決定) issued by the State Council on 14 December 1998, the Unemployment Insurance Measures (失業保險條例) issued by the State Council on 22 January 1999, the Social Insurance Law of the PRC (中華人民共和國社會保險法) issued by the SCNPC on 28 October 2010 and last amended on 29 December 2018, the Provisional regulations for the Collection and Payment of Social Insurance Premiums (社會保險費徵繳暫行條例) promulgated by the State Council on 22 January 1999 and amended on 24 March 2019, and the Provisions for Implementation of the Social Insurance Law of the PRC (實施〈中華人民共和國社會保險法〉若干規定) issued on 29 June 2011 and effective on 1 July 2011, enterprises are obliged to provide their employees in the PRC with welfare schemes covering pension insurance, unemployment insurance, maternity insurance, labour injury insurance and medical insurance. If an enterprise fails to pay the required premiums on time or in full, the authorities in charge will demand the enterprise to settle the overdue amount within a stipulated time period and impose a 0.05% overdue fee. If the overdue amount is still not settled within the stipulated time period, a fine in an amount of one to three times of the overdue amount will be imposed.

According to the Regulations concerning the Administration of Housing Provident Fund (住房公積金管理條例) promulgated by the State Council on 3 April 1999 and last amended on 24 March 2019, enterprises must register with the competent managing centre for housing provident funds and, upon the examination by such managing centre of housing provident fund, complete procedures for opening an account at the relevant bank for the deposit of employees' housing provident funds. Employers are required to contribute, on behalf of their employees, to housing provident funds. The contribution rates to housing provident fund for both employees and employers shall not be less than five percent of the average monthly salary of an individual employee in the previous year. Where an employer fails to make deposit registration of the housing provident fund or failing to open a housing accumulation fund account for its employees, it shall be ordered by the competent managing centre for housing provident funds to make up the procedures within a stipulated time; if it fails to make up the procedures within the stipulated time, it shall be given a fine of RMB10,000 to RMB50,000. Where an employer fails to contribute or underpays the housing funds it may be fined and ordered to make the contribution within a stipulated time limit. Where the contribution has not been made after the expiration of the time limit, an application may be made to the people's court for compulsory enforcement.

Pursuant to the Notice of the Ministry of Labor on the Implementation of the Labor Contract System (勞動部關於實行勞動合同制度若干問題的通知), issued and effective on 31 October 1996, if retirees who have enjoyed pension benefits are rehired, the employers should conclude a written agreement with them. Such agreement should include the clear content of the job, compensation, medical care, labour protection treatment, other rights and obligations.

DEMERGER

According to the PRC Company Law promulgated by the SCNPC on 29 December 1993 and last amended on 26 October 2018, a company could be demerged into several companies. In the event of a demerger, the company shall hold a shareholders' meeting, prepare a balance sheet and a list of assets. The shareholders' resolution on demerger shall be passed by shareholders holding two-thirds or more of the voting rights. The company shall notify its creditors within 10 days and publish an announcement on a newspaper within 30 days from the date of the shareholders' resolution on demerger.

Pursuant to the Opinions of State Administration for Industry and Commerce on Proper Handling of Registration of Merger and Demerger of Companies to Support Enterprises' Merger and Restructuring (關於做好公司合併分立登記支持企業兼併重組的意見) promulgated by the former SAIC on 28 November 2011, a company may choose to demerge into two or more new companies with the original company staying, or two or more new companies with the original company being dissolved. Appraisal of the value of assets is not required for a demerger under the PRC laws.

REGULATIONS RELATING TO FOREIGN INVESTMENT

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

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

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 industries but are not allowed to invest in the prohibited industries.

Pursuant to the Foreign Investment Law of the PRC (中華人民共和國外商投資法) (the "**Foreign Investment Law**") promulgated by the SCNPC on 15 March 2019, effective as at 1 January 2020, the Law of the PRC on Wholly Foreign-owned Enterprises (中華人民共和國外資企業法), the Law of the PRC on Sino-foreign Equity Joint Ventures (中華人民共和國中外合資經營企業法) and the Law of the PRC on Sino-foreign Contractual Joint Ventures (中華人民共和國中外合作經營企業法) have been repealed on 1 January 2020. The investment activities of foreign individuals, enterprises or other organisations (hereinafter referred to as foreign investors) directly or indirectly within the territory of the PRC shall comply with and be governed by the Foreign Investment Law. According to the Foreign Investment Law, the State Council shall implement the management systems of pre-establishment national treatment and negative list for foreign investment, and shall give national treatment to foreign investment beyond the negative list.

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

FOREIGN CURRENCY EXCHANGE

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

In accordance with SAFE Circular No. 13 promulgated on 13 February 2015 and amended on 30 December 2019, the foreign exchange registration under domestic direct investment and the foreign exchange registration under overseas direct investment are directly reviewed and handled by banks in accordance with the SAFE Circular No. 13, while the SAFE and its branches shall perform indirect regulation over the direct investment-related foreign exchange registration via banks.

Pursuant to the Notice of the State Administration of Foreign Exchange on Reforming the Mode of Management of Settlement of Foreign Exchange Capital of Foreign-Funded Enterprises (國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知) promulgated on 30 March 2015, foreign-invested enterprises could settle their foreign exchange capital on a discretionary basis according to the actual needs of their business operation. The capital of a foreign-invested enterprise and the RMB funds obtained from the exchange settlement thereof shall not be used for the following purposes: (i) for expenditures, directly or indirectly, beyond the enterprises business scope or those prohibited by the laws and regulations of the PRC; (ii) for investment, directly or indirectly, in securities, unless otherwise provided by laws and regulations; (iii) for the issuance, directly or indirectly, of entrusted RMB loans (excluding those that are permitted within the business scope), repayment of inter-company loans (including advances by third parties) and the repayment of RMB loans from banks relent to third parties; (iv) for the payment of relevant fees to the purchase of real estate property not for own use, except for foreign-invested real estate enterprises.

Pursuant to the Notice of the State Administration of Foreign Exchange on Policies for Reforming and Regulating the Control over Foreign Exchange Settlement under the Capital Account (國家外匯管理局關於改革和規範資本項目結匯管理政策的通知) issued and became effective on 9 June 2016, discretionary settlement of foreign exchange receipts under the capital account means that domestic institutions may settle their foreign exchange receipts under the capital account (including foreign exchange capital, foreign debts and repatriated funds raised through overseas listing) with banks as actually needed for business operation.

According to the SAFE Circular No. 37 promulgated on 4 July 2014, before contributing capital to a special-purpose company with its legal assets or interests within or outside the PRC, a domestic resident shall apply to the foreign exchange authority for undergoing the foreign exchange registration procedure for foreign investment. "Special-purpose company" means an overseas enterprise directly formed or indirectly controlled for investment or financing purposes by a domestic resident (domestic institution or domestic resident individual) with the assets or interests it legally holds in a domestic enterprise, or with the overseas assets and interests it legally holds. A foreign-funded enterprise formed by way of round-tripping investment shall undergo the relevant foreign exchange registration procedure in accordance with the current provisions on foreign exchange administration of foreign direct investment. "Round-tripping investments" means the direct investments made in the PRC by domestic residents directly or indirectly through special-purpose companies, namely, the behaviour of establishing foreign-funded enterprises or projects in the PRC by formation, acquisition, merger, or any other means, and acquiring interests, such as ownership, control, or operating right, in them.

Pursuant to the Circular on Printing and Distributing the Provisions on Foreign Exchange Administration over Domestic Direct Investment by Foreign Investors and the Supporting Documents (關於印發〈外國投資者境內直接投資外匯管理規定〉及配套文件的規定) promulgated by the SAFE on 10 May 2013 and last amended on 30 December 2019, the administration by SAFE or its local branches over direct investment by foreign investors in the PRC shall be conducted by way of registration and banks shall process foreign exchange business relating to the direct investment in the PRC based on the registration information provided by SAFE and its branches.

REGULATIONS RELATING TO OVERSEAS LISTING

On 17 February 2023, the CSRC formally released the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies《境內企業境外發行證券和上市管理試行辦法》(the "**Trial Overseas Listing Measures**") and five filing guidelines, which are expected to take effect on 31 March 2023. The Trial Overseas Listing Measures will regulate both direct and indirect overseas offerings and listings of securities by PRC domestic companies by adopting a filing-based regulatory regime.

Pursuant to the Trial Overseas Listing Measures, if the issuer both meets the following criteria, the overseas securities offering and listing conducted by such issuer will be deemed as indirect overseas offering by PRC domestic companies: (i) 50% or more of any of the issuer's operating revenue, total profit, total assets or net assets as documented in its audited consolidated financial statements for the most recent accounting year is accounted for by domestic companies; (ii) the main part of the issuer's business activities are conducted in the PRC, or its origin of business are mainly located in the PRC, or the majority of the issuer's senior management in charge of the management of business operations are PRC citizens or have their usual place(s) of residence located in the PRC. Where an issuer submits an application for initial public offering for overseas offering or listing directly or indirectly, such issuer must file with the CSRC within three business days after such application is submitted overseas. The Overseas Listing Trial Measures also requires subsequent reports to be filed with the CSRC on material events, such as change of control or voluntary or forced delisting of the issuer(s) who have completed overseas offerings and listings.

On 17 February 2023, the CSRC also held a press conference for the release of the Trial Overseas Listing Measures and issued the Notice on Administration for the Filing of Overseas Offering and Listing by Domestic Companies (關於境內企業境外發行上市備案管理安排的通知), which, among others, clarifies that (1) the domestic companies that have already been listed overseas on or before the effective date of the Trial Overseas Listing Measures (i.e. 31 March 2023) shall be deemed as existing applicants (存量企業) (the "**Existing Applicants**"). Existing applicants are not required to complete the filing procedures immediately, and they shall be required to file with the CSRC when subsequent matters such as refinancing are involved; (2) a six-month transition period will be granted to domestic companies which, prior to the effective date of the Trial Overseas Listing Measures, have already obtained the approval from overseas regulatory authorities or stock exchanges (such as pass of hearing for listing in Hong Kong or the effectiveness of registration statement for listing in the U.S.), but have not completed the indirect overseas listing; if such domestic companies complete their overseas offering and listing within such six-month period (i.e., on or prior to 30 September 2023), they will be deemed as Existing Applicants. Within such six-month transition period, however, if such domestic companies need to reapply for offering and listing procedures to the overseas regulatory authority or securities exchanges (such as being required to go through a new hearing procedure in Hong Kong), or if they fail to complete their indirect overseas issuance and listing, such domestic companies shall complete the filing procedures with the CSRC within 3 business days after submitting valid applications for overseas offering and listing; (3) for applicants who have received approval from the CSRC for a direct overseas listing, they may continue to pursue the overseas listing during the validity period of the approval. Those who have not completed the overseas issuance and listing upon the expiry of the approval period should file the application as required; and (4) for the overseas listing of companies with contractual arrangements (VIE structure), the CSRC will solicit opinions from relevant regulatory authorities and complete the filing of the overseas listing of companies with these domestic companies which duly meet their compliance requirements, and support their development and growth by enabling them to utilise both markets and their resources.

The Trial Overseas Listing Measures provide that, an overseas offering and listing is prohibited under any of the following circumstances: if (i) such securities offering and listing is explicitly prohibited by provisions in laws, administrative regulations and relevant state rules; (ii) the intended securities offering and listing may endanger national security as reviewed and determined by competent authorities under the State Council in accordance with law; (iii) the domestic company intending to make the securities offering and listing, or its controlling shareholder(s) and the actual controller, have committed crimes such as corruption, bribery, embezzlement, misappropriation of property or undermining the order of the socialist market economy during the last three years; (iv) the domestic company intending to make the securities offering and listing suspected of committing crimes or major violations of laws and regulations, and is under investigation according to law, and no conclusion has yet been made thereof; or (v) there are material ownership disputes over equity held by the domestic company's controlling shareholder(s) or by other shareholder(s) that are controlled by the controlling shareholder(s) and/or actual controller.

Based on the above and the current expected timetable of the Global Offering that the Listing will take place before the effective date of the Trial Overseas Listing Measures, our PRC Legal Advisers are of the view that we do not need to perform the record-filing procedures for the Global Offering and the Listing.

HISTORY AND DEVELOPMENT OF OUR GROUP

We are a general contracting construction group in Hunan Province with over 40 years of operating history. According to the F&S Report, we (i) were one of the top ten non-state owned construction enterprises in terms of construction revenue in 2021 among 3,438 non-state owned construction enterprises in Hunan Province with a market share of approximately 0.2% in 2021; and (ii) ranked the fifth among 302 non-state owned construction enterprise with first grade general contractor qualification in Hunan Province in terms of construction revenue in 2021, with a market share of approximately 0.4% in 2021. In 2021, Hunan Province accounts for approximately 4.5% of the market size of construction industry in the PRC.

Our principal operating subsidiary, Zhongtian Construction, was initially established as a collectively-owned enterprise (集體所有制企業) in 1979 by the Zhuzhou Revolutionary Committee* (株洲市革命委員會) (later known as the People's Government of Zhuzhou (株洲市人民政府)). Since Zhongtian Construction was converted into a limited liability company in April 2004, a number of employees (including directors and senior management members) and ex-employees of Zhongtian Construction have become its ultimate shareholders. According to the F&S Report, it is common for companies converted from collectively-owned enterprises to limited liability companies to have a large number of employees (including directors and members of senior management) and ex-employees as their shareholders.

Throughout the years, our Group has expanded our business in the PRC market strategically and established 24 branch offices as at the Latest Practicable Date, which are located in Hunan, Hainan, Hubei, Guangdong and Fujian Provinces. To cope with our business expansion and to capture business opportunities, Kaida Apparatus was established in April 2004 to engage in installation of construction lifting facilities, renovation works and rental of construction machinery, pipe racks and fasteners, while Zhongtian Building was established in March 2006 to engage in subcontracting of construction projects. To tap the capital market, from May 2017 to January 2019, the shares of Zhongtian Construction had been quoted on the NEEQ.

Zhongtian Construction was first accredited as a High and New Technology Enterprise (高新技術企業) by the Hunan Provincial Science and Technology Department (湖南省科學技術廳), the Department of Finance of Hunan Province (湖南省財政廳) and the Hunan Provincial Tax Service of the State Taxation Administration (國家稅務局湖南省稅務局) in October 2018.

The key milestones in our Group's development to date are set out below:

Year	Event
1979	• Zhongtian Construction (which was known as Zhuzhou Residential Construction Company* (株洲市住宅建築公司) as at its establishment) was established as a collectively-owned enterprise (集體所有制企業) in the PRC engaging in construction contracting business.
1996	• Zhongtian Construction obtained first-grade qualification in industrial and civil building construction enterprise (工業與民用建築工程施工壹級企業資質) issued by MOHURD.
2002	• Zhongtian Construction obtained first-grade qualification in housing building construction general contracting (房屋建築工程施工總承包壹級資質) issued by MOHURD.
2004	• Zhongtian Construction was converted into a limited liability company.
2005	• Diamond Industrial Park (鑽石工業園) located in Zhuzhou, a construction project undertaken by our Group, was awarded the 2005 National Quality Project Silver Award (2005年度國家優質工程銀質獎).
2011	• Zhongtian Construction obtained first-grade qualification in municipal and public construction general contracting (市政公用工程施工總承包壹級), first-grade qualification in steel structure construction specialised contracting (鋼結構工程專業承包壹級), first-grade qualification in foundation construction specialised contracting (地基與基礎工程專業承包壹級) and first-grade qualification in building renovation and decoration specialised contracting (建築裝修裝飾工程專業承包壹級) issued by MOHURD.
2016	• Zhongtian Construction merged with Zhuzhou Hengji Asset Management Co., Ltd* (株洲恒基資產管理有限責任公司) ("**Hengji Asset Management**").
2017	• The shares of Zhongtian Construction became quoted on the NEEQ.
	• Our Group began to cooperate with Hunan Design Institute and Hangxiao Technology to develop prefabricated steel structure building system for residential properties under the EPC model.
2018	• Zhongtian Construction was first accredited as a High and New Technology Enterprise (高新技術企業) by the Hunan Provincial Science and Technology Department (湖南省科學技術廳), the Department of Finance of Hunan Province (湖南省財政廳) and the Hunan Provincial Tax Service of the State Taxation Administration (國家稅務局湖南省稅務局).

2019 • Our Group continued to devote our R&D on technology of building construction, municipal engineering and green buildings.

2021 • Zhongtian Construction completed, as the general contractor, the Langting Lanjiang Main Structure* (朗廷 • 覽江) project in FY2021, which was recognised by the Zhuzhou Association of Construction Industry (株洲市建築業協會) as the tallest construction-in-progress building in Zhuzhou in April 2020 and would become the tallest building in Zhuzhou upon completion.

• Our Zhongtian Lutai* (中天 • 麓台) project was designated by the HHURD as the first batch of green construction pilot projects in Hunan Province

• Our Zhongtian Hangxiao Steel Structure Prefabricated Building Base Phase I Construction and R&D Building* (中天杭蕭鋼構裝配式建築基地(一期)工程和科研樓) was awarded the Gold Award for Steel Structure in Hunan Province* (湖南省鋼結構金獎) by the Hunan Steel Structure Green Construction Industry Association* (湖南省鋼結構綠色建築行業協會)

OUR PRINCIPAL SUBSIDIARIES

Zhongtian Construction

On 1 March 1979, Zhongtian Construction was established in the PRC as collectively-owned enterprise (集體所有制企業) in the name of Zhuzhou Residential Construction Company* (株洲市住宅建築公司) to engage in construction contracting business. In April 2004, Zhongtian Construction was converted into a limited liability company and renamed as Hunan Zhongtian Construction Company Limited* (湖南中天建設有限公司), with a registered capital of RMB50.1 million. Upon completion of the conversion into a limited liability company, Zhongtian Construction was owned by the following equity holders as follows:

Name of equity holders	Capital contribution	Approximate percentage of equity interest
	RMB	
Employees Shareholding Group of Zhongtian Construction* (湖南中天建設有限公司職工持股會) (later known as Hunan Zhongtian Construction Group Employee's Union Committee* (湖南中天建設集團有限公司工會委員會) (the "**Employee's Union Committee**"))	48,455,700	96.72%
Mr. Yang (chairman of our Board)	212,338	0.42%
Mr. Xu Zhongguang (許忠光) (director of Jicai Trading and Hangxiao Materials)	124,008	0.25%
Ten individuals who are Independent Third Parties including our employees and ex-employees	1,307,954	2.61%
Total	50,100,000	100.00%

On 15 December 2010, Zhongtian Holdings acquired 60.00% in aggregate of the equity interest in Zhongtian Construction from the Employee's Union Committee, Mr. Yang, Mr. Xu Zhongguang and 11 individuals who are Independent Third Parties including our employees and ex-employees, at a total consideration of approximately RMB30.1 million.

Subsequent to a number of capital increases and equity transfers between March 2011 and December 2015, the registered capital of Zhongtian Construction was increased to RMB110.0 million. As at 3 December 2015, Zhongtian Construction was owned as to approximately 74.12% by Zhongtian Holdings, 11.00% by the Employee's Union Committee, 6.79% in aggregate by nine individuals who are directors or senior management members of our Group or their associates and 8.09% in aggregate by 14 individuals who are Independent Third Parties including our employees and ex-employees.

On 29 November 2015, members of the Employee's Union Committee resolved to establish Zhongtian Weijing, Zhongtian Weiyi and Zhongtian Gongying out of the capital contribution in Zhongtian Construction held by the Employee's Union Committee. Such capital contribution was registered by Zhuzhou AIC on 29 December 2015. Upon completion of such capital increase, Zhongtian Weijing, Zhongtian Weiyi and Zhongtian Gongying owned approximately 3.98%, 3.93% and 3.10% of the equity interest in Zhongtian Construction, respectively.

Pursuant to a merger agreement dated 20 January 2016, Zhongtian Construction merged with Hengji Asset Management. Before the said merger, Hengji Asset Management was owned as to approximately 85.77% by Zhongtian Holdings, 2.80% by Ms. Gan Yinghua (甘映華) (spouse of Mr. Yang), 0.34% by Ms. Yang Zhonghua (楊中華) (spouse of Mr. Chen and sister of Mr. Yang) and 11.09% in aggregate by 15 Independent Third Parties. At the material times, Hengji Asset Management engaged in property leasing. After the said merger, the registered capital of Zhongtian Construction was increased to RMB118.7 million. Such capital increase and merger were registered by Zhuzhou AIC on 31 March 2016.

In June 2016, Zhongtian Construction was converted from a limited liability company into a company limited by shares with a registered capital of RMB118.7 million divided into 118,700,000 shares of RMB1 each. Such conversion was registered by Zhuzhou AIC on 29 June 2016. Subsequent to the conversion, Zhongtian Construction was owned by the following shareholders as follows:

Name of shareholders	Number of shares	Approximate percentage of shareholding
Zhongtian Holdings	88,992,326	74.97%
Zhongtian Weijing	4,375,714	3.69%
Zhongtian Weiyi	4,319,798	3.64%
Zhongtian Gongying	3,409,380	2.87%
Ten individuals who are directors or senior management members of our Group or their associates	8,330,639	7.02%
25 individuals who are Independent Third Parties including our employees and ex-employees	9,272,143	7.81%
Total	118,700,000	100.00%

From 16 May 2017 to 20 January 2019, the shares of Zhongtian Construction had been quoted on the NEEQ (stock code: 871407). On 21 January 2019, the shares of Zhongtian Construction ceased to be quoted on the NEEQ. For further details, please refer to the paragraph headed "Prior Quotation and Withdrawal of Quotation on the NEEQ" in this section. There had been no trading of shares of Zhongtian Construction during the period when the shares of Zhongtian Construction were quoted on the NEEQ.

For details of reorganisation steps related to Zhongtian Construction pursuant to our Reorganisation, please refer to the paragraph headed "Reorganisation" in this section.

Kaida Apparatus

Kaida Apparatus, formerly known as Zhuzhou Kaida Equipment Leasing Co., Ltd.* (株洲凱大物資設備租賃有限公司), was established in the PRC on 28 April 2004 as a limited liability company, with a registered capital of RMB600,000. It engages in installation of construction lifting facilities, renovation works and rental of construction machinery, pipe racks and fasteners. At the time of its establishment, Kaida Apparatus was owned as to approximately 33.33% by Zhongtian Construction, Mr. Min as to approximately 1.13% and 27 individuals who are Independent Third Parties including our employees and ex-employees as to approximately 65.54% in aggregate. Notwithstanding Zhongtian Construction's interest in Kaida Apparatus was only approximately 33.33% at the time of its establishment, as the directors of Kaida Apparatus were employees of Zhongtian Construction such that Zhongtian Construction had the power to control the financial and operating policies of Kaida Apparatus and to direct its relevant activities and to obtain significant economic benefits from its activities, Zhongtian Construction has controlled the board of directors of Kaida Apparatus since its establishment.

Subsequent to a number of capital increases and equity transfers between April 2005 to June 2016, Kaida Apparatus was owned as to approximately 42.45% by Zhongtian Construction and as to approximately 57.55% by 19 individuals, including three individuals who are directors or senior management members of our Group or their associates as to 15.53% in aggregate and 16 individuals who are Independent Third Parties including our employees and ex-employees as to approximately 42.02% in aggregate. On 14 December 2017, the equity holders of Kaida Apparatus resolved to increase the registered capital of Kaida Apparatus from RMB3.0 million to RMB4.5 million and Zhongtian Construction, two individuals who are directors of Kaida Apparatus and eight individuals who are Independent Third Parties including our employees and ex-employees subscribed for the additional registered capital of RMB1.5 million. The capital increase was registered by Zhuzhou AIC on 1 February 2018. Subsequent to such capital increase, Kaida Apparatus became owned as to approximately 50.09% by Zhongtian Construction and 49.91% in aggregate by 21 individuals, including four individuals who are directors or senior management members of our Group or their associates as to approximately 13.58% in aggregate and 17 individuals who are Independent Third Parties including our employees and ex-employees as to approximately 36.33% in aggregate.

On 7 January 2019, the equity holders of Kaida Apparatus resolved to increase the registered capital of Kaida Apparatus to RMB5.0 million. Such capital increase was registered by Zhuzhou AIC on 15 March 2019. Upon completion of the capital increase and the subsequent equity transfers, Kaida Apparatus became owned as to approximately 50.09% by Zhongtian Construction and 49.91% in aggregate by 23 individuals, including five individuals who are directors or senior management members of our Group or their associates as to approximately 16.98% in aggregate and 18 individuals who are Independent Third Parties including our employees and ex-employee as to approximately 32.93% in aggregate.

On 23 March 2020, the equity holders of Kaida Apparatus resolved to increase its registered capital to RMB6.5 million. The capital increase was registered by Zhuzhou AMR on 21 April 2020. After such capital increase and the subsequent equity transfers among a director of Kaida Apparatus and three individual equity holders who are Independent Third Parties in June 2020, Kaida Apparatus became owned as to approximately 56.99% by Zhongtian Construction and 43.01% in aggregate by 23 individuals, including five individuals who are directors or senior management members of our Group or their associates as to approximately 16.40% in aggregate and 18 individuals who are Independent Third Parties including our employees and ex-employees as to approximately 26.61% in aggregate.

Zhongtian Building

Zhongtian Building, formerly known as Zhuzhou Yongan Labour Service Contract Construction Corporation (株洲永安建設勞務分包有限公司) and Zhuzhou Yongan Labour Construction Corporation* (株洲永安建設勞務有限公司), was established in the PRC on 13 March 2006 as a limited liability company, with a registered capital of RMB500,000. It engages in subcontracting of construction projects. At the time of its establishment, Zhongtian Building was owned as to 70.00% by Zhongtian Construction and 30.00% by the Employee's Trade Union of Zhongtian Construction* (湖南中天建設有限公司工會).

Immediately before the Track Record Period, Zhongtian Building had a registered capital of RMB1.0 million, and was owned as to 52.00% by Zhongtian Construction and as to 48.00% by three individuals, including two individuals who are directors or senior management members of our Group or their associates as to 38.00% in aggregate and an ex-employee of our Group as to 10.00%. On 17 May 2019, the equity holders of Zhongtian Building resolved to increase the registered capital of Zhongtian Building to RMB5.0 million. The capital increase was registered by Zhuzhou AMR on 6 June 2019. Upon completion of such capital increase, Zhongtian Building became owned as to 61.40% by Zhongtian Construction and 38.60% in aggregate by eight individuals, including five individuals who are directors or senior management members of our Group or their associates as to 33.40% in aggregate and three individuals who are Independent Third Parties including our employees and ex-employee as to 5.20% in aggregate.

Zhongtian Steel Structure Construction

Zhongtian Steel Structure Construction was established in the PRC on 22 October 2021 as a limited liability company, with a registered capital of RMB35,000,000, which remained unpaid up as at the Latest Practicable Date. It engages in steel structure construction business. Since its establishment, Zhongtian Steel Structure Construction was wholly owned by Zhongtian Construction.

DISPOSAL OF INTERESTS IN HANGXIAO TECHNOLOGY

Hangxiao Technology was established in the PRC on 19 September 2017 and it engages in the design and manufacture of steel structure. It had been held by Zhongtian Construction as to 63.00% from 19 September 2017 to 1 March 2019. On 1 March 2019, Zhongtian Construction entered into a share transfer agreement with Zhongtian Holdings, pursuant to which Zhongtian Construction transferred 75,600,000 shares in Hangxiao Technology to Zhongtian Holdings, representing 63.00% of the shares in Hangxiao Technology, at a consideration of RMB75.6 million. The consideration was determined with reference to the registered capital of Hangxiao

Technology. Zhongtian Holdings settled the consideration on 5 March 2019 and the transfer was completed on 5 March 2019. Such transfer has been properly and legally completed and settled. Upon completion of the transfer, our Group ceased to hold any share in Hangxiao Technology.

Background on the establishment of Hangxiao Technology

Hangxiao Technology was established jointly by three founding shareholders, and upon its establishment, it was owned (i) as to 63.00% by Zhongtian Construction; (ii) as to 24.50% by Zhuzhou Jinke Construction Investment Management Holdings Limited* (株洲金科建設投資經營集團有限公司) ("**Zhuzhou Jinke**"), a state-owned enterprise primarily engaging in infrastructure and real estate projects; and (iii) as to 12.50% by Hangxiao Steel Structure, a company primarily engaging in the design, manufacture and installation of steel structure products with its shares listed on the Shanghai Stock Exchange. Our Directors confirm that Zhuzhou Jinke and Hangxiao Steel Structure are Independent Third Parties and, save for their investment in Hangxiao Technology, do not have any past or present relationship with the other shareholders of Hangxiao Technology, our Group, our Shareholders, our Directors or any of their respective associates.

Zhongtian Construction has over 40 years of operating history and at the time of the establishment of Hangxiao Technology, the shares of Zhongtian Construction was quoted on the NEEQ. It was considered that the renowned reputation of Zhongtian Construction in the construction industry in the Southern China and the quotation of the shares of Zhongtian Construction on the NEEQ would facilitate the negotiation with the two other founding shareholders, being a stated-owned enterprise and a company listed on the Shanghai Stock Exchange, respectively. It was also considered that the co-operation among the then shareholders of Hangxiao Technology could help its development as each of them could contribute to the development of Hangxiao Technology in different aspects. In particular, (i) Zhongtian Construction could contribute its expertise in the construction industry and financial resources, and its long established presence in the construction industry could help Hangxiao Technology to attract co-operation opportunities; (ii) Zhuzhou Jinke was a state-owned enterprise that could help Hangxiao Technology in obtaining governmental support for its development; and (iii) Hangxiao Steel Structure was responsible for providing technical know-how and expertise for the business operation and development of Hangxiao Technology.

Pursuant to the founders' agreement entered into among the three founding shareholders of Hangxiao Technology, Hangxiao Technology shall have seven directors and Zhongtian Construction, Zhuzhou Jinke and Hangxiao Steel Structure were entitled to appoint three, two and one director(s) on the board of directors of Hangxiao Technology, respectively, and one director shall be jointly appointed by Zhongtian Construction, Zhuzhou Jinke and Hangxiao Steel Structure, and hence although Zhongtian Construction held 63% of the shareholding in Hangxiao Technology, it did not have the majority control over the business, financial and operating policies of Hangxiao

Technology. At the material times, none of the shareholders of Hangxiao Technology had the majority control over the board of directors and the management of the business operation of Hangxiao Technology.

Our Directors confirm that Hangxiao Technology was not subject to any material non-compliant incident, claim, litigation or legal proceeding (whether actual or threatened) during the Track Record Period and up to the Latest Practicable Date.

Management of Hangxiao Technology immediately prior to the disposal of our interests in Hangxiao Technology

Immediately prior to the disposal of our interests in Hangxiao Technology to Zhongtian Holdings, as Hangxiao Technology was still in the initial development stage, the management team of Hangxiao Technology comprised its directors and a general manager, details of whom are set out as follows:

(i) (a) three directors were appointed by Zhongtian Construction, namely (1) Mr. Yang, the chairman of our Board and our executive Director; (2) Mr. Liu, our executive Director and our chief executive officer; and (3) Mr. Tan Xuewen (譚學文), a former director and deputy general manager of Zhongtian Construction who resigned from such positions in July 2019 and January 2019 respectively, an Independent Third Party at the time of the Listing. For details of their respective interests in our Shareholders and our subsidiaries, please refer to the section headed "History, Development and Reorganisation — Corporate structure — Corporate structure of our Group immediately after the Reorganisation and the Pre-IPO Investment but prior to the Capitalisation Issue and the Global Offering". Each of Mr. Yang, Mr. Liu and Mr. Tan Xuewen confirmed that he did not have any past or present relationships (including business, employment, family, trust or financing relationships) with Zhuzhou Jinke, Hangxiao Steel Structure or any of their subsidiaries, shareholders, directors or senior management or any of their respective associates;

(b) apart from being a director of Hangxiao Technology, Mr. Tan Xuewen, was also the general manager of Hangxiao Technology and was responsible for the overall management of the operations and financial matters of Hangxiao Technology. While Mr. Tan Xuewen was the director and general manager of Hangxiao Technology, he had to report to the board of directors and his decisions in relation to the business operations and development of Hangxiao Technology were subject to the approval of the board of directors. As discussed above, he confirmed that he did not have any past or present relationships (including business, employment, family, trust or financing relationships) with Zhuzhou Jinke, Hangxiao Steel Structure or any of their subsidiaries, shareholders, directors or senior management or any of their respective associates;

(ii) two directors were appointed by Zhuzhou Jinke, namely (1) Mr. Yuan Hongwu (袁洪武), the chairman of Zhuzhou Jinke; and (2) Mr. Xu Bingrong (許兵榮), a deputy general manager of Zhuzhou Jinke. Each of Mr. Yuan Hongwu and Mr. Xu Bingrong confirmed that he did not have any past or present relationships (including business, employment, family, trust or financing relationships) with Zhongtian Construction, Hangxiao Steel Structure or any of their subsidiaries, shareholders, directors or senior management or any of their respective associates;

(iii) one director was appointed by Hangxiao Steel Structure, namely Mr. Yao Jianfeng (姚劍峰), the chief engineer of a subsidiary of Hangxiao Steel Structure. Mr. Yao Jianfeng confirmed that he did not have any past or present relationships (including business, employment, family, trust or financing relationships) with Zhongtian Construction, Zhuzhou Jinke or any of their subsidiaries, shareholders, directors or senior management or any of their respective associates; and

(iv) one director was jointly appointed by Zhongtian Construction, Hangxiao Steel Structure and Zhuzhou Jinke, namely Ms. Wang Qing'e (王青娥), an associate professor at the school of civil engineering of the Central South University (中南大學) who has been engaging in research related to engineering project management. She was recruited by Hangxiao Technology through open recruitment and was jointly appointed by the then shareholders of Hangxiao Technology as an independent director of Hangxiao Technology. As an independent director, she was responsible for providing independent advice to the board of directors of Hangxiao Technology (including industry knowledge) and did not perform any executive role in Hangxiao Technology. Ms. Wang Qing'e confirmed that she did not have any past or present relationships (including business, employment, family, trust or financing relationships) with Zhongtian Construction, Zhuzhou Jinke and Hangxiao Steel Structure or any of their subsidiaries, shareholders, directors or senior management or any of their respective associates. In addition, there was no agreement or arrangement among the then shareholders of Hangxiao Technology on how Ms. Wang Qing'e (王青娥) shall cast her vote in board meetings of Hangxiao Technology.

After we disposed of our interests in Hangxiao Technology in March 2019 as preparation of our Reorganisation, Mr. Liu, our executive Director and our chief executive officer, ceased to be a director of Hangxiao Technology in February 2020 so that he could focus his attention at the business of our Group. In addition, after Zhongtian Holdings acquired our interests in Hangxiao Technology in March 2019 and a capital increase of Hangxiao Technology in July 2020, Hangxiao Technology was owned as to approximately 68.29% by Zhongtian Holdings, 21.00% by Zhuzhou Jinke and 10.71% by Hangxiao Steel Structure.

Financial information of Hangxiao Technology

The summarised financial information of Hangxiao Technology are as follows:

	As at 31 December	
	2017	**2018**
	RMB'000	*RMB'000*
Current assets	24,852	17,456
Non-current assets	35,075	102,324
Current liabilities	(3)	(593)
Non-current liabilities	—	—
Net assets	59,924	119,187

	Year ended 31 December	
	2017	**2018**
	RMB'000	*RMB'000*
Revenue	—	1,019
Loss for the year	(76)	(737)
Other comprehensive income	—	—
Total comprehensive income	(76)	(737)

Hangxiao Technology had nil, one, 12, 18, 26 and 22 customers (including Zhongtian Construction) for the year ended 31 December 2017, FY2018, FY2019, FY2020, FY2021 and 3Q2022, and sales to our Group accounted for approximately 51.6%, 22.1%, 39.0% and 45.6% of the total revenue of Hangxiao Technology for FY2019, FY2020, FY2021 and 3Q2022, respectively.

Reasons for disposal of our interests in Hangxiao Technology

In early 2019 when we prepared for our Reorganisation, we reassessed our corporate structure and our investment in Hangxiao Technology. Taking into account certain factors, including the following, we decided to dispose of our interests in Hangxiao Technology:

(i) *the business of our Group is clearly delineated from that of Hangxiao Technology, and our Group and Hangxiao Technology were at different stage of development* — our Group principally engages in the construction contracting business, while Hangxiao Technology principally engages in the production of construction raw materials, which is in the upstream segment in the value chain of the construction industry. Our Group and Hangxiao Technology engage in different principal businesses, and have different business models, strategies and risk profiles. We consider the target clientele and suppliers as well as industry designations of our Group and Hangxiao Technology are different. Moreover, we are a general contracting construction group with over 40 years of operating history, while Hangxiao Technology was only established in September 2017 and was still in the initial development stage. Accordingly, the businesses of our Group and Hangxiao Technology would be suitable for different future investors with different risk appetite;

(ii) *we intend to focus on our principal business of construction contracting* — our Group would like to devote our resources to the development and expansion of our principal business of construction contracting business in which we have a track record and to which our proceeds from the Global Offering will be applied to. In addition, the exclusion of the interests in Hangxiao Technology from our Group also enables our Group and our management team to focus our resources and attention to develop and realise the full potential of our core business;

(iii) *no majority control in Hangxiao Technology* — as disclosed under the paragraph headed "Management of Hangxiao Technology immediately prior to the disposal of our interests in Hangxiao Technology" above, our Group did not have a majority control over the board of directors and management of Hangxiao Technology;

(iv) *Hangxiao Technology would not be our material investment or its business would not become our principal stream of revenue* — at the establishment of Hangxiao Technology, we expected that the business of Hangxiao Technology would not become our material investment or its business would not become our principal stream of revenue. As our revenue has been principally contributed by our construction contracting business and we intend to continue with our construction contracting business as our principal business after the Listing; and

(v) *Hangxiao Technology is not the only supplier for prefabricated steel structure products to our Group* — Although Hangxiao Technology has been a prefabricated steel structure products supplier to our Group, Hangxiao Technology is not an exclusive supplier of prefabricated steel structure products other than the project operated under the EPC Tripartite Framework Agreement, the details of which are set out in the section headed "Business — Business Operations — Contracting Models" in this prospectus. Based on the quotations obtained from our list of approved suppliers and other suppliers during the Track Record Period, we have alternative suppliers for prefabricated steel structure products. The disposal of our interests in Hangxiao Technology would not bring any adverse impact to our operation. For details of our independence from Hangxiao Technology, please refer to the section headed "Relationship with our Controlling Shareholder — Independence from our Controlling Shareholder and Zhongtian Holdings" in this prospectus.

We disposed of our interests in Hangxiao Technology to Zhongtian Holdings rather than an Independent Third Party mainly because:

(i) Zhuzhou Jinke and Hangxiao Steel Structure did not agree with Zhongtian Construction disposing of our interests in Hangxiao Technology to an independent third party but agreed to the disposal of our interests in Hangxiao Technology to Zhongtian Holdings, because they are familiar with the shareholders and the management of Zhongtian Holdings and they believed the transfer of our interests in Hangxiao Technology to Zhongtian Holdings could reduce the impact of the change in shareholder to the operations of Hangxiao Technology; and

(ii) it was also difficult to find any Independent Third Party with investment experience in the construction industry who was willing to acquire our interests in Hangxiao Technology at a consideration of not less than RMB75.6 million since Hangxiao Technology was only a private company at an initial stage of development.

PRIOR QUOTATION AND WITHDRAWAL OF QUOTATION ON THE NEEQ

On 16 May 2017, 118,700,000 shares of Zhongtian Construction, being all of the then issued shares of Zhongtian Construction, became quoted on the NEEQ (stock code: 871407). On 26 December 2018, the shareholders of Zhongtian Construction resolved at its general meeting by a majority vote to voluntarily withdraw the quotation of its shares on the NEEQ (the "**NEEQ Withdrawal**"). On 18 January 2019, National Equities Exchange and Quotations Company Limited* (全國中小企業股份轉讓系統有限責任公司) (the "**NEEQ Company**") approved the NEEQ Withdrawal. On 21 January 2019, the shares of Zhongtian Construction ceased to be quoted on the NEEQ.

REASONS FOR THE NEEQ WITHDRAWAL

The NEEQ Withdrawal was a commercial and strategic decision made by Zhongtian Construction's directors based on its industry outlook and its business development plans. Furthermore, our Directors believed that the NEEQ Withdrawal would be beneficial to us and our Shareholders as a whole for the following reasons:

(i) 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. The nature of the NEEQ and its low trading volume could make it difficult to (a) identify and establish the fair value of Zhongtian Construction to reflect its competitive strengths which differentiate it from its competitors; (b) publicly raise funds, in equity or debt, to continuously support our business growth; and (c) execute substantial on-market disposals by our Shareholders to realise value;

(ii) there had been no new shareholder joining Zhongtian Construction and no trading of shares during the period when the shares of Zhongtian Construction were quoted on the NEEQ;

(iii) in contrast, the Stock Exchange, as a leading player of the international financial markets, could offer us a direct access to the international capital markets, enhance our fund-raising capabilities and channels and broaden our Shareholders base. Accordingly, the Listing would provide us a viable source of capital to support our business growth;

(iv) since the liquidity of shares listed on the Stock Exchange is generally higher than that of NEEQ and would provide better chance of realising the interest in our Group, the Listing would also enable our Company to devise more appealing share incentive plans including the Share Option Scheme, 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 on-going basis; and

(v) the Listing will further raise our business profile and thus, enhance our ability to attract new customers, business partners and strategic investors as well as to recruit, motivate and retain key management personnel for our Group's business.

As advised by our PRC Legal Advisers based on searches conducted on the official websites of the NEEQ and CSRC and as confirmed by our Company, Zhongtian Construction complied with the relevant rules governing NEEQ in all material respects and Zhongtian Construction, its subsidiaries and all its then directors or senior management had not been subject to any investigation or disciplinary action by the relevant regulators during the period when its shares were quoted on the NEEQ and up to the NEEQ Withdrawal. As such, our Directors confirm that (i) there is no matter that might materially and adversely affect our Company's suitability for the Listing in relation to the previous quotation of the shares of Zhongtian Construction on the NEEQ; and (ii) there has not been any matter that needs to be brought to the attention of the potential investors or the regulators in Hong Kong in respect of the previous quotation of shares of Zhongtian Construction on the NEEQ. Based on the views of our PRC Legal Advisers and the due diligence works conducted by the Sole Sponsor, the Sole Sponsor concurs with the above Directors' views. For reasons for seeking the Listing on the Stock Exchange, please refer to the section headed "Future Plans and Use of Proceeds — Reasons for Listing" in this prospectus.

REORGANISATION

In preparation for the Listing, our Group carried out the following restructuring steps for the purpose of establishing our corporate structure:

The Demerger

On 8 May 2019, the shareholders of Zhongtian Construction resolved to undergo the Demerger, pursuant to which Zhongtian Construction was demerged into two companies, namely Zhongtian Construction and Puhui Commercial. On 10 May 2019, Zhongtian Construction published an announcement regarding the Demerger on the Zhuzhou Evening Post* (株洲晚報) according to the relevant PRC laws. As a result of the Demerger, Puhui Commercial was established on 28 June 2019 and the assets with a net carrying value of RMB57.10 million, including investment properties of approximately RMB39.4 million, property, plant and equipment of approximately RMB13.7 million and prepayments of approximately RMB4.0 million, were allocated from Zhongtian Construction to Puhui Commercial.

Property leasing is not our principal business. Prior to the Demerger, Zhongtian Construction derived some rental income by leasing certain properties in different locations to different tenants. Such rental income amounted to approximately RMB1.3 million for FY2019, accounting for 0.1% of our total revenue and other income for the same year, which contributed an insignificant amount of our income and was not our mainstream source of income. In order to enable us to focus on construction contracting business as our principal business but not property leasing, our Directors decided to transfer 53 properties from our Group by conducting the Demerger. However, the Ningbo Properties, for which we were still in the course of applying for the relevant title documents were not transferred out of our Group pursuant to the Demerger. For details of the Ningbo Properties and reasons for keeping them in our Group after the Demerger, please refer to the section headed "Financial Information — Discussion on selected items of consolidated statements of financial position — Investment properties" in this prospectus. For details of the breakdown of assets transferred as a result of the Demerger, please refer to the section headed "Financial Information — Basis of Presentation" in this prospectus.

Prior to the Demerger, we also owned and used six properties as offices which we leased back such properties from Puhui Commercial after the Demerger. For details of such properties and the tenancy agreements, please refer to the section headed "Connected Transactions — Transactions entered into before the Listing which would otherwise constitute connected transactions" in this prospectus. Our Directors consider that such six properties should be transferred out of our Group because leasing properties would allow us to have a greater flexibility for expansion of our offices as our business expands.

In light of the considerable amount of tax, including land appreciation tax and value added tax, that would be incurred for the transfer of the properties from Zhongtian Construction to other company, our Directors consider that it would be more commercially justifiable to conduct the Demerger, rather than incurring tax for the transfer of the properties from Zhongtian Construction to other company.

The Demerger was registered by Zhuzhou AMR on 2 July 2019. Immediately after the Demerger, the registered capital of Zhongtian Construction reduced from RMB118.7 million to RMB61.6 million, and Zhongtian Construction was owned by the following shareholders as follows:

Name of shareholders	Number of shares	Approximate percentage of shareholding
Zhongtian Holdings	46,183,060	74.97%
Zhongtian Weijing	2,270,822	3.69%
Zhongtian Weiyi	2,241,809	3.64%
Zhongtian Gongying	1,769,337	2.87%
Ten individuals who are directors or senior management members of our Group or their associates	4,323,211	7.02%
25 individuals who are Independent Third Parties including our employees and ex-employees	4,811,761	7.81%
Total	61,600,000	100.00%

Immediately after the Demerger, Puhui Commercial had a registered capital of RMB57.1 million, with the same shareholders as Zhongtian Construction and their respective shareholdings proportional to those in Zhongtian Construction at the material times. For details of our independence from Puhui Commercial, please refer to the section headed "Relationship with our Controlling Shareholder — Independence from our Controlling Shareholder and Zhongtian Holdings" in this prospectus.

Acquisition of the entire equity interest in Jicai Trading by all of the shareholders of Zhongtian Construction

Jicai Trading was established in the PRC as a limited liability company on 9 July 2018, with a registered capital of RMB100,000, which was fully paid up. As at the date of its establishment, it was owned as to 60.00% by Mr. Zeng Quan (曾權), a director of Zhongtian Building, and 40.00% by Mr. Hu Hongze (胡洪澤), an employee of our Group. It engages in investment holding.

Pursuant to the equity transfer agreements dated 17 July 2019, as part of the Reorganisation, all of the then shareholders of Zhongtian Construction acquired the entire equity interest in Jicai Trading at the total consideration of RMB100,000 with reference to the amount of the registered capital of Jicai Trading. Such transfers were registered by Zhuzhou AIC on 22 July 2019. Upon completion of the transfers, Jicai Trading was owned by the following equity holders as follows:

Name of equity holders	Capital contribution	Approximate percentage of equity interest
	RMB	
Zhongtian Holdings	74,973	74.97%
Zhongtian Weijing	3,686	3.69%
Zhongtian Weiyi	3,639	3.64%
Zhongtian Gongying	2,872	2.87%
Ten individuals who are directors or senior management members of our Group or their associates	7,019	7.02%
25 individuals who are Independent Third Parties including our employees and ex-employees	7,811	7.81%
Total	100,000	100.00%

Establishment of Hangxiao Materials

On 31 July 2019, Hangxiao Materials was established in the PRC as a limited liability company, with a registered capital of RMB1 million, which was fully paid up. As at the date of its establishment, it was wholly-owned by Jicai Trading. It engages in investment holding.

Contribution to the registered capital of Zhongtian Construction by Hangxiao Materials

On 8 July 2019, the shareholders of Zhongtian Construction resolved to reduce the registered capital of Zhongtian Construction from RMB61.6 million to RMB5.0 million, with the reduced capital credited to the capital reserve of Zhongtian Construction. The capital reduction was registered by Zhuzhou AMR on 26 August 2019.

On 28 August 2019, the registered capital of Zhongtian Construction was increased to RMB61.6 million, with a fully paid-up capital of RMB5.0 million and the remainder of RMB56.6 million to be contributed by Hangxiao Materials. The capital contribution was registered by Zhuzhou AMR on 29 August 2019.

Upon completion of the capital increase, Zhongtian Construction became owned by the following shareholders as follows:

Name of shareholders	Number of shares	Approximate percentage of shareholding
Hangxiao Materials	56,600,000	91.88%
Zhongtian Holdings	3,748,625	6.09%
Zhongtian Weijing	184,320	0.30%
Zhongtian Weiyi	181,965	0.30%
Zhongtian Gongying	143,615	0.23%
Ten individuals who are directors or senior management members of our Group or their associates	350,910	0.57%
25 individuals who are Independent Third Parties including our employees and ex-employees	390,565	0.63%
Total	61,600,000	100.00%

Acquisition of approximately 7.62% of shareholding in Zhongtian Construction by Hangxiao Materials

Pursuant to the share transfer agreements dated 5 December 2019, the directors, supervisors and senior management of Zhongtian Construction, namely Mr. Yang, Ms. Mei Zuqian (梅祖倩), Mr. Liu, Ms. Zhang Weihui (張偉輝), Mr. Yang Haijun (楊海軍), Mr. Chen, Mr. Shen, Mr. Chen Peirun (陳培潤) and Mr. Min, transferred a total of 99,287 shares in Zhongtian Construction, representing approximately 0.16% shareholding in Zhongtian Construction and 25% of their then total shareholding in Zhongtian Construction, to Hangxiao Materials at a total consideration RMB124,108.75. According to the PRC Company Law, directors, supervisors and senior management members of a company limited by shares could not transfer more than 25% of their then shareholding in the company in each year. As such, directors, supervisor and senior management of Zhongtian Construction would continue to hold a total of approximately 0.50% of the shareholding in Zhongtian Construction after the Reorganisation and upon Listing. Pursuant to the share transfer agreements of the same date, all other shareholders of Zhongtian Construction transferred a total of 4,592,403 shares in Zhongtian Construction, representing approximately 7.46% shareholding in Zhongtian Construction and all the shares held by such shareholders of Zhongtian Construction, to Hangxiao Materials at a total consideration of RMB5,740,503.75. Such transfers were registered by Zhuzhou AMR on 18 December 2019. Upon completion of the share transfers, Zhongtian Construction became owned as to approximately 99.50% by Hangxiao Materials, 0.17% by Mr. Yang, 0.10% by Ms. Mei Zuqian, 0.06% by Mr. Liu, 0.05% by Ms. Zhang Weihui, 0.04% by Mr. Yang Haijun, 0.03% by Mr. Chen, 0.02% by Mr. Shen, 0.02% by Mr. Chen Peirun and 0.01% by Mr. Min.

Subscription for the registered capital of Jicai Trading by our Pre-IPO Investor

On 9 March 2020, our Pre-IPO Investor, Ms. Yang Shufen, executed a capital increase agreement with Jicai Trading and all the then equity holders of Jicai Trading, pursuant to which Jicai Trading increased its registered capital from RMB100,000 to RMB101,100 and Ms. Yang Shufen subscribed for the additional registered capital of RMB1,100 of Jicai Trading, representing approximately 1.09% of the equity interest in Jicai Trading, for a consideration of HKD equivalent of RMB2,385,014.50. The consideration was determined based on arm's length negotiations among the parties, taking into account the valuation of the interests of the equity interest in Jicai Trading as at 31 October 2019 of RMB216,819,500, which was prepared by a valuer which is an Independent Third Party. Such subscription was registered by Zhuzhou AMR on 12 March 2020. Upon completion of the said capital increase and the subscription, Jicai Trading became owned as to approximately 74.16% by Zhongtian Holdings, 3.65% by Zhongtian Weijing, 3.60% by Zhongtian Weiyi, 2.84% by Zhongtian Gongying, 1.09% by Ms. Yang Shufen, 6.94% in aggregate by ten individuals who are directors or senior management members of our Group or their associates, and 7.72% in aggregate by 25 individuals who are Independent Third Parties including our employees and ex-employees. For details of the Pre-IPO Investment, please refer to the paragraph headed "Pre-IPO Investment" in this section. Immediately after such subscription by our Pre-IPO Investor, Jicai Trading has been converted from a domestic company into a foreign-invested enterprise.

Incorporation of 13 offshore holding companies

Zhongtian Holdings is a company limited by shares and Zhongtian Weijing, Zhongtian Weiyi and Zhongtian Gongying are three limited partnerships. As part of the Reorganisation, on 23 March 2020, ZT (A), ZT (B), ZT (C) and ZT (D) were incorporated in the BVI with limited liability by the original shareholders or partners of Zhongtian Holdings, Zhongtian Weijing, Zhongtian Weiyi and Zhongtian Gongying, respectively, as their investment vehicles with their shareholdings proportional to their original shareholdings or partnership interests (subject to rounding) in Zhongtian Holdings, Zhongtian Weijing, Zhongtian Weiyi and Zhongtian Gongying. On 23 March 2020, ZT (E), ZT (F), ZT (G), ZT (H), ZT (I), ZT (J), ZT (K) and ZT (L) were incorporated in the BVI with limited liability by the individual shareholders of Zhongtian Construction who were directors or senior management members of our Group or their associates as their investment vehicles. ZT (M) was also incorporated on 23 March 2020 in the BVI with limited liability as the investment vehicle for other individual shareholders who were Independent Third Parties including our employees and ex-employees. For the shareholding of the abovementioned 13 investment vehicles, please refer to the paragraph headed "The individual shareholders of ZT (A), ZT (B), ZT (C), ZT (D), ZT (E), ZT (F), ZT (G), ZT (H), ZT (I), ZT (J), ZT (K), ZT (L) and ZT (M)" in this section.

Incorporation of our Company

On 27 March 2020, our Company was incorporated in the Cayman Islands as an exempted company with limited liability. As at the date of its incorporation, it had an authorised share capital of HK$380,000 divided into 38,000,000 ordinary shares with a par value of HK$0.01 each.

On the date of its incorporation, our Company allotted and issued one subscriber Share as fully paid to an initial subscriber, an Independent Third Party. On the same day, the nominee subscriber as transferor executed an instrument of transfer in favour of ZT (A) as transferee, pursuant to which the nominee subscriber transferred the one subscriber Share, representing the entire issued share capital of our Company, to ZT (A) for a consideration of HK$0.01.

On the same date, our Company allotted and issued 74,972 Shares, 3,686 Shares, 3,639 Shares, 2,872 Shares, 3,697 Shares, 948 Shares, 748 Shares, 497 Shares, 369 Shares, 279 Shares, 228 Shares, 253 Shares, and 7,811 Shares as fully paid to ZT (A), ZT (B), ZT (C), ZT (D), ZT (E), ZT (F), ZT (G), ZT (H), ZT (I), ZT (J), ZT (K), ZT (L) and ZT (M), respectively. After such allotment, our Company was owned as to approximately 74.97% by ZT (A), 3.69% by ZT (B), 3.64% by ZT (C), 2.87% by ZT (D), 3.70% by ZT (E), 0.95% by ZT (F), 0.75% by ZT (G), 0.50% by ZT (H), 0.37% by ZT (I), 0.28% by ZT (J), 0.23% by ZT (K), 0.25% by ZT (L) and 7.80% by ZT (M), respectively.

Incorporation of Head Sage and Zhongtian HK and establishment of Zhaolin Trading

On 23 December 2019, Head Sage was incorporated in the BVI with limited liability. It engages in investment holding. It is authorised to issue a maximum of 50,000 shares of a single class with a par value of US$1 each. On 30 March 2020, Head Sage allotted and issued one share with a par value of US$1 each credited as fully paid to our Company. All the issued shares of Head Sage then became wholly-owned by our Company.

On 6 April 2020, Zhongtian HK was incorporated in Hong Kong with limited liability. It engages in investment holding. On the date of its incorporation, Zhongtian HK allotted and issued one founder member's share credited as fully paid to Head Sage. The entire issued share capital of Zhongtian HK then became wholly-owned by Head Sage.

On 21 April 2020, Zhaolin Trading was established in the PRC as a wholly foreign-owned enterprise, with a registered capital of HK$10.0 million. It engages in investment holding. Since its establishment, the entire equity interest of Zhaolin Trading has been wholly-owned by Zhongtian HK.

Acquisition of approximately 1.09% equity interest in Jicai Trading by Zhongtian HK

Pursuant to an equity transfer agreement entered into between Zhongtian HK and Ms. Yang Shufen dated 9 April 2020, Zhongtian HK acquired the equity interest in Jicai Trading held by Ms. Yang Shufen in consideration of a nominal amount of RMB25,201, which was settled by our Company allotting and issuing 1,100 Shares, credited as fully paid, to Bizoe (International). Bizoe (International) then held 1,100 Shares of our Company. The issue and allotment of 1,100 Shares to Bizoe (International) was properly and legally completed on 9 April 2020. Upon completion of the allotment, our Company became owned as to approximately 74.16% by ZT (A), 3.64% by ZT (B), 3.60% by ZT (C), 2.84% by ZT (D), 3.66% by ZT (E), 0.94% by ZT (F), 0.74% by ZT (G), 0.49% by ZT (H), 0.36% by ZT (I), 0.28% by ZT (J), 0.23% by ZT (K), 0.25% by ZT (L) and 7.72% by ZT (M) and 1.09% by Bizoe (International), respectively.

Acquisition of 1% of equity interest in Jicai Trading by Zhaolin Trading

On 24 April 2020, Zhaolin Trading executed a capital increase agreement with Jicai Trading and all the then equity holders of Jicai Trading, pursuant to which Zhaolin Trading agreed to contribute to the registered capital of Jicai Trading in the amount of RMB9,898,900, which remained unpaid up as at the Latest Practicable Date. Such capital increase was registered by Zhuzhou AMR on 27 April 2020. Upon completion of the capital increase, Jicai Trading was owned by the following equity holders as follows:

Name of equity holders	Capital contribution	Approximate percentage of equity interest
	RMB	
Zhaolin Trading	9,898,900	98.99%
Zhongtian Holdings	74,973	0.75%
Zhongtian Weijing	3,686	0.04%
Zhongtian Weiyi	3,639	0.03%
Zhongtian Gongying	2,872	0.03%
Ten individuals who are directors or senior management members of our Group or their associates	7,019	0.07%
25 individuals who are Independent Third Parties including our employees and ex-employees	7,811	0.08%
Zhongtian HK	1,100	0.01%
Total	10,000,000	100%

Pursuant to equity transfer agreements dated 30 April 2020, all the domestic equity holders of Jicai Trading transferred a total of 1% of equity interest in Jicai Trading to Zhaolin Trading at the total consideration of RMB2,202,000. Such transfers were registered by Zhuzhou AMR on 8 May 2020. Upon completion of the above transfers, Jicai Trading became owned as to approximately 99.99% by Zhaolin Trading and 0.01% by Zhongtian HK.

PRE-IPO INVESTMENT

For details of the Pre-IPO Investment, please refer to the paragraph headed "Reorganisation — Subscription for the registered capital of Jicai Trading by our Pre-IPO Investor" in this section.

Principal terms of the Pre-IPO Investment are set out in the table below:

Name of the Pre-IPO Investor	Ms. Yang Shufen
Date of the agreement	9 March 2020
Amount of consideration paid	HKD equivalent of RMB2,385,014.50 (i.e. HKD2,606,858.12)
Settlement date of the consideration	2 April 2020
Basis of determination of the consideration	The consideration was determined based on arm's length negotiations among the parties, taking into account the valuation of the shareholders' equity in Jicai Trading as at 31 October 2019 of RMB216,819,500, which was prepared by a valuer which is an Independent Third Party.
Number of Shares held by Bizoe (International) immediately upon completion of the Capitalisation Issue and the Global Offering (without taking into account any Share which may be allotted and issued upon the exercise of the Over-allotment Option and any option which may be granted under the Share Option Scheme)	3,917,000 Shares
Effective cost per Share paid	HKD0.67
Discount to the Offer Price (based on the Offer Price of HK$1.18 per Offer Share, being the mid-point of the Offer Price range)	approximately 43.6%
Use of proceeds	The proceeds received by our Group from the Pre-IPO Investment was used as general working capital of our Group and has been fully utilised as at the Latest Practicable Date.

Benefits brought to our Group	Considering Ms. Yang Shufen's exposure and experience in the local securities market in Hong Kong, our Directors believe that she could contribute to our Company from an investor's perspective and share her professional experience.
Shareholding in our Company immediately after the completion of Reorganisation and the Pre-IPO Investment but before the Capitalisation Issue and the Global Offering	approximately 1.09%
Shareholding in our Company immediately upon completion of the Capitalisation Issue and the Global Offering (without taking into account any Share which may be allotted and issued upon the exercise of the Over-allotment Option and any option which may be granted under the Share Option Scheme)	approximately 0.82%
Lock-up period	Not applicable
Public float	The Shares held by Ms. Yang Shufen are considered as part of the public float for the purpose of Rule 8.24 of the Listing Rules as (i) Ms. Yang Shufen is not a director, chief executive or substantial shareholder of our Company or its subsidiaries or a close associate of any of them (the "**Non-Public Shareholders**"); (ii) the acquisition of the Shares by Ms. Yang Shufen was not financed by the Non-Public Shareholders; and (iii) Ms. Yang Shufen is not accustomed to taking instructions from a Non-Public Shareholder for the voting or dispositions in respect of the Shares held by Ms. Yang Shufen.
Special rights	No special right was granted to our Pre-IPO Investor.

Independence of the Pre-IPO Investor

Ms. Yang Shufen was introduced to our Group in the third quarter of 2019 through Ms. Zhang Weihui (張偉輝), a supervisor of Zhongtian Construction. Ms. Zhang Weihui and Ms. Yang Shufen have known each other for more than five years since they met on a business occasion in May 2015. Ms. Yang Shufen has over ten years of working experience as a licensed person for dealing securities (type 1 regulated activity) under the SFO. It is expected that Ms. Yang Shufen's exposure and experience in the local securities market in Hong Kong could contribute to our Company from an investor's perspective and share her professional experience. Considering the prospect of our business, Ms. Yang Shufen invested in our Group using her personal resources. To the best of our Directors' knowledge, information and belief and having made all reasonable enquiries, Ms. Yang Shufen invested in our Group because she appreciates the prospects and potential growth of our Group. As advised by our PRC Legal Advisers, Ms. Yang invested in Jicai Trading, an investment holding company which indirectly held interest in our principal operating subsidiary, and converted Jicai Trading from a domestic company into a foreign-invested enterprise as part of the Reorganisation. Save for her investment in our Company, Ms. Yang Shufen did not have any past or present relationships (including, without limitation, family, trust, business, employment relationships) or any agreements, arrangements or understanding with our Company, our subsidiaries, Shareholders, Directors or senior management and any of their respective associates and is an Independent Third Party as at the Latest Practicable Date. As Ms. Yang Shufen is not a core connected person of our Company, the Shares held by Bizoe (International) will be counted towards the public float after the Listing.

Sole Sponsor's confirmation

After reviewing the terms of the Pre-IPO Investment, the Sole Sponsor has confirmed that the Pre-IPO Investment is in compliance with (i) the Guidance Letter HKEx-GL29-12 (Interim Guidance on Pre-IPO Investments) issued in January 2012 and updated in March 2017 by the Stock Exchange as the consideration for the Pre-IPO Investment was all settled more than 28 clear days before the date of the first submission of the listing application to the Stock Exchange in relation to the Listing; and (ii) the Guidance Letter HKEx-GL43-12 (Guidance on Pre-IPO investments) issued in October 2012 and updated in July 2013 and March 2017 by the Stock Exchange as there are no special rights granted to the Pre-IPO Investor that will survive the Listing whereas the Guidance Letter HKEx-GL44-12 is not applicable to the Pre-IPO Investment.

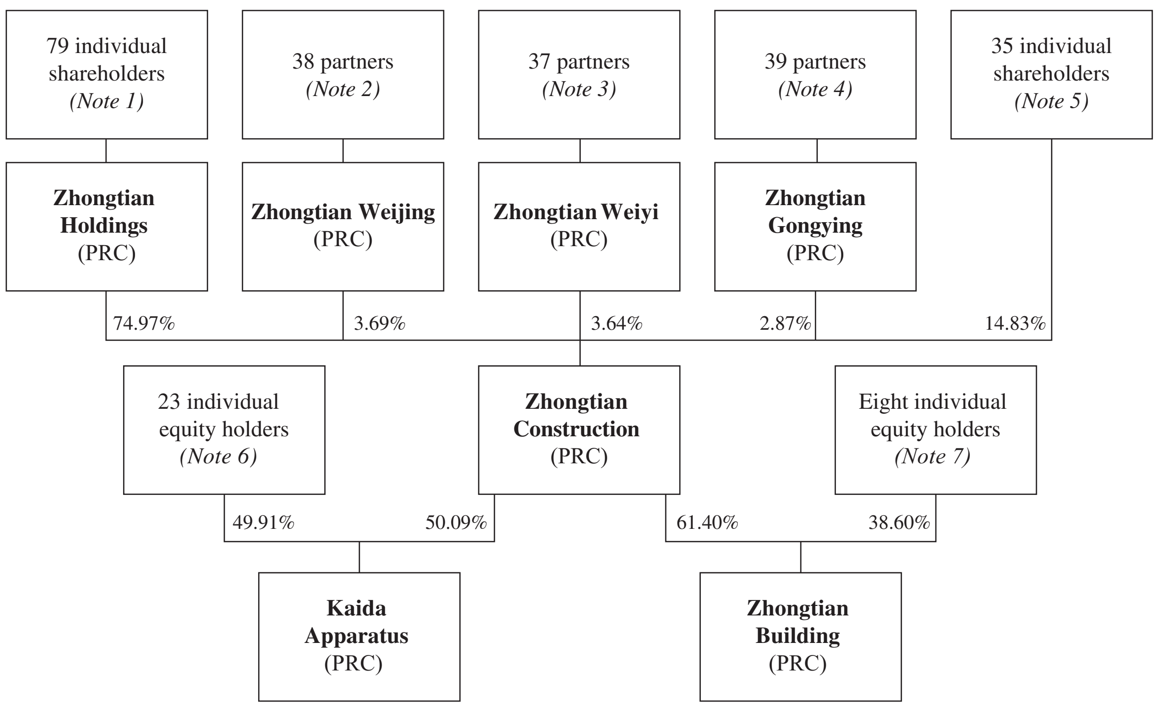
CAPITALISATION ISSUE

Conditional upon crediting our Company's share premium account as a result of the issue of Shares pursuant to the Listing, our Directors are authorised to capitalise an amount of HK$3,598,989 standing to the credit of the share premium account of our Company by applying such sums towards to pay up in full at par a total of 359,898,900 Shares for allotment and issue, immediately prior to the Listing, to the Shareholders whose name appear on the register of members of our Company as of 10 March 2023, on a pro rata basis (subject to rounding to avoid fractions and odd lots).

CORPORATE STRUCTURE

Corporate structure of our Group immediately prior to the Reorganisation

The following diagram sets out the corporate structure of our Group immediately prior to the Reorganisation:



Notes:

1. Zhongtian Holdings was held by 79 individuals, being Mr. Yang (chairman of our Board) as to 25.24%, Mr. Liu (our executive Director) as to 6.16%, Mr. Xu Zhongguang (許忠光) (director of Jicai Trading and Hangxiao Materials) as to 4.90%, Ms. Gan Yinghua (甘映華) (spouse of Mr. Yang) as to 3.88%, Mr. Chen (our executive Director) as to 2.93%, Mr. Chen Peirun (陳培潤) (our senior management member) as to 1.72%, Mr. Shen (our executive Director) as to 1.31%, Mr. Min (our executive Director) as to 1.30%, Mr. Zhou Xiangyang (周向陽) (director of Kaida Apparatus and Zhongtian Building) as to 0.75%, Ms. Yang Bingquan (楊冰泉) (spouse of Mr. Min) as to 0.37%, Mr. Yang Yong (楊勇) (director of Kaida Apparatus) as to 0.33%, Mr. Zhou Ping (周平) (our senior management member) as to 0.15% and 67 individuals who are Independent Third Parties including our employees and ex-employees as to 50.96% in aggregate, out of which Ms. Mei Zuqian (梅祖倩) held approximately 9.87% and each of the remaining 66 Independent Third Parties held approximately 0.04% to 4.31%.

2. Immediately before the Reorganisation, Zhongtian Weijing was held by 38 partners, with Mr. Liu as the general partner holding 13.71% of partnership interest, and 37 limited partners including Mr. Xu Qi (徐琦) (director of Zhongtian Building) as to 2.28%, Mr. Yang Yong (楊勇) (director of Kaida Apparatus) as to 1.44% and 35 individuals who are Independent Third Parties including our employees and ex-employees as to 82.57% in aggregate, out of which Mr. Ding Yunxiang (丁雲祥) held approximately 6.86%, Mr. Wan Songtao (萬松濤) held approximately 6.86% and each of the remaining 33 Independent Third Parties held approximately 0.39% to 4.57%.

3. Immediately before the Reorganisation, Zhongtian Weiyi was held by 37 partners, with Mr. Tan Xuewen (譚學文), an Independent Third Party, as the general partner holding 9.84% of partnership interest, and 36 limited partners including Mr. Zhou Ping (周平) (our senior management member) as to 2.31%, Mr. Long Biwen (龍必文) (our senior management member) as to 4.63%, Mr. Zhou Xiangyang (周向陽) (director of Kaida Apparatus and Zhongtian Building) as to 0.60% and 33 individuals who are Independent Third Parties including our employees and ex-employees as to 82.62% in aggregate, out of which Mr. Pan Shuilin (潘水林) held approximately 9.26%, Mr. Zhao Wei (趙偉) held approximately 9.26% and each of the remaining 31 Independent Third Parties held approximately 0.45% to 4.63%.

4. Immediately before the Reorganisation, Zhongtian Gongying was held by 39 partners, with Ms. Zhang Weihui (張偉輝), an Independent Third Party, as the general partner holding 11.03% of partnership interest, and 38 limited partners including Ms. Yang Bingquan (楊冰泉) (spouse of Mr. Min) as to 6.86%, Mr. Tan Hongjun (譚紅軍) (director of Zhongtian Building) as to 2.92% and 36 individuals who are Independent Third Parties including our employees and ex-employees as to 79.19% in aggregate, out of which Mr. Yin Jieming (殷階明) held approximately 7.47%, Mr. Liu Zanjun (劉讚軍) held approximately 5.87%, Mr. Yang Jian (楊劍) held approximately 5.87% and each of the remaining 33 Independent Third Parties held approximately 0.56% to 3.52%.

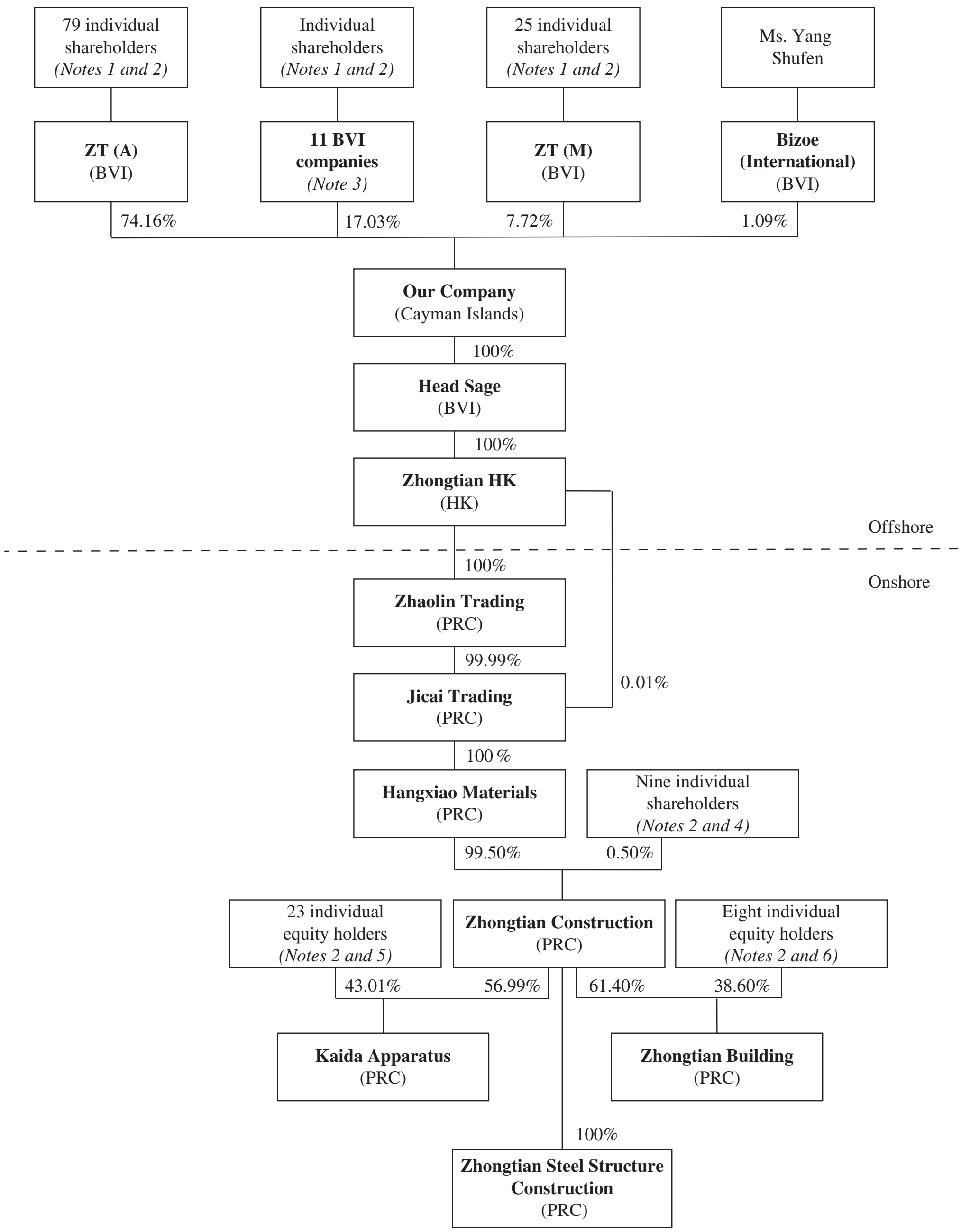
5. The 35 individual shareholders were Mr. Yang (chairman of our Board) as to 2.88%, Mr. Liu (our executive Director) as to 0.95%, Ms. Gan Yinghua (甘映華) (spouse of Mr. Yang) as to 0.82%, Mr. Xu Zhongguang (許忠光) (director of Jicai Trading and Hangxiao Materials) as to 0.75%, Mr. Chen (our executive Director) as to 0.47%, Mr. Shen (our executive Director) as to 0.37%, Mr. Chen Peirun (陳培潤) (our senior management member) as to 0.28%, Mr. Wu Qian (吳謙) (director of Kaida Apparatus) as to 0.25%, Mr. Min (our executive Director) as to 0.23%, Ms. Yang Zhonghua (楊中華) (spouse of Mr. Chen and sister of Mr. Yang) as to 0.03% and 25 individuals who are Independent Third Parties including our employees and ex-employees as to 7.80% in aggregate with each of the Independent Third Parties holding not more than approximately 1.60%.

6. The 23 individual equity holders were Mr. Zhou Xiangyang (周向陽) (director of Kaida Apparatus and Zhongtian Building) as to 6.00%, Mr. Wu Qian (吳謙) (director of Kaida Apparatus) as to 4.24%, Mr. Yang Yong (楊勇) (director of Kaida Apparatus) as to 3.00%, Mr. He Fuyuan (何福元) (director of Kaida Apparatus) as to 2.22%, Mr. Min (our executive Director) as to 1.52% and 18 individuals who are Independent Third Parties including our employees and ex-employee as to approximately 32.93% in aggregate with Mr. Liu Zhihong (劉志洪) as to 10.00%, Mr. Yi Yongge (易永革) as to 6.00% and each of the remaining 16 Independent Third Parties held approximately 0.32% to 4.00%, who are Ms. Li Hongqing (李紅清), Ms. Lin Li (林麗), Mr. Peng Dinghui (彭鼎暉), Mr. Shen Shixiong (沈詩雄), Mr. Tan Zilie (譚子烈), Mr. Wang Dingguo (王定國), Mr. Xie Chengming (謝誠明), Mr. Yang Yongwang (楊永旺), Ms. Zhao Shuming (趙淑明), Mr. Zhou Zhili (周志力), Mr. Yan Yunfang (晏運芳), Ms. Qu Xiaohong (瞿曉紅), Mr. Zhou Ming (周明), Mr. Wang Pengcheng (王朋成), Mr. Wu Zhiyang (吳志揚) and Mr. Yang Bo (陽波).

7. The eight individual equity holders were Mr. Zeng Quan (曾權) (director of Zhongtian Building) as to 9.00%, Mr. Tan Hongjun (譚紅軍) (director of Zhongtian Building) as to 7.00%, Mr. Hu Yang (胡揚) (director of Zhongtian Building) as to 7.00%, Mr. Zhou Xiangyang (周向陽) (director of Kaida Apparatus and Zhongtian Building) as to 5.40%, Mr. Xu Qi (徐琦) (director of Zhongtian Building) as to 5.00% and three individuals who are Independent Third Parties including our employees and ex-employee as to 5.20% in aggregate with each of the Independent Third Parties holding 1.20% to 2.00%, who are Ms. Yi Mulan (易木蘭), Ms. Yan Tingyan (言庭艷) and Mr. Zhang Xueli (張學理).

Corporate structure of our Group immediately after the Reorganisation and the Pre-IPO Investment but prior to the Capitalisation Issue and the Global Offering

The following diagram shows the corporate structure of our Group immediately after the Reorganisation and the Pre-IPO Investment but prior to the Capitalisation Issue and the Global Offering:



Notes:

1. Please refer to the paragraph headed "The individual shareholders of ZT (A), ZT (B), ZT (C), ZT (D), ZT (E), ZT (F), ZT (G), ZT (H), ZT (I), ZT (J), ZT (K), ZT (L) and ZT (M)" in this section for the identities and shareholding of the individual shareholders of ZT (A), ZT (B), ZT (C), ZT (D), ZT (E), ZT (F), ZT (G), ZT (H), ZT (I), ZT (J), ZT (K), ZT (L) and ZT (M).

2. There is no acting-in-concert arrangement among such individuals and none of such individuals holds their interests in such entities under trust arrangement on behalf of other persons.

3. Immediately after the Reorganisation and the Pre-IPO Investment but before the Capitalisation Issue and the Global Offering, our Company was owned as to approximately 3.64% by ZT (B), 3.60% by ZT (C), 2.84% by ZT (D), 3.66% by ZT (E), 0.94% by ZT (F), 0.74% by ZT (G), 0.49% by ZT (H), 0.36% by ZT (I), 0.28% by ZT (J), 0.23% by ZT (K) and 0.25% by ZT (L), respectively. These 11 BVI companies are in aggregate owned by 123 individual shareholders, including 17 individuals who are directors or senior management members of our Group or their associates. ZT (B), ZT (C) and ZT (D) are owned as to approximately 17.37%, 7.55% and 9.78% in aggregate by the directors or senior management members of our Group or their associates, respectively. ZT (E), ZT (F), ZT (G), ZT (H), ZT (I), ZT (J), ZT (K) and ZT (L) are wholly owned by directors or senior management members of our Group or their associates. For further details, please refer to the section headed "The individual shareholders of ZT (A), ZT (B), ZT (C), ZT (D), ZT (E), ZT (F), ZT (G), ZT (H), ZT (I), ZT (J), ZT (K), ZT (L) and ZT (M)" in this section.

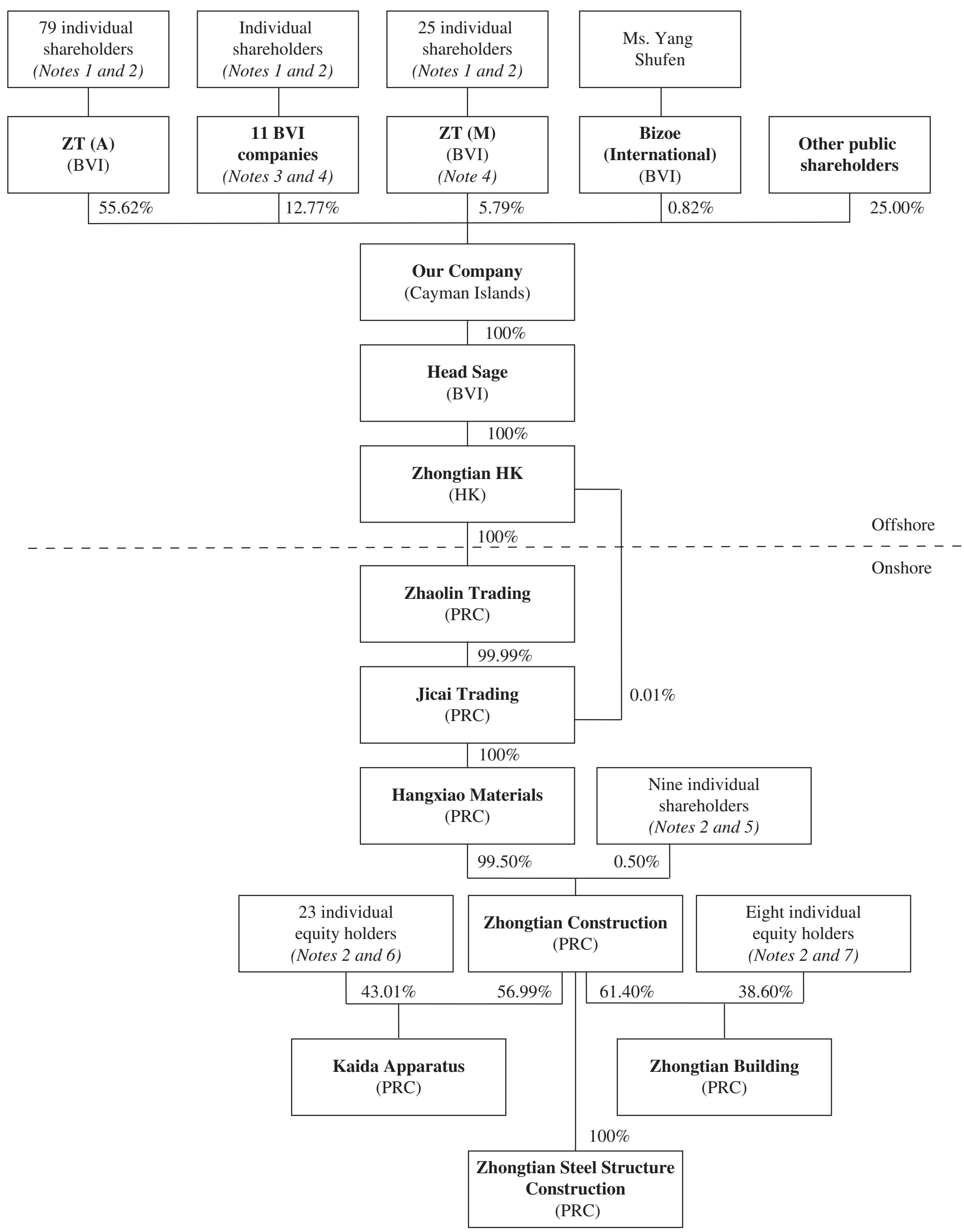
4. The nine individual shareholders are the directors, supervisors and senior management members of Zhongtian Construction, namely Mr. Yang (chairman of our Board) as to 0.17%, Ms. Mei Zuqian (梅祖倩) (supervisor of Zhongtian Construction) as to 0.10%, Mr. Liu (our executive Director) as to 0.06%, Ms. Zhang Weihui (張偉輝) (supervisor of Zhongtian Construction) as to 0.05%, Mr. Yang Haijun (楊海軍) (supervisor of Zhongtian Construction) as to 0.04%, Mr. Chen (our executive Director) as to 0.03%, Mr. Shen (our executive Director) as to 0.02%, Mr. Chen Peirun (陳培潤) (our senior management member) as to 0.02% and Mr. Min (our executive Director) as to 0.01%.

5. The 23 individual equity holders, being Mr. Wu Qian (吳謙) (director of Kaida Apparatus) as to 5.39%, Mr. Zhou Xiangyang (周向陽) (director of Kaida Apparatus and Zhongtian Building) as to 4.62%, Mr. Yang Yong (楊勇) (director of Kaida Apparatus) as to 3.00%, Mr. He Fuyuan (何福元) (director of Kaida Apparatus) as to 2.22%, Mr. Min (our executive Director) as to 1.17% and 18 individuals who are Independent Third Parties including our employees and ex-employee as to 26.61% in aggregate with Mr. Liu Zhihong (劉志洪) as to approximately 7.69% and each of the remaining 17 Independent Third Parties held approximately 0.24% to 4.62%, who are Mr. Yi Yongge (易永革), Ms. Lin Li (林麗), Mr. Peng Dinghui (彭鼎暉), Mr. Shen Shixiong (沈詩雄), Mr. Tan Zilie (譚子烈), Mr. Wang Dingguo (王定國), Mr. Xie Chengming (謝誠明), Mr. Yang Yongwang (楊永旺), Ms. Zhao Shuming (趙淑明), Mr. Yan Yunfang (晏運芳), Mr. Zhou Ming (周明), Mr. Wang Pengcheng (王朋成), Mr. Wu Zhiyang (吳志揚), Mr. Yang Bo (陽波), Mr. Pan Guohui (潘國輝), Ms. Rong Hua (榮華) and Ms. Zhou Mengnan (周孟南).

6. The eight individual equity holders, being Mr. Zeng Quan (曾權) (director of Zhongtian Building) as to 9.00%, Mr. Tan Hongjun (譚紅軍) (director of Zhongtian Building) as to 7.00%, Mr. Hu Yang (胡揚) (director of Zhongtian Building) as to 7.00%, Mr. Zhou Xiangyang (周向陽) (director of Kaida Apparatus and Zhongtian Building) as to 5.40%, Mr. Xu Qi (徐琦) (director of Zhongtian Building) as to 5.00% and three individuals who are Independent Third Parties including our employees and ex-employee as to 5.20% in aggregate with each of the Independent Third Parties holding 1.20% to 2.00%, who are Ms. Yi Mulan (易木蘭), Ms. Yan Tingyan (言庭艷) and Mr. Zhang Xueli (張學理).

Corporate structure of our Group immediately after the Reorganisation and upon Listing

The shareholding and corporate structure of our Group immediately upon completion of the Capitalisation Issue and the Global Offering (without taking into account any shares of our Company which may be issued upon exercise of the Over-allotment Option or any option which may be granted under the Share Option Scheme) is set out in the below diagram:



Notes:

1. Please refer to the paragraph headed "The individual shareholders of ZT (A), ZT (B), ZT (C), ZT (D), ZT (E), ZT (F), ZT (G), ZT (H), ZT (I), ZT (J), ZT (K), ZT (L) and ZT (M)" in this section for the identities and shareholding of the individual shareholders of ZT (A), ZT (B), ZT (C), ZT (D), ZT (E), ZT (F), ZT (G), ZT (H), ZT (I), ZT (J), ZT (K), ZT (L) and ZT (M).

2. There is no acting-in-concert arrangement among such individuals and none of such individuals holds their interests in such entities under trust arrangement on behalf of other persons.

3. Immediately upon completion of the Capitalisation Issue and the Global Offering (without taking into account any shares of our Company which may be issued upon exercise of the Over-allotment Option or any option which may be granted under the Share Option Scheme), our Company would be owned as to approximately 2.74% by ZT (B), 2.70% by ZT (C), 2.13% by ZT (D), 2.74% by ZT (E), 0.70% by ZT (F), 0.56% by ZT (G), 0.37% by ZT (H), 0.27% by ZT (I), 0.20% by ZT (J), 0.17% by ZT (K) and 0.19% by ZT (L), respectively. These 11 BVI companies are in aggregate owned by 123 individual shareholders, including 17 individuals who are directors or senior management members of our Group or their associates. ZT (B), ZT (C) and ZT (D) are owned as to approximately 17.37%, 7.55% and 9.78% in aggregate by the directors or senior management members of our Group or their associates, respectively. ZT (E), ZT (F), ZT (G), ZT (H), ZT (I), ZT (J), ZT (K) and ZT (L) are wholly owned by directors or senior management members of our Group or their associates. For further details, please refer to the section headed "The individual shareholders of ZT (A), ZT (B), ZT (C), ZT (D), ZT (E), ZT (F), ZT (G), ZT (H), ZT (I), ZT (J), ZT (K), ZT (L) and ZT (M)" in this section.

4. There is no shareholders agreement among ZT (B), ZT (C), ZT (D), ZT (E), ZT (F), ZT (G), ZT (H), ZT (I), ZT (J), ZT (K), ZT (L) and ZT (M) nor among their respective individual shareholders regarding the arrangement or restriction on the disposal of our Shares or shares in the respective BVI companies. Any decision to dispose any of our Shares by ZT (B), ZT (C), ZT (D), ZT (E), ZT (F), ZT (G), ZT (H), ZT (I), ZT (J), ZT (K), ZT (L) or ZT (M) after Listing will be made according to the board of directors of each of the BVI companies.

5. The nine individual shareholders are our directors, supervisors and senior management members of Zhongtian Construction, namely Mr. Yang (chairman of our Board) as to 0.17%, Ms. Mei Zuqian (梅祖倩) (supervisor of Zhongtian Construction) as to 0.10%, Mr. Liu (our executive Director) as to 0.06%, Ms. Zhang Weihui (張偉輝) (supervisor of Zhongtian Construction) as to 0.05%, Mr. Yang Haijun (楊海軍) (supervisor of Zhongtian Construction) as to 0.04%, Mr. Chen (our executive Director) as to 0.03%, Mr. Shen (our executive Director) as to 0.02%, Mr. Chen Peirun (陳培潤) (our senior management member) as to 0.02% and Mr. Min (our executive Director) as to 0.01%.

6. The 23 individual equity holders, being Mr. Wu Qian (吳謙) (director of Kaida Apparatus) as to 5.39%, Mr. Zhou Xiangyang (周向陽) (director of Kaida Apparatus and Zhongtian Building) as to 4.62%, Mr. Yang Yong (楊勇) (director of Kaida Apparatus) as to 3.00%, Mr. He Fuyuan (何福元) (director of Kaida Apparatus) as to 2.22%, Mr. Min (our executive Director) as to 1.17% and 18 individuals who are Independent Third Parties including our employees and ex-employee as to 26.61% in aggregate with Mr. Liu Zhihong (劉志洪) as to approximately 7.69% and each of the remaining 17 Independent Third Parties held approximately 0.24% to 4.62%, who are Mr. Yi Yongge (易永革), Ms. Lin Li (林麗), Mr. Peng Dinghui (彭鼎暉), Mr. Shen Shixiong (沈詩雄), Mr. Tan Zilie (譚子烈), Mr. Wang Dingguo (王定國), Mr. Xie Chengming (謝誠明), Mr. Yang Yongwang (楊永旺), Ms. Zhao Shuming (趙淑明), Mr. Yan Yunfang (晏運芳), Mr. Zhou Ming (周明), Mr. Wang Pengcheng (王朋成), Mr. Wu Zhiyang (吳志揚), Mr. Yang Bo (陽波), Mr. Pan Guohui (潘國輝), Ms. Rong Hua (榮華) and Ms. Zhou Mengnan (周孟南).

7. The eight individual equity holders, being Mr. Zeng Quan (曾權) (director of Zhongtian Building) as to 9.00%, Mr. Tan Hongjun (譚紅軍) (director of Zhongtian Building) as to 7.00%, Mr. Hu Yang (胡揚) (director of Zhongtian Building) as to 7.00%, Mr. Zhou Xiangyang (周向陽) (director of Kaida Apparatus and Zhongtian Building) as to 5.40%, Mr. Xu Qi (徐琦) (director of Zhongtian Building) as to 5.00% and three individuals who are Independent Third Parties including our employees and ex-employee as to 5.20% in aggregate with each of the Independent Third Parties holding 1.20% to 2.00%, who are Ms. Yi Mulan (易木蘭), Ms. Yan Tingyan (言庭艷) and Mr. Zhang Xueli (張學理).

THE INDIVIDUAL SHAREHOLDERS OF ZT (A), ZT (B), ZT (C), ZT (D), ZT (E), ZT (F), ZT (G), ZT (H), ZT (I), ZT (J), ZT (K), ZT (L) AND ZT (M)

The following table sets out the identities and shareholding of the individual shareholders of ZT (A), ZT (B), ZT (C), ZT (D), ZT (E), ZT (F), ZT (G), ZT (H), ZT (I), ZT (J), ZT (K), ZT (L) and ZT (M), as well as their relationship with our Group and among themselves:

			Individual shareholders subject to lock-up of 12 months *(Note g)*		Individual shareholders subject to lock-up of six months *(Note h)*										
		Relationship with other individual shareholders	Shareholding (%)												
Name	**Relationship with our Group**	**of our Group**	**ZT (A)**	**ZT (E)**	**ZT (B)**	**ZT (C)**	**ZT (D)**	**ZT (F)**	**ZT (G)**	**ZT (H)**	**ZT (I)**	**ZT (J)**	**ZT (K)**	**ZT (L)**	**ZT (M)**
Mr. Yang	Chairman of our Board	Spouse of Ms. Gan Yinghua *(Note b)*; brother-in-law of Mr. Chen	25.24	77.93	–	–	–	–	–	–	–	–	–	–	–
Ms. Gan Yinghua (甘映華)	–	Spouse of Mr. Yang *(Note b)*	3.88	22.07	–	–	–	–	–	–	–	–	–	–	–
Mr. Liu	Executive Director	–	6.16	–	13.65	–	–	100.00	–	–	–	–	–	–	–
Mr. Chen	Executive Director *(Note a)*	Spouse of Ms. Yang Zhonghua *(Note c)* and brother-in-law of Mr. Yang	2.93	–	–	–	–	–	–	94.97	–	–	–	–	–
Ms. Yang Zhonghua (楊中華)	Employee of our Group *(Note a)*	Spouse of Mr. Chen *(Note c)* and sister of Mr. Yang	–	–	–	–	–	–	–	5.03	–	–	–	–	–
Mr. Shen	Executive Director	–	1.31	–	–	–	–	–	–	–	100.00	–	–	–	–
Mr. Min	Executive Director *(Note a)*	Spouse of Ms. Yang Bingquan *(Note d)*	1.30	–	–	–	–	–	–	–	–	–	100.00	–	–
Ms. Yang Bingquan (楊冰泉)	Employee of our Group *(Note a)*	Spouse of Mr. Min *(Note d)*	0.37	–	–	–	6.86	–	–	–	–	–	–	–	–
Mr. Chen Peirun (陳培潤)	Senior management member *(Note a)*	–	1.72	–	–	–	–	–	–	–	–	100.00	–	–	–
Mr. Zhou Ping (周平)	Senior management member	–	0.15	–	–	2.31	–	–	–	–	–	–	–	–	–
Mr. Long Biwen (龍必文)	Senior management member *(Note a)*	–	–	–	–	4.64	–	–	–	–	–	–	–	–	–
Mr. Xu Zhongguang (許忠光)	Director of Jicai Trading and Hangxiao Materials	–	4.89	–	–	–	–	–	100.00	–	–	–	–	–	–
Mr. Zhou Xiangyang (周向陽)	Director of Kaida Apparatus and Zhongtian Building	–	0.75	–	–	0.60	–	–	–	–	–	–	–	–	–

Name	Relationship with our Group	Relationship with other individual shareholders of our Group	Individual shareholders subject to lock-up of 12 months *(Note g)*	Individual shareholders subject to lock-up of six months *(Note h)*											
			Shareholding (%)												
			ZT (A)	ZT (E)	ZT (B)	ZT (C)	ZT (D)	ZT (F)	ZT (G)	ZT (H)	ZT (I)	ZT (J)	ZT (K)	ZT (L)	ZT (M)
Mr. Yang Yong (楊勇)	Director of Kaida Apparatus *(Note a)*	–	0.33	–	1.44	–	–	–	–	–	–	–	–	–	–
Mr. Xu Qi (徐琦)	Director of Zhongtian Building *(Note a)*	–	–	–	2.28	–	–	–	–	–	–	–	–	–	–
Mr. Tan Hongjun (譚紅軍)	Director of Zhongtian Building *(Note a)*	–	–	–	–	–	2.92	–	–	–	–	–	–	–	–
Mr. Wu Qian (吳謙)	Director of Kaida Apparatus	–	–	–	–	–	–	–	–	–	–	–	–	100.00	–
Ms. Mei Zuqian (梅祖倩)	Independent Third Party: employee of our Group *(Note a)*	–	9.87	–	–	–	–	–	–	–	–	–	–	–	20.42
Mr. Tang Qixiong (唐起雄)	Independent Third Party: ex-employee of our Group	–	4.31	–	–	–	–	–	–	–	–	–	–	–	12.49
Mr. Yang Haijun (楊海軍)	Independent Third Party: ex-employee of our Group	–	4.16	–	–	–	–	–	–	–	–	–	–	–	8.64
Ms. Zhang Weihui (張偉輝)	Independent Third Party: ex-employee of our Group	–	3.59	–	–	–	11.07	–	–	–	–	–	–	–	9.92
Mr. Tan Xuewen (譚學文)	Independent Third Party: ex-employee of our Group	–	2.80	–	–	9.84	–	–	–	–	–	–	–	–	4.88
Ms. He Hongshuai (賀紅帥)	Independent Third Party: employee of our Group	–	2.46	–	–	–	–	–	–	–	–	–	–	–	5.08
Mr. Ren Yonghong (任永宏)	Independent Third Party: employee of our Group	–	2.19	–	–	–	–	–	–	–	–	–	–	–	4.47
Ms. Yi Xiaoqing (易曉清)	Independent Third Party: ex-employee of our Group	–	2.03	–	–	–	–	–	–	–	–	–	–	–	4.22
Mr. Tang Mingce (唐明策)	Independent Third Party: ex-employee of our Group	–	1.98	–	–	–	–	–	–	–	–	–	–	–	9.77
Mr. Huang Dafeng (黃大風)	Independent Third Party: employee of our Group *(Note a)*	–	1.80	–	–	–	–	–	–	–	–	–	–	–	3.85
Ms. Yu Qiong (余瓊)	Independent Third Party: ex-employee of our Group *(Note a)*	–	1.03	–	–	–	–	–	–	–	–	–	–	–	–
Mr. Yin Jieming (殷階明)	Independent Third Party: employee of our Group	–	1.01	–	–	–	7.45	–	–	–	–	–	–	–	–
Mr. Yi Yu (易宇)	Independent Third Party: employee of our Group *(Note a)*	–	0.99	–	–	–	–	–	–	–	–	–	–	–	–
Mr. Yang Lei (楊磊)	Independent Third Party: employee of our Group *(Note a)*	–	0.78	–	4.07	–	–	–	–	–	–	–	–	–	–
Mr. Hu Hongze (胡洪澤)	Independent Third Party: employee of our Group	–	0.70	–	3.09	–	–	–	–	–	–	–	–	–	–
Ms. Yi Mulan (易木蘭)	Independent Third Party: ex-employee of our Group	–	0.68	–	–	–	–	–	–	–	–	–	–	–	1.41
Mr. Zhan Xiangrong (詹向榮)	Independent Third Party: ex-employee of our Group	–	0.63	–	–	–	3.52	–	–	–	–	–	–	–	–
Mr. Zhou Jianzhong (周建中)	Independent Third Party: employee of our Group *(Note a)*	–	0.62	–	–	2.78	–	–	–	–	–	–	–	–	–
Mr. Qian Chengliang (錢程亮)	Independent Third Party: employee of our Group *(Note a)*	–	0.60	–	–	–	–	–	–	–	–	–	–	–	–
Ms. Zhu Ling (朱玲)	Independent Third Party: employee of our Group	–	0.59	–	–	–	3.31	–	–	–	–	–	–	–	–
Mr. Yan Haiquan (顏海泉)	Independent Third Party: employee of our Group *(Note a)*	–	0.49	–	–	–	–	–	–	–	–	–	–	–	–
Ms. Mei Jinhua (梅金花)	Independent Third Party: ex-employee of our Group	–	0.49	–	2.17	–	–	–	–	–	–	–	–	–	–

Name	Relationship with our Group	Relationship with other individual shareholders of our Group	Individual shareholders subject to lock-up of 12 months *(Note g)*	Individual shareholders subject to lock-up of six months *(Note h)*											
			Shareholding (%)												
			ZT (A)	ZT (E)	ZT (B)	ZT (C)	ZT (D)	ZT (F)	ZT (G)	ZT (H)	ZT (I)	ZT (J)	ZT (K)	ZT (L)	ZT (M)
Mr. Liu Zhiyuan (劉志遠)	Independent Third Party: ex-employee of our Group *(Note a)*	–	0.40	–	2.28	–	–	–	–	–	–	–	–	–	–
Mr. Zhao Pengzhou (趙鵬洲)	Independent Third Party: ex-employee of our Group *(Note a)*	–	0.40	–	–	4.64	–	–	–	–	–	–	–	–	–
Mr. Tan Wenjun (譚文軍)	Independent Third Party: employee of our Group	–	0.34	–	–	–	1.98	–	–	–	–	–	–	–	–
Mr. Zhou Jianming (周建明)	Independent Third Party: ex-employee of our Group	–	0.30	–	–	2.20	–	–	–	–	–	–	–	–	–
Mr. Luo Youlian (駱友聯)	Independent Third Party: employee of our Group *(Note a)*	–	0.26	–	0.49	–	–	–	–	–	–	–	–	–	–
Ms. Zeng Wen (曾文)	Independent Third Party: ex-employee of our Group	–	0.28	–	–	1.26	–	–	–	–	–	–	–	–	–
Mr. Ling Zhengwen (淩正文)	Independent Third Party: ex-employee of our Group	–	0.25	–	1.08	–	–	–	–	–	–	–	–	–	–
Mr. Zhou Cun (周存)	Independent Third Party: ex-employee of our Group *(Note a)*	–	0.23	–	1.17	–	–	–	–	–	–	–	–	–	–
Ms. Luo Jiang (羅江)	Independent Third Party: employee of our Group	–	0.23	–	–	1.02	–	–	–	–	–	–	–	–	–
Mr. Cai Guoliang (蔡國良)	Independent Third Party: ex-employee of our Group	–	0.21	–	0.95	–	–	–	–	–	–	–	–	–	–
Mr. Liu Shang (劉尚)	Independent Third Party	–	0.20	–	–	–	–	–	–	–	–	–	–	–	–
Mr. Huang Taihua (黃太華)	Independent Third Party	–	0.20	–	–	–	–	–	–	–	–	–	–	–	–
Mr. Zeng Hui (曾輝)	Independent Third Party: ex-employee of our Group *(Note a)*	–	0.19	–	–	–	1.25	–	–	–	–	–	–	–	–
Mr. Chen Houchun (陳厚春)	Independent Third Party: ex-employee of our Group	–	0.17	–	–	1.26	–	–	–	–	–	–	–	–	–
Mr. Yuan Xinjian (袁新建)	Independent Third Party: ex-employee of our Group	–	0.17	–	–	0.91	–	–	–	–	–	–	–	–	–
Mr. Wang Bing (王兵)	Independent Third Party: employee of our Group	–	0.17	–	–	0.77	–	–	–	–	–	–	–	–	–
Ms. Yu Xing (余幸)	Independent Third Party: employee of our Group *(Note a)*	–	0.17	–	1.00	–	–	–	–	–	–	–	–	–	
Mr. Yi Jianguo (易建國)	Independent Third Party: employee of our Group	–	0.16	–	–	–	0.91	–	–	–	–	–	–	–	–
Mr. Yang Shuguang (楊曙光)	Independent Third Party: employee of our Group *(Note a)*	–	0.16	–	–	0.69	–	–	–	–	–	–	–	–	–
Ms. Huang Yonghua (黃永華)	Independent Third Party: employee of our Group	–	0.16	–	–	–	–	–	–	–	–	–	–	–	–
Ms. Zhao Liping (趙麗萍)	Independent Third Party: ex-employee of our Group	–	0.15	–	0.68	–	–	–	–	–	–	–	–	–	–
Mr. Wu Ronghua (伍榮華)	Independent Third Party: ex-employee of our Group *(Note a)*	–	0.15	–	–	–	1.46	–	–	–	–	–	–	–	–
Mr. Xu Suixiong (徐穗雄)	Independent Third Party: ex-employee of our Group	–	0.14	–	–	–	1.60	–	–	–	–	–	–	–	–
Ms. Peng Zhixiang (彭知鄉)	Independent Third Party: ex-employee of our Group	–	0.14	–	–	–	0.80	–	–	–	–	–	–	–	–
Mr. Tan Ailin (譚愛林)	Independent Third Party: ex-employee of our Group	–	0.14	–	–	–	0.77	–	–	–	–	–	–	–	–
Ms. Zhou Danli (周丹黎)	Independent Third Party: employee of our Group	–	0.14	–	0.60	–	–	–	–	–	–	–	–	–	–

Name	Relationship with our Group	Relationship with other individual shareholders of our Group	Individual shareholders subject to lock-up of 12 months (*Note g*)		Individual shareholders subject to lock-up of six months (*Note h*)										
			Shareholding (%)												
			ZT (A)	ZT (E)	ZT (B)	ZT (C)	ZT (D)	ZT (F)	ZT (G)	ZT (H)	ZT (I)	ZT (J)	ZT (K)	ZT (L)	ZT (M)
Mr. He Jichun (賀吉春)	Independent Third Party: ex-employee of our Group	–	0.13	–	0.57	–	–	–	–	–	–	–	–	–	2.46
Ms. Chu Cuixia (楚翠霞)	Independent Third Party: ex-employee of our Group	–	0.13	–	–	–	0.70	–	–	–	–	–	–	–	–
Mr. Chen Jianxin (陳建新)	Independent Third Party: ex-employee of our Group (*Note a*)	–	0.13	–	–	–	1.53	–	–	–	–	–	–	–	–
Mr. Tan Zugui (譚祖桂)	Independent Third Party: ex-employee of our Group	–	0.12	–	0.62	–	–	–	–	–	–	–	–	–	–
Mr. Liu Jianxin (劉建新)	Independent Third Party: ex-employee of our Group	–	0.12	–	–	–	0.66	–	–	–	–	–	–	–	–
Mr. Yin Juegao (殷覺高)	Independent Third Party: ex-employee of our Group	–	0.12	–	–	–	0.66	–	–	–	–	–	–	–	–
Mr. Shen Zhiqiang (沈志强)	Independent Third Party: employee of our Group (*Note a*)	–	0.10	–	0.52	–	–	–	–	–	–	–	–	–	–
Ms. Wang Shuiping (王水平)	Independent Third Party: ex-employee of our Group	–	0.10	–	–	0.63	–	–	–	–	–	–	–	–	–
Mr. Yuan Hongqi (袁紅其)	Independent Third Party: employee of our Group	–	0.09	–	–	0.49	–	–	–	–	–	–	–	–	–
Mr. Cao Siqing (曹四清)	Independent Third Party: ex-employee of our Group	–	0.09	–	–	–	0.87	–	–	–	–	–	–	–	–
Ms. Wang Jin (王進)	Independent Third Party: ex-employee of our Group	–	0.08	–	0.71	–	–	–	–	–	–	–	–	–	–
Mr. Pan Yanping (潘顏平)	Independent Third Party: employee of our Group (*Note a*)	–	0.07	–	–	–	0.70	–	–	–	–	–	–	–	–
Mr. Tang Yong (唐勇)	Independent Third Party: employee of our Group	–	0.06	–	–	–	0.73	–	–	–	–	–	–	–	–
Ms. Yuan Honglin (袁紅林)	Independent Third Party: ex-employee of our Group	–	0.06	–	–	0.55	–	–	–	–	–	–	–	–	–
Mr. Luo Chenggang (羅成剛)	Independent Third Party: ex-employee of our Group	–	0.06	–	–	–	0.70	–	–	–	–	–	–	–	–
Mr. Jin Xin (金鑫)	Independent Third Party: employee of our Group (*Note a*)	–	0.06	–	–	0.44	–	–	–	–	–	–	–	–	–
Mr. Liu Chaohui (劉朝輝)	Independent Third Party: ex-employee of our Group	–	0.05	–	–	–	0.63	–	–	–	–	–	–	–	–
Ms. Liu Lingfeng (劉玲鳳)	Independent Third Party: ex-employee of our Group	–	0.05	–	–	–	0.56	–	–	–	–	–	–	–	–
Mr. Yuan Yuan (袁源)	Independent Third Party: ex-employee of our Group	–	0.04	–	0.41	–	–	–	–	–	–	–	–	–	–
Mr. Ding Yunxiang (丁雲祥)	Independent Third Party: ex-employee of our Group (*Note a*)	–	–	–	6.86	–	–	–	–	–	–	–	–	–	–
Mr. Wan Songtao (萬松濤)	Independent Third Party: employee of our Group (*Note a*)	–	–	–	6.86	–	–	–	–	–	–	–	–	–	–
Mr. Chen Zichao (陳子超)	Independent Third Party: employee of our Group (*Note a*)	–	–	–	4.58	–	–	–	–	–	–	–	–	–	–
Mr. Tan Liangbin (譚良斌)	Independent Third Party: employee of our Group (*Note a*)	–	–	–	4.58	–	–	–	–	–	–	–	–	–	–
Ms. Zhang Liya (張麗雅)	Independent Third Party: ex-employee of our Group	–	–	–	4.58	–	–	–	–	–	–	–	–	–	–
Mr. Zhou Junqi (周軍旗)	Independent Third Party: employee of our Group (*Note a*)	–	–	–	4.58	–	–	–	–	–	–	–	–	–	–
Ms. He Xirong (賀喜蓉)	Independent Third Party: employee of our Group	–	–	–	2.82	–	–	–	–	–	–	–	–	–	–

			Individual shareholders subject to lock-up of 12 months *(Note g)*	Individual shareholders subject to lock-up of six months *(Note h)*												
		Relationship with other individual shareholders	Shareholding (%)													
Name	Relationship with our Group	of our Group	ZT (A)	ZT (E)	ZT (B)	ZT (C)	ZT (D)	ZT (F)	ZT (G)	ZT (H)	ZT (I)	ZT (J)	ZT (K)	ZT (L)	ZT (M)
Mr. Bin Zhiyong (賓志勇)	Independent Third Party: employee of our Group *(Note a)*	—	—	—	2.28	—	—	—	—	—	—	—	—	—	—
Mr. Fu Ge (傅革)	Independent Third Party: employee of our Group	—	—	—	2.28	—	—	—	—	—	—	—	—	—	—
Mr. Li Ming (李明)	Independent Third Party: employee of our Group	—	—	—	2.28	—	—	—	—	—	—	—	—	—	—
Ms. Liu Qi (劉琪)	Independent Third Party	—	—	—	2.28	—	—	—	—	—	—	—	—	—	—
Mr. Lu Zhijun (盧志軍)	Independent Third Party: ex-employee of our Group	—	—	—	2.28	—	—	—	—	—	—	—	—	—	—
Ms. Mei Xiaoli (梅小麗)	Independent Third Party	—	—	—	2.28	—	—	—	—	—	—	—	—	—	—
Mr. Peng Jianfei (彭建飛)	Independent Third Party: employee of our Group	—	—	—	2.28	—	—	—	—	—	—	—	—	—	—
Mr. Shen Lifu (沈禮福)	Independent Third Party: employee of our Group *(Note a)*	—	—	—	2.28	—	—	—	—	—	—	—	—	—	—
Mr. Tian Feng (田峰)	Independent Third Party: employee of our Group	—	—	—	2.28	—	—	—	—	—	—	—	—	—	—
Ms. Wei Yiqiao (魏一喬)	Independent Third Party: ex-employee of our Group	—	—	—	2.28	—	—	—	—	—	—	—	—	—	—
Mr. Wu Duoxin (伍躲新)	Independent Third Party: ex-employee of our Group *(Note a)*	—	—	—	2.28	—	—	—	—	—	—	—	—	—	—
Mr. Zeng Binquan (曾斌泉)	Independent Third Party: ex-employee of our Group *(Note a)*	—	—	—	2.28	—	—	—	—	—	—	—	—	—	—
Mr. Pan Shuilin (潘水林)	Independent Third Party: employee of our Group and a shareholder of one of our subcontractors during the Track Record Period *(Note a)*	—	—	—	—	9.26	—	—	—	—	—	—	—	—	—
Mr. Zhao Wei (趙偉)	Independent Third Party: employee of our Group *(Note a)*	—	—	—	—	9.26	—	—	—	—	—	—	—	—	—
Mr. Peng Mingfei (彭明飛)	Independent Third Party: employee of our Group	—	—	—	—	4.64	—	—	—	—	—	—	—	—	—
Mr. Tan Xiaolin (譚小琳)	Independent Third Party: employee of our Group *(Note a)*	—	—	—	—	4.64	—	—	—	—	—	—	—	—	—
Mr. Hu Xiping (胡喜平)	Independent Third Party: employee of our Group	—	—	—	—	3.68	—	—	—	—	—	—	—	—	—
Mr. Chen Yong (陳勇)	Independent Third Party: employee of our Group	—	—	—	—	2.31	—	—	—	—	—	—	—	—	—
Ms. Qiu Hong (仇虹)	Independent Third Party: employee of our Group	—	—	—	—	2.31	—	—	—	—	—	—	—	—	—
Mr. Duan Bing (段兵)	Independent Third Party: ex-employee of our Group	—	—	—	—	2.31	—	—	—	—	—	—	—	—	—
Mr. Liao Jun (廖俊)	Independent Third Party: employee of our Group *(Note a)*	—	—	—	—	2.31	—	—	—	—	—	—	—	—	—
Mr. Liu Yang (劉洋)	Independent Third Party	—	—	—	—	2.31	—	—	—	—	—	—	—	—	—
Ms. Lu Saiping (魯賽萍)	Independent Third Party: ex-employee of our Group	—	—	—	—	2.31	—	—	—	—	—	—	—	—	—
Mr. Ouyang Hui (歐陽輝)	Independent Third Party: employee of our Group	—	—	—	—	2.31	—	—	—	—	—	—	—	—	—
Mr. Tian Tanqing (田潭清)	Independent Third Party: employee of our Group *(Note a)*	—	—	—	—	2.31	—	—	—	—	—	—	—	—	—

Name	Relationship with our Group	Relationship with other individual shareholders of our Group	Individual shareholders subject to lock-up of 12 months *(Note g)*	Individual shareholders subject to lock-up of six months *(Note h)*											
			Shareholding (%)												
			ZT (A)	ZT (E)	ZT (B)	ZT (C)	ZT (D)	ZT (F)	ZT (G)	ZT (H)	ZT (I)	ZT (J)	ZT (K)	ZT (L)	ZT (M)
Mr. Wan Zenghui (萬增輝)	Independent Third Party: employee of our Group *(Note a)*	–	–	–	–	2.31	–	–	–	–	–	–	–	–	–
Mr. Wu Minghuan (吳名歡)	Independent Third Party: employee of our Group	–	–	–	–	2.31	–	–	–	–	–	–	–	–	–
Mr. Xiang Houliang (項厚良)	Independent Third Party: employee of our Group *(Note a)*	–	–	–	–	2.31	–	–	–	–	–	–	–	–	–
Ms. Xu Lijuan (許利娟)	Independent Third Party: employee of our Group	–	–	–	–	2.31	–	–	–	–	–	–	–	–	–
Mr. Yi Zhenglong (易正龍)	Independent Third Party: employee of our Group	–	–	–	–	2.31	–	–	–	–	–	–	–	–	–
Mr. Zeng Jia (曾嘉)	Independent Third Party: employee of our Group	–	–	–	–	2.31	–	–	–	–	–	–	–	–	–
Ms. Guo Luo (郭羅)	Independent Third Party	–	–	–	–	1.15	–	–	–	–	–	–	–	–	–
Mr. Liu Zanjun (劉讚軍)	Independent Third Party: employee of our Group *(Note a)*	–	–	–	–	–	5.88	–	–	–	–	–	–	–	–
Mr. Yang Jian (楊劍)	Independent Third Party: employee of our Group *(Note a)*	–	–	–	–	–	5.88	–	–	–	–	–	–	–	–
Mr. Chen Gang (陳剛)	Independent Third Party: employee of our Group *(Note a)*	–	–	–	–	–	2.93	–	–	–	–	–	–	–	–
Mr. Cui Xu (崔旭)	Independent Third Party: employee of our Group	–	–	–	–	–	2.93	–	–	–	–	–	–	–	–
Mr. Fu Yanmin (付彥民)	Independent Third Party: ex-employee of our Group *(Note a)*	–	–	–	–	–	2.93	–	–	–	–	–	–	–	–
Mr. Guo Xilin (郭熙林)	Independent Third Party: employee of our Group *(Note a)*	–	–	–	–	–	2.93	–	–	–	–	–	–	–	–
Mr. Lan Yongqing (蘭泳青)	Independent Third Party: employee of our Group	–	–	–	–	–	2.93	–	–	–	–	–	–	–	–
Mr. Long Fangyi (龍芳毅)	Independent Third Party: employee of our Group *(Note a)*	–	–	–	–	–	2.93	–	–	–	–	–	–	–	–
Mr. Ma Zan (馬贊)	Independent Third Party: employee of our Group *(Note a)*	–	–	–	–	–	2.92	–	–	–	–	–	–	–	–
Mr. Qiu Feng (邱峰)	Independent Third Party: employee of our Group *(Note a)*	–	–	–	–	–	2.92	–	–	–	–	–	–	–	–
Mr. Wang Hongwei (王紅衛)	Independent Third Party: employee of our Group	–	–	–	–	–	2.92	–	–	–	–	–	–	–	–
Mr. Xiao Muhua (肖穆華)	Independent Third Party: employee of our Group *(Note a)*	–	–	–	–	–	2.92	–	–	–	–	–	–	–	–
Mr. Yu Guangwu (喻光武)	Independent Third Party: employee of our Group	–	–	–	–	–	2.92	–	–	–	–	–	–	–	–
Mr. Tan Yongqiang (譚永强)	Independent Third Party: ex-employee of our Group	–	–	–	–	–	1.50	–	–	–	–	–	–	–	–
Ms. Liu Fang (劉芳)	Independent Third Party	–	–	–	–	–	1.46	–	–	–	–	–	–	–	–
Mr. Zhuang Xin (莊欣)	Independent Third Party: employee of our Group *(Note a)*	–	–	–	–	–	1.46	–	–	–	–	–	–	–	–
Mr. Ouyang Du (歐陽渡)	Independent Third Party: ex-employee of our Group *(Note a)*	–	–	–	–	–	–	–	–	–	–	–	–	–	7.94
Mr. Wang Xing (王星)	Independent Third Party: ex-employee of our Group	–	–	–	–	–	–	–	–	–	–	–	–	–	3.15
Mr. Liang Xuewen (梁學文)	Independent Third Party: ex-employee of our Group	–	–	–	–	–	–	–	–	–	–	–	–	–	0.18

			Individual shareholders subject to lock-up of 12 months *(Note g)*	Individual shareholders subject to lock-up of six months *(Note h)*											
			Shareholding (%)												
Name	**Relationship with our Group**	**Relationship with other individual shareholders of our Group**	**ZT (A)**	**ZT (E)**	**ZT (B)**	**ZT (C)**	**ZT (D)**	**ZT (F)**	**ZT (G)**	**ZT (H)**	**ZT (I)**	**ZT (J)**	**ZT (K)**	**ZT (L)**	**ZT (M)**
Mr. Yuan Hongcheng (袁紅成)	Independent Third Party: ex-employee of our Group	–	–	–	–	–	–	–	–	–	–	–	–	–	0.17
Ms. Huang Yaoping (黃要平)	Independent Third Party: ex-employee of our Group	–	–	–	–	–	–	–	–	–	–	–	–	–	0.15
Ms. Wen Suixiang (文穗湘)	Independent Third Party: ex-employee of our Group	–	–	–	–	–	–	–	–	–	–	–	–	–	0.15
Ms. Long Jiyu (龍吉禦)	Independent Third Party: ex-employee of our Group	–	–	–	–	–	–	–	–	–	–	–	–	–	0.14
Ms. Liu Yan (劉燕)	Independent Third Party: ex-employee of our Group	–	–	–	–	–	–	–	–	–	–	–	–	–	0.12
Mr. Liu Wenjun (劉文俊)	Independent Third Party: ex-employee of our Group	–	–	–	–	–	–	–	–	–	–	–	–	–	0.12
Mr. Chen Long (陳龍)	Independent Third Party: ex-employee of our Group	–	–	–	–	–	–	–	–	–	–	–	–	–	0.10
Ms. Zhang Xiaoping (張小平)	Independent Third Party: ex-employee of our Group	–	–	–	–	–	–	–	–	–	–	–	–	–	0.08
Ms. He Xuequn (何學群)	Independent Third Party: ex-employee of our Group	–	–	–	–	–	–	–	–	–	–	–	–	–	0.05
Ms. Ye Lianghui (葉亮輝)	Independent Third Party: ex-employee of our Group	–	–	–	–	–	–	–	–	–	–	–	–	–	0.04
		Total:	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**
Lock-up period in respect of our Shares (months)			12 *(Note e)*	6 *(Note f)*	6 *(Note f)*	6 *(Note f)*	6 *(Note f)*	6 *(Note f)*	6 *(Note f)*	6 *(Note f)*	6 *(Note f)*	6 *(Note f)*	6 *(Note f)*	6 *(Note f)*	6 *(Note f)*

Notes:

(a) Such individuals had amount due from/to our Group during the Track Record Period which are unsecured, interest free and repayable on demand, the details of which are set out in note 22 of the Accountants' Report as set out in Appendix I to this prospectus and the section headed "Financial Information — Discussion on selected items of consolidated statements of financial position — Balances with related companies, shareholders and directors" in this prospectus.

(b) Mr. Yang is the spouse of Ms. Gan Yinghua. Under the SFO, Mr. Yang and Ms. Gan Yinghua are deemed to be interested in the shares in which each other is interested. As such, Mr. Yang and Ms. Gan Yinghua are both deemed to be interested in 29.12% of the shareholding of ZT (A) and 100.00% of the shareholding of ZT (E).

(c) Mr. Chen is the spouse of Ms. Yang Zhonghua. Under the SFO, Mr. Chen and Ms. Yang Zhonghua are deemed to be interested in the shares in which each other is interested. As such, Mr. Chen and Ms. Yang Zhonghua are both deemed to be interested in 2.93% of the shareholding of ZT (A) and 100.00% of the shareholding of ZT (H).

(d) Mr. Min is the spouse of Ms. Yang Bingquan. Under the SFO, Mr. Min and Ms. Yang Bingquan are deemed to be interested in the shares in which each other is interested. As such, Mr. Min and Ms. Yang Bingquan are both deemed to be interested in 1.67% of the shareholding of ZT (A), 6.86% of the shareholding of ZT (D) and 100.00% of the shareholding of ZT (K).

(e) ZT (A), our Controlling Shareholder, has given non-disposal undertakings pursuant to Rule 10.07 of the Listing Rules as well as the Hong Kong Underwriting Agreement in respect of our Shares for an aggregate period of 12 months from the Listing Date. Please refer to the section headed "Underwriting — Underwriting arrangements and expenses — Undertakings to the Stock Exchange pursuant to the Listing Rules — Undertakings by our Controlling Shareholder" and "Underwriting — Underwriting arrangements and expenses — Undertakings pursuant to the Hong Kong Underwriting Agreement — Undertakings by our Controlling Shareholder" in this prospectus for further details.

(f) Each of ZT (B), ZT (C), ZT (D), ZT (E), ZT (F), ZT (G), ZT (H), ZT (I), ZT (J), ZT (K), ZT (L) and ZT (M) has voluntarily given non-disposal undertaking in respect of our Shares for a period of six months from the Listing Date. Please refer to the section headed "Underwriting — Underwriting arrangements and expenses — Voluntary undertakings by our existing Shareholders other than the Controlling Shareholder and Bizoe (International)" in this prospectus for further details.

(g) Each of the individual shareholders of ZT (A) and ZT (E) has voluntarily given non-disposal undertaking in respect of the shares of ZT (A) and/or ZT (E) as well as our Shares for a period of 12 month from the Listing Date. Please refer to the section headed "Underwriting — Underwriting arrangements and expenses — Voluntary undertakings by the individual shareholders of ZT (A) and ZT (E)" in this prospectus for further details.

(h) Ultimate individual shareholders of ZT (B), ZT (C), ZT (D), ZT (F), ZT (G), ZT (H), ZT (I), ZT (J), ZT (K), ZT (L) and ZT (M) are not subject to lock up in respect of their shares in such BVI companies.

In respect of the individual shareholders who are Independent Third Parties, save for the relationships set out in the table above and their respective shareholding interests in our Group, they did not have any past or present relationships (including business, employment, family, trust or financing relationships) with our Company or any of its subsidiaries, Shareholders, Directors or senior management or any of their respective associates. None of the individual shareholders of ZT(A) and ZT(E) has any interest apart from the business of our Group which competes or is likely to compete, directly or indirectly, with the business of our Group.

Due to the major historical development of our Group set forth below, the individual shareholders of our Group and Ms. Yang Shufen hold their interests through 14 investment vehicles, and various individual shareholders of our Group are holding their interests in our Company through multiple investment vehicles. Our Directors confirm that such arrangement was merely developed based on our historical shareholding structure and was not for dividing the interests of an individual shareholder for circumvention of the requirements regarding controlling shareholders under the Listing Rules:

In respect of ZT (A), ZT (B), ZT (C) and ZT (D)

- Zhongtian Construction was initially established as a collectively-owned enterprise (集體所有制企業) in 1979 and was converted into a limited liability company in April 2004. At the time of the conversion, a number of employees (including directors and senior management members) and ex-employees of Zhongtian Construction became its ultimate shareholders. According to the F&S Report, it is common for companies converted from collectively-owned enterprises to limited liability companies to have a large number of employees (including directors and members of senior management) and ex-employees as their shareholders, and it is common for such shareholders to hold their interests together through investment vehicle(s).

  In 2010, Zhongtian Holdings was set up as the holding company of Zhongtian Construction. Immediately before the Reorganisation, Zhongtian Holdings was owned by 79 individual shareholders and the directors of Zhongtian Holdings were Mr. Yang, four shareholders of Zhongtian Holdings, namely Mr. Tang Qixiong (唐起雄), Ms. Zhang Weihui (張偉輝), Mr. Tan Xuewen (譚學文) and Ms. Huang Yonghua (黃永華), and two Independent Third Parties, namely Mr. Xiong Lixiang (熊立祥) and Mr. Tang Jie (湯捷).

  According to the Partnership Enterprise Law of the PRC and our PRC Legal Advisers, a limited partnership enterprise shall be established by not less than 2 but not more than 50 partners, unless it is otherwise provided by law, and shall have at least one general partner. Since the Employee's Union Committee had more than 100 members in November 2015, the members of Employee's Union Committee resolved to establish three limited partnerships, namely Zhongtian Weijing, Zhongtian Weiyi and Zhongtian Gongying, out of the capital contribution in Zhongtian Construction held by the Employee's Union Committee in November 2015 in preparation of the application for the quotation of the shares of Zhongtian Construction on the NEEQ.

  Against such background and subsequent to a number of capital increases and equity transfers since 2004, most of the individual shareholders held interests in our Group indirectly through Zhongtian Holdings, Zhongtian Weijing, Zhongtian Weiyi and Zhongtian Gongying before the Reorganisation.

- As part of the Reorganisation, ZT (A) was incorporated by the original shareholders of Zhongtian Holdings as their investment vehicles. Immediately upon completion of the Reorganisation, the shareholders and composition of the board of directors of ZT (A) are the same as those of Zhongtian Holdings, and the shareholders' respective shareholdings in ZT (A) are proportional to those in Zhongtian Holdings.

As part of the Reorganisation, ZT (B), ZT (C) and ZT (D) were incorporated by the original partners of Zhongtian Weijing, Zhongtian Weiyi and Zhongtian Gongying as their investment vehicles. Immediately upon completion of the Reorganisation, the shareholders' respective shareholdings in ZT (B), ZT (C) and ZT (D) are proportional to their respective partnership interest (subject to rounding) in Zhongtian Weijing, Zhongtian Weiyi and Zhongtian Gongying immediately before the Reorganisation.

In respect of ZT (E), ZT (F), ZT (G), ZT (H), ZT (I), ZT (J), ZT (K), ZT (L) and ZT (M)

- In April 2004 when Zhongtian Construction was converted into a limited liability company, according to the then articles of association of the Employee's Union Committee, equity holders who contributed less than RMB100,000 to the capital of Zhongtian Construction could become a member of the Employee's Union Committee. Thus, equity holders who contributed more than RMB100,000 to capital of Zhongtian Construction hold their interests in Zhongtian Construction directly.

  In January 2016, Zhongtian Construction merged with Hengji Asset Management and the original equity holders of Hengji Asset Management became direct individual equity holders of Zhongtian Construction after the merger. For details, please refer to the paragraph headed "Our principal subsidiaries — Zhongtian Construction" in this section.

  Against such background and subsequent to a number of capital increases and equity transfers since 2004, some individual shareholders held interests in Zhongtian Construction directly before the Reorganisation.

- As part of the Reorganisation, ZT (E), ZT (F), ZT (G), ZT (H), ZT (I), ZT (J), ZT (K), ZT (L) and ZT (M) were incorporated by the individual shareholders of Zhongtian Construction who held shares of Zhongtian Construction directly before the Reorganisation, as their investment vehicles. The shareholding of our Company held by such BVI companies was proportional to that of their respective shareholders before the Reorganisation. For ease of administration, such individual shareholders who are spouses hold their Shares together in an investment vehicle and all of such individual shareholders who are Independent Third Parties including our employees and ex-employees hold their Shares together through ZT (M).

In respect of Bizoe (International)

- Furthermore, Bizoe (International) was incorporated by our Pre-IPO Investor, Ms. Yang Shufen, as her investment vehicle.

While various individual shareholders of our Group are holding their interests in our Company through more than one investment vehicle, as at the Latest Practicable Date, none of the individual shareholders together with his/her close associates controls 30% or more of the aggregate interest of our Company.

PRC REGULATORY ISSUES RELATING TO THE REORGANISATION

Compliance with M&A Rules

Under the M&A Rules, a foreign investor is required to obtain approvals from competent authorities when a foreign investor (i) acquires equity in a domestic non-foreign invested enterprise thereby converting it into a foreign-invested enterprise, or subscribes for new equity in a domestic enterprise via an increase of registered capital thereby converting it into a foreign-invested enterprise; or (ii) subscribes the increased capital of a domestic enterprise so as to convert the domestic enterprise into a foreign-invested enterprise; or (iii) establishes a foreign-invested enterprise which purchases and operates the assets of a domestic enterprise, or (iv) purchases the assets of a domestic enterprise and injects those assets to establish a foreign invested enterprise. According to 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/her, acquires a domestic company which is related to or connected with it/him/her, approval from MOFCOM is required.

As advised by our PRC Legal Advisers, (1) given that Ms. Yang Shufen is a natural person of foreign nationality and was not connected with our Group before her subscription of approximately 1.09% of the equity interest in Jicai Trading, no approval from MOFCOM is required in respect of her subscription of the equity interest in Jicai Trading as the subscription was not subject to the relevant articles of the M&A Rules and Jicai Trading has been converted from a domestic company into a foreign-invested enterprise immediately after such subscription by Ms. Yang Shufen; and (2) the acquisitions of the equity interest in Jicai Trading by Zhongtian HK and Zhaolin Trading were not subject to the M&A Rules because Jicai Trading was a foreign-invested enterprise at the time of the acquisitions of the equity interest by Zhongtian HK and Zhaolin Trading. Accordingly, the said acquisitions were not subject to any prior approval from CSRC under the M&A Rules.

Compliance with the SAFE Circular No. 37 and SAFE Circular No. 13

As advised by our PRC Legal Advisers, all indirect individual shareholders of our Company who are PRC residents have completed their registration under SAFE Circular No. 37 and SAFE Circular No. 13 on 1 April 2020.

Our PRC Legal Advisers further confirmed that all necessary approvals, permits and licences required under the PRC laws and regulations in connection with the Reorganisation and equity interest transfer in respect of the PRC subsidiaries in our Group as set out in this section have been obtained, and the Reorganisation has complied with all applicable PRC laws and regulations in all material respects.

OVERVIEW

We are a general contracting construction group in Hunan Province with over 40 years of operating history. According to the F&S Report, we (i) were one of the top ten non-state owned construction enterprises in terms of construction revenue in 2021 among 3,438 non-state owned construction enterprises in Hunan Province with a market share of approximately 0.2% in 2021; and (ii) ranked the fifth among 302 non-state owned construction enterprise with first grade general contractor qualification in Hunan Province in terms of construction revenue in 2021, with a market share of approximately 0.4% in 2021. In 2021, Hunan Province accounts for approximately 4.5% of the market size of construction industry in the PRC. We possess six first-grade construction qualifications: (i) first-grade qualification in building construction general contracting (建築工程施工總承包壹級); (ii) first-grade qualification in municipal and public construction general contracting (市政公用工程施工總承包壹級); (iii) first-grade qualification in building renovation and decoration specialised contracting (建築裝修裝飾工程專業承包壹級); (iv) first-grade qualification in steel structure construction specialised contracting (鋼結構工程專業承包壹級); (v) first-grade qualification in foundation construction specialised contracting (地基基礎工程專業承包壹級); and (vi) first-grade qualification in lifting equipment installation construction specialised contracting (起重設備安裝工程專業承包壹級). We also possess six other second-grade and third-grade contracting qualifications covering aspects such as electrical and mechanical construction, curtain wall construction, highway construction, water resources and electric power construction and environmental protection construction. For details, please refer to the paragraph headed "Licences, Qualifications and Permits" in this section.

We were granted various awards for achieving high standards in construction quality, including the National Quality Project Silver Award (國家優質工程銀質獎), the Furong Prize (芙蓉獎), the highest honour for construction quality in Hunan Province awarded by Hunan Construction Industry Association (湖南省建築業協會), and Shennong Prize (神農獎), being the highest honour for construction quality in Zhuzhou awarded by Zhuzhou Construction Industry Association (株洲市建築業協會). In addition, we were also awarded various accolades in recognition of our emphasis on work safety, such as four of our completed projects being recognised as the Standardised Construction Project Safety Construction Sites for National Exchange Study (全國範圍組織學習交流的建設工程項目施工安全生產標準化工地) in 2017, 2018, 2020 and 2022, respectively, for our effort in adopting and implementing the standardised construction safety system. For details of the accolades obtained by our Group, please refer to the paragraph headed "Our Business Operations — Awards and recognitions" in this section.

During the Track Record Period, we primarily focused on the provision of construction services comprising: (i) civil building construction services, provision of construction contracting mainly as general contractor for residential, industrial and commercial construction projects; (ii) municipal works construction services which mainly consisted of construction of urban roads, education institutions, sports stadiums and water supply works; (iii) foundation works services which include foundation construction as well as earthwork construction; (iv) prefabricated steel structure construction services; and (v) other specialised contracting works which includes building renovation and decoration construction specialised contracting. We provide comprehensive construction services to customers throughout the construction process from project procurement, management, construction to supervision and to a lesser extent, we also engage in provision of construction machinery and equipment service.

Being the fifth-ranked non-state owned construction enterprise with first grade general contractor qualification in Hunan Province in terms of construction revenue in 2021 and having an operating history of over 40 years, we are well-positioned to benefit from the continuous development of Hunan Province and have built a successful track record in the construction industry of Southern China. Leveraging on our industry experience, we tapped into Hainan Province market since 2010 and currently we have 24 branch offices across various provinces in the PRC as at the Latest Practicable Date.

Leveraging on our construction expertise accumulated during over 40 years of operating history, we have participated in the construction of the following notable projects in recent years:

Project Name	Description of project	Project Type	Progress as at the Latest Practicable Date
Langting Lanjiang Main Structure* (朗廷•覽江)	High-rise building with a total height of 183.5 metres and a total construction area of 118,198m^2 in Zhuzhou, which was recognised by the Zhuzhou Construction Industry Association (株洲市建築業協會) in April 2020 as the tallest construction-in-progress building in Zhuzhou	Civil building construction	Completed in FY2021
Zhongtian Hangxiao Steel Structure Prefabricated Building Base Phase I Construction and R&D Building* (中天杭蕭鋼構裝配式建築基地(一期)工程和科研樓)	A prefabricated steel structure plant together with a steel structure research and development integrated building with 11 floors and a total construction area of approximately 47,559.2m^2 in Zhuzhou	Prefabricated steel structure construction	Completed in FY2021
Dongfang Xin'an Homeland (Phase II)* (東方市新安家園(二期))	Social housing in Hainan Province, with a total construction area of 257,278m^2	Civil building construction	On-going

Project Name	Description of project	Project Type	Progress as at the Latest Practicable Date
Tongdao County Sports Stadium* (通道縣體育館)	A sports stadium in Tongdao Dong Autonomous County of Hunan Province with a total construction area of 20,805m^2, comprising sports stadium, swimming pool, sports ground and ancillary facilities	Municipal works construction	On-going
Chunteng Village* (春藤小鎮)	A group of residential buildings in Zhuzhou comprising 22 blocks with a total construction area of 292,568m^2, among which the East Lot (Blocks 10-13 together with the basement) and Phase III were both recognised as the Standardised Construction Project Safety Construction Sites for National Exchange Study (全國範圍組織學習交流的建設工程項目施工安全生產標準化工地) by the Construction Safety Branch of the China Construction Industry Association (中國建築業協會建築安全分會) and Block 13 was being awarded the Hunan Province Outstanding Construction Project (湖南省優質工程)	Civil building construction	Phase III completed in FY2020 and other parts still on-going
Zhuzhou Jianning International Experimental College Phase II* (株洲市建寧國際實驗學校(高中部)二期)	Phase II of a college in Zhuzhou with a total construction area of 18,911m^2, comprising a sports stadium, library and art gallery, which was being awarded the Hunan Province Outstanding Construction Project (湖南省優質工程)	Municipal works construction	Completed in FY2019
Qi Bo Yuan Xing Xiang Dian and Second-Hand Vehicles Trading Centre* (汽博園形象店和二手車交易中心)	The largest trading centre for vehicles in Zhuzhou as recognised by the Zhuzhou Construction Industry Association (株洲市建築業協會) on 22 May 2020, with a total construction area of approximately 51,424.8m^2	Civil building construction	Completed in FY2019 *(Note)*
Zhong'ou Kun Lun Shoufu Phase I Construction (中歐•昆侖首府一期工程)	A group of residential buildings in Zhuzhou with a total construction area of 150,757m^2, which was being recognised as the Hunan Province Construction Industry New Technology Application Demonstration Construction (湖南省建築業新技術應用示範工程)	Civil building construction	Completed in FY2018

Project Name	Description of project	Project Type	Progress as at the Latest Practicable Date
Lai Yin Village* (萊茵小鎮)	A group of residential buildings with total construction area of 308,651m^2 in Zhuzhou, among which Block 29 was accredited as AAA-level Safe and Civilized Standard Construction Site (AAA級安全文明標準化工地) by the China Construction Industry Association (中國建築業協會) while Blocks 30, 31 and 32 were awarded the Hunan Province Outstanding Construction Project (湖南省優質工程)	Civil building construction	Completed in the year ended 31 December 2017

Note: Qi Bo Yuan Xing Xiang Dian and Second-Hand Vehicles Trading Centre* (汽博園形象店及二手車交易中心) project comprises the Second-Hand Vehicles Trading Centre* (二手車交易中心) project and the Xing Xiang Dian* (形象店) project, which were completed in the year ended 31 December 2018 and FY2019 respectively according to the respective project completion inspection certificate.

We have been dedicated to R&D for improvement in our construction know-how essential for the advancement of our construction efficiency and quality, which in turn enhance our competitiveness with the industry. For details, please refer to the paragraph headed "Our Business Operations — R&D and know-how" in this section.

Our business and scale of operations grew steadily over the years. Our total revenue increased by approximately RMB1.5 million from approximately RMB1,821.9 million in FY2019 to approximately RMB1,823.4 million in FY2021. We also recorded substantial growth in our profit with our profit and total comprehensive income for the year, which increased by approximately RMB11.0 million, from approximately RMB50.9 million in FY2019 to approximately RMB61.9 million in FY2021, representing a CAGR of approximately 10.3%. For 3Q2021 and 3Q2022, our total revenue also increased from approximately RMB1,325.4 million to approximately RMB1,366.0 million, and our profit and total comprehensive income also increased from approximately RMB47.8 million to approximately RMB51.2 million during the same period.

With our over 40 years of operating history and experience in the construction industry, our experienced management team, our technical excellence as supported by our broad range regulated construction qualifications, in-house R&D capability, we are confident that we are able to capture growth opportunities in the PRC construction industry.

COMPETITIVE STRENGTHS

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

We have long operating history in Hunan Province

We are a general contracting construction group in Hunan Province with over 40 years of operating history. According to the F&S Report, we were (i) the fifth-ranked non-state owned construction enterprise with first grade general contractor qualification in Hunan Province, in terms of revenue generated from construction contracting business in 2021; and (ii) one of the top ten non-state owned construction enterprises in Hunan Province in terms of construction revenue in 2021. Throughout our four decades of experience in the construction industry, we have expanded from Hunan Province and have established presence across various provinces in Southern China. As at the Latest Practicable Date, we have established 24 branch offices in different cities in Hunan Province, Hainan Province, Hubei Province, Fujian Province and Guangdong Province in the PRC to expand our exposures in different regions of the Southern China.

During the Track Record Period, we were engaged in 307 projects and recognised a total revenue of approximately RMB6,781.2 million from construction contracts. As at 30 September 2022, we had 143 on-going projects with an aggregate original contract sum of approximately RMB8,701.6 million.

We believe by leveraging our construction expertise accumulated during our over 40 years of operating history in Hunan Province, we would continue to grow and expand our market share in the industry.

We leverage our broad range of regulated qualifications to undertake a wide range of construction projects

The construction contracting industry in the PRC is highly regulated. We possess a broad range of regulated qualifications in the construction industry, covering various construction categories. As at the Latest Practicable Date, we possess six first-grade construction qualifications: (i) first-grade qualification in building construction general contracting (建築工程施工總承包壹級); (ii) first-grade qualification in municipal and public construction general contracting (市政公用工程施工總承包壹級); (iii) first-grade qualification in building renovation and decoration specialised contracting (建築裝修裝飾工程專業承包壹級); (iv) first-grade qualification in steel structure construction specialised contracting (鋼結構工程專業承包壹級); (v) first-grade qualification in foundation construction specialised contracting (地基基礎工程專業承包壹級); and

(vi) first-grade qualification in lifting equipment installation construction specialised contracting (起重設備安裝工程專業承包壹級). We also possess six other second-grade and third-grade contracting qualifications covering different aspects such as electrical and mechanical construction, curtain wall construction, environmental protection construction. For details, please refer to the paragraph headed "Licences, Qualifications and Permits" in this section.

These qualifications allow us to undertake a variety of civil building construction and municipal works construction for general construction as well as various specialised construction projects and provide us with competitive edge over our competitors.

We are a renowned market player in the construction industry in Hunan Province as demonstrated by numerous awards accredited to us

We have been granted various awards for achieving high standards in construction quality, including National Quality Project Silver Award (國家優質工程銀質獎), the Furong Prize (芙蓉獎), the highest honour for construction quality in Hunan Province awarded by Hunan Construction Industry Association (湖南省建築業協會) and Shennong Prize (神農獎), the highest honour for construction quality in Zhuzhou awarded by Zhuzhou Construction Industry Association* (株洲市建築業協會). In addition, we were granted various accolades in recognition of our emphasis on work safety such as four of our completed projects being recognised as one of the Standardised Construction Project Safety Construction Sites for National Exchange Study (全國範圍組織學習交流的建設工程項目施工安全生產標準化工地) in 2017, 2018, 2020 and 2022, respectively, for our effort in adopting and implementing the standardised construction safety system. We have also been awarded a number of awards by government authorities in recognition of our credibility. During the Track Record Period, we have been rated as Grade A Tax Credit Unit (納稅信用A級單位) by Hunan Province State Administration of Taxation of the PRC (湖南省國家稅務總局) and Hunan Province Local Administration of Taxation (湖南省地方稅務局). For details, please refer to the paragraph headed "Our Business Operations — Awards and recognitions" in this section for more accolades obtained by our Group.

We obtained a vast majority of our projects through tendering, including public tendering and tender by invitation. We believe our renowned reputation in Southern China construction industry as demonstrated by the numerous accolades accredited to us can provide us with competitive edge over our competitors to secure new construction contracts from existing and potential customers.

We possess R&D capabilities and expertise in developing know-how for construction use

We are committed to developing and adopting innovative construction know-how for the goal of increasing our construction efficiency and quality, which in turn enhance our competitiveness within the construction industry. As at the Latest Practicable Date, our R&D department has 6 employees. We have also been engaged in R&D continuously and researched on R&D topics covering different aspects such as prefabricated construction method, which is one of the green building technologies, and foundation works construction methods during the Track Record Period, which were implemented in our construction process. For FY2019, FY2020, FY2021 and 3Q2022, our total R&D expenses amounted to approximately RMB60.8 million, RMB54.1 million, RMB56.7 million and RMB42.1 million, respectively, for the purpose of improving our construction methods and our know-how of our construction process. As our Group believes that the R&D activities will bring long-term benefits to our Group, our Group devoted substantial resources in R&D activities, developed 31 patents, and undertook 121 R&D topics during the Track Record Period and up to the Latest Practicable Date. For details, please refer to the paragraph headed "Our Business Operations — R&D and know-how" in this section.

In recognition of our R&D capabilities, achievements and initiatives, Zhongtian Construction, our principal subsidiary has been accredited the status of High and New Technology Enterprise (高新技術企業) since 2018, and has been enjoying a preferential EIT rate of 15% (as compared to the standard EIT rate of 25%).

We believe that our dedicated effort in R&D and our construction expertise experience accumulated through our long history allow us to detect and adapt to the changing market trends and our customers' needs, keep ourselves abreast of the evolving technological advancements in the construction industry and differentiate ourselves from our competitors, which in turn further strengthens our market position.

We are well-positioned to embrace the latest development trend of prefabricated construction method and EPC model in the PRC

We strive to enhance our competitiveness through leveraging on our optimised contracting model and construction methods to win bidding and capitalise on business opportunities.

Prefabricated construction method, which is one of the green building technologies, is becoming increasingly popular in the PRC construction industry given its efficiency, quality and environmental-friendly attributes according to the F&S Report. Prefabricated construction method involves the assembling of a large portion of prefabricated units, thereby shortening the construction period, reducing the use of manpower, reducing the waste of materials, lowering energy consumption and pollution. These advantages of prefabricated building construction can address the various challenges faced by the PRC construction industry, including the surging labour costs as a result of the ageing population and the decreasing number of workers who are willing to engage in the construction industry as well as tightening environmental protection requirements by the PRC government. Hence, the PRC government is actively promoting the development of prefabricated building. In February 2017, the State Council issued Opinions on

Promoting the Sustainable and Healthy Development of the Construction Industry (國務院辦公廳關於促進建築業持續健康發展的意見), which proposed that prefabricated buildings are encouraged to develop, and it should account for 30% of new buildings by 2025.

According to the F&S Report, considering the on-going government supportive policies and the increasing maturity of the market in the next five years, the market size of prefabricated steel civil building in the PRC is projected to reach RMB1,703.5 billion by 2026 while the prefabricated steel civil building market in Hunan Province is projected to reach RMB71.6 billion in 2026, representing a CAGR of 20.9% from 2022 to 2026.

Recently, the EPC construction model has also been encouraged by various policies of the PRC government including the Several Opinions on Further Promoting the Development of General Contracting on Construction JS [2016] No. 93 (《關於進一步推進工程總承包發展的若干意見》建市[2016]93號) issued by MOHURD in May 2016 and the National Standard Code for General Contracting Management of Construction Projects (國家標準《建設項目工程總承包管理規範》) issued by the MOHURD in May 2017.

We possess first-grade qualification in steel structure construction specialised contracting (鋼結構工程專業承包壹級), which is the highest level of qualification in steel structure construction. In order to tap into these latest development trends of the PRC construction industry, in November 2017, we entered into a strategic EPC Tripartite Framework Agreement with Hangxiao Technology and Hunan Design Institute, a state-owned company established in the PRC to form a business alliance in developing prefabricated steel structure building construction for residential properties under the EPC model, pursuant to which Hunan Design Institute will provide comprehensive design services, while Hangxiao Technology will be responsible for the provision of prefabricated steel structure products, and our Group will handle the implementation of prefabricated steel structure construction works, as well as the provision of warranty services. With our efforts in keeping up with these latest development, we have undertaken 12 prefabricated steel structure construction projects during the Track Record Period, and we believe we are well-positioned to tap into the latest development trend of PRC construction industry which can fuel us for future growth in the long run. It is our plan to enrich our construction portfolio and undertake more prefabricated steel structure construction projects when opportunities arise. We have successfully secured six new prefabricated steel structure construction projects after the Track Record Period and up to the Latest Practicable Date, with total contract sum in aggregate amounting to approximately RMB81.7 million. Among these six projects awarded, we have entered into five construction contracts with respective project owners as at the Latest Practicable Date. We will continue to submit tenders for prefabricated steel structure construction projects in the near future. Since Zhongtian Lutai* (中天•麓台) project was the first sizable prefabricated steel structure construction project we undertook with total contract sum (exclude VAT) of approximately

RMB611.1 million and is still on-going as at the Latest Practicable Date, we believe we will become more competitive and with higher chance to succeed in similar tender when we have this sizable and landmark project completed.

Our experienced and dedicated senior management team and highly skilled personnel in construction industry

We believe our experienced and stable management team with extensive knowledge in the construction industry and who are also our Shareholders is fundamental to our Group in building a solid foundation for the subsequent development of our business. Our senior management team is under the leadership of Mr. Yang, the chairman of our board and an executive Director who has over 25 years of experience in the construction industry and has been serving as the management of our Group for over 15 years. Our senior management team and key technical personnel also have extensive management skills, operating experience and industry expertise, and many of them have been working for us for a significant portion of their professional career. For details, please refer to the section headed "Directors and Senior Management" in this prospectus. Over the years of our development, our senior management team is supported by our skilled personnel. As at the Latest Practicable Date, our Group has two doctorate degree's holders, 11 master degree's holders, 53 first-grade qualified constructors and 96 second-grade qualified constructors. We believe that the leadership, vision and extensive experience of our management team will continue to build upon our core strengths to execute our business plan and drive us to future growth and success.

BUSINESS STRATEGIES

We strive to attain sustainable growth and continue to leverage our market position in the competitive construction industry and seek to promote long-term shareholder value by implementing the following business strategies:

Expand business through funding our capital needs and cash flows for upcoming projects and enhance our market presence to capture more business opportunities

We make progress billing to our customers for our construction contracts. For cases when several prescribed milestones are stipulated in the relevant construction contracts, we are entitled to start making progress billing only after the first milestone has been reached. Accordingly, during the Track Record Period, as we incur material costs and subcontracting costs during the initial stage of these projects, we experience a net cash outflow before reaching the milestone that we were entitled to bill our customers. According to the F&S Report, it is common for construction contracts to include several prescribed milestones in the PRC construction industry and thus leading to main contractors usually having a net cash outflow at the initial stage of construction projects. During the Track Record Period, our Group utilised bank and other borrowings as well as internal resources to finance such upfront costs. Due to the timing mismatch between the cash inflows and cash outflows of a typical construction project, we are required to carefully assess the initial working capital requirements of business opportunity before we proceed to submit our tender. We also manage and monitor our working capital and available banking facilities closely to ensure that we have sufficient financial resources to implement our projects.

Our Directors believe that, after Listing, our market presence will be significantly enhanced and thereby allowing us to capture future business opportunities and consolidating our market position in the construction industry including Hunan Province and Hainan Province. Our Directors further believe that a listing platform and our enhanced brand image will allow us to reach out to more customers and enable us to undertake more construction projects. In line with our aim to further capture the growing construction market in the PRC, we expect to require the dedication of additional financial resources as the initial working capital to invest in our future projects.

Moreover, we aim to continuously expand to other regional markets in Southern China to further capture the business opportunities brought by the growth of the PRC construction industry through establishing branch offices in Southern China cities, such as Shenzhen and Zhuhai, which our Directors believe can increase our business coverage and capture more market opportunities.

In view of the above, we intend to apply approximately HK$42.8 million (equivalent to approximately RMB38.9 million), or 50.0% of the net proceeds of the Global Offering, to fund our upfront expenditure of three projects on hand as part of our expansion strategy. For details, please refer the section headed "Future Plans and Use of Proceeds" in this prospectus.

Invest in construction machinery and equipment to enhance our technical equipment capability

In order to strengthen our position to undertake construction works projects, we have invested and will continue to invest in construction machinery and equipment including construction lifts, construction cranes, excavators and bulldozers. As at 30 September 2022, we maintained approximately 51 units and 52 units of construction cranes and construction lifts, respectively. For details, please refer to the paragraph headed "Our Business Operations — Raw materials, machinery and equipment and suppliers — Machinery and equipment" in this section. Our Directors believe that having our own construction machinery and equipment allows us to reduce our reliance on suppliers for leasing of machinery and equipment for our building construction projects and enhance our flexibility in managing our work schedules and maintaining our work quality and safety.

In view of the above, we intend to apply approximately HK$17.1 million (equivalent to approximately RMB15.6 million), or 20.0% of the net proceeds of the Global Offering, to acquire and/or replace our construction machinery and equipment. For details, please refer to the section headed "Future Plans and Use of Proceeds" in this prospectus.

Further strengthen our R&D capabilities to embrace the latest development trend of PRC construction industry

We believe that our R&D capability is critical to our growth and expansion of our business in the future. Going forward, we will continue strengthening our R&D capabilities and commit to the development and improvement of our construction methods to enhance the overall quality of our construction works, keeping pace with latest development trend in the PRC construction industry including but not limited to the use of prefabricated construction and green building technology. We believe it will enhance our competitiveness and allow us to capture more business opportunities and to complete our construction projects in a more efficient manner.

In view of the above, we intend to apply approximately HK$17.1 million (equivalent to approximately RMB15.6 million), or 20.0% of the net proceeds of the Global Offering, to fund the establishment and operation of our know-how centre including (i) recruiting professionals; (ii) purchasing equipment and software; (iii) financing the operating costs including purchasing the materials to be used in R&D; and (iv) paying the rent and renovation costs of the know-how centre to strengthen our R&D capabilities, with a particular focus on the R&D of the know-how for prefabricated steel structure construction which is being increasingly adopted by market participants, as well as other traditional construction technology. For details, please refer to section headed "Future Plans and Use of Proceeds" in this prospectus.

Capture the opportunities arising from the latest development trend of EPC model and green building including prefabricated construction method in the PRC

We operate in the business environment that is subject to climate-related risks. On one hand, future changes in climate-related regulations and policy may require us to incur higher compliance costs, which includes acquiring more environmental-friendly machinery, equipment or vehicles, and implementing stricter control in respect of carbon tracking, energy or fuel consumption, greenhouse gas emission in future. Such changes will have potential operational and financial impact to the Group. On the other hand, in the latest trend of development in green building, there is a shift in customers' preferences to contractors that incorporate sustainability concept into the construction process and work in light of the changing regulations or increasing concern and attention about sustainability and environmental-related issues in the PRC. Such shift in customers' preferences may serve as growing business opportunities for contractors which embrace green building technologies and apply environmental friendly measures in their building construction. Our Directors believe that we, leveraging on our experience on prefabricated construction method, which is one of the green building technologies, are in a good position to capture the growing business opportunities that arise from changes in market environment and it allows us to attract more potential customers that are of high degree of awareness on the environmental protection issues and in turn increase our competitiveness in future tenders.

According to the F&S Report, the construction industry in China has developed significantly in recent years and innovative technologies, building techniques and practice including prefabricated building and green building are being increasingly adopted by the market participants and the EPC model has also been encouraged by various policies of the PRC government. For details, please refer to paragraph headed "Competitive Strengths — We are well-positioned to embrace the latest development trend of prefabricated construction method and EPC model in the PRC" in this section.

With our first-grade qualification in steel structure construction specialised contracting (鋼結構工程專業承包壹級), which is the highest level of qualification in steel structure construction and our increasing effort in the R&D in prefabricated steel structure construction through the establishment of the know-how centre, we intend to expand our business by undertaking more prefabricated steel structure construction projects in the future. Moreover, we will also be actively seeking the opportunity to conduct other construction projects under EPC model.

Prefabricated construction method, which we have deployed in our prefabricated steel structure construction works during the Track Record Period, promotes green building through refined design, intelligent production, mechanised assembly and information integration, which efficiently eliminates the resource wastage and pollution compared to the conventional building technology. During the Track Record Period, four of our projects were recognised as starred green buildings by passing the green building assessment by the Hunan Construction Technology & Building Energy Conservation Association* (湖南省建設科技與建築節能協會). We will continue to allocate resources to develop and apply green technologies in our construction projects to strengthen our green building portfolios and increase our competitiveness in future tenders, with an aim to capturing the opportunities arising from the development trend of green building technology. For details of the green building assessment, please refer to the paragraph headed "Awards and recognition" in this section.

We believe we can capture the opportunities arising from the latest development trend and increase our market share to solidify our position as a construction enterprise in Zhuzhou.

Strive to secure more projects from Government-related Entities

Our customers include both government entities, state-owned enterprises and state-invested enterprises (collectively, the "**Government-related Entities**") and private enterprises. For FY2019, FY2020, FY2021 and 3Q2022, approximately RMB662.9 million, RMB453.3 million, RMB447.7 million and RMB676.5 million of our revenue was generated from Government-related Entities, representing approximately 36.4%, 25.6%, 24.6% and 49.5% of our total revenue for each of FY2019, FY2020, FY2021 and 3Q2022, respectively.

Our Directors considered that the projects from Government-related Entities are generally less vulnerable or sensitive to the property sales market or individual performance or financial conditions of the project owners in the PRC than the projects from non-Government-related Entities. Government-related Entity customers also in general have good creditability and had minimal history of default. Therefore, to maintain a healthy customer mix, leveraging our Group's experience and proven track records in undertaking projects from Government-related Entities, we intend to put more focus on securing new projects from Government-related Entities. Our Board will also perform periodic review on the existing customer mix and to make appropriate adjustment when needed to cope with the market appetite.

OUR BUSINESS OPERATIONS

During Track Record Period, we principally engage in provision of services contracting of (i) civil building construction, (ii) municipal works construction, (iii) foundation works, (iv) prefabricated steel structure construction and (v) other specialised contracting works which are further described as follows:

Civil building construction

During the Track Record Period, majority of our revenue was generated from civil building construction business. We provide general contracting building services for residential, industrial and commercial construction projects. We hold the first-grade qualification in building construction general contracting (建築工程施工總承包一級).

Municipal works construction

We provide municipal works construction services. We hold the first-grade qualification in municipal and public construction general contracting (市政公用工程施工總承包壹級). Our municipal work construction business includes construction of urban roads, education institutions, sports stadiums, tunnels and underground traffic construction, water supply works, sewage treatment works, thermal works, gas pipeline construction, different types of municipal domestic refuse disposal construction and urban square construction.

Foundation works

We provide foundation works construction services. We hold the first-grade qualification in foundation construction specialised contracting (地基基礎工程專業承包壹級). Our business in foundation works include foundation construction and earthwork construction.

Prefabricated steel structure construction

We provide prefabricated steel structure construction. We hold the first-grade qualification in steel structure construction specialised contracting (鋼結構工程專業承包壹級). Our prefabricated steel structure construction business mainly includes the construction of bogie welding plant, enclosure systems, building and structural works for steel structure buildings.

Other specialised contracting works

We provide other specialised contracting works, which includes building renovation and decoration works services and others. We hold various specialised contracting construction licences including the first-grade qualification in building renovation and decoration specialised contracting (建築裝修裝飾工程專業承包壹級). Our building renovation and decoration works business mainly comprises woodwork, suspended ceiling works, painting and the paving of tiles.

The following table sets forth a breakdown of our revenue by project type for the periods indicated:

	FY2019		FY2020		FY2021		3Q2021		3Q2022	
	Revenue	% of total revenue	Revenue	% of total revenue	Revenue	% of total revenue	Revenue	% of total revenue	Revenue	% of total revenue
	RMB'000		*RMB'000*		*RMB'000*		*RMB'000* (unaudited)		*RMB'000*	
Revenue from construction contracts										
Civil building construction	888,497	48.8	1,031,904	58.3	885,259	48.5	657,407	49.6	670,050	49.1
Municipal works construction	669,011	36.7	485,033	27.4	427,745	23.5	262,359	19.8	461,373	33.8
Foundation works	146,162	8.0	120,067	6.8	114,195	6.3	81,161	6.1	22,455	1.6
Prefabricated steel structure construction works	62,650	3.5	106,345	6.0	369,761	20.3	305,023	23.0	202,563	14.8
Other specialised contracting works *(Note)*	49,666	2.7	17,857	1.0	17,170	0.9	12,924	1.0	3,796	0.3
Sub-total	1,815,986	99.7	1,761,206	99.5	1,814,130	99.5	1,318,874	99.5	1,360,237	99.6
Revenue from provision of construction machinery and equipment service	5,930	0.3	8,694	0.5	9,254	0.5	6,518	0.5	5,793	0.4
Total	1,821,916	100	1,769,900	100	1,823,384	100	1,325,392	100	1,366,030	100

Note: Our other specialised contracting works mainly include building renovation and decoration works.

	FY2019		FY2020		FY2021		3Q2021		3Q2022	
	Revenue	% of total revenue	Revenue	% of total revenue	Revenue	% of total revenue	Revenue	% of total revenue	Revenue	% of total revenue
	RMB'000		*RMB'000*		*RMB'000*		*RMB'000* (unaudited)		*RMB'000*	
Revenue from construction contracts										
Commercial projects	134,780	7.4	341,054	19.3	318,983	17.5	250,751	18.9	324,097	23.7
Residential projects	671,504	36.9	632,442	35.7	573,834	31.4	456,076	34.5	380,056	27.8
Industrial projects	276,905	15.2	218,079	12.3	209,274	11.5	139,634	10.5	100,917	7.4
Public facilities projects	731,506	40.1	566,392	32.0	708,800	38.9	471,131	35.6	554,400	40.6
Others	1,291	0.1	3,239	0.2	3,239	0.2	1,282	0.1	767	0.1
Subtotal	1,815,986	99.7	1,761,206	99.5	1,814,130	99.5	1,318,874	99.5	1,360,237	99.6
Revenue from provision of construction machinery and equipment service	5,930	0.3	8,694	0.5	9,254	0.5	6,518	0.5	5,793	0.4
Total	1,821,916	100	1,769,900	100	1,823,384	100	1,325,392	100	1,366,030	100

Provision of construction machinery and equipment service

We primarily allocated our self-owned construction machinery and equipment including construction cranes and construction lifts to support our construction projects in Zhuzhou during the Track Record Period. However, in the event that there were idle construction lifts or construction cranes which were not deployed in our construction projects in Zhuzhou, we might lease them to our customers.

Under our typical leasing arrangements with our customers, we may be required to provide technical staff for operating the respective machinery and equipment, as well as responsible for the repair, maintenance, transportation and installation during the rental period.

A vast majority of our construction projects were awarded through tenders. On a few occasions, we were engaged in several related projects and/or entered into multiple contracts. The following table sets forth the breakdown of revenue from construction contracts attributable to contracts obtained through (i) public tender; (ii) invitation to tender and (iii) non-tender for the periods indicated:

	FY2019		FY2020		FY2021		3Q2021		3Q2022	
	Revenue	% of total revenue	Revenue	% of total revenue	Revenue	% of total revenue	Revenue	% of total revenue	Revenue	% of total revenue
	RMB'000		*RMB'000*		*RMB'000*		*RMB'000* (unaudited)		*RMB'000*	
Public tender	1,583,995	87.2	1,388,135	78.8	1,326,880	73.1	943,267	71.5	1,060,777	78.0
Invitation to tender *(Note)*	230,698	12.7	369,832	21.0	484,011	26.7	374,325	28.4	298,152	21.9
Subtotal for tender	1,814,693	99.9	1,757,967	99.8	1,810,891	99.8	1,317,592	99.9	1,358,929	99.9
Non-tender	1,293	0.1	3,239	0.2	3,239	0.2	1,282	0.1	1,308	0.1
Total revenue from construction contracts	1,815,986	100	1,761,206	100	1,814,130	100	1,318,874	100	1,360,237	100

Note: Invitation to tender mainly include tenders for ancillary services in relation to main tender obtained through public tender and tenders to related companies.

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

	FY2019		FY2020		FY2021		3Q2021		3Q2022	
	Revenue	% of total revenue	Revenue	% of total revenue	Revenue	% of total revenue	Revenue	% of total revenue	Revenue	% of total revenue
	RMB'000		*RMB'000*		*RMB'000*		*RMB'000* (unaudited)		*RMB'000*	
Hunan Province	1,302,621	71.5	1,326,848	74.9	1,381,893	75.8	1,024,227	77.3	921,761	67.5
— Zhuzhou	1,051,711	57.7	1,136,903	64.2	1,211,754	66.5	897,561	67.7	723,417	53.0
— Other cities	250,910	13.8	189,945	10.7	170,139	9.3	126,666	9.6	198,344	14.5
Hainan Province	402,306	22.1	376,546	21.3	388,687	21.3	263,981	19.9	388,745	28.5
Others *(Note)*	116,989	6.4	66,506	3.8	52,804	2.9	37,184	2.8	55,524	4.0
Total	**1,821,916**	**100**	**1,769,900**	**100**	**1,823,384**	**100**	**1,325,392**	**100**	**1,366,030**	**100**

Note: Others mainly include Hubei Province, Zhejiang Province, Fujian Province, Guangdong Province, Jiangsu Province and Jiangxi Province. We have not established branch office in Zhejiang Province, Jiangsu Province and Jiangxi Province as at the Latest Practicable Date.

The table below sets forth the details of the movements of the number of on-going construction and completed construction projects of our Group by project type of our Group during the Track Record Period and up to the Latest Practicable Date:

	Civil building construction		Municipal works construction		Foundation works		Prefabricated steel structure construction works		Other specialised contracting works		Total	
	Number of contracts attributed	Contract sum [3]	Number of contracts attributed	Contract sum [3]	Number of contracts attributed	Contract sum [3]	Number of contracts attributed	Contract sum [3]	Number of contracts attributed	Contract sum [3]	Number of contracts attributed	Contract sum [3]
		RMB'000		*RMB'000*		*RMB'000*		*RMB'000*		*RMB'000*		*RMB'000*
FY2019												
Opening on-going projects [1]	80	3,168,509	73	2,373,491	13	231,681	1	45,418	5	108,911	172	5,928,010
Add: new construction projects contracted	12	441,338	16	529,323	3	110,671	1	56,706	1	1,527	33	1,139,565
Deduct: construction projects completed [2]	33	449,379	25	654,744	9	195,614	–	–	3	104,446	70	1,404,183
Closing on-going construction projects	59	3,160,468	64	2,248,070	7	146,738	2	102,124	3	5,992	135	5,663,392
FY2020												
Opening on-going projects [1]	59	3,160,468	64	2,248,070	7	146,738	2	102,124	3	5,992	135	5,663,392
Add: new construction projects contracted	16	1,201,803	10	321,895	6	131,954	5	670,550	6	30,355	43	2,356,557
Deduct: construction projects completed [2]	17	570,047	15	265,240	3	73,329	1	213	1	1,527	37	910,356
Closing on-going construction projects	58	3,792,224	59	2,304,725	10	205,363	6	772,461	8	34,820	141	7,109,593
FY2021												
Opening on-going projects	58	3,792,224	59	2,304,725	10	205,363	6	772,461	8	34,820	141	7,109,593
Add: new construction projects contracted	12	925,233	10	164,605	6	80,471	5	42,257	4	12,590	37	1,225,156
Deduct: construction projects completed	13	360,483	17	314,511	1	35,933	1	45,418	–	–	32	756,345
Closing on-going construction projects	57	4,356,974	52	2,154,819	15	249,901	10	769,300	12	47,410	146	7,578,404
3Q2022												
Opening on-going projects	57	4,356,974	52	2,154,819	15	249,901	10	769,300	12	47,410	146	7,578,404
Add: new construction projects contracted	9	1,393,562	9	208,603	–	–	2	7,524	2	20,705	22	1,630,394
Deduct: construction projects completed	10	106,432	11	391,074	2	3,512	1	6,144	1	37	25	507,199
Closing on-going construction projects	56	5,644,104	50	1,972,348	13	246,389	11	770,680	13	68,078	143	8,701,599
After Track Record Period and up to the Latest Practicable Date												
Opening on-going projects	56	5,644,104	50	1,972,348	13	246,389	11	770,680	13	68,078	143	8,701,599
Add: new construction projects contracted	4	136,632	9	222,207	–	–	5	80,062	–	–	18	438,901
Deduct: construction projects completed	12	425,716	5	78,337	–	–	–	–	4	7,237	21	511,290
Closing on-going construction projects	48	5,355,020	54	2,116,218	13	246,389	16	850,742	9	60,841	140	8,629,210

Notes:

1 Opening on-going projects represented projects that have confirmed engagements, excluding (i) those inactive and immaterial projects which generated aggregate revenue and incurred aggregate cost of less than RMB10,000 over the Track Record Period and (ii) new contracted construction projects for the corresponding financial year/period.

2 A construction project is considered completed when (i) an acceptance of project completion inspection report issued by the relevant government authority(ies) is issued; or (ii) revenue being fully recognised with respect to contract sum as amended from time to time. Please refer to the paragraph headed "Operation process — Completion and acceptance" in this section for further details.

3 Contract sums do not include any variation orders and/or VAT.

4 Part of the closing contract sum of on-going projects has already been recognised as revenue by our Group during the Track Record Period and up to the Latest Practicable Date.

Completed construction projects

The following table sets out information regarding the top 10 construction projects in terms of total revenue recognised during the Track Record Period completed by our Group up to the Latest Practicable Date:

No.	Project name and project Code	Customer	Project type	Description of works	Location of project	Start date	Completion date (Note 3)	Approximate project period	Original contract sum (Note 1,2)	Adjustment/ variation order received on or before the Latest Practicable Date (Note 2)	Revenue recognised before the Track Record Period (Note 2)	Revenue recognised during FY2019 (Note 2)	Revenue recognised during FY2020 (Note 2)	Revenue recognised during FY2021 (Note 2)	Revenue recognised during 3Q2022 (Note 2)	Total revenue recognised during the Track Record Period (Note 2)
									RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
1	Langting Lanjiang Main Structure* (朗廷•覽江) (8208)	Zhuzhou Langting Real Estate Development Company Limited* (株洲市朗廷房地產開發有限公司) (**"Langting Real Estate"**)	Civil building construction	Residential complex construction	Junction of Changjiang North Road and Lushan Road, Tianyuan District, Zhuzhou * (株洲市天元區長江北路與盧山路交匯處側)	August 2018	March 2021	32 months	136,364	132,047	79,291	56,650	74,866	56,880	–	188,396
2	Jindong Taozi Lake* (金東陶子湖) (醴陵001)	Hunan Liling Underglaze Wucai City Development and Construction Co., Ltd.* (湖南醴陵釉下五彩城開發建設有限公司)	Civil building construction	Residential complex construction	Junction of Fenghuang Avenue and Guoci Road, Liling City, Hunan Province* (湖南省醴陵市鳳凰大道與國瓷路交匯處)	August 2018	November 2021	40 months	195,140	10,818	38,153	115,848	35,740	16,217	–	167,805
3	Changjun Yunlong Experimental School (Second Phase)* (長郡雲龍實驗學校(二標)) (雲龍007)	Zhuzhou Economic Development Zone Industrial Park Development Co., Ltd.* (株洲經開區產業園發展有限公司), Zhuzhou Yunlong Development Investment Holding Group Real Estate Co., Ltd.* (株洲市雲龍發展投資控股集團置業有限公司) and Zhuzhou Yunlong Demonstration Area Management Committee Social Affairs Department* (株洲雲龍示範區管理委員會社會事業部) (**"Zhuzhou Economic Development Group"**)	Municipal works construction	Education institution construction	The former campus of Central South University of Forestry and Technology, Xiangzhang Community, Xuelin Street Office, Zhuzhou Yunlong Demonstration District* (株洲雲龍示範區學林街道辦事處香樟社區原中南林業科技大學株洲校址內)	January 2019	March 2021	26 months	130,048	33,923	159 *(Note 4)*	117,573	31,455	14,784	–	163,812
4	Chunteng Mansion* (春藤公館) (8741)	Zhongtian Holdings Group	Civil building construction	Residential complex construction	Junction of Huangshan West Road and West Loop Ring Road, Tianyuan District, Zhuzhou* (株洲市天元區黃山西路與西環綫輔道交界處)	April 2018	March 2021	36 months	124,879	90,884	58,347	63,701	89,687	4,003	–	157,391
5	Chunteng Village Third Phase* (春藤小鎮三期) (8333)	Zhongtian Holdings Group	Civil building construction	Residential complex construction	Junction of Liyu South Road and Bogu Mountain Middle Road, Zhuzhou* (株洲市栗雨南路與博古山中路交匯處)	October 2017	November 2020	38 months	196,845	84,839	125,384	152,301	3,999	–	(17) *(Note 5)*	156,283
6	Sanya Summer Experience Plaza* (三亞夏日體驗廣場) (9822)	Customer E	Foundation works	Piling and earthwork	Northeast Junction of Yuxin Road and Yuxiu Road, Sanya City, Hainan Province* (海南省三亞市育新路與育秀路交匯處東北側)	May 2019	December 2019	8 months	73,394	7,072	–	73,394	6,985 *(Note 6)*	87 *(Note 6)*	–	80,466
7	Zhongtian Hangxiao Steel Structure Prefabricated Building Base Phase I R&D Building* (中天杭蕭鋼構裝配式建築基地(一期)科研樓) (8285)	Zhongtian Holdings Group	Prefabricated Steel Structure Construction	Factory premise construction	Jinshan Science and Technology Industrial Park, Hetang District, Zhuzhou* (株洲市荷塘區金山科技工業園)	March 2019	April 2021	26 months	56,706	22,273	–	42,329	25,035	10,133	1,482 *(Note 7)*	78,979

No.	Project name and project Code	Customer	Project type	Description of works	Location of project	Start date	Completion date (Note 3)	Approximate project period	Original contract sum (Note 1,2)	Adjustment/ variation order received on or before the Latest Practicable Date (Note 2)	Revenue recognised before the Track Record Period (Note 2)	Revenue recognised during FY2019 (Note 2)	Revenue recognised during FY2020 (Note 2)	Revenue recognised during FY2021 (Note 2)	Revenue recognised during 3Q2022 (Note 2)	Total revenue recognised during the Track Record Period (Note 2)
									RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
8	Changjun Yunlong Experimental School (Third Phase)* (長郡雲龍實驗學校新建三標) (雲龍008)	Zhuzhou Economic Development Group	Municipal works construction	Public facilities construction	The former campus of Central South University of Forestry and Technology, Xiangzhang Community, Xuelin Street Office, Zhuzhou Yunlong Demonstration District* (株洲雲龍示範區學林街道辦事處 香樟社區原中南林業科技大學株洲校址內)	September 2019	September 2021	25 months	64,838	11,926	–	27,403	32,933	10,924	5,504 *(Note 8)*	76,764
9	Changde Xiangjiang Yuefu* (常德香江悅府) (8733)	Customer Group D	Civil building construction	Residential complex construction	Wuling District adjacent to Dingling Park, Changde City, Hunan Province* (湖南省常德市武陵區毗鄰丁玲公園)	June 2018	September 2021	40 months	146,738	21,873	106,587	35,881	16,998	3,991	1,660 *(Note 9)*	58,530
10	Vehicle Plant Living Zone Renovation* (車輛廠生活區改造) (8272)	Zhuzhou Hetang District Housing and Urban Rural Development Bureau* (株洲市荷塘區住房和城鄉建設局)	Civil building construction	Residential complex construction	Living area of Zhuzhou Vehicle Factory, Hetang District, Zhuzhou* (株洲市荷塘區株洲車輛廠生活區)	October 2018	March 2020	18 months	83,923	1,122	27,812	50,333	1,617	5,283 *(Note 10)*	–	57,233

Notes:

1. The relevant contract may comprise more than one project and the original contract sums refer to the sums of whole contract instead of a particular project.

2. The original contract sums and revenue recognised for our projects are excluding VAT. The discrepancies between the original contract sum and the total revenue recognised during the Track Record Period are due to adjustment for VAT (if any) and (i) the amount of variation orders agreed by the parties in respect of each projects and such variation orders may be in the form of supplemental agreements for additional construction works undertaken by us or modifications of the scope of work previously agreed in the original contracts; and (ii) final payment sum pending to confirm from respective customers after the acceptance of project completion inspection report issued.

3. Completion date was based on (i) the date of completion as shown on the acceptance of project completion inspection certificate; or (ii) revenue being fully recognised with respect to contract sum as amended from time to time.

4. Such amount represented revenue recognised under the input method as a result of the preparation work undertaken by our Group in FY2018 prior to the actual start date of Changjun Yunlong Experimental School (Second Phase)* (長郡雲龍實驗學校(二標)) project.

5. The negative amount represented the adjustment to the final settlement value as determined during the settlement audit process.

6. This project was completed in December 2019 based on the date of completion as shown on the acceptance of project completion inspection certificate. The revenue recognised during FY2020 and FY2021 represented the amount of variation order agreed by the parties in July 2020 after obtaining the said acceptance.

7. This project was completed in April 2021 based on the date of completion as shown on the acceptance of project completion inspection certificate. The revenue recognised during 3Q2022 represented the amount of variation agreed by both parties after project completion.

8. This project was completed in September 2021 based on the date of completion as shown on the acceptance of project completion inspection certificate. The revenue recognised during 3Q2022 represented the amount variation agreed by both parties after project completion.

9. This project was completed in September 2021 based on the date of completion as shown on the acceptance of project completion inspection certificate. The revenue recognised during 3Q2022 represented the amount of variation agreed by both parties after project completion.

10. This project was completed in March 2020 based on the date of completion as shown on the acceptance of project completion inspection certificate. The revenue recognised during FY2021 represented the amount of variation agreed by both parties after project completion and the remaining minor work due to changes made in accordance with the variation order.

On-going construction projects

As at the Latest Practicable Date, we had 140 on-going construction projects. Such on-going construction projects have an aggregate original contract sum (excluded VAT) of approximately RMB8,629.2 million. The following table sets out information regarding the top 10 on-going construction projects undertaken by our Group as at the Latest Practicable Date in terms of total revenue recognised during Track Record Period:

No.	Project name and project Code	Customer	Project type	Description of works	Location of project	Start date	Expected completion date *(Note 3)*	Approximate contract period	Original contract sum *(Note 1, 2)*	Adjustment/ variation order received on or before the Latest Practicable Date *(Note 2)*	Revenue recognised before the Track Record Period *(Note 2)*	Revenue recognised during FY2019 *(Note 2)*	Revenue recognised during FY2020 *(Note 2)*	Revenue recognised during FY2021 *(Note 2)*	Revenue recognised during 3Q2022 *(Note 2)*	Total revenue recognised during the Track Record Period *(Note 2)*	Revenue expected to be recognised in 2022Q4 *(Note 4)*	Revenue expected to be recognised in FY2023 *(Note 4)*	Revenue expected to be recognised in FY2024 *(Note 4)*
									RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
1	Zhongtian Lutai* (中天 • 麓台) (8337)	Zhongtian Holdings Group	Prefabricated steel structure construction	Residential complex construction	South of Yandi Avenue, North of Yanziling Road, East of Liyu Road, West of Lihe Road, Tianyuan District, Zhuzhou* (株洲市天元區炎帝大道以南，燕子嶺路以北，栗雨路以東，栗合路以西)	October 2020	June 2024	45 months	611,102	–	–	–	57,425	286,609	170,677	514,711	41,350	36,721	18,360
2	Hainan Lixun Meilun Science and Technology Park* (海南力迅美倫科創園) (9828)	Customer P	Civil building construction	Complex building construction	32 kilometres from Haiyu West Line, Bailian Town, Chengmai County, Hainan Province* (海南省澄邁縣百蓮鎮海渝西綫32公里處)	April 2020	December 2023	45 months	334,862	128,452	–	–	220,518	133,130	56,646	410,294	32,035	20,985	–
3	Dongfang Xin'an Homeland (Phase II)* (東方市新安家園(二期)) (8773)	Oriental Shouchuang Xingda Investment Co., Ltd.* (東方首創興達投資有限公司)	Civil building construction	Social housing construction	South side of Dongfeng Road, Dongfang City, Hainan Province* (海南省東方市東風路南側)	January 2016	October 2023	94 months	708,655	–	320,827	133,852	57,475	8,801 *(Note 5)*	12,322	212,450	13,456	161,886	–
4	Chaling County People's Hospital Phase II* (茶陵縣人民醫院(二期)) (8938)	Chaling County People's Hospital* (茶陵縣人民醫院)	Civil building construction	Public facilities construction	Chaling County People's Hospital, Zhuzhou City* (株洲市茶陵縣人民醫院院內)	October 2020	December 2023	39 months	174,391	–	–	–	13,740	120,461	35,700	169,901	898	3,592	–
5	Zhongyuan Guosheng Plaza Phase I* (中源國盛廣場(一期)) (9833)	Customer M	Civil building construction	Commercial building construction	North of Nada Guosheng Road, Danzhou City, Hainan Province* (海南省儋州市那大國盛路北側)	November 2020	December 2023	38 months	111,927	45,882	–	–	16,840	60,550	68,346	145,736	8,917	3,156	–
6	Sanya City Third Ring Road* (三亞市三環路) (9816)	Sanya Transportation Bureau* (三亞市交通運輸局)	Municipal works construction	Urban roads construction	West from Yuxin Road (junction of the Penang River Express Ring Road), East from junction of the Lizhigou Express Ring Road, along Xiabaopo Village, Hakka Village and Baopo Village, Sanya City North, Hainan Province* (海南省三亞市市區北側,西起育新路(環城高速檳榔河連接處)東至環城高速荔枝溝出口路，沿途經過下抱坡村、客家村、抱坡村等鄉鎮)	December 2016	December 2023	84 months	177,447	110,042	103,754	57,589	19,268	8,132 *(Note 5)*	58,202	143,191	33,307	7,238	–
7	Zhongyuan Guosheng Plaza Phase II* (中源國盛廣場(二期)) (9839)	Customer M	Civil building construction	Commercial building construction	North of Nada Guosheng Road, Danzhou City, Hainan Province* (海南省儋州市那大國盛路北側)	May 2021	March 2023	23 months	107,339	36,883	=	=	=	68,353	67,782	136,135	2,530	5,557	–

No.	Project name and project Code	Customer	Project type	Description of works	Location of project	Start date	Expected completion date *(Note 3)*	Approximate contract period	Original contract sum *(Note 1, 2)*	Adjustment/ variation order received on or before the Latest Practicable Date *(Note 2)*	Revenue recognised before the Track Record Period *(Note 2)*	Revenue recognised during FY2019 *(Note 2)*	Revenue recognised during FY2020 *(Note 2)*	Revenue recognised during FY2021 *(Note 2)*	Revenue recognised during 3Q2022 *(Note 2)*	Total revenue recognised during the Track Record Period *(Note 2)*	Revenue expected to be recognised in 2022Q4 *(Note 4)*	Revenue expected to be recognised in FY2023 *(Note 4)*	Revenue expected to be recognised in FY2024 *(Note 4)*
									RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
8	Jincheng International School* 金城國際學校(9830)	Zhuzhou Jincheng Investment Holding Group Co., Ltd.* (株洲金城投資控股集團有限公司)	Municipal works construction	Public facilities construction	South from Jinjing Road, West from Jinquan Road, North from Jinlong East Road, Hetang District, Zhuzhou City * (株洲市荷塘區金精路以南、金泉路以西、金龍東路以北)	October 2020	December 2023	26 months	127,269	–	=	=	5,640	57,779	61,669	125,088	126	2,055	–
9	Haochuang Bihai Shiguang Guanhai Project* 浩創碧海拾光觀海項目(9832)	Customer X	Civil building construction	Residential complex construction	Jiu Long Avenue, Jiusuo New District, Ledong County, Hainan Province* (海南省樂東縣九所新區九龍大道)	December 2020	September 2023	30 months	89,277	30,840	=	=	26,576	37,786	43,182	107,544	551	12,022	–
10	Tower 20 Laiyin Village * 萊茵小鎮20棟(9829)	Zhongtian Holdings Group	Civil building construction	Residential complex construction	849 Hongqi North Road, Zhuzhou City* (株洲市紅旗北路849號)	June 2020	September 2023	40 months	80,678	23,168	=	=	27,845	29,281	46,720	103,846	252	63	–

Notes:

1. The relevant contract may comprise more than one project and the original contract sums refer to the sums of whole contract instead of a particular project.

2. The original contract sums and revenue recognised for our projects are excluding VAT. The discrepancies between the original contract sum and the total revenue recognised during the Track Record Period are due to adjustment for VAT (if any) and the amount of variation orders agreed by the parties in respect of each projects. Such variation orders may be in the form of supplemental agreements for additional construction works undertaken by us or modifications of the scope of work previously agreed in the original contracts.

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

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

5. The construction works of Dongfang Xin'an Homeland (Phase II)* (東方市新安家園(二期)) project and Sanya City Third Ring Road* (三亞市三環路) project were slowed down in FY2021 pending the clearance of certain parts of the construction site. The project has resumed construction upon the completion of clearance of the relevant construction site during 3Q2022. In light of the latest development, we have mutually agreed with the respective customers of the project to extend the project completion date to October 2023 and December 2023, respectively.

Top 10 construction projects for each year/period during the Track Record Period

The following table sets out information regarding our top 10 construction projects for each of FY2019, FY2020, FY2021 and 3Q2022 in terms of revenue contribution to our Group in each of the respective years/period during the Track Record Period:

Ranking	Project name and project code	Customer	Project type	Description of works	Location of project	Amount of revenue recognised for the year	% of total revenue for the year
						RMB'000	
FY2019							
1.	Chunteng Village Third Phase* (春藤小鎮三期) (8333)	Zhongtian Holdings Group	Civil building construction	Residential complex construction project	Junction of Liyu South Road and Bogu Mountain Middle Road, Zhuzhou* (株洲市栗雨南路與博古山中路交匯處)	152,301	8.4
2.	Dongfang Xin'an Homeland (Phase II)* (東方市新安家園(二期)) (8773)	Oriental Shouchuang Xingda Investment Co., Ltd.* (東方首創興達投資有限公司)	Civil building construction	Social housing construction project	South side of Dongfeng Road, Dongfang City, Hainan Province* (海南省東方市東風路南側)	133,852	7.3
3.	Changjun Yunlong Experimental School (Second Phase)* (長郡雲龍實驗學校(二標))	Zhuzhou Economic Development Group	Municipal work construction	Education institution construction	The former campus of Central South University of Forestry and Technology, Xiangzhang Community, Xuelin Street Office, Zhuzhou Yunlong Demonstration District* (株洲雲龍示範區學林街道辦事處香樟社區原中南林業科技大學株洲校址內)	117,573	6.5
4.	Jindong Taozi Lake* (金東陶子湖)	Hunan Liling Underglaze Wucai City Development and Construction Co., Ltd.* (湖南醴陵釉下五彩城開發建設有限公司)	Civil building construction	Residential complex construction project	Junction of Fenghuang Avenue and Guoci Road, Liling City, Hunan Province* (湖南省醴陵市鳳凰大道與國瓷路交匯處)	115,848	6.4
5.	Sanya Summer Experience Plaza* (三亞夏日體驗廣場) (9822)	Customer E	Foundation works	Piling and earthwork	Northeast Junction of Yuxin Road and Yuxiu Road, Sanya City, Hainan Province* (海南省三亞市育新路與育秀路交匯處東北側)	73,394	4.0
6.	Chunteng Mansion* (春藤公館) (8741)	Zhongtian Holdings Group	Civil building construction	Residential complex construction project	Junction of Huangshan West Road and West Loop Ring Road, Tianyuan District, Zhuzhou* (株洲市天元區黃山西路與西環綫輔道交界處)	63,701	3.5

Ranking	Project name and project code	Customer	Project type	Description of works	Location of project	Amount of revenue recognised for the year	% of total revenue for the year
						RMB'000	
7.	Sanya City Third Ring Road* (三亞市三環路) (9816)	Sanya Transportation Bureau* (三亞市交通運輸局)	Municipal work construction	Urban roads construction	West from Yuxin Road (junction of the Penang River Express Ring Road), East from junction of the Lizhigou Express Ring Road, along Xiabaopo Village, Hakka Village and Baopo Village, Sanya City North, Hainan Province* (海南省三亞市市區北側，西起育新路(環城高速檳榔河連接處)東至環城高速荔枝溝出口路，沿途經過下抱坡村、客家村、抱坡村等鄉鎮)	57,589	3.2
8.	Langting Lanjiang Main Structure* (朗廷•覽江) (8208)	Langting Real Estate	Civil building construction	Residential complex construction project	Junction of Changjiang North Road and Lushan Road, Tianyuan District, Zhuzhou* (株洲市天元區長江北路與盧山路交匯處側)	56,650	3.1
9.	Vehicle Plant Living Zone Renovation* (車輛廠生活區改造) (8272)	Zhuzhou Hetang District Housing and Urban Rural Development Bureau* (株洲市荷塘區住房和城鄉建設局)	Civil building construction	Residential complex construction project	Living area of Zhuzhou Vehicle Factory, Hetang District, Zhuzhou* (株洲市荷塘區株洲車輛廠生活區紅綫範圍內)	50,333	2.8
10.	Zhongtian Hangxiao Steel Structure Prefabricated Building Base Phase I R&D Building* (中天杭蕭鋼構裝配式建築基地(一期)科研樓) (8285)	Zhongtian Holdings Group	Prefabricated steel structure construction works	Factory premise construction project	Jinshan Science and Technology Industrial Park, Hetang District, Zhuzhou* (株洲市荷塘區金山科技工業園)	42,329	2.3
FY2020							
1.	Hainan Lixun Meilun Science and Technology Park* (海南力迅美倫科創園) (9828)	Customer P	Civil building construction	Complex building construction project	32 kilometres from Haiyu West Line, Bailian Town, Chengmai County, Hainan Province* (海南省澄邁縣百蓮鎮海渝西綫32公里處)	220,517	12.5
2.	Chunteng Mansion* (春藤公館) (8741)	Zhongtian Holdings Group	Civil building construction	Residential complex construction project	Junction of Huangshan West Road and West Loop Ring Road, Tianyuan District, Zhuzhou* (株洲市天元區黃山西路與西環綫輔道交界處)	89,687	5.1

Ranking	Project name and project code	Customer	Project type	Description of works	Location of project	Amount of revenue recognised for the year	% of total revenue for the year
						RMB'000	
3.	Langting Lanjiang Main Structure* (朗廷•覽江) (8208)	Langting Real Estate	Civil building construction	Residential complex construction project	Junction of Changjiang North Road and Lushan Road, Tianyuan District, Zhuzhou* (株洲市天元區長江北路與盧山路交匯處側)	74,866	4.2
4.	Dongfang Xin'an Homeland (Phase II)* (東方市新安家園(二期)) (8773)	Oriental Shouchuang Xingda Investment Co., Ltd.* (東方首創興達投資有限公司)	Civil building construction	Social housing construction project	South side of Dongfeng Road, Dongfang City, Hainan Province* (海南省東方市東風路南側)	57,474	3.2
5.	Zhongtian Lutai* (中天•麓台) (8337)	Zhongtian Holdings Group	Prefabricated steel structure construction	Residential complex construction project	South of Yandi Avenue, North of Yanziling Road, East of Liyu Road, West of Lihe Road, Tianyuan District, Zhuzhou* (株洲市天元區炎帝大道以南，燕子嶺路以北，栗雨路以東，栗合路以西)	57,425	3.2
6.	Tongdao County Sports Stadium* (通道縣體育館) (8655)	Customer U	Municipal works construction	Sports stadium construction project	Tongdao Dong Autonomous County, Hunan Province* (湖南省通道侗族自治區)	49,680	2.8
7.	Chunteng Village Third Phase Earthwork* (春藤三期土石方) (8399)	Zhongtian Holdings Group	Foundation works	Earthwork	Yandi Avenue North, Wuguang New City, Tianyuan District, Zhuzhou* (株洲市天元區武廣新城炎帝大道北側)	47,583	2.7
8.	Shui Zhu Jiayuan* (水竹佳苑) (8378)	Customer W	Civil building construction	Residential complex construction project	Junction of Shuizhu Road and Guihua Road, Hetang District, Zhuzhou* (株洲市荷塘區水竹路與桂花路交匯處)	45,643	2.6
9.	Zhuzhou Zhongmei Hospital* (株洲中美醫院) (8222)	Customer Q	Civil building construction	Public facilities construction project	Junction of Hetang Avenue and Yantong Road, Zhuzhou City, Hunan Province* (湖南省株洲市荷塘大道與燕塘路交滙處)	44,674	2.5
10.	Panlong Yulan Valley* (磐龍玉蘭谷)	Zhuzhou Economic Development Group	Civil building construction	Residential complex construction project	Side of Yunlong Avenue West, Yunlong Demonstration Zone, Zhuzhou* (株洲雲龍示範區雲龍大道西側)	38,334	2.2

Ranking	Project name and project code	Customer	Project type	Description of works	Location of project	Amount of revenue recognised for the year	% of total revenue for the year
						RMB'000	
FY2021							
1.	Zhongtian Lutai* (中天•麓台) (8337)	Zhongtian Holdings Group	Prefabricated steel structure construction	Residential complex construction project	South of Yandi Avenue, North of Yanziling Road, East of Liyu Road, West of Lihe Road, Tianyuan District, Zhuzhou* (株洲市天元區炎帝大道以南，燕子嶺路以北，栗雨路以東，栗合路以西)	286,609	15.7
2.	Hainan Lixun Meilun Science and Technology Park* (海南力迅美倫科創園) (9828)	Customer P	Civil building construction	Complex building construction project	32 kilometres from Haiyu West Line, Bailian Town, Chengmai County, Hainan Province* (海南省澄邁縣百蓮鎮海渝西綫32公里處)	133,130	7.3
3.	Chaling County People's Hospital Phase II* (茶陵縣人民醫院(二期)) (8938)	Chaling County People's Hospital* (茶陵縣人民醫院)	Civil building construction	Public facilities construction	Chaling County People's Hospital, Zhuzhou City* (株洲市茶陵縣人民醫院院內)	120,461	6.6
4.	Zhongyuan Guosheng Plaza Phase II* (中源國盛廣場(二期)) (9839)	Customer M	Civil building construction	Commercial building construction project	North of Nada Guosheng Road, Danzhou City, Hainan Province* (海南省儋州市那大國盛路北側)	68,353	3.7
5.	Liuyang Jiangwan School (Phase I)* (瀏陽江灣學校(一期))	Customer N	Municipal works construction	Public facilities construction projects	Tonghui Village and Xiejia Village, Chunkou Town, Liuyang City, Changsha* (長沙瀏陽市淳口鎮同輝村、謝家村)	60,991	3.3
6.	Zhongyuan Guosheng Plaza Phase I* (中源國盛廣場(一期)) (9833)	Customer M	Civil building construction	Commercial building construction project	North of Nada Guosheng Road, Danzhou City, Hainan Province* (海南省儋州市那大國盛路北側)	60,550	3.3
7.	Jincheng International School* (金城國際學校) (9830)	Zhuzhou Jincheng Investment Holding Group Co., Ltd.* (株洲金城投資控股集團有限公司)	Municipal works construction	Education Institution construction	South of Jinjing Road, West of Jinquan Road, North of Jinlong East Road, Hetang District, Zhuzhou City* (株洲市荷塘區金精路以南、金泉路以西、金龍東路以北)	57,779	3.2
8.	Langting Lanjiang Main Structure* (朗廷•覽江) (8208)	Langting Real Estate	Civil building construction	Residential complex construction project	Junction of Changjiang North Road and Lushan Road, Tianyuan District, Zhuzhou* (株洲市天元區長江北路與盧山路交匯處側)	56,880	3.1

Ranking	Project name and project code	Customer	Project type	Description of works	Location of project	Amount of revenue recognised for the year	% of total revenue for the year
						RMB'000	
9.	Amusement and Intelligent Equipment R&D and Production Base Construction (Phase I)* (遊樂和智能裝備研發生產基地建設一期) (8888)	Customer Group C	Civil building construction	Factory premise construction project	Rail Transit City, Shifeng District, Zhuzhou City* (株洲市石峰區軌道交通城)	56,205	3.1
10.	Fengxi Region Water, Electricity, Road, Land Levelling and Ancillary Works* (楓溪片區地塊三通一平及附屬工程) (8313)	Customer F	Civil building construction	Public facilities construction	Lusong District, Zhuzhou City* (株洲市蘆淞區)	45,437	2.5

Ranking	Project name and project code	Customer	Project type	Description of works	Location of project	Amount of revenue recognised for the period	% of total revenue for the period
						RMB'000	
3Q2022							
1	Zhongtian Lutai* (中天•麓台) (8337)	Zhongtian Holdings Group	Prefabricated steel structure construction	Residential complex construction	South of Yandi Avenue, North of Yanziling Road, East of Liyu Road, West of Lihe Road, Tianyuan District, Zhuzhou* (株洲市天元區炎帝大道以南，燕子嶺路以北，栗雨路以東，栗合路以西)	170,677	12.5
2	Kairuisi Project Phase I* (凱睿思(一期)項目) (8997)	Hunan Kairuisi New Material Technology Co., Ltd.* (湖南凱睿思新材料科技有限公司)	Civil building construction	Factory premise construction	East of Jinyue Road, West of Dashi Bridge, Xinma Industrial Park, Tianyuan District, Zhuzhou City* (株洲市天元區新馬工業園金月路以東、大石橋以西)	82,781	6.1
3	Zhongyuan Guosheng Plaza Phase I* (中源國盛廣場(一期)) (9833)	Customer M	Civil building construction	Commercial building construction	North of Nada Guosheng Road, Danzhou City, Hainan Province* (海南省儋州市那大國盛路北側)	68,346	5.0

Ranking	Project name and project code	Customer	Project type	Description of works	Location of project	Amount of revenue recognised for the period	% of total revenue for the period
						RMB'000	
4	Xupu County Chengbei School Supporting Facilities Construction Project* (漵浦縣城北學校配套設施建設工程)(漵浦001)	Xupu County Urban Construction Investment Co., Ltd.* (漵浦縣城市建設投資有限公司)	Municipal works construction	Public facilities construction	Surrounding of Chengbei School, Xupu County* (漵浦縣城北學校周邊)	67,832	5.0
5	Zhongyuan Guosheng Plaza Phase II* (中源國盛廣場(二期)) (9839)	Customer M	Civil building construction	Commercial building construction	North of Nada Guosheng Road, Danzhou City, Hainan Province* (海南省儋州市那大國盛路北側)	67,782	5.0
6	Jincheng International School* (金城國際學校) (9830)	Zhuzhou Jincheng Investment Holding Group Co., Ltd.* (株洲金城投資控股集團有限公司)	Municipal works construction	Public facilities construction	South from Jinjing Road, West of Jinquan Road, North of Jinlong East Road, Hetang District, Zhuzhou City* (株洲市荷塘區金精路以南、金泉路以西、金龍東路以北)	61,669	4.5
7	Sanya City Third Ring Road* (三亞市三環路) (9816)	Sanya Transportation Bureau* (三亞市交通運輸局)	Municipal works construction	Urban roads construction	West of Yuxin Road (junction of the Penang River Express Ring Road), East of junction of the Lizhigou Express Ring Road, along Xiabaopo Village, Hakka Village and Baopo Village, Sanya City North, Hainan Province* (海南省三亞市市 區北側,西起育新路(環城高速檳榔河連接 處)東至環城高速荔枝溝出口路，沿途經過 下抱坡村、客家村、抱坡村等鄉鎮	58,202	4.3
8	Hainan Lixun Meilun Science and Technology Park* (海南力迅美倫科創園) (9828)	Customer P	Civil building construction	Complex building construction	32 kilometres from Haiyu West Line, Bailian Town, Chengmai County, Hainan Province* (海南省澄邁縣百蓮鎮海渝西綫32公里處)	56,646	4.1
9	Independent Entrepreneurial Park Block H Plant* (自主創業園H地塊廠房) (8288)	Customer Y	Civil building construction	Factory premise construction	Phase I of Independent Entrepreneurial Park, Tianyi Science and Technology City, Zhuzhou City* (株洲市天易科技城自主創業園一期地塊)	49,179	3.6
10	Tower 20 Laiyin Village* (萊茵小鎮20棟) (9829)	Zhongtian Holdings Group	Civil building construction	Residential complex construction	849 Hongqi North Road, Zhuzhou City* (株洲市紅旗北路849號)	46,720	3.4

Backlog and New Contract Value

Backlog represents an estimate of the remaining contract value of our construction projects as at a certain date. For details, please refer to the section headed "Risk Factors — Risks relating to our business — Backlog may not be indicative of our future results of operations." in this prospectus. New contract value represents the aggregate contract sum (excluded VAT) of construction projects undertaken by us during a specified period. The following table sets forth the movement in contract value of backlog of our construction projects by business segments during the Tack Record Period:

	Civil building construction	Municipal works construction	Foundation works	Prefabricated steel structure construction works	Other specialised contracting works *(Note 1)*	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
FY2019						
Opening contract value of backlog	1,135,156	813,588	56,068	17,243	38,083	2,060,138
Add: new construction projects contracted	441,338	529,323	110,671	56,706	1,527	1,139,565
Add: adjustment/variation orders	165,581	48,111	19,295	9,326	10,200	252,513
Less: revenue recognised	888,497	669,011	146,162	62,650	49,666	1,815,986
Ending contract value of backlog *(Note 2)*	853,578	722,011	39,872	20,625	144	1,636,230
FY2020						
Opening contract value of backlog	853,578	722,011	39,872	20,625	144	1,636,230
Add: new construction projects contracted	1,201,803	321,895	131,954	670,550	30,354	2,356,556
Add: adjustment/variation orders	228,962	56,091	2,795	18,662	3,686	310,196
Less: revenue recognised	1,031,904	485,033	120,067	106,345	17,857	1,761,206
Ending contract value of backlog *(Note 2)*	1,252,439	614,964	54,554	603,492	16,327	2,541,776
FY2021						
Opening contract value of backlog	1,252,439	614,964	54,554	603,492	16,327	2,541,776
Add: new construction projects contracted	925,233	164,605	80,471	42,257	12,591	1,225,157
Add/(less): adjustment/variation orders	101,966	60,207	7,763	2,420	3,638	175,994
Less: revenue recognised	885,259	427,745	114,195	369,761	17,170	1,814,130
Ending contract value of backlog *(Note 2)*	1,394,379	412,031	28,593	278,408	15,386	2,128,797
3Q2022						
Opening contract value of backlog	1,394,379	412,031	28,593	278,408	15,386	2,128,797
Add: new construction projects contracted	1,393,562	208,603	—	7,524	20,705	1,630,394
Add/(less): adjustment/variation orders	237,960	98,111	5,423	20,420	3,683	365,597
Less: revenue recognised	670,050	461,373	22,455	202,563	3,796	1,360,237
Ending contract value of backlog *(Note 2)*	2,355,851	257,372	11,561	103,789	35,978	2,764,551
After Track Record Period and up to the Latest Practicable Date						
Opening contract value of backlog	2,355,851	257,372	11,561	103,789	35,978	2,764,551
Add: new construction projects contracted	136,632	222,207	—	80,062	—	438,901
Add/(less): adjustment/variation orders	92,423	158,709	738	336	176	252,382
Less: revenue recognised	217,116	343,601	4,533	58,948	6,522	630,720
Ending contract value of backlog *(Note 2)*	2,367,790	294,687	7,766	125,239	29,632	2,825,114

Notes:

1. Our other specialised contracting works mainly include building renovation and decoration works.

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.

Our Liquidity Position

Our Directors are of the view that, in order to undertake more large-scale projects, it is essential and crucial for us to carefully and prudently maintain a strong liquidity position at all times to ensure our smooth business operations and to be able to devote sufficient resources in the implementation of our business plans.

We recorded net cash from operating activities of approximately RMB96.1 million, RMB42.5 million and RMB31.6 million for FY2019, FY2020 and FY2021, respectively. We recorded net cash used in operating activities of approximately RMB26.0 million for 3Q2022. The level of our bank balances and cash went through a typical rise and fall cycle each year as affected by the intake of new projects and the progress of on-going projects. As at 30 September 2022, we had cash and cash equivalents of approximately RMB127.0 million.

Cash requires for our current operation scale

Our Group's cash and cash equivalents is generally required to be utilised in the following ways: (i) to satisfy needs of working capital for the daily operations under our Group's current operation scale; and (ii) to fund part of the upfront expenditures of our construction projects from time to time.

(i) Needs of working capital for daily operations

In line with the PRC construction industry, our Group requires a substantial amount of working capital to run our daily operations and satisfy our payment obligations from time to time, including payments to our suppliers, subcontractors, direct labour and staff.

To ensure we have sufficient funding for our operations and we are able to meet our payment obligations from time to time, our Group targets to maintain at all times a reasonable level of working capital for our daily operations, which is generally not less than the aggregate sum of (a) the payment to our Group's suppliers in respect of the material costs; (b) the payment to our Group's subcontractors in respect of the subcontracting costs; and (c) the payment of our Group's direct labour and other staff costs for at least two months. Based on our current operation scale, it is estimated that our working capital needs generally amount to not less than approximately RMB100 million by month.

It is crucial for our Group to meet our payment obligations in a timely manner. Delayed payments to any of our suppliers, subcontractors and/or direct labour and staff may have negative impact on our project progress and as such may affect our project delivery schedule. All of the above could have an adverse impact on our Group's reputation in the PRC construction services industry and hinder our business development.

(ii) Funding part of the upfront expenditures at the initial stage of our new projects undertaken from time to time

In line with the industry practice according to the F&S Report, our Group generally has a net cash outflow at the initial stage of our new projects. Depending on the nature, size, duration, scope, specification and complexity of the projects to be undertaken, our Group generally has to incur significant upfront expenditures such as payment for raw material costs, labour costs, subcontracting costs and insurance costs during the initial stages of our projects before reaching the prescribed milestones so that we are entitled to bill our customer. With reference to projects undertaken during the Track Record Period and according to the F&S Report, it is estimated that an average upfront expenditure equivalent to approximately 20% of the total contract value would be required.

We generally experience a net cash outflow at the initial stages of our projects primarily due to the difference in timing between our upfront expenditure payments at the initial stages of our projects and our receipt of progress payments from our customers upon reaching prescribed milestones or completion of our construction works. Generally, we are entitled to bill our customers according to value of work performed after the commencement of the construction works, ranging from 70% to 85% of the total value of the work performed as stipulated in the relevant construction contract (with exceptions as stated in the paragraph headed "Our business operations — Operating process — Project implementation phase — Progress billing to customers" in this section) and credit terms of up to three months are usually granted to our customers. In addition, such work progress shall be reviewed, inspected and certified by relevant professional parties engaged by our customers, which may cause further delay of receiving the first progress payment from our customers. The difference between the credit terms granted to our customers and those granted by our suppliers and subcontractors, coupled with the time required for assessing our completion progress by our customers and for making payment application as mentioned above, would result in net cash outflow. Accordingly, our Group's working capital is generally tied up until we receive substantial progress payments from our customers and we generally have to fund our upfront expenditures by utilising our internal resources.

In light of the above, it is imperative for our Group to adopt a prudent financial management strategy and to strive to maintain a robust liquidity position and a reasonable level of working capital buffer to support our current operation scale and anticipated business expansion. Further, it is also essential for our Group to maintain a healthy buffer at all times to maintain our Group's reputation in the PRC construction services industry, so as to allow our Group to capture potential business opportunities from time to time.

No third party payment

Save for the expenditure and project cost paid by our employees as reimbursement which is incidental to our ordinary course of business, our revenue and expenses were genuinely and directly settled by our customers or us, respectively, and not by or via any other third parties, including any connected person or related party of our Group during the Track Record Period. Where payment was made by our shareholders as our employees, the amounts are recorded as amounts due to related parties on the combined statements of financial position of our Group.

Contracting Models

Our construction contracting business mainly includes the following models:

- ***PC model***: under this model, we are responsible for the procurement of general equipment and materials for construction. In addition, we are in charge of the execution of the construction plan in accordance with the design plan and schedule provided by the project owner.

- ***EPC model***: under this model, depending on the terms of the contract, we cooperate with third party design institute before the construction begins and throughout the EPC projects to provide contracting services for either the entire project or for certain stages in the project including survey, design, procurement, construction, testing and commissioning of an engineering project, or any combination of the above. We are responsible to the project owner for the construction quality, safety and timely delivery and cost of the project.

- ***Specialised subcontracting model***: under this approach, the general contractor or project owner directly subcontract a portion of the project that requires specialised qualifications.

The following table sets forth a breakdown of our revenue from construction contracts by construction contracting business models for the periods indicated:

	FY2019		FY2020		FY2021		3Q2021		3Q2022	
	Revenue	% of total revenue	Revenue	% of total revenue	Revenue	% of total revenue	Revenue	% of total revenue	Revenue	% of total revenue
	RMB'000		*RMB'000*		*RMB'000*		*RMB'000* (unaudited)		*RMB'000*	
PC model	1,634,568	90.1	1,565,974	88.9	1,285,054	70.8	929,097	70.4	994,282	73.1
EPC model	139,369	7.7	188,444	10.7	517,079	28.5	380,667	28.9	356,451	26.2
Specialised subcontracting model	42,049	2.2	6,788	0.4	11,997	0.7	9,110	0.7	9,504	0.7
Total revenue from construction contracts	1,815,986	100	1,761,206	100	1,814,130	100	1,318,874	100	1,360,237	100

As at 31 December 2019, 2020 and 2021 and 30 September 2022, the contract value of our on-going construction projects contracted under EPC model amounting to approximately RMB528.2 million, RMB1,443.8 million, RMB1,396.3 million and RMB1,529.9 million, respectively. The increase in contract value of construction projects under EPC model in FY2020 was due to the effectiveness of EPC model to optimise costs and resources throughout the construction projects and our Group was awarded with three new projects under the EPC model in FY2020, in particular the Zhongtian Lutai* (中天•麓台) project which has a total contract sum (excluding VAT) of approximately RMB611.1 million. Our growth in the contract amount of construction projects under the EPC model representing a CAGR of approximately 30.5% throughout the Track Record Period, which was in line with the industry trend of approximately 24.6% from 2022 to 2026. The increment was mainly due to Zhongtian Lutai* (中天•麓台) project that recognised approximately RMB286.6 million in FY2021 compared to RMB57.4 million in FY2020. However, our Company has no present plan to focus on EPC model instead of PC model in the near future.

Since November 2017, we have formed an alliance with Hangxiao Technology and Hunan Design Institute, a state-owned company established in the PRC to increase our chance to undertake projects under EPC model, by way of the entering into of the EPC Tripartite Framework Agreement. Summary of the material terms of our EPC Tripartite Framework Agreement with Hangxiao Technology and Hunan Design Institute regarding the joint development of prefabricated steel structure building system for residential properties under the EPC model is as follows:

Date of the EPC Tripartite Framework Agreement:	16 November 2017

Parties:	Hunan Design Institute, Hangxiao Technology and Zhongtian Construction. For details of Hangxiao Technology, please refer to the paragraph headed "Customers and suppliers — Overlapping of customers and suppliers" in this section and the section headed "History, Development and Reorganisation — Disposal of interests in Hangxiao Technology" in this prospectus.
Nature of the EPC Tripartite Framework Agreement:	Separate specific agreements will be entered into for each project.
Term of the EPC Tripartite Framework Agreement:	Effective since 16 November 2017 until the expiry of the licence to use a series of patents relating to "Steel Structural Residential System" (鋼結構住宅體系) held by Hangxiao Technology on 30 May 2027. The licence to use a series of patents relating to "Steel Structural Residential System" (鋼結構住宅體系) as owned by Hangxiao Steel Structure was initially granted by Hangxiao Steel Structure to Zhongtian Construction pursuant to a cooperation agreement between Hangxiao Steel Structure and Zhongtian Construction dated 31 May 2017, which was subsequently amended by an agreement entered into among Hangxiao Steel Structure, Hangxiao Technology and Zhongtian Construction on 21 March 2018 (together, the "**Patent Licence Agreements**"), where the party being licensed to use a series of patents relating to "Steel Structural Residential System" (鋼結構住宅體系) as owned by Hangxiao Steel Structure was amended from Zhongtian Construction to Hangxiao Technology, as the patents in relation to the Patent Licence Agreements mainly involve the technologies for the design and manufacture of steel structure which is more relevant to the principal business of Hangxiao Technology and the licence to use those patents were transferred to Hangxiao Technology at the time when it commenced the design and manufacture of steel structure business.

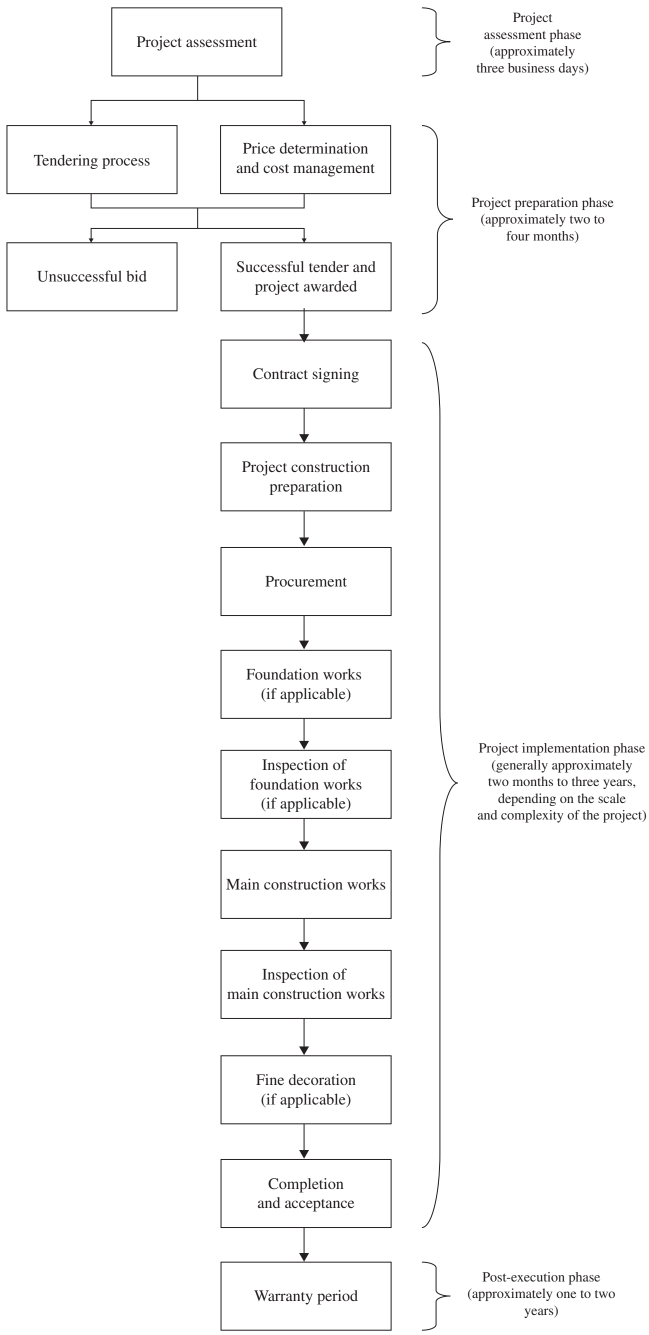
Scope of cooperation: The parties to the EPC Tripartite Framework Agreement will utilise their respective strengths to jointly develop prefabricated steel structure building system for residential properties under the EPC model, whereby Hunan Design Institute shall be responsible for providing engineering services, while Hangxiao Technology shall be responsible for provision of prefabricated steel structure products and Zhongtian Construction shall be responsible for the construction works.

Hangxiao Steel Structure, one of the shareholders of Hangxiao Technology who was responsible for providing technical know-how and expertise for the business operation and development of Hangxiao Technology, has granted a licence to Hangxiao Technology to use a series of patents relating to "Steel Structural Residential System" (鋼結構住宅體系) as owned by Hangxiao Steel Structure pursuant to the Patent License Agreements. We contemplated to enter into the cooperation agreement with Hunan Design Institute and Hangxiao Technology at the time of establishing Hangxiao Technology in September 2017 in order to jointly develop prefabricated steel structure building system for residential properties under the EPC model by way of leveraging the engineering and design qualification possessed by Hunan Design Institute to provide comprehensive design services, as well as utilising the licence to use a series of patents relating to "Steel Structural Residential System" (鋼結構住宅體系) as held by Hangxiao Technology to provide prefabricated steel structure products.

Since the formation of alliance, we have from time to time communicated with Hunan Design Institute and Hangxiao Technology to look for suitable projects under EPC model and submit tender for suitable projects as they see fit. During the Track Record Period, there were two projects operated under the EPC Tripartite Framework Agreement. We have continued to look for cooperation opportunities under the EPC Tripartite Framework Agreement and have successfully secured three more projects to be operated under the EPC Tripartite Framework Agreement after the Track Record Period and up to the Latest Practicable Date.

Operation Process

The following chart demonstrates the typical operation process of our business:



Project assessment phase

Our market operation department makes efforts to identify and explore business opportunities. Please refer to the paragraph headed "Sales and Marketing" in this section for further details of our sales and marketing activities. To prepare tender submission proposal for construction projects, we will collect public and available information of construction projects from the government and the internet.

An internal assessment will be conducted to determine whether to undertake the potential construction project, taking into account various factors including technical requirements, commercial terms, estimated costs, location, availability and capacity of our resources and customer background. Generally, we are required to complete the project assessment within three business days.

Project preparation phase

Awards of our construction projects by our customers are generally by way of public tender or invitation to tender. Pursuant to the Bidding Law of the People's Republic of China (中華人民共和國招標投標法) promulgated by the SCNPC on 30 August 1999 and amended on 27 December 2017, projects related to, among others, large-scale infrastructure, public utilities and other projects related to general public interests and public security must be awarded through tender. For details, please refer to the section headed "Regulatory Overview — Administration of tender and bid" in this prospectus. The project preparation phase detailed as follows typically takes approximately two to four months.

Tendering process

When we determine to pursue and bid for the potential construction projects, we are required to prepare the tender submission proposal in accordance with requirements set out in the tender document through conducting detailed project analysis. We will carry out a comprehensive review on the technical and machinery requirements, payment terms and scope of work of the construction projects, as well as a detailed risk assessment and analysis on the customer. We will include estimates of costs and the construction work required for different aspects of the project in the tender submission proposal. Our market operation department will finalise the tender submission proposal and submit the document before the tender submission deadline.

Various departments are involved in the tendering process. For example, our market operation department will conduct a market analysis on the tendering, our technical quality department will evaluate the construction plan, which our finance department will ensure we have sufficient funding for the project.

In FY2019, FY2020, FY2021 and 3Q2022, we submitted 114, 172, 102 and 180 tender documents, respectively, and the number of projects awarded to us were 32, 33, 26 and 20 respectively, and our tender success rates were approximately 28.1%, 19.2%, 25.5% and 11.1%, respectively. After the Track Record Period and up to the Latest Practicable Date, we submitted 112 tender documents, of which 17 projects were awarded to us and our tender success rate of the period was 15.2%. On a few occasions, we were engaged in several related projects and/or entered into multiple contracts with the same customer by way of one single tender. We believe that (i) the decrease in tender success rate from approximately 28.1% in FY2019 to approximately 19.2% in FY2020 was mainly because we were focusing on projects with larger contract sum in FY2020 compared to FY2019; (ii) the increase in tender success rate from approximately 19.2% in FY2020 to 25.5% in FY2021 was mainly because we are more selective in submitting tenders, and focus on quality instead of quantity of the tender proposals; and (iii) the decrease in tender success rate in 3Q2022 was due to our focus on projects with larger contract sum, which are usually subject to keener competition, in 3Q2022 compared to 3Q2021.

Price determination and costs management

We determine the price quote for the tender process based on a number of factors, including the costs of raw materials, cost of machinery and equipment, subcontracting costs, labour costs, complexity of the construction and a mark-up.

Our construction contracts will be either on a fixed-unit-price or fixed-total-price basis. Our fixed-total-price contracts quote a fixed total contract value, which may include a price adjustment mechanism. Such price adjustment mechanism generally allows adjustment of price in the event that: (i) we experience major raw material price fluctuations of 3% to 5%; (ii) we are required to provide additional services; (iii) certain force majeure events occur; or (iv) policy adjustments take place. Our fixed-unit-price contracts contain fees to be determined by a unit price and actual amount of work performed. The total settlement price may be fixed or adjustable by negotiation with reference to a government-published price and market price.

We are exposed to cost fluctuations as a main contractor. In order to control our price risk, fixed-unit-price contracts, where the total price is adjustable, are preferred. We will accept and enter into fixed-total-price contracts if the scale of construction project is small or as requested by our customers. In this situation, we will try to negotiate to include a price adjustment mechanism in our fixed-total-price contracts.

The cost and mark-up for the projects, regardless of pricing basis adopted, would be taken into account when determining our price quote for the tender process for all projects. For projects under fixed-total-price basis, on top of the price adjustment mechanism, we will also negotiate with customer for a variation order for any additional work which does not fall within the scope of original contract to mitigate our price risk.

Based on the above, we consider that there is no material difference in terms of gross profit margins for projects adopting different pricing basis.

Project Implementation Phase

Contract Signing

For each of the construction project, we will enter into a construction contract with customer. The principal terms of construction contract typically include: (i) contract term; (ii) pricing and price adjustment; (iii) payment term; (iv) performance guarantee; (v) project delays and damages; (vi) subcontracting; (vii) breach of contract; (viii) compensation; and (ix) early termination. During the Track Record Period, other than the EPC Tripartite Framework Agreement, we did not have any other material long-term strategic cooperation agreement with our customers.

The following sets forth a summary of the principal terms of our typical construction contracts:

Contract term	:	Typically two months to three years, and depending on the scale and complexity of the construction project, the projects may extend beyond three years.
Pricing and price adjustment	:	Usually on a fixed-total-price basis or fixed-unit-price basis (i.e. final contract sum to be determined based on agreed unit rates and measurement of quantities of work done as well as the price adjustment mechanism provided in the contract). Fixed-unit price contracts contain fees to be determined by a unit price and actual work performed, and the final settlement price may be fixed or adjustable by negotiation with reference to a government-published price.

If during the course of the project there is any material change in the scope of work (such as the work quantity, change in the timetable of the project or additional work is required as agreed by both parties), or in the cost of certain raw materials or labour costs, the price may be adjusted according to the schedule of rates which form part of the contract or a pre-determined formula based on the unit prices of the main raw materials and government price indexes where applicable. Supplemental agreements will be entered into between us and our customers to document the price adjustments.

Payment term : During the project implementation phase, unless there are specific milestones stipulated in the relevant contracts, the progress billable amount is based on a progress billable percentage, generally ranging from 70% to 85%, of the total value of the work performed, as stipulated in the relevant construction contract (with exceptions as stated in the paragraph headed "Our business operations — Operating process — Project implementation phase — Progress billing to customers" in this section) .

If specific milestones are stipulated in the contracts, generally speaking, we are able to start billing at an agreed percentage, generally ranging from 70% to 85%, of the total value of work performed upon achieving the relevant milestone (with exceptions as stated in the paragraph headed "Our business operations — Operating process — Project implementation phase — Progress billing to customers" in this section) . The billable percentages may vary upon reaching different milestones and typical milestones stipulated in construction contracts include (i) the completion of the foundation works and/or the basement of the buildings; (ii) the completion of the main structure and/or the roofing of the buildings; and (iii) the removal of exterior frames of the buildings.

The total amount we are entitled to make billing to our customers (on an accumulative basis) is generally up to 95% to 97% of the final settlement value after the completion and acceptance (including the settlement audit).

Usually retention money of 3% to 5% of the final settlement value will be retained by our customers for a warranty period of one year to two years after the completion and acceptance of the project. The retention money is usually paid by our customers to us in instalments during the warranty period or paid in full after the warranty period.

Subject to negotiation with our customers on a case-by-case basis, our Group may negotiate for an advance payment arrangement with our customer, under which our Group is given an advance payment which amounts to 10% to 30% of the contract value, payable by our customer upon entering into of the construction contract.

Performance guarantee : We may be required to pay performance guarantee in the form of a letter of guarantee or deposit of not exceeding 10% of the contract value or a specified amount stipulated in the construction contracting contract.

Customers are entitled to deduct or require the issuing bank to pay upon receiving a confirmation from the issuing bank if we fail to fulfil our obligations regarding project quality, project schedule and safety management set forth in the construction contracting contract.

The amount of performance deposits as at 31 December 2019, 2020 and 2021 and 30 September 2022 and the Latest Practicable Date was approximately RMB27.4 million, RMB25.5 million, RMB19.0 million, RMB14.7 million and RMB14.0 million, respectively. The amount of performance bonds issued by our bank(s) as at 31 December 2019, 2020 and 2021 and 30 September 2022 and the Latest Practicable Date was approximately RMB20.5 million, RMB12.5 million, nil, RMB2.5 million and RMB2.5 million, respectively.

Project delays and damages	:	If the project is delayed due to the customer's fault (e.g. providing the wrong blueprint, altering the scope of work, or causing delay in providing materials etc.), we are normally entitled to extend the construction period and/or increasing our fees. However, if the project is delayed due to other factors (e.g. delay due to occurrence of force majeure events), we are normally required to report to the customer and make arrangements to minimise the loss. In addition, we are usually entitled to an extension of time for completion of the contract works in such cases. The party that causes a delay in the project will be liable to pay liquidated damages as stipulated under the contract.
Subcontracting	:	Depending on the scale and complexity of each project, we may be allowed to engage subcontractors to provide some of the specialised construction services required. Generally, we are required to inform and obtain approval from customers before we engage subcontractors. For details, please refer to the paragraph headed "Subcontracting" in this section.
Breach of Contract	:	Usually, customers will be deemed to have breached the contract if they (i) fail to provide us with prior notice of commencement of construction works within the timeframe as specified in the construction contract; (ii) delay in making payments without our prior consent; (iii) alter the scope of work without any prior agreement; (iv) in the event that the construction is temporary stopped, fail to provide us with a reasonable notice of returning to work; (v) fail to provide the materials in the agreed qualities, quantities and/or formulations; and/or (vi) express explicitly or by action not performing principal obligations under the contract. Usually, we will be deemed to have breached the contract if we (i) fail to meet the agreed quality standard or fail to meet the inspection standard; (ii) cause delay in the construction works without any reasonable excuse; (iii) fail to meet the "Safe and civilised construction" standard under the PRC laws and regulations; and (iv) causing any accidents or quality incidents which incur losses to our customers or end users due to reasons attributable to us.

Compensation	:	Generally, the party in breach of contract is required to pay a fix amount of damages to the aggrieved party to compensate for its losses. In some cases, we may alternatively negotiate with our customers and enter into a separate agreement in relation to the compensation amount and settlement matters.
Bonus	:	For a limited number of projects, specific conditional bonus was stipulated in the contract, which can be broadly categorised into targeted award bonus and targeted project schedule bonus.
Early termination	:	Generally, it may be early terminated: (i) by mutual agreement between parties; (ii) by us in the event that the customer delays payment without prior agreement to extend the payment schedule, and such delays have not been rectified within the timeframe as specified in the construction contract; (iii) by the customer in the event that we subcontract the construction work in whole or in part without prior approval from the customer; (iv) by any party due to a breach by the other party which prevents the performance of the contract; or (v) upon the occurrence of a force majeure event. In such an event, the customer shall settle all outstanding payments including compensation to us, and all remaining construction works will cease and performance guarantee will be released.

Apart from pre-agreed bonus as discussed above, there might also be discretionary bonus granted to us by our customers which is not stipulated in the terms of the contracts. However, we did not receive any pre-agreed bonus nor discretionary bonus from our customers prior to and during the Track Record Period and up to the Latest Practicable Date as none of our project achieved the condition(s) as stipulated in the construction contracts. Accordingly, there is no pre-agreed bonus received from customers shared and awarded to any person-in-charge of the relevant construction projects.

Project Construction Preparation

Upon execution of the construction contract, we will establish a project management team with an assigned project manager. Members of our project management team normally include project manager, site manager, technical manager, quality manager and safety manager, project accountant, material manager and data officer. The project management team members will be responsible for the construction, inspection, safety, quality control, procurement of raw material, machinery and equipment, and other general administrative works related to the construction project. We will formulate a work plan for each construction project we undertake. Such plan would include setting management milestones, thereby dividing the project into various stages, which we would estimate the time required for the project and arrange to make plan for procurement of raw materials and equipment and manpower accordingly.

For projects adopting the EPC contracting models, we may cooperate with third-party design institutes to formulate the construction blueprint and design plan before the construction begins.

Depending on the scale and complexity of the construction project, we may arrange to engage third parties to provide labour services and certain specialised subcontracting services. Please refer to the paragraph headed "Raw Materials, Machinery and Equipment and Suppliers — Subcontracting" in this section for further details.

Procurement

Our work safety, procurement and subcontracting department and cost and contract department are responsible for procuring the raw materials and equipment required under our construction projects. For details of our procurement from suppliers, please refer to the paragraph headed "Raw Materials, Machinery and Equipment and Suppliers — Suppliers" in this section.

Progress billing to customers

Generally, according to the construction contracts entered into between our Group and the customers, we are entitled to bill the customers based on the following:

(i) During the project implementation phase, unless there are specific milestones stipulated in the relevant contracts, the progress billable amount is based on a progress billable percentage, generally ranging from 70% to 85%, of the total value of the work performed, as stipulated in the relevant construction contract.

(ii) If specific milestones are stipulated in the contracts, generally speaking, we are able to start billing at an agreed percentage, generally ranging from 70% to 85%, of the total value of work performed upon achieving the relevant milestone. The billable percentages may vary upon reaching different milestones and typical milestones stipulated in construction contracts include (i) the completion of the foundation works and/or the basement of the buildings; (ii) the completion of the main structure and/or the roofing of the buildings; and (iii) the removal of exterior frames of the buildings.

(iii) After the completion and acceptance (including the settlement audit), the total billing amount that we are entitled to make billing to our customers (on an accumulative basis) is generally up to 95% to 97% of the final settlement value (i.e. the finalised total value of work after the settlement audit). The remaining 3% to 5% will be retained by our customers as retention money for a warranty period which generally lasts for one year to two years after the completion and acceptance of the project.

It is the general case that the construction projects undertaken by our Group normally have a range of 70% to 85% progress billable percentage. According to the F&S Report, the percentage of performed work that can be billed to customers out of all work performed before settlement audit is comparable to those of our industry peers and our Group's billing process and the timing of billing were comparable to those of our industry peers on the basis that (i) payments for the construction services are generally made upon achieving key milestones set forth in the construction services contracts; and (ii) the industry peers are generally entitled to bill the customers 50% to 90% of the total amounts of the work performed during the performance of the construction works before the settlement audit.

According to Hunan Engineering Management Society, there will be different progress billable percentages for construction projects of different types and in different regions. When facing customers with strong bargaining power, such as large enterprises, state-owned enterprises or government-related customers and those involving in landmark projects, construction companies are generally willing to accept special payment terms (for example, little prepayment or with lower progress billable percentages) and agree to bear large upfront costs in a bid to participate in large-scale or landmark projects, which is common and reasonable in the construction industry in the PRC.

Thus, our Directors are of the view that the payment terms of our Group's projects were reasonable and in line with those adopted by our industry peers.

Further, according to the F&S Report, attributed to the potential benefits that a construction company can enjoy by undertaking such projects, it is common (i) for landmark projects to have relatively special payment terms (including little prepayment or with lower progress billable percentages); and (ii) for PRC construction companies, which have sufficient cashflow, experience, manpower and expertise, to undertake such projects.

Reasons that we accepted projects with special payment terms

There are certain occasions that may lead to our Group undertaking some projects with special payment terms with substantial upfront project cost to be incurred with little or no prepayment or progress payment from the customer in the early stage of the project or with lower progress billable percentages.

Since the shares of Zhongtian Construction became quoted on the NEEQ in 2017, the business of our Group has entered into a rapid development stage and we would like to attain further growth by gaining better reputation and more experience through undertaking more large-scale or landmark projects so as to enhance our bargaining power in the future.

Therefore, for some relatively large-scale public infrastructure projects or landmark building construction projects, we may undertake these projects even if the construction project stipulated some special payment terms (i.e. substantial upfront project cost to be incurred with little or no prepayment or progress payment from the customer in the early stage of the project or with lower progress billable percentages) after considering, among other things, (i) the benefit to our reputation and market position after undertaking the projects; (ii) the expected profitability to the project; and (iii) the impact to the financial and liquidity position of our Group. Below are some projects with special circumstances that our Group experienced special payment terms during the Track Record Period:

Special circumstances of Yueyang Wangjia River Improvement Work (岳陽王家河治理工程) project*

Yueyang Wangjia River Improvement Work* (岳陽王家河治理工程) project concerned a relatively large-scale public infrastructure with a total contract sum (exclude VAT) of approximately RMB61.0 million and we were being engaged before the Track Record Period more than ten years ago in 2012 where we were at an earlier stage of development. We are entitled to bill this customer for 40% of the total value of the work performed upon completion of the construction work before final settlement with the customer in accordance with the relevant construction contract. The contract assets for the Yueyang Wangjia River Improvement Work* (岳陽王家河治理工程) project was approximately RMB22.1 million and RMB6.2 million as at 31 December 2019 and 2020 respectively. Despite its prolonged billing schedule, our Group negotiated with the customer of Yueyang Wangjia River Improvement Work* (岳陽王家河治理工程) project, and received from it early payment of approximately RMB14.9 million up to 31 December 2017, representing approximately 24.4% of the contract sum. The overall project was profitable. The settlement audit was also completed on 9 February 2021 with no adjustment on the accumulated revenue recognised and 93.2% of the total settlement sum has been settled by this customer. Our Directors considered that as (i) this particular project brought favourable results to us by enriching our credentials in large-scale public infrastructure projects; and (ii) the prolonged billing schedule did not negatively affect our on-going business development and performance, it is reasonable to agree to incur such a substantial amount of contract costs with little prepayment before the first payment milestone from the customer.

The customer of Yueyang Wangjia River Improvement Work* (岳陽王家河治理工程) project is an Independent Third Party and the contract terms were determined after arms' length negotiation between our Group and this customer.

Special circumstances of Langting Lanjiang Main Structure (朗廷•覽江) project*

The Langting Lanjiang Main Structure* (朗廷•覽江) project is a project for the construction of a building with a total of 47 storeys and a height of 183.5 metres. It was considered as a landmark project and was recognised by the Zhuzhou Association of Construction Industry (株洲市建築業協會) in April 2020 as the tallest construction-in-progress building in Zhuzhou. For this project, we were entitled to make a series of progress billing upon reaching the agreed project milestones as stipulated in the construction contract. The first milestone of the project is the completion of 15 storeys of the main structure of the buildings including completing its foundation work. Only after reaching this milestone, we were entitled to bill 50% of the total value of work performed, while the progress billable percentage is lower than the general billing terms of 70 to 85% of the total value of work performed. However, we negotiated for and received an early payment of approximately RMB21.7 million, representing approximately 15.9% of the original contract sum, at the early stage of the project up to March 2019.

Since the shares of Zhongtian Construction became quoted on the NEEQ in 2017, our business entered a rapid development stage. Despite the special billing schedule, having considered that (i) Langting Lanjiang Main Structure* (朗廷•覽江) project as a landmark project which could greatly enhance our reputation and would be a precious opportunity for us to demonstrate our capability in order to attract more business opportunities in the future; (ii) the expected gross profit margin of the Langting Lanjiang Main Structure* (朗廷•覽江) project; (iii) our then cashflow position; and (iv) our increasing experience and capability to undertake this sizeable project, our Directors are of the view that it is in the interest of our Group to undertake the project in spite of its special billing terms.

In light of the above, our Directors considered that it is reasonable for a construction contractor to agree to incur such a substantial amount of contract costs before the first payment milestone given that (i) our Group received early payment of approximately RMB21.7 million, representing approximately 15.9% of the original contract sum; (ii) there is sufficient cashflow; and (iii) it is probable that such project will bring along abundant benefits to our Group.

Langting Real Estate (the customer of Langting Lanjiang Main Structure* (朗廷•覽江) project) is an Independent Third Party and the contract terms were determined after arms' length negotiation between our Group and Langting Real Estate.

As at the Latest Practicable Date, our total billing for Langting Lanjiang Main Structure* (朗廷•覽江) project amounted to approximately RMB283.9 million, representing 97% of accumulated value of work performed for this project.

Corporate governance measures for assessing future construction projects

To enhance corporate governance measures for assessing future construction projects and to ensure the financial impacts have been taken due consideration before undertaking projects with special payment terms (i.e. with substantial upfront project cost to be incurred with minimal or no prepayment or progress payment from the customer in the early stage of the project), we have adopted the following governance measures for assessing the payment terms of construction projects.

When there are potential construction projects with special payment terms or relatively high risk, a tender assessment committee comprising the persons-in-charge of the market operation department, cost and contract department, finance department, legal department, etc. of our Group will consider whether we should proceed with such project after weighing in various factors including, (i) whether the project is a landmark building or large-scale municipal projects that could enhance our profile and hence attract more business opportunities in the future; (ii) the creditability and the repayment ability of the customer; (iii) the potential impact of the project on the cashflow and financial position of our Group; (iv) estimated costs and profitability of the project; and (v) availability and capacity of our resources. We would only enter into such construction contracts only if it has obtained unanimous approval by the members of the tender assessment committee.

Accordingly, during the Track Record Period, as we incur material costs and subcontracting costs during the initial stage of some projects, we experience a net cash outflow before reaching the milestone that we were entitled to bill our customers. According to the F&S Report, it is common for construction contracts to include several prescribed milestones in the PRC construction industry and thus leading to main contractors usually has a net cash outflow at the initial stage of construction projects.

Project Construction and Ongoing Inspection

For building construction projects, the construction process typically involves (i) foundation works, (ii) main construction works, and/or (iii) fine decoration. Typically, the foundation works would include earthwork, pile foundation works, while main construction works would include formwork, reinforcement works, concrete works, masonry works, mechanical and electrical works and ancillary works. We have adopted project management and control procedures and carried out our construction works in accordance with such procedures.

For construction projects involving construction of urban roads which typically include roadbed drainage works, subgrade excavation, subgrade filling and subgrade completion, the construction process typically starts with roadbed construction, followed by road base construction, pavement construction, road accessory works and facilities. We have adopted project management and control procedures and carried out our construction works in accordance with such procedures.

Depending on the respective project duration, we generally formulate construction schedules and report the progress to customers on a monthly basis.

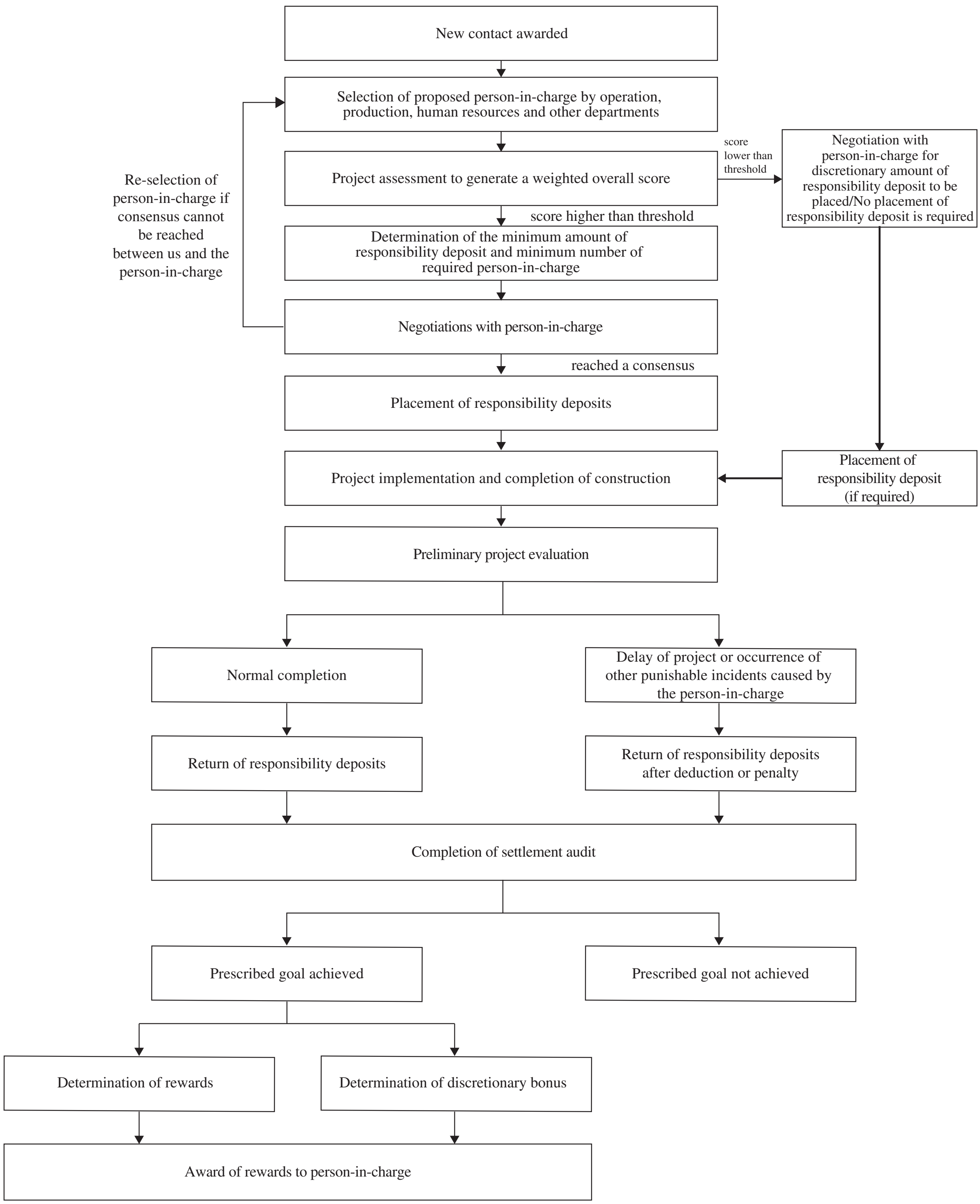
Save for the Dongfang Xin'an Homeland (Phase II)* (東方市新安家園(二期)) project and the Sanya City Third Ring Road* (三亞市三環路) project and the short-term delay of our construction projects as a result of the outbreak of COVID-19 as disclosed in the section headed "Summary — Recent development — The impact of the COVID-19 outbreak" in this prospectus, there is no material delay or material reduction in scale of our projects or cancellation of our significant projects during the Track Record Period and up to the Latest Practicable Date. For details of the delay of Dongfang Xin'an Homeland (Phase II)* (東方市新安家園(二期)) project and Sanya City Third Ring Road* (三亞市三環路) project, please refer to paragraph headed "Competitive Strengths — On-going construction projects" in this section.

Project Management

<u>Project management responsibility system</u>

Since the shares of Zhongtian Construction were quoted on the NEEQ in 2017, our business had been growing rapidly and the number of our construction projects had increased. In light of the growing business scale, to enhance the accountability of the persons-in-charge of the construction projects and in line with the industry practice, we had formally put in place a project management responsibility system for better monitoring of our construction projects with reference to the Predecessor Construction Project Management Code (approved by the MOHURD on 21 June 2006 with effect from 1 December 2006 and had been abolished since 31 December 2017) and the Construction Project Management Code (approved by the MOHURD on 4 May 2017 and effective on 1 January 2018 in replacement of the Predecessor Construction Project Management Code) since 2017.

The following chart demonstrates the typical operation flow of our project management responsibility system:



Project assessment

We assess each project individually in determining whether a project should be managed under the project management responsibility system. We adopt a scoring system taking into account the factors below and generate a weighted overall score for each project:

(i) **Technicality of the project** — We rely on the technical report prepared by our senior engineer with first class registered constructor qualification that is independent of the relevant construction project, which in general will highlight the technicality considerations (including scale, duration, features, specific technical requirements and difficulties) of the project and identify the concerned areas that need to be handled by the person(s)-in-charge. The technical report will also be reviewed by our another senior engineer and further confirmed by our general manager. The higher the technical requirement of a project, and the higher the risk exposed to us, therefore, the more likely that the project would be managed under the project management responsibility system.

(ii) **Competence of the person-in-charge** — our operation, production and human resources departments will jointly select suitable employee from the project management department, to take up the role of a person-in-charge. We will consider both the employee's project management experience in our Group and the employee's prior performance to determine his/her competence. For example, if the proposed person-in-charge is less experienced or has an average performance record, the project is more likely to be managed under the project management responsibility system.

(iii) **Other considerations** — our deputy general manager, who is the head of the market operation team, will also assess other commercial parameters of the project, including but not limited to, other special terms of the project and favourability of the payment schedule as stipulated in the construction contract.

The weighted overall score would be generated based on the above factors to determine (i) whether the project should be managed under the project management responsibility system; and (ii) the minimum amount of responsibility deposits and the minimum number of person(s)-in-charge we require for the project.

Negotiation with person(s)-in-charge

After project assessment, we would negotiate the amount of the responsibility deposits to be placed with each of the person(s)-in-charge, which should not be lower than the required minimum responsibility deposits level based on the corresponding weighted overall score. In any event, the total amount of responsibility deposits placed should be less than 10% of the contract sum of a project. In the case where such weighted overall score is less than a certain level, responsibility deposit is not strictly required for such project.

We would conduct commercial negotiation with the proposed person(s)-in-charge and allow him/her to decide whether he/she would participate in the responsibility deposit arrangement and the amount he/she is willing to place as responsibility deposits of that project. During the Track Record Period, the actual responsibility deposits placed by the relevant person(s)-in-charge was less than 6% with an average of 1.0% of the original contract sum of the relevant project.

If consensus could not be reached, we would go through the person-in-charge selection and the project assessment process again.

During the Track Record Period, depending on the availability and capacity of the person-in-charge, each person-in-charge may be responsible for more than one project and each project may have more than one person-in-charge.

Placement of responsibility deposits

Upon reaching consensus with the person-in-charge on the amount of responsibility deposits, we would negotiate the payment term of the responsibility deposits with the person-in-charge. During the Track Record Period, approximately 80.3% of the responsibility deposits placement were settled in full while the remaining 19.7% of the responsibility deposits placement were settled by installments generally within two years. As confirmed by the person(s)-in-charge, the responsibility deposit was settled by the financial resources of the person(s)-in-charge and their respective family without financing from our Group. Except for the salary, bonus and other fringe benefits paid to the person(s)-in-charge, we had not provided financing by any means to the person(s)-in-charge to settle the responsibility deposits.

Preliminary project evaluation and return of responsibility deposits

We maintain a logbook to evaluate the status of projects that are managed under the project management responsibility system, including whether the project can achieve the prescribed goals (which typically include profitability, project schedule, quality, safety, etc) and to calculate how much rewards to be awarded to or penalty to be deducted from the person(s)-in-charge. Generally, we will perform preliminary evaluation at the time of completion of the construction of the project. We consider that compliance with all relevant laws and regulations, including the environmental protection laws and regulations, are mandatory for all projects. Therefore, compliance with laws and regulations was not a prescribed goal under the project management responsibility system.

The responsibility deposits would be returned to the person(s)-in-charge of the construction project (subject to the deduction in accordance with the penalty mechanism in case of a delay of project schedule caused by the person(s)-in-charge or any quality or safety issue caused by the person(s)-in-charge) after the completion of the construction of the project regardless of whether the person-in-charge achieved the prescribed goals. During the Track Record Period, no punishable incident has occurred in any completed project managed under the project management responsibility system and no penalty was deducted from the responsibility deposits returned to the persons-in-charge.

In the case where a person-in-charge ceased to be our employee on his own accord before the project completion, the responsibility deposits will be returned subject to deduction for any damages caused by the person-in-charge upon our approval. The person-in-charge will not be entitled to any rewards arising from the relevant project. Meanwhile, if a person-in-charge was removed from a project due to our adjustment in management plan, the responsibility deposits will be returned to the person-in-charge in full, and he is entitled to share the rewards of the project (if any) with the substitute person(s)-in-charge.

Final project evaluation for determination and payment of reward

The final project evaluation is mainly based on the project profitability. As one of the prescribed goals, we would set a profitability goal in terms of a targeted profit margin for each of our projects (the "**Profit Margin Floor**"). A portion of actual profit margin exceeding the Profit Margin Floor will be awarded to the persons-in-charge in proportion to the amount of responsibility deposits they placed. In addition, after the completion of the project, we will evaluate the individual performance of each person-in-charge in that project based on objective parameters, including but not limited to, the level of construction quality, degree of project safety, job competence and project efficiency, to compute an individual performance-based ratio to each person-in-charge, thereby determining the final rewards to each person-in-charge. Discretionary bonus may also be granted to the persons-in-charge who have outstanding performance in the project.

The reward for each project is finalised and paid to the persons-in-charge only after the completion of the settlement audit and that the contract assets (other than the retention money) and trade receivables due from the customer for the respective project is received. Such timing of the reward payment is to ensure that the project revenue and costs up to the stage of settlement audit are taken into account (including bad debt, if any) in finalising the amount of reward to employees, and to ensure a fair reward mechanism for our Group and for all employees involved. Therefore, our Directors are of the view that it is reasonable (i) that no reward is granted by our

Group for projects that has completed construction but the settlement audits process has yet to be completed; and (ii) for our Group to take a few years to grant the relevant rewards to the respective persons-in-charge when those projects take a long time to complete settlement audit.

Project management responsibility system as industry practices

Our Directors considered, and the Sole Sponsor and F&S concur, that the project management responsibility system is common in the PRC on the following basis:

(i) the project management responsibility system was established with reference to the Predecessor Construction Project Management Code and the Construction Project Management Code, which sets forth, among other things, the general purpose and the major components of the project management responsibility system including framework requirement of responsibility letter and the respective reward and penalty mechanism for the industry practitioner's reference;

(ii) according to the interviews conducted with the ZHURD, the competent authority in respect of governing the Zhuzhou construction market as confirmed by the PRC Legal Advisers, the ZHURD agreed that it is common for construction companies in the PRC to adopt project management responsibility system in managing their construction projects and the retention of responsibility deposits from the persons-in-charge by the construction companies complies with the Construction Project Management Code;

(iii) based on public documents, there are three PRC construction companies listed in the PRC with similar construction nature as our Group, among which, two disclosed that they have project management responsibility system in place in their annual reports;

(iv) based on research conducted on the construction related listed companies in Hong Kong, there are four PRC construction companies listed in Hong Kong with over 75% of their revenue generated from construction contracting business and with similar construction nature as our Group, all of them disclosed in the in-depth interviews performed by F&S that they have project management responsibility system in place;

(v) Based on the in-depth interviews performed by F&S with the aforementioned three PRC construction companies listed in the PRC and four PRC construction companies listed in Hong Kong, all of them disclosed that they have project management responsibility system in place; and

(vi) According to Hunan Engineering Management Society, it is common for construction company to retain responsibility deposits from the responsible project(s)-in-charge to safeguard the performance of the project.

Moreover, according to F&S, based on (i) the interviews conducted with industry peers, including five major unlisted construction companies headquartered in Hunan Province and seven listed construction companies as stated above, (ii) publicly available documents issued by the industry peers, and (iii) their professional analysis on the data obtained, the amount and duration of the responsibility deposits, the amount of rewards of our project management responsibility system and the determination of rewards to the persons-in-charge, are generally in line with the industry benchmarks for the following reasons:

(a) the amount of responsibility deposits placed by the employees of our Group was less than 6% with an average of 1.0% of the contract sum of the relevant project, which is within the benchmark generally adopted by the industry peers, being less than 10% of the contract sum;

(b) the timing for return of responsibility deposits of our Group is similar to those of the industry peers which is after the completion of the construction and may take several years, and the relevant rewards of our Group will be paid after the completion of settlement audit and after the contract assets (other than retention money) and trade receivables is received;

(c) the actual rewards granted and the anticipated rewards to be granted by our Group for each person-in-charge for each project completed as at 30 September 2022 (including those that completed settlement audit and in settlement audit process) ranged from 0.4% to 64.6% of the responsibility deposits balance contributed by the corresponding person-in-charge as at 30 September 2022, and was within the range of industry peers that from 0.1% to up to 150%; and

(d) the determination of reward to person(s)-in-charge depends on the commercial judgment and decision of each company and may vary among the industry peers. Our determination of reward to the person(s)-in-charge under the project management responsibility system mainly based on the profitability of the projects is comparable with some industry peers.

The above analysis by F&S is also consistent with the view of (i) ZHURD, which is the competent authority in respect of governing the Zhuzhou construction market as advised by the legal advisers of our Company as to PRC laws, which confirmed the percentage of responsibility deposits placed by the person-in-charge of our Company is within the industry limit; and (ii)

Hunan Engineering Management Society, a social organisation formed by industry professionals and recognised by the Department of Civil Affairs of Hunan Province as "AAAA social organisation" in 2021, which is of the view that it is common for construction company to retain responsibility deposits of not more than 15 to 20% of the contract sum from the responsible project-in-charge or other project member for project management to safeguard the performance of the project. For details of Hunan Engineering Management Society, please refer to the section headed "Financial Information — Significant Factors Affecting our Financial Condition and Results of Operations — Billing progress and accounting treatments of our construction projects — Project implementation phase" in this prospectus.

Based on the above, the Sole Sponsor is of the view that the industry benchmarks are reasonable and our project management responsibility system, including the amount and duration of the responsibility deposits, the amounts of rewards granted by us and the determination of reward under the project management responsibility system is reasonable on the following basis:

(i) according to F&S, our Group's project management responsibility system, including the amount and duration of the responsibility deposits, the amount of rewards and the determination of reward to the person(s)-in-charge, are generally in line with the industry practice;

(ii) according to Hunan Engineering Management Society, it is common for construction company to retain deposits of not more than 15 to 20% of the contract sum from the responsible project-in-charge or other project management member to safeguard the performance of the project; and

(iii) based on the interviews conducted with our Directors and the person(s)-in-charge, there is commercial rationale for us to adopt and the employees to participate in the project management responsibility system and such arrangement is mutually beneficial to both parties.

Commercial rationale for our Group to adopt the project management responsibility system

The project management responsibility system is commercially justifiable from our perspective because:

(i) The project management responsibility system was established with reference to the Predecessor Construction Project Management Code and the Construction Project Management Code;

(ii) according to ZHURD, F&S and Hunan Engineering Management Society, the arrangement is in line with the industry practice;

(iii) it can provide quality assurance and performance security to us. The arrangement can align the interest of our employees to that of ours. When our employees are motivated to achieve the prescribed goals, we will benefit from better project performance in terms of quality and timeliness of works and accumulate reputation in the construction industry;

(iv) it can increase the awareness of occupational health and safety in the construction site. Construction sites are potentially dangerous workplaces and any equipment failure or, industrial accidents would cause personal injuries and fatalities. The arrangement can align the interest of the employees to that of ours thereby helping reduce the number of workplace injuries and fatalities by emphasising occupational safety during the construction process; and

(v) further to the above, coupled with the fact that we generally have to manage more than 100 on-going projects across multiple provinces at the same time with contract sum of the largest projects up to RMB600-700 million, it is desirable for us to manage the risk of certain projects by the project management responsibility system, in addition to our general quality control procedures.

Commercial rationale for the persons-in-charge to participate in the project management responsibility system

The project management responsibility system is common in the PRC construction industry and was established with reference to the Predecessor Construction Project Management Code and the Construction Project Management Code promoted by the PRC Government. Payment of responsibility deposits is a common job expectation for an employee to take up the role as the person(s)-in-charge of the respective construction projects in many construction companies in the PRC and such arrangement was in line with the industry practice.

It also served as an effective performance-based management tool designed for the construction enterprise to motivate persons-in-charge to achieve prescribed goals such that they could be rewarded with both monetary and non-monetary means.

For non-monetary means, participation in the project management responsibility system allows the person(s)-in-charge to have better opportunities and decide whether or not to take part in sizable or complex projects for their career development in the construction industry. Gaining the opportunity and experience to be in-charge of sizable and notable projects would polish their career profile and increase their chance of career advancement and in turn increase their bargaining power in the construction market. Therefore, the rewards and the rate of returns should not be taken as the sole or major consideration in determining the reasonableness for the persons-in-charge to participate in the project management responsibility system.

For monetary rewards, rewards of approximately RMB1.6 million were awarded to 52 persons-in-charge under the project management responsibility system during the Track Record Period. The per annum return for these 52 persons-in-charge as a percentage of the responsibility deposits placed for each of them ranged from approximately 0.1% to 16.1% with an average of approximately 3.6%. It may appear that these persons-in-charge during the Track Record Period did not receive very substantial returns in terms of their responsibility deposits placed, which is mainly due to the comparatively smaller project scale. During the Track Record Period, the aggregate and average contract sum of the completed projects having completed settlement audit and with rewards awarded to the person-in-charge amounted to approximately RMB1,991.2 million and RMB42.4 million, respectively, while the aggregate and average contract sum of on-going projects that are adopting project management responsibility system amounted to approximately RMB3,853.5 million and RMB116.8 million, respectively. Therefore, the average contract sum of these on-going projects is approximately 2.8 times as compared to the average contract sum of those completed projects. As the scale of on-going projects is larger, it is anticipated that the average potential rewards (in absolute amount) that the persons-in-charge is expected to receive for the on-going projects would be higher based on the higher absolute amounts of net profits for the distribution of rewards.

Applying the average of actual individual performance-based ratios during the Track Record Period, the anticipated average potential rewards based on budgeted net profits margin exceeding the Profit Margin Floor (calculated based on the total contract value of the project, the budgeted cost and the targeted margin floor) would be approximately 47.8% of the responsibility deposit placed, which is much higher than the actual amount of rewards awarded during the Track Record Period.

The participation in the project management responsibility system will not affect the person-in-charge's entitlement of remuneration, benefits and welfare as our employee. For details of the remuneration, benefits and welfare of our employees, please refer to paragraph headed "Employees — Remuneration" in this section.

It is also the person-in-charge's personal informed and voluntary decision to participate in the project management responsibility system after considering his/her personal capability, affordability, risk to be involved and anticipated return from the relevant project.

As confirmed by each of the persons-in-charge during the Track Record Period, (i) there is no relationship between them and the shareholders of ZT(A) to ZT(M) or between them and our suppliers/subcontractors; and (ii) save for the employment contract and the agreements or arrangements signed in relation to the projects they are in-charge, they did not enter into any other agreements or transactions with us.

During the Track Record Period and up to the Latest Practicable Date, we did not have any dispute with the persons-in-charge in relation to the project management responsibility system.

Financial analysis of the project management responsibility system

Responsibility deposits received

The following table sets forth the breakdown of ranges of responsibility deposits per project and per person-in-charge by bands and the range and average of responsibility deposits placed as at the dates indicated:

Range	Per project				Per person-in-charge			
	As at 31 December			As at 30 September	As at 31 December			As at 30 September
	2019	2020	2021	2022	2019	2020	2021	2022
Less than RMB400,000	43	20	19	12	41	45	49	37
RMB400,000 to RMB799,999	14	11	8	8	15	14	11	10
RMB800,000 or above	14	19	17	13	14	16	15	12
Number of projects / persons-in-charge involved	71	50	44	33	70	75	76	59
Range of responsibility deposits placed *(RMB)*	2,000–2.4 million	18,000–2.6 million	18,000–3.9 million	31,000–3.9 million	5,000–1.9 million	4,000–2.5 million	10,000–3.3 million	10,000–1.9 million
Average responsibility deposits placed *(RMB'000)*	454	728	791	766	461	485	458	428

Note: Responsibility deposits of a project may be contributed by more than one persons-in-charge, one person-in-charge may also contribute responsibility deposits in multiple projects, therefore the amount of responsibility deposits per project is not equivalent to the amount of responsibility deposits per person-in-charge.

The table below sets forth a comparison of number and contract sum of projects as to whether they are managed under the project management responsibility system as at the dates indicated:

	As at 31 December												As at 30 September			
	2019				2020				2021				2022			
	Number of projects	*%*	*Contract sum of projects (RMB'000)*	*%*	*Number of projects*	*%*	*Contract sum of projects (RMB'000)*	*%*	*Number of projects*	*%*	*Contract sum of projects (RMB'000)*	*%*	*Number of projects*	*%*	*Contract sum of projects (RMB'000)*	*%*
Projects under project management responsibility system	71	52.6	3,179,857	56.1	50	35.5	5,035,840	70.8	44	30.1	4,267,672	56.3	33	23.1	3,774,210	43.4
Projects not under project management responsibility system	64	47.4	2,483,535	43.9	91	64.5	2,073,753	29.2	102	69.9	3,310,732	43.7	110	76.9	4,927,389	56.6
Total	**135**	**100**	**5,663,392**	**100**	**141**	**100**	**7,109,593**	**100**	**146**	**100**	**7,578,404**	**100**	**143**	**100**	**8,701,599**	**100**
Number of person-in-charge involved in the relevant projects	70				75				76				59			
Total amounts of responsibility deposits *(RMB'000)*	32,252.7				36,402.5				34,820.0				25,269.7			
Average percentage of responsibility deposits paid as a percentage of contract sum	1.0%				0.7%				0.8%				0.7%			

Each project is assessed individually in determining whether the project should be managed under the project management responsibility system. During the Track Record Period, our number of projects managed under the project management responsibility system decreased from 71 projects as at 31 December 2019 to 50 projects as at 31 December 2020 and further decreased to 44 projects and 33 projects as at 31 December 2021 and 30 September 2022, respectively. As at 31 December 2019, 2020 and 2021 and 30 September 2022, 52.6%, 35.5%, 30.1% and 23.1% of our projects (in terms of numbers) and 56.1%, 70.8%, 56.3% and 43.4% of our projects (in terms of contract sum), respectively, were managed under the project management responsibility system. The decrement of the percentage of our projects managed under the project management responsibility system, in terms of both numbers and contract sum from 31 December 2019 to 30 September 2022 was mainly due to the number of projects completed was more than the number of new projects under the project management responsibility system for the relevant year during the Track Record Period. In particular, the decrement of the balance of responsibility deposits from RMB34.8 million as at 31 December 2021 to RMB25.3 million as at 30 September 2022 was mainly due to (i) the project assessment process of a new construction contract secured by our

Group with large contract sums in 2022 has not yet commenced; and (ii) some on-going projects based on project assessment process are not required to be managed under the project management responsibility system.

As at 31 December 2019, 2020 and 2021 and 30 September 2022, the average responsibility deposits paid as a percentage of contract sum represented approximately 1.0%, 0.7%, 0.8% and 0.7%, respectively. The decrement of the percentage from 1.0% as at 31 December 2019 to 0.7% as at 31 December 2020 and remained stable as at 31 December 2021 and 30 September 2022 was due to the fact that more sizable projects are managed under the project management responsibility system from FY2020 onwards, which is in-line with our increasing total contract sums of on-going projects.

The range of annual remunerations of the relevant persons-in-charge was approximately RMB96,000 to RMB240,000. Despite the responsibility deposits placed by some of the person(s)-in-charge was higher than their annual salary level, our Directors considered that it is reasonable because (i) the deposit placed by the employee is based on commercial negotiation after taking into account their own capability to afford the deposit amounts; and (ii) affordability is not solely dependent on the employee's annual salary level, but also on the overall net worth from other sources including investment returns, family wealth and accumulated savings.

As at 31 December 2019, 2020 and 2021 and 30 September 2022, the ageing analysis of responsibility deposits based on receipt date is as follows:

	As at 31 December			As at 30 September
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current year	9,109	24,693	11,525	4,280
1–2 years	10,970	5,589	17,223	8,547
2–3 years	11,443	3,274	3,021	8,799
3–4 years	730	2,116	1,651	2,523
Over 4 years	—	730	1,400	1,121
Responsibility deposits received	32,253	36,402	34,820	25,270

Most of the responsibility deposits received as at 31 December 2019 aged within three years, with only approximately RMB0.7 million aged more than three years. While for the responsibility deposits received as at 31 December 2020, 31 December 2021 and 30 September 2022, approximately RMB2.8 million, RMB3.1 million and RMB3.6 million respectively aged more than three years remains relatively stable. The increment in the balance from 31 December 2019 was mainly due to fact that some large-scale projects lasted for more than two years.

The table below shows the movement of the balance of responsibility deposits for each of the years/period comprising the Track Record Period:

	2019		2020		2021		2022	
	Number of projects[(2)]	*RMB'000*	*Number of projects*[(2)]	*RMB'000*	*Number of projects*[(2)]	*RMB'000*	*Number of projects*[(2)]	*RMB'000*
Opening numbers/balance as at 1 January	66	26,800	71	32,253	50	36,402	44	34,820
Add:	17	9,109	20	24,693	8	11,525	6	4,280
Less[(1)]:	(12)	(3,656)	(41)	(20,544)	(14)	(13,107)	(17)	(13,830)
Closing numbers/balance as at 31 December/30 September	71	32,253	50	36,402	44	34,820	33	25,270
Net responsibility deposits inflow/ (outflow) during the year/period		5,453		4,149		(1,582)		(9,550)

Notes:

1. The reduction in balance comprises the return of responsibility deposits as a result of (i) completion of projects, (ii) resignation of person(s)-in-charge and (iii) removal of person(s)-in-charge from a project due to our adjustment in management plan.

2. During the Track Record Period, two projects ceased the responsibility deposits arrangement because the original person-in-charge was assigned to another project and the construction was suspended pending the clearance of certain parts of the construction site by the relevant government authority, and subsequently resumed under the project management responsibility system during the Track Record Period. As a result, the aggregate number shown may exceed the total number of completed projects.

During the Track Record Period, we keep the responsibility deposits received from the persons-in-charge in its corporate bank accounts without a separate escrow or restricted account. While we are, technically speaking, able to use the responsibility deposits at our discretion, we did not use any of the responsibility deposits to finance our projects and at all. We have implemented internal control measures regarding project responsibility deposit, including the following:

(i) we must retain the responsibility deposit in our corporate bank accounts;

(ii) the responsibility deposit is not allowed to pay for project upfront costs or other unauthorized purposes unless approval by the general manager and is obtained; and

(iii) our management staff including person-in-charge of the financial department is responsible for monitoring the capital system of responsibility deposits continuously, and reporting to the Board or senior management if any embezzlement case is found.

Our Directors considered that the amount of responsibility deposits was not significant to our working capital sufficiency and our Group is and will be financially viable without such responsibility deposits for the following reasons:

(i) the average aggregate responsibility deposits we received for each project during the Track Record Period is less than 1.7% of the total contract value of the respective project, while with reference to projects undertaken during the Track Record Period and according to the F&S Report, it is estimated that an average upfront expenditure equivalent to approximately 20% of the total contract value would be required. Hence, given our Group will also look for external financing for satisfying our upfront costs, our Directors considered that impact of the responsibility deposits received on the funding of upfront costs for our construction projects is insignificant;

(ii) the responsibility deposits settled was on a rolling basis. We receive responsibility deposits from our persons-in-charges from time to time and return to them after completion of the construction of the project. The balance of responsibility deposits of approximately RMB25.3 million as at 30 September 2022 was the cumulative result of the receipt and settlement of responsibility deposits over several years rather than the receipt in one single year. On the other hand, the gross operating cash outflow of our Group amounted to over approximately RMB1.6 billion for 3Q2022 and the balance of responsibility deposits as at 30 September 2022 only accounts for less than 2% of such cash outflow. Thus, the amount of responsibility deposit does not have any material effect on our cashflow even if it is considered as our "source of financing";

(iii) the average cash and cash equivalents balances as at each quarter-end date were RMB59.2 million, RMB75.4 million, RMB60.8 million and RMB76.8 million, respectively, for FY2019, FY2020, FY2021 and 3Q2022. It is respectfully submitted that the net responsibility deposits inflow/(outflow) only represented approximately 9.2%, 5.5%, (2.6)% and (12.4)% of the average quarter-end cash and cash equivalents during the respectively years. Our Directors considered that the retaining of responsibility deposits does not have any material impact on the working capital sufficiency of our Group during the Track Record Period; and

(iv) the capability of our Group to secure bank borrowings was substantiated by the fact that our Group had bank and other borrowing of approximately RMB142.8 million as at 30 September 2022.

Rewards to the persons-in-charge

(i) Completed projects having completed settlement audit

During the Track Record Period, a total of 82 projects under the project management responsibility system have completed construction as at 30 September 2022. Among them, 60 projects have completed settlement audit, out of which 47 projects have achieved the profitability goal.

There are in total 52 persons-in-charge placed responsibility deposits for these 47 projects that have achieved the profitability goal, and the total amount of responsibility deposits placed for the 47 projects that have achieved the profitability goal of approximately RMB28.3 million. The relevant amount placed by each of these 52 persons-in-charge by project ranged from approximately RMB2,000 to RMB1.9 million with an average of approximately RMB429,000. The total rewards awarded to these 52 persons-in-charge amounted to approximately RMB1.6 million during the Track Record Period and the range of rewards was from RMB430 to RMB103,320. The per annum return for each of these 52 persons-in-charge as a percentage of the responsibility deposits placed for each of them ranged from approximately 0.1% to 16.1% with an average of approximately 3.6%. The table below set forth the distribution of the per annum actual return to these 52 persons-in-charge per project and as a percentage of the responsibility deposits placed for each project:

	Amount of per annum return				Number of project placement by the 52 persons-in-charge
Percentage per responsibility deposits placed by project	Less than RMB2,000	Less than RMB2,000 to RMB5,999	Less than RMB6,000 to RMB9,999	RMB10,000 or above	
Less than 1%	10	5	1	3	19
1% to less than 2.5%	1	7	5	4	17
2.5% to less than 5 %	3	7	2	3	15
5% or above	3	1	8	3	15
Number of project placement by the 52 persons-in-charge	17	20	16	13	66

Note: Included in these 66 projects represented some overlapped projects by each person-in-charge as one project may be contributed by more than one person-in-charge. There were only 47 projects in total achieving the profitability goal irrespective of the overlapped projects.

The table below sets forth the distribution of rewards awarded to and the per annum return accrued of the relevant 52 persons-in-charge by bands in terms of the corresponding responsibility deposits placed by them:

	Amount of rewards awarded				Per annum return				
Amount of responsibility deposit	Less than RMB20,000	RMB20,000 to RMB59,999	RMB60,000 or above	Total number of persons-in-charge	Less than RMB2,000	RMB2,000 to RMB5,999	RMB6,000 to RMB9,999	RMB10,000 or above	Total number of persons-in-charge
Less than RMB400,000	14	12	3	29	7	9	4	9	29
RMB400,000 to RMB799,999	3	3	2	8	1	3	2	2	8
RMB800,000 or above	4	9	2	15	2	3	6	4	15
Total number of persons-in-charge.	21	24	7	52	10	15	12	15	52

While the final project evaluation is mainly based on the profitability, project scale is one of the factors affecting the absolute amount of actual profit, hence the potential rewards awarded by our Group. The average reward awarded to the 52 persons-in-charge during the Track Record Period was approximately RMB31,000. Such amount of reward is not significant mainly because the scale of those projects with reward awarded is generally smaller than the other on-going projects under the responsibility deposits arrangement in terms of the project original contract sum. The original contract sums of those projects with reward awarded during the Track Record Period ranged from RMB2.3 million to RMB196.8 million, with an average of RMB42.4 million, while the original contract sum of other on-going projects with responsibility deposits arrangements in place as at 30 September 2022 ranged from RMB11.3 million to RMB708.7 million, with an average of RMB116.8 million. The average contract sum of the other on-going projects with responsibility deposits arrangements in place are approximately 2.8 times of the projects with rewards under the responsibility deposits arrangement during the Track Record Period. Meanwhile, the net profits of most of these projects only barely achieved the profit target and hence the total amount of actual rewards of approximately RMB1.6 million for the relevant 52 employees during the Track Record Period were relatively minimal. In recent years, our Group is capable of undertaking construction projects with higher profit margin and better monitoring the construction projects in terms of progress, profitability and quality, and as a result, the number of projects that can achieve prescribed goals is expected to increase and is expected to exceed the profit target by a higher margin, and is expected to lead to the higher amounts of total monetary rewards that may be awarded to the relevant person(s)-in-charge as preliminary evaluated in September 2022.

(ii) Completed projects that are still undergoing settlement audit process

For the remaining 22 completed projects that are still undergoing settlement audit process, 17 of them are expected to achieve the profitability goal. The total amount of the relevant responsibility deposits placed by the 27 persons-in-charge for these 17 projects amounted to approximately RMB11.5 million. The estimated total rewards accrued to the 27 persons-in-charge in relation to the 17 projects amounted to approximately RMB1.5 million, represented approximately 1.9% to 30.8% of the respective responsibility deposits placed by the person(s)-in charge. The relevant persons-in-charge for these projects are expected to receive the rewards by FY2023 or FY2024, and the expected per annum returns in respect of each of such projects ranged from less than RMB1,000 to approximately RMB70,700.

The table below sets forth the distribution of total estimated amounts of returns accrued to each person-in-charge per project and as a percentage of the responsibility deposits placed by them for each project:

	Estimated amounts of return accrued			
Percentage per responsibility deposits placed by project	**Less than RMB20,000**	**Less than RMB20,000 to RMB59,999**	**RMB60,000 or above**	**Number of project placement by the 27 persons-in-charge**
Less than 5%	4	0	0	4
5% to less than 10%	5	3	2	10
10% to less than 25%	3	3	7	13
25% or above	3	3	1	7
Number of project placement by the 27 persons-in-charge	15	9	10	34

Note: Included in these 34 projects represented some overlapped projects by each person-in-charge as one project may be contributed by more than one person-in-charge. There were only 17 projects in total achieved the profitability goal irrespective of the overlapped projects.

We will perform further final evaluation for these projects and estimation of the amounts to be accrued after completion of the settlement audit. During the Track Record Period and up to the Latest Practicable Date, our Group has settled approximately RMB2.0 million of rewards in respect of construction projects with responsibility deposits arrangements. The responsibility deposits placed by the relevant person-in-charge in respect of these projects which we have settled the rewards have been returned upon the completion of construction of the project.

(iii) on-going projects

The on-going projects with responsibility deposits in place as at 30 September 2022 has either been completed or are expected to be completed from September 2022 to June 2024. As at the Latest Practicable Date, the estimated duration to be taken for the relevant persons-in-charge to receive the rewards for the on-going projects with responsibility deposits arrangement in place as at 30 September 2022 ranged from two years to seven years, with an average of approximately 3.8 years calculated based on the year of placing the responsibility deposits and the expected year to receive the anticipated rewards assuming that the settlement audit will be completed in 1.5 year after the expected project completion date (i.e. the average settlement period for the Track Record Period). While the estimated duration for the relevant persons-in-charge to receive the rewards may take over five years and up to seven years, it is mainly attributable to the long project durations for large scale projects.

Legality of the project management responsibility system

Assessment on project management responsibility system in respect of qualification affiliation

According to the Administrative Measures for the Determination and Investigation of Illegal Acts of Contracting and Construction of Construction Works (《建築工程施工發包與承包違法行為認定查處管理辦法》), "qualification affiliation" (掛靠) refers to the act of an unqualified company or individual to undertake a project relying on the name of other qualified construction company.

Given that the person-in-charge of the project is an employee of our Group, the material rights and interests of the project are controlled by our Group, and there is no external unit or individual involved in the operation and management of the project, our PRC Legal Advisers is of the view that the project management responsibility system does not fall under the category of qualification affiliation and is not regarded as a circumvention of the law against illegal act of qualification affiliation.

To mitigate the risk of being identified as being involved in qualification affiliation arrangement, we have implemented the following internal control policies:

(i) we would only designate our employees as responsible persons or project managers for construction projects undertaken by us;

(ii) we have set up a compliance team which is led by the safety, procurement and subcontracting department and the legal department, and the compliance team would conduct monthly compliance check to ensure no qualification affiliation;

(iii) we have adopted contract review procedures, including but not limited to the followings, to ensure no unauthorised subcontracting by responsible persons or project managers for construction projects:

(a) the contracts shall be reviewed by both our cost and contract department and our legal department or by external experts when necessary before execution; and

(b) after such review, the construction contracts can only be signed by deputy general manager or other senior manager depends on the contract sum of the contracts; while the project contracts can be signed by the designated financial officer of such project;

(iv) we would conduct on-site inspection of every on-going construction project and the project manager would be responsible for overall management and supervision to ensure no unauthorised personnel takes part in any of our projects;

(v) we would provide training to our management and staff on compliance with the applicable laws and regulations in the PRC;

(vi) suppliers (including subcontractors) should generally be selected from our list of qualified suppliers, and we would only select suppliers (including subcontractors) that are not on our list of qualified suppliers in exceptional cases where there are no available suppliers (including subcontractors) on our list of qualified suppliers which are located in the vicinity of the relevant construction site(s) or where the prices or fees offered by the suppliers (including subcontractors) on our list of qualified suppliers exceed our budget or where the schedule of receiving payments from our customers do not match with the payment schedule required by the suppliers (including subcontractors) on our list of qualified suppliers; and

(vii) our project managers shall be responsible for monitoring the strict compliance of all subcontracting arrangements in accordance with the terms of the construction contracts.

Assessment on project management responsibility system in respect of compliance with Construction Project Management Code, the Construction Law of the PRC, and other relevant laws and regulations

According to the Construction Project Management Code, paragraph 4.1.7 stated that "The person-in-charge of the project management agency shall perform the duties of his/her employment and in accordance with the relevant agreement and implement the whole process and overall management of the project" and paragraph 4.5.1 stated that "The project management responsibility letter shall be drawn up by the legal representative of the construction enterprise after negotiation with persons-in-charge of the project management team prior to the commencement of the project".

For those employees who acted as the persons-in-charge and voluntarily participate in the project management responsibility system, they signed the responsibility letter with us in accordance with the relevant requirement of the Construction Project Management Code stipulated above. Based on the terms of the responsibility letter, they undertook additional responsibilities based on different prescribed goals to be achieved, which are different from the employees who did not participate in the project management responsibility system. With respect to the additional responsibilities, these persons-in-charge are also entitled to additional rewards upon their achievement of the prescribed goals and hence they were required to bear additional risk with the Group securing the responsibility deposit from them for taking part in this additional reward and penalty mechanism. Pursuant to the responsibility letter, a separate civil contractual relationship between the persons-in-change and our Group was formed, besides the labour relationship under the employment contract. Accordingly, the Labour Contract Law and other relevant labour and personnel laws and regulations are not applicable to the responsibility letter. The signing of the responsibility letter between the persons-in charge and our Group was made with reference to the Predecessor Construction Project Management Code (approved by the MOHURD on 21 June 2006 with effect from 1 December 2006 and had been abolished since 31 December 2017) and the Construction Project Management Code (approved by the MOHURD on 4 May 2017 and effective on 1 January 2018, in replacement of the Predecessor Construction Project Management Code) to facilitate the relevant employee's management on the project on behalf of our Group in terms of achieving the prescribed goals. Therefore, the person-in-charge's obligations to perform his management duties under the responsibility letter does not contradict with its rights and obligations under the employment with our Group.

Based on the above, our PRC Legal Advisers is of the view that (i) the signing of the responsibility letter under the project management responsibility system is not regarded as a circumvention of the law against illegal act of qualification affiliation; (ii) the purpose of the project management responsibility system is to enable the person-in-charge to take up additional responsibilities in accordance with the Construction Project Management Code and does not contradict the person-in-charge's capacity as an employee of our Group; and (iii) the project management responsibility system is in compliance with all relevant laws and regulations during the Track Record Period and up to the Latest Practicable Date.

According to the Interpretation of the Supreme People's Court on Several Issues Concerning the Specific Application of Law in the Trial of Criminal Cases of Illegal Fund Raising (2022 Amendment) (《最高人民法院關於審理非法集資刑事案件具體應用法律若干問題的解釋(2022修正)》) (the "**Interpretation**"), the act of absorbing funds from the public (including units and individuals) in violation of national financial management laws and regulations shall be deemed to be "illegal absorption of public deposits or disguised absorption of public deposits" if the following four conditions are met at the same time "(a) absorbing funds without the permission of the relevant authorities according to law or in the form of borrowing legitimate business; (b) publicly advertising to the society through the internet, media, promotion meetings, leaflets, mobile phone messages, etc.; (c) promising to repay capital and interest or pay returns in money, in kind, equity, etc. within a certain period of time; and (d) absorbing funds from the public, i.e. if the funds are absorbed within the family, friends or unit for specific targets without publicly advertising, they are not illegally absorbed or disguised as public deposits. According to the Interpretation, an act will only be deemed to be "illegal absorption of public deposits or disguised absorption of public deposits" when all the conditions (a) to (d) above were met at the same time. The responsibility deposits was collected under the responsibility letter signed between us and our employee, which is in accordance with the Construction Project Management Code. We did not receive any responsibility deposits from unspecified entities other than persons-in-charge who signed the responsibility letter, and did not provide any guaranteed interest or returns to our employee according to the responsibility letter. Our collection of responsibility deposits does not meet any of the conditions (a) to (d) above, and therefore does not constitute "illegal absorption of public deposits or disguised absorption of public deposits".

According to the Regulations on the Prevention and Disposal of Illegal Fund Raising (implemented on 1 May 2021) (《防範和處置非法集資條例(2021年5月1日實施)》), illegal fund raising refers to the act of absorbing funds from unspecified objects by promising the repayment of capital and interest or giving other investment returns without the permission of the financial management authorities of the State Council in accordance with the law or in violation of the state financial management regulations. On the basis that the collection of responsibility deposits from the persons-in-charge who signed the responsibility letter was funds collected from specified objects and we did not receive any responsibility deposits from entities other than persons-in-charge who signed the responsibility letter, our collection of responsibility deposits from persons-in-charge does not constitute illegal fund raising under this regulation.

According to the Civil Code, a loan contract is a contract in which the borrower borrows money from the lender and returns the loan at maturity and pays interest. The responsibility letter signed between us and our employee is not a loan contract given that the responsibility letter is a reward and penalty mechanism which also served as a performance security for any potential delay or quality and safety issue on the relevant projects and there is no guaranteed interest or returns. Therefore, our employees placing responsibility deposit to us in accordance with the responsibility letter will not constitute a loan relationship under the Civil Code.

Also, based on the interview conducted in February 2023 by our PRC Legal Advisers with ZHURD, the competent authority in respect of governing the Zhuzhou construction market, ZHURD is of the view, and our PRC Legal Advisers also concur, that our collection of responsibility deposits from persons-in-charge does not constitute illegal fund raising, illegal public deposit taking and illegal lending.

Based on the above, our PRC Legal Advisers is of the view that our collection of responsibility deposit from the persons-in-charge in accordance with the project management responsibility system does not constitute illegal fund raising, illegal public deposit taking and illegal lending.

Completion and Acceptance

After completion of the construction project and satisfaction of internal inspection, our customers, inspectors, the survey, construction and design professionals and the relevant government authorities then conduct project inspections together with us with prior notice given to us. We may be required to perform modifications from time to time during the inspection.

Upon satisfaction of the inspection, we will receive an acceptance of project completion inspection report issued by the relevant government authorities, which is approved by all parties involved in the inspection process. Such satisfaction of inspection and acceptance represents completion of the project. Thereafter, we will confirm the final settlement amount with our customers by conducting an internal review of the accounts and according to the construction audit report agreed between us and our customers. Our customers will pay the final settlement amount, save for the retention money.

Post-execution Stage

Customer Service and Collection of Retention Money

We generally provide warranty in relation to the construction to our customers for a period between one and two years after the completion of the customer inspection and acceptance process, depending on the type of construction services provided. During the warranty period, we are responsible for any construction defects pursuant to the terms of our construction contract. Under our typical construction contract, our customers retain a retention money for 3% to 5% of the contract value. The retention money is usually paid in instalments during the warranty period or paid in full after the warranty period. As at the Latest Practicable Date, over 3% of the retention money fell due as at 30 September 2022 has been collected by us, and no specific provision was made for the retention money.

Seasonality

As most of our construction projects were located in provinces and regions with relatively mild seasonal weather changes during the Track Record Period, our construction contracting business was not subject to major seasonality fluctuations.

We typically record higher revenue in the second half of the year than in the first half of the year. We attribute this seasonality to the effect of the long Chinese New Year holiday and Labor Day holiday which most of our projects are suspended.

Licences, Qualifications and Permits

Licences, qualifications and permits are required for us to carry out our operations and undertake a variety of construction projects in China. As advised by our PRC Legal Advisers, construction enterprises in the PRC are required to obtain the requisite licences, qualifications and permits from the relevant regulatory authorities of the location of its establishment or the MOHURD instead of the locations of construction projects where the construction services are provided. Our PRC Legal Advisers further advised that during the Track Record Period and up to the Latest Practicable Date, we have obtained the requisite licences, qualifications and permits from the relevant PRC regulatory authorities for our operations in all material respects.

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

Name of the operating licences, qualifications or permits	Issuing Authority	Holder	Effective period
First-grade qualification in building construction general contracting (建築工程施工總承包壹級)	MOHURD	Zhongtian Construction	9 July 2019 — 31 December 2023
First-grade qualification in municipal and public construction general contracting (市政公用工程施工總承包壹級)	MOHURD	Zhongtian Construction	9 July 2019 — 31 December 2023
First-grade qualification in building renovation and decoration construction specialised contracting (建築裝修裝飾工程專業承包壹級)	HHURD	Zhongtian Construction	3 July 2019 — 31 December 2023
First-grade qualification in steel structure construction specialised contracting (鋼結構工程專業承包壹級)	MOHURD	Zhongtian Construction	9 July 2019 — 20 October 2022
	MOHURD	Zhongtian Steel Structure Construction	21 October 2022 — 31 December 2023
First-grade qualification in foundation construction specialised contracting (地基基礎工程專業承包壹級)	HHURD	Zhongtian Construction	3 July 2019 — 31 December 2023

Name of the operating licences, qualifications or permits	Issuing Authority	Holder	Effective period
First-grade in lifting equipment installation construction specialised contracting (起重設備安裝工程專業承包壹級)	HHURD	Kaida Apparatus	13 September 2022 — 13 September 2027
Second-grade qualification in electrical and mechanical construction general contracting (機電工程施工總承包貳級)	HHURD	Zhongtian Construction	3 July 2019 — 31 December 2023
Second-grade qualification in curtain wall construction specialised contracting (建築幕牆工程專業承包貳級)	HHURD	Zhongtian Construction	3 July 2019 — 31 December 2023
Third-grade qualification in highway construction general contracting (公路工程施工總承包三級).	ZHURD	Zhongtian Construction	21 October 2020 — 31 December 2023
Third-grade qualification in water resources and electric power construction general contracting (水利水電工程施工總承包三級)	ZHURD	Zhongtian Construction	21 October 2020 — 31 December 2023
Third-grade qualification in building electrical and mechanical installation construction specialised contracting (建築機電安裝工程專業承包三級)	ZHURD	Zhongtian Construction	21 October 2020 — 31 December 2023
Third-grade qualification in environmental protection construction specialised contracting (環保工程專業承包三級).	ZHURD	Zhongtian Construction	21 October 2020 — 31 December 2023
Qualification in formwork and scaffold specialised contracting (with no grading system) (模板腳手架專業承包(不分等級))	ZHURD	Zhongtian Building	11 June 2019 — 31 December 2023

Name of the operating licences, qualifications or permits	Issuing Authority	Holder	Effective period
Work safety permit (安全生產許可證)	HHURD	Zhongtian Construction	2 December 2022 — 1 December 2025
	HHURD	Zhongtian Building	30 September 2017 — 6 August 2023
	HHURD	Kaida Apparatus	30 June 2021 — 29 June 2024
	HHURD	Zhongtian Steel Structure Construction	1 August 2022 — 10 August 2025
High and New Technology Enterprise Certificate (高新技術企業證書).	Hunan Provincial Science and Technology Department (湖南省科學技術廳), Department of Finance of Hunan Province (湖南省財政廳) and Hunan Provincial Tax Service of the State Taxation Administration (國家稅務局湖南省稅務局)	Zhongtian Construction	18 September 2021 — 17 September 2024

Note: As advised by our PRC Legal Advisers, pursuant to the Provisions on the Administration of Qualifications of Enterprises in the Construction Industry (建築業企業資質管理規定), (i) Zhongtian Construction's first-grade qualification in building construction general contracting (建築工程施工總承包壹級), first-grade qualification in municipal and public construction general contracting (市政公用工程施工總承包壹級) and first-grade qualification in steel structure construction specialised contracting (鋼結構工程專業承包壹級) shall be issued by MOHURD; (ii) Zhongtian Construction's first-grade qualification in building renovation and decoration construction specialised contracting (建築裝修裝飾工程專業承包壹級), first-grade qualification in foundation construction specialised contracting (地基基礎工程專業承包壹級), second-grade qualification in electrical and mechanical construction general contracting (機電工程施工總承包貳級), second-grade qualification in curtain wall construction specialised contracting (建築幕牆工程專業承包貳級) and Kaida Apparatus' first-grade qualification in lifting equipment installation construction specialised contracting (起重設備安裝工程專業承包壹級) shall be issued by HHURD, the provincial level authority overseeing housing and urban rural development in the location of incorporation of the relevant subsidiaries (i.e. Hunan Province); and (iii) Zhongtian Construction's third-grade qualification in highway construction general contracting (公路工程施工總承包三級), third-grade qualification in water resources and electric power construction general contracting (水利水電工程施工總承包三級), third-grade qualification in environmental protection construction specialised contracting (環保工程專業承包三級) and Zhongtian Building's qualification in formwork and scaffold specialised contracting (with no grading system) (模板腳手架專業承包(不分等級)) shall be issued by ZHURD, the city level authority overseeing housing and urban development in the location of incorporation of the relevant subsidiaries (i.e. Zhuzhou).

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

Market and Competition

The construction industry in the PRC has developed significantly in the past few years as a result of high economic growth and a growth in real estate market. In particular, the construction industry in Hunan Province has seen rapid growth in the past few years as a result of significant demand from urban-rural development and overseas expansion stimulated by the Belt and Road Initiatives. The construction industry in the PRC is fragmented. According to the F&S Report, we were fifth-ranked non-state owned construction enterprise with first grade general contractor qualification in Hunan Province, in terms of construction revenue in 2021. The main entry barriers to the China construction industry in which our Group operates include the regulatory qualification requirements for contractors, reputation and track record, requirements for professional technical staff and capital requirement. Please refer to the sections headed "Industry Overview" and "Regulatory Overview" in this prospectus for more information on the PRC construction market and the relevant laws and regulations, respectively.

We believe our competitive advantages allow us to compete with our competitors. We have obtained a broad range of qualification, allowing us to undertake wide scope of construction works and capture business opportunities which our competitors may not be qualified for. Our development and implementation of innovative and high-quality construction know-how with our R&D capabilities allows us to adapt to the market trend of upgrading construction management technology. Moreover, our ability to embrace the latest development trend of prefabricated construction method and EPC model in the PRC also enables us to capture business opportunities. Furthermore, our reputation in the PRC construction industry as demonstrated by the numerous awards accredited to us, as well as our experienced and dedicated senior management team and highly skilled personnel in construction industry are key advantages we possess. For details of our competitive strengths, please refer to the paragraph headed "Competitive Strengths" in this section.

Awards and Recognitions

The following table sets forth the major awards and recognitions received by us from the relevant government authorities and professional institutions:

Project name and project code	Award and Recognitions	Awarding authority	Year of grant
Changjun Yunlong Experimental School (Third Phase)* (長郡雲龍實驗學校新建三標)	Shennong Prize (神農獎) *(Note 1)*	Zhuzhou Construction Industry Association* (株洲市建築業協會)	2022
	Hunan Province Outstanding Construction Project (湖南省優質工程) *(Note 2)*	Hunan Construction Industry Association (湖南省建築業協會)	2022
	Furong Prize (芙蓉獎) *(Note 3)*	Hunan Construction Industry Association (湖南省建築業協會)	2022
First Bidding Section of Xuebao Xincai Science and Technology Park Construction* (雪寶新材科技園建設項目一標段)	Shennong Prize (神農獎) *(Note 1)*	Zhuzhou Construction Industry Association* (株洲市建築業協會)	2022
Zhongtian Lutai* (中天•麓台) (8337)	National Construction Engineering Project Standardised Safety Construction Site* (全國建設工程項目施工安全生產標準化工地)	Construction Safety and Machinery Branch, China Construction Industry Association* (中國建築業協會建築安全與機械分會)	2022
	Green Building Evaluation and Identification Project (Two-star Level)* (綠色建築評價標識項目(二星級別))	Zhuzhou Construction Technology & Building Energy Conservation Association* (株洲市建設科技與建築節能協會)	2021
Zhongtian Hangxiao Steel Structure Prefabricated Building Base Phase I R&D Building* (中天杭蕭鋼構裝配式建築基地(一期)科研樓) (8285)	Shennong Prize (神農獎) *(Note 1)*	Zhuzhou Construction Industry Association* (株洲市建築業協會)	2022
	Hunan Province Outstanding Construction Project (湖南省優質工程) *(Note 2)*	Hunan Construction Industry Association (湖南省建築業協會)	2022

Project name and project code	Award and Recognitions	Awarding authority	Year of grant
	Furong Prize (芙蓉獎) *(Note 3)*	Hunan Construction Industry Association (湖南省建築業協會)	2022
	Hunan Province Steel Structure Gold Award (湖南省鋼結構金獎)	Hunan Steel Structure Green Building Industry Association (湖南省鋼結構綠色建築行業協會)	2021
Jindong Taozi Lake* (金東陶子湖) (8308)	Shennong Prize (神農獎) *(Note 1)*	Zhuzhou Construction Industry Association* (株洲市建築業協會)	2021
	Hunan Province Outstanding Construction Project* (湖南省優質工程) *(Note 2)*	Hunan Construction Industry Association (湖南省建築業協會)	2021
Chunteng Mansion* (春藤公館) (8741)	Shennong Prize (神農獎) *(Note 1)*	Zhuzhou Construction Industry Association* (株洲市建築業協會)	2021
	Green Building Evaluation and Identification Project (One-star Level)* (綠色建築評價標識項目(一星級別))	Zhuzhou Construction Technology & Building Energy Conservation Association* (株洲市建設科技與建築節能協會)	2018
Joint Electricity Plant Expansion* (電氣聯合廠房擴建項目)	Hunan Province Outstanding Construction Project (湖南省優質工程) *(Note 2)*	Hunan Construction Industry Association (湖南省建築業協會)	2021
Changjun Yunlong Experimental School (Second Phase)* (長郡雲龍實驗學校(二標))	Hunan Province Outstanding Construction Project (湖南省優質工程) *(Note 2)*	Hunan Construction Industry Association (湖南省建築業協會)	2021
	Green Building Evaluation and Identification Project (One-star Level)* (綠色建築評價標識項目(一星級別))	Hunan Construction Technology & Building Energy Conservation Association* (湖南省建設科技與建築節能協會)	2020

Project name and project code	Award and Recognitions	Awarding authority	Year of grant
Panlong Yulan Valley* (磐龍玉蘭谷)	National Construction Engineering Project Standardised Safety Construction Site* (全國建設工程項目施工安全生產標準化工地)	Construction Safety and Machinery Branch, China Construction Industry Association (中國建築業協會建築安全與機械分會)	2020
Chunteng Village Third Phase* (春藤小鎮三期) (8333)	Shennong Prize (神農獎) *(Note 1)*	Zhuzhou Construction Industry Association* (株洲市建築業協會)	2020
	Standardised Construction Project Safety Construction Sites for National Exchange Study* (全國範圍組織學習交流的建設工程項目施工安全生產標準化工地)	Construction Safety Branch of the China Construction Industry Association (中國建築業協會建築安全分會)	2018
Chunteng Village Block 10-13 and Basement* (春藤小鎮10-13棟及地下室) (8238, 8239)	Shennong Prize (神農獎) *(Note 1)*	Zhuzhou Construction Industry Association* (株洲市建築業協會)	2019
	Hunan Province Outstanding Construction Project* (湖南省優質工程) *(Note 2)*	Hunan Construction Industry Association (湖南省建築業協會)	2019
	Standardised Construction Project Safety Construction Sites for National Exchange Study* (全國範圍組織學習交流的建設工程項目施工安全生產標準化工地)	Construction Safety Branch of the China Construction Industry Association (中國建築業協會建築安全分會)	2017
Material Preparation Plant Renovation* (備料車間廠房改造) (8693)	Hunan Province Outstanding Construction Project* (湖南省優質工程) *(Note 2)*	Hunan Construction Industry Association (湖南省建築業協會)	2019
	Shennong Prize (神農獎) *(Note 1)*	Zhuzhou Construction Industry Association* (株洲市建築業協會)	2018

Project name and project code	Award and Recognitions	Awarding authority	Year of grant
Kaifenglong City* (凱風瓏城) (8598)	Hunan Province Outstanding Construction Project* (湖南省優質工程) *(Note 2)*	Hunan Construction Industry Association (湖南省建築業協會)	2019
	Shennong Prize (神農獎) *(Note 1)*	Zhuzhou Construction Industry Association* (株洲市建築業協會)	2018
Yongle Village Minglun Village Industrial Development* (永樂村明倫村工業地塊) (8262)	Hunan Province Outstanding Construction Project (湖南省優質工程) *(Note 2)*	Hunan Construction Industry Association (湖南省建築業協會)	2019
Yidu Qingtian Lane* (億都晴天里) (8336)	Green Building Evaluation and Identification Project (One-star Level)* (綠色建築評價標識項目(一星級別))	Zhuzhou Construction Technology & Building Energy Conservation Association* (株洲市建設科技與建築節能協會)	2021
Panlong Ecological Community* (磐龍生態社區) (8347)	Green Building Evaluation and Identification Project (One-star Level)* (綠色建築評價標識項目(一星級別))	Zhuzhou Construction Technology & Building Energy Conservation Association* (株洲市建設科技與建築節能協會)	2019, 2020
N/A	National Quality Project Silver Award (國家優質工程銀質獎)	National Engineering Construction Award Approval Committee (國家工程建設獎審定委員會)	2005
N/A	Hunan Province Credibility Enterprise (湖南省守合同重信用企業)	Hunan Provincial Credibility Enterprise Association (湖南省守合同重信用企業協會)	2019, 2020, 2022
N/A	Zhuzhou City-level Construction Industry Enterprise with AAA Credit Rating (株洲市建築業市級誠信等級AAA企業)	Zhuzhou Construction Industry Association (株洲市建築業協會)	2019, 2020

Project name and project code	Award and Recognitions	Awarding authority	Year of grant
N/A	Grade A Tax Credit Unit (納稅信用A級單位)	Hunan Province State Administration of Taxation of the PRC (湖南省國家稅務總局) and Hunan Province Local Administration of Taxation* (湖南省地方稅務局)	2017–2019

Notes:

1: During the Track Record Period and up to the Latest Practicable Date, including those disclosed above, we have received a total of 33 Shennong Prize (神農獎) for our construction projects.

2: Including those disclosed above, we have received a total of 48 Hunan Province Outstanding Construction Project Award* (湖南省優質工程), among which 14 of them were received during the Track Record Period.

3: We have received a total of 11 Furong Prize* (芙蓉獎), among which 3 of them were received during the Track Record Period and up to the Latest Practicable Date.

R&D and know-how

We are committed to developing know-how for the goal of increasing construction efficiency and quality, which in turn enhance our competitiveness with the industry. We encourage our employees to attend conferences and trainings to keep abreast with the latest developments of technology for construction process. We believe that innovative technology in construction will also help achieve labour costs control, energy conservation and emission reduction. As at the Latest Practicable Date, our R&D department has 6 employees. Members of our R&D department have obtained qualifications in key areas that are related to our operations such as senior engineers, registered engineers, constructors, as well as master degrees in relation to chemical analysis, civil engineering and structural engineering, etc. The department is supervised by Mr. Chen Peirun* (陳培潤), our deputy general manager responsible for the R&D and quality management of our Group, who has over 29 years of experience in the construction industry. For details, please refer to the section headed "Directors and Senior Management — Senior management" in this prospectus.

For FY2019, FY2020, FY2021 and 3Q2022, our R&D expenses amounted to approximately RMB60.8 million, RMB54.1 million, RMB56.7 million and RMB42.1 million, respectively, which represented approximately 56.3%, 48.1%, 48.6% and 52.3% of our total administrative expenses, for the purpose of improving our construction methods and know-how, thereby boosting the efficiency and cost-effectiveness of our construction process. As our Group believes that the R&D activities will bring the long-term benefits to our Group, our Group devoted substantial resources in R&D activities, developed 31 patents, and undertook 121 R&D topics during the Track Record

Period and up to the Latest Practicable Date. Furthermore, as at the Latest Practicable Date, we were in the process of applying for three patents. As advised by F&S, the level of R&D expenses incurred by our Group was in line with those of our industry peers.

Highlights of our know-how

For the details of patents our Group registered as at the Latest Practicable Date, please refer to the paragraph headed "Statutory and General Information — B. Further information about the business of our Group — 2. Intellectual property rights" as set out in Appendix V to this prospectus. The descriptions of our registered patents as at the Latest Practicable Date as summarised below:

	Patent registered	Description
1)	Self-tapping foundation piling method capable of establishing machine tool foundation on soft soil* (一種可於軟土地上建立機床地基的自攻地基樁及方法)	Our self-tapping foundation pile method allows us to dispense with construction step required for fixing the machine tool on soft soil, thereby streamlining our workflow in foundation works.
2)	Mobile elevator shaft construction platform* (移動式電梯井施工平台)	Our patented mobile elevator shaft construction platform is able to solve the problems of conventional construction elevators that are unstable at a raised height and difficult to set up. This construction platform is reusable and easy to lift.
3)	Prefabricated truss floor bearing plate and its concrete floor structure* (裝配式桁架樓承板及其混凝土樓面結構)	Our patented floor structure is composed of steel truss and floor deck. It is able to reduce the pressure of steel lashing and is easy to use and has a highly accurate positioning control.
4)	Steel component hoisting device* (一種鋼構件吊裝裝置)	Our patented steel component hoisting device is able to solve the problem of the ordinary bulky hoisting device that could not carry small construction components. This hoisting device is convenient, easy to operate and suitable for small scale prefabricated steel structure construction.

	Patent registered	Description
5)	Double-layer steel structure workshop with photovoltaic modules* (一種帶光伏組件的雙層鋼結構廠房)	Our patented steel structure workshop consists of a transparent glass roof that captures good natural lighting and an adjustable photovoltaic panel. This double-layer structure workshop has good durability, shock resistance and sound insulation. In particular, the incorporation of photovoltaic modules into the workshop can generate solar energy, thereby saving energy and costs.
6)	Positioning device for installing steel pipe bundle* (一種鋼管束安裝用定位裝置)	Our patented positioning device is composed of steel pipe composite structure shear walls, H-shaped steel beams, reinforced truss floor decks and lightweight partition walls. This positioning device is used to place and install pipelines precisely and automatically. It is safe, reliable, convenient to install.
7)	A kind of prefabricated steel structure device (一種裝配式鋼結構裝置)	Our patented prefabricated steel structure device retained the original steel parts that do not affect the actual usage while modified and optimised some of the steel parts to cater for the needs of different projects.
8)	Assembly-type supporting system based on external overhanging cast-in-place concrete elements of steel buildings (基于鋼結構建築外懸挑現澆砼構件的裝配式支模體系)	By studying the composition and detailed structure of the external protection system of prefabricated steel structured buildings, and combining the technology of safety and quality protection measures of the external protection system of prefabricated steel structured buildings, the patented supporting system provides technical support for the external overhanging cast-in-place concrete elements of steel buildings.

During the Track Record Period and up to the Latest Practicable Date, we have also been engaged in R&D continuously and conducted research on 121 R&D topics in relation to different aspects including civil building construction, municipal works construction, prefabricated steel structure construction, foundation works and other specialised contracting works which includes building renovation and decoration construction, all of which have been implemented in our construction process.

Our efforts in R&D enable us to improve our construction methods and know-how for different types of construction projects which in turn improve the quality of our construction works and enable us to undertake some notable projects by making use of specialised equipment.

Through our R&D activities, we have improved our various construction methods and know-hows which improve the quality of our construction works. In view of the improved quality of our construction works, during the Track Record Period, we did not experience any quality issues, or subject to any penalty from government authorities in relation to the quality of our construction projects in material respect. With our enhanced construction quality benefiting from the improvement in construction methods and know-how and the use of specialised equipment, we were able to undertake some notable projects, including Langting Lanjiang Main Structure* (朗廷•覽江) project, which was recognised by the Zhuzhou Construction Industry Association (株洲市建築業協會) as the tallest construction-in-progress building in Zhuzhou.

We have engaged Hunan Academy of Building Research Co. Ltd (湖南省建築科學研究院有限責任公司) ("**Hunan Academy of Building Research**") an independent R&D institute, to conduct a review of topics covering 59 of our R&D topics including our top five major R&D projects in terms of R&D expenses incurred in each of FY2019, FY2020, FY2021 and 3Q2022 as well as 31 patents registered by our Group as at the Latest Practicable Date. Hunan Academy of Building Research is a state-owned provincial scientific research institute principally engages in scientific research and the provision of consulting services and was accredited as a High and New Technology Enterprise and its wholly-owned subsidiary, Hunan Construction Engineering Quality Inspection Centre Co. Ltd* (湖南省建設工程質量檢測中心有限公司) was accredited as a national advanced unit in construction quality inspection industry* (全國建設工程質量檢測行業先進單位). Hunan Academy of Building Research considered that certain enhanced construction methods and know-how developed from our Group's R&D activities are unique in the industry and are innovative as compared to those adopted by our industry peers.

As a result of our R&D capabilities, achievement and initiatives, we have been certified as "High and New Technology Enterprise (高新技術企業)" since 2018.

Raw Materials, Machinery and Equipment and Suppliers

Raw Materials

Our principal raw materials include steel, cement, masonry and concrete, most of which are procured from suppliers in China. For each of FY2019, FY2020, FY2021 and 3Q2022, our cost of raw materials amounted to approximately RMB796.4 million, RMB687.7 million, RMB642.7 million and RMB531.6 million, respectively, representing 48.6%, 43.5%, 39.5% and 43.7% of our total cost of sales, respectively. Price adjustment terms may be included in the construction contracts. We do not keep a significant inventory of raw materials to minimise inventory costs and the risks associated with price fluctuations in raw materials. During the Track Record Period, we did not experience any major price fluctuations, delays or shortages in our supply of raw materials, and we do not anticipate significant difficulties in obtaining alternative sources of supply if necessary. For details about the effects that changes in the price and availability of raw materials to our operating results, please refer to the sections headed "Financial Information — Description of certain key items for our results of operation — Cost of sales — Sensitivity analysis" and "Risk Factors — Risks Relating to Our Business — Our operating results may be significantly affected by changes in the prices and availability of raw materials" in this prospectus.

Machinery and Equipment

We rely on a range of machinery and equipment to perform our construction contracting business which we may purchase or lease such machinery and equipment from other parties, or use those we own. We determine the specifications and the quantity of such machinery and equipment to be purchased or leased based on the needs of our projects.

The machinery and equipment required for performing our construction contracting business mainly include construction cranes, construction lifts, bulldozers, digging rigs, excavators, construction piling machines, climb stands, bulk trucks and rebar processing sheds.

During the Track Record Period, we owned some of the major construction machinery and equipment required in our business operations, such as construction cranes and construction lifts. Construction cranes are generally used to lift and lower materials and/or equipment while construction lifts are normally used to raise and lower people, materials or equipment.

The following table sets forth the information of each major type of construction machinery and equipment we owned as at the dates indicated:

	As at 31 December 2019/FY2019					As at 31 December 2020/FY2020					As at 31 December 2021/FY2021					As at 30 September 2022/3Q2022				
	No.	Approximate average years of service	Approximate average remaining useful lives	Net book value	Approximate average utilisation rate (Note 1)	No.	Approximate average years of service	Approximate average remaining useful lives	Net book value	Approximate Average utilisation rate (Note 1)	No.	Approximate average years of service	Approximate average remaining useful lives	Net book value	Approximate Average utilisation rate (Note 1)	No.	Approximate average years of service	Approximate average remaining useful lives	Net book value	Approximate average utilisation rate (Note 1)
	Unit			*RMB'000*		*Unit*			*RMB'000*		*Unit*			*RMB'000*		*Unit*			*RMB'000*	
Construction cranes	42	7.9	2.1	8,803.8	88%	44	7.9	2.1	8,006.8	82% *(Note 2)*	51	7.4	2.6	10,579.0	85%	51	8.1	1.9	9,818	82%
Construction lifts	43	2.7	7.3	7,118.8	85%	51	2.6	7.4	8,543.2	81% *(Note 2)*	52	3.5	6.5	7,665.0	87%	52	4.3	5.7	6,150	86%
Total	**85**			**15,922.6**		**95**			**16,550.0**		**103**			**18,244.0**		**103**			**15,968.0**	

Notes:

(1) Average utilisation rate is calculated as the average of total number of days for which each piece of specific type of machinery and equipment owned by Kaida Apparatus (excluding the 21 and three construction lifts pending for disposal and not included in our fleet as at 31 December 2019, which our Directors consider to be no longer suitable for leasing or for use in our construction projects and all of these construction lifts have been disposed), our non-wholly owned subsidiary principally engaged in equipment leasing, were rented to Zhongtian Construction or our customers, divided by the number of days that Kaida Apparatus possessed the machinery and equipment during the respective year/period less Chinese New Year holiday of 14 days. The calculation of the utilisation rate is for illustration purpose only and does not take into account (i) certain repair and maintenance of the machinery and equipment and (ii) certain inspection and registration with relevant government authority of newly purchased machinery and equipment.

(2) After taking into account the impact of COVID-19 by excluding the period which the use of certain construction cranes and construction lifts was suspended, the average utilisation rates of construction cranes and construction lifts for FY2020 would be approximately 85% and 86%, respectively. The slight decrease in the average utilisation rate for construction cranes from approximately 88% in FY2019 to approximately 85% for FY2020 was mainly due to the adjustment of construction schedule of certain projects so that there was a mismatch in the availability of our construction cranes and the revised construction schedule and as a result we were unable to deploy certain construction cranes in other projects.

We also lease construction cranes and lifts and other machinery and equipment including excavators, bulldozers, digging rigs, climb stands, bulk trucks and construction piling machines from third parties to meet the needs of our construction projects. These machinery and equipment are commonly used in the construction industry and are generally available in the market. Our expenses to lease such machinery and equipment amounted to approximately RMB35.5 million, RMB117.0 million, RMB199.4 million and RMB139.5 million for FY2019, FY2020, FY2021 and 3Q2022, respectively. Generally, we pay a percentage of the contract value upon signing of the machinery and equipment procurement or lease agreements and the remainder within a specific period.

We select our machinery and equipment suppliers based on numerous factors, including price, and performance of the machinery and equipment offered.

Our machinery and equipment are primarily managed by our production operation department. We formulate procurement plan and conduct periodic audits of our machinery and equipment. Regular maintenance and repairs are carried out for our machinery and equipment including oiling and cleaning, to ensure their condition, and hence safe for our use. For machinery and equipment that we lease, the leasing companies are responsible for transporting the machinery and equipment to the designated construction sites.

Suppliers

For large scale procurements, suppliers are usually selected through a bidding process, procurement inquiry purchase or in other manner adopted by our work safety, procurement and subcontracting department and cost and contract department as appropriate. Whereas for procurements in smaller scale, we usually procure directly from suppliers selected from our list of qualified suppliers. Suppliers are selected based on various criteria, including the price offered, quality and delivery schedule of the raw materials or equipment, after-sale and customer services to be provided, and the supply capacity, credit standing and client base of the suppliers. We conduct evaluation on the qualified suppliers regularly, and update our list of qualified suppliers half-yearly. For each procurement, we will enter into a supply contract with our suppliers, of which the terms are negotiated based on our procurement contract template. During the procurement process, we closely monitor the delivery schedule to ensure raw materials and equipment are delivered on time. Raw materials and equipment procured are delivered, inspected, safe-kept in accordance with the relevant environmental protection and occupational health and safety requirements.

The following sets forth a summary of the principal terms of our typical supply contracts for principal raw materials:

Delivery, inspection and performance	:	Our suppliers are responsible for delivery of raw materials to our destinated places such as our construction sites. Upon delivery, our staff will inspect the quality and quantity of raw materials according to our specifications and standard. If there is any defect in quality or deficiency in quantity, our suppliers have to deliver replacement or supplementary raw materials (as the case may be) to our destinated places in accordance with the supply contract and to bear the additional costs incurred. The delivery cost and risks are borne by our suppliers;
Pricing and price adjustment	:	The total price of raw materials are determined by a unit price and the quantity delivered and the unit price is determined by negotiation with our suppliers with reference to the prevailing market price. The unit price may be adjusted by way of price adjustment letter(s) confirmed by the suppliers and us or supplemental contract(s), taking into account the fluctuations of the market price, if any;
Payment schedule	:	Invoice for raw materials procurement is generally issued upon delivery of a specific quantity as set out in the contracts. Order for raw materials is usually made on a monthly basis. The price payable is usually determined by the unit price as agreed in the contract times the quantity of raw materials actually delivered times a specific percentage and the remaining price shall be settled at the end of each construction project. Prepayments for raw materials procurement may be required on a case by case basis and by negotiation; and
Liquidated damages	:	In the event of (i) delay in delivery of the raw materials; or (ii) failure to meet the quality standards for raw materials, our suppliers are liable for the liquidated damages and are required to compensate us for the losses that we sustained, if any.

Inventory

Our inventory mainly consists of raw materials, mainly being steel, cement, masonry, concrete and consumables. As the raw materials we procured are directly transported to our work sites, we keep low inventory levels for our operations. As at 31 December 2019, 2020 and 2021 and 30 September 2022, our inventories amounted to approximately RMB0.7 million, RMB3.3 million, RMB3.0 million and RMB0.9 million, respectively.

Subcontracting

During the Track Record Period, we engaged subcontractors to provide labour subcontracting services and certain specialised construction services such as curtain wall construction, installation of lifts, waterproofing and fireproofing works. For each of FY2019, FY2020, FY2021 and 3Q2022, the total labour and construction subcontracting fees paid by us to the subcontractors engaged by us amounted to approximately RMB569.0 million, RMB569.6 million, RMB644.4 million and RMB502.1 million, respectively, accounting for approximately 34.7%, 36.0%, 39.6% and 41.2% of our total cost of sales, respectively.

Given the professional expertise and comparative advantage our subcontractors have, we believe our engagement of them can speed up the construction progress, lower the costs and thereby improving cost efficiency. Moreover, subcontracting enables us to leverage on certain qualifications held by the subcontractors which our Group does not possess. We follow strict criteria in selecting subcontractors and maintain a list of qualified subcontractors which we would usually choose from. We generally select subcontractors through a tendering process. Subcontractors to participate in the tendering should pass our internal evaluation and be one of our qualified subcontractors. A majority of such tenderings have been conducted through tender by invitation which only those subcontractors who are on our list of qualified subcontractors would be invited to participate. We select subcontractors primarily based on, among other things, the following criteria:

(i) possessing required qualifications, certifications and/or experience for relevant construction works;

(ii) any record of safety incidents or quality issues in the recent three years;

(iii) historical compliance record with ESG guidelines and policies (such as whether there was excessive emissions or wastage of gaseous fuels) and the relevant laws and regulations;

(iv) possessing sufficient quantity of skilled workforce and equipment to meet special requirements of projects;

(v) financial strength to cover their own costs incurred during the project construction period;

(vi) no past records of defaulting on wage payment to construction labour forces; and

(vii) bidding price.

During the subcontractor selection process, our Group performs background check on the potential subcontractor for assessment in respect of the selection criteria. We will obtain information including relevant certificates and records of penalty imposed on the potential subcontractor. If the potential subcontractor has a poor track record in ESG performance, our Group will reject the relevant subcontractor in the selection process. Subcontractors with ISO certificates (ISO9001 certificate, ISO14001 certificate, ISO45001 certificate) will be an advantage during our Group's subcontractor selection process. Our subcontractors and labour subcontractors are required to comply with safety construction, labour protection and environmental protection rules and regulations under the contract.

Our management procedures for management of our subcontractors include: (i) adopting a series of progress monitoring measures, which include requiring subcontractors to formulate work schedules, furnish progress reports, maintain on-going communication to report the project progress to us in a timely manner, any safety and environmental issues such as excessive emission, monitoring the implementation of work schedules and adjusting the same when necessary; (ii) implementing quality control assessment system, which include inspection and appraisal conducted by our technical quality department; (iii) regularly reviewing project cost including subcontracting cost to make sure they are within the budget; and (iv) designating the project manager of the respective projects to be primarily responsible for maintaining communication with and supervising our subcontractors in respect of materials issues such as any quality defects identified on site.

We also require our subcontractors to comply with our work safety standards and policies, and to take measures to avoid any safety or other incidents during the course of their services. In the event of any material failure by our subcontractors to meet our safety or quality standards, we may cease to work with and/or claim damages from them. We incorporate subcontractors' work quality, progress, health, safety and environmental protection record into our management system, as we remain responsible to our customers for our subcontractors' contractual performance pursuant to the contracts or applicable laws.

During the Track Record Period and up to the Latest Practicable Date, we have not been subjected to any material penalties as a result of the delay of work and/or other quality and safety issues by our subcontractors. Our Directors have weighed the benefits and costs for insurance coverage as a result of delay of work or quality issues arising from the subcontractors and consider that there is no specific need to include insurance policies to cover the risk associated with the engagement of subcontractors given the low historical risk in this area during the Track Record Period. As advised by our PRC Legal Advisers, we maintained insurance policies that are required under PRC laws and regulations. According to F&S, it is also in line with the customary practice in China that construction contractors will not carry out any business interruption insurance policies, including the coverage of the risk associated with the engagement of subcontractors. Our Directors consider that our existing insurance coverage is in line with industry norm and is sufficient for our current operations.

Specialised Construction Services Subcontracting

We engage subcontractors from time to time to provide certain ancillary construction services which require a certain level of expertise (such as curtain wall construction, installation of lifts, fireproofing and waterproofing works) pursuant to the requirement of our customers, or if in the interest of the construction project. We believe it is more beneficial to subcontract certain specialised construction services where the construction subcontractors will be responsible for the completion of the contracted matters. We engage our construction subcontractors on a project-by-project basis. For each of FY2019, FY2020, FY2021 and 3Q2022, the total subcontracting fees we paid to our specialised construction services subcontractors amounted to approximately RMB131.1 million, RMB191.3 million, RMB124.3 million and RMB180.7 million, respectively, accounting for approximately 8.0%, 12.1%, 7.6% and 14.8% of our total cost of sales, respectively.

The terms of our subcontracting arrangements with construction subcontractors may vary depending on our construction contracting contracts with our customers. The following table sets out a summary of the principal terms of our typical specialised construction subcontracting contracts:

Responsibilities	:	Our construction subcontractors are responsible for completing the contracted ancillary construction services based on our construction plan by allocating the necessary personnel, construction materials and equipment. They must comply with our various policies and follow our instructions on the construction site. They are responsible for meeting our project schedule and our quality, safety and accident prevention standards. They are also required to provide monthly progress reports to us.

Quality and safety : Our construction subcontractors are responsible for reworks and the associated costs if the quality of the subcontracted work fails to meet the quality standards as required by us, relevant regulations or local governmental authorities. In general, most of our construction subcontracting contracts provide that our construction subcontractors are responsible for the financial and legal liability arising from safety accidents occurred during their construction work.

According to the relevant PRC laws and regulations, we, as the general contractor, hold general liability to such accidents. We and our construction service subcontractor hold joint and several liability to any safety accidents on the construction project. Our construction service subcontractor shall hold the principal liability if the safety accident was a result of its non-compliance with the general contractor's health and safety management procedures.

Raw material procurement : In most cases, our construction subcontractors are responsible for purchasing raw materials that they need for their subcontracted work and the related raw material costs is borne by our construction subcontractors.

Subcontracting fees : We may prepare our construction subcontracting contracts based on a fixed-unit-price or fixed-total-price basis, depending on the duration and scale of the construction project. We prefer to enter into fixed-total-price contracts with our construction subcontractors as this can prevent our subcontracting costs from being affected by market price fluctuations. For fixed-total-price construction subcontracting contracts, the contract value includes labour costs, raw material costs, machinery and equipment costs, tax and other fees incurred in association with the subcontracted work. For fixed-unit-price construction subcontracting contracts, the contract value is determined by a unit price and the total volume of actual work performed by the subcontractors.

During the Track Record Period and up to the Latest Practicable Date, there is no incentive clause in the subcontracting agreement or other incentive arrangement with our subcontractors.

Payment schedule	:	In most cases, we make progress payments to our construction subcontractors calculated based on the subcontracted work actually completed, with generally 10% to 30% withheld by us until final inspection and acceptance of the construction project. After completion of the project, we settle accounts with the construction subcontractors where the remaining amounts from each progress payments (save for the retention money).
Warranty	:	Most of our construction subcontracting contracts provide for a warranty period by our construction subcontractors for a period of one to two years.
Liquidated damages	:	In most cases, our construction subcontractors are subject to liquidated damages for each day they delay the schedule of our construction projects, for any safety accidents occurred in connection with the construction and for other breaches of the construction subcontracting contracts. During the Track Record Period and up to the Latest Practicable Date, we did not receive any liquidated damages from our construction subcontractors.
Termination	:	In most cases, we are entitled to terminate the construction subcontracting contracts in the event that our construction subcontractors assign or subcontract the work, materially delay our project schedule, or cause material quality issues or safety accidents during their construction work.

Labour Subcontracting

During the Track Record Period, we entered into labour subcontracting service contracts on a project-by-project basis to supply the labour force in our construction projects. For each of FY2019, FY2020, FY2021 and 3Q2022, the total labour subcontracting fees paid by us to the labour subcontractors engaged by us amounted to approximately RMB437.8 million, RMB378.3 million, RMB520.1 million and RMB321.4 million, respectively, accounting for approximately 26.7%, 23.9%, 32.0% and 26.4% of our total cost of sales, respectively.

The following table sets out a summary of the principal terms of our typical labour services contract:

Responsibilities	:	Our labour subcontractors are responsible for providing labour force which works under our instruction for our project as stipulated in our labour services contracts. In most cases, the labour subcontractors are responsible for some of the tools, small-sized machinery and safety equipment needed on each construction project.
Quality and safety	:	Our labour 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 projects, setting the safety measures and monitoring the construction progress to ensure the quality standard of our construction projects. Our labour subcontractors are primarily responsible for ensuring that the quality of the subcontracted work meets our quality standards, conducting training of the subcontracted workers and monitoring their adherence to the safety measures and procedures. According to the relevant PRC laws and regulations, we, as the general contractor, hold general liability to such accidents. We and our labour subcontractors hold joint and several liability to any safety accidents on the construction project. Our labour subcontractors shall hold the principal liability if the safety accident was a result of its non-compliance with the general contractor's health and safety management procedures.
Liquidated damages	:	Our labour subcontractors are subject to liquidated damages for each day they delay the schedule of our construction projects. During the Track Record Period and up to the Latest Practicable Date, we did not receive any liquidated damages from our labour subcontractors.

Subcontracting fees	:	Most of our labour services contracts are prepared on a fixed price on total costs or per unit price. The contract price is calculated by the unit price per square metre of construction and the gross floor area of construction. The unit price is determined based on a number of factors, which generally includes labour costs and management fees, plus a reasonable profit margin for our labour subcontractors. We adopt the fixed-unit-price to prevent our labour subcontracting costs from being affected by wage fluctuations in the market and limiting our exposure to the increase of labour cost. We believe that such pricing arrangement is the norm in our industry. During the Track Record Period and up to the Latest Practicable Date, there is no incentive clause in the subcontracting agreement or other incentive arrangement with our labour subcontractors.
Retention money	:	In some cases, our labour subcontracting contracts may provide for a retention money for 3% to 5% of the contract value to be retained by us. The retention money is usually paid in full after the warranty period.
Payment schedule	:	We generally make progress payments to our labour subcontractors upon our checking and acceptance of their work, which is calculated as the percentage of completion applied to the total contract value, less approximately 5% to 10% which is withheld by us until final inspection and acceptance of the construction project.
Warranty	:	In some cases, our labour subcontracting contracts may provide for a warranty period by our labour subcontractors for a period of one to three years for the quality of the subcontracted work.
Termination	:	We are entitled to terminate the labour services contracts in the event that our labour subcontractors subcontract the work illegally or without our consent, fail to complete the project in accordance with our project schedule or the quality of the subcontracted work fails to meet our quality standards. Our labour subcontractors may be required to pay us a penalty or bear all economic losses arising from such termination.

For details, please refer to the section headed "Risk Factors — Risks relating to our business — We have limited control over the quality, availability and costs of our subcontractors and subcontracted workers" in this prospectus for more information on the risks associated with specialised construction services subcontracting and labour subcontracting.

Sales and Marketing

As at the Latest Practicable Date, our market operation department comprised four sales personnel. Our market operation department is responsible for preparing tender submission proposal, maintaining customer relationships, handling public relations, managing operation risks, conducting evaluation on our customers, conducting market research, and is responsible for our Group's overall sales and marketing policy. We also maintain our own database for bidding and tendering, and pay efforts to identify and explore new tendering opportunities based on public and available information from the government and on the internet. Through our sales and marketing efforts, we keep abreast of information of new and potential projects of existing and potential customers.

Our customers include government entities, state-owned enterprises and state-invested enterprises (collectively, Government-related Entities) and private enterprises. A vast majority of our construction projects were obtained by way of tenders. In FY2019, FY2020, FY2021 and 3Q2022, we submitted 114, 172, 102, and 180 tender documents, respectively, and our tender success rates were 28.1%, 19.2%, 25.5% and 11.1%, respectively. On a few occasions, we were engaged in several related projects and/or entered into multiple contracts with the same customer by way of one single tender.

CUSTOMERS AND SUPPLIERS

Customers

Our customers include government entities, state-owned enterprises, state-invested enterprises (collectively, Government-related Entities) and private enterprises. For FY2019, FY2020, FY2021 and 3Q2022, approximately RMB662.9 million, RMB453.3 million, RMB447.7 million and RMB676.5 million of our revenue was generated from Government-related Entities, representing 36.4%, 25.6%, 24.6% and 49.5% of our total revenue during the same years, respectively. For each of FY2019, FY2020, FY2021 and 3Q2022, revenue from our top five customers amounted to approximately RMB841.7 million, RMB796.6 million, RMB846.0 million and RMB579.7 million, respectively, accounting for 46.2%, 45.0%, 46.4% and 42.4% of our total revenue, respectively. Revenue from our largest customer for each of FY2019, FY2020, FY2021 and 3Q2022 amounted to approximately RMB328.5 million, RMB312.1 million, RMB367.7 million and RMB223.2 million, respectively, accounting for 18.0%, 17.6%, 20.2% and 16.3% of our total revenue, respectively. During the Track Record Period, other than the EPC Tripartite Framework Agreement, we did not have any long-term strategic cooperation agreement with our customers. For details, please refer to the paragraph headed "Customers and Suppliers — Overlapping of customers and suppliers" in this section.

The following table sets forth our top five customers for the periods indicated:

Ranking	Customer *(Note 1)*	Principal business	Commencement of business relationship since	Credit terms	Payment methods	Revenue	% of total revenue
						RMB'000	
For FY2019							
1.	Zhongtian Holdings Group *(Note 3)*	Real estate development, provision of ancillary building services and manufacture of steel structure based in Hunan Province	2016	10 to 30 days	Bank transfer	328,490	18.0
2.	Zhuzhou Economic Development Group *(Note 5)*	Real estate development based in Hunan Province	2012	30 days	Bank transfer	183,203	10.1
3.	Oriental Shouchuang Xingda Investment Co., Ltd.* (東方首創興達投資有限公司) *(Note 2)*	Real estate development based in Hainan Province	2016	10 days	Bank transfer	133,852	7.3
4.	Hunan Liling Underglaze Wucai City Development and Construction Co., Ltd.* (湖南醴陵釉下五彩城開發建設有限公司) *(Note 6)*	Real estate development based in Hunan Province	2018	30 days	Bank transfer	115,848	6.4
5.	Zhuzhou Hetang District Housing and Urban Rural Development Bureau* (株洲市荷塘區住房和城鄉建設局)	Government bureau in Hunan Province	2018	30 days	Bank transfer	80,284	4.4

Ranking	Customer *(Note 1)*	Principal business	Commencement of business relationship since	Credit terms	Payment methods	Revenue	% of total revenue
						RMB'000	
For FY2020							
1.	Zhongtian Holdings Group *(Note 3)*	Real estate development, provision of ancillary building services and manufacture of steel structure based in Hunan Province	2016	10 to 30 days	Bank transfer	312,131	17.6
2.	Customer P *(Note 7)*	New energy technology research and development based in Hainan Province	2020	10 days	Bank transfer	220,518	12.5
3.	Zhuzhou Economic Development Group *(Note 5)*	Real estate development based in Hunan Province	2012	30 days	Bank transfer	130,531	7.4
4.	Langting Real Estate *(Note 4)*	Real estate development based in Hunan Province	2017	90 days	Bank transfer	74,866	4.2
5.	Customer Group O *(Note 8)*	Urban infrastructure construction management and project development based in Hunan Province	2012	10 to 30 days	Bank transfer	58,589	3.3

Ranking	Customer *(Note 1)*	Principal business	Commencement of business relationship since	Credit terms	Payment methods	Revenue	% of total revenue
						RMB'000	
For FY2021							
1.	Zhongtian Holdings Group *(Note 3)*	Real estate development, provision of ancillary building services and manufacture of steel structure based in Hunan Province	2016	10 to 30 days	Bank transfer	367,739	20.2
2.	Customer P *(Note 7)*	New energy technology research and development based in Hainan Province	2020	10 days	Bank transfer	133,130	7.3
3.	Customer M *(Note 9)*	Real estate development based in Hainan Province	2020	30 days	Bank transfer	128,904	7.1
4.	Chaling County People's Hospital* (茶陵縣人民醫院)	A public hospital in Hunan Province	2020	30 days	Bank transfer	120,461	6.6
5.	Customer Group C *(Note 10)*	Trading and manufacturing of railway equipment based in Beijing	2017	30 days	Bank transfer	95,776	5.3

Ranking	Customer *(Note 1)*	Principal business	Commencement of business relationship since	Credit terms	Payment methods	Revenue	% of total revenue
						RMB'000	
For 3Q2022							
1.	Zhongtian Holdings Group *(Note 3)*	Real estate development, provision of ancillary building services and manufacture of steel structure based in Hunan Province	2016	10 to 30 days	Bank transfer	223,237	16.3
2.	Customer M *(Note 9)*	Real estate development based in Hainan Province	2020	30 days	Bank transfer	136,128	10.0
3.	Hunan Kairuisi New Material Technology Co., Ltd.* (湖南凱睿思新材料科技有限公司) *(Note 11)*	Trading and manufacturing of electronic materials based in Hunan Province	2022	30 days	Bank transfer	82,781	6.1
4.	Zhuzhou Jincheng Investment Holding Group Co., Ltd.* (株洲金城投資控股集團有限公司) *(Note 12)*	Industrial investment based in Hunan Province	2016	30 days	Bank transfer	69,603	5.1
5.	Xupu County Urban Construction Investment Co., Ltd.* (漵浦縣城市建設投資有限公司) *(Note 13)*	Engineering management based in Hunan Province	2017	30 days	Bank transfer	67,832	5.0

Notes:

1. Some of our customers are associated with each other. Customers that are under the control of the same ultimate holding company, despite being separate legal entities, are grouped together and regarded as one single customer. Except for Zhongtian Holdings Group, our deemed connected person, we acquainted with these customers primarily through tendering. According to F&S, it is an industry norm that the construction companies usually have relatively short business relationship with their customers as most of the construction project(s) are obtained through tendering and the contractors are engaged on a project-by-project basis.

2. Oriental Shouchuang Xingda Investment Co., Ltd.* (東方首創興達投資有限公司) is a private company established in the PRC with limited liability and RMB60 million of registered capital, which is based in Hainan Province and is principally engaged in the business of real estate development. To the best knowledge of our Directors, Oriental Shouchuang Xingda Investment Co., Ltd.* (東方首創興達投資有限公司) is wholly-owned by a corporate shareholder which is owned by the two individuals who are Independent Third Parties.

3. Zhongtian Holdings Group represented four companies which Zhongtian Holdings had interests, namely Hengji Real Estate, Wuguang Investment, Hangxiao Technology and Fangge Intelligence, our deemed connected persons. For details of such companies, please refer to the sections headed "Relationship with our Controlling Shareholder — Other businesses held by Zhongtian Holdings" and "History, Development and Reorganisations — Disposal of Interests in Hangxiao Technology" in this prospectus.

4. Langting Real Estate is a private company established in the PRC with limited liability and RMB10 million of registered capital, which is based in Hunan Province and is principally engaged in the business of real estate development. To the best knowledge of our Directors, it is jointly owned by three individuals who are Independent Third Parties.

5. A group of companies based in the PRC and the holding company of which is a state-owned enterprise. The aforementioned holding company is principally engaged in the business of real estate development and has a registered capital of RMB50 million. To the best knowledge of our Directors, the aforementioned holding company is an Independent Third Party.

6. Hunan Liling Underglaze Wucai City Development and Construction Co., Ltd.* (湖南醴陵釉下五彩城開發建設有限公司) is a private company established in the PRC with limited liability and RMB60 million of registered capital, which is based in Hunan Province and is principally engaged in the business of real estate development. To the best knowledge of our Directors, Hunan Liling Underglaze Wucai City Development and Construction Co., Ltd.* (湖南醴陵釉下五彩城開發建設有限公司) is ultimately owned by two individuals who are Independent Third Parties.

7. A private company established in the PRC with limited liability and RMB50 million of registered capital. Customer P is based in Hainan province and is principally engaged in the business of new energy technology research and development. To the best knowledge of our Directors, Customer P is wholly-owned by three individuals who are Independent Third Parties.

8. A group of companies based in the PRC and the holding company of which is a state-owned enterprise. The aforementioned holding company is principally engaged in the business of urban infrastructure construction management and project development and has a registered capital of RMB4 billion. To the best knowledge of our Directors, Customer Group O together with the aforementioned holding company are Independent Third Parties.

9. A private company established in the PRC with limited liability and RMB10 million of registered capital. Customer M is based in Hainan Province and is principally engaged in the business of real estate development. To the best knowledge of our Directors, it is ultimately wholly owned by five individuals which are Independent Third Parties.

10. A group of companies based in the PRC which are indirect non-wholly owned subsidiaries of a state-owned enterprise with RMB23 billion of registered capital (the "**Common Shareholder**"). Two of the companies are the subsidiaries of a company dual listed on the Main Board and the Shanghai Stock Exchange which is held as to 50.73% by the Common Shareholder. The said listed company is principally engaged in the business of trading and manufacturing of railway equipment and, for the year ended 31 December 2021, recorded a total revenue and net profit of approximately RMB226 billion and RMB15 billion, respectively. To the best knowledge of our Directors, Customer Group C together with the Common Shareholder are Independent Third Parties.

11. Hunan Kairuisi New Material Technology Co., Ltd.* (湖南凱睿思新材料科技有限公司) is a private company established in the PRC with limited liability and RMB300 million of registered capital, which is based in Hunan Province and is principally engaged in the business of trading and manufacturing of electronic materials. To the best knowledge of our Directors, it is jointly owned by fourteen individuals who are Independent Third Parties.

12. Zhuzhou Jincheng Investment Holding Group Co., Ltd.* (株洲金城投資控股集團有限公司) is a state-owned company established in PRC with limited liability and RMB1 billion of registered capital, which is based in Hunan Province and is principally engaged in the business of industrial investment.

13. Xupu County Urban Construction Investment Co., Ltd.* (溆浦縣城市建設投資有限公司) is a state-owned company established in the PRC with limited liability and RMB137.8 million of registered capital, which is based in Hunan Province and is principally engaged in the business of engineering management.

Hengji Real Estate, Hangxiao Technology and Fangge Intelligence are owned by Zhongtian Holdings as to 85.82%, 68.29% and 70.00%, respectively, and Wuguang Investment is wholly-owned by Hengji Real Estate. ZT (A) is owned by the same group of shareholders of Zhongtian Holdings proportional to their respective shareholdings (subject to rounding) in Zhongtian Holdings immediately before the Reorganisation. Hengji Real Estate, Wuguang Investment, Hangxiao Technology and Fangge Intelligence are deemed connected persons of our Company. As at the Latest Practicable Date, except for Zhongtian Holdings Group, all of our top five customers were Independent Third Parties, and have no past or present relationships (including, but not limited to, employment, trust, financing, or family relationship) with our Group, our directors, shareholders, senior management or any of their respective associates. For details of our relationship and transactions with Hengji Real Estate, Wuguang Investment, Hangxiao Technology and Fangge Intelligence upon the Listing, please refer to the section headed "Connected Transactions" in this prospectus. Save for the indirect interest of the shareholders of ZT (A) in Hengji Real Estate, Wuguang Investment, Hangxiao Technology and Fangge Intelligence, none of our Directors and their respective close associates or any of the Shareholders (owns more than 5% of the issued share capital of our Company as at the Latest Practicable Date) had any interest in any of our five largest customers during the Track Record Period.

Credit Policy

We generally grant credit terms of up to three months to our customers. In determining the applicable credit terms, we perform credit evaluation on each customer with reference to various factors including our past business relationship with them, payment history, reputation, financial strength and our evaluation on their future operation risk. We implement internal control measure and review the overdue receivables regularly to control our outstanding trade and bills receivables. Our customers usually settle our bills by bank transfers.

As at 31 December 2019, 2020 and 2021 and 30 September 2022, our trade and bills receivables (net) were approximately RMB482.8 million, RMB509.9 million, RMB445.4 million and RMB386.7 million, respectively. For each of FY2019, FY2020, FY2021 and 3Q2022, our average trade and bills receivables turnover days were 76.9 days, 103.9 days, 97.3 days and 85.1 days, respectively. For details on our trade and bills receivables, average trade and bills receivables turnover days and credit risks, please refer to the section headed "Financial Information" in this prospectus.

Suppliers

Our suppliers mainly include raw materials suppliers, subcontractors for labour services and subcontractors for specialised construction works. For each of FY2019, FY2020, FY2021 and 3Q2022, purchase from our top five suppliers amounted to approximately RMB357.9 million, RMB322.3 million, RMB474.5 million and RMB298.3 million, respectively, accounting for 21.8%, 20.3%, 29.2% and 24.5% of our total cost of sales, respectively. Purchase from our largest supplier for each of FY2019, FY2020, FY2021 and 3Q2022 amounted to approximately RMB138.0 million, RMB97.1 million, RMB158.5 million and RMB74.9 million, respectively, accounting for 8.4%, 6.1%, 9.7% and 6.2% of our total cost of sales, respectively.

The following table sets forth our top five suppliers for the periods indicated:

Ranking	Supplier *(Note 1)*	Principal business	Commencement of business relationship since	Credit terms	Payment methods	Transaction amount	% of total cost of sales
						RMB'000	
For FY2019							
1	Hunan Buer Labor Subcontracting Co., Ltd.* (湖南不二勞務分包有限公司) *(Note 6)*	Labour subcontractor based in Hunan Province	2018	1 to 3 month(s)	Bank transfer	137,963	8.4
2	Hunan Jujiang Construction Labor Co., Ltd.* (湖南聚匠建設勞務有限公司) *(Note 4)*	Labour subcontractor and equipment lessor based in Hunan Province	2017	1 to 3 month(s)	Bank transfer	81,822	5.0
3	Supplier A *(Note 2)*	Labour subcontractor based in Hainan Province	2017	1 to 3 month(s)	Bank transfer	62,495	3.8
4	Zhuzhou Dahan Steel Trading Co., Ltd.* (株洲大漢鋼鐵貿易有限公司) and Zhuzhou Dahan Iron and Steel Supply Chain Co., Ltd.* (株洲大漢鋼鐵供應鏈有限公司) ("**Zhuzhou Dahan Group**") *(Note 3)*	Construction raw material provider and real estate developer based in Hunan Province	2017	5 to 45 days	Bank transfer or banks' acceptance bill	41,697 *(Note 10)*	2.5
5	Hunan Zhuzhou South New Material Technology Co., Ltd.* (湖南株洲南方新材料科技有限公司), Hunan Changde Nanfang New Material Technology Co., Ltd.* (湖南常德南方新材料科技有限公司), ("**Hunan Zhuzhou South New Material Group**") *(Note 5)*	Construction raw material provider based in Hunan Province	2018	1 to 3 month(s)	Bank transfer	33,888 *(Note 11)*	2.1

Ranking	Supplier *(Note 1)*	Principal business	Commencement of business relationship since	Credit terms	Payment methods	Transaction amount	% of total cost of sales
						RMB'000	
For FY2020							
1.	Hunan Buer Labor Subcontracting Co., Ltd.* (湖南不二勞務分包有限公司) *(Note 6)*	Labour subcontractor based in Hunan Province	2018	1 to 3 month(s)	Bank transfer	97,136	6.1
2.	Supplier A *(Note 2)*	Labour subcontractor based in Hainan Province	2017	1 to 3 month(s)	Bank transfer	84,301	5.3
3.	Hunan Jujiang Construction Labor Co., Ltd.* (湖南聚匠建設勞務有限公司) *(Note 4)*	Labour subcontractor and equipment lessor based in Hunan Province	2017	1 to 3 month(s)	Bank transfer	67,998	4.3
4.	Hunan Zhuzhou South New Material Group *(Note 5)*	Construction raw material provider based in Hunan Province	2018	1 to 3 month(s)	Bank transfer	40,060 *(Note 12)*	2.5
5.	Supplier I *(Note 7)*	Construction raw material Provider based in Hainan Province	2020	1 to 3 month(s)	Bank transfer	32,771	2.1

Ranking	Supplier *(Note 1)*	Principal business	Commencement of business relationship since	Credit terms	Payment methods	Transaction amount	% of total cost of sales
						RMB'000	
For FY2021							
1.	Supplier A *(Note 2)*	Labour subcontractor based in Hainan Province	2017	1 to 3 month(s)	Bank transfer	158,464	9.7
2.	Hunan Jujiang Construction Labor Co., Ltd.* (湖南聚匠建設勞務有限公司) *(Note 4)*	Labour subcontractor and equipment lessor based in Hunan Province	2017	1 to 3 month(s)	Bank transfer	99,401	6.1
3.	Zhongtian Holdings Group *(Note 8)*	Design and manufacture of steel structure and provision of ancillary building services based in Hunan Province	2018	1 to 3 month(s)	Bank transfer	92,912 *(Note 13)*	5.7
4	Hunan Buer Labor Subcontracting Co., Ltd.* (湖南不二勞務分包有限公司) *(Note 6)*	Labour subcontractor based in Hunan Province	2018	1 to 3 month(s)	Bank transfer	82,746	5.1
5.	Supplier H *(Note 9)*	Construction material provider based in Hainan Province	2020	nil	Bank transfer	41,654 *(Note 14)*	2.6

Ranking	Supplier *(Note 1)*	Principal business	Commencement of business relationship since	Credit terms	Payment methods	Transaction amount	% of total cost of sales
						RMB'000	
For 3Q2022							
1.	Supplier A *(Note 2)*	Labour subcontractor based in Hainan Province	2017	1 to 3 month(s)	Bank transfer	74,939	6.2
2.	Hunan Jujiang Construction Labor Co., Ltd.* (湖南聚匠建設勞務有限公司) *(Note 4)*	Labour subcontractor and equipment lessor based in Hunan Province	2017	1 to 3 month(s)	Bank transfer	74,408	6.1
3.	Zhongtian Holdings Group *(Note 8)*	Design and manufacture of steel structure based in Hunan Province and provision of ancillary building services based in Hunan Province	2018	1 to 3 month(s)	Bank transfer	62,291 *(Note 15)*	5.1
4.	Hunan Buer Labor Subcontracting Co., Ltd.* (湖南不二勞務分包有限公司) *(Note 6)*	Labour subcontractor based in Hunan Province	2018	1 to 3 month(s)	Bank transfer	46,787	3.8
5.	Supplier H *(Note 9)*	Construction material provider based in Hainan Province	2020	nil	Bank transfer	39.904 *(Note 16)*	3.3

Notes:

1. Some of our suppliers are associated with each other. Suppliers that are under the control of the same ultimate holding company, despite being separate legal entities, are grouped together and regarded as one single supplier. We commenced our business relationship with these suppliers primarily through a bidding process and/or the selection from our list of qualified suppliers. Our Group procured a significant amount of labour subcontracting services from these newly established companies as we regularly evaluate and update our list of qualified suppliers with new suppliers to meet our business needs, and that we considered the quotations from these newly established companies are more competitive than other labour subcontractors. According to F&S, newly established companies usually provide more competitive offers than well-established labour subcontractors in order to expand their business and increase their market share at their early stage of development, also, construction labour supply in Hunan and Hainan Province is sufficient and it is not difficult for labour subcontracting company to hire sufficient labour to perform for their engaged projects. Therefore, these newly established companies managed to procure the substantial amount of labour required by our Group shortly after their establishment.

2. Supplier A is a private limited liability company established in the PRC with RMB2 million of registered capital, which is based in Hainan Province and is principally engaged in the business of the provision of labour subcontracting services. To the best knowledge of our Directors, Supplier A is wholly-owned by an individual who is an Independent Third Party.

3. Zhuzhou Dahan Group is a group of companies based in the PRC which are indirect non-wholly owned subsidiaries of a private limited company based in Hunan Province with RMB800 million of registered capital. The said holding company is principally engaged in the business of real estate development and supply of construction raw materials and, to the best knowledge of our Directors, is wholly-owned by three individuals who are Independent Third Parties.

4. Hunan Jujiang Construction Labor Co., Ltd.* (湖南聚匠建設勞務有限公司) is a private limited liability company established in the PRC with RMB2 million of registered capital, which is based in Hunan Province and is principally engaged in the business of the provision of labour subcontracting services and the leasing of equipment. To the best knowledge of our Directors, Hunan Jujiang Construction Labor Co., Ltd.* (湖南聚匠建設勞務有限公司) is wholly-owned by two individuals who are Independent Third Parties.

5. Hunan Zhuzhou South New Material Group is a group of companies based in the PRC, and the holding company is a state-owned enterprise with RMB300 million of registered capital, which is based in Hunan Province and is principally engaged in the business of the provision of construction materials. To the best knowledge of our Directors, Hunan Zhuzhou South New Material Group together with the aforementioned holding company are Independent Third Parties.

6. Hunan Buer Labor Subcontracting Co., Ltd.* (湖南不二勞務分包有限公司) is a private limited liability company established in the PRC with RMB2 million of registered capital, which is based in Hunan Province and is principally engaged in the business of the provision of labour subcontracting services. To the best knowledge of our Directors, Hunan Buer Labor Subcontracting Co., Ltd.* (湖南不二勞務分包有限公司) is wholly-owned by two individuals who are Independent Third Parties.

7. Supplier I is a private limited liability company established in the PRC with RMB30 million of registered capital, which is based in Hainan Province and is principally engaged in the business of provision of construction materials. To the best knowledge of our Directors, Supplier I is wholly-owned by three individuals who are Independent Third Parties.

8. Zhongtian Holdings Group represented four companies which Zhongtian Holdings had interests, namely Hengji Real Estate, Wuguang Investment, Hangxiao Technology and Fangge Intelligence, our deemed connected persons. For details, please refer to the sections headed "Relationship with our Controlling Shareholder — Other businesses held by Zhongtian Holdings" and "History, Development and Reorganisations — Disposal of Interests in Hangxiao Technology" in this prospectus.

9. Supplier H is a private limited liability company established in the PRC with RMB10 million of registered capital, which is based in Hainan Province and is principally engaged in the business of provision of construction materials. To the best knowledge of our Directors, Supplier H is wholly owned by two individuals who are Independent Third Parties.

10. This transaction amount includes the purchase of raw materials (i) for our construction projects of approximately RMB34.0 million and (ii) for our R&D activities of approximately RMB7.7 million.

11. This transaction amount includes the purchase of raw materials (i) for our construction projects of approximately RMB31.8 million and (ii) for our R&D activities of approximately RMB2.1 million.

12. This transaction amount includes the purchase of raw materials (i) for our construction projects of approximately RMB37.8 million and (ii) for our R&D activities of approximately RMB2.2 million.

13. This transaction amount includes the purchase of raw materials (i) for our construction projects of approximately RMB86.8 million and (ii) for our R&D activities of approximately RMB5.5 million.

14. This transaction amount includes the rental of equipment (i) for our construction projects of approximately RMB39.0 million and (ii) for our R&D activities of approximately RMB2.7 million.

15. This transaction amount includes the purchase of raw materials (i) for our construction projects of approximately RMB60.6 million and (ii) for our R&D activities of approximately RMB1.7 million.

16. This transaction amount includes the purchase of raw materials (i) for our construction projects of approximately RMB37.0 million and (ii) for our R&D activities of approximately RMB2.9 million.

As at the Latest Practicable Date, save for one of the ex-shareholders of Hunan Jujiang Construction Labor Co., Ltd.* (湖南聚匠建設勞務有限公司) being our employee, all of our top five suppliers for each of the year/period during the Track Record Period were Independent Third Parties and they have no past or present relationships (including, but not limited to, employment, trust, financing, or family relationship) with our Group, our Directors, shareholders, senior management or any of their respective associates. None of our Directors and their respective close associates or any of the Shareholders (which to the knowledge of our Directors owns more than 5% of the issued share capital of our Company as at the Latest Practicable Date) had any interest in any of our five largest suppliers during the Track Record Period.

Overlapping of Customers and Suppliers

Hangxiao Technology had been both a customer and a supplier of our Group during the Track Record Period. Hangxiao Technology was established in the PRC on 19 December 2017 and it engages in the design and manufacture of steel structure. It had been held by Zhongtian Construction as to 63.0% from 19 September 2017 to 1 March 2019. On 1 March 2019, our Group disposed of our entire 63.0% shareholding interests in Hangxiao Technology and ceased to hold any share in Hangxiao Technology. For details of Hangxiao Technology, please refer to the section headed "History, Development and Reorganisation — Disposal of interests in Hangxiao Technology" in this prospectus. Hangxiao Technology is our deemed connected person. For details, please refer to the section headed "Connected Transactions" in this prospectus.

Hangxiao Technology is principally engaged in the design and manufacture of steel structure. In view of the growing market of prefabricated steel structure building construction in the PRC and the on-going government supportive policies in this regard, Zhongtian Construction entered into the EPC Tripartite Framework Agreement in November 2017 with Hangxiao Technology and Hunan Design Institute, a state-owned company established in the PRC, to jointly develop prefabricated steel structure building system for residential properties under the EPC model.

During the Track Record Period, our Group provided building construction services to Hangxiao Technology and also purchased steel construction products or processing services from Hangxiao Technology, which is in accordance with the terms of the relevant contracts with Hangxiao Technology.

The following table sets out our Group's revenue, purchase and gross profit amount from Hangxiao Technology during the Track Record Period:

	FY2019		FY2020		FY2021		3Q2022	
	RMB'000	*% of total*	*RMB'000*	*% of total*	*RMB'000*	*% of total*	*RMB'000*	*% of total*
Revenue generated from our provision of construction services to Hangxiao Technology	62,650	3.5	25,323	1.4	10,746	0.6	1,482	0.1
Gross profit for our provision of construction services to Hangxiao Technology	7,177	3.9	2,958	1.6	1,226	0.6	169	0.1
Our purchases from Hangxiao Technology	16,261	1.0	22,172	1.4	92,270	5.8	55,720	4.6

	FY2019	FY2020	FY2021	3Q2022
Weighted average gross profit margins for our provision of construction services to Hangxiao Technology	11.5%	11.7%	11.4%	11.4%

During the Track Record Period, we were engaged by Hangxiao Technology for two construction projects, namely Zhongtian Hangxiao Steel Structure Prefabricated Building Base Phase I Construction* (中天杭蕭鋼構裝配式建築基地(一期)工程) and R&D Building* (科研樓).

Each of the average gross profit margin of the above two projects engaged by Hangxiao Technology was approximately 12.9% and 10.8%, which were (i) within the range and close to the weighted average gross profit margin of our Group's other prefabricated steel structure construction work projects not engaged by Zhongtian Holdings Group of approximately 13.0% throughout the Track Record Period; and (ii) close to the average gross profit margin for prefabricated steel structure construction work of approximately 14.3% among industry peers that engage in prefabricated steel structure construction work in FY2021 according to the F&S Report. We granted a credit period of approximately 30 days to Hangxiao Technology, which was within the range of the credit period that was granted to other customers of our Group. For further details on discussion on our Group's gross profit margins, please refer to section headed "Financial Information — Description of certain key items of our results of operation — gross profit and gross profit margin" in this prospectus.

During the Track Record Period, our purchases of steel construction products from Hangxiao Technology for FY2019, FY2020, FY2021 and 3Q2022 were mainly for four, ten, eleven and four projects, respectively. The increase in our purchase from Hangxiao Technology in FY2021 was in line with the growth in our Group's prefabricated steel structure construction works segment, as indicated by the significant increase in revenue generated from prefabricated steel structure construction works from RMB106.3 million in FY2020 to RMB369.8 million in FY2021. In particular, our Group made more purchases in FY2021 for Zhongtian Lutai* (中天•麓台) project with a total contract sum (exclude VAT) of approximately RMB611.1 million and generated revenue of approximately RMB286.6 million in FY2021. In 3Q2022, the decrease in our purchase from Hangxiao Technology was in line with the decrement in the revenue generated from prefabricated steel structure construction works segment.

In respect of the projects which we purchased steel construction products from Hangxiao Technology, the respective weighted average gross profit margins for such four projects in FY2019 was approximately 11.2%, ten projects in FY2020 was approximately 8.4%, eleven projects in FY2021 was approximately 12.3% and four projects in 3Q2022 was approximately 8.0%, which were within the range and comparable to the weighted average gross profit margins of our Group's top 10 revenue generating projects for each of FY2019, FY2020, FY2021 and 3Q2022 not involving Hangxiao Technology as the supplier of approximately 9.9% and ranged from 5.5% to 13.0%, 10.9% and ranged from 7.7% to 15.4%, 10.8% and ranged from 6.5% to 14.4% and 11.6% and ranged from 6.4% to 14.4%, respectively. The average gross profit margin for projects involving Hangxiao Technology as supplier increased significantly from approximately 8.4% for FY2020 to 12.3% for FY2021 was due to (i) different projects involved with different gross profit margins; (ii) 80.2% of purchases from Hangxiao Technology in FY2021 were mainly for the Zhongtian Lutai* (中天•麓台) project, which was a prefabricated steel construction project that exhibit a higher gross profit margin than the other construction projects; and (iii) the purchases from Hangxiao Technology in FY2020 were dominated by a few industrial construction projects that in general will have a lower gross profit margin due to the relatively lower construction complexity. In particular, the weighted average gross profit margins of projects involved purchase from Hangxiao Technology in FY2019 and FY2021 of approximately 11.2% and 12.3%, respectively, was higher than the weighted average gross profit margins of our Group's top 10 revenue generating projects not involving Hangxiao Technology as the supplier due to the purchases in FY2019 and FY2021 were mainly for two different building construction projects, namely Zhongtian Hangxiao Steel Structure Prefabricated Building Base Phase I R&D Building* (中天杭蕭鋼構裝配式建築基地(一期)科研樓) and Zhongtian Lutai* (中天•麓台), which involved the prefabricated steel structure construction service that was relatively more complicated than other types of construction services. For 3Q2022 the average gross profit margin for projects involving Hangxiao Technology as the supplier was approximately 12.2%, which was relatively stable compare with FY2021 despite the number of projects reduced, the dominant project was Zhongtian Lutai* (中天•麓台) project for both periods.

The terms of our sales to and purchases from Hangxiao Technology were determined on a project-by-project basis and the sales and purchases were neither inter-connected nor inter-conditional with each other. The salient terms of the transactions our Group entered into with Hangxiao Technology are similar to those with our other customers and suppliers, which our Directors consider are on normal commercial terms.

Save for Hangxiao Technology, there were no other customers also being suppliers of our Group during the Track Record Period and up to the Latest Practicable Date. Furthermore, having considered that (i) the weighted average gross profit margins for our provision of construction services to Hangxiao Technology was approximately 11.5%, 11.7%, 11.4% and 11.4% respectively throughout the Track Record Period and the relevant credit term granted by Hangxiao Technology was approximately 30 days, which was within the range and close to the weighted average gross profit margin of prefabricated steel structure construction projects with Independent Third Party customers and with similar credit terms; and (ii) the range of prices payable by our Group to Hangxiao Technology for the purchase of raw materials were within the range of quotations obtained from the Independent Third Party suppliers and the credit term offered by Hangxiao Technology is generally one to three months, which were also similar to those Independent Third Party suppliers, we believe that the price and credit terms offered to/by Hangxiao Technology are in line with the market and our transactions with Hangxiao Technology are conducted on normal commercial terms.

QUALITY CONTROL AND MANAGEMENT

We endeavour to achieve high standard quality control and management to maintain our track record of quality, safe and effective performance. During the Track Record Period, we maintained the GB/T19001-2016 idt ISO9001:2015 and GB/T 50430-2017 quality management system certification. Our Directors believe that provision of timely and quality construction works are crucial to build up trust with customers and our reputation and success. We have adopted quality control procedures to implement stringent measures during construction process, from procurement of raw materials and equipment to completion and inspection of construction works. Our technical quality department is responsible for quality management and inspection of the construction projects.

The following sets forth a summary of our key quality control measures:

Internal reports and records	:	Our project management team is required to keep the relevant reports and records during construction process to document construction progress, inspection results, quality and issues. It is required to issue a project quality report to our technical quality department every ten days.
Inspection of raw materials	:	Before our acceptance of raw materials procured, inspections are conducted by samplers, quality controllers and supervising engineers in accordance with the relevant regulations. We only use raw materials after obtaining their approval and passing our inspection.
Testing and quality control of construction works	:	Our quality controllers are responsible for setting up key points of control throughout the process of our construction. Such points of control allow for close supervision towards the construction work and hence a better prevention of the occurrence of quality issue. Testing of our construction works may be carried out by independent inspection institutions or our project testing laboratory established for such purpose.
Quality control review	:	Our technical quality department conducts quarterly review on our project quality management and control system. We also collect feedbacks from our customers periodically of their satisfactory level on the quality of our construction works and subsequent warranty services.
Subcontractors	:	Our construction subcontractors are required to abide by our quality control measures and meet our quality standards during the course of their performance in our construction projects. Please refer to the paragraph headed "Subcontracting" in this section for further details.

During the Track Record Period, we did not experience any material quality issues or receive any material complaints from our customers about the quality of our construction projects or products.

ENVIRONMENTAL PROTECTION AND OCCUPATIONAL HEALTH AND SAFETY

Environmental Protection

During our construction process, there are abortive work, building wastage and certain wastage generated including solid waste, noise and polluted air. We have established and implemented an environmental compliance system to specify various environmental protection procedures and measures and ensure our compliance with GB/T24001-2016/ISO14001:2015 standards and the relevant PRC laws and regulations. We have adopted corresponding environmental protection measures to ensure compliance with relevant laws and regulations, including noise control, air pollution control, as well as solid waste and wastewater treatment. In particular, our Group's governance and management of environmental-related risks are as follows:

(i) Our Group's governance around environmental-related risks

Our Group acknowledges its responsibility on environmental protection responsibilities and is committed to comply with the Stock Exchange's reporting requirements on environmental, social and governance ("**ESG**") upon Listing. We have established an ESG policy which outlined, among others, (a) the appropriate risk governance on ESG matters; (b) ESG strategy formation procedures; (c) ESG risk management and monitoring; and (d) the identification of key performance indicators ("**KPIs**") and the relevant measurements. Based on the above, our ESG policy further sets out the responsibility, authority and the process for (i) handling and investigating nonconformance, and rectification action to be taken; and (ii) initiating and completing corrective and preventive action. Our Group's ESG policy was established in accordance with the standards of Appendix 27 to the Listing Rules.

The Board has the overall responsibility for evaluating and determining our Group's ESG-related risks, and establishing, adopting and reviewing the ESG vision, policy and target of our Group. The Board has established an ESG team (the "**ESG Team**") to support it in implementing the ESG policy and collecting ESG data from different parties while preparing for the ESG report. It serves as a supportive role and has to report to the Board regularly and to oversee and monitor in implementing measures to address our Group's ESG-related risks and responsibilities. The ESG Team comprises five staff from middle to senior management, which include the department heads of the technological, work safety and financial departments, the HR manager and the production safety and procurement manager. The ESG Team supports the Board in implementing the ESG policies and to ensure that the ESG targets, strategies and policies agreed by the Board are effectively implemented.

(ii) The actual and potential impact of environmental-related risks on our Group's business, strategy and financial performance

Our operations at construction sites are subject to certain environmental requirements pursuant to the laws of the PRC, including primarily those in relation to air pollution control, noise control and waste disposal. For details of the regulatory requirements, please refer to the section headed "Regulatory Overview" in this prospectus.

Our Group is committed to environmental protection by conducting our business in an environmentally responsible manner. We usually establish an environmental management system throughout the duration of the projects. The system serves to provide a framework for action and for the setting of the environmental objectives and targets. The system includes, among other things, air pollution and emission, noise control, water pollution discharges, and waste disposal to ensure our Group complies with the statutory obligations at all times.

Our PRC Legal Advisers have advised us that: (i) we did not violate any national or local environmental laws and regulations during the Track Record Period that would materially and adversely affect our business operations; and (ii) we were not subject to any material penalties, claims, lawsuits in respect of environmental laws and regulations during the Track Record Period. The relevant laws and regulations which our Group should abide by are detailed below:

Environmental risks/requirements	Impact and consequence on our Group
(i) Air pollution and emissions	Non-compliance with the Law on the Prevention and Control of Air Pollution (中華人民共和國大氣污染防治法), promulgated on 5 September 1987 and last amended on 26 October 2018 by the SCNPC, by a company shall be liable to a fine of RMB100,000 to RMB1,000,000 upon conviction (Chapter 99).
(ii) Noise control	Non-compliance with the Law on the Prevention and Control of Environmental Noise Pollution (中華人民共和國環境噪聲污染防治法) promulgated by the SCNPC on 29 October 1996 and amended on 29 December 2018 by a company shall be liable to a fine for both the company and the person-in-charge (Chapter 48).

Environmental risks/requirements	Impact and consequence on our Group
(iii) Water pollution and discharges	Non-compliance with the Law on the Prevention and Control of Water Pollution (中華人民共和國水污染防治法) promulgated on 11 May 1984 and last amended on 27 June 2017 by the SCNPC by a company shall be liable to a fine of RMB20,000 to RMB200,000 upon conviction (Chapter 82).
(iv) Waste disposal	Non-compliance with the Law on the Prevention and Control of Solid Waste Pollution (中華人民共和國固體廢物污染環境防治法) promulgated on 30 October 1995 and last amended on 29 April 2020 by the SCNPC by a company shall be liable to a fine of RMB50,000 to RMB1,000,000 upon conviction (Chapter 102). Pursuant to the Environmental Protection Tax Law of the People's Republic of China (中華人民共和國環境保護稅法) issued by the SCNPC on 26 October 2018 and became effective on the same date, enterprises, units and other production operators that discharge taxable pollutants directly to the environment within the territorial areas of the PRC and other sea areas under the jurisdiction of the PRC are the taxpayers of the environmental protection tax and should pay environmental protection tax based on the requirements of the law. Pursuant to Article 62 of the Law of Administration of Tax Collection of the PRC, where, within the prescribed time limit, a taxpayer fails to go through the formalities for tax declaration and submit information on tax payment or a withholding agent fails to submit to the tax authorities statements on taxes withheld and remitted or collected and remitted and other relevant information, he or she shall be ordered by the tax authorities to rectify within a time limit and may be liable for a fine not more than RMB2,000; and if the circumstances are deemed serious, he or she may be liable for a fine not less than RMB2,000 but not more than RMB10,000.

For details of relevant environmental regulations, please refer to the section headed "Regulatory Overview — Regulations relating to environmental protection" in this prospectus.

If our Group breaches any environmental laws and regulations, or faces any accusation of negligence in environmental protection, it will adversely affect the reputation of our Group and hence our creditability. It may affect our business performances and reduce the competitiveness of our Group to new investors. Our business opportunities may also be negatively impacted, for instance, when tendering for a contract, our Group may be disadvantaged by the reputational damage and loss of creditability, as the tenderee may be less willing to grant the construction project to our Group. To uphold sustainability values, our Group has integrated all environmental considerations into our businesses.

Save for foregoing and up to the Latest Practicable Date, our Directors were not aware of any actual ESG-related risks that could negatively and materially impact our Group's businesses, strategies and financial performance.

To promote sustainable development, having considered the recommendation of the Task Force on Climate-Related Financial Disclosures, our Group has also identified potential opportunities and risks from climate change, including physical risks and transition risks.

Acute physical risk can arise from extreme weather conditions such as storms and flooding which may have potential financial implications for our Group. In the event of these extreme weather conditions, there could be financial losses due to direct damage of assets and disruption of operations, or we may experience indirect impacts from supply chain disruption if our suppliers suffer from such extreme weather conditions. Meanwhile, sustained elevated temperature resulting from chronic physical risk may increase the electricity consumption and thus the operating expenditure. Our Group adopts an array of measures in managing our energy consumption, for details, please refer to "Emissions and consumption" below.

Although we may suffer from financial losses due to direct damage of assets and disruption of operations or other indirect impact of extreme weather conditions, we do not operate in industries that are vulnerable to extreme weather conditions, such as agriculture and insurance, thus our potential financial losses arising from extreme weather conditions is limited. Furthermore, we have formulated emergency plans such as early warning alert, site temporary close and leaks were sealed if necessary.

Potential transition risks arise from the transition to a lower-carbon economy which entails market risks, changes in climate-related regulations and policy, and technology risks. Our Group's policies on carbon tracking included: (i) keeping proper record of major sources of carbon emission, including but not limited to fuel usage, motor vehicle usage and electricity purchased on a regular basis; and (ii) performing analysis and considering mitigation actions such as performing independent investigation or limiting the usage, if excessive high-carbon material such as fuel or cement is consumed in project. We also encourage the use of prefabricated construction method in our construction projects, under which components are processed in factories and installed on site, for reducing wet work and relevant pollutants on site and the use of cement. Market risks may result from the shift in customers' preferences to other producers that incorporate sustainability concept into the construction process and work. With regards to potential changes in climate-related regulations and policy, some possible outcome is operating costs increased due to imposing additional or more stringent environmental protection laws and regulations in PRC. We may also be required to revise our current practices, implement enhanced compliance and internal control manuals and systems, purchase new pollution control equipment, offer training to our employees and subcontractors and introduce new preventive or remedial measures so as to ensure compliance with the relevant laws, regulations, policies and standards, which would incur additional financial, human and other resources. Whereas for technology risks, there may be emerging technologies such as more energy efficient equipment, devices or practices which may increase our operating costs, or if our Group fails to adopt such emerging technologies or products, it may affect our competitiveness and ultimately the demand for our products. We encourage our employees to attend conferences and trainings to keep abreast with the latest developments of technology for construction process.

Set forth below is a summary of the climate-related risks our Group identified over the short (current reporting period), medium (1 to 3 years) and long (4 to 10 years) term.

Risk Type	Risks	Timeline	Potential Impacts	Mitigation Strategies
Physical risk	• Extreme weather event such as flooding and storms	Short and medium term	• Reduced revenue from business and supply chain disruptions	• Established contingency plan in the employee handbook to guide all employees to work safely under extreme weather condition
	• Sustained elevated temperature or winter storms	Medium and long term	• Increased operating expenses or costs related to the rising need for cooling or replacing damaged assets	• Included risks associated with extreme weather conditions in the risk management planning
				• Adopted measures to mitigate emissions and conserve energy

Risk Type	Risks	Timeline	Potential Impacts	Mitigation Strategies
Transition risk.	• Changes in climate-related regulations • Emerging technologies • Shift in customer preferences	Medium and long term Medium and long term Medium and long term	• Operating costs increased due to new or changing regulations • Increased cost in adopting new technologies, devices, or practices • Reduced revenue from reduced demand in products and services	• Adopted measures to mitigate emissions and conserve energy • Continued to closely monitor the regulatory environment and industry trends, adopts practices that meet market and customer expectations.

Despite the above climate-related risks and the increase in associated compliance costs, our Group reckoned the latest development trend of green building is an opportunity based on the favourable PRC Government policy and the shift in customers' preferences to contractors that incorporate sustainability concept into the construction process and work in light of the changing regulations or increasing concern and attention about sustainability and environmental-related issues in the PRC. Such shift in customers' preferences may serve as growing business opportunities for contractors which embrace green building technologies and apply environmental friendly measures in their building construction. Based on our qualification, strategies and researches on R&D topics that include green building technology and experience in prefabricated construction method, which is a kind of green building technologies, allows us to attract more potential customers that are of high degree of awareness on the environmental protection issues and in turn increase our competitiveness in future tenders from these potential customers.

Our Group strives to develop and apply green technologies including prefabricated construction method in construction process and design, which may be conducive in cost reduction. During the Track Record Period, we have engaged in R&D continuously and researched in R&D topics covering different aspects such as prefabricated construction techniques, which is one of the green building technologies. It may also place our Group in a better competitive position which allows us to reflect consumer preferences, leading to improved market integrity and investor confidence.

(iii) Identification, assessment and management of environmental related risks by our Group

Save for monitoring and reporting on our Group's ESG aspects by the ESG Team on the operational level, our Group will conduct enterprise risk assessment at least once a year to cover the current and potential risks faced by us in our business, including, but not limited to the ESG related. The Board will assess or engage independent third party(ies) to evaluate the risks and review our Group's existing strategy, target and internal controls, necessary improvement will be implemented to mitigate the risks.

We proactively identify any major ESG-related risks related to our business. We have set up metrics and targets for environmental management in our ESG policy to assist the review of major ESG-related risk performance on a regular basis. We will continue to emphasise on environmental protection by allocating sufficient resources such as skilled personnel, technology and capital to ensure our environmental compliance going forward.

Emissions and consumption

The table below sets forth a breakdown of our gas emission:

	FY2019	FY2020	FY2021	3Q2022
	(approximate tonnes)	*(approximate tonnes)*	*(approximate tonnes)*	*(approximate tonnes)*
Gas emissions				
Nitrogen Oxides ("**NOx**") *(note 1)*	3,696,673	2,200,090	2,226,887	1,549,332
Sulphur Oxides ("**SOx**") *(note 1)*	18,391	10,946	11,079	7,708
PM *(note 1)*	0.0012	0.0007	0.0006	0.0005
Total emissions	3,715,064	2,211,035	2,237,966	1,549,332
Emission density *(note 2)*	20,458	12,554	12,336	11,390

Notes:

1. Refers to the gas emissions resulting from the consumption of fuel in our Group's operations, including our vehicles and equipment, taking into account the relevant emission rates and driving distances, which exclude external service providers.

2. Refers to the emission of gas in tonne per RMB10 million of revenue.

Our Group emits gas in our daily operations from the consumption of gaseous fuels, such waste gas mainly include pollutants including NOx and SOx and respiratory suspended particles such as PM. Our Group emitted a total of approximately 3,715,064 tonnes, 2,211,035 tonnes, 2,237,966 tonnes and 1,549,332 tonnes of waste gas for FY2019, FY2020, FY2021, and 3Q2022. For FY2019, FY2020, FY2021, and 3Q2022, our emission density was approximately 20,458 tonnes, 12,554 tonnes, 12,336 tonnes and 11,390 tonnes per RMB10 million of revenue.

The table below sets forth a breakdown of our greenhouse gas ("**GHG**") emission:

	FY2019	FY2020	FY2021	3Q2022
	(approximate tonnes of CO_2e)	*(approximate tonnes of CO_2e)*	*(approximate tonnes of CO_2e)*	*(approximate tonnes of CO_2e)*
GHG emissions				
Direct emission *(note 1)*	2,515	1,503	1,518	1,059
Indirect emission *(note 2)*	3,272	3,340	2,534	622
Total emissions	5,788	4,843	4,052	1,681
Emission density *(note 3)*	32	27	22	12

Notes:

1. Refers to the carbon dioxide equivalent ("**CO_2e**") which include carbon dioxide, methane and nitrous oxide emission attributed to the consumption of fuel in our Group's daily operations, including vehicles and equipment that are controlled our Group and/or located within the physical boundary of our operations, taking into account the relevant emission rates and driving distances, which exclude external service providers.

2. Refers to CO_2e which include carbon dioxide, methane and nitrous oxide emission attributed to the electricity purchased, taking into account the relevant emission rates, which exclude external service providers.

3. Refers to the emission of GHG in tonne per RMB10 million of revenue.

Our Group generates direct and indirect emissions of GHG due to consumption of fuel and electricity. The total GHG emission of our Group was approximately 5,788 tonnes, 4,843 tonnes, 4,052 tonnes, and 1,681 tonnes of CO_2e, respectively for FY2019, FY2020, FY2021, and 3Q2022.

Since January 2020, for better management of overall subcontractor cost and fuel cost, we gradually requested our subcontractors to purchase gaseous fuel by themselves and bear the relevant costs incurred in construction projects as our subcontractors are in a better position to control their usage of gaseous fuel and reduce wastage on fuel usage. According to "the Reporting Guidance on Environmental KPIs" issued by the Stock Exchange, emissions generated from the gaseous fuel used by our subcontractors are emissions from outsourced activities or other contractual arrangements, which are classified as emissions other than direct emission. Also, we have adopted the mitigating measures as stated in the paragraph headed "(d) the metrics and targets used to assess and manage such risk (including, without limitation, information relating to pollutants emission and resource consumption)" below in this section. The emissions generated from the gaseous fuel used by our subcontractors are not the direct or indirect emissions within our Group's control, and thus are excluded from our emission data. In such case, the abovementioned gas and GHG emissions from sources that are owned or controlled by our Group decreased from FY2020 onwards.

As it is our practice to request our subcontractors to purchase gaseous fuel and bear the relevant costs themselves, the fuel and relevant costs are already considered and embedded in the contract sum of the subcontracting contracts. Our Directors believe that our subcontractors can review their usage of gaseous fuel in a timely manner, adjust their purchase plan or budget according to the progress of the construction, control the usage, enhance the efficiency and reduce wastage, and thus reduce the risk of extra cost and emission arising from wastage fuel.

Our management procedures for management of our subcontractors include: (i) adopting a series of progress monitoring measures, which include requiring subcontractors to formulate work schedules, furnish progress reports, maintain on-going communication to report the project progress to us in a timely manner, including any safety and environmental issues such as excessive emission, monitoring the implementation of work schedules and adjusting the same when necessary; (ii) implementing quality control assessment system, which include inspection and appraisal conducted by our technical quality department; (iii) regularly reviewing project cost including subcontracting cost to make sure they are within the budget; and (iv) designating the project manager of the respective projects to be primarily responsible for maintaining communication with and supervising our subcontractors in respect of materials issues such as any quality defects identified on site. Our subcontractors and labour subcontractors are required to comply with safety construction, labour protection and environmental protection rules and regulations under the contract.

According to our ESG policy, for management of our subcontractors during the construction stage, our Group also arranges for random surprise inspection on the site, the content of inspection included but not limited to quality of work, quality of material used, occupational health and safety issues, level of excessive emissions or wastage and the progress of project. Also, to further adhere to our ESG policies, we require our labour subcontractors to be responsible for implementing the safety measures design by our Group and monitoring the construction progress, including but not limited to, whether any environmental issues or excessive emissions caused by their on-site personnel, to ensure the quality standards of our construction projects are met. If any non-compliance with our ESG policy by the subcontractor is noted or should we become aware that there are excessive emissions or wastage of gaseous fuel by our subcontractors, our Group will ask the subcontractor to remediate and perform follow-up checking in the next inspection.

We also consider the subcontractors' adherence to our ESG policy, their historical compliance record with our ESG policies (such as whether there is excessive emissions or wastage) as well as relevant laws and regulations as one of the selection criteria. During the subcontractor selection process, our Group performs background check on the potential subcontractor. We will obtain information including relevant certificates and records of penalty imposed on the potential subcontractor. If the potential subcontractor has a poor track record in ESG performance, our Group will reject the relevant subcontractor in the selection process. Subcontractors with ISO certificates (ISO9001 certificate, ISO14001 certificate, ISO45001 certificate) will be an advantage during our Group's subcontractor selection process. For details, please refer to the section headed "Business — Raw Materials, Machinery and Equipment and Suppliers — Suppliers — Subcontracting" in this prospectus.

We target to maintain the emission density level of gas emissions to the level of FY2021 for FY2022. We have set a target to reduce GHG emission to less than approximately 20.0 tonnes of carbon dioxide emission per RMB10 million of revenue for FY2022.

The table below sets forth a breakdown of our electricity consumption:

	FY2019	**FY2020**	**FY2021**	**3Q2022**
	(approximate kWh)	*(approximate kWh)*	*(approximate kWh)*	*(approximate kWh)*
Electricity consumption *(note 1)*	3,630,400	3,704,934	2,810,882	1,090,580
	(approximate kWh per RMB10 million)	*(approximate kWh per RMB10 million)*	*(approximate kWh per RMB10 million)*	*(approximate kWh per RMB10 million)*
Consumption density *(note 2)*	19,991	21,036	15,494	8,018

Notes:

1. Refers to electricity consumed during our construction process and office use.

2. Refers to the electricity consumption per RMB10 million of revenue.

Our Group consumed approximately 3,630,400 kWh, 3,704,934 kWh, 2,810,882 kWh, and 1,090,580 kWh of electricity for FY2019, FY2020, FY2021, and 3Q2022. We regularly review our electricity consumption level and consider methods to reduce energy consumption. We have set a target to reduce our annual electricity consumption to less than approximately 10,000 kWh (kilowatt-hour) per RMB10 million of revenue for FY2022. We are committed to enhancing the overall efficiency to reduce our utility consumption.

In order to properly manage the ESG-related risks, the Board has adopted the measures in line with our ESG policy to monitor and manage our ESG-related risks, identify and measure the relevant KPIs and take measures to manage the ESG-related risks.

(iv) the metrics and targets used to assess and manage such risks (including, without limitation, information relating to pollutants emission and resources consumption).

Our Group will conduct enterprise risk assessment at least once a year to cover the current and potential risks faced by our Group, including, but not limited to the ESG-related risks and strategic risk around disruptive forces such as climate change. Our Board will assess or engage external expert to evaluate the risks and review our Group's existing strategy, target and internal controls, and necessary improvement will be implemented to mitigate the risks. Our Board has the overall responsibility for evaluating and determining our Group's ESG-related risks, and establishing, adopting and reviewing the ESG vision, policy and target of our Group. Our ESG Team established by our Board supports our Board in implementing the ESG policy and collecting ESG data from different parties while preparing for the ESG report. Our Board will maintain oversight of our Group's approach to risk management as part of the standard operating processes to ensure the appropriate mitigations are in place as part of the regular management reviews.

The decision to mitigate, transfer, accept or control a risk is influenced by various factors such as government regulations and market demand. Our Group will incorporate climate-related issues, including physical and transition risk analysis, into our ESG-related risk assessment processes and risk appetite setting. When the risk and opportunities are considered to be material, our Group will make reference to them in the course of the strategy and financial planning process. Upon annual review of the ESG-related risks, and our Group's performance in addressing the risks, we may revise and adjust the ESG strategies as appropriate.

Our Group has adopted the following polices in order to mitigate the emissions/greenhouse gas produced:

- encouraging the use of prefabricated construction method in our construction projects, under which components are processed in factories and installed on site, which reduces wet work and relevant pollutants on site and reduces the use of cement (a kind of high carbon construction material);

- engaging in R&D continuously and researching on green building technology topics that may reduce the use of fuel and/or material;

- performing periodic maintenance of our vehicles to reduce pollution and emission;

- replacing old retired vehicles with low-emission vehicles where applicable;
- prohibiting combustion of wastes;
- switching off all electronic equipment/mobile machinery when it is not in operation;
- using more energy-efficient lighting products, such as LED lighting;
- conducting proper and regular maintenance of equipment to keep their efficiency and reduce energy consumption; and
- turning off lighting facilities during lunch time, and the last employee who leaves the office/site must ensure that all lights are switched off.

On the other hand, measures to reduce the water usage has been/will be adopted:

- prohibit any wastage of water;
- inspect and identify any water leakage, breakage or other potential damage of water pipes regularly;
- check metre reading constantly to prevent any hidden leakage;
- post promotional posters and cards in prominent areas of the workplace to remind employees of saving water; and
- promote water-saving education and ideas continuously among our employees.

To reduce the wastage, our Group has adopted the following measure:

- schemes for waste reduction in construction projects are applied, in which construction wastes are categorised to identify reuse and recycle materials, so they can be recycled or reused where appropriate. For example, waste concretes are reused to pave temporary roads, and waste rebars are reused as horse stool reinforcement.

During the Track Record Period, we maintained the GB/T24001-2016/ISO14001:2015 environment management system certification.

Occupational Health and Safety

Our Safety Management System

We have in place stringent internal safety policies to ensure our safe operations and ensure our compliance with relevant PRC laws and regulations. Our work safety, procurement and subcontracting department is responsible for overseeing our compliance with relevant PRC laws and regulations. Our internal safety measures and policies include implementing prevention measures, keeping records for safety incidents, identifying and assessing occupational hazards, conducting regular reviews and inspections of our safety performance, conducting on-site assessments in accordance with the JGJ59-2011 Standard of Construction Safety Inspection (建築施工安全檢查標準) and conducting review of any material accidents. During the Track Record Period, we maintained the ISO45001:2018 occupational health and safety management system certification. Our work safety, procurement and subcontracting department also organises work safety education and training sessions for our employees each year in accordance with national regulations and on an as-needed basis when new technologies, new equipment, new machineries or new resources are involved. To enhance our safety management system, we also evaluate the suitability and effectiveness of our safety management system each year, and identify areas for improvement.

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:

Potential safety issues	Safety measures
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 in addition to safety helmets.
Injury caused by electric shock	Workers carrying out electrical work are required to wear protective footwear and gloves.
Injury caused by fire outbreak	Workers carrying out welding work must be equipped with fire extinguishing equipment. There must be on-site designated person(s) responsible for watching the fire.

We are also required to fulfil, and as at the Latest Practicable Date we have adopted, the requirements under the Administration Regulation on Work Safety License of Construction Enterprise. For details, please refer to the section headed "Regulatory Overview — Construction safety" in this prospectus.

Our Accident Reporting System

Our occupational health and safety management system includes a reporting and record system for safety accidents on our construction sites. The project manager must report the safety accidents to our work safety, procurement and subcontracting department immediately. We will report the accident to the relevant government authority as required by PRC laws and regulations and cooperate with local government authorities to investigate such safety accident.

During the Track Record Period and up to the Latest Practicable Date, we did not have any material workplace accidents and fatalities, and we have not been subject to any material fines, public criticism or warnings in relation to any safety incidents. We were not subject to any accident which required reporting to the relevant government authorities and caused material claims.

Our work-related injuries and fatalities data for the Track Record Period are listed as below:

	FY2019	FY2020	FY2021	3Q2022
Number of work-related fatalities	0	0	0	0
Rate of work-related fatalities (%)	0	0	0	0
Number of work injuries	4	4	5	4
Lost days due to work injury	6	8	12	10

Anti-bribery or Kick-backs Policy

Anti-bribery or kick-backs measures are integrated as part of our internal control system. Set out below is a summary of key features of the measures:

(i) we have established "anti-bribery and whistleblowing policy" and "anti-corruption management policy" during the Track Record Period which applied to all of our management members and staff;

(ii) our human resources department performs background check to the management or key position staff during hiring or promotion process, in order to check their background and possible criminal record;

(iii) we have established a whistleblowing mechanism to handle bribery whistleblowing case, and our internal audit department is responsible for recording and reporting potential bribery or kick-back cases to the Board or our senior management;

(iv) the Board is responsible for handling potential bribery or kick-backs cases by investigation or reporting to governing bodies;

(v) all staff are required to sign an incorruptibility and self-discipline undertaking upon employment, which included promises of anti-bribery, no kick-backs or other unethical behaviours; and

(vi) receipt of gift by staff from business partners is forbidden. All gifts received should be registered and handover to our Group.

We did not encounter any material bribery or kick-back case during the Track Record Period and up to the Latest Practicable Date.

INSURANCE

We maintain insurance policies that are required under PRC laws and regulations as well as policies based on our assessment of our operational needs and industry practice. We are subject to the social insurance system of the PRC and is required to make contributions for our employees towards five categories of insurance, including make contributions for basic pension, basic medical, unemployment, work injury and maternity insurances for our employees. Consistent with customary practice in China, we did not carry out 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. Please refer to "Risk Factors — Risks relating to our business — We may have inadequate insurance coverage, and the occurrence of uninsured damages could have adverse effects on our business, financial conditions and results of operations" for more details. During the Track Record Period, we did not experience any material insurance disputes.

INTELLECTUAL PROPERTY

The details of the intellectual property rights owned by our Group are set out in "Statutory and General Information — B. Further information about the business of our Group — 2. Intellectual property rights" in Appendix V to this prospectus. In particular, as at the Latest Practicable Date, we were the registered owner of six trademarks containing "Zhongtian" or "中天" in Hong Kong. As at the Latest Practicable Date, we had not registered any trademark containing "Zhongtian" or "中天" in the PRC.

The Chinese name of our Company and our subsidiaries contain "中天" (Zhongtian). In particular, Zhongtian Construction, our major operating subsidiary, has been using "中天" (Zhongtian) in its name since 2004. Meanwhile, there are many companies whose names contain "中天" (Zhongtian) in the PRC and Hong Kong, including companies in the construction industry.

As advised by Ms. Queenie W.S. Ng (the "**Hong Kong Legal Counsel**"), the legal adviser to our Company as to Hong Kong laws, given that (i) it is common for PRC companies to contain "中天" (Zhongtian) in their names and it would be difficult for a PRC company to prove it owns any goodwill or is well known in Hong Kong if it has not carried on any business or registered any trademark in Hong Kong; (ii) Zhongtian Construction, our major operating subsidiary, has been using "中天" (Zhongtian) in its name since 2004 and had used a stock short name including the words "中天" (Zhongtian) when its shares were quoted on the NEEQ, and there had been no dispute on goodwill and suggestion of confusion; (iii) we have successfully registered trademarks containing "中天" or "Zhongtian" in Hong Kong, and no other companies had registered trademarks containing "中天" or "Zhongtian" in class 37 in Hong Kong as at the Latest Practicable Date; and (iv) the names of our Company and Zhongtian Construction also contain "Construction" and "Hunan", so that the public can distinguish our Company and Zhongtian Construction from other companies whose names contain "中天" (Zhongtian) which (a) engage in the other industries and (b) are headquartered in places other than Hunan Province, the chance of our Group to be successfully claimed for infringement of intellectual property rights and/or passing off in Hong Kong by other companies established in the PRC whose names contain "中天" (Zhongtian), bearing same or similar names and trademarks and conducting similar businesses as our Group is remote.

As advised by our PRC Legal Advisers, taking into account that (i) we do not carry out our business directly under the name of our Company in the PRC and would mainly continue to carry out its business under the name of Zhongtian Construction, whose name was approved by Zhuzhou AMR; (ii) our Group refers our Company as its holding company during business negotiations, which is true and accurate; (iii) our Directors confirmed that our Group has been using the name of Zhongtian Construction in compliance with the laws and without any intention to confuse with other companies or to attach to the reputation of other companies or any objective acts of unauthorised use of other influential company names; (iv) our PRC Legal Advisers interviewed Zhuzhou AMR, the department responsible for matters under the Anti-Unfair Competition Law of the PRC, and Zhuzhou AMR clearly confirmed to our PRC Legal Advisers that, since the authority would conduct name check using its internal system and obtain internal approval which confirmed that such name satisfy the registration requirements before it would approve the name of a company, if Zhongtian Construction refer to our Company as its holding company during business negotiations and carry out business under its own name, it would not be regarded as engaging in acts of confusion and/or unfair competition under the Anti-Unfair Competition Law of the PRC; and (v) based on searches conducted by our PRC Legal Advisers and independent search agent, there was no record of any administrative penalty or prosecution against Zhongtian Construction, for infringement of intellectual property rights and passing off or unfair competition, our PRC Legal Advisers are of the view that, in the absence of evidence that the other PRC companies whose name contain "中天" (Zhongtian) and engage in the construction industry were influential or that the use of the name of our Company and Zhongtian Construction may cause any confusion and misunderstanding to others that they have any relationship with such other companies, the risk that the use of our registered company names would be regarded as engaging in acts of unfair competition through acts of confusion under the Anti-Unfair Competition Law of the PRC is low.

Further, Zhongtian Construction is the registered owner of six trademarks containing "Zhongtian" or "中天" in Hong Kong. After successful registration of such trademarks in Hong Kong, both our trademarks and company names can be protected in Hong Kong. Such trademarks are registered in class 37 which encompasses construction services; installation and repair services; mining extraction, oil and gas drilling. In case there is any other entity engaging in the construction industry in Hong Kong uses names and/or marks which are identical or similar to the name and registered trademarks of our Group which infringed our intellectual property rights, we may take legal action against them for infringement of the trademarks and/or passing off, and seek appropriate redresses from the court including damages and/or injunction. The Hong Kong Legal Counsel is of the view that registration of the trademarks is the best available measure for our Group to protect our trademarks and goodwill, and to prevent other entities from tarnishing our reputation in Hong Kong.

During the Track Record Period and up to the Latest Practicable Date, we were not aware of any material infringement of our intellectual property rights and we believe that we have taken all reasonable measures to prevent any infringement of our own intellectual property rights. During the Track Record Period and up to the Latest Practicable Date, we were not aware of any material infringement of the others' intellectual property rights by us.

EMPLOYEES

As at the Latest Practicable Date, our Group has 334 employees in total, most of whom are located in the PRC. The following table sets forth the number of our Group's employees by job functions:

Functions	Number of employees
Project management	226
Market operation	4
R&D	6
Internal auditing and finance	27
Human resources and legal	5
General management and administration	28
Machinery and equipment management	24
Others	14
Total	334

Recruitment

Our Group has a recruitment policy which we would recruit new employees based on departments' request. Our recruitment process normally contains interviews and written tests. The candidates will be examined based on their relevant experiences, skills, knowledge, and integrity. According to our recruitment policy, we encourage our employees to refer us candidates.

Training

It has been our Group's policy to provide training to its employees. It usually includes induction training which is held by our human resources department; on-the-board training; and sometimes education opportunities depending on the job function of the employees. Our Group will hold seminars and events occasionally for our employees, in order for them to catch up with market trend. Education allowance would be given to employees if such application is approved by their department managers and further approved by the human resource department.

Confidentiality

We may require our senior management and certain employees to undertake confidentiality obligation by contract. Under such contract, employees concerned are bound to keep our technologies and commercial secrets confidential and we are entitled to claim our employees for our losses incurred by reason of our employees' breach of confidentiality agreement.

Remuneration

Our Group's employees may be remunerated by way of fixed salary, hourly wage or on project-by-project basis, depending on their job nature. Our Group utilises an appraisal system for our employees and considers the appraisal results of individual employees when conducting their salary review and determining the amount of bonuses. Our employees also entitled to a number of fringe benefits and welfare, including transportation allowance, health care allowance and paid leave. The participation in the project management responsibility system will not affect a person-in-charge's entitlement to remuneration, benefits and welfare as our employee.

Social insurance scheme and Housing provident funds

We maintain social insurance scheme, including contributions to the pension, medical, unemployment, maternity and occupational injury insurance, and housing provident funds for all of our employees.

Relationship with employees

We have a labour union which represents the interests of our employees. During the Track Record Period and up to the Latest Practicable Date, we had not experienced any material labour-related disputes.

PROPERTIES

Owned Properties

As at the Latest Practicable Date, our Group does not own any properties.

Leased Properties

As at the Latest Practicable Date, our Group leased the following properties in the PRC from Puhui Commercial, a deemed connected person of our Company, and an Independent Third Party, details of which are set out as follows:

Properties leased from Puhui Commercial

Location	Gross floor area under the current tenancy agreement	Monthly rental	Term under the current tenancy agreement	Use of property
	(sq.m.)	*(RMB)*		
1st Floor Office Area, Block 10, Dongfang Mingyuan, No. 1197, East Xinhua Road, Hetang District, Zhuzhou City, Hunan Province, PRC	78.54	3,770	12 months (from 1 January 2023 to 31 December 2023)	Office premises
Portion of the 2nd Floor and 3rd Floor, Office Area, Block 10, Dongfang Mingyuan, No. 1197, East Xinhua Road, Hetang District, Zhuzhou City, Hunan Province, PRC	1,372.78	24,710	12 months (from 1 January 2023 to 31 December 2023)	Office premises
Portion of the 2nd Floor, Block 10, Dongfang Mingyuan, No. 1197, East Xinhua Road, Hetang District, Zhuzhou City, Hunan Province, PRC	37.29	671	12 months (from 1 January 2023 to 31 December 2023)	Office premises
Portion of the 2nd Floor, Block 10, Dongfang Mingyuan, No. 1197, East Xinhua Road, Hetang District, Zhuzhou City, Hunan Province, PRC	72.64	1,308	12 months (from 1 January 2023 to 31 December 2023)	Office premises
Portion of the 2nd Floor, Block 10, Dongfang Mingyuan, No. 1197, East Xinhua Road, Hetang District, Zhuzhou City, Hunan Province, PRC	197.69	3,558	12 months (from 1 January 2023 to 31 December 2023)	Office premises
Portion of the 2nd Floor, Block 10, Dongfang Mingyuan, No. 1197, East Xinhua Road, Hetang District, Zhuzhou City, Hunan Province, PRC	200	3,600	12 months (from 1 January 2023 to 31 December 2023)	Office premises

Property leased from an Independent Third Party

Location	Gross floor area under the current tenancy agreement	Annual rental/ obligations	Term under the current tenancy agreement	Use of property
	(sq.m.)	*(RMB)*		
No. 208, 2/F, Jincheng Huayi Health Industrial Park R&D Building, 7 Jinlong East Road, He Tang District, Zhuzhou, Hunan Province, PRC	188	4,700	5 years (from 1 March 2020 to 28 February 2025)	Office premises

As at the Latest Practicable Date, the lease agreement for the property located at No. 208, 2/F, Jincheng Huayi Health Industrial Park R&D Building, 7 Jinlong East Road, Hetang District, Zhuzhou, Hunan Province, PRC (the "**Zhuzhou Property**") had yet to be registered with the relevant government authorities as the lessor has not yet obtained the real property ownership certificate for the Zhuzhou Property. Such non-registration constituted non-compliance of the Administration Measures for Commodity House Leasing (《商品房屋租賃管理辦法》). For further information, please refer to the paragraph headed "Legal and regulatory — Non-compliance incidents" in this section.

Property valuation report

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

INFORMATION TECHNOLOGY

Our information technology systems, which include project management information system, financial management system, remote monitoring system and OA office system, are critical to our operations, including contract management, safety and quality control, documentation management, production management, human resources and accounting and finance. Our information technology systems also support our key operation processes, including project management, procurement, aftermarket customer service, sales and marketing, and bidding. We utilise our information technology systems to improve the efficiency and quality of our services and strengthen our risk and financial management capabilities. From time to time, we procure new or upgrade existing information systems based on our business needs. During the Track Record Period, we did not suffer any major information technology system failures or related losses. However, we may face information technology risks arising from the improper performance or malfunction of our information technology systems on which our operations significantly rely. For details, please refer to the section headed "Risk Factors — Risks relating to our business — We may experience failures in our information technology systems" in this prospectus.

RISK MANAGEMENT AND INTERNAL CONTROL

Our future operating performance may be affected by risks relating to our business. Some of these risks are specific to us while others relate to economic conditions and the general industry and markets in which we operate. For details, please refer to the section headed "Risk Factors" in this prospectus.

The Board of Directors and the senior management are responsible for establishing and maintaining adequate risk management and internal control systems. Risk management is the process designed to identify potential events that may affect our Company and to manage risks to be within its risk appetite. Internal control is the process designed to provide reasonable assurance regarding achievement of objectives related to effectiveness and efficiency of operations, reliability of financial reporting and compliance with applicable laws and regulations.

Highlights of risk management and internal control system include the following:

(i) our Directors attended a training session in May 2020 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, connected transactions and information disclosure;

(iii) we have implemented internal control policies in relation to financial management;

(iv) to enhance our internal control on cashflow and liquidity management, our designated staff makes cashflow projection on a monthly basis and closely monitors the cashflow position. If it is anticipated that there is operating cash outflow in the following month, our senior management will assess the impact and consider measures to strengthen the cashflow position; and

(v) we have implemented a series of internal rules and regulations in relation to our business operations, including those in relation to the management of our business operation, the human resources, payroll, cash management and information on technology systems.

To ensure the above compliance culture is embedded into everyday workflow and set the expectations for individual behaviour across the organisation, we will regularly conduct internal compliance checks and inspections, adopt strict accountability internally and conduct compliance training.

Without prejudice to the responsibilities of the Board of Directors as a whole, the audit committee of our Board oversees financial and business risk management and discusses the process by which management assesses and manages the company's exposure to those risks and the steps taken to monitor and control such exposure. For details, please refer to the section headed "Directors and Senior Management — Board committees" in this prospectus.

In preparation for the Listing, we engaged BT Corporate Governance Limited, an independent internal control consultant (the "**Internal Control Consultant**") to perform a review of our internal control systems and procedures on a fact-finding basis and to provide recommendations for addressing the findings during the review. The initial review was conducted during 2 January 2020 to 15 January 2020 and the testing period was from 1 December 2018 to 30 November 2019. The Internal Control Consultant 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 following table sets out the major findings of the internal control review, the recommendations provided by the Internal Control Consultant and the corresponding rectification measures taken by our Group:

Major findings	**Recommendations**	**Corresponding rectification measures taken by our Group**
We have not set up Board committees including audit committee, nomination committee and remuneration committee.	We should set up an audit committee, a nomination committee and a remuneration committee and should formulate a set of guidelines for our Directors covering the duties of Directors and each of the Board committee and the corporate governance policies of our Group.	We have formulated a set of guidelines and have arranged training for our Directors. Moreover, we have established an audit committee, a nomination committee and a remuneration committee pursuant to a resolution of our Directors passed on 10 March 2023.

Major findings	Recommendations	Corresponding rectification measures taken by our Group
During the Track Record Period, Zhongtian Construction commenced or proceeded with construction work for five projects before the developers obtained the construction works commencement permits. For details, please refer to the paragraph headed "Legal and Regulatory — Non-compliance incidents" in this section.	We should enhance our policies in connection with obtaining construction works commencement permits to ensure the relevant permits would be obtained before commencement of construction works.	We have implemented internal control policies in connection with obtaining construction works commencement permits, including: (i) our technology and quality control department would maintain a register of the construction works commencement permits and record the information on the construction works commencement permits, including the date of obtaining the construction works commencement permit, the commencement date and the expected completion date; (ii) we would provide training to all our project managers regarding the legal requirements in relation to construction works commencement permits; and (iii) we would consult with an external legal counsel for matters relating to construction works commencement permit when necessary.

In light of the above findings, the Internal Control Consultant has performed a follow-up review on 7 May 2020, 22 January 2021 and 25 February 2022 by focusing on the remedial actions undertaken by the management of our Group on the control deficiencies identified in the first round review and did not identify any material weakness or raise any further recommendation in the review. Our Directors are of the view that our Group has adequate and effective internal control procedures in place for our Group's operation.

LEGAL AND REGULATORY

Legal Proceedings

From time to time, we are involved in legal proceedings arising in the ordinary course of business. The following table sets forth details of the material on-going legal proceedings of our Group as at the Latest Practicable Date:

	Nature of dispute	Summary of dispute	Amount in dispute	Status
			(approximate RMB)	
1.	Contractual dispute regarding construction service fees	Zhongtian Construction was engaged by Customer Shicuiying for provision of construction services for the construction of the development located at Ningbo Gaoqiao Town Changle Village* (寧波高橋鎮長樂村居住地塊). Customer Shicuiying did not pay the full amount of the construction service fees. Customer Shicuiying is a company established in the PRC on 24 December 2010 with limited liability and registered capital of RMB10 million, based in Ningbo, Zhejiang Province and principally engages in real estate development. Our Group became acquainted with Customer Shicuiying through public tendering of the abovementioned project. Customer Shicuiying is ultimately owned by Mr. Shi Jie (史傑) and Ms. Shi Cuiying (史翠英) who are Independent Third Parties. According to the best knowledge of our Directors, Mr. Shi Jie and Ms. Shi Cuiying principally engage in the food manufacturing and property development businesses in Ningbo. Save as business relationship with our Group, our Directors confirm that Customer Shicuiying did not have past or present relationships (including employment, family, trust and financing relationships) with our Group, Shareholders, Directors and senior management or their respective associates.	52.4 million	Zhongtian Construction and Customer Shicuiying have agreed under a court-led mediation in November 2016 that Customer Shicuiying would pay the amount of RMB52.4 million (net of tax) (the "**Settlement Sum**") to Zhongtian Construction as settlement of the matter, out of which approximately RMB7.7 million was settled by Customer Shicuiying transferring the Ningbo Properties to Zhongtian Construction. For details of the Ningbo Properties, please refer to the section headed "Financial Information — Discussion on selected items of consolidated statements of financial position — Investment properties" in this prospectus. Pursuant to the agreement after the court-led mediation (the "**Mediation Agreement**"), it was agreed that Zhongtian Construction is entitled to priority of compensation in respect of the properties constructed by Zhongtian Construction for Customer Shicuiying. As at the Latest Practicable Date, Zhongtian Construction was still awaiting Customer Shicuiying to settle the balance of RMB16.8 million (net of tax, gross trade receivable amount being RMB17.9 million) of the Settlement Sum. The Bureau of Housing and Urban-Rural Development of Ningbo City* (寧波市住房和城鄉建設局) has sealed up the property rights over 151 car parking spaces and 27 properties (the "**Sealed Properties**") held by Customer Shicuiying for the purpose of settling the balance of the Settlement Sum. As at 30 September 2022, we recorded loss allowances of approximately RMB1.0 million for expected credit loss. For details of the abovementioned priority of compensation and the basis of loss allowances, please refer to the section headed "Financial Information — Discussion on selected items of consolidated statements of financial position — Trade, bills and other receivables" in this prospectus. To facilitate enforcement of the Mediation Agreement, Zhongtian Construction commenced another legal proceedings seeking an order from the court ordering the performance of the Mediation Agreement and payment of damages of RMB5.0 million for the delay in the performance of the Mediation Agreement. As advised by our PRC Construction Legal Advisers, (i) this legal proceedings would not affect the priority of compensation of Zhongtian Construction in respect of the properties constructed by Zhongtian Construction for Customer Shicuiying, which had been determined by the court in the Mediation Agreement; and (ii) in case this legal proceedings was unsuccessful, it would not affect the right of Zhongtian Construction to request auction of the Sealed Properties for settlement of the outstanding sum. As at the Latest Practicable Date, the court has not made a decision on the case under the summary procedures and directed the case to be proceeded under the formal procedures.

Taking into account (i) the fact that we have sealed up properties of Customer Shicuiying for settling the balance of the Settlement Sum, and we have priority of compensation with respect to monies received from selling off or auctioning of such properties; and (ii) the amount of loss allowances recorded as at 30 September 2022 for expected credit loss, our Directors consider that such legal proceeding is unlikely to have any material adverse impact on our business operations or financial position.

	Nature of dispute	Summary of dispute	Amount in dispute	Status
			(approximate RMB)	
2.	Contractual dispute regarding construction service fees	Zhongtian Construction was engaged by an industrial investment company based in the Hunan province for provision of construction services for part of an industrial area located in Zhuzhou. The defendant failed to pay construction fees according to the milestones stipulated in the relevant contract. Based on public searches conducted by Zhongtian Construction, Zhongtian Construction considered that the defendant is unable to continue with the performance of the relevant contracts.	10.4 million plus interest	Zhongtian Construction commenced legal proceedings against the defendant seeking an order for termination of the relevant contracts, payment of outstanding construction fees of approximately RMB10.4 million plus interests and determination that Zhongtian Construction is entitled to priority of compensation in respect of properties constructed by Zhongtian Construction for the defendant. A court hearing was held on 5 September 2022 and the court has not handed down its decision as at the Latest Practicable Date. As at 30 September 2022, our Group recorded trade receivables and contract asset of approximately RMB5.5 million and RMB5.4 million due from this customer. Total provision for impairment loss on trade receivables and contract asset of approximately RMB0.3 million has been provided. As advised by our PRC Construction Legal Advisers, pursuant to the Civil Code of the PRC (中華人民共和國民法典), promulgated by the NPC on 28 May 2020 and with effect from 1 January 2021, where the property developer has not made payments to the contractor within the reasonable period of time as requested by the contractor, the contractor may reach an agreement with the developer to sell off the project, or may apply to the People's Court of the PRC for the said project to be auctioned in accordance with the law, and the contractor shall have priority of compensation. Please refer to the paragraph headed "Financial Information — Discussion on selected items of consolidated statements of financial position — Trade receivables — (ii) Our entitlement to the Priority of Compensation and on-going legal proceedings" in this prospectus for further details. Our PRC Construction Legal Advisers advised that (i) we are the sole main contractor of the relevant project; (ii) no other creditor has made any claim on the property of the relevant project as at the Latest Practicable Date; (iii) we solely have the priority of compensation with respect to the relevant project; (iv) there is no legal impediment for our Group to transfer the interests to willing buyers notwithstanding incomplete legal title registration of the underlying properties of the relevant project. Our Group has engaged the Independent Valuer to perform estimation of the fair value of the underlying properties in respect of the underlying project. Based on such valuation, the property is valued at approximately RMB20.6 million, representing 1.9 times of the outstanding trade receivables and contract asset due from this customer for the project as at 30 September 2022. Based on the above, our Directors consider that our provision for impairment loss on trade receivables/contract asset due from this customer is sufficient.

	Nature of dispute	Summary of dispute	Amount in dispute	Status
			(approximate RMB)	
3.	Contractual dispute regarding construction service fees	Zhongtian Construction was engaged by Customer X, a real estate developer based in the Hainan province, for provision of construction services for a residential properties project in Hainan. The defendant failed to pay construction service fees according to the milestones stipulated in the relevant contract.	27.2 million	Zhongtian Construction commenced legal proceedings against the defendant seeking an order for termination of the relevant contracts, payment of outstanding construction service fees plus interests and damages of approximately RMB27.2 million and determination that Zhongtian Construction is entitled to priority of compensation in respect of properties constructed by Zhongtian Construction for the defendant. As at 30 September 2022, our Group recorded contract asset of approximately RMB29.8 million due from this customer. Provision for impairment loss on contract asset of approximately RMB0.2 million has been provided. Under a court-led mediation, our Group and the defendant agreed that the defendant owed a total of approximately RMB24.3 million to our Group as at 1 October 2022. As at the Latest Practicable Date, the defendant has settled the total sum of RMB8.5 million, and the defendant agreed to settle the remaining sum of approximately RMB15.8 million by 8 October 2024. As advised by our PRC Construction Legal Advisers, pursuant to the Civil Code of the PRC (中華人民共和國民法典), promulgated by the NPC on 28 May 2020 and with effect from 1 January 2021, where the property developer has not made payments to the contractor within the reasonable period of time as requested by the contractor, the contractor may reach an agreement with the developer to sell off the project, or may apply to the People's Court of the PRC for the said project to be auctioned in accordance with the law, and the contractor shall have priority of compensation. Please refer to the paragraph headed "Financial Information — Discussion on selected items of consolidated statements of financial position — Trade receivables — (ii) Our entitlement to the Priority of Compensation and on-going legal proceedings" in this prospectus for further details. Our PRC Construction Legal Advisers advised that (i) we are the sole main contractor of the relevant project; (ii) no other creditor has made any claim on the property of the relevant project as at the Latest Practicable Date; (iii) we solely have the priority of compensation with respect to the relevant project; (iv) there is no legal impediment for our Group to transfer the interests to willing buyers notwithstanding incomplete legal title registration of the underlying properties of the relevant project. Our Group has engaged the Independent Valuer to perform estimation of the fair value of the underlying properties in respect of the underlying project. Based on such valuation, the property is valued at approximately RMB205.2 million, representing approximately 6.9 times of the outstanding contract asset due from this customer for the project as at 30 September 2022. Based on the above, our Directors consider that our provision for impairment loss on trade receivables/contract asset due from this customer is sufficient.

	Nature of dispute	Summary of dispute	Amount in dispute	Status
			(approximate RMB)	
4.	Contractual dispute regarding construction service fees	Zhongtian Construction was engaged by a property developer in the PRC (the "**Customer V**"), for provision of construction services for the construction of the Tianjie Commercial City Plaza* (天傑商業城市廣場) located in Zhuzhou. The trial court ruled in December 2018 that Customer V is liable to pay approximately RMB29.2 million to Zhongtian Construction (the "**Original V Case**") and such amount was settled in April 2021 through sale of properties sealed up through court procedures. Such amount ruled by the court in the Original V Case took into account that the defendant alleged that it settled construction materials cost of RMB8.0 million on behalf of Zhongtian Construction under a tripartite set off arrangement among Zhongtian Construction, the defendant and a supplier. Subsequently, it was determined in a separate litigation that Zhongtian Construction was liable to pay construction materials costs allegedly settled by Customer V for Zhongtian Construction, and Zhongtian Construction had subsequently paid such amount to the supplier. As such, Zhongtian Construction is still entitled to recover the outstanding construction services fees of RMB8.0 million from Customer V.	8.0 million plus interest	Zhongtian Construction applied for retrial of the Original V Case seeking an order for payment of outstanding construction service fees of RMB37.2 million (equivalent to the sum of RMB29.2 million settled in the Original V Case plus RMB8.0 million) plus interests and determination that Zhongtian Construction is entitled to priority of compensation in respect of properties constructed by Zhongtian Construction for the defendant. The court ruled in December 2022 that, amongst other, Customer V shall pay RMB8.0 million plus interest to our Group. As at the Latest Practicable Date, we are still awaiting Customer V to settle such sum.
5.	Contractual dispute regarding construction service fees	Zhongtian Construction was engaged by Changde Tianrun Land Development and Management Co., Ltd.* (常德市天潤土地開發經營有限公司), a civil engineering construction company based in the Hunan province and a state-owned enterprise, to provide construction services for part of a road construction project. Zhongtian Construction completed its construction work but the defendant failed to pay construction fees under the construction contract entered into between the parties.	12.5 million plus interest	Zhongtian Construction commenced legal proceedings against Changde Tianrun Land Development and Management Co., Ltd.* (常德市天潤土地開發經營有限公司) seeking to recover the outstanding construction fees of approximately RMB12.5 million and interests. As at 30 September 2022, our Group recorded trade receivables and contract asset of approximately RMB7.8 million and RMB1.1 million due from Changde Tianrun Land Development and Management Co., Ltd.* (常德市天潤土地開發經營有限公司). Total provision for impairment loss on trade receivables and contract asset of approximately RMB0.3 million has been provided. The court ruled in February 2023 that, amongst other, Changde Tianrun Land Development and Management Co., Ltd.* (常德市天潤土地開發經營有限公司) shall pay construction services fees of approximately RMB12.0 million to our Group. Changde Tianrun Land Development and Management Co., Ltd.* (常德市天潤土地開發經營有限公司) has applied for an appeal to the intermediate court against the judgment of the court and the date of the second instance hearing by the intermediate court has not been scheduled as at the Latest Practicable Date. Pursuant to Article 22 of the Government Investment Regulation, government investment projects shall be fully funded in accordance with the relevant regulations. Having considered that (i) the project is a government investment project that is protected under the Government Investment Regulation; and (ii) the customer is a Government-related Entity which generally has minimal history of default, our Directors consider that our provision for impairment loss on trade receivables/contract asset due from this customer is sufficient.

Saved as disclosed above, no member of our Group was engaged in any litigation, claim or arbitration of material importance and no litigation, claim or arbitration is known to our Directors to be pending or threatened against a member of our Group which would have a material adverse effect on our financial position or results of operations during the Track Record Period and up to the Latest Practicable Date.

Non-compliance Incidents

Our Directors confirm that, based on the advice of our PRC Legal Advisers, during the Track Record Period and up to the Latest Practicable Date, we had complied with the relevant PRC laws and regulations in all material respects.

The table below sets forth the summaries of immaterial non-compliance incidents during the Track Record Period. Our Directors believe that these non-compliance incidents, whether individually or collectively, are non-material in nature and will not have any material financial or operational impact on us.

	Non-compliance incidents and reasons for the incidents	Legal consequences and maximum potential penalties	Current status	Remedies and internal control measures
1.	During the Track Record Period, Zhongtian Construction proceeded with construction works for a project, namely Dongfang Xin'an Homeland (Phase II)* (東方市新安家園(二期)) project, a construction project for a government subsidised housing development in Hainan, before the developer obtained the construction works commencement permit. The developer has subsequently obtained the relevant construction works commencement permit. As advised by our PRC Legal Advisers, the developer, which engaged Zhongtian Construction for the relevant project, instead of Zhongtian Construction, was responsible for applying for the relevant construction works commencement permit. Our Directors confirmed that such non-compliance incident occurred primarily because when Zhongtian Construction acted upon the instructions of the Housing and Urban-Rural Construction Department of Hainan Province (海南省住房和城鄉建設廳) ("**Hainan HURD**") to commence the construction works for such project out of public interest, the developer had yet obtained the relevant construction works commencement permit .	According to Article 12 of the Administrative Measures for Construction Permits of Building Projects (建築工程施工許可管理辦法), where the construction works has commenced without the construction works commencement permit, the relevant authority can order suspension of works and rectification and impose a fine of no more than RMB30,000 on the construction company. As advised by our PRC Legal Advisers, we may be subject to a fine of up to RMB30,000 for each incident for commencing the construction works without the relevant construction works permit.	Our Directors confirmed that, as at the Latest Practicable Date, we had not received any notice relating to imposing administrative penalties with respect to such non-compliance incident. As advised by our PRC Legal Advisers, the Hainan HURD accepted the explanations provided by Zhongtian Construction for commencing the relevant construction works before the developer obtained the relevant construction works commencement permit, and confirmed that such incident would not constitute unauthorised construction works under Article 12 of the Administrative Measures for Construction Permits of Building Projects (建築工程施工許可管理辦法). As advised by our PRC Legal Advisers, the developer, which engaged Zhongtian Construction for the relevant project, instead of Zhongtian Construction, was responsible for applying for the relevant construction works commencement permits. The Hainan HURD confirmed to our PRC Legal Advisers that (i) no penalty would be imposed on Zhongtian Construction for such incident; (ii) the income derived from such project would not be regarded as illegal income; (iii) such incident would not affect Zhongtian Construction's existing construction enterprise qualification or its ability to apply for a higher level of construction enterprise qualification in the future; and (iv) such incident would not constitute material non-compliance on the part of Zhongtian Construction. Based on the above, our PRC Legal Advisers are of the view that the likelihood that Zhongtian Construction will be held liable for commencing the construction works before the developer obtained the construction works commencement permit is remote. As advised by our PRC Legal Advisers, Hainan HURD was the competent authority to give such verbal confirmation. Based on the above, our Directors are of the view that such non-compliance incident was immaterial in nature and would not impose any material financial or operational impact on us. In the event that the relevant authorities impose any fines or penalties on us, the Controlling Shareholder and Zhongtian Holdings agree to indemnify us for all claims, actions, demands, proceedings, judgments, losses, liabilities, damages, costs, charges, fees, expenses and fines suffered or incurred by us due to such incident.	We have implemented internal control policies in connection with obtaining construction works commencement permits, including: (i) our technology and quality control department would maintain a register of the construction works commencement permits and record the information on the construction works commencement permits, including the date of obtaining the construction works commencement permit, the commencement date and the expected completion date; (ii) we would provide training to all our project managers regarding the legal requirements in relation to construction works commencement permits; and (iii) we would consult with an external legal counsel for matters relating to construction works commencement permit when necessary.

	Non-compliance incidents and reasons for the incidents	Legal consequences and maximum potential penalties	Current status	Remedies and internal control measures
2.	During the Track Record Period, we have certain loans from related company amounting to approximately RMB1.9 million as at 31 December 2019. Such loans had been fully settled in 2020. As confirmed by our Directors, the loans from related company was made for acquisition of machinery and equipment for our operation. The non-compliance incident were primarily due to our unfamiliarity with regulatory requirements under General Rules for Loans.	Unauthorised loans among non-financial institutions are prohibited under the General Rules for Loans. However, according to the Provision of the Supreme People's Court on Several Issues Concerning the Application of Law in the Trial of Private Lending (最高人民法院關於審理民間借貸案件適用法律若干問題的規定), where the legal persons face dispute and litigation with respect to a private lending contract entered into for the purpose of production and operations, the contract shall be deemed effective by the court.	As advised by our PRC Legal Advisers, although the interest bearing loans from related parties do not comply with the General Rules for Loans (貸款通則) promulgated by the People's Bank of China, they were of the view that it was not a material non-compliance given that (i) our Group as the borrower would not be subject to any administrative penalties or criminal liabilities due to the non-compliance under the General Rules for Loans; and (ii) our Group had not been subject to any administrative penalties or criminal liabilities under the General Rules for Loans due to non-compliance with the General Rules for Loans. Based on the above, our Directors are of the view that such non-compliance incident was immaterial in nature and would not impose any material financial or operational impact on us.	We have implemented enhanced internal control measures relating to the borrowings arrangements with private company (including related company) including (i) we have provided training for our Directors and employees on the legal requirements the General Rules for Loans; (ii) we have implemented measures which prohibited obtaining loans from entities (including related company) which do not meet the legal requirements under the General Rules for Loans; and (iii) we have strengthened the management of our financing activities, the relevant financing institutions will be assessed before entering into financing arrangements to ensure that they are qualified under the General Rules for Loans.
3.	As at the Latest Practicable Date, the lease agreement for the Zhuzhou Property had yet to be registered with the relevant housing authority as the lessor has not yet obtained the real property ownership certificate for the Zhuzhou Property.	According to the Administrative Measures for Commodity House Leasing (商品房屋租賃管理辦法), parties to a lease agreement must register the lease agreement with the relevant authority within 30 days from the execution of the lease agreement. According to our PRC Legal Advisers, we may be subject to a fine of RMB1,000 to RMB10,000 for each unregistered lease, amounting to a maximum potential fine of RMB10,000 regarding the non-registration of the lease agreement of the Zhuzhou Property.	Our Directors confirm that no fine was imposed on us for such matter as at the Latest Practicable Date. As advised by our PRC Legal Advisers, (i) non-registration of the lease agreement would not invalidate such lease agreement and we are entitled to occupy and use the Zhuzhou Property according to the relevant laws and the lease agreement during the term; and (ii) we will not be liable for any administrative penalties for the reason that the lessor had not obtained the real property ownership certificate as it is the responsibility of the lessor to obtain the real property ownership certificate under the relevant PRC laws. Our Directors confirm that, for the purpose of remedying the matter, we would comply with the registration requirement when required by the relevant government authority, and in the event that the registration of the lease agreement cannot be completed, we would terminate the lease agreement for the Zhuzhou Property, and relocate to alternative premises in similar location and with similar scale. Based on the above, our Directors are of the view that such non-compliance incident was immaterial in nature and would not impose any material financial or operational impact on us.	We have implemented enhanced internal control measures including (1) our Group shall ensure that the lessor has obtained the real property ownership certificate (such as requesting a copy of the same) before the signing of any lease agreement in the future; and (2) our Group shall include a provision in all our future lease agreements stipulating that the lessors' failure to assist in the registration according to the Administrative Measures for Commodity House Leasing shall constitute a breach of the lease agreement whereby our Group shall be entitled to terminate the same.

The aforesaid non-compliance incidents did not involve any intentional misconduct or act of dishonesty or fraudulence on the part of our Directors. Our Directors are of the view, and the Sole Sponsor concurs, that such non-compliance incidents do not impugn the integrity and competency of our Directors under Rules 3.08 and 3.09 of the Listing Rules, or the suitability for listing of our Company under Rule 8.04 of the Listing Rules, because: (i) there was no intentional misconduct or act of dishonesty or fraudulence on the part of our Directors in connection with such non-compliance incidents; (ii) we had undertaken around 300 construction projects during the Track Record Period, and the non-compliance incident regarding the commencement of construction works before the developer obtained the construction works commencement permit only constitute a small proportion of the total number of construction projects undertook by us during the Track Record Period; (iii) our Directors confirmed that, as at the Latest Practicable Date, no fines, penalties or administrative sanctions have been imposed on us with respect to such non-compliance incidents; (iv) the reasons for such non-compliance incidents as disclosed above; (v) the advice provided by our PRC Legal Advisers as disclosed above; and (vi) we have adopted the internal control measures to mitigate the risk of the recurrence of any such non-compliance incidents.

Indemnity given by our Controlling Shareholder and Zhongtian Holdings

Our Controlling Shareholder and Zhongtian Holdings have entered into a Deed of Indemnity whereby our Controlling Shareholder and Zhongtian Holdings have agreed to indemnify our Group, subject to the terms of the Deed of Indemnity, in respect of all liabilities and penalties which may arise as a result of any legal proceedings instituted by or against our Group and non-compliance by our Group on or before the date on which the Global Offering becomes unconditional. Please refer to the paragraph headed "E. Other Information — 1. Tax and other indemnities" in Appendix V to this prospectus for details.

CONNECTED PERSONS

Zhongtian Holdings is a company established in the PRC with limited liability and is an investment holding company. Zhongtian Holdings was the holding company which held approximately 74.97% of the share capital of Zhongtian Construction immediately before the Reorganisation. The shareholding of the shareholders of ZT (A) is proportional to their respective shareholding in Zhongtian Holdings immediately before the Reorganisation. Since the completion of the Reorganisation and up to the Latest Practicable Date, the shareholding of ZT (A) and Zhongtian Holdings remained unchanged. Since (i) as part of our Reorganisation and for clear delineation between the Other Businesses and the construction contracting business of our Group, ZT (A) was incorporated in the BVI to replace Zhongtian Holdings as the investment vehicle of the 79 individual shareholders to hold the Shares in our Company, and Zhongtian Holdings ceased to hold any shares in Zhongtian Construction directly or indirectly after completion of our Reorganisation; and (ii) the shareholding in ZT (A) is disperse, with 79 shareholders, and Zhongtian Holdings was not a 30%-controlled company (with the meaning ascribed thereto under the Listing Rules) or a majority-controlled company (with the meaning ascribed thereto under the Listing Rules) of any connected person of our Company, Zhongtian Holdings does not fall within the definition of connected persons under the Listing Rules. In order to ensure the interests of our Shareholders as a whole are taken into account when we enter into transactions with Zhongtian Holdings and its associates after the Listing, we will voluntarily deem Zhongtian Holdings and its associates as our connected persons which include the following entities and comply with Chapter 14A of the Listing Rules upon and after Listing until the date on which ZT (A) ceases to be a substantial Shareholder of our Company:

Name	Relationship with our Company
Hengji Real Estate	Hengji Real Estate is a company established in the PRC with limited liability and principally engages in property development. As at the Latest Practicable Date, Hengji Real Estate was owned by Zhongtian Holdings as to approximately 85.82%. As discussed above, we will voluntarily deem Hengji Real Estate as our connected person.
Wuguang Investment	Wuguang Investment is a company established in the PRC with limited liability and principally engages in property development. As at the Latest Practicable Date, Wuguang Investment was wholly-owned by Hengji Real Estate. As discussed above, we will voluntarily deem Wuguang Investment as our connected person.

Name	Relationship with our Company
Fangge Intelligence	Fangge Intelligence is a company limited by shares established in the PRC and principally engages in the provision of ancillary building services and computer software. As at the Latest Practicable Date, Fangge Intelligence was owned by Zhongtian Holdings as to 70.00%. As discussed above, we will voluntarily deem Fangge Intelligence as our connected person.
Hangxiao Technology	Hangxiao Technology is a company limited by shares established in the PRC and principally engages in the design and manufacture of steel structure. As at the Latest Practicable Date, Hangxiao Technology was owned by Zhongtian Holdings as to 68.29%. As discussed above, we will voluntarily deem Hangxiao Technology as our connected person.
Puhui Commercial	Puhui Commercial is a company limited by shares established in the PRC and principally engages in property leasing. As at the Latest Practicable Date, Puhui Commercial was owned by Zhongtian Holdings as to approximately 74.97%. As discussed above, we will voluntarily deem Puhui Commercial as our connected person.

SUMMARY OF OUR CONTINUING CONNECTED TRANSACTIONS

Prior to the Listing, we have entered into certain transactions with the parties whom we will voluntarily deem as our connected persons upon Listing. Some of such transactions will continue after Listing and will constitute continuing connected transactions with our Company under the Listing Rules.

Transaction	Connected persons	Applicable Listing Rules	Waiver sought
Non-exempt continuing connected transactions			
Construction Services Framework Agreements	Hengji Real Estate, Wuguang Investment, Hangxiao Technology	14A.34, 14A.35, 14A.36, 14A.49, 14A.51-59, 14A.71, 14A.105	Announcement and independent Shareholders' approval requirement
Procurement Framework Agreements	Fangge Intelligence, Hangxiao Technology	14A.34, 14A.35, 14A.36, 14A.49, 14A.51-59, 14A.71, 14A.105	Announcement and independent Shareholders' approval requirement

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

1. Provision of construction services under the Construction Services Framework Agreements

Parties

Engaging parties:
(i) Hengji Real Estate (as property developer)
(ii) Wuguang Investment (as property developer)
(iii) Hangxiao Technology (as property owner)

Contractor: Zhongtian Construction

Principal terms

On 10 March 2023, Zhongtian Construction entered into a construction services framework agreement (collectively the "**Construction Services Framework Agreements**") with each of Hengji Real Estate, Wuguang Investment and Hangxiao Technology, respectively, pursuant to which Zhongtian Construction agreed to provide general building construction services and renovation and decoration building services to Hengji Real Estate, Wuguang Investment and Hangxiao Technology. The term of the Construction Services Framework Agreements shall commence on the Listing Date and end on 31 December 2025. Zhongtian Construction will enter into separate construction contracts with Hengji Real Estate, Wuguang Investment or Hangxiao Technology (as the case may be) which specify and record the terms and provisions of the specific project to be carried out in accordance with the principles and terms of the Construction Services Framework Agreements in all material aspects.

Reasons for the transaction

We have been providing construction services to Hengji Real Estate, Wuguang Investment and Hangxiao Technology in the ordinary and usual course of our business during the Track Record Period. Our Directors consider that the provision of construction services to Hengji Real Estate, Wuguang Investment and Hangxiao Technology would benefit our Group for the following reasons:

- our Group has established a stable business relationship with Hengji Real Estate, Wuguang Investment and Hangxiao Technology and understand the business operations, construction requirements, quality control and other requirements of each other, which enable smooth cooperation and operation and help save costs; and

- price and terms of providing construction services to Hengji Real Estate, Wuguang Investment and Hangxiao Technology are no less favourable to us than those offered by us to Independent Third Parties.

Pricing Policy

In accordance with the Construction Services Framework Agreements, the construction services fee should be determined with reference to the pricing guidelines and methods as set out in the valuation guidelines published by the local housing and urban-rural construction bureaus. We will also consider factors such as project schedule, complexity and scale of the construction project, potential revision of the scope of work, geographical location and environmental conditions of the project site to ensure the prices and terms will be no less favourable to us than those offered by us to Independent Third Parties.

Historical transaction amounts

The table below sets out the construction services fee paid by Hengji Real Estate, Wuguang Investment and Hangxiao Technology in relation to the construction services provided by our Group during the Track Record Period and FY2022:

	FY2019	FY2020	FY2021	3Q2022	FY2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)
Hengji Real Estate	14,641	32,443	31,904	51,185	51,653
Wuguang Investment	251,187	254,367	325,089	170,660	212,372
Hangxiao Technology	62,650	25,321	10,746	1,482	1,482
Total	328,478	312,131	367,739	223,327	265,507

Proposed annual caps

The annual caps for construction services fee to be paid by Hengji Real Estate, Wuguang Investment and Hangxiao Technology in relation to the construction services under the Construction Services Framework Agreements for each of the three years ending 31 December 2025 are set out as follows:

	FY2023	FY2024	FY2025
	RMB'000	*RMB'000*	*RMB'000*
Hengji Real Estate	50,000	30,000	50,000
Wuguang Investment	330,000	330,000	330,000
Hangxiao Technology	10,500	6,000	6,000
Total	390,500	366,000	386,000

In arriving at the above annual caps of the Construction Services Framework Agreements, our Directors have considered the following factors:

- the historical transaction amounts during the Track Record Period. As a number of construction projects with Wuguang Investment were completed in FY2020 and FY2021 while the Zhongtian Lutai* (中天 • 麓台) project commenced in FY2020, the transaction amount with Wuguang Investment in FY2022 was lower than that in FY2019, FY2020 and FY2021;

- the estimated revenue to be recognised under the existing construction contracts entered into with Hengji Real Estate, Wuguang Investment and Hangxiao Technology as at 30 September 2022 with reference to the remaining contract value for services to be rendered under such construction contracts as at 30 September 2022, including the estimated revenue to be recognised under (i) the construction contract awarded by Hengji Real Estate in March 2020 with estimated contract sum of approximately RMB87.9 million which commenced works in June 2020; and (ii) Zhongtian Lutai* (中天 • 麓台) project awarded by Wuguang Investment;

- the additional revenue expected to be recognised from the abovementioned construction contracts for ancillary and/or additional construction works as well as the estimated cost to be incurred due to any delay in the construction, which is expected to be approximately 10% of the estimated contract sum based on our experience in similar projects in the past, progress of the projects and the construction schedule;

- the estimated revenue to be recognised from construction contracts to be entered into with Hengji Real Estate and Wuguang Investment estimated with reference to (i) the business development plan and potential growth trend in our construction contracting business based on the growth in the revenue of our Group during the Track Record Period; (ii) the frequency of commencement of new projects by Hengji Real Estate and Wuguang Investment during the Track Record Period; (iii) the nature and scale of our construction projects of Hengji Real Estate and Wuguang Investment prior to and during the Track Record Period; (iv) the historical tender success rate in securing construction projects of Hengji Real Estate was approximately 50.0% for FY2020, and the historical tender success rate in securing construction projects of Wuguang Investment was approximately 60.0% and 56.0% for FY2019 and FY2020, respectively; and (v) the business plan of Hengji Real Estate and Wuguang Investment that we understood from Hengji Real Estate and Wuguang Investment. In particular, we understood from Wuguang Investment that it intends to develop a potential residential and commercial property development project which the total size of the project is expected to be around four times of Zhongtian Lutai* (中天 • 麓台) project;

- the estimated revenue to be recognised from the construction contract(s) to be entered with Hangxiao Technology for the construction of the second phase of its factory, which Hangxiao Technology is planning;

- the expected costs, including material costs and labour costs; and

- the relevant authorities' pricing guidelines.

Implications under the Listing Rules

Upon Listing, the Construction Services Framework Agreements will constitute continuing connected transactions of our Company under the Listing Rules and are subject to the reporting, annual review, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

2. Procurement of raw materials and services under the Procurement Framework Agreements

Parties

Suppliers:
(i) Fangge Intelligence
(ii) Hangxiao Technology

Purchaser: Zhongtian Construction

Principal terms

On 10 March 2023, Zhongtian Construction entered into a procurement framework agreement (the "**Procurement Framework Agreements**") with each of Fangge Intelligence and Hangxiao Technology, respectively, pursuant to which (i) Fangge Intelligence agreed to provide ancillary building services in relation to insulation, installation of surveillance system and intelligent system etc. to Zhongtian Construction; and (ii) Hangxiao Technology agreed to provide prefabricated steel structure products and processing services for prefabricated steel structure products to Zhongtian Construction. The term of the Procurement Framework Agreements shall commence on the Listing Date and end on 31 December 2025. Zhongtian Construction will enter into separate contracts with Fangge Intelligence or Hangxiao Technology (as the case may be) which specify and record the terms and provisions of the specific procurement transaction to be carried out in accordance with the principles and terms of the Procurement Framework Agreements in all material aspects.

Reasons for the transaction

We have been procuring raw materials and services from Fangge Intelligence and Hangxiao Technology in the ordinary and usual course of our business during the Track Record Period. Our Directors consider that the procurement of raw materials and services from Fangge Intelligence and Hangxiao Technology would benefit our Group for the following reasons:

- our Group has established a stable business relationship with Fangge Intelligence and Hangxiao Technology and understand the business operations, construction requirements, quality control and other requirements of each other, which enable smooth cooperation and operation and help save costs;

- Fangge Intelligence had years of experience in provision of ancillary building services and Hangxiao Technology has expertise in design and manufacture of prefabricated steel structure, together with their established teams, Fangge Intelligence and Hangxiao Technology are capable of supplying our Group with raw materials and services with sufficient quantity, reliable quality and in a timely manner, which will ensure smooth business operation of our Group;

- Zhongtian Construction has entered into a strategic EPC Tripartite Framework Agreement with Hangxiao Technology and Hunan Design Institute to form a business alliance in developing prefabricated steel structure building system for residential properties under the EPC model, pursuant to which Hunan Design Institute will provide comprehensive design services, while Hangxiao Technology will be responsible for the provision of prefabricated steel structure products, and our Group will handle the implementation of prefabricated steel structure construction works, as well as the provision of warranty services. For a summary of the material terms of the EPC Tripartite Framework Agreement, please refer to the section headed "Business — Our business operations — Contracting models" in this prospectus; and

- the prices and terms for the procurement of raw materials and services by our Group from Fangge Intelligence and Hangxiao Technology would be no less favourable to our Company than those provided by suppliers who are Independent Third Parties.

Pricing Policy

In accordance with our procurement policy and approval system for our suppliers, our procurement of raw materials are typically conducted (i) through a bidding process if the amount of the procurement exceed RMB2,000,000 or (ii) directly from suppliers selected from a list of qualified suppliers for our principal raw materials if the amount of the procurement is below RMB2,000,000. Selection of the qualified suppliers is based on various criteria, including price, quality, delivery schedule, after-sale services, location, supply capacity, credit standing, client base and customer service based on previous experience.

In accordance with the Procurement Framework Agreements, the fee to be paid by our Group should be determined as follows:

With respect to ancillary building services in relation to insulation, installation of surveillance system and intelligent system etc. to be provided by Fangge Intelligence:

- the pricing guidelines and methods as set out in the valuation guidelines published by the local housing and urban-rural construction bureaus; and

- the price will take into account factors such as project schedule, complexity and scale of the construction project, potential revision of the scope of work, geographical location and environmental conditions of the project site to ensure the prices and terms will be no less favourable to us than those provided by suppliers who are Independent Third Parties.

With respect to prefabricated steel structure products and processing services for prefabricated steel structure products to be provided by Hangxiao Technology:

- the price shall be generally in line with the relevant market price at which the same type of raw materials and the processing services provided to us by suppliers who are Independent Third Parties on normal commercial terms. We will conduct market research and regularly contact our suppliers (including both Hangxiao Technology and Independent Third Parties) to understand the market conditions and determine the prevailing market rate of the relevant type of raw materials and the processing services; and

- where bidding process is applied for the procurement of the relevant raw materials and the processing services, the price shall be determined based on the results of such process in accordance with our internal regulations and rules applicable to all suppliers of the same type of raw materials. Pursuant to such regulations and rules, if Hangxiao Technology wins the bid, their terms offered, including the price quoted, shall be no less favourable than those offered by any suppliers who are Independent Third Parties that participates in the bidding process.

Historical transaction amounts

The table below sets out the transaction amount with Fangge Intelligence and Hangxiao Technology for raw materials and services during the Track Record Period and FY2022:

	FY2019	FY2020	FY2021	3Q2022	FY2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)
Fangge Intelligence	8,787	8,008	642	6,571	6,571
Hangxiao Technology	16,261	22,172	92,270	55,720	64,682
Total	25,048	30,180	92,912	62,291	71,253

Proposed annual caps

The annual caps for procurement of raw materials and services from Fangge Intelligence and Hangxiao Technology under the Procurement Framework Agreements for each of the three years ending 31 December 2025 are set out as follows:

	FY2023	FY2024	FY2025
	RMB'000	*RMB'000*	*RMB'000*
Fangge Intelligence	10,000	10,000	10,000
Hangxiao Technology	150,000	150,000	150,000
Total	160,000	160,000	160,000

In arriving at the above annual caps of the Procurement Framework Agreements, our Directors have considered the following factors:

- the historical transaction amounts during the Track Record Period;
- the existing contracts entered into with Fangge Intelligence and Hangxiao Technology, respectively, as at 30 September 2022, and the remaining contract value for raw materials to be provided or services to be rendered under such contracts as at 30 September 2022;

- the estimated procurement demand for two construction projects in Hunan Province with a total estimated contract sum of approximately RMB650.1 million (excluded VAT) which require the procurement of prefabricated steel structure products, based on our past experience in projects that adopted prefabricated steel structure building system, the estimated construction area of the said projects and the average market price of prefabricated steel structure products;

- the expected procurement demand of upcoming projects that would require raw materials or services from Fangge Intelligence and Hangxiao Technology as at the Latest Practicable Date;

- the expected procurement demand for potential projects that our Group may engage Fangge Intelligence or Hangxiao Technology, together with the historical tender success rate of Fangge Intelligence or Hangxiao Technology (where applicable), taking into account the business plan of Fangge Intelligence that we understood from Fangge Intelligence including it shifted its business focus to software development in FY2021, and the estimated need of such services in our construction projects;

- the expected procurement demand estimated with reference to (i) the potential growth of the business of our Group based on the growth in the revenue of our Group during the Track Record Period; (ii) the long-term good cooperation between our Group and Fangge Intelligence and Hangxiao Technology, in particular (i) Fangge Intelligence is experienced in developing household intellectual solutions, and (ii) Hangxiao Technology is licensed to use a series of patent relating to "Steel Structural Residential System" (鋼結構住宅體系) owned by Hangxiao Steel Structure for producing prefabricated steel structure raw materials that can provide us with a stable and sufficient supply of such materials; and (iii) our business strategies to develop prefabricated steel structure building system and apply results of our R&D projects into prefabricated steel structure construction projects, which is expected to increase our demand for prefabricated steel structure products and processing services accordingly. For details, please refer to the section headed "Business — Business strategies" in this prospectus; and

- market information from industry consultant, such as increase in costs or growth in the market.

Implications under the Listing Rules

Upon Listing, the Procurement Framework Agreements will constitute continuing connected transactions of our Company under the Listing Rules and are subject to the reporting, annual review, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

INTERNAL CONTROL MEASURES

In order to ensure that the terms under the Construction Services Framework Agreements and Procurement Framework Agreements for the continuing connected transactions are fair and reasonable, or no less favourable than terms available to or from Independent Third Parties, and are carried out on normal commercial terms, we have adopted the following internal control procedures:

- We have adopted and implemented a management system on connected transactions. Under such system, the audit committee of our Company is responsible for review on compliance with relevant laws, regulations, our policies and the Listing Rules in respect of the continuing connected transactions. In addition, the audit committee of our Company, the Board and various internal departments of our Company (including but not limited to the finance department and legal department) are jointly responsible for evaluating the terms under framework agreements for the continuing connected transactions, in particular, the fairness of the pricing policies and annual caps under each transaction.

- The audit committee of our Company, the Board and various internal departments of our Company also regularly monitor the transactions under the Construction Services Framework Agreements and Procurement Framework Agreements. In addition, the management of our Company also regularly reviews the pricing policies of the Construction Services Framework Agreements and Procurement Framework Agreements.

- Our independent non-executive Directors and auditors will conduct annual reviews of the continuing connected transactions under the Construction Services Framework Agreements and Procurement Framework Agreements and provide annual confirmation to ensure that, in accordance with the Listing Rules, the transactions are conducted in accordance with the terms of the agreements, on normal commercial terms and in accordance with the pricing policy.

- When considering the prices for transactions with our connected persons, we will continue to regularly research in prevailing market conditions and practices and make reference to the pricing and terms between our Group and Independent Third Parties for similar transactions, to ensure that the pricing and terms offered by our connected persons, either from bidding procedures or mutual commercial negotiations (as the case may be), are fair, reasonable and are no less favourable than those offered to Independent Third Parties.

Our independent non-executive Directors will also conduct annual reviews to ensure that we will continue to deem Zhongtian Holdings and its associates as our connected persons upon and after Listing until the date on which ZT (A) ceases to be a substantial Shareholder.

APPLICATION FOR WAIVERS

We have applied to the Stock Exchange for, and the Stock Exchange has granted us, a waiver from strict compliance with the announcement and independent Shareholders' approval requirements of the Listing Rules in respect of the continuing connected transactions under each of the (i) Construction Services Framework Agreements and (ii) Procurement Framework Agreements, subject to the condition that the aggregate amounts of each of the (i) Construction Services Framework Agreements and (ii) Procurement Framework Agreements for each of the three years ending 31 December 2025 will not exceed their respective annual caps.

DIRECTORS' VIEW

Our Directors, including our independent non-executive Directors, consider that the Construction Services Framework Agreements and Procurement Framework Agreements together with the respective annual caps set forth above are fair and reasonable, and that they have been entered into in the ordinary and usual course of our business, on normal commercial terms that are fair and reasonable and in the interest of our Company and our Shareholders as a whole.

SOLE SPONSOR'S VIEW

The Sole Sponsor is of the view that the Construction Services Framework Agreements and Procurement Framework Agreements together with the respective annual caps set forth above are fair and reasonable, and they have been entered into in the ordinary and usual course of our business, on normal commercial terms that are fair and reasonable and in the interest of our Company and our Shareholders as a whole.

TRANSACTIONS ENTERED INTO BEFORE THE LISTING WHICH WOULD OTHERWISE CONSTITUTE CONNECTED TRANSACTIONS

We have entered into certain transactions with Puhui Commercial. These transactions with Puhui Commercial were entered into before the Listing and are accounted as one-off in nature under HKFRS 16. If these transactions were entered into after the Listing, such transactions would have constituted connected transactions of our Group. Details of such transactions are set out below in order to facilitate potential investors to anticipate that we have, before the Listing, entered into transactions which would otherwise be considered as connected transactions should our Company be listed on the Stock Exchange at the time of the relevant transactions.

Tenancy Agreements

As at the Latest Practicable Date, our Group has entered into tenancy agreements (the "**Tenancy Agreements**") with Puhui Commercial for lease of certain properties (collectively, the "**Properties**"), details of which are set out as follows:

Date of tenancy agreements	Property address	Parties	Gross floor area under the current tenancy agreement	Total rental per year	Term	Use of the property
				(sq.m.)	*(RMB)*	
1. 20 November 2022 ("**Tenancy Agreement 1**")	1st Floor Office Area, Block 10, Dongfang Mingyuan, No. 1197, East Xinhua Road, Hetang District, Zhuzhou City, Hunan Province, PRC	**Landlord:** Puhui Commercial **Tenant:** Zhongtian Construction	78.54	45,240	1 January 2023 to 31 December 2023	Office
2. 20 November 2022 ("**Tenancy Agreement 2**")	Portion of the 2nd Floor, Block 10, Dongfang Mingyuan, No. 1197, East Xinhua Road, Hetang District, Zhuzhou City, Hunan Province, PRC	**Landlord:** Puhui Commercial **Tenant:** Zhongtian Construction	37.29	8,052	1 January 2023 to 31 December 2023	Office
3. 20 November 2022 ("**Tenancy Agreement 3**")	Portion of the 2nd Floor, Block 10, Dongfang Mingyuan, No. 1197, East Xinhua Road, Hetang District, Zhuzhou City, Hunan Province, PRC	**Landlord:** Puhui Commercial **Tenant:** Zhongtian Construction	72.64	15,696	1 January 2023 to 31 December 2023	Office
4. 20 November 2022 ("**Tenancy Agreement 4**")	Portion of the 2nd Floor, Block 10, Dongfang Mingyuan, No. 1197, East Xinhua Road, Hetang District, Zhuzhou City, Hunan Province, PRC	**Landlord:** Puhui Commercial **Tenant:** Zhongtian Construction	197.69	42,696	1 January 2023 to 31 December 2023	Office
5. 20 November 2022 ("**Tenancy Agreement 5**")	Portion of the 2nd Floor, Block 10, Dongfang Mingyuan, No. 1197, East Xinhua Road, Hetang District, Zhuzhou City, Hunan Province, PRC	**Landlord:** Puhui Commercial **Tenant:** Zhongtian Building	200	43,200	1 January 2023 to 31 December 2023	Office
6. 20 November 2022 ("**Tenancy Agreement 6**")	Portion of the 2nd Floor and 3rd Floor Office Area, Block 10, Dongfang Mingyuan, No. 1197, East Xinhua Road, Hetang District, Zhuzhou City, Hunan Province, PRC	**Landlord:** Puhui Commercial **Tenant:** Zhongtian Construction	1,372.78	296,520	1 January 2023 to 31 December 2023	Office

Basis in determining the rental payable

The rents were on normal commercial terms determined after arm's length negotiations based on the prevailing market rents no less favourable to those offered by Independent Third Parties for comparable properties in similar locations. The Independent Valuer has reviewed the Tenancy Agreements with reference to the asking rentals of comparable properties in the market and compared the differences of various factors of the Properties and the selected comparable properties such as location, quality, size, asking rent and time etc.. The rents of comparable properties under Tenancy Agreement 1 range from RMB47.7 per sq.m. to RMB54.0 per sq.m. and that of comparable properties under Tenancy Agreements 2 to 6 range from RMB17.0 per sq.m. to RMB23.1 per sq.m.. The rentals under Tenancy Agreement 1 was RMB48 per sq.m., while the rentals under Tenancy Agreements 2 to 6 were RMB18 per sq.m. respectively. According to the Independent Valuer, the rents under the Tenancy Agreements are within the range of rents of their respective comparable properties. As such, the rents of the Properties under the Tenancy Agreements were fair and reasonable and consistent with the market rent of comparable properties, and the terms of the Tenancy Agreements are on normal commercial terms under prevailing market conditions and are considered as fair and reasonable. Having considered the view of the Independent Valuer, our Directors are of the view that the terms of the Tenancy Agreements are on normal commercial terms.

Reasons for the transactions

We have historically been using the Properties under the Tenancy Agreements as our offices. Having considered that the rents of the Properties under the Tenancy Agreements are comparable to the prevailing market rents of comparable properties in similar locations, and the Tenancy Agreements have been entered into in the ordinary and usual course of business, on terms no less favourable to us than from those available to Independent Third Parties, our Directors consider that the terms of the Tenancy Agreements are fair and reasonable and it is in the interests of our Company and our Shareholders as a whole to continue using the Properties as our offices.

Accounting treatment of the Tenancy Agreements

Our Group has adopted HKFRS 16 for the accounting period beginning on 1 January 2017, pursuant to which, for the accounting period beginning on 1 January 2017, our Group as lessee shall recognise a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. Accordingly, the lease transactions under the Tenancy Agreements would be regarded as acquisitions of assets by the tenants for the purpose of the Listing Rules.

Implication under the Listing Rules

As the leasing of the Properties were entered into within a 12-month period and the landlord was Puhui Commercial, the transactions contemplated under the Tenancy Agreements are required to be aggregated pursuant to Rules 14.22 and 14A.81 of the Listing Rules. As each of the relevant percentage ratios calculated for the purpose of Chapter 14A of the Listing Rules in respect of the aggregated value of the right-of-use of the Properties was less than 5% and the aggregated value of the right-of-use was less than HK$3.0 million, the relevant transactions would constitute de minimis connected transactions under Rules 14A.76 of the Listing Rules and would be fully exempt from the reporting, annual review, announcement, circular and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules should our Company be listed on the Stock Exchange at the time of the relevant transactions.

BACKGROUND OF OUR CONTROLLING SHAREHOLDER

Immediately after completion of the Capitalisation Issue and the Global Offering (without taking into account any Share that may be allotted and issued upon the exercise of the Over-allotment Option and any option which may be granted under the Share Option Scheme), our Company will be owned as to approximately 55.62% by ZT (A). ZT (A) is an investment holding company incorporated in the BVI, which is owned by 79 individual shareholders, being the same group of shareholders of Zhongtian Holdings with shareholdings proportional to their respective shareholdings (subject to rounding) in Zhongtian Holdings immediately before the Reorganisation. ZT (A) is owned by 12 individuals who are directors or senior management members of our Group or their associates as to approximately 49.04% in aggregate and 67 individuals who are Independent Third Parties including our employees as to approximately 50.96% in aggregate. For further details, please refer to the section headed "History, Development and Reorganisation — The individual shareholders of ZT (A), ZT (B), ZT (C), ZT (D), ZT (E), ZT (F), ZT (G), ZT (H), ZT (I), ZT (J), ZT (K), ZT (L) and ZT (M)" in this prospectus. None of the individual shareholders of ZT (A), together with his/her respective close associates, controls one-third or more of the voting power at the general meetings of ZT (A). As ZT (A) will be entitled to exercise or control the exercise of 30% or more of the voting power at general meetings of our Company, ZT (A) is regarded as our Controlling Shareholder upon Listing.

Immediately before the Reorganisation, Zhongtian Construction was owned as to approximately 74.97% by Zhongtian Holdings, which was in turn owned by 79 individual shareholders. Zhongtian Holdings is an investment holding company established in the PRC. As part of our Reorganisation and for clear delineation between the Other Businesses and the construction contracting business of our Group, ZT (A) was incorporated in the BVI to serve as the investment vehicle of the 79 individual shareholders to hold the Shares in our Company. Immediately upon completion of the Reorganisation, the shareholders and composition of the board of directors of ZT (A) are the same as those of Zhongtian Holdings, and the shareholders' respective shareholdings in ZT (A) are proportional to those in Zhongtian Holdings. As at the Latest Practicable Date, the directors of ZT (A) were Mr. Yang (the chairman of our Board), four other shareholders of ZT (A), namely Mr. Tang Qixiong (唐起雄), Ms. Zhang Weihui (張偉輝), Mr. Tan Xuewen (譚學文) and Ms. Huang Yonghua (黃永華), and two Independent Third Parties who are not shareholders of our Group, namely Mr. Xiong Lixiang (熊立祥) and Mr. Tang Jie (湯捷). For the shareholding in ZT (A) and other investment vehicles held by the directors of ZT (A), please refer to the section headed "History, Development and Reorganisation — The individual shareholders of ZT (A), ZT (B), ZT (C), ZT (D), ZT (E), ZT (F), ZT (G), ZT (H), ZT (I), ZT (J), ZT (K), ZT (L) and ZT (M)" in this prospectus.

Despite the fact that the 79 shareholders of ZT (A) hold their Shares together through ZT (A), we do not consider the 79 shareholders of ZT (A) as a group of controlling shareholders for the purpose of the Listing Rules notwithstanding the presumption set out in the Guidance Letter HKEX-GL89-16 (published in November 2016 and updated in October 2017, February 2018 and February 2020), based on the following factors and circumstances:

(i) According to the F&S Report, it is common for companies converted from collectively-owned enterprises to limited liability companies to have a large number of employees (including directors and members of senior management) and ex-employees as their shareholders, and it is common for such shareholders to hold their interests together through investment vehicle(s). Zhongtian Construction was initially established as a collectively-owned enterprise (集體所有制企業) in 1979 and was converted into a limited liability company in 2004. At the time of the conversion, a number of employees (including directors and senior management members) and ex-employees of Zhongtian Construction became its ultimate shareholders. Zhongtian Holdings was set up as the holding company of Zhongtian Construction in 2010 and Zhongtian Holdings was owned by 79 individual shareholders immediately before the Reorganisation.

(ii) As part of the Reorganisation, ZT (A) was incorporated by the 79 original shareholders of Zhongtian Holdings as their investment vehicles. Immediately upon completion of the Reorganisation, the shareholders and the composition of the board of directors of ZT (A) are the same as those of Zhongtian Holdings, and the shareholders' respective shareholdings in ZT (A) are proportional to those in Zhongtian Holdings.

(iii) As disclosed in the public transfer statements of Zhongtian Construction published when its shares were quoted on the NEEQ, the shareholders of Zhongtian Holdings had not executed any acting-in-concert agreement. There is also no acting-in-concert arrangement among the 79 shareholders of ZT (A) after the Reorganisation.

(iv) The shareholding in ZT (A) is disperse and ZT (A) has 79 shareholders. None of the shareholders of ZT (A), together with their respective close associates, controls ZT (A) as they hold less than 50% of the voting interests of ZT (A) and would not be deemed to be interested in our Shares held by ZT (A) because he/she (together with their respective close associates) did not control one-third or more of the voting power at the general meetings of ZT (A) under the SFO. In particular, each of Mr. Yang and Mr. Liu (i.e. the two largest shareholders of ZT (A)), together with their respective close associates, controls only 29.12% and 6.16% of the voting power at the general meetings of ZT (A), respectively.

(v) Each of the 79 shareholders of ZT (A) exercised his/her voting rights in ZT (A) and Zhongtian Holdings, and has confirmed that they will continue exercising his/her voting right at the general meetings of ZT (A), independently from other shareholders. There was/is no arrangement, agreement or understanding (whether formal or informal) among the 79 shareholders of ZT (A) on the management of our Group and the exercise of their voting rights on shareholders' resolutions involving key decisions with respect of Zhongtian Construction and ZT (A) in any coordinated manner. Prior to the Reorganisation, Zhongtian Holdings (which is owned by the 79 shareholders of ZT (A)) has in the past obtained its shareholders' approvals for key decisions relating to Zhongtian Construction. Since the incorporation of Zhongtian Holdings, not all of the shareholders' resolutions passed by Zhongtian Holdings were agreed by all of the shareholders of Zhongtian Holdings, which support the proposition that the 79 shareholders of Zhongtian Holdings were not acting in concert.

(vi) To the best knowledge of our Directors, the 79 individual shareholders are not accustomed to take instructions from the other shareholders of ZT (A) for voting at the general meetings of Zhongtian Holdings and ZT (A). Furthermore, our Directors are not aware of any evidence that the 79 individual shareholders had formed any agreed-upon decisions amongst themselves before any general meeting of Zhongtian Holdings and ZT (A), or had adopted any consensus building process to arrive at a voting decision for the matters about Zhongtian Holdings, ZT (A) and our Group.

(vii) Despite that some of the 79 shareholders of ZT (A) are the directors and senior management members of our Group, the other individual shareholders are our employees and ex-employees who may not have long-term business relationship with our Company. There is no demonstration of mutual trust and bonding of the 79 shareholders of ZT (A) as a group.

(viii) Apart from the director and senior management members of our Group who hold shares in ZT (A), the other shareholders are our current employees or ex-employees whose investment in our Group are passive in nature and most of them were not involved in or are not currently involved in the management of our Group. Furthermore, none of the individual shareholders of ZT (A) is in the position to control the composition of a majority of our Board of Directors, hence the individual shareholders of ZT (A) does not fall within the definition of "controlling shareholder" under the Listing Rules.

(ix) Each of ZT (A), Zhongtian Holdings, our Directors, members of our senior management and their respective close associates does not have any interest apart from the business of our Group which competes or is likely to compete, directly or indirectly with the business of our Group and which requires disclosure pursuant to Rule 8.10 of the Listing Rules. In addition, both of ZT (A) and Zhongtian Holdings have given certain non-competition undertakings in favour of our Group. For details, please refer to the paragraph headed "Non-competition Undertaking" in this section. As such, given the 79 shareholders of ZT (A) are either our Directors, members of our senior management or individual shareholders who do not have any key management role at our Group, our Directors consider that it would not be prejudicial to the Shareholders that the 79 shareholders of ZT (A) were not considered as a group of controlling shareholders for the purpose of the Listing Rules.

OTHER BUSINESSES HELD BY ZHONGTIAN HOLDINGS

As at the Latest Practicable Date, apart from holding the shares in Zhongtian Construction, Zhongtian Holdings also held interests in the Other Businesses, which will not form part of our Group:

	Name of the company	Approximate effective interest held by Zhongtian Holdings as at the Latest Practicable Date	Principal business activities
1.	Hunan Zhongsheng Construction Planning Company Limited* (湖南中盛建築規劃設計有限公司) ("**Zhongsheng Planning**")	100%	Architectural engineering design
2.	Wuguang Investment	85.82%	Property development
3.	Hengji Real Estate	85.82%	Property development
4.	Puhui Commercial	74.97%	Property leasing
5.	Fangge Intelligence	70.00%	Provision of ancillary building services and computer software
6.	Zhuzhou Huizhi Marketing Company Limited* (株洲匯智營銷策劃有限公司)	61.00%	Real estate agency

	Name of the company	Approximate effective interest held by Zhongtian Holdings as at the Latest Practicable Date	Principal business activities
7.	Hunan Hengnai Energy Materials Company Limited* (湖南恒耐爾節能新材料有限公司) (“**Hengnai Materials**”)	54.60%	Production of construction materials
8.	Hangxiao Technology	68.29%	Design and manufacture of steel structure
9.	Zhuzhou Hengji Property Management Company Limited* (株洲市恒基物業管理有限公司)	35.00%	Property management
10.	Zhuzhou Wuguang New Milestone Real Estate Company Limited* (株洲武廣新境界置業有限公司)	85.82%	Property development
11.	Hunan Shibang New Generation Property Management Services Company Limited* (湖南世邦新生代物業管理服務有限公司)	35.00%	Property management
12.	Hunan Wuguang Zhulin Corporate Development Company Limited* (湖南武廣住林企業發展有限公司)	55.35%	Property leasing

Fangge Intelligence mainly engages in the provision of ancillary building services including providing household intellectual solutions and computer software, which belongs to downstream of the construction industry while Hengnai Materials and Hangxiao Technology engage in the production of construction raw materials, which belongs to upstream in the value chain of the construction industry. Despite our Group has procured services or materials from Fangge Intelligence and Hangxiao Technology during the Track Record Period, our Directors consider that it will be in the interest of our Group to exclude these companies from our Group because (i) the procurement of services or materials from these companies only represented at most 1% of our total cost of sales for the Track Record Period; (ii) these companies represent upstream or downstream in the value chain of the construction industry which is clearly delineated from the construction contracting business of our Group and (iii) there is no overlapping of customers and suppliers and sharing of resources between our Group and these companies.

As our Group is positioned to focus on construction contracting business, the Other Businesses were not included into our Group. Our Directors confirm that the Other Businesses do not compete, and are not likely to compete, either directly or indirectly, with the business of our Group. Our Directors are of the view that there is a clear delineation between the Other Businesses and the business of our Group in terms of business nature, business scope of the companies, nature of revenue and income, licences held by the companies, customer base and suppliers.

Furthermore, our Directors confirmed that, during the Track Record Period and as at the Latest Practicable Date, the Other Businesses had no material non-compliance issues and they had not been involved in any material claims or legal proceedings against them. Our Directors further confirmed that, even if the financial results of the Other Businesses were included in our Group, our Company would have been able to meet the profit requirements under Rule 8.05(1) of the Listing Rules.

Our Company will voluntarily deem Zhongtian Holdings and its associates as its connected persons and comply with Chapter 14A of the Listing Rules for transactions with Zhongtian Holdings and its associates upon and after Listing until the date on which ZT (A) ceases to be a substantial Shareholder, therefore, the Reorganisation and business delineation described above would not circumvent any of the requirements regarding connected transactions under the Listing Rules.

RULE 8.10 OF THE LISTING RULES

Each of our Controlling Shareholder, Zhongtian Holdings, our Directors and their respective close associates does not have any interest apart from the business of our Group which competes or is likely to compete, directly or indirectly with the business of our Group and which requires disclosure pursuant to Rule 8.10 of the Listing Rules.

In addition, each of our Controlling Shareholder and Zhongtian Holdings has given certain non-competition undertakings in favour of our Group. For details, please refer to the paragraph headed “Non-competition Undertaking” in this section.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDER AND ZHONGTIAN HOLDINGS

Our Directors believe that our Group is capable of carrying on our business independently of, and does not place undue reliance on, our Controlling Shareholder and Zhongtian Holdings or their respective close associates, taking into consideration the following factors:

Management independence

Our Company and Zhongtian Holdings have separate boards of directors that function independently. The following table sets out the overlapping director of our Company and Zhongtian Holdings as well as the Other Businesses immediately following the Listing:

	Our Company		Zhongtian Holdings and Other Businesses	
Name	**Position**	**Roles and responsibilities**	**Position**	**Roles and responsibility**
Mr. Yang	Executive Director and chairman of our Board	Overall management and formulation of business strategies of our Group	Director of Zhongtian Holdings, Zhongsheng Planning, Wuguang Investment, Hengji Real Estate, Puhui Commercial, Fangge Intelligence and Hangxiao Technology	Overall management and strategic development

Mr. Yang's main responsibility in relation to Zhongtian Holdings and the Other Businesses is the overall management and strategic development. Save as attending annual directors' meetings of Zhongtian Holdings and the Other Businesses to oversee the management and give high-level advice on the business operations of the other Businesses, Mr. Yang does not have any other involvement in the day-to-day management and/or business operations of Zhongtian Holdings and Other Businesses before Listing, and will not participate in such capacity in the Other Businesses following Listing. Following Listing, Mr. Yang is expecting to dedicate sufficient time to the day-to-day management of our Group.

Our Company will have a common director with ZT (A), namely Mr. Yang. Despite the common directorship, our Company believes that the management independence between our Company and ZT (A) will be maintained as ZT (A) is only an investment holding company.

Despite that Mr. Yang holds certain positions in ZT (A), Zhongtian Holdings and the Other Businesses, our Directors are of the view that our Board and senior management will function independently from ZT (A), Zhongtian Holdings and its close associates for the following reasons:

(i) ZT (A) and Zhongtian Holdings are investment holding companies, while the Other Businesses are principally engaged in architectural engineering design, property development, property management, real estate agency, production of construction materials, design and manufacture of steel structure and pricing consultancy services for construction projects, which are separate and distinct from our principal business of construction contracting. The Other Businesses and our Company have each engaged their own senior management team. Accordingly, it is expected that no conflict of interest will arise as a result of Mr. Yang's role in our Company, ZT (A), Zhongtian Holdings and the Other Businesses.

(ii) Our Company has our own senior management members who are responsible for the daily management and operation of our Company, while our Board is responsible for overseeing our overall management and strategic development. Each Director is aware of his/her fiduciary duties as a director which require, among other things, that he/she acts for the benefit and in the best interest of our Company and our Shareholders as a whole and does not allow any conflict between his/her duties as a director and his/her personal interests to exists.

(iii) Our other four executive Directors and the three independent non-executive Directors have extensive experience in different areas and have been appointed in accordance with the requirements under the Listing Rules to ensure that the decisions of our Board are made only after due consideration of independent and impartial opinions.

(iv) In the event that there is a potential conflict of interests arising from any transaction to be entered into between our Group and our Directors or their respective close associates, the relevant Director shall abstain from voting at the relevant board meetings of our Company in respect of such transactions, and shall not be counted in the quorum. In case where Mr. Yang is required to abstain from voting at Board meetings due to potential conflict of interest, other executive Directors and our independent non-executive Directors will be able to form a quorum and ensure that the decisions of the Board are made after due consideration of independent and impartial opinion.

(v) We have also established an internal control mechanism to identify connected transactions to ensure that our Shareholders or Directors with conflicting interests in a proposed transaction will abstain from voting on the relevant resolutions.

(vi) In order to allow the non-conflicting members of our Board to function properly with the necessary professional advice, we will engage a third-party professional adviser to advise our Board when necessary, depending on the nature and significance of any proposed transactions to be entered into between us and our Directors and/or their respective associates.

Having considered the factors above, our Directors are satisfied that they are able to perform their roles as directors independently and manage our business independently from our Controlling Shareholder, Zhongtian Holdings and their respective close associates after Listing.

Operational independence

Our Group has established our own organisational structure comprising individual departments, each with specific areas of responsibilities. Our Group has not shared our operational resources, such as suppliers, customers, and marketing, sales and general administration resources with our Controlling Shareholder, Zhongtian Holdings and/or their respective close associates.

The directors of Zhongtian Holdings and ZT (A) are (a) Mr. Yang (the chairman of our Board), (b) three ex-employees who ceased to be employees of our Group prior to the Track Record Period, namely Mr. Tang Qixiong (唐起雄), Ms. Zhang Weihui (張偉輝) and Mr. Tan Xuewen (譚學文), (c) one employee of our Group, namely Ms. Huang Yonghua (黃永華) , and (d) Mr. Xiong Lixiang (熊立祥) and Mr. Tang Jie (湯捷) who have never been an employee of our Group. Ms. Huang Yonghua (黃永華) does not involve in the day-to-day management and/or business operations of Zhongtian Holdings, she mainly oversees the management and gives high-level advice on the business operations of Zhongtian Holdings by attending annual directors' meetings of Zhongtian Holdings. Save for the above, there was no overlapping directors and employees (whether former or current) between Zhongtian Holdings and our Group during the Track Record Period and up to the Latest Practicable Date.

Further, our Group holds all relevant licences necessary to carry on businesses and has sufficient capital, equipment and employees to operate our businesses independently. Our Group has also established various internal controls procedures to facilitate the effective operation of our business.

Save as disclosed in the section headed "Connected Transactions" in this prospectus, our Group has not entered into any connected transaction with any of our Controlling Shareholder, Zhongtian Holdings or the Other Businesses that will continue after the Listing.

Financial independence

Our Group has our own accounting systems, accounting and finance department and independent treasury function for cash receipts and payments and we make financial decisions according to our own business needs.

Our accounting and finance personnel will be responsible for the financial reporting, liaising with our auditors, reviewing our cash position and negotiating and monitoring our bank loan facilities and drawdowns.

All financial assistance, including amounts due to, and loans or guarantees provided by our Controlling Shareholder, Zhongtian Holdings or their respective close associates to our Group, were/will be repaid, released or otherwise settled in full before or upon the Listing.

Our Directors are of the view that our Group is not financially dependent on our Controlling Shareholder, Zhongtian Holdings or their respective close associates in the business operations of our Group and our Group is able to obtain external financing on market terms and conditions for our business operations as and when required.

Independence of major suppliers

To the best knowledge of our Directors, none of our Directors and their respective close associates or any of the Shareholders (which to the knowledge of our Directors owns more than 5% of the issued share capital of our Company as at the Latest Practicable Date) had any interest in any of our five largest suppliers during the Track Record Period.

Independence of major customers

Hengji Real Estate, Hangxiao Technology and Fangge Intelligence are owned by Zhongtian Holdings as to 85.82%, 68.29% and 70.00% and Wuguang Investment is wholly-owned by Hengji Real Estate. ZT (A) is owned by the same group of shareholders of Zhongtian Holdings proportional to their respective shareholdings (subject to rounding) in Zhongtian Holdings immediately before the Reorganisation. Hengji Real Estate, Wuguang Investment, Hangxiao Technology and Fangge Intelligence are deemed connected persons of our Company. For details of the relationship and transactions between our Group and Hengji Real Estate, Wuguang Investment, Hangxiao Technology and Fangge Intelligence, please refer to the section headed "Connected Transactions" in this prospectus. To the best knowledge of our Directors, save for the indirect interest of the shareholders of ZT (A) in Hengji Real Estate, Wuguang Investment, Hangxiao Technology and Fangge Intelligence, none of our Directors and their respective close associates or any of the Shareholders (which to the knowledge of our Directors owns more than 5% of the issued share capital of our Company as at the Latest Practicable Date) had any interest in any of our five largest customers during the Track Record Period.

NON-COMPETITION UNDERTAKING

Our Controlling Shareholder and Zhongtian Holdings as covenantors (each a "**Covenantor**", collectively, the "**Covenantors**") executed the Deed of Non-competition in favour of our Company (for ourselves and as trustee for and on behalf of our subsidiaries) and confirm that none of them nor any of their close associates (other than any member of our Group) is currently involved or engaged in any business or activity which, directly or indirectly, competes or is likely to compete with the business of our Group, or has any interest (which directly or indirectly) in such business.

In accordance with the Deed of Non-competition, each Covenantor jointly, severally, unconditionally and irrevocably warrants and undertakes that, from the Listing Date and ending on the occurrence of the earliest of (a) the date on which the Shares cease to be listed on the Stock Exchange; (b) the date on which ZT (A) ceases to be a Controlling Shareholder; or (c) the date on which the Covenantors beneficially own or become interested jointly or severally in the entire issued capital of our Company:

1. Non-competition

It will not, and will use its best endeavours to procure any Covenantor, its close associates (collectively, the "**Controlled Persons**") and any company directly or indirectly controlled by any Covenantor (excluding any member of our Group) (the "**Controlled Company(ies)**") not to, either on its own or in conjunction with any person, body corporate, partnership, joint venture or other contractual agreement, whether directly or indirectly, whether for profit or not, among other things, carry on, participate in, hold, engage in, be interested in, acquire or operate (in each case whether as a shareholder, director, partner, agent, employee, or otherwise, and whether for profit, reward or otherwise), or provide any form of assistance to any person, firm or company (except members of our Group) to conduct any business or activity which, directly or indirectly, competes or is likely to compete with the business carried on or contemplated to be carried on by our Company or any of its subsidiaries in the PRC, Hong Kong and such other places as our Company or any of its subsidiaries may conduct or carry on business from time to time, including but not limited to the provision of construction contracting services in the PRC (the "**Restricted Business**").

The Deed of Non-competition does not apply if the Controlled Person(s) and Controlled Company(ies) in aggregate own any interest not exceeding 5% of the issued shares in any company conducting any Restricted Business (the "**Relevant Company**"), and the Relevant

Company is listed in any recognised stock exchange, notwithstanding that the business conducted by the Relevant Company constitutes or might constitute competition with the business of our Company or any of its subsidiaries, provided that:

(i) the shareholding of any one holder (and his/her/its close associate, if applicable) in the Relevant Company is more than that of the Controlled Person(s) and the Controlled Company(ies) in aggregate at any time;

(ii) the total number of the relevant Covenantors' representatives on the board of directors of the Relevant Company is not significantly disproportionate with respect to its shareholding in the Relevant Company; and

(iii) the Covenantors and/or their respective close associates, whether acting singly or jointly, are not entitled to appoint a majority of the directors of the Relevant Company or otherwise participate in or be involved in the management of the Relevant Company.

2. New business opportunity

If any Covenantor and/or any Controlled Company(ies) is offered or becomes aware of any business opportunity which directly or indirectly engages in or owns a Restricted Business (the "**New Business Opportunity**"):

(i) it shall within ten days notify our Company of such New Business Opportunity in writing and refer the same to our Company for consideration, and shall provide the relevant information to our Company in order to enable our Company to make an informed assessment of such opportunity; and

(ii) it shall not, and shall procure that its Controlled Person(s) or Controlled Company(ies) not to, invest or participate in any project or New Business Opportunity, unless such project or New Business Opportunity shall have been rejected by our Company and the principal terms of which the Covenantor or its Controlled Person(s) or Controlled Company(ies) invest or participate in are no more favourable than those made available to our Company.

A Covenantor may only engage in the New Business Opportunity if (a) a notice is received by the Covenantor from our Company confirming that the New Business Opportunity is not accepted and/or does not constitute competition with the Restricted Business (the "**Non-acceptance Notice**"); or (b) the Non-acceptance Notice is not received by the Covenantor within 30 days after the proposal of the New Business Opportunity is received by our Company.

Any Director who has an actual or potential material interest in the New Business Opportunity shall abstain from attending (unless his/her attendance is specifically requested by the remaining non-interested Directors) and voting at, and shall not be counted towards the quorum for, any meeting or part of a meeting convened to consider such New Business Opportunity.

Our Board (including our independent non-executive Directors) will be responsible for reviewing and considering whether or not to take up a New Business Opportunity referred by a Covenantor or Controlled Company(ies) or whether or not the New Business Opportunity constitutes competition with the Restricted Business. The factors that will be taken into consideration in making the decision include whether it is in line with the overall interests of our Shareholders.

3. Corporate governance measures

In order to resolve actual or potential conflicts of interests between our Company, our Controlling Shareholder and Zhongtian Holdings and to ensure the performance of the above non-competition undertakings, each of the Covenantors jointly and severally, unconditionally and irrevocably undertakes that it will:

(i) in case of any actual or potential conflict of interest, abstain from attending and voting at any meeting or part of any meeting convened to consider any New Business Opportunity (unless their attendance is specifically requested by our non-interested Directors) and shall not be counted towards the quorum for such meeting;

(ii) as required by our Company, provide all information necessary for our independent non-executive Directors to conduct annual review on the compliance with the terms of the Deed of Non-competition and the enforcement of it;

(iii) procure our Company to disclose to the public either in the annual report of our Company or issue an announcement in relation to any decision, and where applicable the reasons for such decisions, made by our independent non-executive Directors to pursue or decline the New Business Opportunity, together with the reasons in case of decline with regard to the compliance of the terms of the Deed of Non-competition and the enforcement of it;

(iv) disclose the decision(s) and related basis on matters reviewed by our independent non-executive Directors in relation to our Company's compliance of the terms of the Deed of Non-competition and make a declaration in relation to the compliance of the terms of the Deed of Non-competition in the annual report of our Company, and ensure that the disclosure of information relating to compliance with the terms of the Deed of Non-competition and the enforcement of it are in accordance with the requirements of the Listing Rules;

(v) that during the period when the Deed of Non-competition is in force, fully and effectually indemnify our Company and/or its subsidiaries against any loss, liability, damage, cost, fee and expense as a result of any breach on the part of such Covenantor of any statement, warranty or undertaking made under the Deed of Non-competition; and

(vi) our independent non-executive Directors may appoint independent financial advisers and other professional advisers as they consider appropriate to advise them on any matter(s) relating to the non-competition undertaking or connected transaction(s) at the cost of our Company.

The Deed of Non-competition and the rights and obligations thereunder are conditional upon (a) the Stock Exchange granting the listing of, and the permission to deal in, the Shares; and (b) the Listing and dealings in the Shares on the Stock Exchange taking place.

As the Covenantors have given non-competition undertakings in favour of our Company, and none of them have interests in other businesses that compete or may compete with the business of our Group, our Directors are of the view that our Group is capable of carrying on our business independently of the Covenantors after the Listing.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately after completion of the Capitalisation Issue and the Global Offering (without taking into account any Share that may be allotted and issued upon the exercise of the Over-allotment Option or any option which may be granted under the Share Option Scheme), the following person will have interests or short positions in the Shares or underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who/which is expected, directly or indirectly, to be interested in 10% or more of the issued voting shares of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any other member of our Group:

Corporation	Company concerned	Capacity/nature of interest	Number of Shares held as at the date of submission of application for the Listing	Number of Shares held immediately after completion of the Capitalisation Issue and the Global Offering *(Note 1)*	Percentage of interests in our Company immediately after completion of the Capitalisation Issue and the Global Offering
ZT (A) *(Note 2)*	Our Company	Beneficial owner	74,973 Shares	266,965,000 (L)	55.62%

Notes:

1. The letter "L" denotes a person's/corporation's "long position" (as defined under Part XV of the SFO) in the Shares.

2. Our Company will be owned as to 55.62% by ZT (A) immediately after completion of the Capitalisation Issue and the Global Offering (without taking into account any Share that may be allotted and issued upon the exercise of the Over-allotment Option or any option which may be granted under the Share Option Scheme). ZT (A) is owned by 79 individual shareholders including 12 individuals who are directors or senior management members of our Group or their associates as to approximately 49.04% and 67 individuals who are Independent Third Parties including our employees as to approximately 50.96%, and none of such individual shareholders, together with his/her respective close associates, controls one-third or more of the voting power at the general meetings of ZT (A).

Save as disclosed above, our Directors are not aware of any person/corporation who/which will, immediately after completion of the Capitalisation Issue and the Global Offering (without taking into account any Share that may be allotted and issued upon the exercise of the Over-allotment Option or any option which may be granted under the Share Option Scheme), have interests or short positions in the Shares or underlying Shares which fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of the issued voting shares of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any other member of our Group. Our Directors are not aware of any arrangement which may at a subsequent date result in a change of control of our Company.

SUMMARY OF DIRECTORS AND SENIOR MANAGEMENT

Name	Age	Present position	Date of appointment as Director/senior management	Date of joining our Group	Roles and responsibilities	Relationship with other Director(s) and/or senior management
Executive Directors						
Mr. Yang Zhongjie (楊中杰先生)	54	Executive Director and chairman of our Board	27 March 2020	July 1990	Overall management and formulation of business strategies of our Group	Brother-in-law of Mr. Chen Weiwu
Mr. Liu Xiaohong (劉小紅先生)	48	Executive Director, chief executive officer of our Group and general manager of Zhongtian Construction	3 April 2020	July 1994	Supervision of the operation of our Group	Nil
Mr. Min Shixiong (閔世雄先生)	50	Executive Director and deputy general manager of Zhongtian Construction	3 April 2020	June 1995	Supervision of the operation of our Group	Nil
Mr. Shen Qiang (沈强先生)	49	Executive Director and deputy general manager of Zhongtian Construction	3 April 2020	June 2008	Supervision of the operation and costs control of our Group	Nil
Mr. Chen Weiwu (陳衛武先生)	48	Executive Director	3 April 2020	June 1993	Supervision of the operation of our Group	Brother-in-law of Mr. Yang Zhongjie
Independent non-executive Directors						
Dr. Liu Jianlong (劉建龍博士)	48	Independent non-executive Director	10 March 2023	10 March 2023	Providing independent advice to our Board and serving as a member of the audit committee and the remuneration committee	Nil

Name	Age	Present position	Date of appointment as Director/senior management	Date of joining our Group	Roles and responsibilities	Relationship with other Director(s) and/or senior management
Ms. Deng Jianhua (鄧建華女士)	55	Independent non-executive Director	10 March 2023	10 March 2023	Providing independent advice to our Board and serving as the chairperson of the remuneration committee and a member of the audit committee and the nomination committee	Nil
Mr. Lau Kwok Fai Patrick (劉國煇先生)	50	Independent non-executive Director	10 March 2023	10 March 2023	Providing independent advice to our Board and serving as the chairperson of the audit committee and a member of the remuneration committee	Nil
Senior Management						
Mr. Chen Peirun (陳培潤先生)	57	Deputy general manager of Zhongtian Construction	May 2016	December 1990	R&D and quality management of our Group	Nil
Mr. Zhou Ping (周平先生)	48	Deputy general manager and board secretary of Zhongtian Construction	January 2018	April 2008	Administrative and human resources matters of our Group	Nil
Mr. Long Biwen (龍必文先生)	41	Finance director of Zhongtian Construction	August 2022	July 2006	Supervision of the overall financial management of Zhongtian Construction	Nil

DIRECTORS

Our Board consists of eight Directors, comprising five executive Directors and three independent non-executive Directors.

Executive Directors

Mr. Yang Zhongjie (楊中杰先生), whose former Chinese name was 楊忠杰, aged 54, was appointed as our Director on 27 March 2020 and was re-designated as our executive Director on 3 April 2020. He also serves as chairman of our Board. He is primarily responsible for the overall management and formulation of business strategies of our Group. He is also a director of four of our subsidiaries, namely Head Sage, Zhongtian HK, Zhaolin Trading and Zhongtian Construction. He is the chairperson of our nomination committee.

Mr. Yang has over 25 years of experience in the construction industry and has been serving the management of our Group for over 15 years. Mr. Yang joined our Group in July 1990. From July 1990 to August 2001, he served in various positions in Zhongtian Construction including (i) office secretary responsible for handling office administrative matters; (ii) deputy director responsible for overseeing publications and administrative matters; (iii) production management manager responsible for overseeing the operation of the production management department; and (iv) the chief economist responsible for overseeing operations, bidding and contract management. Mr. Yang rejoined our Group in March 2004 as the chairman of Zhongtian Construction. Mr. Yang was also the general manager of Zhongtian Construction from March 2004 to January 2013, where he was responsible for overseeing the day-to-day management of Zhongtian Construction. For Mr. Yang's directorship in businesses not forming part of our Group, please refer to the section headed "Relationship with our Controlling Shareholder" in this prospectus.

Mr. Yang graduated from Southwest Jiaotong University (西南交通大學) in December 2003 with a master's degree in business administration. Mr. Yang was the visiting scholar at San Francisco State University from July 2015 to July 2016. Mr. Yang graduated from Central South University (中南大學) in June 2020 with a doctorate degree in civil engineering planning and management. Mr. Yang was accredited as a first-grade certified constructor (一級建造師) by MOHURD in April 2008, a senior economist (高級經濟師) by the Personnel Department of Hunan Province (湖南省人事廳) in September 2008 and a professional senior economist (正高級經濟師) by the Hunan Human Resources and Social Security Office* (湖南省人力資源和社會保障廳) in December 2021.

Mr. Yang was awarded the "Outstanding Businessman of Zhuzhou in 2005" (二零零五年度株洲市優秀企業家) by the Zhuzhou Economy Committee* (株洲市經濟委員會) and Zhuzhou Entrepreneur Association* (株洲市企業家協會).

Mr. Yang is the brother-in-law of Mr. Chen, our executive Director.

Mr. Liu Xiaohong (劉小紅先生), aged 48, was appointed as our executive Director on 3 April 2020. He is primarily responsible for the supervision of the operation of our Group. Mr. Liu is the chief executive officer of our Group and general manager of Zhongtian Construction. He is also a director of one of our subsidiaries, namely Zhongtian Construction. He is a member of our remuneration committee.

Mr. Liu has over 25 years of experience in the construction industry. Mr. Liu joined our Group in July 1994. He served in Zhongtian Construction as (i) technician and construction worker responsible for handling technical issues of construction projects and on-site project management from July 1994 to February 1999; and (ii) technical manager responsible for coordinating technical operation of construction projects, deputy director of engineering team responsible for overseeing construction management of projects, quality control manager responsible for managing quality and safety inspection of projects, and project manager responsible for project management from March 1999 to February 2004. He was promoted to the head of market operations in March 2004 and was further promoted to deputy general manager in April 2008. Mr. Liu was later promoted as a director and executive deputy general manager in January 2010, where he was responsible for supervising the overall management and operation of Zhongtian Construction. He has been acting as the vice chairman and general manager of Zhongtian Construction since February 2013.

Mr. Liu obtained a professional diploma in industrial and civil architecture (工業與民用建築專業) from the Hunan Province School of Architecture* (湖南省建築學校) (currently known as the Hunan Urban Construction College* (湖南城建職業技術學院)) in July 1994. Mr. Liu studied civil engineering at Wuhan University of Technology (武漢理工大學) through distance learning and graduated in January 2014. Mr. Liu was accredited as a first-grade certified constructor by MOHURD in January 2011. Mr. Liu was also accredited as an engineer and senior engineer by the Human Resources and Social Security Department of Hunan Province (湖南省人力資源和社會保障廳) in December 1999 and December 2011, respectively.

Mr. Liu was named as the "Outstanding Individual in Construction Project Quality and Safety Management in 2012" (2012年度建設工程質量安全管理工作先進個人) by ZHURD in March 2013. He was awarded the "Outstanding Businessman in Construction Industry of Zhuzhou in 2017" (二零一七年度株洲市建築業優秀企業家) by the Zhuzhou Construction Industry Association (株洲市建築業協會) in February 2018. He was awarded the "Outstanding Businessman of Zhuzhou" (株洲市優秀企業家) by the Zhuzhou Entrepreneur Association (株洲市企業家協會) and Zhuzhou Enterprise Federation (株洲市企業聯合會) in December 2018. Mr. Liu was awarded the "Outstanding Business Manager in Construction Industry of Zhuzhou in 2019" ((二零一九年度)株洲市建築業優秀企業經理) by the Zhuzhou Construction Industry Association (株洲市建築業協會).

Mr. Min Shixiong (閔世雄先生), aged 50, was appointed as our executive Director on 3 April 2020. He is primarily responsible for the supervision of the operation of our Group. Mr. Min is the deputy general manager of Zhongtian Construction. He is also a director of two of our subsidiaries, namely Zhongtian Construction and Kaida Apparatus.

Mr. Min has over 20 years of experience in the construction industry. Mr. Min joined our Group in June 1995. From June 1995 to March 2004, he served in various positions in Zhongtian Construction, including construction worker responsible for on-site project management; and technician of construction department responsible for technical guidance and management for construction projects. From March 2004 to February 2013, he served as a project manager of Zhongtian Construction, where he was responsible for overseeing management of construction projects. He was promoted to deputy general manager in February 2013, where he was responsible for overseeing the quality and safety department, and was later promoted to director of Zhongtian Construction in May 2016. From February 2013 to May 2019, Mr. Min was the director of Zhongtian Building. Since February 2013, Mr. Min has been the director of Kaida Apparatus.

Mr. Min graduated from Zhuzhou College of Engineering* (株洲工學院) (currently known as Hunan University of Technology (湖南工業大學)) majoring in urban construction in July 1995. Mr. Min was accredited as a first-grade certified constructor (一級建造師) by MOHURD in April 2008. Mr. Min was also accredited as a senior engineer by the Human Resources and Social Security Department of Hunan Province (湖南省人力資源和社會保障廳) in December 2015.

A construction project managed by Mr. Min received the Award for outstanding construction project in Hunan (湖南省優質工程) from Hunan Construction Industry Association (湖南省建築業協會) in June 2013.

Mr. Shen Qiang (沈强先生), aged 49, was appointed as our executive Director on 3 April 2020. He is primarily responsible for the supervision of the operation and the costs control of our Group. Mr. Shen is the deputy general manager of Zhongtian Construction. He is also a director of one of our subsidiaries, namely Zhongtian Construction.

Mr. Shen has over 20 years of experience in financial management in the construction industry. Prior to joining our Group, he worked in Zhongtie Zhuzhou Bridge Company Limited* (中鐵株洲橋樑有限公司), a company primarily engaging in railway special track laying and bridge prefabrication, from July 1995 to May 2008 with his last position being the head of financial department of branch office, where he was responsible for overseeing the financial management of branch office. Mr. Shen joined our Group as financial personnel of Zhongtian Construction in June 2008, where he was responsible for financial management of branch offices. He was promoted to the head of financial department in February 2013, where he was responsible for overseeing financial department. He was later promoted to chief accountant in February 2016, where he was responsible for supervising overall financial operation. Mr. Shen was the finance director of Zhongtian Construction from May 2016 to August 2022. He has been the deputy general manager of Zhongtian Construction since August 2022.

Mr. Shen graduated from the Hunan Network Engineering Vocational College* (湖南廣播電視大學) majoring in accounting and computer in July 1995. He studied accounting at Open University of China (國家開放大學) and graduated in January 2016. Mr. Shen was accredited as an intermediate accountant by the Ministry of Finance of the PRC (中華人民共和國財政部) and senior accountant by the Human Resources and Social Security Department of Hunan Province (湖南省人力資源和社會保障廳) in May 2006 and December 2016, respectively.

Mr. Chen Weiwu (陳衛武先生), aged 48, was appointed as our executive Director on 3 April 2020. He is primarily responsible for the supervision of the operation of our Group. He is also a director of one of our subsidiaries, namely Zhongtian Construction.

Mr. Chen has over 25 years of experience in the construction industry. Mr. Chen joined Zhongtian Construction in June 1993 as a project manager, where he was responsible for management of construction projects. He was promoted to branch office manager, where he was responsible for overseeing management of the branch office, in May 2016. Mr. Chen was appointed as merchandising evaluation expert of the Hunan Provincial Government (湖南省政府採購評審專家庫專家) by the Hunan Provincial Department of Finance (湖南省財政廳) in September 2018 and comprehensive evaluation expert of Hunan Province by the People's Government of Hunan Province in January 2019 for various areas, including construction and municipal public works. Mr. Chen was appointed as safety and technical expert for building construction (建築施工安全技術專家庫專家) of Hunan Province by the HHURD in July 2019.

Mr. Chen studied civil engineering at Hunan University of Technology (湖南工業大學) and graduated in July 2006. He obtained a master's degree in business administration for senior management from Hunan University (湖南大學) through distance learning in June 2015. He was also accredited as a first-grade certified constructor (一級建造師) by MOHURD in April 2008. He was accredited as an engineer and a senior engineer by the Human Resources and Social Security Department of Hunan Province (湖南省人力資源和社會保障廳) in December 2001 and December 2016, respectively.

From 2008 to 2019, various construction projects managed by Mr. Chen received the outstanding construction project in Hunan (湖南省優質工程) granted by the Hunan Construction Industry Association (湖南省建築業協會). A construction project managed by Mr. Chen obtained the Furong Prize (芙蓉獎) in December 2017, which is the highest honour for construction quality in Hunan awarded by Hunan Association of Construction Industry.

Mr. Chen is the brother-in-law of Mr. Yang, our executive Director and chairman of our Board.

Independent non-executive Directors

Dr. Liu Jianlong (劉建龍博士), aged 48, was appointed as our independent non-executive Director on 10 March 2023. He is a member of our audit committee and nomination committee.

Dr. Liu has over 15 years of experience in the construction industry. He has been teaching at Hunan University of Technology since September 2002 and was accredited as a professor in civil engineering by the Human Resources and Social Security Department of Hunan Province (湖南省人力資源和社會保障廳) in December 2015. Dr. Liu was appointed as the prefabricated copper pipe consultant by Zhejiang Aozheng Pipe Industry Co., Ltd.* (浙江奧錚管業有限公司) in September 2019. Dr. Liu was appointed as merchandising evaluation expert of the People's Government of Hunan Province (湖南省政府採購評審專家庫專家) by the Hunan Provincial Department of Finance in September 2018 and comprehensive evaluation expert of Hunan Province (湖南省綜合評標專家庫評標專家) by the People's Government of Hunan Province (湖南省人民政府) in January 2019 for various areas, including ventilation and air-conditioning. Dr. Liu also holds various positions in institutions related to the construction industry, including secretary-general of Zhuzhou Construction Technology and Energy-saving Construction Association* (株洲市建設科技與建築節能協會) and director of Energy-saving Construction and Green Building Research Institute of Hunan University of Technology* (湖南工業大學建築節能與綠色建築研究所).

Dr. Liu graduated from Wuhan University of Metallurgy and Technology (武漢冶金科技大學) (currently known as Wuhan University of Science and Technology (武漢科技大學)) with a bachelor's degree in engineering safety in June 1998. He obtained a master's degree and doctor's degree in heating, gas, ventilation and air-conditioning engineering from Hunan University in July 2001 and March 2008, respectively.

Dr. Liu was accredited as a registered safety engineer by the State Administration of Work Safety (國家安全生產監督管理總局) in July 2010. He was accredited as a senior energy-saving evaluator (高級節能評估師) by the China Association of Staff and Workers Education and Vocational Training (中國職工教育和職業培訓協會) in December 2012. Dr. Liu was accredited as a utilities engineer (heating, ventilation and air-conditioning) (註冊公用設備工程師(暖通空調)) by MOHURD in January 2015.

Dr. Liu engages in R&D in relation to construction technology and indoor quality management, etc. and received various awards, including the 2006 Huaxia Construction Science and Technology Third Prize Certificate* (華夏建設科學技術獎勵證書三等獎) by Huaxia Construction Science and Technology Award Committee* (華夏建設科學技術獎勵委員會) in January 2007 as a recognition of his contribution to promote the scientific and technology development in the construction industry.

Ms. Deng Jianhua (鄧建華女士), aged 55, was appointed as our independent non-executive Director on 10 March 2023. She is the chairperson of our remuneration committee and a member of our audit committee and nomination committee.

Ms. Deng has over 30 years of experience in auditing and accounting. Ms. Deng served in various positions in Pan-China Certified Public Accountants LLP (天健會計師事務所) from July 1991 to April 2007, including senior project manager, deputy director of auditing department and partner, where she was responsible for audit for IPO projects and listed companies. Ms. Deng joined CAC CPA Limited Liability Partnership (中審華會計師事務所(特殊普通合夥)) in May 2007 as partner of main office and deputy head of Hunan branch office, where she is responsible for audit for IPO projects and listed companies. Ms. Deng was appointed as an external supervisor of Zhuzhou Water Investment Group Co., Ltd. (株洲市水務投資集團有限公司) and Zhuzhou City Public Transportation Co., Ltd. (株洲市公共交通責任公司) by the Hunan Municipal People's Government State-owned Assets Supervision and Administration Commission (株洲市人民政府國有資產監督管理委員會) from January 2019 to January 2022. She has been appointed as a postgraduate external instructor of the master of accountancy programme of the Hunan Agricultural University (湖南農業大學) in July 2019. She has been an independent director of Zhuzhou Qianjin Pharmaceutical Company Limited (株洲千金藥業股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600479) from November 2020 to March 2022.

Ms. Deng graduated from Hunan University of Finance and Economics* (湖南財經學院) (currently known as Hunan University) with a bachelor's degree in accounting in July 1991. Ms. Deng was accredited as Certified Public Accountant by the Chinese Institute of Certified Public Accountants (中國註冊會計師協會) in April 2000. She was further accredited as a senior accountant by the Personnel Department of Hunan Province in December 2006.

Mr. Lau Kwok Fai Patrick (劉國煇先生), aged 50, was appointed as our independent non-executive Director on 10 March 2023. He is the chairperson of our audit committee and a member of our remuneration committee.

Mr. Lau has over 20 years of experience in auditing, accounting, financial advisory and corporate governance. He served as an auditor in Baker Tilly Hong Kong (formerly known as Glass Radcliffe Chan & Wee Certified Public Accountants) from September 1996 to November 1997 and was mainly responsible for statutory audit. Mr. Lau served as an associate in PricewaterhouseCoopers Ltd from December 1997 to April 1999, where he was mainly responsible for statutory audit, internal control review and enterprise listing audit. Mr. Lau worked at KPMG from October 1999 to June 2011, with his last position as a manager, mainly responsible for financial due diligence, corporate reorganisation and liquidation, analysis for corporate acquisitions, financial modelling and financial advisory services. Mr. Lau has been/was a director/senior management of the following listed companies:

Period	Company	Position(s)	Responsibilities
From July 2011 to June 2016	China City Railway Transportation Technology Holdings Company Limited (now known as BII Railway Transportation Technology Holdings Company Limited), a company listed on the Stock Exchange (stock code: 1522)	Deputy general manager, financial controller and company secretary	Primarily responsible for the company's listing, financial, company secretarial and compliance matters
From July 2016 to October 2019 and from May 2018 to October 2019	International Alliance Financial Leasing Co., Ltd., a company listed on the Stock Exchange (stock code: 1563)	Chief financial officer and company secretary	Mainly responsible for the corporate financial function of the company and matters relating to corporate governance, compliance and investor relations

Period	Company	Position(s)	Responsibilities
From September 2017 to July 2020	Jinhai International Group Holdings Limited (formerly known as Kakiko Group Limited), a company listed on the Stock Exchange (stock code: 2225)	Independent non-executive director	Providing independent advice to the board of directors
From January 2018 to the Latest Practicable Date	FDB Holdings Limited (formerly known as Dafy Holdings Limited and Steering Holdings Limited), a company listed on the Stock Exchange (stock code: 1826)	Independent non-executive director	Providing independent advice to the board of directors
From February 2020 to the Latest Practicable Date	Ximei Resources Holding Limited, a company listed on the Stock Exchange (stock code: 9936)	Independent non-executive director	Providing independent advice to the board of directors
From December 2020 to the Latest Practicable Date	Sundy Service Group Co. Ltd., a company listed on the Stock Exchange (stock code: 9608)	Independent non-executive director	Providing independent advice to the board of directors

Mr. Lau obtained an honours diploma in accounting from Hong Kong Shue Yan College (now known as Hong Kong Shue Yan University) in July 1996. He obtained his HKICPA Diploma in Insolvency awarded by HKICPA in June 2004. He later obtained a master's degree in Corporate Governance and Directorship (Distinction) from Hong Kong Baptist University in November 2014. Mr. Lau has been an associate of HKICPA and a fellow member of the Association of Chartered Certified Accountants since July 2003 and December 2007, respectively. He has also been a member of Beta Gamma Sigma Hong Kong Baptist University Chapter since April 2014.

DISCLOSURE REQUIRED UNDER RULE 13.51(2) OF THE LISTING RULES

Mr. Yang was a director of Zhuzhou Hengji Asset Management Co., Ltd* (株洲恒基資產管理有限責任公司), a company established in the PRC engaging in property leasing prior to its dissolution. It was dissolved by deregistration on 31 March 2016 because its shareholders had resolved to merge with Zhongtian Construction. Mr. Yang confirmed that the company was solvent at the time of its dissolution and such dissolution had not resulted in any liability or obligation against him.

Save as disclosed above, each of our Directors has confirmed that (a) he/she has not held any directorship in the last three years in any public company the securities of which are listed on any securities market in Hong Kong or overseas; (b) he/she does not hold other positions in our Company or other members of our Group as at the Latest Practicable Date; (c) he/she does not have any relationship with any other Directors, senior management, substantial Shareholder or Controlling Shareholder of our Company as at the Latest Practicable Date; (d) he/she does not have any interests in our Shares within the meaning of Part XV of the SFO, save as disclosed in the section headed "C. Further information about our Directors and Substantial Shareholders — 1. Disclosure of interests" in Appendix V to this prospectus; (e) he/she does not have any interest in any business which competes or is likely to compete, directly or indirectly, with our Group, which is disclosable under the Listing Rules; and (f) to the best knowledge, information and belief of our Directors having made all reasonable enquiries, there is no additional information relating to our Directors or senior management that is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules and no other matter with respect to their appointments that needs to be brought to the attention of our Shareholders as at the Latest Practicable Date.

SENIOR MANAGEMENT

Mr. Chen Peirun (陳培潤先生), aged 57, is the deputy general manager of Zhongtian Construction, responsible for R&D and quality management of our Group.

Mr. Chen has over 30 years of experience in the construction industry. Prior to joining our Group, he worked as a technician from July 1987 to November 1990 in Zhuzhou City Internal Combustion Engine and Accessories Factory* (株洲市內燃機配件廠) (currently known as Zhuzhouxiang Torch Machinery Manufacturing Company Ltd.* (株洲湘火炬機械製造有限責任公司)), a company primarily engaging in production of internal combustion engine parts, where he was responsible for production technical matters. Mr. Chen joined Zhongtian Construction in December 1990 and was promoted to deputy general manager in May 2016.

Mr. Chen obtained a professional diploma in industrial and civil architecture from Zhuzhou Metallurgy Industrial College* (株洲冶金工業學校) (currently known as Hunan University of Technology) in August 1987. He studied construction and civil engineering at Xi'an University of Architecture and Technology (西安建築科技大學) and graduated in December 1994. He further studied civil engineering at Xiangtan University (湘潭大學) and graduated in June 2010.

Mr. Zhou Ping (周平先生), aged 48, is the deputy general manager and board secretary of Zhongtian Construction, responsible for administrative and human resources matters of our Group.

Mr. Zhou has over 15 years of experience in business administration. Before joining our Group, Mr. Zhou has worked in various companies in different industries, including as (i) assistant to general manager in Miluo Tianmei Furniture Factory* (湖南省汨羅市天美傢俬廠) from October 2001 to August 2003, where he was responsible for handling administration and logistics matters; (ii) administrative manager in Zhuzhou Xinya Guangkelong Supermarket* (株洲新亞廣客隆超級市場) from August 2005 to March 2006, where he was responsible for administration and human resources; and (iii) as project officer in Zhuzhou Xiangyin Real Estate Development Company Ltd* (株洲湘銀房地產開發有限公司) (currently known as Xiangyin Real Estate Company Ltd.* (湘銀房地產股份有限公司)) from April 2006 to March 2008, where he was responsible for project management and coordination. Mr. Zhou worked as project manager in Hengji Real Estate from April 2008 to January 2011, where he was responsible for project management and coordination. He joined Zhongtian Holdings in February 2011 as deputy manager of the investment department and was later promoted and worked as manager of the investment department until January 2016, where he was responsible for collection of industry information and investment project feasibility analysis. He joined our Group as the board secretary of Zhongtian Construction in February 2016, where he was responsible for coordinating and organising shareholders' meetings, board meetings and meetings of senior management. Mr. Zhou has also been the deputy general manager of Zhongtian Construction since January 2018.

Mr. Zhou graduated from Central South University with a master's degree in analytical chemistry in June 2001. He obtained a master's degree in business administration from Jilin University (吉林大學) in June 2005.

Mr. Long Biwen (龍必文先生), aged 41, is the financial director of Zhongtian Construction, responsible for the supervision of the overall financial management of Zhongtian Construction.

Mr. Long has over 15 years of experience in accounting and financial management. He joined our Group in July 2006 as accountant and has been working in our finance department since then. In May 2016, he was promoted as manager of our finance department. In January 2022, Mr. Long was promoted as our deputy chief accountant. Since August 2022, he has been the financial director of Zhongtian Construction.

Mr. Long graduated from Hunan Agricultural University with a bachelor's degree in management majoring in accounting in June 2006. In May 2010, Mr. Long was accredited as an intermediate accountant by the Ministry of Finance of the PRC (中華人民共和國財政部) and the Human Resources and Social Security Department of Hunan Province. He was also accredited as a grade 2 architect of the PRC* (中華人民共和國二級建造師) by HHURD in February 2020. In December 2021, Mr. Long was accredited as a senior accountant by the Human Resources and Social Security Department of Hunan Province.

Save as disclosed above, each of the senior management has not held any directorship in the last three years in any public company the securities of which are listed on any securities market in Hong Kong or overseas.

COMPANY SECRETARY

Ms. Chan Kit Ming (陳潔明女士), aged 37, was appointed as our company secretary on 3 April 2020.

Ms. Chan has over 9 years of experience in auditing and accounting. Ms. Chan served in SHINEWING (HK) CPA Limited from January 2011 to July 2012, with her last position as semi-senior accountant. Ms. Chan served in Kerry Properties Limited, a company listed on the Stock Exchange (stock code: 0683), from August 2012 to June 2018, with her last position as senior internal auditor. Ms. Chan joined Global Vision CPA Limited, a professional accounting firm, in July 2018 as auditor.

Ms. Chan graduated from The Hong Kong Polytechnic University with a bachelor's degree of business administration in accounting in October 2008. She became a member of the Hong Kong Institute of Certified Public Accountants in January 2013.

Ms. Chan Kit Ming was nominated by an external service provider engaged by us to act as our company secretary pursuant to an engagement letter entered into between our Company and such external service provider. She will be supported by other staff of the external service provider in providing the corporate secretarial services to our Company. In light of Ms. Chan's qualifications and experience and considering that Ms. Chan will be supported by other staff of the external service provider in providing the corporate secretarial services to our Company, our Directors are of the view that Ms. Chan has sufficient time and capacity to fulfil her duties as our company secretary.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Our Company will comply with the Corporate Governance Code after Listing. Our Directors will review our corporate governance policies and compliance with the Corporate Governance Code for each financial year and comply with the "comply or explain" principle in our corporate governance report, which will be included in our annual reports subsequent to Listing.

BOARD COMMITTEES

Audit committee

Our Company established an audit committee with written terms of reference in compliance with Rule 3.22 of the Listing Rules and paragraph D.3.3 of the Corporate Governance Code pursuant to a resolution of our Directors passed on 10 March 2023. The primary duties of the audit committee are, among others, to make recommendations to our Board on the appointment, reappointment and removal of external auditor, review the financial statements and provide material advice in respect of financial reporting, oversee the financial reporting process, internal control, risk management systems and audit process of our Company and perform other duties and responsibilities assigned by our Board.

At present, our audit committee comprises Mr. Lau Kwok Fai Patrick, Dr. Liu Jianlong and Ms. Deng Jianhua, all being our independent non-executive Directors. Mr. Lau Kwok Fai Patrick is the chairperson of our audit committee.

Remuneration committee

Our Company established a remuneration committee on 10 March 2023 with written terms of reference in compliance with Rule 3.26 of the Listing Rules and paragraph E.1.2 of the Corporate Governance Code. The primary duties of the remuneration committee are to review and approve the management's remuneration proposals, make recommendations to our Board on the remuneration package of our Directors and senior management and ensure none of our Directors determine his/her own remuneration.

At present, our remuneration committee comprises Ms. Deng Jianhua and Mr. Lau Kwok Fai Patrick, being our independent non-executive Directors, and Mr. Liu, being our executive Director. Ms. Deng Jianhua is the chairperson of our remuneration committee.

Nomination committee

Our Company established a nomination committee on 10 March 2023 with written terms of reference in compliance with paragraph B.3.1 of the Corporate Governance Code. The primary duties of the nomination committee are, among others, to review the structure, size and composition of our Board, and select or make recommendations on the selection of individuals nominated for directorships.

At present, our nomination committee comprises Mr. Yang, being our executive Director and chairman of our Board, Dr. Liu Jianlong and Ms. Deng Jianhua, being our independent non-executive Directors. Mr. Yang is the chairperson of our nomination committee.

BOARD DIVERSITY POLICY

Our Company has adopted a board diversity policy which sets out the approach of which our Board could achieve a higher level of diversity. Our Company recognises the benefits of having a diversified Board. In summary, our board diversity policy sets out that when considering the nomination and appointment of a director, with the assistance of our nomination committee, our Board would consider a number of factors, including but not limited to the skills, knowledge, professional experience and qualifications, cultural and educational background, age, gender and diversity of prospective that the candidate is expected to bring to our Board and what would be the candidate's potential contributions, in order to better serve the needs and development of our Company. Our board diversity policy also seeks to attract, retain and motivate our Directors and other staff from the widest pool of available talent. All Board appointments will be based on merits and candidates will be considered against objective criteria, having due regard to the benefits of diversity in our Board.

COMPLIANCE ADVISER

Our Company has appointed Grande Capital as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules for the term commencing on the Listing Date and ending on the date on which our Company distributes annual report in respect of its financial results for the first full financial year commencing after the Listing Date.

Pursuant to Rule 3A.23 of the Listing Rules, our Company shall seek advice from our compliance adviser on a timely basis in the following circumstances:

- before the publication of any regulatory announcement, circular or financial report;
- where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;
- where our Company proposes to use the proceeds of the Listing in a manner different from that detailed in this prospectus or where business activities, developments or results of our Company deviate to a material extent from any forecast, estimate, or other information in this prospectus; and
- where the Stock Exchange makes an inquiry of our Company regarding unusual movements in the price or trading volume of the Shares.

REMUNERATION POLICY

Our Directors and senior management receive compensation in the form of salaries, benefits in kind and discretionary bonuses related to their performance. Our Group also reimburses them for expenses which are necessarily and reasonably incurred in relation to all business and affairs carried out by our Group from time to time or for providing services to our Group or executing their functions in relation to our Group's business and operations. Our Group regularly reviews and determines the remuneration and compensation package of our Directors and senior management by reference to, among other things, market level of salaries paid by comparable companies and the respective responsibilities of our Directors and performance of our Group.

After the Listing, our Directors and senior management may also receive options to be granted under the Share Option Scheme.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

For FY2019, FY2020, FY2021 and 3Q2022, the aggregate remuneration including basic salaries, allowance, other benefits and contribution to retirement benefit scheme, paid to our Directors by our Group was approximately RMB1,011,000, RMB1,245,000, RMB817,000 and RMB651,000, respectively. The increase in the aggregate remuneration paid to our Directors by our Group in FY2020 was mainly attributable to the increase in the remuneration of Mr. Chen from approximately RMB94,000 for FY2019 to approximately RMB223,000 for FY2020 as he took up more responsibilities in FY2020 including being in charge of more projects in FY2020.

For FY2019, FY2020, FY2021 and 3Q2022, the aggregate remuneration including basic salaries, allowance, other benefits and contribution to retirement benefit scheme, paid to the five highest paid individuals (including our Directors) by our Group was approximately RMB1,254,000, RMB1,318,000, RMB830,000 and RMB660,000, respectively.

For FY2019, FY2020, FY2021 and 3Q2022, the aggregate of bonuses paid to or receivable by our Directors which are discretionary or are based on our Company's, our Group's or any members of our Group's performance were approximately RMB371,000, RMB594,000, RMB156,000 and RMB110,000, respectively.

Under the arrangements currently in force, we estimate that the aggregate remuneration payable to, and benefits in kind receivable by, our Directors (excluding discretionary bonus) for FY2023 will be approximately HK$1.0 million. Upon completion of the Listing, the remuneration committee will make recommendations on the remuneration of our Directors taking into account the performance of our Directors and market standards and the remuneration will be subject to approval by our Shareholders. Accordingly, the historical remuneration to our Directors during the Track Record Period may not reflect the future levels of remuneration of our Directors.

Save as disclosed above, no other emoluments have been paid, or are payable, by our Group to our Directors and the five highest paid individuals in respect of each of FY2019, FY2020, FY2021 and 3Q2022.

During the Track Record Period, no remuneration was paid by our Group to, or received by, our Directors or the five highest individuals as an inducement to join or upon joining our Group or as compensation for loss of office. There was no arrangement under which a director waived or agreed to waive any remuneration during the Track Record Period.

For additional information on Directors' remuneration during the Track Record Period as well as information on the five highest paid individuals, please refer to the Accountants' Report set out in Appendix I to this prospectus.

SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme. Further information on the Share Option Scheme is set forth in the section headed "D. Share Option Scheme" in Appendix V to this prospectus.

SHARE CAPITAL

The tables below set forth information with respect to the share capital of our Company after completion of the Capitalisation Issue and the Global Offering.

Authorised share capital:		*HK$*
5,000,000,000	Shares of HK$0.01 each	50,000,000

Assuming the Over-allotment Option is not exercised and without taking into account any Share that may be allotted and issued upon the exercise of any option which may be granted under the Share Option Scheme, our Company's issued share capital immediately after completion of the Capitalisation Issue and the Global Offering will be as follows:

Shares		*HK$*
101,100	Shares in issue as at the Latest Practicable Date	1,011
359,898,900	Shares to be issued pursuant to the Capitalisation Issue	3,598,989
120,000,000	Shares to be issued pursuant to the Global Offering	1,200,000
480,000,000	Total	4,800,000

Assuming the Over-allotment Option is exercised in full and without taking into any Share that may be allotted and issued upon the exercise of any option which may be granted under the Share Option Scheme, the issued share capital of our Company immediately after completion of the Capitalisation Issue and the Global Offering will be as follows:

Shares		*HK$*
101,100	Shares in issue as at the Latest Practicable Date	1,011
359,898,900	Shares to be issued pursuant to the Capitalisation Issue	3,598,989
120,000,000	Shares to be issued pursuant to the Global Offering	1,200,000
18,000,000	Shares to be issued upon exercise of the Over-allotment Option	180,000
498,000,000	Total	4,980,000

ASSUMPTIONS

The above tables assume that the Global Offering becomes unconditional and Shares are issued pursuant to the Global Offering. It takes no account of any Share that 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

Pursuant to Rule 8.08(1)(a) of the Listing Rules, at the time of Listing and at all times thereafter, our Company must maintain the minimum prescribed percentage of at least 25% of the total number of issued Shares in the hands of the public.

RANKING

The Offer Shares are ordinary Shares and rank equally with all Shares currently in issue or to be issued and, in particular, will rank equally for all dividends or other distributions declared, made or paid on our Shares in respect of a record date which falls after the date of this prospectus save for the entitlement under the Capitalisation Issue.

SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme. The principal terms of the Share Option Scheme are summarised in the paragraph headed "D. Share Option Scheme" in Appendix V to this prospectus. Our Company did not have any outstanding share option, warrant, convertible instrument or similar right convertible into the Shares as at the Latest Practicable Date.

GENERAL MANDATE TO ISSUE SHARES

Subject to the Global Offering becoming unconditional, our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares in aggregate not exceeding:

(a) 20% of the total number of Shares in issue immediately after completion of the Capitalisation Issue and the Global Offering (assuming the Over-allotment Option is not exercised and without taking into account any Share that may be allotted and issued upon the exercise of any option which may be granted under the Share Option Scheme); and

(b) the aggregate number of issued Shares which may be repurchased by our Company (if any) under the mandate to repurchase Shares referred to below.

Our Directors may, in addition to the Shares which they are authorised to issue under the general mandate, allot, issue and deal in the Shares pursuant to a rights issue, an issue of Shares pursuant to the exercise of the subscription rights attaching to any warrant of our Company, scrip dividends or similar arrangements or options providing for the allotment and issue of Shares in lieu of the whole or in any part of any cash dividends or options to be granted under the Share Option Scheme and any option scheme or similar arrangement for the time being adopted.

This general mandate to issue Shares will remain in effect until whichever is the earliest of:

(a) the conclusion of the next annual general meeting of our Company; or

(b) the date by which the next annual general meeting of our Company is required by the Articles or any applicable law to be held; or

(c) the passing of an ordinary resolution of our Shareholders in a general meeting revoking or varying the authority given to our Directors.

Further details of this general mandate are set out in the paragraph headed "A. Further Information about our Group — 5. Written resolutions of our Shareholders passed on 10 March 2023" in Appendix V to this prospectus.

GENERAL MANDATE TO REPURCHASE SHARES

Subject to the Global Offering becoming unconditional, our Directors have been granted a general unconditional mandate to exercise all powers of our Company to repurchase, on the Stock Exchange and/or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose in accordance with applicable laws and requirements of the Listing Rules (or of such other stock exchange), Shares in the number not exceeding 10% of the total number of Shares in issue immediately after completion of the Capitalisation Issue and the Global Offering (assuming the Over-allotment Option is not exercised and without taking into account any Share that may be allotted and issued upon the exercise of any option which may be granted under the Share Option Scheme).

This general mandate only relates to repurchases made on the Stock Exchange, or on any other stock exchange which is recognised by the SFC and the Stock Exchange for this purpose in accordance with the applicable laws and requirements of the Listing Rules (or such other stock exchange). A summary of the relevant Listing Rules is set out in the paragraph headed "A. Further information about our Group — 6. Repurchase of our Shares" in Appendix V to this prospectus.

This general mandate to repurchase Shares will remain in effect until whichever is the earliest of:

(a) the conclusion of the next annual general meeting of our Company; or

(b) the date by which the next annual general meeting of our Company is required by the Articles or any applicable law to be held; or

(c) the passing of an ordinary resolution of our Shareholders in a general meeting revoking or varying the authority given to our Directors.

Further details of this repurchase mandate are set out in the paragraph headed "A. Further information about our Group — 6. Repurchase of our Shares" in Appendix V to this prospectus.

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

As a matter of the Companies Act, an exempted company is not required by law to hold any general meetings or class meetings. The holding of general meeting or class meeting is prescribed for under the articles of association of a company. Accordingly, our Company will hold general meetings as prescribed for under the Articles, a summary of which is set out in Appendix IV to this prospectus.

The following discussion and analysis should be read in conjunction with our consolidated financial information included in "Appendix I — Accountants' Report" annexed to this prospectus. Our audited consolidated financial statements have been prepared in accordance with HKFRSs. You should read the entire Accountants' Report and not merely rely on the information contained in this section.

The following discussion and analysis contain forward-looking statements that involve risks and uncertainties. These statements are based on assumptions and analysis that we make in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, our actual results may differ significantly from those projected in the forward-looking statements. Factors that might cause future results to differ significantly from those projected in the forward-looking statements include, but are not limited to, those discussed in the section headed "Risk Factors" and elsewhere in this prospectus.

OVERVIEW

During the Track Record Period, we primarily focused on the provision of construction services: (i) civil building construction services, provision of construction contracting mainly as general contractor for residential, industrial and commercial construction projects; (ii) municipal works construction services, which mainly consisted of the construction of urban roads, education institution, sports stadium and water supply works; (iii) foundation works services which include foundation construction as well as earthwork construction; (iv) prefabricated steel structure construction services; and (v) other specialised contracting works which includes renovation and decoration construction specialised contracting. We provide comprehensive construction services for customers throughout the construction process from procurement, project management, construction to project supervision. To a lesser extent, we also engage in provision of construction machinery and equipment service.

For FY2019, FY2020, FY2021 and 3Q2022, (i) our total revenue amounted to approximately RMB1,821.9 million, RMB1,769.9 million, RMB1,823.4 million and RMB1,366.0 million, respectively; (ii) our gross profit amounted to approximately RMB183.4 million, RMB189.1 million, RMB195.6 million and RMB148.6 million, respectively, representing gross profit margins of approximately 10.1%, 10.7%, 10.7% and 10.9%, respectively; and (iii) our profit and other comprehensive income for the year/period was approximately RMB50.9 million, RMB49.6 million, RMB61.9 million and RMB51.2 million, respectively.

BASIS OF PRESENTATION

Our Company was incorporated in the Cayman Islands on 27 March 2020 as an exempted company with limited liability under the Companies Act.

Pursuant to the Reorganisation as detailed in the section headed "History, Development and Reorganisation" in this prospectus, in preparation for the Listing and for the purposes of rationalising our Group's structure, our Company became the holding company of the subsidiaries now comprising our Group in 2020.

On 8 May 2019, the shareholders of Zhongtian Construction resolved to undergo the Demerger, pursuant to which Zhongtian Construction was demerged into two companies, namely Zhongtian Construction and Puhui Commercial. As a result of the Demerger, Puhui Commercial was established on 28 June 2019 and assets with a net carrying value of RMB57.1 million were allocated from Zhongtian Construction to Puhui Commercial, including investment properties. No liability of Zhongtian Construction was transferred to Puhui Commercial. The purpose of the Demerger is to enable us to focus on construction contracting business as our principal business but not property leasing. The Demerger was registered by the relevant government authority on 2 July 2019. Our Company, Head Sage, Zhongtian HK, Zhaolin Trading, Jicai Trading, Hangxiao Materials, (together, the "**Non-operating Companies**") are newly incorporated/established companies as part of the Reorganisation and none of these new holding companies carried out any businesses since their incorporation/establishment. The Non-operating Companies became holding companies of Zhongtian Construction, have no substance, have not been involved in any business and do not meet the definition of a business. Accordingly, for the purpose of the Accountants' Report, our historical financial information has been prepared based on that of Zhongtian Construction which comprised our Group at the beginning of the Track Record Period using the predecessor carrying amounts 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 HKICPA. Further details of the significant accounting policies adopted are set out in note 4 in the Appendix I to this prospectus.

Based on Zhongtian Construction's management account which was prepared under accounting principles generally accepted in the PRC (the "**PRC GAAP**"), the net carrying value of the assets of Zhongtian Construction as at the date of the Demerger which were transferred to Puhui Commercial is as follows:

	RMB'000
Property, plant and equipment	13,702
Investment properties	39,378
Prepayments	4,020
Total	57,100

The above assets of approximately RMB57.1 million were transferred to Puhui Commercial at net carrying value without gain or loss and, except for these assets, no other assets were transferred to Puhui Commercial under the Demerger. There is no material difference between PRC GAAP and HKFRS in relation to the assets transferred from Zhongtian Construction to Puhui Commercial as at the date of the Demerger as the same accounting treatment is being used under both accounting standards. Thus, the net carrying value of the assets transferred will still be RMB57.1 million prepared under PRC GAAP or HKFRS.

Based on the Zhongtian Construction's management account which was prepared under PRC GAAP, the net carrying value of the assets of Zhongtian Construction as at the date of the Demerger which were retained by Zhongtian Construction is as follows:

	RMB'000
Non-current assets	
Property, plant and equipment	2,368
Investment properties	7,084
Investment in subsidiaries	5,574
Deferred tax assets	3,394
Intangible assets	58
	18,478
Current assets	
Inventories	3,170
Trade, bills and other receivables (including amounts due from related parties)	354,511
Contract assets	699,249
Cash and cash equivalents (including restricted bank deposits)	34,292
	1,091,222
Total assets	1,109,700

The investment properties that were retained by Zhongtian Construction under the Demerger had an aggregate fair value of approximately RMB13.5 million as at 31 December 2018. The investment properties that were transferred to Puhui Commercial under the Demerger had an aggregate fair value of approximately RMB131.6 million as at 31 December 2018. The fair value of these investment properties have been arrived at based on market approach valuation carried out by the Independent Valuer.

The consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of our Group for the Track Record Period include the results and cash flows of all companies now comprising our Group as if the Non-operating Companies share under common control of our Company and the current structure had been in existence throughout the Track Record Period, or since their respective dates of acquisition or incorporation/establishment, whichever is the shorter period. The consolidated statements of financial position of our Group as at 31 December 2019, 2020 and 2021 and 30 September 2022 have been prepared to present the assets and liabilities of the subsidiaries and/or businesses using the existing carrying values, as if the current structure had been in existence at these dates or since their respective dates of acquisition or incorporation/establishment, whichever is the shorter period. No adjustments are made to reflect fair values, or recognise any new assets or liabilities as a result of the Reorganisation. All intra group transactions and balances have been eliminated between the consolidating entities.

Our historical financial information for the Track Record Period has been prepared in accordance with accounting policies which conform with all applicable HKFRSs issued by the HKICPA.

SIGNIFICANT FACTORS AFFECTING OUR FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Our Group's business, financial condition and results of operations have been and we expect will continue to be affected by a number of factors, including those set out below:

General economic conditions and regulatory environment of the PRC construction industry

The PRC construction industry is to a large extent affected by the market conditions of the PRC economy. General economic conditions in China have affected and may continue to affect our business and results of operations. Our revenue to a large extent correlates with the level of construction activities in China, particularly in Hunan and Hainan Province, where a majority of our construction projects were located during the Track Record Period. The future growth and level of profitability of the construction industry in the PRC is likely to depend primarily upon the continued availability of major construction works projects. The nature, extent and timing of such projects will, however, be determined by the interplay of a variety of factors, in particular, the PRC Government's spending patterns on the construction and infrastructure industry in the PRC, the investment by property developers and the general conditions and prospects of the PRC economy. These factors may affect the amount of construction 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 the interest rates and the availability of new projects in the private sector. Any changes in the national or local regulatory environment in respect of the PRC construction industry may also affect the level of activities in this industry, as well as the supply of land for property development, project financing, taxation and foreign investment. An occurrence of recession in the PRC, deflation or any changes in the PRC's currency policy, or the demand for construction works in the PRC deteriorate, our operations and profits could be adversely affected.

Billing progress and accounting treatments of our construction projects

We recognise revenue over time based on input method in accordance with our Group's accounting policy which complies with HKFRS 15. When the outcome of the contract can be reasonably expected, revenue from the contract is recognised based on the total value of work performed, which is measured by the percentage of completion of a project (the proportion of the actual costs incurred relative to the budgeted total construction costs) out of the total contract value of the corresponding project. As our projects usually take a few months or a few years to complete, the scale of contracts and progress of each of the contracts we undertake in each of the year/period may affect our results of operations.

The general schedule of our billing progress and accounting treatments for our major construction projects during the Track Record Period are set forth as below:

	Billing progress	Accounting treatments
Upon signing of contract	• Depending on contract terms, prepayment of 10% to 30% of the contract sum may be required to be paid by our customers.	• No revenue will be recognised during this stage. • Any prepayment paid by our customers will be accounted as contract liabilities.
Project implementation	• Unless there are specific milestones stipulated in the relevant contracts, the progress amount billed is based on a progress billable percentage, generally ranging from 70% to 85%, of the total value of the work performed, on a monthly or quarterly basis as the case may be as stipulated in the relevant construction contract. • If specific milestones are stipulated in the contracts, the billable percentages may vary upon reaching different milestone and generally speaking, we are able to start billing at an agreed percentage, generally ranging from 70% to 85%, of the value of work performed. • The total value of the work is measured by the percentage of completion (the proportion of the actual costs incurred relative to the estimated total costs) out of the total contract value.	• Revenue is recognised based on input method by reference to the total value of the work as measured by the percentage of completion (the proportion of the actual costs incurred relative to the estimated total costs) out of the total contract value. • The portion of the value of work performed and billed by us will be accounted for as trade receivables and the unbilled balance will be accounted for as contract assets.
Project completion and settlement	• The total billing amounts that we are entitled to make billing to our customers (on an accumulative basis) generally amounted to up to 95% to 97% of the final settlement value (i.e. the finalised total value of the work after settlement audit). The retention money usually accounts for 3% to 5% of the final settlement value.	• The accounting treatment is the same as project implementation phase.
Post execution	• Upon expiry of the warranty period, the remaining 3% to 5% (being the retention money) of the final settlement value will be billed to our customers.	• No revenue will be recognised during this stage. • The amount of the remaining 3% to 5% of the final settlement value has previously been accounted for as contract assets, and will be reclassified as trade receivables.

Project Implementation phase

Recognition

Revenue is recognised using the input method. When the outcome of the contract can be reasonably expected, revenue from the contract is recognised based on the total value of work performed, which is measured by the percentage of completion of a project (the proportion of the actual costs incurred relative to the budgeted total construction costs) out of the total contract value of the corresponding project.

The total construction costs budget for each project is prepared by our cost and contract department mainly by reference to the contract amount, the amount of labour input and raw materials required, the market prices and quotations provided by the relevant suppliers and subcontractors on such inputs involved in each of the projects as well as the prior experience of the management of our Group in similar projects. The record of actual cost incurred for a project was prepared by our on-site project manager and project accountant of each of the projects from time to time during the project implementation phase.

Internal control on project progress

For our internal control purpose, the responsible personnel of our cost and contract department conducts periodic reviews and comparisons on the budgeted costs and the actual costs incurred of the projects by making reference to the latest information available, including but not limited to delivery notes of construction materials, acceptance notes of subcontracting services performed and the project progress certificates. The project progress certificates are prepared by us and endorsed by the licensed personnel of the qualified surveyors engaged by the relevant customer to confirm the progress of construction work from time to time. The project progress certificate is served as one of the several internal control documents reviewed by our Group. Nonetheless, it is not the only document or proof for ascertaining the accuracy of the costs incurred in the relevant projects.

As part of the duties performed by qualified surveyors under the respective engagement by customers to monitor the construction progress for each project, usually the qualified surveyors will assign their employees as representatives, who are qualified chief surveying engineer (i.e. with registered engineering qualification or intermediate level or above professional qualification and three years or above practising construction experience) and/or qualified surveying engineer (i.e. with registered engineering qualification or intermediate level or above professional qualification and two years or above practising construction experience) to station at the construction site to conduct on-site supervision on a regular basis and closely monitor the project's progress, including, among others, construction craftsmanship, construction technology, project workflow, quality of works performed, safety, subcontractors' involvement, progress of the project, materials used and human resources deployed by each contractor. Accordingly, when we submit the project progress certificate together with the cost schedule to the qualified surveyors for endorsement on a regular basis, the qualified surveyors would be able to assess the reasonableness of each cost schedule by cross-checking the information therein with its own record when requested.

The Hunan Engineering Management Society* (湖南省工程管理學會) a non-profit organisation formed by industry experts and recognised by the Department of Civil Affairs of Hunan Province as "AAAA social organisation" in 2021 which aims to explore advanced engineering management theories and methodologies, strengthen theoretical research and academic exchanges, promote the organic combination of engineering management theory and practice, and act as a bridge and link between academic research and engineering management practice. According to Hunan Engineering Management Society, it would from time to time publishes papers related to engineering management, so as to achieve complementary advantages and resource sharing in the construction industry.

As a non-profit organisation engaging in academic researches, the Hunan Engineering Management Society from time to time engages in academic exchanges with us and provide assistance and support to reputable construction enterprises in Hunan province in order to achieve resources sharing and the founding objectives of the Hunan Engineering Management Society. As such, the Hunan Engineering Management Society shares its insights and research findings to us from time to time.

According to Hunan Engineering Management Society, it is an industry norm for qualified surveyors to assign their representatives to station at the construction site on a regular basis to conduct on-site supervision. Qualified surveyors are bound by the Regulation on the Quality Management of Construction Projects* (《建設工程質量管理條例》) and other relevant regulations to assign qualified chief surveying engineer (i.e. with registered engineering qualification or intermediate level or above professional qualification and three years or above practising construction experience) and qualified surveying engineer (i.e. with registered engineering qualification or intermediate level or above professional qualification and two years or above practising construction experience) to station at the construction site to conduct surveying works.

According to Hunan Engineering Management Society, some contractors conduct regular monitoring on project progress and issue project progress certificates for endorsement by qualified surveyors for internal control purpose. Usually the contractor will submit the project progress certificate together with the relevant documents including cost schedule to the representatives of the qualified surveyors for endorsement on a regular basis. The qualified surveyor would (i) assess the reasonableness of such project progress certificate by cross-checking the information therein based on the regular records prepared by their representatives during the on-site supervision; (ii) evaluate if the discrepancy is material; and (iii) obtain approval from the internal management of the qualified surveyor before the representative endorsing the project progress certificate if the discrepancy is within their materiality threshold.

F&S is of the view that (i) it is an industry practice for the qualified surveyors to assign employees as representatives, who are qualified chief surveying engineer (i.e. with registered engineering qualification or intermediate level or above professional qualification and three years or above practising construction experience) and qualified surveying engineer (i.e. with registered engineering qualification or intermediate level or above professional qualification and two years or above practising construction experience) to station at the construction site to conduct on-site supervision on a regular basis and closely monitor the projects, among other things, the cost incurred by the constructors and (ii) (a) the endorsement procedures adopted by our Group and (b) the bases on which the qualified surveyors assess the reasonableness of the project progress certificates are widely adopted by qualified surveyors in the industry for assessing the construction progress of similar construction projects.

Based on the industry experience of the Hunan Engineering Management Society, it is a common practice in the construction industry in the PRC that representatives of the qualified surveyors will hold discussion to clarify or resolve any material discrepancies in between each progress certification dates, any material discrepancies are clarified throughout the project implementation phase, thus the discrepancies between the cost schedule and the information with its own record is normally immaterial at the time of endorsing the project progress certificate.

F&S is also of the view that it is reasonable and common in the industry for (i) a construction contractor to experience no material deviation between the project progress certificates submitted by the contractor and the qualified surveyors' own cost record; and (ii) qualified surveyors adopt a materiality threshold when endorsing the progress certificates.

Billing

During the project implementation phase, unless there are specific milestones stipulated in the relevant contracts, the progress billable amount is based on a progress billable percentage, generally ranging from 70% to 85%, of the total value of the work performed, as stipulated in the relevant construction contract (with exceptions as stated in the section headed "Business — Our business operations — Operating process — Project implementation phase — Progress billing to customers" in this prospectus).

If specific milestones are stipulated in the contracts, generally speaking, we are able to start billing at an agreed percentage, generally ranging from 70% to 85%, of the total value of work performed upon achieving the relevant milestone (with exceptions as stated in the section headed "Business — Our business operations — Operating process — Project implementation phase — Progress billing to customers" in this prospectus) . The billable percentages may vary upon reaching different milestones and typical milestones stipulated in construction contracts include (i) the completion of the foundation works and/or the basement of the buildings; (ii) the completion of the main structure and/or the roofing of the buildings; and (iii) the removal of exterior frames of the buildings.

The portion of the value of work performed and billed by us will be accounted for as trade receivables and the unbilled balance will be accounted for as contract assets.

We generally issue VAT invoices upon customers' request when receiving the progress payment from the relevant customer. We maintain proper records of the VAT invoices issued for each project, and makes accruals for VAT payables in respect of the portion of revenue for which VAT invoice has not been issued due to the timing difference in issuing VAT invoices.

The total contract sum for the project is still subject to change due to variation orders during the project implementation phase. After the finalisation of settlement value of the relevant construction contract upon the completion of settlement audit, we are able to confirm the finalised total contract sum and revenue amount for the project and determine the total amount for VAT invoices. Upon the conclusion of the settlement audit of the relevant project and receiving the payments from the customers, VAT invoices are issued in respect of the remaining revenue for which VAT invoice has not been issued during the project implementation phase. Our management team reviews the VAT invoice records for each project to ensure that VAT invoices are issued before or upon receiving the payments from these customers and the conclusion of the settlement audit of the relevant project.

According to F&S and Hunan Engineering Management Society, it is a common market practice that VAT invoices are issued to customers upon receiving progress payments from these customers and at the conclusion of the settlement audit of the relevant project notwithstanding the stage of completion of the construction work.

Pursuant to the interview with Zhuzhou Hetang Tax Bureau* (株洲市荷塘區税務局), it confirmed that there are no specific rules on the timing of issuing VAT invoices, there is no violation of rules and regulations for issuing VAT invoices upon receiving progress payments from these customers and the conclusion of the settlement audit. Also, pursuant to the confirmation letter issued by Zhuzhou Hetang Tax Bureau* (株洲市荷塘區税務局), Zhongtian Construction complies with all the requirements of current laws and regulations of the PRC in all material respects, and there is no tax evasion, tax underpayment or non-fulfilment or resistance of tax obligations, or any other violation of tax management laws and regulations of the PRC in all material respects. Zhuzhou Hetang Tax Bureau* (株洲市荷塘區稅務局) has also provided a written confirmation that Zhongtian Construction had paid all taxes during the Track Record Period and up to 25 October 2022. As advised by the PRC Legal Advisers, Zhuzhou Hetang Tax Bureau* (株洲市荷塘區稅務局) is the competent authority to confirm the above tax matters.

Project completion and settlement

Recognition

The accounting recognition is the same as project implementation phase.

Billing

After the completion and acceptance (including the settlement audit), the total billing amounts that we are entitled to make billing to our customers (on an accumulative basis) is generally up to 95% to 97% of the final settlement value (i.e. the finalised total value of the work after the settlement audit). The retention money usually accounts for 3% to 5% of the final settlement value. The total billed amount will be converted from contract assets to trade receivables and the unbilled balance (i.e. the retention money) will be accounted for as contract assets.

In contrast to the project progress certificates, settlement audit reports prepared by qualified surveyors is generally a prerequisite for final billing as stipulated in the construction contracts. Therefore, there are circumstances where all of the construction work of a project has been completed which the customer has certified its acceptance, but the final billing has yet to be issued to the customer subject to the completion of the settlement audit by the customer according to payment terms.

Post execution

Upon expiry of the warranty period, the remaining 3% to 5% of the final settlement value (being the retention money) will be billed to our customers. Such amount has previously been accounted for as contract assets and will then be reclassified as trade receivables.

Non-recurrent nature of the projects

We are awarded construction projects by our customers on a project-by-project basis with no long-term commitment. As at the Latest Practicable Date, we had a total of 147 on-going construction projects, and accordingly, upon the completion of these on-going construction projects, our existing customers are not obligated to award projects to us again in subsequent construction project. Moreover, for the construction project which we will potentially engage in, we are required to undergo the entire tender selection process in order to be awarded with a new project. As such, the revenue attributable to our construction service is not recurring in nature.

There is no guarantee that our existing customers will award new construction projects to us or that our existing customers will require our construction service again after completion of the projects despite the established relationships we may have with certain customers. As a result, our revenue and the number of projects we are able to secure may vary from period to period and it is difficult to forecast the volume of our business in the future. In the event that we are unable to secure new construction works projects from our current customers or to attract new customers, our Group's revenue or profit may decrease significantly and our business, financial condition or results of operation may be adversely affected.

Discrepancies between the estimated costs and the actual costs in construction projects and cost fluctuations in construction projects

Our construction works projects are generally awarded by our customers by way of public tender or invitation to tender. When we prepare our tender price, we will estimate cost through analysing a number of factors, for instance, the costs of raw materials, labour and equipment costs and subcontracting costs. We generally set our tender price on a project-by-project basis based on the estimated costs to be incurred plus a mark-up percentage. 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 include but are not limited to the following: (i) unfavourable weather conditions during the construction works projects; (ii) unforeseen disputes with our customers, suppliers, subcontractors and other relevant parties; and (iii) receipt of variation orders from our customers, with substantial subsequent additional contract amount. 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. We cannot guarantee that the actual time and costs incurred will be consistent with our initial estimates, which in turn may reduce our profitability or even expose us to litigation or claims from our customers in case of delays.

In the event that our actual costs significantly exceed our estimated costs and the price adjustment clause is not adequate to cover the increased costs, our financial conditions and results of operations could be materially and adversely affected.

Fluctuation in cost of sales

Our cost of sales include raw material costs, subcontracting costs, labour costs, cost of machinery and equipment and other project costs. Please refer to the section headed "Business — Suppliers" in this prospectus for further details on our suppliers. Our ability to control and manage our cost of sales will enhance our profitability.

To better estimate the costs of undertaking a project, at the tender assessment stage, our marketing operation team would estimate the costs by reference to various factors such as the costs of labour, raw materials and machinery and equipment required.

In addition, to avoid delay in projects that may result in additional costs, our project management team conducts on-site monitoring and supervision on the work performance of the subcontractors and their workers, and assesses the performance of our subcontractors from time to time to ensure the work quality and project progress. Notwithstanding the above, any material fluctuation in our cost of sales may adversely impact our financial performance. Please refer to the paragraph headed "Sensitivity analysis" in this section below for sensitivity analysis illustrating the impact of hypothetical fluctuations in our cost of sales on our profit before tax during the Track Record Period.

Performance and availability of our subcontractors

We may subcontract our construction works to our subcontractors. The subcontracting agreements with subcontractors may expose us to risks associated with non-performance, late performance or substandard performance by our subcontractors, which may have impact on our profitability, financial performance, operational cash flow and reputation, and may lead to potential litigation or damage claims. In addition, as we do not sign any long-term contracts with our subcontractors, there is no assurance that our Group will always be able to secure suitable subcontractors when required, or be able to negotiate acceptable prices and terms of service with subcontractors. In such event, our operations and financial position may be adversely affected.

Access to and cost of financing

Our operation is capital intensive. During the Track Record Period, we generally funded our operations from our own internal funds from operation and external funds which is bank and other borrowings and amounts due to/loans from related parties. The accessibility of bank borrowings depends on the prevailing policies of the government or other regulatory bodies in the PRC, and the implementation of the relevant policies by our financing banks on acquisition or construction of properties with bank financing. Our future expansion may be adversely affected in the event that we are not able to obtain sufficient financing to take up construction projects should suitable opportunities arise. In addition, our bank borrowings carried variable interest. In FY2019, FY2020, FY2021 and 3Q2022, our finance costs amounted to approximately RMB8.9 million, RMB5.3 million, RMB3.5 million and RMB4.8 million, respectively. The weighted average effective interest rates based on weighted average of our total borrowings excluding lease liability for FY2019, FY2020, FY2021 and 3Q2022 were 9.3%, 7.4%, 5.2% and 5.4%, respectively. Thus, any increase in interest rate may negatively affect our cost of financing and, thus, our results of operation. During the Track Record Period, we also used funds from our related parties for our business operation. Upon Listing, the outstanding amounts due to our related parties will be settled or assigned to Independent Third Parties in full before or upon Listing. Our Directors believe that we will be financially independent from them and related parties upon Listing.

Taxation

Currently, Zhongtian Construction, our operating subsidiary is identified as a High and New Technology Enterprise (高新技術企業) and is eligible for a preferential tax rate of 15%. There is no assurance that we will continue to enjoy the preferential tax treatment after the term expires. Please refer to the section headed "Risk Factors — Risks relating to our business — Discontinuation of any of the preferential tax treatments we enjoy or imposition of any additional taxes can adversely affect our financial conditions and results of operations." If we could not maintain the status of High and New Technology Enterprise (高新技術企業) of Zhongtian Construction, it may have an adverse effect on our cash flow and results of operation. As a result of the above preferential tax treatment, our effective tax rates in FY2019, FY2020, FY2021 and 3Q2022 were 14.7%, 16.7%, 14.0% and 13.2%, respectively. Moreover, according to Notice of the Ministry of Finance ("**MOF**") and the State Administration of Taxation on Adjusting Value-added Tax Rates (Cai Shui [2018] No. 32) (財政部、國家稅務總局關於調整增值稅稅率的通知(財稅[2018]32號)) which was promulgated by the MOF and SAT on 4 April 2018 and came into effect on 1 May 2018, VAT for construction was adjusted to 10% from 11%. Furthermore, pursuant to the Announcement on Relevant Policies for Deepening Value-Added Tax Reform (關於深化增值稅改革有關政策的公告) which was promulgated by MOF, SAT and the General Administration of Customs of PRC on 20 March 2019 and came into effect on 1 April 2019, the VAT rate for construction industry has further been adjusted to 9%. Any termination or change in the various preferential tax treatment that we and our certain subsidiaries currently enjoy may have an adverse effect on our results of operation and financial position.

CRITICAL ACCOUNTING POLICIES, JUDGEMENTS AND ESTIMATES

We have identified certain accounting policies and estimates significant to the preparation of the consolidated financial information in accordance with HKFRSs. Details of significant accounting policies are set out in note 4 of the Accountants' Report set out in Appendix I to this prospectus, which are important for an understanding of our financial condition and results of operations. In the application of our Group's accounting policies, our Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant, although actual results differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going 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. Our key sources of estimation uncertainty are as follows:

Impairment of financial and contract assets

The measurement of the ECLs allowance for financial and contract assets measured at amortised cost is an area that requires the use of significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses). A number of significant judgements, including determining the criteria for significant increase in credit risk, are also required in applying the accounting requirements for measuring ECLs. Changes to these estimates and assumptions can result in significant changes to the timing and amount of ECLs to be recognised.

Revenue from provision of construction services

Construction contract revenue is recognised on input method according to the total value of work performed based on the percentage of completion of individual construction contract, which is measured by the proportion of the actual costs incurred relative to the budgeted total construction costs out of the total contract value. Contract assets/contract liabilities are determined based on contract costs incurred, progress billings, any foreseeable losses and recognised profit which is also dependent on estimation of contract costs. The recognition of contract revenue and contract assets/contract liabilities requires significant management judgement and involves estimation uncertainty. Estimated contract costs of individual contract, which mainly comprise subcontracting charges, materials and project staff costs, are supported by contract budget which was prepared by the directors of our Group. In order to ensure that the total estimated contract costs are accurate and up-to-date such that contract revenue can be estimated reliably, management reviews the contract budget, costs incurred to date and costs to completion regularly, in particular in the case of costs overruns, and revises the estimated contract costs where necessary. Recognition of variations and claims also requires estimation and judgement by the management. Notwithstanding that the management regularly reviews and revises contract budgets when those construction contracts progressed, the actual contract costs and gross profit margin achieved may be higher or lower than the estimates and that will affect the revenue and gross profit recognised in the consolidated financial statements.

Estimation of total budgeted costs and cost to completion for construction contracts

Total budgeted costs for construction contracts comprise (i) materials and processing charges and project staff costs; (ii) costs of subcontracting; and (iii) an appropriation of variable and fixed construction overheads. In estimating the total budgeted costs for construction contracts, management makes reference to information such as (i) costs incurred up-to-date; (ii) current offers from sub-contractors and suppliers; (iii) recent offers agreed with sub-contractors and suppliers; and (iv) professional estimation on materials and processing charges, project staff costs and other costs estimated by our Directors. During the Track Record Period, there were no material differences between our budgeted costs and the actual costs incurred for our construction projects.

Estimates of current tax and deferred tax

Significant judgement is required in determining the amount of the provision for tax and the timing of payment of the related tax. Where the final tax outcomes are different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the periods in which such determination is made.

FAIR VALUE DISCLOSURE OF INVESTMENT PROPERTIES

Our investment properties are accounted for under cost model but it is required to disclose their fair value. The assessment of the fair value of our investment properties utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised (the "**Fair Value Hierarchy**"). The Fair Value Hierarchy has the following levels:

— Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities;

— Level 2: inputs other than quoted prices included within Level 1 that are observable of the asset and liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

— Level 3: inputs for the asset and liability that are not based on observable market data (i.e. unobservable inputs).

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value of the item. The fair value of our investment properties is categorised as level 3 of fair value measurement. We have engaged the Independent Valuer for the valuation of the investment properties. Our Directors are of the view that the Independent Valuer is independent from our Company, was suitably qualified and had the relevant expertise and resources to conduct the valuation of the investment properties, and the valuation estimated by the Independent Valuer in relation to the investment properties are reliable to our Group. Our Reporting Accountants have assessed and evaluated the competence, capabilities and objectivity of the Independent Valuer, and an independent third-party valuer has been engaged by the Reporting Accountants as an auditor's expert to evaluate the appropriateness of the Independent Valuer's work in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. The Sole Sponsor has assessed the qualifications, experiences and competence of the Independent Valuer. Taking into consideration our Directors' view and the Reporting Accountants' work done above, nothing has come to the Sole Sponsor's attention that would cause it to question the valuation performed by the Independent Valuer on the investment properties.

RESULTS OF OPERATIONS

The following table is a summary of the consolidated statements of profit or loss and other comprehensive income of our Group during the Track Record Period, extracted from the Accountants' Report in Appendix I to this prospectus.

	FY2019	FY2020	FY2021	3Q2021	3Q2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Revenue	**1,821,916**	**1,769,900**	**1,823,384**	**1,325,392**	**1,366,030**
Cost of sales	(1,638,473)	(1,580,786)	(1,627,737)	(1,181,605)	(1,217,468)
Gross profit	**183,443**	**189,114**	**195,647**	**143,787**	**148,562**
Other income and other gains, net	3,217	6,480	1,456	1,331	482
Administrative expenses	(107,914)	(112,563)	(116,526)	(81,954)	(80,158)
Listing expenses	(2,399)	(10,722)	(4,513)	(3,975)	(4,464)
Share of result of an associate	(423)	—	—	—	—
Impairment on financial and contract assets, net	(7,409)	(7,473)	(500)	230	(712)
Finance costs	(8,921)	(5,299)	(3,549)	(2,651)	(4,776)
Profit before taxation	**59,594**	**59,537**	**72,015**	**56,768**	**58,934**
Income tax expense	(8,734)	(9,938)	(10,112)	(8,977)	(7,768)
Profit and other comprehensive income for the year	**50,860**	**49,599**	**61,903**	**47,791**	**51,166**
Profit and other comprehensive income for the year attributable to:					
Owners of the Company	49,778	48,533	60,570	47,697	50,832
Non-controlling interests	1,082	1,066	1,333	94	334
	50,860	49,599	61,903	47,791	51,166

DESCRIPTION OF CERTAIN KEY ITEMS OF OUR RESULTS OF OPERATIONS

Revenue

During the Track Record Period, our Group generated revenue from (i) construction contracts and (ii) provision of construction machinery and equipment service.

Revenue breakdown by type of projects

The following table sets forth a breakdown of our revenue by project type for the periods indicated:

	FY2019		FY2020		FY2021		3Q2021		3Q2022	
	Revenue	% of total revenue	Revenue	% of total revenue	Revenue	% of total revenue	Revenue	% of total revenue	Revenue	% of total revenue
	RMB'000		*RMB'000*		*RMB'000*		*RMB'000* (unaudited)		*RMB'000*	
Revenue from construction contracts										
Civil building construction	888,497	48.8	1,031,904	58.3	885,259	48.5	657,407	49.6	670,050	49.1
Municipal works construction	669,011	36.7	485,033	27.4	427,745	23.5	262,359	19.8	461,373	33.8
Foundation works	146,162	8.0	120,067	6.8	114,195	6.3	81,161	6.1	22,455	1.6
Prefabricated steel structure construction works	62,650	3.5	106,345	6.0	369,761	20.3	305,023	23.0	202,563	14.8
Other specialised contracting works *(Note)*	49,666	2.7	17,857	1.0	17,170	0.9	12,924	1.0	3,796	0.3
Sub-total	1,815,986	99.7	1,761,206	99.5	1,814,130	99.5	1,318,874	99.5	1,360,237	99.6
Revenue from provision of construction machinery and equipment service	5,930	0.3	8,694	0.5	9,254	0.5	6,518	0.5	5,793	0.4
Total	1,821,916	100	1,769,900	100	1,823,384	100	1,325,392	100	1,366,030	100

Note: Our other specialised contracting works mainly include building renovation and decoration works.

	FY2019		FY2020		FY2021		3Q2021		3Q2022	
	Revenue	% of total revenue	Revenue	% of total revenue	Revenue	% of total revenue	Revenue	% of total revenue	Revenue	% of total revenue
	RMB'000		*RMB'000*		*RMB'000*		*RMB'000* (unaudited)		*RMB'000*	
Revenue from construction contracts										
Commercial projects	134,780	7.4	341,054	19.3	318,983	17.5	250,751	18.9	324,097	23.7
Residential projects	671,504	36.9	632,442	35.7	573,834	31.4	456,076	34.4	380,056	27.8
Industrial projects	276,905	15.2	218,079	12.3	209,274	11.5	139,634	10.5	100,917	7.4
Public facilities projects	731,506	40.1	566,392	32.0	708,800	38.9	471,131	35.6	554,400	40.6
Others	1,291	0.1	3,239	0.2	3,239	0.2	1,282	0.1	767	0.1
Subtotal	1,815,986	99.7	1,761,206	99.5	1,814,130	99.5	1,318,874	99.5	1,360,237	99.6
Revenue from provision of construction machinery and equipment service	5,930	0.3	8,694	0.5	9,254	0.5	6,518	0.5	5,793	0.4
Total	1,821,916	100	1,769,900	100	1,823,384	100	1,325,392	100	1,366,030	100

Construction contracts

Our revenue generated from construction contracts amounted to approximately RMB1,816.0 million, RMB1,761.2 million, RMB1,814.1 million and RMB1,360.2 million for FY2019, FY2020, FY2021 and 3Q2022, respectively, representing approximately 99.7%, 99.5%, 99.5% and 99.6% of our total revenue.

Revenue generated from commercial projects, residential projects and public facilities projects accounted for most of our revenue from construction contracts, in aggregate representing approximately 84.4%, 87.0%, 87.8% and 92.1% of our total revenue for FY2019, FY2020, FY2021 and 3Q2022. To cope with the changes in the construction industry due to the apparently deteriorated residential sales in the PRC since the second half of FY2021, as a result, we increased the proportion of revenue generated from commercial projects and public facilities projects from approximately 18.9% and 35.6% in 3Q2021 to approximately 23.7% and 40.6% in 3Q2022, respectively.

We generate revenue from both government entities, state-owned enterprises and state-invested enterprises (collectively, the "**Government-related Entities**") and private enterprises. For FY2019, FY2020, FY2021 and 3Q2022, approximately RMB662.9 million, RMB453.3 million, RMB447.7 million and RMB676.5 million of our revenue was generated from Government-related Entities, representing approximately 36.4%, 25.6%, 24.6% and 49.5% of our total revenue for each of FY2019, FY2020, FY2021 and 3Q2022, respectively.

Revenue generated from construction contracts slightly decreased by approximately RMB54.8 million or 3.0% from approximately RMB1,816.0 million for FY2019 to approximately RMB1,761.2 million for FY2020. Such decrease was mainly due to decrement in revenue generated from other specialised contracting works, municipal work construction and foundation works of approximately RMB31.8 million, RMB184.0 million and RMB26.1 million, respectively, while partially net-off by the increment in civil building construction and prefabricated steel structure construction of approximately RMB143.4 million and RMB43.7 million, respectively. Our revenue generated from construction contracts increased by approximately RMB52.9 million or 3.0% from approximately RMB1,761.2 million for FY2020 to approximately RMB1,814.1 million for FY2021. The increment was mainly due to the increase in (i) revenue generated from prefabricated steel structure construction works, which grew by approximately RMB263.4 million or 247.7% while partially net-off by the decrement in revenue generated from civil building construction of approximately RMB146.6 million or 14.2%; and (ii) revenue generated from municipal works construction of approximately RMB57.3 million or 11.8% and revenue generated from foundation works of approximately RMB5.9 million or 4.9%. For 3Q2022, our revenue generated from construction contracts increased by approximately RMB41.4 million or 3.1% from approximately RMB1,318.9 million for 3Q2021 to approximately RMB1,360.2 million for 3Q2022. The increment was mainly due to the increase in revenue generated from municipal works construction works, which grew by approximately RMB199.0 million or 75.9% while partially net-off by the decrement in revenue generated from prefabricated steel structure construction works of approximately RMB102.5 million or 33.6%.

Civil building construction

Driven by our established presence in Hunan Province and recognition from our customers for the quality of our construction services, since 2016, we were engaged to perform Dongfang Xin'an Homeland (Phase II)* (東方市新安家園 (二期)) project, a residential building construction project in Hainan Province by Oriental Shouchuang Xingda Investment Co., Ltd.* (東方首創興達投資有限公司), one of our top customers, with a total contract sum (excluded VAT) amounted to approximately RMB708.7 million, which was our largest revenue generating project in terms of contract sum throughout the Track Record Period. We have recognised approximately RMB320.8 million, RMB133.9 million, RMB57.5 million, RMB8.8 million and RMB12.3 million of revenue from such project, respectively, before the Track Record Period, in FY2019, FY2020, FY2021 and 3Q2022. The construction works was slowed down in FY2021 pending the clearance of certain parts of the construction site by the relevant government authority but has resumed construction upon the completion of clearance of the relevant construction site since June 2022. In light of the latest development, we and Oriental Shouchuang Xingda Investment Co., Ltd.* (東方首創興達投資有限公司) mutually agreed to extend the project completion date to October 2023.

Benefited from our experience in undertaking large scale projects, such as Dongfang Xin'an Homeland (Phase II)* (東方市新安家園(二期)) project, we were able to obtain new civil construction building projects with higher contract sum, such as Hainan Lixun Meilun Science and Technology Park* (海南力迅美倫科創園) project with a contract sum (excluded VAT) amounting to approximately RMB334.9 million, which was commenced in FY2020 and is expected to complete by FY2023. We also secured two projects namely Sharing Lease Housing* (共享租賃住房) with a contract sum (excluded VAT) amounting to approximately RMB1,100.9 million to be commenced in April 2023 and Lixun Changjiang * (力迅•昌江) with a contract sum (excluded VAT) amounting to approximately RMB719.9 million and to be commenced in the second quarter of 2023.

For FY2019, our revenue generated from civil building construction was mainly attributable to the revenue generated from several large-scale projects which commenced in or before 2018, including Dongfang Xin'an Homeland (Phase II)* (東方市新安家園(二期)) project of approximately RMB133.9 million, Chunteng Village Third Phase* (春藤小鎮三期) project of approximately RMB152.3 million and Jindong Taozi Lake* (金東陶子湖) project of approximately RMB115.8 million.

For FY2020, our revenue generated from civil building construction significantly increased by approximately RMB143.4 million or 16.1% from approximately RMB888.5 million in FY2019 to RMB1,031.9 million in FY2020, which was mainly due to the commencement of Hainan Lixun Meilun Science and Technology Park* (海南力迅美倫科創園) project with a contract sum (excluded VAT) amounting to approximately RMB334.9 million and generated revenue of approximately RMB220.5 million in FY2020. Such increment effect was partially offset by the decrease in revenue recognised from Jindong Taozi Lake* (金東陶子湖) project from approximately RMB115.8 million in FY2019 to approximately RMB35.7 million in FY2020 as the project is approaching its late stage of development and was completed in November 2021.

For FY2021, our revenue generated from civil building construction decreased by approximately RMB146.6 million or 14.2% from approximately RMB1,031.9 million for FY2020 to RMB885.3 million for FY2021, which was mainly attributable to (i) the decrease in revenue generated from Hainan Lixun Meilun Science and Technology Park* (海南力迅美倫科創園) project from approximately RMB220.5 million in FY2020 to approximately RMB133.1 million in FY2021 as the project approached its later stage of development and (ii) the decrease in revenue generated from Chunteng Mansion* (春藤公館) project from approximately RMB89.7 million in FY2020 to approximately RMB4.0 million in FY2021 as the construction work was comparatively minor when getting close to the completion of the project in March 2021.

For 3Q2022, our revenue generated from civil building construction stayed relatively stable and increased by approximately RMB12.6 million or 1.9% from approximately RMB657.4 million for 3Q2021 to RMB670.0 million for 3Q2022, which was mainly attributable to revenue contributed by a new project namely Kairuisi Phase I* (凱睿思(一期)) project with a contract sum (excluded VAT) amounting to approximately RMB130.8 million and generated revenue of approximately RMB82.8 million in 3Q2022. The increment was partially net-off by the decrease in revenue generated from Hainan Lixun Meilun Science and Technology Park* (海南力迅美倫科創園) project by approximately RMB66.2 million from 3Q2021 to 3Q2022 as the project is approaching its final stage of development.

Municipal works construction

Benefited from our long operating history in Hunan and Hainan Provinces, we have established our presence in those regions and are recognised by local governmental entities which enable us to undertake municipal works construction projects. Throughout our Track Record Period, our municipal works construction mainly consisted of construction of urban roads, education institutions, sports stadium and water supply works.

Our revenue generated from municipal works construction amounted to RMB669.0 million in FY2019, which was mainly attributable to Changjun Yunlong Experimental School (Second Phase)* (長郡雲龍實驗學校(二標)) project, a new project engaged by a government entity for the construction of an education institution in Zhuzhou which commenced construction since January 2019 with a total contract sum (excluded VAT) of approximately RMB130.0 million and recognised revenue of approximately RMB117.6 million in FY2019. Another project for a new education institution in another city of Hunan Province commenced in October 2018 with a total contract sum (excluded VAT) of approximately RMB55.2 million and recognised revenue of approximately RMB40.3 million in FY2019.

Our revenue generated from municipal works construction for FY2020 decreased by approximately RMB184.0 million or 27.5% from approximately RMB669.0 million in FY2019 to RMB485.0 million in FY2020, which was mainly due to (i) the decrease in revenue recognised from the Changjun Yunlong Experimental School (Second Phase)* (長郡雲龍實驗學校(二標)) project of approximately RMB117.6 million in FY2019 to approximately RMB31.5 million in FY2020 as the project was approaching its completion; (ii) the decrease in revenue recognised from Sanya City Third Ring Road* (三亞市三環路) project by approximately RMB38.3 million due to the delay in the clearance of certain parts of the construction site to be completed by the relevant customer; and (iii) the decrease in revenue of another municipal works construction work project involving an education institution in Hunan Province by approximately RMB39.9 million due to the relevant customer has not completed the demolishment for the site preparation of a municipal works construction work project, our Group and the relevant customer have mutually agreed to make adjustment in the project construction schedule to extend the completion of such project from June 2020 until December 2023 and thus leading to the decrease in the amount of revenue recognised by this project in FY2020.

Our revenue generated from municipal works construction decreased by approximately RMB57.3 million or 11.8% from approximately RMB485.0 million for FY2020 to RMB427.7 million for FY2021, which was mainly due to (i) the decrease in aggregate revenue recognised from the second phase and third phase of Changjun Yunlong Experimental School* (長郡雲龍實驗學校(二標及三標)) projects by approximately RMB38.7 million from approximately RMB64.4 million in FY2020 to approximately RMB25.7 million in FY2021 as the second phase project was completed in March 2021 and the third phase project was completed in September 2021; and (ii) the decrease in revenue recognised from Tongdao County Sports Stadium* (通道縣體育館) project from approximately RMB49.7 million in FY2020 to approximately RMB23.1 million in FY2021 as the project was approaching its later stage of development and the main structure was completed in FY2020.

Our revenue generated from municipal works construction increased by approximately RMB199.0 million or 75.9% from approximately RMB262.4 million for 3Q2021 to RMB461.4 million for 3Q2022, which was mainly due to (i) revenue contributed by a road construction project in Haikou of approximately RMB45.6 million in 3Q2022; (ii) increment in revenue contributed by Xupu County Chengbei School Supporting Facilities Construction Project* (漵浦縣城北學校配套設施建設工程) by approximately RMB62.5 million compared to 3Q2021 due to completion of substantial parts in 3Q2022; (iii) increment in revenue contributed by Jincheng International School* (金城國際學校) project by approximately RMB35.0 million compared to 3Q2021; and (iv) increased in revenue contributed by Sanya City Third Ring Road* (三亞市三環路) project by approximately RMB53.8 million due to the clearance of the construction site has been completed and the project has resumed, as well as the additional variation order amounting to approximately RMB90.0 million engaged by the customer in 3Q2022.

Foundation works

Our foundation works business commenced when we obtained the first-grade qualification in foundation construction specialised contracting since 2011. Foundation works generally include earthwork, excavation and pile foundation works on project basis. For some civil building projects which we are not separately engaged for conducting the foundation works, the revenue of such projects will be included in the civil building construction segment instead of the foundation works segment. Generally, it took a shorter time for us to complete the foundation works project than other types of construction projects.

For FY2019, our revenue generated from foundation works consisted of 15 foundation work projects, generating a total revenue of approximately RMB146.2 million. In particular, the revenue was largely attributable to the commencement and completion of Sanya Summer Experience Plaza* (三亞夏日體驗廣場) project, a foundation construction project in Hainan Province with a total contract sum (excluded VAT) of approximately RMB73.4 million in FY2019.

For FY2020, our revenue generated from foundation works decreased by approximately RMB26.1 million or 17.9% from approximately RMB146.2 million in FY2019 to RMB120.1 million in FY2020, which was mainly due to the net-off effect of the (i) decrease in revenue recognised from Sanya Summer Experience Plaza* (三亞夏日體驗廣場) project from approximately RMB73.4 million to approximately RMB7.0 million due to a variation order after completion of project, and the (ii) commencement and completion of Chunteng Village Third Phase Earthwork* (春藤小鎮三期土石方) project with total contract sum (excluded VAT) of approximately RMB47.6 million in FY2020.

For FY2021, our revenue generated from foundation works decreased by approximately RMB5.9 million or 4.9% from approximately RMB120.1 million for FY2020 to RMB114.2 million for FY2021, mainly attributable to the commencement and completion of the earthwork and the relevant slope support work for Chunteng Village Third Phase* (春藤小鎮三期) project with an aggregate contract sum (excluded VAT) of approximately RMB58.9 million in FY2020 but no revenue was recognised in FY2021. Such decrement was partially offset by the commencement of two new projects namely Changsha Zhenye City Phase V Field Leveling Earthwork* (長沙振業城五期場平土石方工程) project in September 2021 and recognised revenue of approximately RMB33.7 million in FY2021 and Zhouzhou Luosha Hongbei Cultural and Creative Park Plant Water, Electricity, Road, Land Levelling and Ancillary Works* (株洲羅莎烘焙文創園地塊三通一平及附屬工程) project in February 2021 and recognised revenue of approximately RMB12.3 million in FY2021.

For 3Q2022, our revenue generated from foundation works decreased by approximately RMB58.7 million or 72.3% from approximately RMB81.2 million for 3Q2021 to approximately RMB22.5 million for 3Q2022, mainly because of (i) the commencement and substantial completion of Changsha Zhenye City Phase V Field Leveling Earthwork* (長沙振業城五期場平土石方工程) project in FY2021 with a contract sum of approximately RMB33.7 million and approximately RMB17.4 million of revenue was recognised in 3Q2021 while no revenue was recognised in 3Q2022; (ii) decrement in revenue contributed from Zhuzhou Luosha Hongbei Cultural and Creative Park Plant Water, Electricity, Road, Land Levelling and Ancillary Works* (株洲羅莎烘焙文創園地塊三通一平及附屬工程) project by approximately RMB5.9 million compared to 3Q2021; and (iii) the decrement in another foundation work project that was substantially completed in FY2021 with approximately RMB24.7 million of revenue recognised in 3Q2021 while no revenue was recognised in 3Q2022.

Prefabricated steel structure construction works

Our growth and focus on the prefabricated steel structure construction works commenced when we form a business alliance with Hangxiao Technology in developing prefabricated steel structure building construction for residential properties under the EPC model. Since FY2018, we undertook two projects engaged by Hangxiao Technology for the construction of the building base and R&D building of Hangxiao Technology with a total contract sum (excluded VAT) of approximately RMB56.7 million and RMB45.4 million, respectively. In FY2020, in line with our strategy to capture the latest development trend of the prefabricated steel structure projects in the PRC construction industry by expanding our prefabricated steel structure construction business, we were able to secure five new prefabricated steel structure projects with a total contract sum (exclude VAT) of approximately RMB670.6 million.

For FY2020, our revenue generated from prefabricated steel structure construction works increased by approximately RMB43.6 million or 69.5% from approximately RMB62.7 million to RMB106.3 million, the increment was mainly due to five new projects and generated revenue of approximately RMB81.0 million in FY2020, which included Zhongtian Lutai* (中天•麓台) project with a total contract sum (exclude VAT) of approximately RMB611.1 million. The increment has partially net off by the decrement in revenue recognised from the two projects engaged by Hangxiao Technology of approximately RMB37.3 million as these projects are approaching their late stage of development.

For FY2021, our revenue generated from prefabricated steel structure construction works increased substantially from approximately RMB106.3 million for FY2020 to RMB369.8 million for FY2021, mainly due to Zhongtian Lutai* (中天•麓台) project which commenced in October 2020 and generated revenue of approximately RMB286.6 million in FY2021 and Integration and upgrading of Bogie Urban Rail Frame* (轉向架城軌構架整合升級) project engaged by Customer Group C which commenced in August 2020 with a total contract sum (excluded VAT) of approximately RMB50.5 million and generated revenue of approximately RMB36.5 million in FY2021.

For 3Q2022, our revenue generated from prefabricated steel structure construction works decreased from approximately RMB305.0 million for 3Q2021 to approximately RMB202.6 million for 3Q2022, mainly due to decrement of revenue generated from Zhongtian Lutai* (中天•麓台) project by approximately RMB60.8 million compared with 3Q2021 as the project has completed a major part of its construction works in FY2021 and approaching its later stage of construction and Integration and upgrading of Bogie Urban Rail Frame* (轉向架城軌構架整合升級) project was approaching its completion in 3Q2022, leading to the decrease in revenue by approximately RMB27.8 million compared with 3Q2021.

Other specialised contracting works

Revenue from other specialised contracting works mainly include revenue generated from building renovation and decoration works services through our first-grade qualification in building renovation and decoration construction specialised contracting. In FY2019, two of our hospital and decoration projects had been completed and we recognised revenue of approximately RMB44.0 million.

In FY2020, substantial portions of a number of other specialised contracting works projects were completed in FY2019 and thus generated more revenue in FY2019 than in FY2020.

Revenue from other specialised contracting works remains relatively stable with only a slight decreased of approximately RMB0.7 million from approximately RMB17.9 million for FY2020 to approximately RMB17.2 million for FY2021.

For 3Q2022, our revenue from other specialised contracting works decreased from approximately RMB12.9 million 3Q2021 to approximately RMB3.8 million in 3Q2022 due to substantial portions of a number of projects were completed in 3Q2021 and no revenue was generated from new project in this segment in 3Q2022.

Provision of construction machinery and equipment service

For details of our provision of construction machinery and equipment service business, please refer to the section headed "Business — Our Business Operations — Provision of Construction machinery and equipment service" in this prospectus.

Revenue from our provision of construction machinery and equipment service amounted to approximately RMB5.9 million in FY2019 and increased to approximately RMB8.7 million in FY2020, representing an increment of approximately RMB2.8 million or 47.5%. For FY2021, our revenue from this sub-segment slightly increased from approximately RMB8.7 million in FY2020 to approximately RMB9.3 million in FY2021. For 3Q2022, our revenue from this sub-segment decreased slightly from approximately RMB6.5 million for 3Q2021 to approximately RMB5.8 million for 3Q2022.

Revenue from this sub-segment accounted for less than 1% of our total revenue throughout the Track Record Period and was in an increasing trend due to the fact that more of our construction machinery and equipment were leased out in FY2019, FY2020, FY2021 and 3Q2022.

Revenue breakdown by geographical locations

During the Track Record Period, we derived all of our revenue from our customers located in the PRC.

Cost of sales

The following table sets forth a breakdown of our cost of sales for the periods indicated:

	FY2019		FY2020		FY2021		3Q2021		3Q2022	
	RMB'000	%	*RMB'000*	%	*RMB'000*	%	*RMB'000* (unaudited)	%	*RMB'000*	%
Raw material costs	796,440	48.6	687,710	43.5	642,700	39.5	432,035	36.6	531,603	43.7
Labour costs	42,715	2.6	12,779	0.8	9,652	0.6	8,738	0.7	4,857	0.4
Labour subcontracting costs	437,821	26.7	378,305	23.9	520,137	32.0	391,430	33.1	321,427	26.4
Construction subcontracting costs	131,137	8.0	191,279	12.1	124,295	7.6	94,759	8.0	180,671	14.8
Rental of machinery and equipment costs	137,831	8.4	212,248	13.4	244,010	15.0	180,754	15.3	117,300	9.6
Other project costs	92,529	5.7	98,465	6.3	86,943	5.3	73,889	6.3	61,610	5.1
Total	**1,638,473**	**100**	**1,580,786**	**100**	**1,627,737**	**100**	**1,181,605**	**100**	**1,217,468**	**100**

Raw material costs represented costs of raw materials used primarily for construction projects, such as steel, concrete and cement. Raw material costs are the major components of our cost of sales, accounting for approximately 48.6%, 43.5%, 39.5% and 43.7% of our total cost of sales for FY2019, FY2020, FY2021 and 3Q2022, respectively. Despite of increment in raw material costs in 3Q2022 compared with 3Q2021, we could maintain our profitability by adhering to our on-site procurement and inventory management plan such that we are able to maintain our overall costs and gross profit margin stable at approximately 10.9% in 3Q2021 and 3Q2022.

Raw material costs dropped by approximately RMB108.7 million or 13.7% from FY2019 to FY2020, which was mainly due to (i) decreased in revenue from construction contracts by approximately 3.0%; and (ii) part of our construction subcontracting fees paid to the subcontractors may include the costs of raw material used by them and such subcontracting costs increased by approximately RMB60.1 million from FY2019 to FY2020.

Raw material costs dropped by approximately RMB45.0 million or 6.5% from FY2020 to FY2021, which was mainly due to (i) the foundation works involved in Zhongtian Lutai* (中天•麓台) project required less raw material and hence incurred lower raw materials costs in FY2021 and (ii) the major works involved in FY2021 for Langting Lanjiang Main Structure* (朗廷•覽江) project were levelling of community road and painting exterior wall, which required less raw material but more labour and hence incurred lower raw material costs in FY2021.

Raw material costs increased by approximately RMB99.6 million or 23.1% from 3Q2021 to 3Q2022, which was mainly due to increment in revenue from construction contracts by approximately 3.1%; and (ii) the major works of a number of projects such as Kairuisi Phase I* (凱睿思(一期)) project, Zhongyuan Guosheng Plaza Phase I* (中源國盛廣場(一期)) project and Zhongyuan Guosheng Plaza Phase II* (中源國盛廣場(二期)) project required more raw materials at this stage of construction and hence incurred higher raw material costs in 3Q2022 than 3Q2021.

Labour costs mainly represented salaries of our construction workers. Labour subcontracting costs represented costs paid to labour subcontractors for performing works in each construction project. Total labour costs and labour subcontracting costs amounted to approximately RMB480.5 million, RMB391.1 million, RMB529.8 million, RMB400.2 million and RMB326.3 million, accounting for total cost of sales of approximately 29.3%, 24.7%, 32.6%, 33.9% and 26.8%, respectively, for FY2019, FY2020, FY2021, 3Q2021 and 3Q2022. The decrease in total labour costs and labour subcontracting costs in FY2020 compared to FY2019 was attributed to (i) our decrease in revenue from construction contracts by approximately 3.0% and (ii) the less labour intensive characteristic resulted from our prefabricated steel structure construction projects. The increase in total labour costs and labour subcontracting costs in FY2021 as compared to FY2020 was attributed to (i) foundation works involved in Hainan Lixun Meilun Science and Technology Park* (海南力迅美侖科創園) project which incurred higher labour subcontracting costs and labour costs in FY2021 and (ii) the major work involved in FY2021 for Langting Lanjiang Main Structure* (朗廷•覽江) project were levelling of community road and painting exterior wall, which required less raw material but more labour and hence incurred higher labour subcontracting costs in FY2021. The decrease in total labour costs and labour subcontracting costs in 3Q2022 as compared to 3Q2021 was mainly attributable to the major works of a number of projects such as Zhongyuan Guosheng Plaza Phase I* (中源國盛廣場(一期)) project which required more raw materials but less labour and hence incurred less labour subcontracting costs in 3Q2022 than 3Q2021.

Construction subcontracting costs represented costs for engaging specialised subcontractors to perform certain construction process such as curtain wall construction, installation of lifts, fireproofing and waterproofing works. The construction subcontracting costs represented 8.0%, 12.1%, 7.6%, 8.0% and 14.8% of our total cost of sales, respectively for FY2019, FY2020, FY2021, 3Q2021 and 3Q2022, which fluctuated throughout the Track Record Period. For FY2020, to increase our flexibility and cost efficiency, we engaged more construction subcontractors to separately perform non-major parts of our construction process and other ancillary construction services. For FY2021, as certain major projects such as Zhongtian Lutai* (中天 • 麓台) project and Chaling County People's Hospital Phase II Construction Project* (茶陵縣人民醫院二期建設工程項目) were at its core construction stage that require relatively less ancillary construction services, the construction subcontracting costs decreased to a similar level as FY2019. The increase in total construction subcontracting costs in 3Q2022 as compared to 3Q2021 was mainly attributable to the use of more construction subcontractors for performance of non-major parts of our construction process and other ancillary construction services for some projects for which the major part of construction has been completed, such as Jincheng International School* (金城國際學校) which required installation of lift and other ancillary construction services in 3Q2022.

Rental of machinery and equipment costs represented rental expenses incurred for provision of construction machinery and equipment service for our construction projects when (i) some of the project sites were located out of Zhuzhou; and/or (ii) such kind of machinery and equipment are not available to us at the relevant time, representing 8.4%, 13.4%, 15.0%, 15.3% and 9.6%, respectively of our total cost of sales for FY2019, FY2020, FY2021, 3Q2021 and 3Q2022. For FY2020 and FY2021, our rental cost of machinery and equipment increased by approximately 54.0% compared to FY2019 and approximately 15.0% as compared to FY2020, which was mainly due to the increase in rental of machinery and equipment other than construction cranes and lifts to cater for the needs of our construction projects, including foundation works for certain residential building construction projects in FY2020 and Zhongtian Lutai* (中天•麓台) project in FY2021. The decrease in rental of machinery and equipment costs in 3Q2022 as compared to 3Q2021 was mainly attributable to the decrease in revenue generated from foundation works construction by approximately 72.3% and we utilised our own construction machinery and equipment for our construction works with over 80% utilisation rate in 3Q2022.

Other project costs consisted of other unallocated costs that are not related to a specified project remained relatively stable throughout the Track Record Period.

Sensitivity analysis

During the Track Record Period, the majority of our cost of sales were our raw material costs and labour costs and labour subcontracting costs. The following sensitivity analysis illustrates the impact of hypothetical fluctuations in our cost of sales, on our profit before tax during the Track Record Period. The hypothetical fluctuation rates are set at 3.0% to 3.5%, which correspond to the maximum and minimum of fluctuations of cost of sales during the Track Record Period.

	FY2019	**FY2020**	**FY2021**	**3Q2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cost of sales increase/ (decrease) by:				
+3.5%	57,347	55,328	56,971	42,611
+3.0%	49,154	47,424	48,832	36,524
-3.0%	(49,154)	(47,424)	(48,832)	(36,524)
-3.5%	(57,347)	(55,328)	(56,971)	(42,611)

Gross profit and gross profit margin

The following table sets forth a breakdown of our gross profit and gross profit margin by project type for the periods indicated:

	FY2019		FY2020		FY2021		3Q2021		3Q2022	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	RMB'000	%	*RMB'000*	%	*RMB'000*	%	*RMB'000* (unaudited)	%	*RMB'000*	%
Construction contracts										
— Civil building construction	90,927	10.2	107,412	10.4	95,433	10.8	67,180	10.2	65,438	9.8
— Municipal works construction	67,839	10.1	54,039	11.1	42,027	9.8	26,358	10.1	49,883	10.8
— Foundation works	11,882	8.1	9,247	7.7	7,782	6.8	4,933	6.1	1,405	6.3
— Prefabricated steel structure construction	7,177	11.5	12,991	12.2	45,293	12.2	40,673	13.3	27,980	13.8
— Other specialised contracting works *(Note)*	3,518	7.1	2,232	12.5	2,362	13.8	2,210	17.1	1,673	44.1
Subtotal	181,343	10.0	185,921	10.6	192,897	10.6	141,354	10.7	146,379	10.8
Provision of construction machinery and equipment service	2,100	35.4	3,193	36.7	2,750	29.7	2,433	37.3	2,183	37.7
	183,443	10.1	189,114	10.7	195,647	10.7	143,787	10.9	148,562	10.9

Note: Our other specialised contracting works mainly include building renovation and decoration works.

The following table sets forth a breakdown of our gross profit and gross profit margin of our construction contracts by contracting business model for the periods indicated:

	FY2019		FY2020		FY2021		3Q2021		3Q2022	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	RMB'000	%	*RMB'000*	%	*RMB'000*	%	*RMB'000* (unaudited)	%	*RMB'000*	%
PC model	159,954	9.8	163,239	10.4	127,867	10.0	90,701	9.8	100,681	10.1
EPC model	16,818	12.1	21,911	11.6	63,636	12.3	47,717	12.5	44,231	12.4
Specialised subcontracting model	4,571	10.9	771	11.4	1,394	11.6	2,936	32.2	1,467	15.4
	181,343	10.0	185,921	10.6	192,897	10.6	141,354	10.7	146,379	10.8

During the Track Record Period, our Group's overall gross profit margin increased from approximately 10.1% in FY2019 to 10.7% in FY2020 and FY2021 and 10.9% in 3Q2022.

The primary reason leading to our growth in gross profit margin throughout the Track Record Period was the favourable PRC tax law adjustments on the VAT tax rate applicable to any taxpayer's VAT taxable construction services from 11% to 10% that was promulgated on 4 April 2018, which was further adjusted downwards to 9% from 1 April 2019. For those new projects engaged after 1 April 2019 by our Group could enjoy a lower VAT tax rate and thus resulting in a higher gross profit margin for those projects carrying out throughout the Track Record Period. Furthermore, we were able to undertake construction projects with higher gross profit margin and to exert a tighter control on major costs such as labour costs and labour subcontracting costs (which together accounted for approximately 20% to 35% of the total cost of sales during the Track Record Period) by shifting our Group's own labour costs to labour subcontractors for performing certain labour intensive construction process in order to maximise cost efficiency and flexibility. In FY2021 and 3Q2022, approximately 20.3% and 14.8%, respectively, of our revenue was derived from prefabricated steel structure construction works as compared with only 3.5% of our revenue from prefabricated steel structure construction works in FY2019. As the gross profit margin of prefabricated steel structure construction works was higher in general, with gross profit margin of 12.2% and 13.8% in FY2021 and 3Q2022 respectively, the increase in revenue of prefabricated steel structure construction works compared to FY2019 led to an increase in overall gross profit margin from 10.1% in FY2019 to 10.7% in FY2020 and FY2021 and further to 10.9% in 3Q2022.

The average gross profit margin of our EPC projects and PC projects was around 12.1% and 10.1%, respectively, during the Track Record Period. According to the F&S Report, EPC projects in general have a higher profit margin than PC projects because the EPC model allows the general contractor to accelerate the project schedule and reduce construction costs through optimised project management abilities.

Through our R&D activities, we have commenced prefabricated steel structure construction projects which exhibit a relatively higher gross profit margin than other sub-segments due to the characteristic of less labour intensive and shorter construction period. During the Track Record Period, we have achieved a more cost-effective construction workflow with our dedication in R&D activities to enhance our construction methods and know-how which contributed to part of the gradual increment of our gross profit margin.

In respect of our civil building construction and municipal works construction segments, our gross profit margins were approximately 10.2% and 10.1% in FY2019 and increased to approximately 10.4% and 11.1% in FY2020 respectively. Part of the increment in our gross profits throughout the Track Record Period was due to (i) our Group's ability to undertake construction projects with higher gross profit margins; and (ii) our Group's tighten control on major costs as mentioned above in all types of projects.

Several new projects of civil building construction exhibited higher gross profit margin in FY2020 than projects undertook by our Group in prior periods which further increase the gross profit margin to 10.7% in FY2021, namely Hainan Lixun Meilun Science and Technology Park* (海南力迅美侖科創園) project engaged by Customer P which commenced in May 2020 and Shui Zhu Jiayuan* (水竹佳苑) project engaged by Customer W which commenced in September 2019 achieved a gross profit margin of approximately 10.7% and 11.9% respectively. The higher gross profit margin was mainly due to our raw material costs were lowered by purchasing in bulk. Also, some projects exhibited a higher gross profit margin primarily as a result of the use of new building materials such as the use of aluminium mould rather than traditional cement in Jindong Taozi Lake* (金東陶子湖) project engaged by Hunan Liling Underglaze Wucai City Development and Construction Co., Ltd.* (湖南醴陵釉下五彩城開發建設有限公司) with gross profit margin of approximately 11.1%. Our gross profit margin in FY2020 was also affected by the Changde Xiangjiang Yuefu* (常德香江悦府) project with additional works performed and relevant costs incurred and recognised in prior periods, while the additional revenue could not be recognised until Customer Group D and our Group signed the supplemental agreement in FY2020 to agree with the additional contract sum for the additional works as the revenue can only be recognised when we satisfied a performance obligation that can relate to a contract with customers in accordance with HKFRS 15 which is consistently applied throughout the Track Record Period and resulted in the extraordinarily high gross profit margin exhibited in FY2020.

Municipal works exhibited a slightly higher gross profit margin in FY2020 as compared to FY2019, which was attributable to some projects involving decoration work such as Changjun Yunlong Experimental School (Second Phase)* (長郡雲龍實驗學校(二標)) project engaged by Zhuzhou Economic Development Group, which in general recorded higher gross profit margins than other projects.

For FY2021, the gross profit margins of civil building construction remained relatively stable as compared to FY2020 while the gross profit margin of municipal works construction exhibited a slight drop of approximately 1.3% from approximately 11.1% in FY2020 to approximately 9.8% in FY2021 mainly because we were engaged in some urban road construction projects in FY2021 such as Sanya Creative Pioneering Park Road V Municipal Engineering Project* (三亞創意創業園5號路市政工程) and Jin Gou Shan Road* (金鉤山路新建工程) project, which in general recorded lower gross profit margins compared to other type of municipal works engaged in FY2020 such as Tongdao County Sports Stadium*(通道縣體育館) and Changjun Yunlong Experimental School* (長郡雲龍實驗學校) project due to the relatively lower construction complexity of those urban road construction projects.

For 3Q2022, the gross profit margins of civil building construction remained relatively stable as compared to 3Q2021 while the gross profit margin of municipal works construction exhibited an increment of approximately 0.7% from approximately 10.1% in 3Q2021 to approximately 10.8% in 3Q2022 mainly because we recognised a larger portion of revenue in 3Q2022 than 3Q2021 from Jincheng International School* (金城國際學校) project, which recorded higher gross profit margins due to the relatively higher construction complexity and requirement compared to other type of municipal works engaged in 3Q2021 and a road construction in Haikou which recorded a higher gross profit margin due to tight construction schedule required by the relevant customer.

The gross profit margins of foundation works exhibited some fluctuations throughout the Track Record Period mainly attributable to different nature of projects engaged in each year with distinctive nature and circumstances of each projects as well as project progress period. In general, the gross profit margins of foundation works will be thinner than other types of construction work subject to different level of complexity. The gross profit margin for foundation works was in a decreasing trend throughout the Track Record Period, which was mainly contributed by foundation works for Chaling Pioneering Park* (茶陵創業園) and Facilities Improvement in Wuguang Area* (武廣片區配套改造) in FY2020, which had gross profit margins of approximately 6.2% and 6.0%, respectively and foundation works for Zhouzhou Luosha Hongbei Cultural and Creative Park Plant Water, Electricity, Road, Land Levelling and Ancillary Works* (株洲羅莎烘焙文創園地塊三通一平及附屬工程) project in FY2021 which had gross profit margin of approximately 6.3%. For 3Q2022, the gross profit margin of foundation works remained relatively stable and slightly increase to approximately 6.3% compared with approximately 6.1% in 3Q2021 as the revenue from foundation works was mainly contributed by for Chaling Pioneering Park* (茶陵創業園) project in 3Q2022 with gross profit margin of approximately 6.2%.

The gross profit margins of other specialised contracting works were approximately 7.1%, 12.5%, 13.8%, 17.1% and 44.1%, respectively, for FY2019, FY2020, FY2021, 3Q2021 and 3Q2022, depending on the nature and level of complexity if the specialised contracting works being engaged.

Other income and other gains

Other income mainly comprises interest income on bank deposits, rental income and refund of prior year's retirement scheme contribution.

The following table sets forth a breakdown of our other income and other gains for the periods indicated:

	FY2019		FY2020		FY2021		3Q2021		3Q2022	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* (unaudited)	*%*	*RMB'000*	*%*
Interest income on bank deposits	384	11.9	459	7.1	222	15.2	199	15.0	310	64.3
Rental income	1,324	41.2	—	—	—	—	—	—	—	—
Consulting fee income	1,023	31.8	—	—	—	—	—	—	—	—
Government grants [(1)]	152	4.7	334	5.2	1,435	98.6	1,313	98.6	84	17.4
Gain on disposal of an associate	935	29.1	—	—	—	—	—	—	—	—
Gain/(loss) on disposal of property, plant and equipment	(467)	(14.5)	(3)	(0.1)	(200)	(13.7)	(181)	(13.6)	—	—
Gain on disposal of investment property	—	—	5,689	87.8	—	—	—	—	—	—
Gain on lease modification	—	—	35	0.5	—	—	—	—	—	—
Others	(134)	(4.2)	(34)	(0.5)	(1)	(0.1)	—	—	88	18.3
Total other income and other gains	**3,217**	**100**	**6,480**	**100**	**1,456**	**100**	**1,331**	**100**	**482**	**100**

Note:

(1) Government grants represent grants to incentivise the development of our Group, of which the entitlement was unconditional and one-off in nature.

Rental income represents the properties owned by us before the transfer upon the Demerger on 2 July 2019 rented to our related companies and Independent Third Parties. No such rental income was recognised after the Demerger.

The other income and gains in FY2020 substantially increased by approximately RMB3.3 million or 101.4% compared to FY2019, which was mainly attributable to the gain on disposal of our interests in Ningbo Properties of approximately RMB5.7 million in FY2020. The other income and gains in FY2021 dropped by approximately RMB5.0 million as compared to FY2020 mainly due to the loss on disposal of machinery and equipment and there was no gain on disposal of investment property in FY2021. The other income and gains in 3Q2022 dropped by approximately RMB0.8 million as compared to 3Q2021 mainly due to decreased in government grants from approximately RMB1.3 million to approximately RMB0.1 million which was one-off in nature. For details of the disposal of investment property, please refer to the paragraph headed "Investment Properties" in this section.

Consulting fee income represents supporting services in administrative business operation and financial perspective engaged by our related companies in FY2019 on a standalone basis.

Administrative expenses

The following table sets forth a breakdown of our administrative expenses for the periods indicated:

	FY2019		FY2020		FY2021		3Q2021		3Q2022	
	RMB'000	%	*RMB'000*	%	*RMB'000*	%	*RMB'000* (unaudited)	%	*RMB'000*	%
R&D expenses	60,752	56.3	54,141	48.1	56,726	48.6	42,007	51.1	42,107	52.3
Salaries and other benefits	21,114	19.6	29,080	25.8	30,046	25.8	18,522	22.6	16,729	21.2
Depreciation and amortisation	1,776	1.6	1,435	1.3	1,258	1.1	987	1.2	760	0.9
Repair and maintenance expenses	5,983	5.5	1,971	1.8	2,160	1.9	4,737	5.8	6,651	8.3
Office and administration expenses	4,498	4.2	7,439	6.6	8,167	7.0	4,556	5.9	2,483	3.1
Travel and business development expenses	6,139	5.7	6,807	6.0	7,731	6.6	3,110	3.8	2,729	3.4
Professional fees	3,443	3.2	4,809	4.3	3,797	3.3	3,075	4.0	3,872	4.8
Other expenses	4,209	3.9	6,881	6.1	6,641	5.7	4,960	5.6	4,827	6.0
Total administrative expenses	**107,914**	**100**	**112,563**	**100**	**116,526**	**100**	**81,954**	**100**	**80,158**	**100**

Our administrative expenses mainly comprises R&D expenses and salaries and other benefits to our employees.

R&D expenses

The following table sets forth a breakdown of our R&D expenses during the Track Record Period:

	FY2019	FY2020	FY2021	3Q2021	3Q2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Materials	42,960	43,738	41,737	31,017	33,350
Rental of equipment	8,591	5,395	7,445	5,492	3,078
Salaries and wages	6,484	3,280	5,133	3,693	3,893
Others*(Note)*	2,717	1,728	2,411	1,805	1,786
Total	60,752	54,141	56,726	42,007	42,107

Note: Others include, insurance costs, fuel and electricity expenses, inspection and trial costs, design fee, staff amenities and amortisation.

The following table sets forth our top five R&D suppliers for the periods indicated:

Ranking	R&D Supplier	Principal business	Commencement of business relationship since	Credit terms	Payment methods	Transaction Amount	% of total R&D expenses
						(RMB'000)	
For FY2019							
1	Zhuzhou Dahan Group	Construction raw material provider and real estate developer based in Hunan Province	2017	5 to 45 days	Bank transfer or bank's acceptance bill	7,663	12.6
2	Supplier C	Construction raw material provider based in Hunan Province	2017	1-30 days	Bank transfer	3,049	5.0
3	Zhuzhou Dayu Hengji New Material Company Limited* (株洲大禹恒基新材料有限公司)	Construction raw material provider based in Hunan Province	2017	3 months	Cash or bank transfer	2,828	4.7
4	Supplier D	Specialised subcontractor and raw material provider based in Hunan Province	2019	1-2 month(s)	Bank transfer	2,207	3.6
5	Supplier E	Specialised subcontractor and raw material provider based in Hunan Province	2016	30 days	Bank transfer	2,144	3.5

Ranking	R&D Supplier	Principal business	Commencement of business relationship since	Credit terms	Payment methods	Transaction Amount	% of total R&D expenses
						(RMB'000)	
For FY2020							
1	Supplier H	Construction raw material provider based in Hainan Province	2020	nil	Bank transfer	9,491	17.5
2	Hunan Zhuzhou South New Material Group	Construction raw material provider based in Hunan Province	2018	1-3 month(s)	Bank transfer	2,226	4.1
3	Supplier F	Construction raw material provider based in Zhejiang Province	2020	3 days	Bank transfer	2,113	3.9
4	Zhuzhou Dahan Group	Construction raw material provider and real estate developer based in Hunan Province	2017	5 to 45 days	Bank transfer or bank's acceptance bill	1,966	3.6
5	Supplier J	Construction raw material provider based in Hunan Province	2020	45 days	Bank transfer or bank's acceptance bill	1,605	3.0

Ranking	R&D Supplier	Principal Business	Commencement of business relationship since	Credit terms	Payment methods	Transaction Amount	% of total R&D expense
						(RMB'000)	
For FY2021							
1	Hangxiao Technology	Steel structure designer and manufacturer based in Hunan Province	2018	1-3 months	bank transfer	5,479	9.7
2	Supplier L	Construction raw material provider based in Hunan Province	2021	1 month	bank transfer	4,754	8.4
3	Supplier K	Construction raw material provider based in Hunan Province	2021	1 month	Bank transfer	3,545	6.3
4	Supplier H	Construction raw material provider based in Hainan Province	2020	nil	Bank transfer	2,703	4.8
5	Supplier I	Construction raw material provider based in Hainan Province	2020	1-3 months	Bank transfer	2,467	4.3

Ranking	R&D Supplier	Principal Business	Commencement of business relationship since	Credit terms	Payment methods	Transaction Amount	% of total R&D expense
						(RMB'000)	
For 3Q2022							
1	Supplier H	Construction raw material provider based in Hainan Province	2020	nil	bank transfer	2,868	6.8
2	Supplier G	Construction raw material provider based in Hunan Province	2018	nil	bank transfer	2,479	5.9
3	Supplier B	Construction raw material provider based in Hunan Province	2021	nil	bank transfer	2,156	5.1
4	Zhuzhou Dahan Group	Construction raw material provider and real estate developer based in Hunan Province	2017	5 to 45 days	Bank transfer or bank's acceptance bill	1,750	4.2
5	Hangxiao Technology	Steel structure designer and manufacturer based in Hunan Province	2018	1-3 months	bank transfer	1,667	4.0

Since the majority of our Group's R&D expenses are for procurement of construction raw materials, thus some of our Group's top five R&D suppliers are also our top five suppliers during the Track Record Period. For details, please refer to section headed "Business — Customers and Suppliers — Suppliers" in this prospectus. As confirmed by our Company, our Directors and each of these top five R&D suppliers of our Group for FY2019, FY2020, FY2021 and 3Q2022, save for Hangxiao Technology, all of such top five R&D suppliers are Independent Third Parties, which (other than the business relationship with our Group) have no past or present relationship, including, without limitation, employment, family, trust or financing, with our Company, our subsidiaries, their respective directors, shareholders or senior management, or any of their respective associates, save for the provision of construction materials, machinery and design services. For details of the relationship between our Group and Hangxiao Technology, please refer to the section headed "Relationship with our Controlling Shareholder — Independence of major customers" in this prospectus.

In recognition of our R&D capabilities, achievements and initiatives, Zhongtian Construction, our principal subsidiary has been accredited as "High and New Technology Enterprise (高新技術企業)" in 2018, and has been enjoying a preferential EIT rate of 15%, (as compared to the standard EIT rate of 25%).

During the Track Record period, we incurred expenses in raw materials, rental of equipment, manpower and other resources in our R&D projects. Our R&D expenses decreased slightly from approximately RMB60.8 million in FY2019 to RMB54.1 million in FY2020, which was mainly attributable to the decrease in the costs of rental of equipment from approximately RMB8.6 million to RMB5.4 million and the decrease in the costs of salaries and wages from approximately RMB6.5 million to RMB3.3 million as for different scope of the R&D projects carried out and the decrease in design fee of approximately RMB1.2 million in FY2020.

Our R&D expenses increased by approximately RMB2.6 million or 4.8% from approximately RMB54.1 million in FY2020 to approximately RMB56.7 million in FY2021. Such increment was mainly due to the increase in number of R&D projects from 24 in FY2020 to 30 in FY2021. Also, owing to the different scope of R&D projects carried out during the respective year, the costs of rental of R&D equipment increased from approximately RMB5.4 million in FY2020 to approximately RMB7.4 million in FY2021 while the material costs dropped from approximately RMB43.7 million in FY2020 to approximately RMB41.7 million in FY2021. The increment in R&D expenses was also attributed to the increase in the costs of salaries and wages from approximately RMB3.3 million in FY2020 to approximately RMB6.7 million in FY2021 as a result of the further expansion of the R&D department.

Our R&D expenses remained relatively stable at approximately RMB42.1 million in 3Q2022 compared with RMB42.0 million in 3Q2021.

Salaries and other benefit costs

Salaries and other benefit costs represent the expenses of salaries, staff bonus and other benefits paid or payable by us for our employees' benefits. Our salaries and other benefit costs increased by approximately RMB8.0 million or 37.9% from approximately RMB21.1 million in FY2019 to approximately RMB29.1 million in FY2020, and further increased by approximately RMB1.0 million or 3.3% to approximately RMB30.0 million in FY2021. Such increases were primarily due to the increase in average salary and benefit paid per staff. Our salary and other benefit costs decreased by approximately RMB1.8 million or 9.7% from RMB18.5 million in 3Q2021 to RMB16.7 million in 3Q2022, which was mainly due to decrease in discretionary bonus for employees in 3Q2022.

Depreciation and amortisation

Depreciation represents depreciation of right-of-use asset, motor vehicle, furniture, fixtures and office equipment and leasehold improvement. Amortisation of intangible assets represented amortisation of our patents.

Repair and maintenance expenses

Repair and maintenance expenses represent repair of our office equipment and investment properties. Since the investment properties were disposed in FY2020, the repair and maintenance costs decreased accordingly. Repair and maintenance expenses increased by approximately RMB0.2 million or 9.6% from approximately RMB2.0 million in FY2020 to approximately RMB2.2 million in FY2021, and increased by approximately RMB2.0 million or 42.6% from RMB4.7 million in 3Q2021 to approximately RMB6.7 million in 3Q2022 which was primarily attributable to the increase in repair and maintenance costs for machinery and equipment.

Office and administrative expenses

Office and administrative expenses increased from FY2019 to FY2021 as a result of the general expansion and increased business activities. Office and administrative expenses decreased by approximately RMB2.1 million or 45.7% from approximately RMB4.6 million in 3Q2021 to approximately RMB2.5 million in 3Q2022 as a result of tighter budget control.

Travel and business development expenses

The travel and business development expenses increased to approximately RMB6.8 million during FY2020 compared to approximately RMB6.2 million in FY2019 and further increased to approximately RMB7.7 million in FY2021, which was mainly due to additional travelling expenses were incurred by our employees to negotiate with new project customers and the remaining increment was due to closer supervision of our projects in different locations and leading to more business trips. The travel and business development expenses remained relatively stable with approximately RMB2.7 million in 3Q2022 as compared to approximately RMB3.1 million in 3Q2021.

Professional fees

Professional fees mainly represents legal advisory fee, compliance advisory fee and other professional fees for our Company's quotation on the NEEQ in 2017 and its continuous compliance.

Other expenses

Other expenses primarily consisted of consumables, charity donations, insurance fees and other miscellaneous expenses.

Listing expenses

Listing expenses represented professional services fees incurred for the purpose of Listing. We incurred Listing expenses of approximately RMB2.4 million, RMB10.7 million, RMB4.5 million and RMB4.5 million for FY2019, FY2020, FY2021 and 3Q2022, respectively.

Share of result of an associate

Share of result of an associate represents the loss from our investment in Hangxiao Technology, which had been held by Zhongtian Construction as to 63% from 19 September 2017 to 1 March 2019. Although our Group's ownership in Hangxiao Technology was more than 50%, our Group was only entitled to appoint three out of seven directors to the board of directors of Hangxiao Technology so that our Group had no control over the financial and operation policies of but had significant influences over it and hence was regarded as an associate of our Group. All of our shares in Hangxiao Technology was disposed of on 1 March 2019 and upon the disposal, Hangxiao Technology ceased to be accounted as our associate of our Company. For details, please refer to the section headed "History, development and reorganisation — Disposal of interests in Hangxiao Technology" in this prospectus.

Impairment on financial and contract assets, net

Our impairment on financial and contract assets (net) represents the expected credit losses on our trade receivables, other receivables and contract assets. We conducted impairment analysis at the end of each year/period during the Track Record Period using a provision matrix to measure expected credit losses. For FY2019, FY2020, FY2021 and 3Q2022, our impairment on financial and contract assets was RMB7.4 million, RMB7.5 million, RMB0.5 million and RMB0.7 million, respectively.

The following table sets forth the details of impairment on financial and contract assets during the Track Record Period:

	FY2019	FY2020	FY2021	3Q2021	3Q2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Provision for contract assets	2,979	2,187	1,361	9	1,774
Provision for/(reversal of) trade and bills receivables	3,602	2,835	(447)	(1,490)	(582)
Provision for/(reversal of) deposit and other receivables /amounts due from related companies/shareholders	828	2,451	(414)	1,251	(480)
	7,409	7,473	500	(230)	712

For FY2020, impairment losses on financial and contract assets increased by approximately RMB0.1 million or 1.4% compared to FY2019 which was mainly due to (i) our net balances of trade and bills receivables in FY2020 was higher than that of FY2019; and (ii) to reflect the uncertainty that the outbreak of COVID-19 may bring to the future overall global and China economic conditions which may potentially impact the ability of our customers to settle their payable to our Group in the future, we increased the average ECL rates for trade and bills receivables and contract assets by approximately 41.3%, from 0.63% as at 31 December 2019 to 0.89% as at 31 December 2020. Our Directors considered that the effect of suspension in our construction projects due to the outbreak of COVID-19 has no material adverse impact on our Group as the revenue delayed in recognition due to outbreak of COVID-19 has been fully recognised in FY2020. Also, based on subsequent settlements received up to the Latest Practicable Date, the financial position and viability of our customers are unlikely to be materially and adversely affected by the outbreak of COVID-19. Notwithstanding the above, we have increased the ECL rates for trade and bills receivables and contracts assets as at 31 December 2020 compared to prior year based on the calculation of the Independent Valuer and for prudent sake with response to the overall market conditions in the PRC.

For FY2021, impairment losses on financial and contract assets decreased by approximately RMB7.0 million or 93.3% as compared to FY2020, which was mainly due to (i) our gross balances of trade and bills receivables, deposit and other receivables and contract assets as at 31 December 2021 was lower than that as at 31 December 2020; and (ii) the reversal of loss allowances for trade and bill receivables and deposit and other receivables/amounts due from related companies/shareholders of approximately RMB0.4 million and RMB0.4 million respectively in FY2021 due to the high recovery rate of trade receivables and resulted in lower gross balances as at 31 December 2021, partially offset by the slight increase in our average ECL rates for trade and bills receivables and contract assets from 0.89% as at 31 December 2020 to 0.97% as at 31 December 2021 based on the calculation of the Independent Valuer and for prudent sake with response to the overall market conditions in the PRC (in contrast with the considerable increase in our average ECL rates for trade and bills receivables and contract assets from 0.63% as at 31 December 2019 to 0.89% as at 31 December 2020 attributed to the uncertainty brought by COVID-19).

For 3Q2022, impairment losses on financial and contract assets increased by approximately RMB0.9 million or 410% as compared to 3Q2021, which was mainly due to decrease in reversal of trade and bills receivables in 3Q2022 of approximately RMB0.6 million compared with approximately RMB1.5 million in 3Q2021. For 3Q2022, we increased our average ECL rates for trade and bills receivables and contract assets from 0.97% as at 31 December 2021 to 1.11% as at 30 September 2022 based on the calculation of the Independent Valuer and for prudent sake with response to the overall market conditions in the PRC and real estate market.

Finance costs

Our finance costs was mainly related to our interest bearing bank borrowings, related company borrowings and other borrowings. For FY2019, FY2020, FY2021 and 3Q2022, our finance costs amounted to approximately RMB8.9 million, RMB5.3 million, RMB3.5 million and RMB4.8 million, respectively.

The decrement in our finance costs in FY2020 and FY2021 when comparing with FY2019 and FY2020 by approximately RMB3.6 million and RMB1.8 million respectively were mainly attributable to the repayment of borrowings of approximately RMB74.8 million during FY2020 and approximately RMB58.8 million during FY2021.

Our finance cost in 3Q2022 increased by approximately RMB2.1 million as compared to 3Q2021, which was in line with the increase in bank and other borrowings in 3Q2022.

Income tax expenses

Our income tax expenses consist principally of enterprise income tax and movements in deferred tax assets. For FY2019, FY2020, FY2021 and 3Q2022, our income tax was RMB8.7 million, RMB9.9 million, RMB10.1 million and RMB7.8 million, respectively, and our effective tax rate for the corresponding periods was 14.7%, 16.7%, 14.0% and 13.2%, respectively. Since 1 January 2018 and up to the Latest Practicable Date, Zhongtian Construction, our principal operating subsidiary has been accredited as a High and New Technology Enterprise (高新技術企業) under the relevant PRC laws and regulation and was entitled to a preferential tax treatment of 15% for FY2019, which is lower than the statutory rate of 25.0%. The preferential tax treatment in relation to the High and New Technology Enterprise Certificate (高新技術企業證書) will continue until 17 September 2024. If such preferential tax treatment ceases, the normal statutory rate of 25.0% will apply. We plan to maintain our profitability once the preferential tax treatments cease in September 2024 by (i) renewing the application of High and New Technology Enterprise timely; (ii) continuously improving our operating cashflow position and selection of projects with higher gross profit margin; (iii) further enhancing on-site procurement and inventory management for better cost control; and (iv) enhancing our internal control for minimising unnecessary expenses.

For FY2020, our effective tax rate was 16.7% and was relatively higher than the preferential tax treatment of 15%. This was mainly due to our Listing expenses incurred in FY2020 which was non-tax-deductible.

Net profit

For FY2019, FY2020, FY2021, 3Q2021 and 3Q2022, our net profit amounted to approximately RMB50.9 million, RMB49.6 million, RMB61.9 million, RMB47.8 million and RMB51.2 million, respectively, and our net profit margin was approximately 2.8%, 2.8%, 3.4%, 3.6% and 3.7% for the respective periods. Our decrement of net profit from FY2019 to FY2020 was mainly due to increase in Listing expenses of approximately RMB8.3 million partially net-off by the increment in gross profits. Our net profit increased in FY2021 as compared to FY2020, which was mainly attributable to the decrease in Listing expenses and impairment in financial and contract assets of approximately RMB6.2 million and RMB7.0 million, respectively, as compared to FY2020. Our net profit increased by approximately RMB3.4 million in 3Q2022 as compared to 3Q2021 mainly attributable to the increment in gross profits of approximately RMB4.8 million partially net-off by the increase in Listing expenses of approximately RMB0.5 million and decrease in other income of approximately RMB0.8 million.

LIQUIDITY AND CAPITAL RESOURCES

Our primary use of cash are mainly for financing our operations and satisfying our capital expenditure needs

Our source of funds for our operations mainly comes from cash generated from our operation and bank and other borrowings. Upon the Listing, our source of funds will be a combination of internal generated funds, bank and other borrowings as well as net proceeds from the Global Offering.

As at 30 September 2022, we had cash and cash equivalents of approximately RMB127.0 million. Substantially all of our Group's cash and bank balances are held in RMB.

Working capital sufficiency

Taking into account: (i) net proceeds from the Global Offering of approximately HK$74.2 million (equivalent to approximately RMB67.6 million, after deducting the underwriting commissions and other estimated expenses payable by us in connection with the Global Offering, assuming an Offer Price of HK$1.08 per Share, being the low-end of the indicative Offer Price range) will be raised from the Global Offering; (ii) we had cash and cash equivalents of approximately RMB127.0 million as at 30 September 2022; (iii) the subsequent settlement for trade receivables up to the Latest Practicable Date amounted to approximately RMB216.9 million, representing approximately 55.0% of the balance of trade receivables as at 30 September 2022; (iv) we implemented measures to closely monitor our cashflow liquidity position; and (v) the other financial resources available to us, our Directors are of the view, and the Sole Sponsor concurs, that we have sufficient working capital for its present requirements and for at least the next 12 months from the date of this prospectus.

Cash flows

The following table sets forth a summary of our consolidated statements of cash flows for the periods indicated:

	FY2019	**FY2020**	**FY2021**	**3Q2021**	**3Q2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Operating profit before working capital changes	82,562	72,711	82,591	63,597	67,616
Changes in working capital	22,824	(22,577)	(41,648)	(124,497)	(91,119)
Income tax paid	(9,256)	(7,633)	(9,350)	(3,538)	(2,545)
Net cash (used in)/generated from operating activities	96,130	42,501	31,593	(64,438)	(26,048)
Net cash (used in)/generated from investing activities	66,569	7,110	(5,180)	(5,022)	(171)
Net cash generated from/(used in) financing activities	(150,231)	(53,358)	(14,145)	17,976	64,071
Net increase/(decrease) in cash and cash equivalents	12,468	(3,747)	12,268	(51,484)	37,852
Cash and cash equivalents at the beginning of the year/period	68,117	80,585	76,838	76,838	89,106
Cash and cash equivalents at the end of the year/period	80,585	76,838	89,106	25,354	126,958

Operating activities

We derive our cash inflow from the receipt of payments from our construction business. Our cash used in operations principally comprises purchase of construction materials, payment of machinery and equipment costs, labour subcontracting costs, and other administrative expenses.

For 3Q2022, we recorded a profit before taxation of approximately RMB58.9 million and net cash used in operating activities of approximately RMB26.0 million. The cash outflow was principally due to the decrease in trade and bills payables of approximately RMB298.5 million as our Group made faster repayment for trade payable in 3Q2022, partially offset by the increase in accruals and other payables of approximately RMB79.6 million due to increase in net VAT payable and the decrease in trade, bills and other receivables of approximately RMB53.2 million because more effort was put to collect trade receivable from customers. For 3Q2021, we recorded a profit before taxation of approximately RMB56.8 million and net cash used in operating activities of approximately RMB64.4 million. The cash outflow was principally due to the increase in trade and bills receivables of approximately RMB204.8 million, partially offset by the decrease in contract assets of approximately RMB40.5 million and the increase in accruals and other payables of approximately RMB31.9 million. As generally more trade receivables are settled towards the end of a year, we typically generate net operating cash outflow in the first nine months of a year.

For FY2021, we recorded a profit before taxation of approximately RMB72.0 million and net cash generated from operating activities of approximately RMB31.6 million. The cash inflow was principally due to our net profit of approximately RMB61.9 million generated during FY2021, adjusted for the decrease in trade, bills and other receivables of approximately RMB79.9 million and the increase in accruals and other payables of approximately RMB49.9 million, partially offset by the decrease in trade and bill payables of approximately RMB175.6 million. Our Group made faster repayment for trade payables in FY2021, resulting in lower net cash generated from operating activities of approximately RMB31.6 million in FY2021, as compared to approximately RMB42.5 million in FY2020.

For FY2020, we recorded a profit before taxation of approximately RMB59.5 million and net cash generated from operating activities of approximately RMB42.5 million. The cash inflow was principally due to our profits of approximately RMB49.6 million generated during FY2020, the increase in trade and bills payables and accruals and other payables of approximately RMB89.8 million, partially offset by the increase in trade, bills and other receivables of approximately RMB51.6 million and contract assets of approximately RMB55.8 million.

For FY2019, we recorded a profit before taxation of approximately RMB59.6 million and net cash generated from operating activities of approximately RMB96.1 million. The result was reflected in the increase in trade and bills payables of approximately RMB561.3 million, partially offset by (i) an increase in contract assets of approximately RMB436.8 million in line with the increase in revenue recognised from our construction services during the year; and (ii) an increase in trade, bills and other receivables of approximately RMB188.2 million. In general it takes longer time for Government-related Entities to settle trade receivables.

To further improve our operating cashflow position in the future, we plan to adopt a series of measures to improve our operating cashflow position going forward by increasing our cash inflow and reducing our cash outflow. For increasing our cash inflow, we plan to (i) negotiate with our customers for a higher proportion of upfront progress payments and a tighter payment schedule; (ii) include more stringent terms in the contracts with our customers regarding the breach of contract by our customers for failing to pay us in accordance with the agreed schedule such as reserving the right to terminate the contract when the customer fails to pay within a certain time; (iii) further enhance our project management and control procedures to facilitate the billing process by designating our finance department to regularly review the ageing of trade receivables and contract assets and report any long overdue receivables to our management. Our finance department will also monitor the settlement progress of trade receivables from our customers and our engineering department will proactively follow up the outstanding trade receivables with our customers by phone calls and emails. Our Group will set up task forces to monitor the settlement audit process of completed projects and aim to complete settlement audit within one year after project completion, and may also consider initiating legal actions to collect trade receivables for completed projects which have higher risk of default or has been overdue for over six months. During the Track Record Period, our progress billable percentage generally ranged from 70% to 85% upon completion of the project and a higher proportion of projects billable percentage ranged from 70% to 75%. Owing to our continuous effort to persuade our customers for higher proportion of upfront progress payment and tighter payment schedule, the major contracts newly entered after the Track Record Period exhibited a high proportion of upfront progress payment of approximately 85% of progress billable percentage upon completion of construction. Also, based on the projects of top 5 contract assets, there were seven out of eleven projects that we are entitled to bill on a monthly basis during FY2019 to FY2022 while there were four out of five projects that we are entitled to bill on a monthly basis in 3Q2022, and for those newly entered contracts after the Track Record Period and up to the Latest Practicable Date, most of the projects showed payment schedule on monthly basis, which demonstrated that our Group has power to request for more favourable terms, i.e. higher progress billable percentage and shorter payment schedule, with our customers. Furthermore, our average trade and bills receivables turnover days and contract assets turnover days lowered to 85.1 days and 240.2 days respectively resulting from our strategies illustrated above. We also manage the settlement of trade payables in accordance with our recovery of trade and bills receivables and contract assets as one of our cash flow management measures by negotiating with our suppliers and subcontractors for extension of payment dates prior to receipt of payment from customers of the relevant projects, which resulted in longer ageing pattern of our trade payables as at 31 December 2020 and 2021 and 30 September 2022 as compared to those as at 31 December 2019. Nonetheless, our Directors believe that with our Listing status, it could enhance our bargaining power in the negotiation with the customers and in turn we could bargain for higher proportion of upfront progress payment and tighter payment schedule for our newly entered construction contracts going forward.

Our Directors considered given (i) our strong bargaining power given our reputation and market position in the construction industry; and (ii) projects with higher complexity or shorter construction period that require us to incur higher portion of expenditure during the initial stage of projects, some of our customers are willing accept such arrangement based on individual negotiation. For reducing our cash outflow, we plan to (i) manage the settlement of trade payables in accordance with our policy for recovery of trade and bills receivables and contract assets and to manage our cash flow by negotiating with our suppliers and subcontractors for extending the payment dates such that we could first receive payment from our customers before settling the payment for our suppliers; (ii) enhance our on-site procurement and inventory management for better cost control, including formulating procurement plan with respect to each project which shall be approved by the management, closely monitoring and analysing the difference between the procurement plan and the actual procurement and taking prompt remedial actions if necessary; and (iii) enhance our internal control for minimising unnecessary expenses by monitoring the budget plan for business development and the actual costs incurred for travel or other related costs from time to time.

Investing activities

Our cash used in investing activities is primarily for payments for acquisition of items of property, plant and equipment and capital injection to associate. Our cash generated from investing activities consists primarily of proceeds on disposals of property, plant and equipment and proceeds on disposal of associate.

For 3Q2022, we had net cash used in investing activities of approximately RMB0.2 million, mainly due to purchase of property, plant and equipment of approximately RMB0.5 million partially offset by the interest received of approximately RMB0.3 million.

For FY2021, we had net cash used in investing activities of approximately RMB5.2 million, mainly due to purchase of property, plant and equipment of approximately RMB5.6 million.

For FY2020, we had net cash generated from investing activities of approximately RMB7.1 million, mainly due to the proceeds on disposal of investment properties of approximately RMB12.7 million partially offset by purchase of property, plant and equipment of approximately RMB6.1 million.

For FY2019, our net cash generated from investing activities was approximately RMB66.6 million. Our net cash inflow from investing activities mainly consisted of the proceeds from disposal of Hangxiao Technology of approximately RMB75.6 million, partially offset by acquisition of property, plant and equipment of approximately RMB9.7 million.

Financing activities

Our cash generated from financial activities consists primarily of proceeds from new borrowings and advances from related companies and shareholders. Our cash used in financing activities consists primarily of repayment of borrowings and repayment to related companies and shareholders.

For 3Q2022, our net cash flow generated from financing activities amounted to approximately RMB64.1 million. Our net cash inflow from financing activities mainly consisted of proceeds from new borrowings of approximately RMB108.9 million, partially offset by the repayment of borrowings of approximately RMB32.9 million. As generally more trade receivables are settled towards the end of a year, we typically generate less net operating cashflow in the first nine months of a year and required bank borrowings to improve out liquidity as at 30 September 2022.

For FY2021, our net cash flow used in financing activities amounted to approximately RMB14.1 million. Our net cash outflow from financing activities mainly consisted of repayment of borrowings of approximately RMB58.8 million, the repayment to shareholders and directors of approximately RMB15.7 million, partially offset by the proceeds from new borrowings of approximately RMB60.1 million.

For FY2020, our net cash flow used in financing activities amounted to approximately RMB53.4 million. Our net cash outflow from financing activities mainly consisted of repayment of borrowings of approximately RMB74.8 million, the repayment to related companies, shareholders and directors of approximately RMB39.4 million in aggregate, partially offset by proceeds from new borrowings of approximately RMB64.2 million.

For FY2019, our net cash flow used in financing activities amounted to RMB150.2 million. Our net cash outflow from financing activities mainly consisted of repayment of borrowings of RMB122.9 million and repayment to related companies of RMB84.3 million, partially offset by proceeds from new borrowings of RMB91.4 million. We reduced our borrowing level in light of our improved cash position.

DISCUSSION ON SELECTED ITEMS OF CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Our consolidated statements of financial position as at each of the period ended during the Track Record Period set forth below are extracted from the Accountants' Report set out in Appendix I to this prospectus:

	As at 31 December			As at 30 September
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets				
Property, plant and equipment	25,728	25,500	24,156	21,506
Investment properties	6,919	—	—	—
Interests in an associate	—	—	—	—
Deferred tax assets	2,593	3,730	3,797	3,835
Intangible assets	55	51	48	45
	35,295	29,281	28,001	25,386
Current assets				
Inventories	694	3,273	3,018	940
Trade, bills and other receivables	544,649	590,524	513,270	459,884
Contract assets	1,173,525	1,227,155	1,216,095	1,179,017
Amounts due from related companies	—	3,623	6,475	10,479
Amounts due from shareholders	3,894	12,542	9,260	2,847
Restricted bank deposits	27,467	26,156	18,429	9,966
Cash and cash equivalents	80,585	76,838	89,106	126,958
	1,830,814	1,940,111	1,855,653	1,790,091
Current liabilities				
Trade and bills payables	1,320,754	1,341,678	1,166,117	867,599
Accruals and other payables	185,387	254,243	302,800	382,345
Contract liabilities	29,128	37,178	24,976	50,086
Amounts due to related companies	8,267	586	4,833	5,021
Amounts due to shareholders	56,313	28,080	14,046	6,777
Amounts due to directors	5,328	1,870	253	462
Lease liabilities	533	467	28	191
Borrowings	75,984	65,620	66,895	138,966
Income tax payable	4,013	7,455	9,538	14,799
	1,685,707	1,737,177	1,589,486	1,466,246
Net current assets	145,107	202,934	266,167	323,845

	As at 31 December			As at 30 September
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Total assets less current liabilities	180,402	232,215	294,168	349,231
Non-current liabilities				
Lease liabilities	424	28	—	—
Borrowings	233	—	—	3,855
NET ASSETS	**179,745**	**232,187**	**294,168**	**345,376**
EQUITY				
Equity attributable to owners of the Company				
Share capital	—	1	1	1
Reserves	173,261	224,613	285,261	336,135
	173,261	224,614	285,262	336,136
Non-controlling interests	6,484	7,573	8,906	9,240
TOTAL EQUITY	**179,745**	**232,187**	**294,168**	**345,376**

Property, plant and equipment

Property, plant and equipment mainly comprised plant and machinery, tools and motor vehicles. As at 31 December 2019 and 2020 and 2021 and 30 September 2022, our property, plant and equipment amounted to approximately RMB25.7 million, RMB25.5 million, RMB24.2 million and RMB21.5 million, respectively.

Our property, plant and equipment remained stable at approximately RMB25.5 million as at 31 December 2020 mainly due to the transfer of our right-of-use assets with a net carrying value of approximately RMB13.7 million to Puhui Commercial as a result of the Demerger during the Reorganisation process, which was partially offset by the additions of property, plant and equipment of approximately RMB6.5 million during FY2020. Our property, plant and equipment decreased slightly from approximately RMB25.5 million as at 31 December 2020 to approximately RMB24.2 million as at 31 December 2021 mainly due to depreciation charge of approximately RMB6.5 million for FY2021, which was partially offset by additions of property, plant and equipment of approximately RMB5.6 million during FY2021. Our property, plant and equipment decreased from approximately RMB24.2 million to approximately RMB21.5 million mainly due to depreciation charge of approximately RMB3.5 million for 3Q2022.

Investment properties

Properties that are held for long-term rental yields or for capital appreciation or both, and that are not occupied by our Group are classified as investment properties. The carrying amounts of our investment properties decreased from approximately RMB6.9 million as at 31 December 2019 to nil as at 31 December 2020 and 2021 and 30 September 2022, primarily due to the disposal of our interests in the Ningbo Properties in October 2020.

The background of the Ningbo Properties

During the Track Record Period, Zhongtian Construction had interest in the Ningbo Properties. The market value of the Ningbo Properties was approximately RMB13.9 million as at 31 December 2019. The net book value of the Ningbo Properties was approximately RMB7.7 million and RMB6.9 million as at 2 December 2016 (being the date of the transfer of the Ningbo Properties from Customer Shicuiying) and 31 December 2019, respectively. The Ningbo Properties comprise five connected commercial units on the ground floor and all six connected office units on the 11th floor of Cuiyuan Building.

As a result of a court-led mediation in November 2016 in respect of a dispute regarding construction services fees of approximately RMB52.4 million between Zhongtian Construction and Customer Shicuiying, Customer Shicuiying agreed to pay the amount of RMB52.4 million (the "**Settlement Sum**") to Zhongtian Construction as settlement of the legal proceedings. For background of Customer Shicuiying and details of the relevant legal proceedings, please refer to the section headed "Business — Legal and Regulatory — Legal proceedings" in this prospectus. Since Customer Shicuiying did not have sufficient cash to settle the Settlement Sum at the material times, pursuant to 11 sale and purchase agreements all dated 2 December 2016 entered into between Zhongtian Construction as purchaser and Customer Shicuiying as seller (the "**Sale and Purchase Agreements**"), Customer Shicuiying transferred the Ningbo Properties to Zhongtian Construction to settle approximately RMB7.7 million out of the Settlement Sum, which was determined with reference to the relevant construction area of the Ningbo Properties.

Customer Shicuiying did not, nor actively assist us to, complete the registrations of such properties within the time frame as agreed by the parties. Zhongtian Construction had been continuously taking follow up actions regarding the title documents for the Ningbo Properties since 2016, which include designating a project manager to follow up with the title documents and to report to the management of our Group from time to time, continuously liaising with Customer Shicuiying and making repeated requests since 2016, making enquiries with various local authorities in 2018 to explore alternative ways to obtain the title documents and formally sending a reminder letter to Customer Shicuiying urging it to complete the initial registrations in July 2020. However, immediately before we disposed of our interests in the Ningbo Properties in

October 2020, Zhongtian Construction was in the course of applying for the relevant title documents and the Ningbo Properties remained vacant. As advised by our PRC Legal Advisers, there was no material legal impediment for Zhongtian Construction to obtain the property rights in the Ningbo Properties, which will be conditional upon (i) Customer Shicuiying having completed the initial registration of property interests in the Ningbo Properties; (ii) Zhongtian Construction having settled the consideration of the purchase of the Ningbo Properties under the Sale and Purchase Agreements by way of offsetting the settlement sum owed by Customer Shicuiying to Zhongtian Construction; and (iii) both Zhongtian Construction and Customer Shicuiying having complied with all the registration requirements imposed by the relevant regulatory bodies regarding the transfer of property rights for the Ningbo Properties.

When we transferred the other properties owned by Zhongtian Construction to Puhui Commercial pursuant to the Demerger in May 2019, our Directors decided not to include the Ningbo Properties after taking into account the following reasons:

(i) as advised by our PRC Legal Advisers, without the title documents, the property rights of the Ningbo Properties could not be transferred out of our Group to Puhui Commercial pursuant to the Demerger;

(ii) as compared to the administrative procedures which Zhongtian Construction would need to complete for obtaining the title documents for the Ningbo Properties, if our interests in the Ningbo Properties were transferred from Zhongtian Construction to Puhui Commercial through sale and purchase before we obtained the title documents, there would be additional registration requirements for Puhui Commercial to obtain the title documents for the Ningbo Properties after the transfer (such as termination of the Sale and Purchase Agreements between Customer Shicuiying and Zhongtian Construction, execution of sale and purchase agreements between Customer Shicuiying and Puhui Commercial for the Ningbo Properties, cancellation of the online registration of our interests in the Ningbo Properties and completion of the online registration of Puhui Commercial's interests in the Ningbo Properties), which would in turn lengthen the time needed for obtaining the title documents for the Ningbo Properties by at least one to two months (assuming Customer Shicuiying would fully co-operate in the process). As such, our Directors considered that such transfer would complicate the process and lengthen the time needed for obtaining the title documents for the Ningbo Properties; and

(iii) as advised by our PRC Legal Advisers, without the title documents, registration of lease agreement could not be completed and non-registration of lease would constitute non-compliance with the Administrative Measures for Commodity House Leasing (商品房屋租賃管理辦法). As such, even if the Ningbo Properties were transferred to Puhui Commercial, Puhui Commercial could not use the Ningbo Properties for its business of property leasing in full compliance with the Administrative Measures for Commodity House Leasing, until Customer Shicuiying had completed the initial registrations of the Ningbo Properties, and Puhui Commercial completed the abovementioned additional registration requirements and obtained the title documents of the Ningbo Properties.

The disposal of the Ningbo Properties

As the Ningbo Properties had not been transferred to Puhui Commercial for the reasons above, we started to seek other opportunities to dispose of our interests in the Ningbo Properties in the market. Subsequently, Ms. Huang Weihong (黃偉宏) ("**Ms. Huang**"), an Independent Third Party, approached us through the introduction of the property management company of the Ningbo Properties in May 2020 and expressed her interest in acquiring our interests in the Ningbo Properties. Save for the sale and purchase of our interests in the Ningbo Properties, Ms. Huang did not have past or present relationships (including employment, family, trust and financing relationships) with our Group, Shareholders, Directors and senior management or their respective associates.

Taking into account (i) the fact that Customer Shicuiying still had not completed the initial registration for the Ningbo Properties despite Zhongtian Construction had been continuously taking follow up actions regarding the same; (ii) the unpredictable timeline for obtaining the title documents for the Ningbo Properties; (iii) the price offered by Ms. Huang for acquiring our interests in the Ningbo Properties was reasonable and acceptable to our Group for the reasons described in the paragraph headed "*The Disposal was bona fide and the consideration for the Disposal was reasonable*" below; and (iv) Ms. Huang intended to use the Ningbo Properties for her own business which, upon completion of the government inspection and acceptance process, would not be affected even if the title documents for the Ningbo Properties could not be obtained, and she agreed not to hold us liable to her even if she subsequently fails to obtain the title documents for the Ningbo Properties, we decided to dispose of our interests in the Ningbo Properties to Ms. Huang.

The market value of the Ningbo Properties as at 30 September 2020, the basis of such valuation and the consideration is comparable to the market value of the Ningbo Properties as at 30 September 2020

We have engaged the Independent Valuer to evaluate the market value of the Ningbo Properties for our internal reference when assessing the offer price for the Ningbo Properties. According to the Independent Valuer, the market value of the Ningbo Properties as at 30 September 2020 was approximately RMB12.70 million (i.e. approximately RMB7,600 per sq.m.), which was determined with reference to the market price of similar properties in the Haishu District. In preparing the valuation, it was assumed that, among others, the Ningbo Properties are free of any encumbrances and the owner of the Ningbo Properties can freely dispose of them to purchaser(s). According to the Independent Valuer, the price of RMB7,600 per sq.m. was close to but slightly lower than the market price of similar properties in the Haishu District (i.e. approximately RMB7,900 per sq.m.) which is justified by the facts that the comparable properties are located in different and better location in the Haishu District. The nearest comparable commercial building in the Haishu District are located more than 2km away from the Ningbo Properties.

After commercial negotiation between our Group and Ms. Huang for around four months, the consideration offered by Ms. Huang was approximately RMB12.66 million. We considered such consideration was acceptable as it is comparable to market value of Ningbo Properties of approximately RMB12.70 million as at 30 September 2020 as appraised by the Independent Valuer. Therefore, we accepted the offer from Ms. Huang and disposed of our interests in the Ningbo Properties to Ms. Huang (the "**Disposal**") at a total consideration of approximately RMB12.66 million.

The Disposal was bona fide and the consideration for the Disposal was reasonable

Our Directors confirm that the Disposal was bona fide and the consideration for the Disposal was reasonable to our Group and Ms. Huang, as (1) there was commercial negotiation between our Group and Ms. Huang for the Disposal; and (2) the Disposal was settled genuinely by cash, the details of which are set out below:

(1) There was commercial negotiation between our Group and Ms. Huang for the Disposal

(i) the Disposal was initiated by Ms. Huang, an Independent Third Party, who approached our Group through the introduction of the property management company of the Ningbo Properties in May 2020 and expressed her interest in acquiring our interests in the Ningbo Properties. As advised by Ms. Huang at the time of the Disposal, she was looking for suitable commercial premises in Ningbo for her own business use;

(ii) we understood from Ms. Huang that (a) the location and layout of the Ningbo Properties as a whole were suitable for the business that she intends to conduct; (b) she was looking for connected commercial and office units and she was interested in acquiring the Ningbo Properties because of its characteristics including the location and layout of the Ningbo Properties. The Ningbo Properties comprise five connected commercial units on the ground floor and all six connected office units on the 11th floor of Cuiyuan Building, those units on the ground floor would be more convenient for business promotion. Cuiyuan Building is located close to the two major arterial roads of the Haishu District connecting other districts of Ningbo and enjoy good accessibility, and residential developments and communal facilities can be found in the vicinity of Cuiyuan Building; and Cuiyuan Building enjoys good accessibility; (c) there was limited supply of commercial units and office units with such characteristics in the area, and she was not aware of alternative choices of similar premises in the area that were available for sale. According to the Independent Valuer, (i) there was no other unit in Cuiyuan Building that was publicly offered for sale in 2019 and 2020; (ii) Cuiyuan Building is the only commercial building in the area; and (iii) the nearest comparable commercial building in the Haishu District are located more than 2km away from the Cuiyuan Building. Thus, the supply of commercial and office units in the area was limited at the time of the Disposal; and (d) she conducted some online research about the price of commercial properties when determining the offer price and she expected that the price of properties in Ningbo will grow;

(iii) as advised by Ms. Huang at the time of the Disposal, she intended to acquire the Ningbo Properties for her own business use, as opposed to short term property investment. As such, she was more concerned about the right of use of the Ningbo Properties, while whether the title documents are immediately available was not her major concern. As advised by our PRC Legal Advisers and confirmed by Customer Shicuiying and Zhongtian Construction, Ms. Huang was entitled to use the Ningbo Properties even before she obtains the title documents for the Ningbo Properties. While she understood the risks associated with acquiring properties without title documents, since she could use the properties before she obtains the title documents, she wished to acquire our interests in the Ningbo Properties notwithstanding they were sold without the title documents;

(iv) acknowledging that the Ningbo Properties would be sold without title documents, Ms. Huang asked for a deep discount to the price initially proposed by us (i.e. a price of over RMB10,000 per sq.m. which we proposed in contemplation that Ms. Huang would counter-offer a much lower price) and counter-offered a price of approximately RMB7,000 per sq.m.. After commercial negotiations between our Group and Ms. Huang for around four months, our Group and Ms. Huang finally reached a consensus to transfer our interests in the Ningbo Properties at a consideration of approximately RMB12.66 million (i.e. approximately RMB7,600 per sq.m.) which was close to the abovementioned price offered by Ms. Huang. We understood from Ms. Huang that she conducted some online research about the price of commercial properties when determining the offer price;

(v) we considered such consideration was acceptable as it is comparable to market value of Ningbo Properties of approximately RMB12.70 million as at 30 September 2020 as appraised by the Independent Valuer;

(vi) according to the Independent Valuer, property purchasers in the PRC might take into account some qualitative attributes when determining the price to offer for the properties that they are interested, such as (a) the supply of alternative premises with similar characteristics in the area; and (b) the expected potential growth in the price of the same type of properties in the area. Since (a) Ningbo Properties are located in an area with limited supply of commercial office units; (b) our Directors understood from Ms. Huang that she conducted some online research about the price of commercial properties and she expected that the price of properties in Ningbo will grow; (c) according to the Independent Valuer, the market value of the Ningbo Properties increased to approximately RMB13.30 million (i.e. approximately RMB8,000 per sq.m.) as at 30 April 2021; and (d) the valuation of the Ningbo Properties as at 30 September 2020 was prepared for our internal reference only, and we did not and were not obliged to provide the valuation report to Ms. Huang to assist her in assessing the reasonableness of the consideration for the acquisition of our interests in the Ningbo Properties, our Directors consider that it is reasonable for a purchaser to acquire our interests in the Ningbo Properties with a minimal discount, notwithstanding that the Ningbo Properties were sold without title documents;

(vii) according to the Independent Valuer, if a transfer of property is introduced through a property agent, the property agent would usually charge a property agency fee of around 2%-3% of the transfer price. As we negotiated directly with Ms. Huang for the transfer of our interests in the Ningbo Properties without the involvement of any property agent, Ms. Huang also saved the property agency fee for the transfer of our interests in the Ningbo Properties;

(viii) according to the Independent Valuer and the F&S Report, properties without title documents have been seen in the market in the PRC, and whether such properties would be sold at a discount to the price of the properties with title documents depend on the condition of and the demand for the property on a case-by-case basis as well as the commercial negotiation between the parties;

(ix) we had not obtained the title documents for the Ningbo Properties despite we had been continuously taking follow up actions regarding the same for over four years, we no longer need to use resources on such matter after the Disposal;

(x) it is not our principal business to hold investment properties, the Disposal enabled our Group to realise the Ningbo Properties for cash for the development of our constructions business;

(xi) during negotiation of the terms of the Transfer Agreement between our Group and Ms. Huang, Ms. Huang requested to include Customer Shicuiying as a party to the Transfer Agreement for her to follow up with the application for the title documents of the Ningbo Properties;

(2) The Disposal was settled genuinely by cash

(i) the full amount of the consideration of approximately RMB12.66 million was settled by cash through bank transfer from Ms. Huang to Zhongtian Construction in October 2020;

(ii) as confirmed by Ms. Huang and to the best knowledge of our Directors, Ms. Huang settled the full amount of the consideration using personal funds of herself and her family; and

(iii) our Company, our executive Directors and the senior management of our Group confirmed that, save as the Disposal, they and their connected persons had no relationship with Ms. Huang, and Ms. Huang was not financed by them or their connected persons to acquire the Ningbo Properties.

Furthermore, to the best knowledge of our Directors, the Ningbo Properties were occupied and have been put into use in February 2023.

The terms of the Transfer Agreement

Pursuant to a transfer agreement (the "**Transfer Agreement**") dated 23 October 2020 entered into among Zhongtian Construction, Customer Shicuiying and Ms. Huang, Zhongtian Construction transferred its interests in the Ningbo Properties to Ms. Huang at a consideration of approximately RMB12.7 million, resulting in a gain on disposal of investment properties of approximately RMB6.0 million. Under the Transfer Agreement, Customer Shicuiying undertook to complete the initial registration for the Ningbo Properties and assist Ms. Huang to comply with all the registration requirements imposed by the relevant regulatory bodies in order to obtain the title and ownership of the Ningbo Properties. Pursuant to the Transfer Agreement, Ms. Huang acknowledged that Customer Shicuiying had not completed the initial registration for the Ningbo Properties and Zhongtian Construction had not obtained the title documents for the Ningbo Properties, and Zhongtian Construction would not be liable to her if she subsequently fails to obtain the title documents for the Ningbo Properties (unless the failure was caused by our refusal to assist in the registration process). As advised by our PRC Legal Advisers, and as confirmed by Zhongtian Construction and Ms. Huang, in order for Ms. Huang to obtain the title documents for the Ningbo Properties, we are only required to provide assistance in relation to the administrative procedures for the transfer of the property rights and the application of the title documents. Ms. Huang had not requested us to provide any assistance regarding the Ningbo Properties since the Disposal and up to the Latest Practicable Date.

Our Directors consider that the Transfer Agreement was based on normal commercial terms for the following reasons:

(i) the terms of the Transfer Agreement was agreed based on arm's length negotiations with Ms. Huang. In particular, Ms. Huang requested to include Customer Shicuiying as a party to the Transfer Agreement for her to follow up with the application for the title documents of the Ningbo Properties. Please refer to the paragraph headed "The Disposal was bona fide and the consideration for the Disposal was reasonable" above for further details;

(ii) it is the obligation of Customer Shicuiying, the property developer, rather than Zhongtian Construction, to complete the initial registration and assist property owners in the process for obtaining the relevant title documents, and thus it is reasonable for Zhongtian Construction not to be liable for any future failure of Customer Shicuiying in complying with the Transfer Agreement, as it is beyond our control. As advised by our PRC Legal Advisers and confirmed by Zhongtian Construction and Ms. Huang, in order for Ms. Huang to obtain the title documents for the Ningbo Properties, Zhongtian Construction was only required to provide assistance in relation to the administrative procedures for the transfer of the property rights and the application of the title documents. Accordingly, and considering that Customer Shicuiying is already a party to the Transfer Agreement and undertook to complete the initial registration and assist Ms. Huang to comply with all the registration requirements imposed by the relevant regulatory bodies in order to obtain the title and ownership of the Ningbo Properties, our Directors are of the view that it is not unfair nor unfavourable to Ms. Huang to agree that Zhongtian Construction would not be liable to Ms. Huang if she subsequently fails to obtain the title documents for the Ningbo Properties (unless the failure was caused by our refusal to assist in the administrative procedures for the transfer of the property rights and the application of the title documents); and

(iii) Ms. Huang is entitled to claim liabilities for breach of contract by Customer Shicuiying if it failed to fulfil its obligation in relation to the title documents of the Ningbo Properties in accordance with the Sale and Purchase Agreements and Transfer Agreement.

According to Article 79 of the Contract Law of the PRC (which was in force on the date of the Transfer Agreement), the obligee may assign its contractual rights to a third party in whole or in part, except in the following situations: (i) the rights may not be assigned because of the nature of the contract; (ii) the parties have agreed that the rights may not be assigned; or (iii) the laws stipulate that the rights may not be assigned. As advised by our PRC Legal Advisers, given that (i) the Sale and Purchase Agreements are valid agreements, thus Zhongtian Construction was entitled to its right under the Sale and Purchase Agreements; (ii) no clause in the Sale and Purchase Agreements prohibited the assignment of the rights under it; (iii) the rights may be assigned according to the nature of the Sale and Purchase Agreement; and (iv) the assignment of the rights under the Sale and Purchase Agreements is not prohibited under the law though Zhongtian Construction was still in the course of applying for the title documents for the Ningbo Properties immediately before the transfer, Zhongtian Construction was entitled to transfer its interest in the Ningbo Properties to a third party. As advised by our PRC Legal Advisers, the Transfer Agreement is valid, legally binding and enforceable, and the transfer of our interests in the Ningbo Properties has been completed pursuant to the Transfer Agreement which was executed on 23 October 2020. The purchaser settled the full amount of the consideration in October 2020 using personal funds of herself and her family.

Customer Shicuiying is a party to the Transfer Agreement

Against the background of the transfer of the Ningbo Properties from Customer Shicuiying to us as described above and the legal proceedings between our Group and Customer Shicuiying as described in the paragraph headed "Business — Legal and regulatory — Legal proceedings" in this prospectus, the long-standing adversarial relationship between Customer Shicuiying and our Group, and the fact that our Group became interested in the Ningbo Properties as a creditor rather than a customer who pay to buy properties from Customer Shicuiying, Customer Shicuiying has not been very cooperative in assisting us in applying for the title documents for the Ningbo Properties. Considering the reasons for Customer Shicuiying to enter into the Transfer Agreement as described below, our Directors consider that Customer Shicuiying entered into the Transfer Agreement was not inconsistent with its historical behaviour.

To the best knowledge of our Directors, Customer Shicuiying agreed to enter into the Transfer Agreement because:

(i) Ms. Huang is a bona fide second-hand purchaser of the Ningbo Properties who has no involvement in the legal proceedings and disputes between our Group and Customer Shicuiying, while our Group is a creditor of Customer Shicuiying with long-standing adversarial relationship. The nature of the relationships are different. It would be reasonable for Customer Shicuiying as the property developer to agree to offer reasonable assistance to Ms. Huang and undertake to complete the initial registration for the Ningbo Properties and assist Ms. Huang to comply with all the registration requirements imposed by the relevant regulatory bodies in order to obtain the title and ownership of the Ningbo Properties, which is clearly the obligation of Customer Shicuiying as the property developer;

(ii) as confirmed by Customer Shicuiying, Customer Shicuiying was obliged to complete the initial registration of the Ningbo Properties pursuant to the Sale and Purchase Agreements entered into between Zhongtian Construction and Customer Shicuiying on 2 December 2016, it would not result in additional obligation on Customer Shicuiying by signing the Transfer Agreement;

(iii) as confirmed by Customer Shicuiying, having considered that Zhongtian Construction had been continuously taking follow-up actions regarding the title documents for the Ningbo Properties since 2016 and various representatives of Zhongtian Construction (including project manager, legal department and management of our Group) have been liaising with it from time to time, and Ms. Huang acknowledged the fact that the title documents of the Ningbo Properties have not been obtained, Customer Shicuiying was willing to assist in the transfer of our interests in the Ningbo Properties so as to reduce conflict with Zhongtian Construction. In light of the long-standing adversarial relationship between Customer Shicuiying and our Group, the Transfer Agreement would not result in additional obligations on Customer Shicuiying and the undertaking to Ms. Huang did not specify a deadline or timeline for performance, our Directors consider that it is understandable for Customer Shicuiying to agree to enter into the Transfer Agreement so it would no longer need to deal with our Group regarding the Ningbo Properties; and

(iv) the Ningbo Properties have been left vacant for over 4.5 years since Customer Shicuiying and Zhongtian Construction entered into the Sale and Purchase Agreements. Our Directors believe that it is not in the interest of Customer Shicuiying, in terms of its reputation as the property developer, to see the properties developed by it (especially the units on the ground floor) to be left vacant for years. Although the Transfer Agreement does not bring any direct monetary benefit to Customer Shicuiying, our Directors consider that it is understandable for a property developer to welcome a purchaser who indicated that she would like to commence business in the premises that had been left vacant for years, and thus sign the Transfer Agreement which contained the undertaking to facilitate the acquisition by Ms. Huang.

As we no longer hold any interest in the Ningbo Properties, it is not within our knowledge and control in relation to whether Customer Shicuiying had actually completed the initial registration and assisted Ms. Huang in her application for the title documents after the transfer of the interests in the Ningbo Properties.

Net Current Assets

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

	As at 31 December			As at 30 September	As at 31 January
	2019	**2020**	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*
Current assets					
Inventories	694	3,273	3,018	940	5,244
Trade, bills and other receivables	544,649	590,524	513,270	459,884	383,918
Contract assets	1,173,525	1,227,155	1,216,095	1,179,017	1,119,550
Amounts due from related companies	—	3,623	6,475	10,479	8,879
Amounts due from shareholders	3,894	12,542	9,260	2,847	7,863
Restricted bank deposits	27,467	26,156	18,429	9,966	11,645
Cash and cash equivalents	80,585	76,838	89,106	126,958	52,321
	1,830,814	1,940,111	1,855,653	1,790,091	1,589,420
Current liabilities					
Trade and bills payables	1,320,754	1,341,678	1,166,117	867,599	580,522
Accruals and other payables	185,387	254,243	302,800	382,345	455,566
Contract liabilities	29,128	37,178	24,976	50,086	29,083
Amounts due to related companies	8,267	586	4,833	5,021	8,451
Amounts due to shareholders	56,313	28,080	14,046	6,777	5,419
Amounts due to directors	5,328	1,870	253	462	866
Lease liabilities	533	467	28	191	—
Borrowings	75,984	65,620	66,895	138,966	137,305
Income tax payable	4,013	7,455	9,538	14,799	16,047
	1,685,707	1,737,177	1,589,486	1,466,246	1,233,259
Net current assets	145,107	202,934	266,167	323,845	356,161

Net current assets increased from approximately RMB145.1 million as at 31 December 2019 to approximately RMB202.9 million as at 31 December 2020 mainly due to the increase in contract assets and trade, bills and other receivables of approximately RMB53.6 million and RMB45.9 million, respectively, which was in line with the net profit of approximately RMB49.6 million generated in FY2020. The increase was partly offset by an increase in accruals and other payables of approximately RMB68.9 million. Our net current assets further increased from approximately RMB202.9 million as at 31 December 2020 to approximately RMB266.2 million as at 31 December 2021, primarily due to decrease in trade and bills payables by approximately RMB175.6 million, partially offset by the decrease in trade, bills and other receivables and contract assets by approximately RMB77.3 million and RMB11.1 million, respectively. Our net current assets continued to increase from approximately RMB266.2 million as at 31 December 2021 to approximately RMB323.8 million as at 30 September 2022, mainly due to increase in cash and cash equivalents by approximately RMB37.9 million. Our net current assets remained stable at approximately RMB356.2 million as at 31 January 2023.

Inventories

During the Track Record Period, our inventories are raw materials, mainly being steel, cement, concrete, and consumables which are used in our construction process. Due to the nature of our business, we keep low inventory levels for our operations. As such, inventory turnover days is not indicative of our operation status. The higher balance of inventory as at 31 December 2020, as compared to that as at 31 December 2019, was primarily due to the relatively higher level of raw materials, mainly steel, maintained by us, as at 31 December 2020, to support the construction of two projects, namely Liuyang Jiangwan School (Phase I)* (瀏陽江灣學校(一期)) project and Amusement and Intelligent Equipment R&D and Production Base Construction (Phase I)* (遊樂和智能裝備研發生產基地建設一期) project in the end of 2020. The balance dropped to approximately RMB0.9 million as at 30 September 2022 as such materials have been utilised.

Trade, bills and other receivables

The following table sets forth the breakdown of our trade, bills and other receivables as at the dates indicated:

	As at 31 December			As at 30 September
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables				
— related parties	43,304	76,304	36,060	13,763
— third parties	435,516	437,142	416,661	380,481
Trade receivables	478,820	513,446	452,721	394,244
Impairment provision for trade receivables	(5,875)	(8,760)	(8,335)	(7,757)
Trade receivables, net	472,945	504,686	444,386	386,487
Bills receivables	9,931	5,280	1,050	310
Impairment provision for bills receivables	(79)	(29)	(7)	(3)
Trade and bills receivables, net	482,797	509,937	445,429	386,794
Deposits and other receivables	66,421	64,086	56,001	56,789
Prepayment	1,341	25,284	18,453	23,717
Impairment provision for deposits and other receivables	(5,910)	(8,783)	(6,613)	(7,416)
Other receivables, prepayment and deposits, net	61,852	80,587	67,841	73,090
	544,649	590,524	513,270	459,884

Trade receivables

The trade receivables, representing outstanding balances due from our customers, increased slightly by approximately 7.2% from approximately RMB478.8 million as at 31 December 2019 to approximately RMB513.4 million as at 31 December 2020 mainly because a number of projects have completed their settlement audit during FY2020 such that a larger amount of contract assets was converted to trade receivables in FY2020, in particular, we have completed the settlement audit of Chunteng Village Third Phase* (春藤小鎮三期), which recorded a decrease in contract assets by approximately RMB57.6 million between 31 December 2019 and 31 December 2020, thus a larger amount of contract assets was converted to trade receivables. For FY2020, approximately RMB848.3 million contract assets were converted to trade receivables, as compared with approximately RMB685.8 million contract assets that were converted to trade receivables in FY2019.

The trade receivables decreased by approximately 11.8% to approximately RMB452.7 million as at 31 December 2021 and by 12.9% to approximately RMB394.2 million as at 30 September 2022 due to faster payment by our customers, including both third parties and related parties.

The trade receivables due from Zhongtian Holdings Group, our related parties, increased by approximately 76.2% from approximately RMB43.3 million as at 31 December 2019 to approximately RMB76.3 million as at 31 December 2020 because certain projects for related parties customers have either reached specific milestones for billing as stipulated in contract or completed their settlement audit during FY2020 such that large amount of contract assets due from related parties was converted to trade receivables in FY2020. In particular, for Zhongtian Lutai* (中天•麓台) project, Lai Yin Village* (萊茵小鎮) and Chunteng Mansion* (春藤公館) project, we recorded an aggregated trade receivables of approximately RMB14.6 million and RMB37.4 million as at 31 December 2019 and 31 December 2020, respectively. The trade receivables due from Zhongtian Holdings Group decreased from approximately RMB76.3 million as at 31 December 2020 to RMB36.1 million as at 31 December 2021 and RMB13.8 million as at 30 September 2022 due to repayment from the related parties. As at the Latest Practicable Date, approximately RMB3.3 million, or 24.1% of trade receivables due from related parties of RMB13.8 million as at 30 September 2022, has been subsequently settled.

Ageing analysis of trade receivables

As at 31 December 2019, 2020 and 2021 and as at 30 September 2022, the ageing analysis of trade receivables, based on invoice date, are as follows:

	As at 31 December			As at 30 September
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
0-90 days	292,387	255,683	220,150	187,723
91-180 days	30,126	67,563	61,210	33,046
181-365 days	61,854	69,243	61,851	57,339
1-2 years	51,798	73,909	66,818	81,550
2-3 years	15,849	17,855	16,265	13,735
Over 3 years	26,806	29,193	26,428	20,851
Trade receivables	478,820	513,446	452,721	394,244

The trade receivables aged over one year increased from approximately RMB94.5 million as at 31 December 2019 to RMB121.0 million as at 31 December 2020, which was mainly resulted from the long-aged trade receivables of three projects, namely (i) Sanya City Third Ring Road* (三亞市三環路) project due from Sanya Transportation Bureau* (三亞市交通運輸局), a Government-related Entity; and (ii) Sanya Summer Experience Plaza* (三亞夏日體驗廣場) project and Shuangdashanwu Bay Project surrounding Municipal Road Engineering Project* (雙大山湖灣專案周邊市政道路工程項目) which have, in aggregate, approximately RMB26.3 million of trade receivables aged over one year as at 31 December 2020. As at the Latest Practicable Date, all the trade receivables aged over one year as at 31 December 2020 due from the above three projects have been fully settled.

The ageing position of the trade receivables as at 31 December 2021 remained stable as compared to that as at 31 December 2020 as the percentages of trade receivables aged over one year as at 31 December 2020 and 31 December 2021 were approximately 23.6% and 24.2%, respectively. The trade receivables aged over one year slightly increased from approximately RMB109.5 million as at 31 December 2021 to approximately RMB116.1 million as at 30 September 2022 mainly because generally more trade receivables are settled towards the end of a year, thus the trade receivable aging position as at 31 December 2021 is better than the aging position as at 30 September 2022.

As at 31 December 2019, 2020 and 2021 and 30 September 2022, the ageing analysis of trade receivables, based on due dates and classified by types of debtors, and the amount of subsequent settlement of trade receivables as at 30 September 2022 up to the Latest Practicable Date, are as follows:-

	As at 31 December																		As at 30 September					
	2019						2020						2021						2022					
	Government-related Entities	Non-Government-related Entities	Total	Less: amount subsequently settled up to the Latest Practicable Date	Percentage of subsequent settlement up to the Latest Practicable Date	Remaining balances up to the Latest Practicable Date	Government-related Entities	Non-Government-related Entities	Total	Less: amount subsequently settled up to the Latest Practicable Date	Percentage of subsequent settlement up to the Latest Practicable Date	Remaining balances up to the Latest Practicable Date	Government-related Entities	Non-Government-related Entities	Total	Less: amount subsequently settled up to the Latest Practicable Date	Percentage of subsequent settlement up to the Latest Practicable Date	Remaining balances up to the Latest Practicable Date	Government-related Entities	Non-Government-related Entities	Total	Less: amount subsequently settled up to the Latest Practicable Date	Percentage of subsequent settlement up to the Latest Practicable Date	Remaining balances up to the Latest Practicable Date
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	%	*RMB'000*
Not past due	118,344	174,165	292,509	292,014	99.8%	495	90,100	163,636	253,736	238,643	94.1%	15,093	150,094	62,320	212,414	181,549	85.5%	30,865	139,711	89,334	229,045	138,865	60.6%	90,180
Within 90 days	28,323	1,989	30,312	30,312	100.0%	–	44,631	23,476	68,107	63,716	93.6%	4,391	38,812	22,522	61,334	50,694	82.7%	10,640	21,339	6,032	27,371	15,834	57.8%	11,537
91-180 days	12,934	14,723	27,657	27,657	100.0%	–	8,195	14,552	22,747	22,148	97.4%	599	38,991	38,362	77,353	56,019	72.4%	21,334	20,076	1,901	21,977	15,277	69.5%	6,700
181-365 days	37,898	20,322	58,220	58,220	100.0%	–	55,193	49,412	104,605	104,309	99.7%	296	36,984	43,434	80,418	69,805	86.8%	10,614	59,097	21,466	80,563	38,591	47.9%	41,972
1-2 years	22,879	14,222	37,101	37,101	100.0%	–	17,275	11,409	28,684	28,684	100.0%	–	1,293	992	2,285	1,710	74.8%	576	11,314	5,057	16,371	7,595	46.4%	8,776
2-3 years	2,560	5,464	8,024	8,024	100.0%	–	217	10,979	11,196	11,196	100.0%	–	77	926	1,003	471	47.0%	532	603	355	958	697	72.8%	261
Over 3 years	3,287	21,710	24,997	7,084	28.3%	17,913	959	23,412	24,371	6,458	26.5%	17,913	–	17,913	17,913	–	0.0%	17,913	–	17,959	17,959	46	0.3%	17,913
Trade receivables	226,225	252,595	478,820	460,412	96.2%	18,408	216,570	296,876	513,446	475,154	92.5%	38,292	266,251	186,469	452,721	360,248	79.6%	92,474	252,140	142,104	394,244	216,905	55.0%	177,339

The amount of trade receivables attributable to Government-related Entities was approximately RMB226.2 million, RMB216.6 million, RMB266.3 million and RMB252.1 million as at 31 December 2019, 2020, 2021 and 30 September 2022, respectively. The amount of trade receivables attributable to non-Government-related Entities was approximately RMB252.6 million, RMB296.9 million, RMB186.5 million and RMB142.1 million as at 31 December 2019, 2020, 2021 and 30 September 2022, respectively.

Our project periods generally range from approximately two months to three years, and depending on their scale and complexity of the projects, some projects may extend beyond three years. We generally grant credit terms of up to three months from the date of billing to our customers. As at 31 December 2019, 2020 and 2021 and 30 September 2022, a majority of our trade receivables was not past due or past due within 90 days. The amount of trade receivables that were past due over one year as at 31 December 2019, 2020 and 2021 and 30 September 2022 was approximately RMB70.1 million, RMB64.3 million, RMB21.2 million and RMB35.3 million, respectively, representing approximately 14.6%, 12.5%, 4.7%, and 9.0% of the total trade receivables as at 31 December 2019, 2020 and 2021 and 30 September 2022, respectively.

As at 31 December 2020, the trade receivables due from Customer Shicuiying and Customer V that were past due over one year in aggregate amounted to approximately RMB30.3 million and accounted for 47.2% of all trade receivables that were past due over one year. In April 2021, all the trade receivables due from Customer V have been fully settled after some properties of Customer V in the Tianjie Commercial City Plaza* (天傑商業城市廣場) were sold according to the relevant court procedures. The trade receivables due from Customer Shicuiying is pending court procedures for selling its properties for settlements as at the Latest Practicable Date. For details of the litigation with Customer Shicuiying, please refer to the section headed "Business — Legal and regulatory — Legal proceedings" in this prospectus and the paragraph headed "Trade, bills and other receivables — Ageing analysis of trade receivables — (viii) Specific circumstances of major long-outstanding trade receivables" in this section.

In FY2020, out of all the settlement of trade receivables from Government-related Entities, approximately 82.4% of them were in relation to trade receivables that aged within 90 days. While some of the trade receivables from Government-related Entities were settled within 90 days or shorter, for some Government-related Entities which require complex internal settlement procedures, it may take a longer time for them to settle trade receivables due, leading to the overall longer ageing pattern of these customers. For example, Sanya Transportation Bureau* (三亞市交通運輸局), a government entity in Hainan responsible for transportation infrastructure which engaged our Group for the Sanya City Third Ring Road* (三亞市三環路) project, had trade receivables of approximately RMB24.3 million that were past due over 90 days as at 31 December

2020, out of which approximately RMB24.3 million has been subsequently settled as at the Latest Practicable Date. This results in the long-aged-trade receivables of some Government-related Entities as at 31 December 2020.

Our trade receivables as at 31 December 2021 in general aged shorter than that as at 31 December 2020. The percentage of amount of trade receivables that were past due over one year to the aggregate amount of trade receivables dropped from approximately 12.5% as at 31 December 2020 to approximately 4.7% as at 31 December 2021, mainly due to the repayment of a substantial portion of our long-outstanding trade receivables from our customers. In particular, the trade receivables that aged over one year as at 31 December 2020 for the Tianjie Commercial City Plaza* (天傑商業城市廣場), Wenchang City Green Island Hotel* (文昌綠島酒店), Sanya City Third Ring Road* (三亞市三環路) project and Changde West New District Logistics Park and Exhibition Centre and related works* (常德市西城新區物流園會展中心及配套工程項目) of approximately RMB25.6 million have been settled by 31 December 2021.

In comparison of our ageing position with those of our industry peers, according to the F&S Report, approximately 33.0% of the trade receivables of our industry peers in the construction industry aged more than one year as at 31 December 2020 on average, while approximately 12.5% of our trade receivables aged more than one year as at 31 December 2020. Therefore, the overall ageing position of our trade receivables as at 31 December 2020 was better than that of our industry peers.

The amount of trade receivables that were past due one year increased from approximately RMB21.2 million as at 31 December 2021 to approximately RMB35.3 million as at 30 September 2022, mainly because generally more trade receivables are settled towards the end of a year, thus the trade receivable aging position as at 31 December 2021 is better than the aging position as at 30 September 2022.

Approximately RMB216.9 million or 55.0% of the trade receivables as at 30 September 2022 were subsequently settled up to the Latest Practicable Date, resulting in a net balance of approximately RMB177.3 million. The majority of the remaining trade receivables that were past due over one year represent the trade receivable due from Customer Shicuiying of approximately RMB17.9 million, which was pending court procedures for selling their properties for settlements, remained outstanding as at the Latest Practicable Date, representing approximately 66.5% of our trade receivables that were past due over one year and remained outstanding as at the Latest Practicable Date. For details of the amounts due from Customer Shicuiying, please refer to the section headed "Business — Legal and Regulatory — Legal proceedings" in this prospectus and the paragraph headed "Trade, bills and other receivables — Ageing analysis of trade receivables — (viii) Specific circumstances of major long-outstanding trade receivables" in this section.

The following tables set forth the details of our top five trade receivables that were past due over one year by project as at each of 31 December 2019, 2020 and 31 December 2021 and 30 September 2022:

As at 30 September 2022

Project name	Customer	Customer type	Project commencement date	Expected/actual project completion date	Revenue recognition in accordance with HKFRS 15					Billings in accordance with the terms of relevant contract including any subsequent agreement up to 30 September 2022 *(note 4)*		Total trade receivables outstanding as at 30 September 2022	Trade receivables that were past due over one year as at 30 September 2022 *(note 5)*	Amount and date of subsequent settlement up to the Latest Practicable Date
					Original contract sum (A) *(note 1)*	Accumulated amount of variation orders/ adjustments (B) *(notes 1, 2)*	Percentage of completion of the project (C) *(note 3)*	Accumulated value of work performed (i.e. revenue recognised) (D=(A+B)xC) *(notes 1, 3)*	Revenue recognised in 3Q2022 *(note 1)*	Progress billable percentage (E)	Accumulated progress amount billed (F=(DxE)) *(note 1)*			
					RMB'000	*RMB'000*		*RMB'000*	*RMB'000*		*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Ningbo Gaoqiao Town Changle Village Development* (寧波高橋鎮長樂村居住地塊)	Customer Shicuiying	Private enterprise	April 2013	January 2016	80,000	26,494	100%	106,494	—	100%	106,494	17,913	17,913 *(note 6)*	—
Hunan Chemical Vocational And Technical College Library and Exhibition Hall Project* (化工職業技術學院圖書館、展覽館專案)	Customer J	Government entity	January 2014	December 2018	59,569	680	100%	60,249	—	95%	57,237	7,443	4,412	—
Cheung Sha Greenland External Wall Insulation Project* (長沙綠地外牆保溫工程)	Customer K	Private enterprise	December 2014	September 2020	18,887	4,673	100%	23,560	—	95%	22,382	3,101	3,101	134 (December 2022)
Yanling County Chinese Medicine Hospital Relocation Project Phase I* (炎陵縣中醫院整體搬遷項目一期)	Customer L	Government entity	March 2017	December 2021	23,765	10,044	100%	33,809	23	95%	32,118	5,818	2,088	5,818 (November 2022–January 2023)
Huachen Yunxi Wan Phase I* (華晨 雲溪灣一期) *(note 7)*	Customer I	Private enterprise	not applicable	not applicable	not applicable	not applicable	not applicable	not applicable	not applicable	not applicable	not applicable	1,244	782	992 (November 2022–January 2023)

As at 31 December 2021

Project name	Customer	Customer type	Project commencement date	Expected/actual project completion date	Revenue recognition in accordance with HKFRS 15: Original contract sum (A) (note 1)	Accumulated amount of variation orders/ adjustments (B) (notes 1, 2)	Percentage of completion of the project (C) (note 3)	Accumulated value of work performed (i.e. revenue recognised) (D=(A+B)xC) (notes 1, 3)	Revenue recognised in FY2021 (note 1)	Billings in accordance with the terms of relevant contract including any subsequent agreement up to 31 December 2021 (note 4): Progress billable percentage (E)	Accumulated progress amount billed (F=(DxE)) (note 1)	Total trade receivables outstanding as at 31 December 2021	Trade receivables that were past due over one year as at 31 December 2021 (note 5)	Amount and date of subsequent settlement up to the Latest Practicable Date
					RMB'000	RMB'000		RMB'000	RMB'000		RMB'000	RMB'000	RMB'000	RMB'000
Ningbo Gaoqiao Town Changle Village Development* (寧波高橋鎮長樂村居住地塊)	Customer Shicuiying	Private enterprise	April 2013	January 2016	80,000	26,494	100%	106,494	—	100%	106,494	17,913	17,913 (*note 6*)	—
Sanya City Third Ring Road* (三亞市三環路)	Sanya Transportation Bureau* (三亞市交通運輸局)	Government entity	December 2016	December 2022	177,447	19,978	96%	188,742	8,132	80%	150,994	5,366	640	5,366 (January 2022)
Huachen Century Centre* (華晨世紀中心)	Customer H	Private Enterprise	October 2015	August 2018	53,653	1,765	100%	55,418	—	100%	55,418	554	554	554 (September 2022)
Tianhe Plaza Block 2* (天河廣場2棟) (*note 7*)	Customer I	Private Enterprise	not applicable	not applicable	not applicable	not applicable	not applicable	not applicable	not applicable	not applicable	not applicable	813	354	347 (January 2022– November 2022)
Toilet Revolution* (廁所革命)	Customer Group G	Government Entity	November 2018	December 2021	9,001	1,961	99%	10,834	—	75%	8,126	347	340	347 (December 2022)

As at 31 December 2020

Project name	Customer	Customer type	Project commencement date	Expected/actual project completion date	Revenue recognition in accordance with HKFRS 15					Billings in accordance with the terms of relevant contract including any subsequent agreement up to 31 December 2020 *(note 4)*		Total trade receivables outstanding as at 31 December 2020	Trade receivables that were past due over one year as at 31 December 2020 *(note 5)*	Amount and date of subsequent settlement up to the Latest Practicable Date
					Original contract sum (A) *(note 1)*	Accumulated amount of variation orders/ adjustments (B) *(notes 1, 2)*	Percentage of completion of the project (C) *(note 3)*	Accumulated value of work performed (i.e. revenue recognised) (D=(A+B)xC) *(notes 1, 3)*	Revenue recognised in FY2020 *(note 1)*	Progress billable percentage (E)	Accumulated progress amount billed (F=(DxE)) *(note 1)*			
					RMB'000	*RMB'000*		*RMB'000*	*RMB'000*		*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Ningbo Gaoqiao Town Changle Village Development* (寧波高橋鎮長樂村居住地塊)	Customer Shicuiying	Private enterprise	April 2013	January 2016	80,000	26,494	100%	106,494	—	100%	106,494	17,913	17,913 *(note 6)*	—
Tianjie Commercial City Plaza* (天傑商業城市廣場)	Customer V	Private enterprise	February 2015	March 2019	98,618	—	92%	90,816	106	85%	77,194	12,400	12,400	12,400 (April 2021)
Wenchang City Green Island Hotel* (文昌綠島酒店)	Wenchang Wenqiong Xingfa Trading Co., Ltd.* (文昌市文瓊興發貿易有限公司)	Private enterprise	April 2016	December 2021	97,051	—	76%	74,240	2,000	96%	71,270	11,309	9,331	11,309 (February 2021 –June 2022)
Sanya City Third Ring Road* (三亞市三環路)	Sanya Transportation Bureau* (三亞市交通運輸局)	Government entity	December 2016	December 2022	177,447	19,978	91%	180,610	19,268	80%	144,488	25,550	3,850	25,550 (January – November 2021)
Changde West New District Logistics Park and Exhibition Centre and related works* (常德市西城新區物流園會展中心及配套工程項目)	Changde Tianrun Land Development and Management Co., Ltd.* (常德市天潤土地開發經營有限公司)	State-owned enterprise	January 2018	March 2020	32,809	2,677	99%	34,960	115	70%	24,472	3,605	3,517	3,605 (March – November 2021)

As at 31 December 2019

Project name	Customer	Customer type	Project commencement date	Expected/actual project completion date	Revenue recognition in accordance with HKFRS 15: Original contract sum (A) (note 1)	Accumulated amount of variation orders/ adjustments (B) (notes 1, 2)	Percentage of completion of the project (C) (note 3)	Accumulated value of work performed (i.e. revenue recognised) (D=(A+B)xC) (notes 1, 3)	Revenue recognised in FY2019 (note 1)	Billings in accordance with the terms of relevant contract including any subsequent agreement up to 31 December 2019 (note 4): Progress billable percentage (E)	Accumulated progress amount billed (F=(DxE)) (note 1)	Total trade receivables outstanding as at 31 December 2019	Trade receivables that were past due over one year as at 31 December 2019 (note 5)	Amount and date of subsequent settlement up to the Latest Practicable Date
					RMB'000	RMB'000		RMB'000	RMB'000		RMB'000	RMB'000	RMB'000	RMB'000
Ningbo Gaoqiao Town Changle Village Development* (寧波高橋鎮長樂村居住地塊)	Customer Shicuiying	Private enterprise	April 2013	January 2016	80,000	26,494	100%	106,494	—	100%	106,494	17,913	17,913 (note 6)	—
Tulufan City Residential Development* (吐魯番住房工程)	Customer A	Government entity	September 2010	December 2016	64,013	13,460	100%	77,473	—	100%	77,473	16,815	16,815	16,815 (May 2020)
Tianjie Commercial City Plaza* (天傑商業城市廣場)	Customer V	Private enterprise	February 2015	March 2019	98,618	—	92%	90,710	297	85%	77,104	12,414	8,543	12,414 (April 2021)
Wenchang City Green Island Hotel* (文昌綠島酒店)	Wenchang Wenqiong Xingfa Trading Co., Ltd.* (文昌市文瓊興發貿易有限公司)	Private enterprise	April 2016	December 2021	97,051	—	74%	72,240	1,107	96%	69,350	9,331	5,448	9,331 (February 2021)
Hunan Chemical Vocational And Technical College Library and Exhibition Hall Project* (化工職業技術學院圖書館、展覽館專案)	Customer J	Government entity	January 2014	December 2018	59,569	—	93%	55,341	—	90%	49,807	3,748	3,551	3,748 (November 2020 – February 2021)

Notes:

1. The amounts do not include any VAT.

2. The amount represents the amounts of adjustment for VAT (if any) and adjustment or additional to the original contract sum as may be agreed between the parties to the original contract from time to time, and such variation orders may be in the form of supplemental agreements for additional construction works undertaken by us or modifications of the scope of work previously agreed in the original contracts.

3. Revenue from construction contract is recognised according to the percentage of completion of individual construction contract, which is measured by reference to the contract costs incurred as a proportion to the total budgeted costs.

4. Throughout the terms of the relevant construction contract, we bill our customers the amount of recognised revenue, multiplied by a billing percentage under the relevant milestone as stipulated in the relevant construction contract.

5. Trade receivable represents the contractual billing amount, deducted by amount settled by customers and adjusted for VAT elements in the trade receivables.

6. For details of the basis of the loss allowance on the trade receivables due from this debtor, please refer to page 464 of this prospectus.

7. Tianhe Plaza Block 2* (天河廣場2棟) and Huachen Yunxi Wan Phase I* (華晨雲溪灣一期) are contracts for the rental of construction equipment services to the customers.

Impairment provision for trade receivables and contract assets and the bases

We generally grant credit terms of up to three months to our customers. In determining the applicable credit terms, we perform credit evaluation on each customer with reference to various factors including our past business relationship with them, payment history, reputation, financial strength and our evaluation on their future operation risk. We generally do not obtain collateral from our customers over our trade receivable balances.

We are only entitled to bill and receive payments from our customers accordingly until the settlement audit for the completed work to which the payments are due in accordance with the relevant contract terms and the completion of internal approval procedures of our customers. As a large number of our customers are Government-related Entities who may require complex internal settlement procedures and generally takes more time to settle their trade payables according to the F&S Report, and therefore, there may exist a gap between the due date of payments by our customers and the date of our submission of progress billings.

Our Group recognises loss allowances for ECLs on trade receivables, contract assets and financial assets measured at amortised cost. As at 31 December 2019, 2020 and 2021 and 30 September 2022, we had provision for impairment loss on trade receivables amounting to RMB5.9

million, RMB8.8 million, RMB8.3 million and RMB7.8 million, representing 1.2%, 1.7%, 1.8% and 2.0% of the amount of our trade receivables, respectively. The overall ECL rates for the provision for impairment loss on trade and bill receivables and contract assets is approximately 0.6%, 0.9%, 1.0% and 1.1% as at 31 December 2019, 2020 and 2021 and 30 September 2022, respectively. As at 30 September 2022, our Group has approximately RMB35.3 million of trade receivables that were past due over one year. Our provision for impairment loss on these trade receivables amounted to approximately RMB1.8 million, represented approximately 9.0% of trade receivables that were past due over one year (i.e. approximately RMB35.3 million).

Our Group elected to measure loss allowances for trade receivables using HKFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. With the support of the valuation performed by the Independent Valuer, our Group has established a provision matrix that is based on our Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. The above ECL rates adopted by our Company are determined having considered that, among others, we have the priority of compensation to the proceeds from selling off or auctioning the underlying property projects for our contracted work in settling the debts owed (優先受償權) (the "**Priority of Compensation**") and the Independent Valuer has been engaged to assess the market value of the underlying properties corresponding to the account receivables. The Independent Valuer adopted provision matrix method to assess the ECL rates of trade receivables and contract assets of our Company in accordance with HKFRS 9. The above ECL rate for each year represented the average of the relevant credit loss rates for each ageing group, which was determined based on a number of parameters, including (i) analysis of historical credit loss rates within two to five years from the measurement date is adopted; (ii) a discount of 30% to be applied on the value of the underlying properties so as to arrive at a conservative estimation of the proceeds that could be recovered by our Company under Priority of Compensation; (iii) the assessed market values of the underlying properties corresponding to the trade receivables and contract assets and any potential shortfall of proceeds recovered from the outstanding contract assets and account receivables balance based on conservative estimation; and (iv) forward-looking adjustment based on the correlation between default rates and macro-economic factors (indicative overall market conditions).

On the basis that, among others, (i) the valuation methodology adopted was in accordance with HKFRS 9; (ii) historical credit loss rates within two to five years from the measurement date is adopted as the two to five years' period is typically the length of an economical cycle in the industry, and the two to five years' historical period provides the most relevant indication to the current and future state of credit risk of the trade receivables and contract assets; (iii) according to the Civil Code of the PRC (中華人民共和國民法典) promulgated by the NPC on 28 May 2020 and became effective on 1 January 2021, where the property developer does not make payments as agreed, the contractor may demand the property developer to make the said payments within a reasonable period of time. Where the property developer has not made the said payments within the said period of time, then except where it is not appropriate to conduct a sale at a depreciated price or an auction due to the nature of the construction project, the contractor may conclude an agreement with the developer to sell off the project, or may apply to the People's Court for the said project to be auctioned in accordance with the law. With respect to all monies received in selling off or auctioning the said project, priority shall be given to using the monies to make the relevant payments on the construction project. As advised by PRC Construction Legal Advisers, our Group has Priority of Compensation on the underlying property projects corresponding to the trade receivables and contract assets; (iv) the discount of 30% is considered as the haircut discount that would be involved to sell the properties to the potential buyer. The commonly observed ranged for the discount is generally around 20 to 30% and so 30% discount is adopted in this case for conservative measure; (v) forward-looking adjustments were incorporated to reflect the market condition for prudent sake; (vi) the Independent Valuer was engaged to perform the assessment which is in line with the market practice and (vii) analysis performed for each of the factors (i) to (v) below, our Directors considered the ECL rates are fair and reasonable and our provision for impairment loss on trade receivables and contract assets is sufficient. The details of the factors (i) to (v) are as follow:

In relation to all our customer categories:

(i) Latest development of trade receivables and contract assets as at the Latest Practicable Date

Approximately RMB216.9 million, representing 55.0% of the trade receivables as at 30 September 2022, was subsequently settled by the Latest Practicable Date. Out of the trade receivables that were past due over one year of approximately RMB35.3 million as at 30 September 2022, approximately RMB21.8 million were subsequently settled by the Latest Practicable Date. The majority of the remaining trade receivables that were past due over one year represent the trade receivable due from Customer Shicuiying of approximately RMB17.9 million, which was pending court procedures for selling their properties for settlements. Such trade receivable remained outstanding as at the Latest Practicable Date, representing approximately 66.5% of our trade receivables that were past due over one year and remained outstanding as at the Latest Practicable Date. The details of the legal proceedings with Customer Shicuiying are set out in the section headed "Business — Legal and regulatory — Legal proceedings" in this prospectus.

Approximately RMB157.8 million, representing 20.5% of the contract assets balance that aged over one year as at 30 September 2022, was subsequently billed by the Latest Practicable Date. For details of the subsequent billings of the contract assets, please refer to the paragraph headed "Contract assets and contract liabilities — Contract assets" in this section.

We carry out continuous assessment and monitor our debtors status from time to time. Based on our latest monitoring results from publicly available information and to the best knowledge of our Directors, all of our trade receivable and contract asset debtors as at 30 September 2022 were under normal operation status (i.e. not wound-up or dissolved, and having valid business licence, where applicable) as at the Latest Practicable Date, and none of them received any winding-up petition as at the Latest Practicable Date. Except for the legal proceedings with Customer Shicuiying, the details of which are set out in the section headed "Business — Legal and regulatory — Legal proceedings" in this prospectus, our Directors are not aware of any indication that any of our trade receivable and contract asset debtors as at 30 September 2022 were insolvent as at the Latest Practicable Date.

In relation to trade receivables and contract assets due from non-Government-related Entities:

(ii) Our entitlement to the Priority of Compensation and on-going legal proceedings

As advised by our PRC Construction Legal Advisers, pursuant to the Civil Code of the PRC (中華人民共和國民法典), promulgated by the NPC on 28 May 2020 and with effect from 1 January 2021, where the property developer has not made the payments to contractor within the reasonable period of time as requested by the contractor, the contractor may reach an agreement with the developer to sell off the project, or may apply to the People's Court of the PRC for the said project to be auctioned in accordance with the law, and the contractor shall have Priority of Compensation.

Having reviewed the relevant details of 24 major construction projects, the relevant trade receivables and contract assets of which representing 84.5% of the total trade receivables and contract assets due from non Government-related Entities as at 30 September 2022, our PRC Construction Legal Advisers advised that:

(1) we are either the sole main contractor or one of the contractors of these projects and (i) for projects that we were the sole main contractor, we solely have the Priority of Compensation in respect of these projects; while (ii) for project that we are one of the contractors, we have Priority of Compensation in pari passu of the other contractors of such project and we are entitled to the proceeds from selling off or auctioning the said project together with the other subcontractors proportional to the respective amount of debts owed by the developer;

(2) no other creditors have made any claim on the properties of these projects as at the Latest Practicable Date; and

(3) there is no legal impediment for our Group to transfer the interests in the underlying properties of these projects to willing and qualified buyers notwithstanding any incomplete legal title registration of the underlying properties of these projects, on the following bases: (a) according to Article 2 of the Provisions of the Supreme People's Court for the People's Courts to Seal up, Distrain and Freeze Properties in Civil Enforcement (2020 Amendment) (最高人民法院關於人民法院民事執行中查封、扣押、凍結財產的規定(2020修正)), the ownership of unregistered buildings and land use rights shall be determined based on the approval documents for land use rights and other relevant evidence, accordingly, our PRC Construction Legal Advisers advised that, although the property developer has yet to complete the legal title registration of the properties, the properties would still be owned by the property developer; and (b) according to Article 2 of the Notice of the Supreme People's Court on Forwarding the Letter on Issues Concerning Handling Property Ownership Registration for Residential Properties without Property Ownership Certificate in Accordance with Assistance Enforcement Document of the Ministry of Housing and Urban-Rural Development (最高人民法院關於轉發住房和城鄉建設部〈關於無證房產依據協助執行文書辦理產權登記有關問題的函〉的通知), even if the legal title of the construction project involved is registrable but the initial registration has not been completed, the fact that the initial registration has not been completed would not affect the auction or selling off of the construction project involved, and the transferee would be entitled to obtain the ownership of the construction project through the prescribed method of the legislation.

Our Group has engaged the Independent Valuer to perform estimation of the fair value of the underlying properties in respect of the 24 major construction projects that has been reviewed by our PRC Construction Legal Advisers. The weighted average "fair value-to-trade receivables and contract assets ratio" of these 24 construction projects is approximately 690%, and such ratio of the median project is approximately 568% as at 30 September 2022.

In April 2021, all the long-outstanding trade receivables and contract assets due from Customer V as at 31 December 2020 with an aggregated amount of approximately RMB26.2 million that were subject to the Priority of Compensation have been fully settled after some properties of Customer V in the Tianjie Commercial City Plaza* (天傑商業城市廣場) were sold according to the relevant court procedures. This demonstrated that we could successfully recover trade receivables and contract assets due from our customers in full according to the Priority of Compensation in respect of properties constructed by us for our customers.

In respect of the legal proceedings with Customer Shicuiying, we have Priority of Compensation with respect to monies received from selling off or auctioning of such properties as advised by our PRC Construction Legal Advisers. The properties of our relevant project with Customer Shicuiying are pending for disposal under the direction of the court for settling our trade receivables and contract assets.

In relation to the legal proceedings numbered two and three against two customers to recover the trade receivables and contracts assets due from them as set out in the section headed "Business — Legal and regulatory — Legal proceedings" in this prospectus, our PRC Construction Legal Advisers advised that we solely have the priority of compensation with respect to the relevant projects. Our Group has also engaged the Independent Valuer to perform estimation of the fair value of the underlying properties in respect of these legal proceedings. Based on such valuation, the properties are valued at approximately RMB20.6 million and RMB205.2 million respectively, representing 1.9 times and 6.9 times of the outstanding trade receivable and contract asset due from these customers as at 30 September 2022 respectively.

Except for the legal proceedings as set out in the section headed "Business — Legal and Regulatory — Legal Proceedings" in this prospectus and the dispute with Customer K as set out in the paragraph headed "(v) Specific circumstances of the major long-outstanding trade receivables" below, we had no material outstanding disputes or litigation with our trade receivable and contract asset debtors as at 30 September 2022.

In light of above, our Directors take the view that the credit risk of trade receivables and contract assets due from non-Government-related Entities is low and that our provision for impairment loss on trade receivables/contract asset due from these customers is sufficient.

In relation to trade receivables and contract assets due from Government-related Entities:

(iii) The Government-related Entities had minimal history of default

Our Government-related Entity customers in general have good creditability and had minimal history of default. Throughout the Track Record Period, none of our Group's trade receivables or contract assets debtors which were Government-related Entities had defaulted on their settlements of our Group's trade receivables or had dispute with our Group with regard to the trade receivables and contract assets balances recorded by our Group during the Track Record Period, except for the litigation with Changde Tianrun Land Development and Management Co., Ltd.* (常德市天潤土地開發經營有限公司) as set out in the section headed "Business Legal and Regulatory — Legal proceedings" in this prospectus, the litigations with Customer K as set out in the paragraph headed "(v) Specific circumstances of the major long-outstanding trade receivables" below and Customer S, a government entity, involving in a legal proceeding with us for outstanding settlement of construction service fees of approximately RMB1.1 million as at 31 December 2018, which were fully settled in September 2019.

Our Directors submit that (i) the disputed contract asset amount due from Customer S only accounted for approximately 0.2% of the aggregate of trade receivables and contract assets amounts due from all Government-related Entities of approximately RMB471.5 million as at 1 January 2019 and our Group fully recovered the outstanding amount and had no actual impairment loss; and (ii) the aggregate trade receivable and contract asset amount due from Changde Tianrun Land Development and Management Co., Ltd.* (常德市天潤土地開發經營有限公司) and Customer K was approximately RMB13.2 million, only accounted for approximately 1.44% of the aggregate of trade receivables and contract assets amounts due from all Government-related Entities of approximately RMB915.9 million as at 30 September 2022. In light of the above, our Directors are of the view that our Government-related Entity customers in general have good creditability.

The ECL rate for the provision for impairment loss on trade receivables and contract assets of Government-related Entities is approximately 0.6%, 0.8%, 0.9% and 1.1% as at 31 December 2019, 2020 and 2021 and 30 September 2022, respectively. Having considered the scale of operation, reputation and governmental background of our customers, the years of business relationship with them, and the minimal history of default as discussed above, our Directors consider that the provision for impairment loss on trade receivables and contract assets for Government-related Entities is sufficient.

(iv) Low credit risk for government projects

Pursuant to Article 22 of the Government Investment Regulation, government investment projects shall be fully funded in accordance with the relevant regulations. It also stipulates that advance payment by construction enterprise is not allowed in government investment projects. For the details of the Government Investment Regulation, please refer to the section headed "Regulatory Overview — Government Investment Regulation" in this prospectus. As advised by our PRC Legal Advisers, pursuant to "Interpretations on Issues relating to the Application of Laws in the Trial of Disputes over Construction Project Contracts" (關於審理建設工程施工合同糾紛案件適用法律問題的解釋), when no "advanced payment" is stipulated under the contract, the amounts due shall be treated as "construction debt". The PRC Legal Advisers are of the view that the amounts due from the Government-related Entities customers under the contract shall be treated as the "construction debt" rather than the "advance payment" and customers of our Group which are Government-related Entities comply with the Government Investment Regulation.

In light of the general expectation that the payment obligations for government projects will be honoured, our Directors take the view that the credit risk of trade receivables and contract assets in relation to our government projects that are owned by Government-related Entities is low.

For the details of the expected loss rate and loss allowance of trade and bills receivables, please also refer to note 38(b)(i) to the Accountants' Report set out in the Appendix I to this prospectus.

(v) Specific circumstances of the major long-outstanding trade receivables

The trade receivables due from the major debtors in terms of trade receivables that were past due over one year by project as at 30 September 2022 amounted to approximately RMB25.4 million, representing approximately 72.1% of the total trade receivables that were past due over one year as at 30 September 2022. The details of these major debtors in terms of trade receivables that were past due over one year as at 30 September 2022 are as follow:

Customer Name	Project Name	Trade receivables as at 30 September 2022	ECL loss allowance	Status of the underlying properties subject to settlement	Details of our Directors assessment on the sufficiency of our provision for impairment loss for each customer
Customer Shicuiying	Ningbo Gaoqiao Town Changle Village Development* (寧波高橋鎮長樂村居住地塊) project	Approximately RMB17.9 million, the entire amount being past due over one year	Approximately RMB0.9 million	Some properties at the relevant Ningbo Gaoqiao Town Changle Village Development* (寧波高橋鎮長樂村居住地塊) project were sealed up for the purpose of settlement of account receivables due from Customer Shicuiying and we are pending the court procedures for selling these properties for settlements	Pursuant to agreement after the court-led mediation, it was agreed that Zhongtian Construction is entitled to Priority of Compensation in respect of the properties constructed by Zhongtian Construction for Customer Shicuiying. Our PRC Construction Legal Advisers advised that (i) we are the sole main contractor of the Ningbo Gaoqiao Town Changle Village Development* (寧波高橋鎮長樂村居住地塊) project; (ii) no other creditor has made any claim on the Ningbo Gaoqiao Town Changle Village Development* (寧波高橋鎮長樂村居住地塊) project as at the Latest Practicable Date; (iii) we solely have the Priority of Compensation with respect to the Ningbo Gaoqiao Town Changle Village Development* (寧波高橋鎮長樂村居住地塊) project; and (iv) there is no legal impediment for our Group to transfer the interest to willing buyers notwithstanding the incomplete legal title registration of the underlying properties of the relevant project. The Bureau of Housing and Urban-Rural Development of Ningbo City* (寧波市住房和城鄉建設局) has sealed up the property rights over 151 car parking spaces and 27 properties held by Customer Shicuiying for the purpose of settling our trade receivables. As appraised by the Independent Valuer, the market value of the relevant underlying properties of this project as at 30 September 2022 was approximately RMB30.4 million. For details, please refer to the section headed "Business — Legal and regulatory — Legal proceedings" in this prospectus. In light of the Priority of Compensation, the fact that we have sealed up properties of Customer Shicuiying for settling the balance and the market value of the relevant underlying properties of Customer Shicuiying, our Directors consider that our provision for impairment loss on trade receivables due from Customer Shicuiying is sufficient.

Customer Name	Project Name	Trade receivables as at 30 September 2022	ECL loss allowance	Status of the underlying properties subject to settlement	Details of our Directors assessment on the sufficiency of our provision for impairment loss for each customer
Customer J	Hunan Chemical Vocational And Technical College Library and Exhibition Hall Project* (化工職業技術學院圖書館、展覽館專案)	Approximately RMB7.4 million, out of which approximately RMB4.4 million was past due over one year	Approximately RMB0.3 million	N/A	Customer J, a state-owned enterprise responsible for managing a higher education institute in Hunan, has been making repayments during the Track Record Period and it settled approximately nil, RMB3.6 million, RMB0.2 million, nil and nil, respectively, during each of FY2019, FY2020, FY2021, 3Q2022 and the period after the Track Record Period up to the Latest Practicable Date. In light of (i) the continuous repayment record during the Track Record Period; and (ii) its background as a state-owned enterprise established by the Hunan government, our Directors consider that our provision for impairment loss on trade receivables due from Customer J is sufficient.
Customer K	Cheung Sha Greenland related projects* (長沙綠地相關工程)	Approximately RMB3.1 million, the entire amount being past due over one year	Approximately RMB0.2 million	N/A	Customer K is principally engaged in, among others, property development in the PRC and is held as to 50% and 50% by a state-invested enterprise and a private enterprise, the parent companies of which are listed on the Shanghai Stock Exchange and Hong Kong Stock Exchange, respectively. Our Group had contractual dispute regarding construction service fees in relation to the amount of the construction service fees and the time of payment with this customer. In June 2022, Zhongtian Construction commenced three legal proceedings against Customer K in respect of Cheung Sha Greenland related projects* (長沙綠地相關工程), and the trial court ruled in October 2022 that Customer K is liable to pay, in aggregate, approximately RMB3.8 million plus interest of approximately RMB0.6 million to Zhongtian Construction plus other penalty. The above three legal proceedings are separate legal proceedings and each of them individually did not constitute material legal proceedings of our Group which would have a material adverse effect on our financial position. Such amounts remained outstanding as at the Latest Practicable Date In light of the results of the legal proceedings and considering the background of Customer K as a state-invested enterprise, our Directors consider that our provision for impairment loss on trade receivables due from Customer K is sufficient.

On the basis of each of the factors as assessed above and the valuation performed by the Independent Valuer on the ECL rates, our Directors considered, and the Reporting Accountants and the Sole Sponsor concurred, that the ECL allowances on our Group's trade receivables and contract assets have been adequately provided for at the end of each of the years/period comprising the Track Record Period.

Average trade and bills receivables turnover days

Average trade and bills receivables turnover days indicates the average time required for us to collect cash payments from trade and bills receivables. The table below sets out the average trade and bills receivables turnover days as at the dates indicated:

	FY2019	**FY2020**	**FY2021**	**3Q2022**
Average trade and bills receivables turnover days *(Note)*	76.9	103.9	97.3	85.1

Note: The calculation of average trade receivables turnover days is based on the average of the opening balance and closing balance of trade and bills receivables for the relevant year/period divided by revenue and multiplied by the number of days in the relevant year/period.

We had higher trade and bills receivables turnover day of 103.9 days for FY2020 when compared with that of FY2019 mainly because a number of projects have completed their settlement audit during FY2020, thus we were entitled to bill a larger amount of contract assets and our trade receivables as at 31 December 2020 were proportionately larger, leading to a higher trade and bills receivables turnover day for FY2020. For FY2020, approximately RMB848.3 million contract assets were converted to trade receivables, as compared with approximately RMB466.0 million and RMB685.8 million contract assets that were converted to trade receivables in FY2018 and FY2019.

We had lower trade and bills receivables turnover day of 97.3 days and 85.1 days for FY2021 and 3Q2022, respectively, when compared with that of 103.9 days for FY2020 as we recorded faster repayment of trade receivables from our customers in FY2021 and 3Q2022.

In order to manage our trade receivables and contract assets position going forward, we adopted the following customer credit assessment policy and trade receivables and contract assets monitoring policy and procedures to manage recoverability of our trade receivables and contract assets:

Customer credit assessment and trade receivables and contract assets control policy

Pursuant to our customer credit assessment policy, the responsible departments and our employees shall assess the credibility of the customers by performing credit investigation and understanding the background of the potential or existing customers.

We have formulated a number of internal control policies, which stipulate the regular review of the ageing of trade receivables and contract assets and relevant follow-up procedures. We designate a working group which is responsible for reminding customers of overdue or upcoming contract assets and collection of outstanding sum with an aim to clearing debts as a daily management mechanism. The working group comprises the general manager, the financial manager, the project department, and the responsible personnel of the cost and contract department of our Group.

Our Group monitors the ageing of our contract assets and trade receivables on a monthly basis. The project management team under our engineering department follows up and discusses the billing of contract assets and collection of trade receivables for receivables through telephone and emails, identify projects with the long outstanding contract assets and trade receivables and assesses the recoverability of outstanding sum for each project individually.

In particular, the key measures that our Group will take in relation to long outstanding sum from the customers based on the period of outstanding amount due are summarised as follows:

- the designated person shall formulate a follow-up plan on collection of trade receivables, communicate with the customer and carry out the collection work; and

- for outstanding amounts that aged significantly longer than expected, subject to the discussion among the general manager and the responsible personnel of the finance department and the engineering department, we may suspend or slow down the project construction to promote the customers to speed up the conversion and settlement process.

The project accountants are required to provide the cost and contract department with account receivable report on a monthly basis, which lists out details of the contract assets and trade receivables. The responsible person for settlement in the cost and contract department shall complete monthly debt settlement summary after communicating with each responsible person for debt collection.

For the debts that may not be recovered, the deputy general manager of the work safety, procurement and subcontracting department shall put forward the bad debt treatment requirements for approval by our management. In 3Q2022, we have been more proactive in expediting the receivable recovery process by taking legal actions against our debtors, therefore we had five material legal proceedings against our customers as at the Latest Practicable Date. For details of our legal proceedings, please refer to the section headed "Business — Legal and Regulatory — Legal proceedings" in this prospectus.

Our Directors are of the view that we have maintained an effective credit control policy and implemented effect measures to monitor and improve our liquidity and credit risks on the following bases:

- comprehensive credit investigation and information management system and credit management mechanism which enable effective and timely assessment of the customers' credibility and customised debt collection strategies in accordance with the credit assessment results;

- clear division of responsibilities between the finance department, project management team, cost and contract department and the designated credit working group; and

- detailed procedures for our staff to abide to, in particular, reporting mechanism by our cost and contract department and finance department, collection of data in relation to outstanding amount and tailored procedures for collection of outstanding amount according to the period of outstanding amount due.

Approximately RMB414.8 million, or 80.8% of our trade receivables outstanding as at 31 December 2020 was subsequently settled in FY2021. According to the F&S Report, in 2021, our industry peers in the construction industry generally received approximately 30% to 78% of the amount of their trade receivables outstanding as at 31 December 2020. Therefore, the subsequent settlement of our trade receivables outstanding as at 31 December 2020 was better than that experienced by our industry peers in 2021. As at the Latest Practicable Date, approximately RMB460.4 million, RMB475.2 million, RMB360.2 million and RMB216.9 million, or 96.2%, 92.5%, 79.6% and 55.0% of the trade receivables outstanding as at 31 December 2019, 2020 and 2021 and 30 September 2022, respectively, had been subsequently settled.

Other receivables, prepayments and deposits

Deposits and other receivables mainly represent the tender and performance guarantee due from our customers. The amount of tender deposits depends on the tender terms, contract value and relationship between our customers and us, which normally ranges from approximately 5% to 10% of the contract value (including tax). Balance of our deposits and other receivables were approximately RMB66.4 million as at 31 December 2019 and approximately RMB64.1 million as at 31 December 2020 and remained stable. It dropped to approximately RMB56.0 million as at 31 December 2021. Such decrease in FY2021 was mainly because more performance bonds were issued by our bank(s) to our customers for securing the due performance in our projects. The amount of performance bonds issued by our bank(s) as at 31 December 2019, 2020 and 2021 and 30 September 2022 and the Latest Practicable Date was approximately RMB20.5 million, RMB12.5 million, nil, RMB2.5 million and RMB2.5 million, respectively. As not all the projects required performance bonds to be issued by bank, there is no direct correlation between the amount of performance bonds and our Group's ending contract value of backlog. Balance of our deposits and other receivables remained stable at approximately RMB56.8 million as at 30 September 2022.

Prepayments mainly represent the prepayments made to suppliers of raw materials and subcontractors for our construction projects. Our prepayment amounted to approximately RMB1.3 million, RMB25.3 million and RMB18.5 million as at 31 December 2019, 2020 and 2021, respectively. Our prepayment as at 31 December 2020 increased as compared to that as at 31 December 2019 mainly because we had (i) prepaid project cost of approximately RMB17.3 million as at 31 December 2020 for the new Hainan Lixun Meilun Science and Technology Park* (海南力迅美倫科創園) project which was commenced in May 2020 to procure raw materials and devote sufficient resources at the request of Customer P in order to shorten project construction period; and (ii) prepaid Listing expenses of approximately RMB3.7 million as at 31 December 2020. Having considered that we had previously received approximately RMB51.9 million from Customer P as advance payment which was recorded in contract liabilities as at 31 December 2020, our Directors considered the arrangement is reasonable. Our prepayment as at 31 December 2021 decreased as compared to that as at 31 December 2020 mainly because the prepaid project cost for the Hainan Lixun Meilun Science and Technology Park* (海南力迅美倫科創園) project dropped from approximately RMB17.3 million as at 31 December 2020 to approximately RMB12.4 million as at 31 December 2021. Our prepayment increased to approximately RMB23.7 million mainly because of prepayment of approximately RMB11.4 million made to labour subcontractor companies for various projects.

Our impairment provision for deposits and other receivables amounted to approximately RMB5.9 million, RMB8.8 million, RMB6.6 million and RMB7.4 million as at 31 December 2019, 2020 and 2021 and 30 September 2022, respectively. The amount reflects the amount of deposits and other receivables and their recoverability.

The ECL assessment on the deposits and other receivables was performed using the probability-weighted loss default model under the general approach in accordance with HKFRS 9. Due to the nature of these receivables, there is no consistent and recurring history of default from the counterparties. The default probabilities for the deposits and other receivables were determined according to the credit rating of the counterparties, as determined by the Global Corporate Average Cumulative Default Rate (1981-2020) provided by S&P Global Fixed Income Research.

The impairment provision for the deposit and other receivables was relatively higher than that made for trade receivables and contract assets because the deposit and other receivables are unsecured and thus have higher credit exposure, whilst we are entitled to the Priority of Compensation in construction projects relating to the trading receivables and contract assets. The ECL for deposits and other receivables is derived from market research due to the lack of historical data on the individual line of receivables, while the ECL for trading receivables and contract assets is derived from historical aging and default patterns due to their operating nature.

Contract assets and contract liabilities

Contract assets

Contract assets represent our right to consideration for work completed at the reporting date on revenue related to the provision of construction services. Contract assets are recognised when our Group recognises revenue before being unconditionally entitled to consideration under the payment terms as set out in the contract (such as upon completion of settlement audit). Contract assets are transferred to receivables when the rights to the consideration has become unconditional which usually occurs when we bill the customers.

We recognise revenue over time with input method which is measured by the proportion of the actual costs incurred relative to the budgeted total construction costs as a percentage of the total contract value of the corresponding project. During the Track Record Period, there were no material differences between our budgeted costs and the actual costs incurred for our construction projects. Contract assets primarily relate to our 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 assess the volume of work that we have performed. Generally, during the performance of the construction works we are contractually entitled to make progress billing to our customers according to the construction schedule, based on a progress billable percentage, generally ranging from 70% to 85%, of the total value of the work performed as stipulated in the relevant construction contract (with exceptions as stated in the paragraph headed "Business — Our business operations — Operating process — Project implementation phase — Progress billing to customers" in this prospectus). Typically, qualified surveyors are engaged by our customers for, among others, confirming the progress of the construction work performed by our Group in the relevant project from time to time. The remaining unbilled portion of value of work performed is recognised as contract assets and will be reclassified as trade receivables and recovered from customers when it becomes unconditional for billing (other than the retention money which usually accounts for 3% to 5% of the final settlement value) upon the completion of the settlement audit. During the Track Record Period, the weighted average time required for us to complete the settlement audit and bill the balance of the final settlement value (excluding the 3% to 5% retention money) after completion of the project amounted to approximately 1.5 years.

According to the F&S Report, the percentage of performed work that can be billed to customers out of all work performed before settlement audit is comparable to those of our industry peers and our Group's billing process and the timing of billing were comparable to those of our industry peers on the basis that (i) payments for the construction services are generally made upon achieving key milestones set forth in the construction services contracts; and (ii) the industry peers are generally entitled to bill the customers 50% to 90% of the total amounts of the work performed during the performance of the construction works before the settlement audit.

According to the F&S Report, the prolonged settlement audit process is common in the construction industry in the PRC, and it was mainly due to, among other things, i) the detailed inspection by multiple responsible persons of different parties especially for large and complex projects or projects from state-owned enterprises; ii) extended negotiation for the final settlement, including the determination of the scope of work done and settlement of quality issues; iii) long internal approval process by customers especially for some Government-related Entities customers due to the involvement of multiple responsible persons of different parties; and (iv) some sizable and/or complex projects which require longer time for inspection.

Further, according to Hunan Engineering Management Society, endorsement of project progress certificate only involves ascertaining costs incurred at specific stages of a construction project and therefore the time required to complete the endorsement of project progress certificate is relatively short. On the other hand, settlement audit is generally time-consuming mainly because the volume of documents involved (e.g. construction contracts, construction commencement reports, tendering documents and inspection reports) and multiple rounds of negotiation between the construction company and its customers. The settlement audit requires the audit of the construction works of the whole project from commencement to completion and hence generally takes a relatively long time to complete. Settlement audit generally takes six months or up to three years to complete. Such process may be further prolonged to more than five years under special circumstances, such as repeated change of personnel of the customer.

According to the F&S Report, the relatively long turnover days of trade receivables and of contract assets is common in the construction industry in the PRC, especially for some Government-related Entities customers and sizable projects, the settlement audit generally will take a long time.

During the Track Record Period, we experienced a longer settlement period for some Government-related Entities customers especially for certain major projects. In particular:

(i) we encountered more complicated internal processes for Government-related Entities customers, which required multiple rounds of negotiations to determine the final settlement. The internal approval procedure of the customers was time-consuming in general and usually took around two years to complete the entire settlement process. In particular, our Group's settlement audit process of Yueyang Wangjia River Improvement Work* (岳陽王家河治理工程) project coincided with the customer's internal personnel change in the person in charge of the project, which further delayed the completion of the settlement audit process for more than three years;

(ii) for some sizable and complex projects with long project duration, it would generally take a longer time for inspection and confirmation of the scope of work done of the whole project than less sizable project, and completion of settlement audit (i.e. longer than the industry practice of two years). For example, for Wenzhou City-round Expressway Resettlement Housing in Lucheng Section Phase One and Two* (溫州繞城高速鹿城段安置房一、二期建安工程) project with contract sum (exclude VAT) of approximately RMB161.8 million, the project duration was more than seven years due to several adjustments on the design and demolishment which delayed the construction schedule and it took another three more years to complete the settlement audit;

(iii) for some projects with multiple variation orders, it would also take a longer time from the completion of the project up to the settlement audit; and

(iv) in some of our projects undertaken before the Track Record Period, our Group was only involved in part of the project, such as foundation work while the settlement audit would be performed only after the completion of whole project. As our Group has no control over the construction timing of the other parts of the project, there may be a significant delay in the settlement audit for these projects.

Therefore, despite the representatives of the qualified surveyors station at the construction sites and closely monitor the project progress, we have a longer settlement audit period (i.e. weighted average settlement period of 1.5 years for the Track Record Period) than the industry peers, which generally took around several months or up to one year to complete the settlement audit.

Our Directors acknowledged the prolonged settlement of certain of our projects (which had taken more than three years in some extreme cases) and endeavoured to shorten the settlement period of the completed projects during the Track Record Period. We have adopted an internal control policy on the settlement audit since 2020, our cost and contract department will designate employees to follow up on the progress of the settlement audit for the completed projects together with the project management team. As a result, the number of projects having completed settlement audit increased from 43 in FY2019 and 50 in FY2020 to 72 in FY2021. To the best knowledge of our Directors, save for the legal proceeding with Customer V, details of which are set out in the paragraph headed "Trade, bills and other receivables — Ageing analysis of trade receivables — (iv) Our entitlement to the Priority of Compensation and on-going legal proceedings" in this section, and the legal proceedings regarding construction service fees, details of which are disclosed in the section headed "Business — Legal and Regulatory — Legal proceedings" in this prospectus, there was no material dispute (i.e. legal proceeding or complaint filed by the customers) between us and our customers during the Track Record Period, with regards to settlement audit.

The retention money are billed by instalments during the warranty period or in full at the end of such period, which usually takes another one to two years from the acceptance of the completion of the construction, depending on the type of construction service provided. For details of the payment term of our typical construction contracts, please refer to the section headed "Business — Our business operations — Operation process — Project implementation phase — Contract signing" in this prospectus.

The following table sets forth the breakdown of contract assets as at the dates indicated:

	As at 31 December			As at 30 September
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contract assets arising from construction services	1,178,098	1,233,915	1,224,216	1,188,912
Loss allowance provision	(4,573)	(6,760)	(8,121)	(9,895)
Net contract assets	1,173,525	1,227,155	1,216,095	1,179,017

Our contract assets increased by RMB53.6 million or 4.6% from RMB1,173.5 million as at 31 December 2019 to RMB1,227.2 million as at 31 December 2020. Our contract assets decreased by RMB11.1 million to RMB1,216.1 million and RMB1,179.0 million as at 31 December 2021 and 30 September 2022 respectively.

The increase in contract asset between 31 December 2019 and 31 December 2020 was primarily because of (i) an increase in our business volume from FY2019 to FY2020; and (ii) the difference between the amounts of work performed and the amounts billed to customers during the performance of the construction works, which is to be recognised as contract assets. As the duration of some of our construction projects lasts for more than four years, our contract assets accumulated. In particular, as the work of our largest on-going project in terms of revenue recognised during the Track Record Period, i.e. Dongfang Xin'an Homeland (Phase II)* (東方市新安家園 (二期)) project, commenced in 2016 and continued throughout the Track Record Period, the contract assets accumulated and increased from approximately RMB140.5 million as at 31 December 2019 to RMB156.0 million and RMB161.0 million as at 31 December 2020 and 2021 respectively. Such balance (other than the retention money which represents 5% of the final settlement value) will only become unconditional for billing after completion of the project (expected to be completed in the fourth quarter of 2023) and upon the completion of the settlement audit. In addition, the new Hainan Lixun Meilun Science and Technology Park* (海南力迅美倫科學園) project was commenced in May 2020 and the contract assets amounted to RMB48.1 million as at 31 December 2020.

Our contract asset decreased to RMB1,216.1 million and RMB1,179.0 million as at 31 December 2021 and 30 September 2022, mainly because of our efforts to follow up on the progress of the settlement audit. We have adopted an internal control policy on the settlement audit since 2020, our cost and contract department will designate employees to follow up on the progress of the settlement audit for the completed projects together with the project management team to shorten the settlement period. As a result, the number of projects having completed settlement audit increased from 43 in FY2019 to 50 and 72 in FY2020 and FY2021. We converted approximately RMB848.3 million and RMB724.3 million of contract assets into trade receivables for FY2020 and FY2021, respectively. For 3Q2022, we have completed settlement audit for 26 projects, and converted approximately RMB87.1 million of contract assets into trade receivables. In addition, we received significant prepayments of approximately RMB89.0 million in total for two major projects, namely Dongfang Xin'an Homeland (Phase II)* (東方市新安家園(二期)) and Sanya City Third Ring Road* (三亞市三環路), which contributed to the decrease in contract assets as at 30 September 2022. The construction works of Dongfang Xin'an Homeland (Phase II)* (東方市新安家園(二期)) project were slowed down in FY2021 pending the clearance of certain parts of the construction site by the relevant government authority. The works on Sanya City Third Ring Road* (三亞市三環路) project were also postponed due to the delay in the clearance of certain parts of the construction site. The works on these two major projects resumed during 3Q2022 and our customers paid for such prepayments after our mutual negotiation with the respective customers.

Our contract assets include retention money of approximately RMB22.8 million, RMB58.0 million, RMB48.5 million and RMB108.4 million as at 31 December 2019, 2020 and 2021 and 30 September 2022, respectively. Retention money is retained by our customers at a rate of approximately 3% to 5% of the contract value (including tax).

Ageing analysis of contract assets

As at December 2019, 2020 and 2021 and 30 September 2022, the ageing analysis of contract assets based on recognition date and classified by types of debtors, and the subsequent billing of contract assets based on recognition date basis up to the Latest Practicable Date, are as follows:-

	As at 31 December															As at 30 September				
	2019					2020					2021					2022				
	Government-related Entities	Non-Government-related Entities	Total	Less: amount subsequently billed up to the Latest Practicable Date	Remaining balances up to the Latest Practicable Date	Government-related Entities	Non-Government-related Entities	Total	Less: amount subsequently billed up to the Latest Practicable Date	Remaining balances up to the Latest Practicable Date	Government-related Entities	Non-Government-related Entities	Total	Less: amount subsequently billed up to the Latest Practicable Date	Remaining balances up to the Latest Practicable Date	Government-related Entities	Non-Government-related Entities	Total	Less: amount subsequently billed up to the Latest Practicable Date	Remaining balances up to the Latest Practicable Date
				(Note)					(Note)					(Note)					(Note)	
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Within 180 days	235,165	139,797	374,962	268,643	106,319	139,649	163,862	303,511	173,894	129,617	139,272	115,032	254,304	105,466	148,838	137,480	95,510	232,990	29,348	203,642
181–365 days	87,465	70,778	158,243	117,089	41,154	90,203	75,753	165,956	89,055	76,901	78,756	64,933	143,689	40,685	103,004	129,497	57,556	187,053	43,712	143,341
1–2 years	141,282	156,152	297,434	251,850	45,584	220,106	134,600	354,706	241,292	113,414	187,952	129,224	317,176	132,260	184,916	166,412	161,917	328,329	62,838	265,491
2–3 years	78,097	79,009	157,106	143,732	13,374	102,119	83,443	185,562	137,041	48,521	120,294	109,335	229,629	106,827	122,802	138,026	100,028	238,054	56,123	181,931
3-4 years	69,658	35,818	105,476	98,116	7,360	49,639	65,375	115,014	104,307	10,707	57,366	80,043	137,409	84,221	53,188	43,272	77,999	121,271	22,019	99,252
Over 4 years	57,665	27,211	84,876	76,302	8,574	67,926	41,240	109,166	95,511	13,655	54,890	87,119	142,009	102,914	39,095	49,101	32,114	81,215	16,777	64,438
	669,332	508,765	1,178,097	955,732	222,365	669,642	564,273	1,233,915	841,100	392,815	638,530	585,686	1,224,216	572,373	651,843	663,788	525,124	1,188,912	230,817	958,095

Note:

According to HKFRS 15, if a customer pays consideration, before the entity transfers a good or service to the customer (i.e. payment in excess of billing amount, or a prepayment), the entity shall present the contract as a contract liability when the payment is made. The contract asset or contract liability positions are determined for each contract on a net basis. Accordingly, the prepayments from customers are netted-off against contract assets for the same contract. Such prepayments from customers are reflected in the above ageing analysis and netted off against contract assets for the same contract in the chronological order of the recognition of contract asset amount.

During the next period(s) after the prepayments were received, when we continue to bill our customers, prepayments received in the prior periods will be "utilised". The "utilised" prepayments will no longer be reflected as net off against contract assets for the current period. Thus there may be circumstances that the amount of contract assets with certain "age" in the current period is larger than the amount of contract assets with the corresponding "age" in the prior period. For example, in the above ageing analysis, the amount of contract assets as at 31 December 2020 that aged between two to three years after deducting subsequent billing was approximately RMB48.5 million, which is larger than the amount of contract assets as at 31 December 2019 that aged between one to two years after deducting subsequent billing of approximately RMB45.6 million.

The aggregate amount of contract assets for a single construction project generally represents one single payment obligation only. The contract assets are not past due. Therefore, the above ageing analysis is for illustrative purpose only.

Our Directors considered the ageing analysis of our Group's contract assets prepared based on recognition date could reflect the duration of our construction projects and the period in which the underlying construction works were performed, which is useful for indicating the contract assets recognised in each of the time-bands.

The following analysis of the changes in the ageing pattern of our Group's contract assets and subsequent billing is based on information prepared on recognition date basis.

The aggregate amount of contract assets for a project generally represents one single payment obligation only. The contract assets are not past due. In the ageing analysis of contract assets on recognition date basis, contract asset is classified according to the period in which the corresponding revenue was recognised. Generally, during the performance of the construction works the progress billable percentage at which we are contractually entitled to bill our customers generally ranges from 70% to 85% of the total value of the work performed (with exceptions as stated in the paragraph headed "Business — Our business operations — Operating process — Project implementation phase — Progress billing to customers" in this prospectus). The remaining unbilled portion of value of work performed, will be billed when it becomes unconditional for billing (other than the retention money which usually accounts for 3% to 5% of the final settlement value) upon the completion of the settlement audit. In the ageing analysis of contract assets on recognition date basis, a contract asset recognised in early year will be classified in that period unless it becomes unconditional for billing, generally before or upon the completion of the settlement audit.

Due to the size and complexity of our projects, our major projects generally take three years or more to complete, and our weighted average settlement period was 1.5 years for all projects during the Track Record Period. Therefore, it may take many years from the commencement of a project until the completion of settlement audit when we are entitled to bill most of the settlement value of a project, even though the project may not experience any delay in billing. Therefore, we have long-aged contract assets, with approximately 54.7%, 62.0%, 67.5% and 64.7% of our contract assets aged over one year based on recognition date basis as at 31 December 2019, 2020, 2021 and 30 September 2022 respectively.

The ageing of contract assets based on recognition date basis as at 31 December 2021 generally aged longer than those as at 31 December 2019 and 2020, as the contract assets that aged over one year increased from approximately RMB644.9 million and RMB764.4 million as at 31 December 2019 and 2020 to approximately RMB826.2 million as at 31 December 2021 mainly because of the long project duration of major on-going projects such as Dongfang Xin'an Homeland (Phase II)* (東方市新安家園(二期)) project and the Sanya City Third Ring Road* (三亞市三環路) project. The contract assets that aged over one year as at 31 December 2021 for these two projects amounted to approximately RMB198.0 million, accounting for 24.0% of all contract assets that aged over one year as at 31 December 2021.

The ageing of contract assets improved as at 30 September 2022 with the contract assets that aged over one year as at 30 September 2022 dropped to approximately RMB768.9 million, as we received significant prepayments of approximately RMB89.0 million in total for the above two major projects. The construction works of Dongfang Xin'an Homeland (Phase II)* (東方市新安家園(二期)) project were slowed down in FY2021 pending the clearance of certain parts of the construction site by the relevant government authority. The works on Sanya City Third Ring Road* (三亞市三環路) project were also postponed due to the delay in the clearance of certain parts of the construction site. The works on these two major projects resumed during 3Q2022 and our customers paid for such prepayments which lowered the contract assets after our mutual negotiation with the respective customers.

Approximately RMB955.7 million, RMB841.1 million, RMB572.4 million and RMB230.8 million, or 81.1%, 68.2%, 46.8% and 19.4% of our contract assets as at 31 December 2019, 2020 and 2021 and 30 September 2022 were subsequently transferred to trade receivables upon billing up to the Latest Practicable Date, respectively, resulting in a net balance of approximately RMB222.4 million, RMB392.8 million, RMB651.8 million and RMB948.1 million, respectively.

To have a more detailed understanding on the long outstanding contract assets, set out below is the breakdown of contract assets aged over one year as at 30 September 2022 and classified by status of projects with the subsequent billing up to the Latest Practicable Date:

	Contract asset that aged over one year as at 30 September 2022	**Subsequent billing up to the Latest Practicable Date**	**Remaining balances up to the Latest Practicable Date**
	RMB'000	*RMB'000*	*RMB'000*
Projects that have completed settlement audit during the Track Record Period . . .	37,172	2,237	34,935
Projects that have not completed settlement audit during the Track Record Period . . .	731,697	155,520	576,177
	768,869	157,757	611,112

(i) Projects that have completed settlement audit as at the Latest Practicable Date

For projects that have completed settlement audit during the Track Record Period, contract assets that aged over one year as at 30 September 2022 amounted to approximately RMB37.2 million, which principally included retention receivables of approximately RMB33.7 million which is kept as contract assets until the end of the warranty period as our entitlement to bill and receive such sum from our customers is subject to the expiry of the warranty period and our work satisfactorily passing the inspection. As most of the contract assets of these projects are retention receivables which are kept as contract assets until the end of the warranty period, the subsequent billing up to the Latest Practicable Date was not significant and amounted to only approximately RMB2.0 million.

(ii) Projects that have not completed settlement audit during the Track Record Period

For projects that have not completed settlement audit during the Track Record Period (including on-going projects and completed projects), contract assets that aged over one year as at 30 September 2022 amounted to approximately RMB731.7 million, representing 95.2% of total of contract assets that aged over one year as at 30 September 2022. Up to the Latest Practicable Date, approximately RMB155.5 million of these contract assets were subsequently billed, with remaining balances of approximately RMB576.2 million.

For projects engaged by Government-related Entities, the contract assets that aged over one year as at 30 September 2022 that have not completed settlement audit during the Track Record Period of approximately RMB381.0 million, approximately RMB328.1 million of the contract assets as at 30 September 2022 remained unbilled as at the Latest Practicable Date because these projects were either on-going, or the settlement audit for Government-related Entities generally involved more complicated internal processes of the customer, which generally takes a longer time to complete settlement audit and for us to convert the corresponding contract assets balance into trade receivables.

The relatively slow conversion of contract assets to trade receivables was due to the size and complexity of our projects, and typically we are entitled to bill up to 70% to 85% of the total value of the work performed during the project implementation phase while the remaining can only be billed upon the completion of construction and settlement audit and the expiry of warranty period. Our major projects generally take three years or more to complete, and our weighted average settlement period was 1.5 years for all projects during the Track Record Period. Therefore, it may take many years from the commencement of a project until the completion of settlement audit when we are entitled to bill most of the settlement value of a project, even though the project may not experience any delay in billing. According to F&S, it is an industry norm that the construction companies may have slow billing progress of contract assets.

For example, for Dongfang Xin'an Homeland (Phase II)* (東方市新安家園(二期)) project, one of our largest on-going construction projects in terms of total revenue recognised during the Track Record Period, we were only entitled to bill up to 70% of the total value of the work performed during project implementation phase. As a result, up to 30% of the total value of the work performed for such project has to be accounted for as contract assets before completing the settlement audit. The remaining contract assets from Dongfang Xin'an Homeland (Phase II)* (東方市新安家園(二期)) project that aged over one year as at 30 September 2022 amounted to approximately RMB92.1 million, and accounted for 12.0% of contract assets that aged over one year as at 30 September 2022 of approximately RMB768.9 million.

The same applies equally to our construction projects that are engaged by Government-related Entities. For example, the contracts of Sanya City Third Ring Road* (三亞市三環路) project provide that, during the project implementation phase, their progress amount are billable monthly on the progress billable percentage of 80% of the total value of the work performed. The remaining contract assets from the aforesaid project that aged over one year as at 30 September 2022 amounted to approximately RMB19.6 million.

Based on the above, our Directors considered that, as (i) the prolonged settlement audit process for Government-related Entities for completed projects; (ii) no dispute was noted between us and the relevant customer in relation to settlement audit; and (iii) the relatively slow conversion of contract assets for on-going projects was due to the structure of the payment terms and prescribed milestones stipulated in the relevant contracts which we are contractually obliged to bill only when achieving the milestone or completion of the acceptance and settlement procedures, the loss allowance provided against the contract assets was reasonable.

The following tables set forth the details of our top five contract assets arising from construction services by project as at each of 31 December 2019, 2020 and 2021 and 30 September 2022:

As at 30 September 2022

						Revenue recognition in accordance with HKFRS 15				Billing in accordance with the relevant contract including any subsequent agreement up to 30 September 2022 *(note 4)*						
Project name	Customer	Project commencement date	Expected/actual project completion date	Progress billable percentage during the construction phrase	Progress billable percentage in the project completion and settlement phase	Original contract sum (A) *(note 1)*	Accumulated amount of variation orders/ adjustments (B) *(notes 1, 2)*	Percentage of completion (C) *(note 3)*	Accumulated value of work performed (i.e. accumulated revenue recognised) (D=(A+B)xC) *(notes 1, 3)*	Progress billable percentage as at 30 September 2022 (E)	Accumulated progress amount billed (F=(DxE)) *(note 1)*	Amount of contract assets offset by prepayment made by customer up to 30 September 2022 (G) *(note 1)*	Contract assets (excluding VAT) as at 30 September 2022 (H=D-F-G) *(notes 1, 5)*	VAT in contract assets (I)	Contract assets (J=H+I) *(note 5)*	Amount and date of subsequent billing of contract assets up to the Latest Practicable Date
						RMB'000	*RMB'000*		*RMB'000*		*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Dongfang Xin'an Homeland (Phase II)* (東方市新安家園(二期))	Oriental Shouchuang Xingda Investment Co., Ltd.* (東方首創興達投資有限公司)	January 2016	October 2023	We are entitled to bill up to 70% of the total value of the work performed on a quarterly basis during project implementation	Remaining 25% of the final settlement value billable 5% as retention money	708,655	–	75%	533,278	70%	373,295	67,812	92,172	4,800	96,971	11,955 (January 2023)
Zhongtian Lutai* (中天•麓台)	Zhongtian Holdings Group	October 2020	June 2024	We are entitled to bill up to 85% of the total value of the work performed on a monthly basis during project implementation	Remaining 12% of the final settlement value billable 3% as retention money	611,102	–	84%	514,711	85%	437,504	13,111	64,096	6,949	71,044	7,827 (December 2022)
Tongdao County Sports Stadium* (通道縣體育館)	Customer U	July 2017	December 2023	We are entitled to bill up to 75% of the total value of the work performed on a monthly basis during project implementation	Remaining 20% of the final settlement value billable 5% as retention money	155,340	–	99%	153,692	75%	115,269	–	38,423	1,153	39,576	757 (December 2022)
Sanya City Third Ring Road* (三亞市三環路)	Sanya Transportation Bureau* (三亞市交通運輸局)	December 2016	December 2023	We are entitled to bill up to 80% of the total value of the work performed on a monthly basis during project implementation	Remaining 15% of the final settlement value billable 5% as retention money	177,447	110,042	86%	246,944	80%	197,555	21,089	28,299	4,750	33,049	–
Zhongyuan Guosheng Plaza Phase I* (中源國盛廣場(一期))	Customer M	November 2020	December 2023	We are entitled to bill up to 80% of the total value of the work performed on a monthly basis during project implementation	Remaining 15% of the final settlement value billable 3% as retention money	111,927	45,883	92%	145,737	80%	116,590	–	29,147	2,623	31,771	27,764 (December 2022)

As at 31 December 2021

Project name	Customer	Project commencement date	Expected/actual project completion date	Progress billable percentage during the construction phrase	Progress billable percentage in the project completion and settlement phase	Revenue recognition in accordance with HKFRS 15: Original contract sum (A) (note 1)	Revenue recognition in accordance with HKFRS 15: Accumulated amount of variation orders/ adjustments (B) (notes 1, 2)	Revenue recognition in accordance with HKFRS 15: Percentage of completion (C) (note 3)	Revenue recognition in accordance with HKFRS 15: Accumulated value of work performed (i.e. accumulated revenue recognised) (D=(A+B)xC) (notes 1, 3)	Billing in accordance with the relevant contract including any subsequent agreement up to 31 December 2021 (note 4): Progress billable percentage as at 31 December 2021 (E)	Billing in accordance with the relevant contract including any subsequent agreement up to 31 December 2021 (note 4): Accumulated progress amount billed (F=(DxE)) (note 1)	Amount of contract assets offset by prepayment made by customer up to 31 December 2021 (G) (note 1)	Contract assets (excluding VAT) as at 31 December 2021 (H=D-F-G) (notes 1, 5)	VAT in contract assets (I)	Contract assets (J=H+I) (note 5)	Amount and date of subsequent billing of contract assets up to the Latest Practicable Date
						RMB'000	*RMB'000*		*RMB'000*		*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Dongfang Xin'an Homeland (Phase II)* (東方市新安家園(二期))	Oriental Shouchuang Xingda Investment Co., Ltd.* (東方首創興達投資有限公司)	January 2016	October 2023	We are entitled to bill up to 70% of the total value of the work performed on a quarterly basis during project implementation	Remaining 25% of the final settlement value billable 5% as retention money	708,655	–	74%	520,956	70%	364,669	–	156,287	4,689	160,975	79,767 (September 2022 –January 2023)
Zhongtian Lutai* (中天•麓台)	Zhongtian Holdings Group	October 2020	June 2024	We are entitled to bill up to 85% of the total value of the work performed on a monthly basis during project implementation	Remaining 12% of the final settlement value billable 3% as retention money	611,102	–	56%	344,034	85%	292,429	–	51,605	4,644	56,249	20,938 (December 2022)
Sanya City Third Ring Road* (三亞市三環路)	Sanya Transportation Bureau* (三亞市交通運輸局)	December 2016	December 2023	We are entitled to bill up to 80% of the total value of the work performed on a monthly basis during project implementation	Remaining 15% of the final settlement value billable 5% as retention money	177,447	19,978	96%	188,742	80%	150,994	–	37,748	3,736	41,485	13,013 (January 2023)
Tongdao County Sports Stadium* (通道縣體育館)	Customer U	July 2017	December 2023	We are entitled to bill up to 75% of the total value of the work performed on a monthly basis during project implementation	Remaining 20% of the final settlement value billable 5% as retention money	155,340	–	87%	135,649	75%	101,737	–	33,912	1,017	34,930	757 (December 2022)
Jindong Taozi Lake* (金東陶子湖)	Hunan Liling Underglaze Wucai City Development and Construction Co., Ltd.* (湖南醴陵釉下五彩城開發建設有限公司)	August 2018	November 2021	We are entitled to claim a series of progress payment upon reaching the agreed project milestones as stipulated in the construction contract and for each progress payment, the amount we are entitled to claim varies. The first milestone being the completion of five storeys of the main structure of the building block and the basement, on which we are entitled to bill a fixed sum of RMB5 million. Upon reaching the subsequent milestones, we are entitled to bill up to 70% of the total value of work performed in respect of the relevant milestones.	Remaining 12% of the final settlement value billable 3% as retention money	195,140	10,818	100%	205,958	85%	175,064	–	30,894	2,804	33,698	8,770 (October 2022 –December 2022)

As at 31 December 2020

Project name	Customer	Project commencement date	Expected/actual project completion date	Progress billable percentage during the construction phrase	Progress billable percentage in the project completion and settlement phase	Revenue recognition in accordance with HKFRS 15: Original contract sum (A) (note 1)	Revenue recognition in accordance with HKFRS 15: Accumulated amount of variation orders/ adjustments (B) (notes 1, 2)	Revenue recognition in accordance with HKFRS 15: Percentage of completion (C) (note 3)	Revenue recognition in accordance with HKFRS 15: Accumulated value of work performed (i.e. accumulated revenue recognised) (D=(A+B)xC) (notes 1, 3)	Billing in accordance with the relevant contract including any subsequent agreement up to 31 December 2020 (note 4): Progress billable percentage as at 31 December 2020 (E)	Billing in accordance with the relevant contract including any subsequent agreement up to 31 December 2020 (note 4): Accumulated progress amount billed (F=(DxE)) (note 1)	Amount of contract assets offset by prepayment made by customer up to 31 December 2020 (G) (note 1)	Contract assets (excluding VAT) as at 31 December 2020 (H=D-F-G) (notes 1, 5)	VAT in contract assets (I)	Contract assets (J=H+I) (note 5)	Amount and date of subsequent billing of contract assets up to the Latest Practicable Date
						RMB'000	*RMB'000*		*RMB'000*		*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Dongfang Xin'an Homeland (Phase II)* (東方市新安家園(二期))	Oriental Shouchuang Xingda Investment Co., Ltd.* (東方首創興達投資有限公司)	January 2016	October 2023	We are entitled to bill up to 70% of the total value of the work performed on a quarterly basis during project implementation	Remaining 25% of the final settlement value billable 5% as retention money	708,655	–	72%	512,155	70%	358,509	2,210	151,436	4,610	156,046	77,557 (September 2022 –January 2023)
Hainan Lixun Meilun Science and Technology Park* (海南力迅美倫科創園)	Customer P	May 2020	December 2023	We are entitled to bill up to 80% of the total value of the work performed on a monthly basis during project implementation	Remaining 17% of the final settlement value billable 3% as retention money	334,862	–	66%	220,517	80%	176,413	–	44,104	3,969	48,073	48,073 (March – May 2021)
Changjun Yunlong Experimental School (Second Phase)* (長郡雲龍實驗學校(二標))	Zhuzhou Economic Development Group	January 2019	March 2021	We are entitled to bill up to 70% of the total value of the work performed on a monthly basis during project implementation capped at 75% of the original contract sum	Remaining 22% of the final settlement value billable 3% as retention money	130,048	19,489	100%	149,187	75%	111,890	–	37,297	3,371	40,668	39,041 (December 2021– September 2022)
Sanya City Third Ring Road* (三亞市三環路)	Sanya Transportation Bureau* (三亞市交通運輸局)	December 2016	December 2023	We are entitled to bill up to 80% of the total value of the work performed on a monthly basis during project implementation	Remaining 15% of the final settlement value billable 5% as retention money	177,447	19,978	91%	180,610	80%	144,488	–	36,122	3,575	39,697	13,013 (September 2022– January 2023)
Chunteng Mansion* (春藤公館)	Zhongtian Holdings Group	April 2018	March 2021	We are entitled to bill up to 85% of the total value of the work performed on a monthly basis during project implementation	Remaining 12% of the final settlement value billable 3% as retention money	124,879	88,178	99%	211,734	85%	179,974	–	31,760	2,926	34,686	27,748 (June 2022– December 2022)

As at 31 December 2019

Project name	Customer	Project commencement date	Expected/actual project completion date	Progress billable percentage during the construction phrase	Progress billable percentage in the project completion and settlement phase	Revenue recognition in accordance with HKFRS 15: Original contract sum (A) *(note 1)*	Accumulated amount of variation orders/ adjustments (B) *(notes 1, 2)*	Percentage of completion (C) *(note 3)*	Accumulated value of work performed (i.e. accumulated revenue recognised) (D=(A+B)xC) *(notes 1, 3)*	Billing in accordance with the relevant contract including any subsequent agreement up to 31 December 2019 *(note 4)*: Progress billable percentage as at 31 December 2019 (E)	Accumulated progress amount billed (F=(DxE)) *(note 1)*	Amount of contract assets offset by prepayment made by customer up to 31 December 2019 (G) *(note 1)*	Contract assets (excluding VAT) as at 31 December 2019 (H=D-F-G) *(notes 1, 5)*	VAT in contract assets (I)	Contract assets (J=H+I) *(note 5)*	Amount and date of subsequent billing of contract assets up to the Latest Practicable Date
						RMB'000	*RMB'000*		*RMB'000*		*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Dongfang Xin'an Homeland (Phase II)* (東方市新安家園(二期))	Oriental Shouchuang Xingda Investment Co., Ltd.* (東方首創興達投資有限公司)	January 2016	October 2023	We are entitled to bill up to 70% of the total value of the work performed on a quarterly basis during project implementation	Remaining 25% of the final settlement value billable 5% as retention money	708,655	–	64%	454,680	70%	318,276	–	136,404	4,092	140,496	79,767 (September 2022– January 2023)
Chunteng Village Third Phase* (春藤小鎮三期)	Wuguang Investment	October 2017	November 2020	We are entitled to bill up to 80% of the total value of the work performed on a monthly basis during project implementation.	Remaining 15% of the final settlement value billable 5% as retention money	196,845	84,838	99%	277,684	76% *(note 6)*	211,040	–	66,644	6,347	72,991	69,566 (January 2023)
Jindong Taozi Lake* (金東陶子湖)	Hunan Liling Underglaze Wucai City Development and Construction Co., Ltd.* (湖南醴陵釉下五彩城開發建設有限公司)	August 2018	November 2021	We are entitled to claim a series of progress payment upon reaching the agreed project milestones as stipulated in the construction contract and for each progress payment, the amount we are entitled to claim varies. The first milestone being the completion of five storeys of the main structure of the building block and the basement, on which we are entitled to bill a fixed sum of RMB5 million. Upon reaching the subsequent milestones, we are entitled to bill up to 70% of the total value of work performed in respect of the relevant milestones.	Remaining 12% of the final settlement value billable 3% as retention money	195,140	1,643	78%	154,001	70%	107,801	–	46,200	4,196	50,396	33,968 (December 2020– December 2021)

Project name	Customer	Project commencement date	Expected/actual project completion date	Progress billable percentage during the construction phrase	Progress billable percentage in the project completion and settlement phase	Revenue recognition in accordance with HKFRS 15: Original contract sum (A) *(note 1)*	Accumulated amount of variation orders/ adjustments (B) *(notes 1, 2)*	Percentage of completion (C) *(note 3)*	Accumulated value of work performed (i.e. accumulated revenue recognised) (D=(A+B)xC) *(notes 1, 3)*	Billing in accordance with the relevant contract including any subsequent agreement up to 31 December 2019 *(note 4)*: Progress billable percentage as at 31 December 2019 (E)	Accumulated progress amount billed (F=(DxE)) *(note 1)*	Amount of contract assets offset by prepayment made by customer up to 31 December 2019 (G) *(note 1)*	Contract assets (excluding VAT) as at 31 December 2019 (H=D-F-G) *(notes 1, 5)*	VAT in contract assets (I)	Contract assets (J=H+I) *(note 5)*	Amount and date of subsequent billing of contract assets up to the Latest Practicable Date
						RMB'000	*RMB'000*		*RMB'000*		*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Langting Lanjiang Main Structure* (朗廷•覽江)	Langting Real Estate	August 2018	March 2021	We are entitled to claim a series of progress payment upon reaching the agreed project milestones as stipulated in the construction contract and for each progress payment, the amount we are entitled to claim varies. The first milestone being the completion of 15 storeys of the main structure of the buildings including the foundation work of the buildings, on which we are entitled bill 50% of the total value of the work performed. Upon reaching the subsequent milestones, we are entitled to bill (on an accumulated basis) up to 80% of the total value of work performed in respect of the relevant milestones. *(note 7)*	Remaining 17% of the final settlement value billable 3% as retention money	136,364	1,059	99%	135,941	70% *(note 7)*	95,159	1,054	39,728	3,733	43,461	40,064 (March 2020– December 2022)
Changde Xiangjiang Yuefu* (常德香江悅府)	Customer Group D	June 2018	December 2021 *(note 8)*	We are entitled to claim a series of progress payment upon reaching the agreed project milestones as stipulated in the construction contract and for each progress payment, we are entitled bill up to 75% based on the total value of the work performed.	Remaining 22% of the final settlement value billable 3% as retention money	146,738	729	97% *(note 8)*	142,468	75%	106,851	–	35,617	3,372	38,989	34,311 (September 2020– September 2022)

Notes:

1. The amounts do not include any VAT.

2. The amount of variation orders represents the amounts of adjustment or additional to the original contract sum as may be agreed between the parties to the original contract from time to time, and such variation orders may be in the form of supplemental agreements for additional construction works undertaken by us or modifications of the scope of work previously agreed in the original contracts.

3. Revenue from construction contract is recognised according to the percentage of completion of individual construction contract, which is measured by reference to the contract costs incurred as a proportion to the total budgeted costs.

4. Throughout the terms of the relevant construction contract, we bill our customers the amount of recognised revenue, multiplied by a billing percentage under the relevant milestone as stipulated in the relevant construction contract.

5. Our contract asset represents the accumulated amount of revenue recognised, deducted by the amount of accumulated progress billing and amount prepaid by the customers (if any), and adjusted for VAT elements in the contract asset.

6. We are entitled to bill such customer up to 80% of the total value of the work performed during the performance of the construction works and up to 78% of the contract sum at an accumulated basis upon the completion and acceptance of the project in accordance with the relevant construction contract. As at 31 December 2019, we had achieved 99% completion of the project but had not reached the stage of its completion and acceptance. As a result, based on its contract terms as disclosed above, the progress amount we were entitled to bill at that time had a ceiling of 80% of the contract sum at an accumulated basis. Therefore, in effect, the progress billable percentage was 76% of the total value of the work performed as at 31 December 2019.

7. The contract of this project stipulated several milestones and we are only entitled to start making progress billing after the first milestone has been reached. The detailed payment schedule and the details of the milestones for the project implementation phase prescribed in the construction contract of this project are as follows:-

	Milestones	**Billable percentage**
A	Upon the completion of 15 storeys of the main structure of the buildings including the foundation work of the buildings	50% of the total value of the work performed in respect of milestone A
B	Upon the completion of every additional 10 storeys of the buildings	70% of the total value of the work performed in respect of milestone B
C	Upon the roofing of the main structure of the buildings	• up to 70% (on an accumulative basis) of the total value of the work performed for milestones A and B; and • 70% of the total value of work performed for milestone C

	Milestones	Billable percentage
D	Within three months after the roofing of the main structure of the buildings	• up to 80% (on an accumulative basis) of the total value of work performed for milestones A, B and C; and • 80% of the total value of work performed for milestone D
E	Upon the removal of external construction frames	75% (on an accumulative basis) of the contract sum

8. Although the work on Changde Xiangjiang Yuefu* (常德香江悅府) project was approximately 97% complete as at 31 December 2019, the expected completion date was extended from December 2019 to December 2021 as our Group has undertaken a variation order on this project by way of a supplemental agreement dated 13 May 2020 entered into with this customer.

Average contract assets turnover days

Average contract assets turnover days indicates the average time required for us to bill our customers and recognise trade receivables from the recognition of revenue. The table below sets out the average contract assets turnover days as at the dates indicated:

	FY2019	FY2020	FY2021	3Q2022
Average contract assets turnover day *(Note)*	192.3	248.7	246.0	240.2

Note:

The calculation of average contract assets turnover days is based on the average of the opening balance and closing balance of contract assets for the relevant year/period divided by revenue and multiplied by the number of days in the relevant year/period.

Our contract assets turnover day increased gradually from 192.3 days for FY2019 to 248.7 days for FY2020. This is mainly due to the work of our on-going projects continued throughout the Track Record Period, the contract assets accumulated and leading to the increase in our contract assets turnover day in FY2020. Our contract assets turnover day for FY2021 and 3Q2022 remained stable at 246.0 days and 240.2 days.

The aggregate turnover days for trade and bills receivables and contract assets was 269.1 days, 352.6 days, 343.4 days and 325.3 days for FY2019, FY2020, FY2021 and 3Q2022, respectively. The changes in aggregate turnover days for trade and bills receivables and contract assets during the Track Record Period are in line with the change in the contract asset turnover day and trade and bills receivables turnover day during the periods as explained above. The longer aggregate turnover period of the trade and bill receivables and contract assets for FY2020 and FY2021 and 3Q2022, as compared to that for FY2019 was mainly due to the following factors:

(i) Projects with larger scale and higher contract value

During the Track Record Period, we undertook new projects with high original contract sum on average, with growing average original contract sum of RMB34.5 million, RMB47.7 million, RMB50.5 million and RMB81.1 million for on-going projects as at each of 31 December 2019, 2020 and 2021 and 30 September 2022 respectively. In general, a project with high contract value will result in a higher portion of the value of work performed (for contract assets) and billing (for trade receivables) by us, which in turn increase the aggregate trade and bill receivables and contract assets turnover period for FY2020 and FY2021 and 3Q2022 as compared with FY2019.

(ii) Sizable on-going projects with long project duration

As at 31 December 2020 and 2021 and 30 September 2022, the contract assets for on-going projects amounted to approximately RMB1,037.8 million, RMB1,011.6 million and RMB1,123.7 million respectively. The aggregate contract asset balance of the two major on-going sizable projects with long project duration Dongfang Xin'an Homeland (Phase II)* (東方市新安家園(二期)) project and Sanya City Third Ring Road* (三亞市三環路) as at 31 December 2020, 2021 and 30 September 2022 was approximately RMB195.7 million, RMB202.5 million and RMB130.0 million respectively. These two major sizable projects remain on-going as at the Latest Practicable Date. The project duration of these major projects is expected to be around or exceed three years. The aggregate contract assets of these on-going projects accounted for approximately 22%, 23% and 10.9% of the total contract assets of all on-going projects as at 31 December 2020 and 2021 and 30 September 2022 respectively.

(iii) Long settlement audit process and industry benchmark

One of the factors for the long contract assets turnover days was due to the long settlement audit process. According to the F&S Report, the relatively long turnover days of trade receivables and contract assets is common in the PRC construction industry, especially for some Government-related Entities customers and sizable projects.

According to the F&S Report, the aggregate turnover days for trade and bills receivables and contract assets of our Group of approximately 352.6 days and 343.3 days in FY2020 and FY2021 respectively are within the range of 73.5 days to 647.1 days of those of our industry peers in FY2021. Our Directors believe that the relatively long turnover days of trade receivables and of contract assets is common in the construction industry in the PRC, especially where the customers include Government-related Entities. According to the F&S Report, for projects with Government-related Entities as customers, the industry range for settlement period of trade receivables is three months to two years, and the industry range for conversion period of contract assets is approximately half year to three years depending on the scale of the projects in the construction industry in the PRC.

Our Group elected to measure loss allowances for contract assets using HKFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. With the support of the valuation performed by the Independent Valuer, our Group has established a provision matrix that is based on our Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. Our Group recognises loss allowances for ECLs on contract assets measured at amortised cost.

The loss allowance provision of contract assets made were RMB4.6 million, RMB6.8 million, RMB8.1 million and RMB9.9 million as at 31 December 2019, 2020 and 2021 and 30 September 2022, respectively, representing 0.4%, 0.5%, 0.7% and 0.8% of the amount of our contract assets, respectively. The overall ECL rates for the provision for impairment loss on trade and bill receivables and contract assets is approximately 0.6%, 0.9%, 1.0% and 1.1% as at 31 December 2019, 2020 and 2021 and 30 September 2022, respectively.

The above ECL rates adopted by our Company are determined having considered that, among others, we have the Priority of Compensation to the proceeds from selling off or auctioning the underlying property projects for our contracted work in settling the debts owed and the Independent Valuer has been engaged to assess the market value of the underlying properties corresponding to the account receivables. The above ECL rate for each year represented the average of the relevant credit loss rates for each ageing group, which was determined based on a number of parameters, including (i) analysis of historical credit loss rates within two to five years from the measurement date is adopted; (ii) a discount of 30% to be applied on the value of the underlying properties so as to arrive at a conservative estimation of the proceeds that could be recovered by our Company under Priority of Compensation; (iii) the assessed market values of the underlying properties corresponding to the trade receivables and contract assets and any potential shortfall of proceeds recovered from the outstanding contract assets and account receivables balance based on conservative estimation; and (iv) forward-looking adjustment based on the correlation between default rates and macro-economic factors (indicative overall market conditions).

Save for the contractual disputes as set out in the section headed "Business — Legal and regulatory — Legal Proceedings" in this prospectus, we had no material outstanding disputes with our customers with regard to the subsequent billing for our contract assets as at 30 September 2022. For further details of the impairment assessment of our trade receivables and contract assets, please refer to the paragraph headed "Trade, bills and other receivables" under this section.

As at the Latest Practicable Date, approximately RMB230.8 million, or 19.4% of the contract assets as at 30 September 2022 had been subsequently billed. Considering that our major projects generally take three years or more to complete, and on average it further takes 1.5 years for settlement audit to complete for projects during the Track Record Period, it may take many years for us to be entitled to bill most of the settlement value of a project.

Having considered the factors (i) to (v) listed from paragraphs headed "Impairment provision for trade receivables and contract assets and the bases" above, and in particular, the fact that based on our latest monitoring results from publicly available information and to the best knowledge of our Directors, all of our trade receivable and contract asset debtors as at 30 September 2022 were under normal operation status (i.e. not wound-up or dissolved, and having valid business licence, where applicable) as at the Latest Practicable Date, and none of them received any winding-up petition as at the Latest Practicable Date, our Directors consider that there is no recoverability issues for the contract assets.

Contract liabilities

A contract liability represents our obligation to transfer services to a customer for which we have received consideration (or an amount of consideration is due) from the customer.

As at 31 December 2019, 2020 and 2021 and 30 September 2022, our balance of contract liabilities amounted to approximately RMB29.1 million, RMB37.2 million, RMB25.0 million and RMB50.1 million, respectively. As our Group negotiates such advance payment arrangement with our customers on a case-by-case basis, there had been no change in the payment terms of our projects, our billing process and revenue recognition policy prior to, or during the Track Record Period. Our contract liabilities increased to approximately RMB50.1 million as at 30 September 2022 mainly because of receipt of advance payment of approximately RMB11.2 million and RMB6.3 million for additional works for Huxiang Cultural City* (湖湘文化城) and Office Building of the Yangpu branch of a bank, respectively.

As at the Latest Practicable Date, approximately RMB28.8 million, or 57.5% of the contract liabilities as at 30 September 2022 had been subsequently utilised.

Trade and bills payables

The following table sets forth the breakdown of our trade and bills payables as at the dates indicated:

	As at 31 December			As at 30 September
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables				
— third parties	1,289,724	1,298,586	1,106,920	838,069
— related parties	9,630	21,692	37,797	14,530
	1,299,354	1,320,278	1,144,717	852,599
Bills payables	21,400	21,400	21,400	15,000
	1,320,754	1,341,678	1,166,117	867,599

Our trade and bills payables mainly comprised outstanding balances due to our suppliers and subcontractors for goods and services provided to us. We are generally granted a credit period of up to three months (if applicable) from the date of billing.

The increase in trade payables from RMB1,299.4 million as at 31 December 2019 to RMB1,320.3 million as at 31 December 2020 was primarily due to the business growth in FY2020 and the increase in trade and bills receivables which restricted our cash flow and limited our ability to settle trade and bills payables in a timely manner. The decrease in the trade payables to approximately RMB1,144.7 million and RMB867.6 million as at 31 December 2021 and 30 September 2022 was also in line with the decrease in trade and bills receivables during FY2021 and 3Q2022 and faster repayment by our Group during the period. The discrepancy between our credit periods and average turnover days of trade and bills payables of 231.7 days, 307.4 days, 281.2 days and 228.9 days for FY2019, FY2020, FY2021 and 3Q2022 is primarily because we manage the settlement of trade payables in accordance with our recovery of trade and bills receivables to manage cash flow. According to the F&S Report, it is customary in the construction industry in the PRC that general contractors would negotiate with their suppliers and subcontractors for extension of payment dates prior to receipt of payment from the relevant project owners.

To enhance our internal control on cashflow and liquidity management, our designated staff makes cashflow projection on a monthly basis and closely monitors the cashflow position. If it is anticipated that there is operating net cash outflow in the following month, our senior management will assess the impact and consider measures to strengthen the cashflow position. For details, please refer to the section headed "Business — Risk Management and Internal Control" in this prospectus.

The following table sets forth the ageing analysis of trade payables based on the invoice date as at the dates indicated:

	As at 31 December			As at 30 September
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
0-90 days	515,028	327,035	293,430	146,039
91-180 days	216,810	171,980	147,400	119,726
181-365 days	250,496	197,232	169,043	223,090
1-2 years	196,172	491,110	420,920	266,039
Over 2 years	120,848	132,921	113,924	97,705
Total trade payables	**1,299,354**	**1,320,278**	**1,144,717**	**852,599**

The table below sets out the average trade and bills payables turnover days as at the dates indicated:

	FY2019	FY2020	FY2021	3Q2022
Average trade and bills payables turnover days *(Note)*	231.7	307.4	281.2	228.9

Note: The calculation of average trade and bills payables turnover days is based on the average of the opening balance and closing balance of trade and bills payables for the relevant year/period divided by cost of sales and multiplied by the number of days in the relevant year/period.

Our trade and bills payables turnover days increased from 231.7 days for FY2019 to 307.4 days for FY2020, which is in line with the changes of aggregate trade and bills receivables and contract assets turnover days during the periods as it is customary in the construction industry in the PRC that general contractors would negotiate with their suppliers and subcontractors for extension of payment dates prior to receipt of payment from customers of the relevant projects. Our trade and bills payables turnover days decreased to 281.2 days for FY2021 and 228.9 days for 3Q2022 mainly due to faster repayment by our Group during FY2021 and 3Q2022.

The trade payables as at 31 December 2020 and 2021 and 30 September 2022 aged longer than those as at 31 December 2019 as our trade payables that aged over 90 days increased from 60.4% as at 31 December 2019 to 75.2% as at 31 December 2020, 74.4% as at 31 December 2021 and 82.9% as at 30 September 2022. This was mainly because we manage the settlement of trade payables in accordance with our recovery of trade and bills receivables and contract assets to manage cash flow by negotiating with our suppliers and subcontractors for extension of payment dates prior to receipt of payment from customers of the relevant projects. The change in ageing position of our trade payables was mainly because we had sizable on-going projects with long project duration which led to longer settlement period of the relevant trade and bills receivables and contract assets.

As at the Latest Practicable Date, approximately RMB450.8 million, or approximately 52.9% of our trade payables as at 30 September 2022 has been settled.

Our bills payables remain stable at approximately RMB21.4 million as at 31 December 2019, 2020 and 2021, respectively. Our bills payables decreased to RMB15.0 million as at 30 September 2022 as a result of repayment by our Group in 3Q2022. Our bills payables as at 31 December 2019, 2020, 2021 and 30 September 2022 were secured by properties of Hengji Real Estate and/or Puhui Commercial, which are our related parties. These securities will be released before or upon Listing.

Accruals and other payables

The following table sets forth a breakdown of our accruals and other payables as at the dates indicated:

	As at 31 December			As at 30 September
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Deposits received	14,427	13,442	12,008	11,998
Other payables	79,893	95,733	93,120	83,931
Other tax payable	87,056	140,699	192,729	281,925
Accruals	4,011	4,369	4,943	4,491
	185,387	254,243	302,800	382,345

The accruals and other payables include various kinds of payables such as net VAT payable, responsibility deposits, other deposits received, safety and civilisation measures expenses payable, etc. Our accruals and other payables increased from approximately RMB185.4 million as at 31 December 2019 to approximately RMB254.2 million and RMB302.8 million as at 31 December 2020 and 31 December 2021 and further increased to RMB382.3 million. The increase in other tax payables was mainly attributable to the increase in net VAT payable from approximately RMB84.0

million as at 31 December 2019 to approximately RMB135.6 million, RMB187.7 million and RMB276.3 million as at 31 December 2020, 31 December 2021 and 30 September 2022, respectively. The other payables of approximately RMB79.9 million, RMB95.7 million, RMB93.1 million and RMB83.9 million as at 31 December 2019, 2020 and 2021 and 30 September 2022 mainly included (i) responsibility deposits of approximately RMB32.3 million, RMB36.4 million, RMB34.8 million and RMB25.3 million respectively; and (ii) safety and civilisation measures expenses payable (安全文明措施費) of approximately RMB7.6 million, RMB12.8 million, RMB11.9 million and RMB7.5 million as at 31 December 2019, 2020 and 2021 and 30 September 2022 respectively. The balances of other payables as at 31 December 2020 increased as compared to that as at 31 December 2019 mainly due to the increase in amount of responsibility deposits received which is in line with business growth during the respective year and remained stable as at 31 December 2021.

Balances with related companies, shareholders and directors

The following table sets forth the breakdown of balances with related companies, shareholders and directors as at the dates indicated:

	As at 31 December			As at 30 September
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Amounts due from related companies	—	3,623	6,475	10,479
Amounts due from shareholders	3,894	12,542	9,260	2,847
Amounts due to related companies	(8,267)	(586)	(4,833)	(5,021)
Amounts due to shareholders	(56,313)	(28,080)	(14,046)	(6,777)
Amounts due to directors	(5,328)	(1,870)	(253)	(462)
	(66,014)	(14,371)	(3,397)	1,066

An amount due to related company of RMB1.9 million, nil, nil and nil as at 31 December 2019, 2020 and 2021 and 30 September 2022, respectively, are unsecured, interest bearing and repayable within one year. As advised by our PRC Legal Advisers, although the interest bearing loans from related parties do not comply with the General Rules for Loans (貸款通則) promulgated by the People's Bank of China, they were of the view that it was not a material non-compliance given that (i) our Group as the borrower would not be subject to any administrative penalties or criminal liabilities due to the non-compliance under the General Rules for Loans; and (ii) our Group had not been subject to any administrative penalties or criminal liabilities under the General Rules for Loans due to non-compliance with the General Rules for Loans. For further details, please refer to the section headed "Business — Legal and Regulatory — Non-compliance Incidents" in this Prospectus.

The amounts due to shareholders are unsecured, interest free and repayable on demand.

The remaining balances with related companies, our shareholders and our Directors are unsecured, interest free and/or repayable on demand or had no fixed terms of repayment. The balances with these related parties mainly arose from the funds advanced by related parties for our working capital needs. Our net balance due to related parties was approximately RMB66.0 million as at 31 December 2019. Our net balance due to related parties dropped to approximately RMB14.4 million as at 31 December 2020 mainly due to repayment in FY2020. Our net balance due to related parties further decreased from approximately RMB14.4 million as at 31 December 2020 to approximately RMB3.4 million as at 31 December 2021 mainly due to repayment to shareholders. The net balance due from related companies increased to approximately RMB5.5 million as at 30 September 2022 mainly because of non-trade related advances newly made to the related companies in 3Q2022. The balances of the amounts due from related companies mainly represent the deposit paid for the construction projects with the related companies as performance guarantee and advances for daily operation of the construction projects. The balances of the amounts due to related companies, shareholders and directors, in addition to the interest-bearing loan from a related company which was for the purchase of machinery and equipment, were mainly caused by the funds advanced by related parties for our working capital needs.

The balances of amounts due from shareholders represent the advances to shareholders for daily operation of the construction projects and/or their short-term use. The amounts due from shareholders increased from approximately RMB3.9 million as at 31 December 2019 to approximately RMB12.5 million as at 31 December 2020 as there was a short-term cash advance of approximately RMB7.0 million by our Group to one of our shareholders in FY2020. The amounts due from shareholders dropped to approximately RMB9.3 million and RMB2.8 million as at 31 December 2021 and 30 September 2022, respectively mainly due to net repayment from shareholders. We have enhanced our internal control procedure on the advance of fund to shareholders and each request for cash advance shall be assessed and approved on an individual basis by the Board of Directors, taking into consideration, among others, the impact on our cashflow, and shall comply with all applicable laws and regulations. Further, any amounts due from shareholders shall be fully settled before Listing.

All the amounts due from/to related companies, shareholders and Directors are non-trade in nature and the amounts balances with related companies, shareholders and Directors as at the Latest Practicable Date and the guarantees provided by/to related parties will be fully settled or released before or upon the Listing.

INDEBTEDNESS

As at 31 January 2023, being the latest practicable date for the purpose of this indebtedness statement, save as disclosed below, our Group did not have outstanding mortgages, charges, debentures, bank overdrafts, loans or other similar indebtedness, finance leases or hire purchase commitments, liabilities under acceptances or acceptance credits or any guarantees or other material contingent liabilities outstanding.

The table below sets out the breakdown of the indebtedness of our Group as at the respective dates indicated:

	As at 31 December			As at 30 September	As at 31 January
	2019	**2020**	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)
Non-current					
Non-current portion of lease liabilities	424	28	—	—	—
Borrowings	233	—	—	3,855	3,317
	657	28	—	3,855	3,317
Current					
Borrowings	75,984	65,620	66,895	138,966	137,305
Amounts due to related companies	8,267	586	4,833	5,021	8,453
Amounts due to shareholders	56,313	28,080	14,046	6,777	5,419
Amounts due to directors	5,328	1,870	253	462	866
Current portion of lease liabilities	533	467	28	191	—
	146,425	96,623	86,055	151,417	152,043
	147,082	96,651	86,055	155,272	155,360

Borrowings

The following table sets forth further details of our borrowings as at the dates indicated:

	As at 31 December			As at 30 September	As at 31 January
	2019	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)
Current					
— Bank loans, secured/guaranteed . .	50,000	61,550	62,550	137,550	136,160
— Bank loans, unsecured	—	—	508	508	—
— Other borrowings, secured	25,984	4,070	3,837	908	1,145
	75,984	65,620	66,895	138,966	137,305
Non-current					
— Bank borrowings, secured	—	—	—	1,900	1,885
— Other borrowings, secured	233	—	—	1,955	1,432
	233	—	—	3,855	3,317
	76,217	65,620	66,895	142,821	140,622

The following sets forth the interest rate profiles for our Group's borrowings:

	As at 31 December			As at 30 September	As at 31 January
	2019	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)
Fixed-rate borrowings.	26,217	15,620	16,895	91,821	90,622
Floating-rate borrowings	50,000	50,000	50,000	51,000	50,000
	76,217	65,620	66,895	142,821	140,622
Interest rate range per annum	4.6% – 15.0%	3.9% – 14.0%	4.2% – 14.0%	3.7% – 8.6%	3.7% – 8.6%

Our bank borrowings remained stable at approximately RMB76.2 million, RMB65.6 million and RMB66.9 million as at 31 December 2019, 2020 and 2021. We raised more bank borrowings during 3Q2022 and our borrowings was increased significantly to approximately RMB142.8 million as at 30 September 2022 mainly to cope with our short-term financing needs and to meet the cash flow and project progress requirements of several of our major on-going projects, including Chaling County People's Hospital Phase II Construction Project* (茶陵縣人民醫院二期建築工程項目), Zhongyuan Guosheng Plaza Phase I* (中源國盛廣場(一期)) project, Zhongyuan Guosheng Plaza Phase II* (中源國盛廣場(二期)) project and Xupu County Chengbei School Supporting Facilities Construction* (漵浦縣城北學校配套設施建設工程) project. After the Track Record Period and up to 31 January 2023, we settled approximately RMB147.9 million of the expenses incurred in these four projects, which mainly included raw material costs, labour subcontracting costs and rental of machinery and equipment costs. Given that we maintained a low gearing ratio of 22.7% as at 31 December 2021, our Directors considered that it was appropriate to raise more bank financing for our working capital purpose while balancing our debt level in 2022.

The bank borrowings of RMB50.0 million as at 31 December 2019 was charged at floating rate at 4.6% per annum. Bank borrowings increased to approximately RMB61.6 million, RMB63.1 million, RMB140.0 million and RMB138.0 million as at 31 December 2020 and 2021, 30 September 2022 and 31 January 2023 respectively, out of which, RMB50.0 million, RMB50.0 million, RMB51.0 million and RMB50.0 million were charged at floating rate at 4.4% to 4.6% per annum, 4.4% to 4.6% per annum, 4.2% to 4.6% per annum and 4.4% to 4.6% per annum as at 31 December 2020, 2021, and 30 September 2022 and 31 January 2023, respectively, and the remaining RMB11.6 million as at 31 December 2020, RMB13.1 million as at 31 December 2021, RMB89.0 million as at 30 September 2022 and RMB88.0 million as at 31 January 2023 were charged at fixed rate at 3.9% to 5.5%, 4.2% to 6.5%, 3.7% to 8.6% and 3.7% to 8.6% per annum respectively.

Among our bank borrowings, (i) bank loans with principal amounts of RMB50.0 million as at 31 December 2019, 2020 and 2021 were secured by the properties of Puhui Commercial and Hengji Real Estate, our related parties; (ii) bank loans of approximately RMB6.6 million as at both 31 December 2020 were guaranteed by Zhongtian Holdings, Mr. Yang and his spouse; (iii) bank loans of approximately RMB6.6 million as at 31 December 2021 were guaranteed by Mr. Yang and his spouse; (iv) a bank loan of RMB3.0 million as at both 31 December 2020 and 31 December 2021 was guaranteed by an Independent Third Party which is a state-owned enterprise engaging in, among others, provision of financial guarantee ("**Third Party Guarantor**"), a director of Kaida Apparatus and his spouse, and counter-guaranteed by three directors of Kaida Apparatus and their spouse; (v) bank loans of RMB2.0 million and RMB1.0 million as at 31 December 2020 and 31 December 2021, respectively, were guaranteed by the Third Party Guarantor, and counter-guaranteed by four directors of Zhongtian Building and their spouse. These securities and guarantees provided by the related parties will be released before or upon Listing. We also recorded (i) a bank loan of RMB2.0 million as at 31 December 2021 was secured by fixed assets of our Group; and (ii) a bank loan of RMB0.5 million as at 31 December 2021 was unsecured.

As at 30 September 2022 and 31 January 2023, our bank borrowings with aggregate principal amounts of RMB135.6 million and RMB134.2 million respectively were secured by properties and/or shares of related parties, namely Puhui Commercial, Hengji Real Estate and/or Wuguang Investment, guaranteed by related parties, namely Zhongtian Holdings and/or Puhui Commercial, our Directors Mr. Yang, Mr. Liu, their spouse and/or the Third Party Guarantor and counter-guaranteed by directors of our subsidiary(ies) and their spouse. These securities and guarantees provided by the related parties will be released before or upon Listing. Our bank borrowings with aggregate principal amounts of RMB4.4 million and RMB3.8 million were not secured by any of related parties' assets or guarantees as at 30 September 2022 and 31 January 2023, respectively.

Our other borrowings comprised (i) term loans of approximately RMB8.9 million, RMB0.2 million, nil, RMB2.9 million and RMB2.6 million as at 31 December 2019, 2020, 2021 and 30 September 2022 and 31 January 2023, respectively; and (ii) factoring loans of approximately RMB17.3 million, RMB3.8 million, RMB3.8 million, nil and nil as at 31 December 2019, 2020 and 2021, 30 September 2022 and 31 January 2023, respectively. Other borrowings decreased from approximately RMB26.2 million as at 31 December 2019 to approximately RMB4.1 million, RMB3.8 million, RMB2.9 million and RMB2.6 million as at 31 December 2020, 31 December 2021, 30 September 2022 and 31 January 2023, respectively. Our other borrowings as at 31 December 2019, 31 December 2020, 31 December 2021, 30 September 2022 and 31 January 2023 were charged at fixed rate ranging from 8.2% to 15.0%, 8.2% to 14.0%, 14.0%, 8.6% and 8.6% per annum, respectively. Our other borrowings were secured by trade receivables, bills receivables and fixed asset of our Group. As at the Latest Practicable Date, we did not have any immediate plan for additional borrowings from Independent Third Parties.

The detailed breakdown of other borrowings by lenders as at the dates indicated is set out below.

	As at 31 December			As at 30 September
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Lender A	8,331	—	—	—
Lender B	17,277	3,837	3,837	—
Lender C	609	233	—	—
Lender D	—	—	—	2,863
	26,217	4,070	3,837	2,863

The following table sets forth certain information of the lenders with respect to our other borrowings:

Lender (the "Lenders")	Relationship with us	Background
Lender A	Independent Third Party	Lender A is a private company established in the PRC with limited liability and registered capital of approximately RMB300 million, principally engaged in the microfinance business.
Lender B	Independent Third Party	Lender B is a private company established in the PRC with limited liability and registered capital of approximately RMB200 million, which is principally engaged in the factoring business.
Lender C	Independent Third Party	Lender C is a private company established in the PRC with limited liability and registered capital of approximately RMB5,926.8 million, principally engaged in the financial leasing business.

Lender (the "Lenders")	Relationship with us	Background
Lender D	Independent Third Party	Lender D is a state-invested company established in the PRC with limited liability and registered capital of approximately USD130 million, principally engaged in, among others, financial leasing business.

Lender A, Lender B and Customer Group D has a common shareholder. The indirect holding company of Lender A and Lender B is a minority shareholder of the holding company of Customer Group D which is listed on the Shanghai Stock Exchange. According to the annual report of the aforesaid holding company of Customer Group D for 2020, it had a large number of subsidiaries which were engaged in a wide range of business segments including real estate development, property management, education, tourism, retail and wholesale, construction services, property leasing, medical services, investment, trading, exhibitions and logistics. Both the business of Lender A and Lender B is delineated from that of Customer Group D. Save as the lending made to our Group and save as the relationship between Lender A, Lender B and Customer Group D as disclosed above, none of the Lenders has any past or present relationship, including, without limitation, family, employment or business, with our Company, its subsidiaries, their shareholders, directors, senior management or any of their respective associates.

Our Group became acquainted with all of the Lenders through our business network and day-to-day operation. Our Group borrowed from such Lenders rather than from banks as it generally takes a longer time and more complicated procedures for us to obtain financing from banks, and therefore bank financing may not be able to meet our short term financing needs. We sought factoring loan from companies that are principally engaged in financial leasing business.

All of our borrowings are matured within one or two years as at 31 December 2019, 2020 and 2021. Our borrowings of approximately RMB4.8 million, representing approximately 3.3% of our total borrowings as at 30 September 2022 are matured within three years. The remaining borrowings of approximately RMB138.0 million are matured within one or two years as at 30 September 2022. We had nil unutilised banking facilities as at 31 December 2019, 2020 and 2021 and 30 September 2022.

We had neither experienced any difficulties in obtaining or repaying, nor breached any major covenant or restriction of our bank loans or other bank facilities during the Track Record Period. Pursuant to the relevant bank borrowing agreements, our outstanding bank borrowing during the Track Record Period contained the following financial covenants that impose restrictions on our financial conditions: (i) the asset-liability ratio of Zhongtian Construction, should not exceed 90%; (ii) the current ratio of Zhongtian Construction should not be less than 0.8; (iii) the contingent liabilities of Zhongtian Construction for providing guarantees to corporations which do not belong to our Group should not exceed 30% of its net assets; and (iv) the long-term investment of Zhongtian Construction should not exceed 30% of its net assets. These financial covenants did not have a material and adverse effect on our ability to undertake additional debt or equity financing during the Track Record Period. We were able to meet these financial covenants during the Track Record Period and up to the Latest Practicable Date. Save as disclosed above, none of our outstanding bank borrowings and facilities are subject to the fulfilment of covenants relating to financial ratio requirements or contain any other material covenants that would materially limit our ability to undertake additional debt or equity financing. Our Directors confirmed that there has not been any material change in our indebtedness or contingent liabilities since 30 September 2022 and up to the date of this prospectus. As at the Latest Practicable Date, we did not have any immediate plan for additional material external debt financing.

Lease liabilities

As at 31 January 2023, our Group, as a lessee, has outstanding contractual lease payments amounting to nil in aggregate in relation to the remaining lease terms of certain lease contracts, which is unsecured and unguaranteed. Our lease liabilities represented the related liabilities arisen when obtaining the right to use certain properties through tenancy agreements. For further details of our lease liabilities, please refer to note 27 of the Accountants' Report set out in Appendix I to this prospectus.

Amounts due to related companies, directors and shareholders

Certain loans from a related company amounting to RMB1.9 million, nil, nil, nil and nil as at 31 December 2019, 2020, 2021 and 30 September 2022 and 31 January 2023, respectively, are unsecured and interest bearing and repayable within one year. Please refer to the paragraph headed "Discussion on selected items of consolidated statements of financial position — Balance with related companies, shareholders and directors" in this section for further information. Except for these loans, the amount due to related companies, directors and shareholders were unsecured, interest free and/or repayable on demand, had no fixed terms of repayment.

The non-trade related amounts due to related companies, directors and shareholders as at the Latest Practicable Date will be fully settled before Listing.

Financial guarantees

As at 31 December 2019, 2020, 2021 and 30 September 2022 and 31 January 2023, our Group provided a guarantee to Hangxiao Technology, a former associate company of our Company, which became a related company of our Group upon its disposal in March 2019, in relation to Hangxiao Technology's banking facilities up to a maximum amount of RMB120.5 million, RMB84.2 million, RMB84.2 million, RMB84.2 million and RMB84.2 million, respectively. As at 31 December 2019, 2020, 2021, 30 September 2022 and 31 January 2023, the outstanding amount of the bank loans drawn under the guarantee amounted to approximately RMB76.0 million, RMB75.0 million, RMB73.0 million, RMB72.0 million and RMB72.0 million, respectively. Our Directors do not consider it probable that a claim will be made against our Group under the guarantee. The guarantee provided to Hangxiao Technology will be released before or upon Listing.

Contingent liabilities

A number of lawsuits and claims arising from the normal course of business were lodged against our Group which remain outstanding as at the end of the Track Record Period. For the details of the material on-going litigation against our Group and the amount of provisions made in respect of these lawsuits, please refer to the section headed "Business — Legal and Regulatory — Legal Proceedings" in this prospectus.

COMMITMENTS

Capital commitments

Our Group incurred capital expenditures of approximately RMB10.6 million, RMB6.5 million, RMB5.6 million and RMB0.9 million for FY2019, FY2020, FY2021 and 3Q2022, respectively. The majority of these capital expenditures were related to purchases of machineries and equipment for our operations and were mainly funded through our internal resources. As at 31 December 2019, 2020 and 2021 and 30 September 2022, save as disclosed in note 33 to the Accountants' Report set out in the Appendix I to this prospectus, we did not have any significant capital commitments.

We expect to meet future capital expenditure requirements through our internal generated funds, bank and other borrowings and net proceeds from the Global Offering.

RELATED PARTY TRANSACTIONS

During the Track Record Period, we entered into some related party transactions with our related companies. For details, please refer to Notes 22 and 34 to the Accountants' Report set out in Appendix I to this prospectus. The following table sets forth our related party transactions for the period indicated:-

	FY2019	FY2020	FY2021	3Q2021	3Q2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Interest expenses	165	106	—	—	—
Rental income	111	—	—	—	—
Rental expenses	—	443	443	323	319
Purchase of materials	21,860	22,236	92,270	71,973	55,720
Subcontracting service expenses	3,216	8,008	642	—	6,571
Construction service income	328,490	312,131	367,739	294,754	223,330
Consulting service income	1,023	—	—	—	—
Consulting service expenses	1,570	337	—	—	—
Management fee expenses	339	12	—	—	—
Sale of investment properties	—	—	—	—	—
Sale of property, plant and equipment	—	—	—	—	—
Transfer of assets	57,100	—	—	—	—
Gain on disposal of an associate	935	—	—	—	—
Purchase of fixed assets from a related company	—	57	—	—	—

Interest expenses

We incurred interest expenses amounted to approximately RMB0.2 million and RMB0.1 million as a result of our loan from a related party for purchasing of certain construction machinery and equipment for the operation of our Company in FY2019 and FY2020, respectively. The loan arrangement was discontinued after FY2020 and thus no interest expenses were incurred in FY2021 and 3Q2022.

Rental income and rental expenses

Prior to the Demerger, Zhongtian Construction leased five properties to related companies for office purpose. In order to enable us to focus on construction contracting business as our principal business, our Directors decided to transfer most of the investment properties from our Group to Puhui Commercial except for the Ningbo Properties and such income ceased after the Demerger effective in May 2019.

Among the properties transferred out to Puhui Commercial, we leased back six properties after the Demerger on 1 July 2019. For details of such properties and the tenancy agreements, please refer to section headed "Connected Transactions — Transactions entered into before the Listing which would otherwise constitute connected transactions" in this prospectus.

Purchase of materials and subcontracting service expenses

For FY2019, FY2020, FY2021 and 3Q2022, we engaged Fangge Intelligence, Hangxiao Technology and/or Hengnai Materials to provide ancillary building services and steel construction products and processing services for such products. Relevant costs paid to the related parties in total amounted to approximately RMB25.1 million, RMB30.2 million, RMB92.9 million and RMB62.3 million for FY2019, FY2020, FY2021 and 3Q2022, respectively. For details of the procurement of material and services from Fangge Intelligence and Hangxiao Technology ongoing after Listing, please refer to section headed "Connected Transactions — Non-exempt continuing connected transactions — 2. Procurement of raw materials and services under the Procurement Framework Agreements" in this prospectus.

Construction service income

During the Track Record Period, our construction service income from related parties mainly include provision of construction services to Zhongtian Holdings Group, including Wuguang Investment, Hengji Real Estate and Hangxiao Technology for their projects namely, Dongfang Mingyuan* (東方明園), Lai Yin Village* (萊茵小鎮), Chunteng Village* (春藤小鎮), Chunteng Mansion* (春藤公館), Zhongtian Lutai* (中天•麓台), Wuguang No.8 foundation works* (武廣8號地塊土石方), Plot No. 3, District 33, Tianyuan District* (天元區33區3號地塊), Zhongtian Hangxiao Steel Structure Prefabricated Building Base Phase I Construction* (中天杭蕭鋼構裝配式建築基地(一期)工程) and R&D Building* (科研樓). For details of the ongoing transactions between us and each of Hengji Real Estate, Wuguang Investment and Hangxiao Technology, please refer to the sections headed "Connected Transactions — Non-exempt continuing connected transactions — 1. Provision of construction services under the construction services framework agreements", "Business — Customers and suppliers — Customers" and "Business — Customers and suppliers — Overlapping of customers and suppliers" in this prospectus.

Consulting service income

Our Group provided supporting services in administrative, business operation and financial perspective to our related companies in FY2019 amounted to approximately RMB1.0 million on a standalone basis. For details of the consulting fee income earned from the provision of such services, please refer to the section headed "Financial Information — Other income and other gains" in this prospectus.

Consulting service expenses and management fee expenses

For FY2019 and FY2020, we engaged our related companies to provide administrative services including compiling of construction cost budgeting and management services for our projects amounted to approximately RMB1.9 million and RMB0.3 million, respectively and such service was discontinued after FY2020.

Transfer of assets

Following the Demerger resolved on 8 May 2019, certain assets including most of our investment properties were transferred from Zhongtian Construction to Puhui Commercial at their respective net book values as at 2 July 2019. For details of the assets being transferred, please refer to paragraph headed "Basis of presentation" in this section.

Gain on disposal of an associate

Zhongtian Construction transferred 75,600,000 shares in Hangxiao Technology to Zhongtian Holdings on 1 March 2019. Upon completion of the transfer, our Group ceased to hold any share in Hangxiao Technology. As a result of the transfer, we realised a gain on disposal of RMB0.9 million in FY2019. For details of the disposal, please refer to the section headed "History, Development and Reorganisation — Disposal of shares in Hangxiao Technology" and note 17 of the Accountants' Report set out in Appendix I to this prospectus.

Our Directors are of the view that these transactions were conducted on normal commercial terms and/or that such terms were no less favourable to us than terms available to Independent Third Parties and were fair and reasonable and in the interest of us and our Shareholders as a whole. Our Directors further confirm that these related party transactions did not distort our results of operations during the Track Record Period or made our historical results not reflective of our future performance.

The terms of our related party transactions or the comparison of the terms of our related party transactions with that those conducted with Independent Third Parties are set out below:

- In respect of the interest expenses paid to a related party, the interest rates charged by the related party to our Group, the effective interest rate for FY2019 and FY2020 were approximately 8.7% and 8.7%, respectively, which is within the range of effective interest rate charged by an Independent Third Party of approximately 5.2% to 9.3% during the Track Record Period;

- In respect of the rental expense paid to Puhui Commercial, the Independent Valuer has reviewed the relevant tenancy agreements and confirmed that, with reference to the asking rentals of comparable properties in the market and a comparison between the relevant properties and the selected comparable properties in terms of location, quality, size, asking rent and time, etc., the rents of those properties paid to Puhui Commercial were fair and reasonable and consistent with the market rent of comparable properties, and the terms of the relevant tenancy agreements are on normal commercial terms under prevailing market conditions and are considered as fair and reasonable;

- The range of prices payable by our Group to Fangge Intelligence and Hangxiao Technology for the purchase of raw materials and subcontracting services were within the range of quotations obtained from the Independent Third Party suppliers or subcontractors and the credit terms offered to our Group is generally one to three months which were similar to those offered by Independent Third Party suppliers or subcontractors;

- During the Track Record Period, we were engaged by Zhongtian Holdings Group for eight construction projects either through invitation to tender or public tender and the weighted average gross profit margins recognised in respect of these eight projects were approximately 10.7% and ranged from approximately 1.2% to 13.3%. In particular, for the provision of construction services by our Group to Wuguang Investment, Hengji Real Estate and Hangxiao Technology, the weighted average gross profit margin throughout the Track Record Period was approximately 10.7%, 9.1% and 11.4%, respectively, which was also (i) within the range of gross profit margins and close to the weighted average gross profit margins of our top 10 revenue generating projects for the Track Record Period not engaged by Zhongtian Holdings Group of approximately 11.7%; and (ii) close to the average gross profit margins of our Group exhibited during the Track Record Period of approximately 10.6%. We granted a credit period of approximately 10 to 30 days to Zhongtian Holdings Group, which was within the range of the credit period that was granted to other customers by our Group;

- In respect of the provision of prefabricated steel structure construction services by our Group to Hangxiao Technology, the weighted average gross profit margins throughout the Track Record Period was approximately 11.4%, which was (i) within the range of approximately 9.0% to 22.8% and close to the weighted average gross profit margins of our Group's other prefabricated steel structure construction work projects not engaged by Hangxiao Technology and Wuguang Investment of approximately 14.5% for the Track Record Period; (ii) and close to and slightly lower than the average gross profit margin for prefabricated steel construction work of approximately 14.3% among industry peers that are listed and engaged in prefabricated steel construction work in

FY2021 according to the F&S Report. Our Group granted a credit period of approximately 30 days to Hangxiao Technology, which was within the range of the credit period that was granted to other customers by our Group;

- In respect of the provision of consulting services by our Group to the related parties, as our Directors would like to focus on construction related business and having considered the profitability for providing such services to be relatively low and taking into consideration the pricing basis, costs incurred and credit terms charged by our Group we discontinued the said services after FY2019;

- In respect of the management fee and consulting fee paid by our Group to related parties, our Directors considered the basis of the rate charged by the related parties to our Group which was within the range of the quotations obtained from the Independent Third Party suppliers of similar management services and consulting services;

- In respect of the transfer of certain assets from our Group to Puhui Commercial upon the Demerger as part of the Reorganisation, the assets were transferred at the net carrying value of the assets, given that there is no legal requirement in the PRC to transfer the assets at an amount based on valuation under a demerger;

- In respect of the disposal of Hangxiao Technology to Zhongtian Holdings, the consideration for such disposal was determined with reference to the registered capital of Hangxiao Technology and our Group recorded a gain on disposal of approximately RMB0.9 million in FY2019.

Based on the above, our Directors confirm that (i) all these related party transactions were conducted on normal commercial terms and/or that such terms were no less favourable to us than terms available to Independent Third Parties and were fair and reasonable and in the interest of us and our Shareholders as a whole; and (ii) these related party transactions did not distort our results of operations during the Track Record Period or made our historical results not reflective of our future performance. Except for the connected transactions as disclosed in the section headed "Connected Transactions" in this prospectus, all the other related party transactions have been discontinued or will be discontinued before or upon the Listing.

Off-balance sheet commitments and arrangements

As at the Latest Practicable Date, we did not have any off-balance sheet commitments and arrangements.

MAJOR FINANCIAL RATIOS

The table below sets forth our major financial ratios during and as at the dates indicated:

	Year ended/As at 31 December			Nine months ended/As at 30 September 2022
	2019	2020	2021	
Profitability Ratios:				
Gross profit margin *(Note 1)*	10.1%	10.7%	10.7%	10.9%
Net profit margin *(Note 2)*	2.8%	2.8%	3.4%	3.7%
Return on assets *(Note 3)*	2.7%	2.5%	3.3%	N/A *(Note 11)*
Return on equity *(Note 4)*	29.4%	22.1%	21.7%	N/A *(Note 11)*
Liquidity Ratios:				
Current ratio *(Note 5)*	1.1 times	1.1 times	1.2 times	1.2 times
Quick ratio *(Note 6)*	1.1 times	1.1 times	1.2 times	1.2 times
Solvency Ratios:				
Interest coverage ratio *(Note 7)*	7.7 times	12.2 times	21.3 times	13.3 times
Net debt to equity ratio *(Note 8)*	N/A *(Note 10)*	N/A *(Note 10)*	N/A *(Note 10)*	4.6%
Gearing ratio *(Note 9)*	44.0%	28.5%	22.7%	41.4%

Notes:

1. Gross profit margin = gross profit ÷ revenue × 100%

2. Net profit margin = profit for the year/period ÷ revenue × 100%

3. Return on assets = profit for the year ÷ total assets × 100%

4. Return on equity = profit for the year ÷ total equity attributable to owners of the Company × 100%

5. Current ratio = total current assets ÷ total current liabilities

6. Quick ratio = (total current assets − inventories) ÷ total current liabilities

7. Interest coverage ratio = profit before finance costs and income tax expense ÷ finance costs

8. Net debt to equity ratio = (total interest-bearing debt including borrowings and lease liabilities net of cash and cash equivalent) ÷ total equity x 100%

9. Gearing ratio = (total interest-bearing debt including borrowings and lease liabilities) ÷ total equity × 100%

10. Net debt to equity ratio is not applicable to our Group as at 31 December 2019, 2020 and 2021 as our Group recorded net cash as at 31 December 2019, 2020 and 2021.

11. Return on assets and return on equity are calculated on a full year basis.

Gross profit margin

Our gross profit margin increased from approximately 10.1% in FY2019 to approximately 10.7% in FY2020 and FY2021 and increased to approximately 10.9% in 3Q2022, respectively.

Our gross profit margin increased from approximately 10.1% in FY2019 to approximately 10.7% in FY2020 mainly because of the higher gross profit margin of municipal works and civil building construction works. The higher gross profit margin of municipal works was attributable to some projects involving decoration work. We had a higher gross profit margin of civil building construction works as we were able to lower the raw material purchase costs by purchasing in bulk or using different building materials. The main reason that leading to the further increment of our gross profit margin to approximately 10.9% was the contribution from the prefabricated steel structure work construction segment which in general exhibit a higher gross profit than the other type of construction segments. For reasons of the gross profit margin of the sub-segment, please refer to the above paragraphs headed "Description of Certain Key Items of our Results of Operations — Gross profit and gross profit margin" of this section.

Net profit margin

Our net profit margin remained stable at 2.8% in FY2019 and FY2020 and increased to 3.4% in FY2021 and 3.7% in 3Q2022.

Our net profit margin for FY2021 increased slightly to 3.4% mainly because (i) our impairment of financial and contract assets decreased from approximately RMB7.5 million in FY2020 to approximately RMB0.5 million in FY2021 resulting from the high recovery rate of long outstanding trade receivables that lower the gross balances of trade, bills and other receivables in FY2021 despite the ECL rate adopted by our Company was higher in FY2021 compared to FY2020 based on the calculation of the Independent Valuer and for prudent sake with response to the overall market conditions in the PRC; and (ii) the decrease in Listing expense from approximately RMB10.7 million in FY2020 to approximately RMB4.5 million in FY2021, which was partially offset by the decrease in other income/gains from approximately RMB6.5 million in FY2020 to approximately RMB1.5 million in FY2021, mainly attributable to the absence of gains on disposal of investment properties of approximately RMB5.7 million in FY2021.

Our net profit margin for 3Q2022 further increased slightly to 3.7% mainly attributable to the increment in gross profits of approximately RMB4.8 million partially net-off by the increase in Listing expenses of approximately RMB0.5 million and decrease in other income of approximately RMB0.8 million.

Return on assets

For FY2020, our return on assets slightly decreased from 2.7% to 2.5% mainly resulted from our decrease in net profit for FY2020 and increment in total assets resulting from contract assets. For FY2021, our return on assets increased to 3.3% mainly resulted from the improvement in net profit by approximately 24.8% compared to FY2020 outweighed the decrement in trade, bills and other receivables and contract assets of approximately 4.9%.

Return on equity

For FY2020, our return on equity decreased to approximately 22.1% mainly due to our decrease in net profit by approximately 2.5% and increase in equity by approximately 29.2%. For FY2021, our return on equity remained relatively stable at 21.7%, mainly because the improvement in net profit in FY2021 by approximately 24.8% as compared to FY2020 was comparable to the increase in equity by approximately 26.7% between 31 December 2020 and 2021.

Current ratio

Our current ratio remained stable at 1.1, 1.1, 1.2 and 1.2 as at 31 December 2019, 2020 and 2021 and 30 September 2022, respectively, meaning that our current assets can cover well above our current liabilities and that we had the net current assets position. For the reason for the above trend and the underlying implications, please refer to the paragraph headed "Net current assets" of this section.

Quick ratio

Our quick ratio remained stable at 1.1, 1.1, 1.2 and 1.2 as at 31 December 2019, 2020 and 2021 and 30 September 2022 respectively, meaning that we are in a stable liquidity position to settle short-term debts when they fall due. As our inventory represented less than 0.2% of our total current assets during the Track Record Period, changes in inventory level did not have a significant impact on quick ratio.

Interest coverage ratio

Our interest coverage ratio increased to approximately 12.2 times for FY2020 as we repaid borrowings of approximately RMB74.8 million and our finance costs dropped from approximately RMB8.9 million for FY2019 to approximately RMB5.3 million for FY2020. Our interest coverage ratio for FY2021 increased significantly to approximately 21.3 times for FY2021 mainly because the improvement in net profit in FY2021 by approximately 24.8% as compared to FY2020 while our finance costs also dropped to approximately RMB3.5 million in FY2021 as compared with approximately RMB5.3 million in FY2020. Our interest coverage ratio for 3Q2022 decreased to approximately 13.3 times for 3Q2022 mainly because of increase in our borrowings from approximately RMB66.9 million as at 31 December 2021 to RMB142.8 million as at 30 September 2022.

Net debt to equity ratio

Net debt to equity ratio is not applicable to our Group as at 31 December 2019, 2020 and 2021 as our Group recorded net cash as at 31 December 2019, 2020 and 2021. Our Group recorded net debt to equity ratio of 4.6% as at 30 September 2022 as generally more trade receivables would be settled close to the year end than in between the year, thus we typically generate less net operating cashflow in the first nine months period of a year and we obtained, more bank borrowings as at 30 September 2022 for improving liquidity of our Group.

Gearing ratio

Our gearing ratio fluctuated between approximately 22.7% to 44.0% during the Track Record Period.

Our gearing ratio dropped from approximately 44.0% as at 31 December 2019 to 28.5% as at 31 December 2020 mainly because we reduced our borrowings during FY2019 and FY2020 in light of the operating cash inflow during the periods. Our gearing ratio further dropped to approximately 22.7% as at 31 December 2021 mainly due to our increase in equity by approximately 26.7% between 31 December 2020 and 2021.

Our gearing ratio increased to approximately 41.4% as at 30 September 2022 from approximately 22.7% as at 31 December 2021 mainly due to significant increase of our bank borrowings during 3Q2022.

DIVIDENDS

For FY2019, FY2020, FY2021 and 3Q2022, our Group declared dividends of RMB0.1 million, RMB0.2 million, nil and nil, respectively. All the dividends declared during the Track Record Period had been fully settled as at the Latest Practicable Date. A decision to declare or to pay any dividends in the future, and the amount of any dividends, will depend on, among other things, the results of our operations, cash flows, financial conditions, our Articles of Association, statutory and regulatory restrictions and other factors that it may consider relevant. There is no assurance that dividends of such amount or any amount will be declared or distributed each year or in any year.

The declaration, payment and amount of any future dividends will be subject to our constitutional documents comprising the memorandum and articles of association including, where necessary, the approval of our Shareholders. Investors should note that historical dividend distributions are not indicative of our future dividend distribution policy.

DISTRIBUTABLE RESERVES

Our Company was incorporated in the Cayman Islands and has not carried out any business since the date of its incorporation, save for investment holding and the transactions related to the Reorganisation. Accordingly, our Company has no reserve available for distribution to the Shareholders as at the Latest Practicable Date.

LISTING EXPENSES

The total estimated Listing expenses primarily consist of the estimated underwriting commissions for the Hong Kong Public Offering and the International Placing in addition to the professional fees paid in relation to the Global Offering.

Assuming the Over-allotment Option is not exercised and assuming an Offer Price of HK$1.18, being the mid-point of our indicative price range for the Global Offering, the total Listing expenses is estimated to be RMB51.2 million (equivalent to HK$56.1 million), representing approximately 39.6% of the gross proceeds from the Global Offering. Listing expenses of approximately RMB17.3 million (equivalent to HK$18.9 million) is directly attributable to the issue of the Offer Shares in the Global Offering which was and is expected to be accounted for as a deduction from equity in accordance with relevant accounting standards. The remaining expenses of RMB33.9 million (equivalent to HK$37.2 million) were or are expected to be charged as expenses to our consolidated statements of profit or loss, of which RMB2.4 million (equivalent to HK$2.6 million), RMB10.7 million (equivalent to HK$11.8 million), and RMB4.5 million (equivalent to HK$4.9 million) and RMB4.5 million (equivalent to HK$4.9 million) was charged for FY2019, FY2020, FY2021 and 3Q2022, respectively, while the balance of RMB11.8 million (equivalent to HK$13.0 million) is expected to be charged after 30 September 2022. The above total Listing expenses are the latest practicable estimates for reference only. The final amount to be recognised may differ from these estimates.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, up to the date of this prospectus, there has been no material adverse change in the financial and trading positions or prospects of our Group since 30 September 2022, being the end of the period reported on the Accountants' Report set out in Appendix I to this prospectus.

UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

For further details, see "Unaudited Pro Forma Financial Information" in Appendix II to this Prospectus.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors have confirmed that, as at the Latest Practicable Date, there are no circumstances that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

FUTURE PLANS

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

USE OF PROCEEDS

We estimate that we will receive net proceeds of approximately HK$85.5 million (equivalent to approximately RMB77.9 million) from the Global Offering, after deducting the underwriting commissions and other estimated expenses payable by us in connection with the Global Offering, assuming the Over-allotment Option is not exercised, and assuming an Offer Price of HK$1.18 per Share, being the mid-point of the indicative Offer Price range. In the event that the Over-allotment Option is exercised in full and assuming an Offer Price of HK$1.18 per Share, being the mid-point of the indicative Offer Price, we will receive additional net proceeds from the Global Offering of approximately HK$20.0 million (equivalent to approximately RMB18.2 million). We intend to use such net proceeds from the Global Offering for the purposes and in the amounts set forth below:

Amount of net proceeds	Use of proceeds
(i) approximately 50.0%, or approximately HK$42.8 million (equivalent to approximately RMB38.9 million)	to fund our upfront expenditure of three projects on hand
(ii) approximately 20.0%, or approximately HK$17.1 million (equivalent to approximately RMB15.6 million)	to acquire and/or replace our construction machinery and equipment
(iii) approximately 20.0%, or approximately HK$17.1 million (equivalent to approximately RMB15.6 million)	to fund the establishment and operation of our know-how centre including (a) recruiting professionals; (b) purchasing equipment and software; (c) financing the operating costs including purchasing the materials to be used in R&D; and (d) paying the rent and renovation costs of the know-how centre to strengthen our R&D capabilities
(iv) approximately 10.0%, or approximately HK$8.5 million (equivalent to approximately RMB7.8 million)	for working capital and general corporate purposes

We intend to apply the net proceeds according to the time frame set forth below:

Purpose	Expected time frame for applying the net proceeds: First Half 2023	Second Half 2023	First Half 2024	Second Half 2024	Total
	RMB million	*RMB million*	*RMB million*	*RMB million*	*RMB million*
(i) to fund our upfront expenditure of three projects on hand	24.8	14.1	—	—	38.9
(ii) to acquire and/or replace our construction machinery and equipment	10.0	5.6	—	—	15.6
(iii) to fund the establishment and operation of our know-how centre	5.1	4.3	2.9	3.3	15.6
(iv) for working capital and general corporate purposes	7.8	—	—	—	7.8
Total	47.7	24.0	2.9	3.3	77.9

The details are set out below:

(i) approximately 50.0%, or approximately HK$42.8 million (equivalent to approximately RMB38.9 million), of the net proceeds from the Global Offering will be used for funding our upfront expenditure of three projects on hand.

Generally, according to the construction contracts entered into between our Group and our customers, we are entitled to bill the customers based on the following:

(a) During the project implementation phase, unless there are specific milestones stipulated in the relevant contracts, the progress billable amount is based on a progress billable percentage, generally ranging from 70% to 85%, of the total value of the work performed, as stipulated in the relevant construction contract (with exceptions as stated in the section headed "Business — Our business operations — Operating process — Project implementation phase — Progress billing to customers" in this prospectus).

(b) If specific milestones are stipulated in the contracts, generally speaking, we are able to start billing at an agreed percentage, generally ranging from 70% to 85%, of the total value of work performed upon achieving the relevant milestone (with exceptions as stated in the section headed "Business — Our business operations — Operating process — Project implementation phase — Progress billing to customers" in this prospectus). The billable percentages may vary upon reaching different milestones and typical milestones stipulated in construction contracts include (i) the completion of the foundation works and/or the basement of the buildings; (ii) the completion of the main structure and/or the roofing of the buildings; and (iii) the removal of exterior frames of the buildings.

(c) the total amount we are entitled to make billing to our customers (on an accumulative basis) generally amounted to up to 95% to 97% of the final settlement value after the settlement audit. Usually, retention money of 3% to 5% of the final settlement value will be retained by the customers for a warranty period of one year to two years after the completion and acceptance of the project.

Accordingly, during the Track Record Period, as we incur material costs and subcontracting costs during the initial stage of some projects, we experience a net cash outflow before reaching the milestone that we were entitled to bill our customers. According to the F&S Report, it is common for construction contracts to include several prescribed milestones in the PRC construction industry and thus leading to main contractors usually has a net cash outflow at the initial stage of construction projects. Please refer to the section headed "Business — Our Business Operations — Our Liquidity Position" in this prospectus for details of our need to fund our upfront expenditure of our projects.

Our Directors intend to apply approximately 50%, or approximately HK$42.8 million (equivalent to approximately RMB38.9 million), of our net proceeds from the Global Offering to satisfy the expenditure of the following three projects which were awarded and contracted in 2021 to 2022 and experiencing cash flow mismatch as at the Latest Practicable Date, among which:

(i) approximately 68.6%, or approximately HK$29.4 million (equivalent to approximately RMB26.7 million), of the net proceeds from the Global Offering will be used for purchasing raw materials such as steel, cement and concrete;

(ii) approximately 30.3%, or approximately HK$13.0 million (equivalent to approximately RMB11.8 million), of the net proceeds from the Global Offering will be used for paying labour subcontracting costs and labour costs; and

(iii) approximately 1.1%, or approximately HK$0.4 million (equivalent to approximately RMB0.4 million), of the net proceeds from the Global Offering will be used for paying subcontracting costs.

The three projects represented all the projects that will be funded using the net proceeds from the Global Offering. Our Directors estimate the aggregate expenditure required for the following three projects to be approximately RMB1,712.7 million, which is based on our cost budget as prepared by our market operation department and reviewed by the person in charge of our market operation department and our cost and contract department and technical department and approved by the vice manager of our market operation department and our general manager before we submit the relevant tender. In general, the costs analysis includes raw materials costs, labour costs, machinery and equipment costs, subcontracting costs and other miscellaneous costs. The cost budget is prepared based on our best estimation according to the complexity, scale and schedule of each construction project, the quotations provided by our suppliers, as well as our experiences in different types of construction works and the cost budget for previous similar projects during the Track Record Period. The details of the three projects are set out below:

Project name	Project location	Type of construction works	Project status	Total contract sum (3)	Expected project completion date	Cost paid as at the Latest Practicable Date	Estimated cash flow mismatch (1)		
							2Q2023	3Q2023	4Q2023
				RMB million		*RMB million*	*RMB million*	*RMB million*	*RMB million*
1. Sharing Lease Housing* (共享租賃住房)	Hainan	Civil building construction	Work to be commenced in April 2023	1,100.9	4Q2025	—	19.9	13.9	15.0
2. Huayuan County Mobile Company Dormitory Old Residential Areas Supporting Infrastructure Renovation Project*(花垣縣移動公司宿舍片區老舊社區配套基礎設施改造項目)(2)	Hunan	Civil building construction	Commenced work in January 2023	54.0	4Q2023	0.2	4.9	2.0	2.0
3. Lixun Changjiang* (力迅•昌江項目)	Hainan	Civil building construction	Work to be commenced in June 2023(4)	719.9	4Q2026	—	—	8.6	8.6
Total						0.2	24.8	24.5	25.6
Expected amount of net proceeds to be applied for funding the three projects							**24.8**	**14.1**	**–**

Notes:

(1) The estimated cash flow mismatch calculation for second quarter of 2023 ("**2Q2023**"), third quarter of 2023 ("**3Q2023**") and fourth quarter of 2023 ("**4Q2023**") is based on, among other things (i) estimated project schedule applicable; (ii) actual costs incurred as at the Latest Practicable Date; (iii) payment terms stipulated in the relevant contracts and credit terms granted to our customers; and (iv) estimated credit terms granted by our suppliers and subcontractors.

(2) As at the Latest Practicable Date, upfront expenditure incurred for Huayuan County Mobile Company Dormitory Old Residential Areas Supporting Infrastructure Renovation Project* (花垣縣移動公司宿舍片區老舊社區配套基礎設施改造項目) primarily included labour costs and subcontracting costs, design fee and other raw materials costs.

(3) Contract sums do not include any variation orders and/or VAT.

(4) As informed by the customer of this project, the expected commencement date of this project is delayed to June 2023 due to change in project design.

As cashflow mismatch usually arises in the initial stage of a construction project before reaching the milestone that we are entitled to bill our customers, even though the estimated aggregate expenditure required for the aforementioned three projects amounted to not less than approximately RMB1,712.7 million, it is estimated that the cash flow mismatch for the aforementioned three projects would be approximately RMB74.9 million only for 2Q2023, 3Q2023 and 4Q2023. The amount of cashflow mismatch of these projects is expected to increase from approximately RMB24.8 million for 2Q2023 to RMB25.6 million for 4Q2023. After passing the initial stage of these projects, our Directors do not expect there will be significant cashflow mismatch afterwards. Despite the cashflow mismatch as illustrated above, we had fully considered the working capital needs for these projects which are included in the cash flow budget prepared by the finance department and approved by our general manager when we submitted tenders for the above three projects.

Therefore, in view of the reasons stipulated above and in line with our business strategy to capture more business opportunities and undertake more projects, our Directors consider that it would be desirable to seek other source of financing in order to fully capture the emerging business opportunities driven by the forecasted growth in the industry as well as the upcoming growth of our Group. We intend to apply approximately 50%, or approximately HK$42.8 million (equivalent to approximately RMB38.9 million), of the net proceeds from the Global Offering to fund approximately 44.3% of the estimated cash flow mismatch of the aforementioned three projects for 2Q2023, 3Q2023 and 4Q2023. Our Directors consider that funding partial upfront expenditure of our aforementioned three projects with the net proceeds enable us to reserve our financial resources for undertaking additional potential projects and expand our scale of operation. Please refer to the paragraph headed "Reasons for the Listing" below for further details.

(ii) approximately 20.0%, or approximately HK$17.1 million (equivalent to approximately RMB15.6 million), of the net proceeds from the Global Offering will be used by Zhongtian Construction to (i) replace part of our existing construction lifts and construction cranes which had attained the end of their useful lives; (ii) purchase construction machinery and equipment in other major construction locations and (iii) diversify our types of machinery and equipment in order to improve our operational efficiency and flexibility to undertake projects locating outside Zhuzhou. With more self-owned machinery and equipment, our Directors believe that our competitiveness in the market can be solidified by further reducing our reliance on suppliers for leasing of machinery and equipment for our construction projects and costs on renting machinery and equipment in the long run.

The new machinery and equipment to be acquired include (i) construction lifts, (ii) construction cranes, (iii) excavators and (iv) bulldozers. Set out below are details of the additional machinery and equipment we plan to acquire:

Type of machinery and equipment	Number of existing self-owned units as at 30 September 2022	Approximate average remaining useful life of the existing self-owned units as at 30 September 2022	Number of units to be purchased	Average purchase price per unit	Estimated total expenditure	Estimated useful life of the units to be purchased	Number of existing self-owned units to be replaced	Intended deploying location of the units to be purchased		
								Zhuzhou	Other cities in Hunan Province	Hainan Province
		(years)		*(RMB'000)*	*(RMB'000)*	*(years)*				
Construction Lift .	52	5.7	3	296.0	888	10	1	1 (note 2)	1	1
Construction Crane	51	1.9	9	624.2	5,618	10	4	4 (note 2)	2	3
Excavator (note 1) . .	—	—	6	1,016.7	6,100	10	—	5	—	2
Bulldozer (note 1) . .	—	—	6	500.0	3,000	10	—	3	—	3
Total	**103**		**24**		**15,606**		**5**	**13**	**3**	**9**

Notes:

(1) As at the Latest Practicable Date, we did not possess any excavator or bulldozer.

(2) The construction lifts and construction cranes to be acquired will be used for replacing one of our existing construction lift and four of our existing construction cranes in Zhuzhou which had attained the end of their useful lives.

We intend to apply part of the net proceeds from Global Offering to acquire and/or replace our construction machinery and equipment for the following purposes:

(i) Replacement part of our existing machinery and equipment

Our Group intended to replace some of our existing construction cranes and construction lifts which had attained the end of their useful lives with a view to improve our machinery stability and enhance our project safety. Based on our review conducted on our existing machinery and equipment, we plan to acquire one construction lift and four construction cranes to replace certain machinery that had attained the end of their expected useful lives.

(ii) Increasing our flexibility and capacity to undertake additional construction works, especially for those locating outside Zhuzhou

Our Directors also consider that it is in the interests of our Group to purchase additional machinery and equipment to cope with our business strategies and allow us to have more flexibility in allocating our resources in undertaking construction projects of varying scale, duration and scope of works and reduce our reliance on our suppliers for renting the aforementioned machinery and equipment. All of our construction lifts and construction cranes are currently located in Zhuzhou. During the Track Record Period, we primarily allocated our self-owned construction cranes and construction lifts to support our construction projects in Zhuzhou. In the event that there were idle construction lifts or construction cranes which were not deployed in our construction projects in Zhuzhou, we might lease them to our customers. For other construction projects located in other regions such as Hainan Province and cities in Hunan Province other than Zhuzhou during the Track Record Period, in the absence of self-owned machinery and equipment in these areas, we had to rent from other equipment suppliers. Since it may not be cost effective to transport the relevant machinery and equipment, which is generally large in size and bulky, our Directors are of the view that having additional machinery and equipment to be located close to our project sites can increase our flexibility and capacity to undertake additional construction works.

(iii) Enriching machinery and equipment portfolio to diversify our types of machinery and equipment

Moreover, different types of machinery and equipment are required for our construction projects and they all serve different functions. For example, construction cranes are used for lifting and transporting heavy materials for our building construction projects while excavators and bulldozers are generally used for carrying out foundation works of our foundation works projects, building construction projects and prefabricated steel structure construction projects. During the Track Record Period, our average utilisation rate of machinery and equipment was more than 80% and our leasing expenses for machinery and equipment also increased significantly by approximately 77.0% from FY2019 to FY2021. Such increase was mainly due to the increase in rental of machinery and equipment other than construction cranes and construction lifts to cater for the needs of our construction projects, including foundation works for certain residential building construction projects in FY2020 and FY2021. Despite our rental expenses for machinery and equipment dropped in 3Q2022 compared to 3Q2021 mainly due to decrement in foundation works engaged in 3Q2022, our Directors are of the view that our Company will be carrying out foundation works for civil building construction and other projects in the future. For details of the increase in rental costs, please refer to section headed "Financial information — Description of certain key items of our results of operations — Cost of sales". As at the Latest Practicable Date, we only possessed construction lifts and construction cranes and did not own any excavator or bulldozer. Our Directors consider that excavators and bulldozers are also major machinery and equipment for the civil building construction and foundation works projects. Therefore, in order to increase flexibility in operation and to reduce our reliance on equipment suppliers for renting excavator and bulldozer in the future, we intend to acquire five excavators and five bulldozers using the net proceeds from the Global Offering. In addition, among the three models of construction cranes which we plan to acquire, one of the models is suitable for supporting our prefabricated steel structure construction works which enable us to capture more opportunities in prefabricated steel structure construction. For details, please refer to section headed "Business — Business strategies — Capture the opportunities arising from the latest development trend of EPC model and green building including prefabricated construction method in the PRC" in this prospectus. Our Directors are of the view that our chance to be awarded new and sizeable construction projects would increase if we have the necessary machinery and equipment on hand which reduces the risk of failure to rent in the market and ensure timely performance for the progress of our construction projects. Our Directors consider that the number of construction machinery and equipment planned to be acquired by us is commercially justifiable based on our operational needs, having considered the number of our projects on hand as at the Latest Practicable Date and the anticipated additional new construction projects.

Furthermore, our Directors considered that the purchase of additional machinery and equipment could reduce our reliance on machinery suppliers and bring potential cost saving benefits to our Group. For illustrative purpose only, we set out below an analysis on the financial benefits and costs savings over a 12-month period in acquiring a construction lift, a construction crane, an excavator and a bulldozer (in terms of monetary value):

	Construction lift	**Construction crane**	**Excavator**	**Bulldozer**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
Estimated average annual cost of purchasing a unit [(1)]	38.6	70.6	136.7	90.0
Estimated average annual rental of renting a unit from supplier	152.1[(2)]	347.2[(2)]	328.3[(3)]	338.9[(3)]
Estimated cost saving over a 12-month period. .	113.5	276.6	191.6	248.9

Notes:

(1) The estimated average annual cost of purchasing a unit include depreciation and the cost of repair and maintenance (excluding the staff costs for operating the machinery).

(2) The estimated average annual rental of renting a construction lift and a construction crane from supplier is estimated based on the monthly rental rate for renting these two types of machinery during the Track Record Period (excluding the staff costs for operating the machinery), taking into account an estimated CAGR of 2.8% in the machinery cost from FY2022 to FY2026 with reference to the F&S Report.

(3) The estimated average annual rental of renting an excavator and a bulldozer from supplier is estimated based on the hourly rental rate for renting these two types of machinery during the Track Record Period (excluding the staff costs for operating the machinery) and the estimated operating time of the machinery, taking into account an estimated CAGR of 2.8% in the machinery cost from FY2022 to FY2026 with reference to the F&S Report.

Based on the above illustrations, should our Group purchase a brand new construction lift, construction crane, excavator or bulldozer, the total annual costs would be lower than renting from our suppliers. Accordingly, our Directors are of the view that purchasing additional machinery and equipment will lower our operational costs in the long term.

(iii) approximately 20.0%, or approximately HK$17.1 million (equivalent to approximately RMB15.6 million), of the net proceeds from the Global Offering will be used for funding the establishment and operation of our know-how centre in Zhuzhou which will act as a hub for R&D to strengthen our R&D capabilities in prefabricated steel structure construction and traditional construction and is expected to be completed in the second half year of 2023. Our Directors are of the view that being accredited as a High and New Technology Enterprise (高新技術企業) would require our continuous investment in R&D to enhance the efficiency and effectiveness of our construction solutions and to develop and adopt innovative construction solutions so as to maintain or even enhance our competitiveness in the construction industry. The details for applying the net proceeds to fund our know-how centre are as follows:

(a) approximately 9.1%, or approximately HK$7.8 million (equivalent to approximately RMB7.1 million) will be used for recruiting approximately 18 experienced professionals with R&D experience in prefabricated steel structure construction or traditional construction, including approximately five senior engineers to oversee the operation of our know-how centre and approximately 13 registered engineers for managing different R&D projects, who are experienced in the construction industry with salary ranging from RMB15,000 to RMB33,000 per month, from the first quarter of 2023, to the fourth quarter of 2024;

(b) approximately 6.0%, or approximately HK$5.1 million (equivalent to approximately RMB4.7 million) will be used for purchasing software for our R&D such as structural design software and 3D rendering software, as well as equipment for our R&D, starting from the second quarter of 2023. The number and type of equipment to be purchased and their corresponding estimated useful life are as follows:

		Number of equipment	Estimated useful life
			(years)
1.	Equipment for R&D, testing and analysing the chemical or components	11	5–10
2.	Computer and server	20	5
	Total	31	

(c) approximately 4.0%, or approximately HK$3.4 million (equivalent to approximately RMB3.1 million) will be used for financing the operating costs of our know-how centre including purchasing the materials to be used in R&D as materials was the major components of our R&D expenses for each year/period during the Track Record Period. As at the Latest Practicable Date, we had 37 on-going R&D projects and we intend to purchase different kinds of steel, such as steel pipe, steel bar truss floor deck and section steel which have different shape, size and thickness, of approximately 570 tonnes to 630 tonnes, different specification of concrete, such as plain concrete with different compressive strength and density and bituminous concrete, of approximately 1,600 m^3 to 1,800 m^3 and other construction materials including wooden formwork and asphalt surface materials for these on-going R&D projects with the net proceeds from the Global Offering.

(d) approximately 1.0%, or approximately HK$0.8 million (equivalent to approximately RMB0.8 million) will be used for paying the rent of a premises in Zhuzhou, starting from the first quarter of 2023 to the fourth quarter of 2024, with gross floor area of approximately 400 square metres and expected monthly rent of approximately RMB20,000 which will serve as our know-how centre and the renovation cost of the same premises.

(iv) approximately 10.0%, or approximately HK$8.5 million (equivalent to approximately RMB7.8 million), of the net proceeds from the Global Offering will be used for our working capital requirement and general corporate purposes.

If the Over-allotment Option is exercised in full, we estimate that the net proceeds of these additional Shares will be approximately HK$20.0 million (equivalent to approximately RMB18.2 million), after deducting the underwriting commissions and other estimated expenses payable by us in connection with the Global Offering, assuming an Offer Price of HK$1.18 per Share, being the mid-point of the indicative Offer Price range. We intend to use such additional net proceeds for the above uses on a pro rata basis.

If the Offer Price is fixed at HK$1.28 per Share, being the high-end of the indicative Offer Price range, and given that the Over-allotment Option is not exercised, we will receive additional net proceeds of approximately HK$11.3 million (equivalent to approximately RMB10.3 million). If the Offer Price is fixed at HK$1.08 per Share, being the low-end of the indicative Offer Price range, and given that the Over-allotment Option is not exercised, the net proceeds we receive will be reduced by approximately HK$11.3 million (equivalent to approximately RMB10.3 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 proceeds from the Global Offering are not immediately applied to the above purposes, we intend to deposit such net proceeds into short-term interest-bearing accounts at licensed commercial banks and/or other authorised financial institutions in Hong Kong (as defined under the SFO) and the PRC (as defined under the PRC Laws).

We will issue an announcement if there is any material change in the abovementioned use of proceeds.

REASONS FOR LISTING

The following sets forth our main purposes for seeking the Listing:

(i) Listing 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 balanced and suitable capital structure to support the long-term growth of our Group. We believe that external financings are required to support our future expansion plans as detailed in "Business — Business Strategies" in this prospectus. Despite the cost of equity funding by way of the Global Offering after taking into account the Listing expenses might not be lower than debt financing, our Directors considered that:

(a) finance costs will be incurred when our Group pursues debt financing exercise which will affect our financial performance. During the Track Record Period, the weighted average effective interest rates based on average of our total borrowings (including bank and other borrowings) exclude lease liability for FY2019, FY2020, FY2021 and 3Q2022 were 9.3%, 7.4%, 5.2% and 5.4%, respectively. Moreover, the increase in our debt level will lead to increase in our cash outflow to repay principal and interest, which will in turn increase the risk of bankruptcy, 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 if we rely solely on debt financing; and

(b) 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 and we may be subject to various covenants contained in relevant debt instruments that may restrict us from obtaining additional financing, conducting our business activities and distributing dividends; and

(c) the Global Offering 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 proceeds to be raised in the Global Offering, to finance our future business expansion and long-term development.

We intend to achieve operational and financial independence from our Controlling Shareholder, executive Directors and their respective associates and to attain sustainable growth. Our Directors consider that as a group of private companies, our Company, without a listing status, would be difficult to obtain bank borrowings with commercially acceptable terms without guarantees to be provided by the Controlling Shareholder. However, continuous reliance on our Controlling Shareholder, executive Directors and their respective associates for any form of financial assistance is a great hindrance to our Group in achieving financial independence. Our Directors therefore consider that it would not be in the interest of our Group to rely on debt financing that involves personal guarantees and/or collaterals provided by our Controlling Shareholder, executive Directors and their respective associates and advances from our Controlling Shareholder.

(ii) Listing provides 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 need so that for our Group's further expansion plans (other than those future plans stated in this prospectus) can be supported when opportunities arise. Furthermore, the ability to obtain bank financing is generally easier with a listed entity as compared to a private entity and our Directors believe that a Listing 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;

(iii) Listing can enhance our corporate image and status and provide reassurance and confidence to our customers, suppliers and subcontractors, which in turn provides a stronger bargaining position when exploring new business opportunities with our customers, suppliers and subcontractors; and

(iv) Listing enables us to enhance employee incentive and commitment. As a construction services provider, experienced and quality staff are vital to our business operations and future development, being a listed company can help to attract, recruit and retain our valued management personnel, employees and skilled professionals to provide additional incentive. As such, we have put in place the Share Option Scheme for our employees in order to attract and retain talents. Please refer to the paragraph headed "D. Share Option Scheme" in Appendix V to this prospectus for a summary of principal terms of the scheme.

UNDERWRITERS

Hong Kong Underwriters

CMBC Securities Company Limited
Grande Capital Limited
SPDB International Capital Limited
BOCOM International Securities Limited
I Win Securities Limited
China Everbright Securities (HK) Limited
Soochow Securities International Brokerage Limited
Alliance Capital Partners Limited
Eddid Securities and Futures Limited
Maxa Capital Limited
ChaoShang Securities Limited
Leeds Securities Investment Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, our Company is offering the Hong Kong Public Offer Shares for subscription by the public in Hong Kong on and subject to the terms and conditions of this prospectus and the **GREEN** Application Form at the Offer Price.

Subject to (i) the Listing Committee granting approval for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus, and such approval not subsequently having been revoked prior to the commencement of trading of the Shares on the Stock Exchange; and (ii) certain other conditions set forth in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have agreed severally to apply or procure applications, on the terms and conditions of this prospectus, the **GREEN** Application Form and the Hong Kong Underwriting Agreement, for their respective applicable proportions of the Hong Kong Offer Shares which are being offered but are not taken up under the Hong Kong Public Offering.

The Hong Kong Underwriting Agreement is conditional upon and subject to, amongst others, the International Underwriting Agreement becoming unconditional and not having been terminated.

Grounds for Termination

The Joint Overall Coordinators and the Joint Global Coordinators, at their sole and absolute discretion, may, for themselves and on behalf of the Hong Kong Underwriters, upon the giving of notice in writing to us and/or the other warrantors (including our Controlling Shareholder and all our executive Directors), terminate the Hong Kong Underwriting Agreement with immediate effect if any of the following events occurs at or prior to 8:00 a.m. on the Listing Date:

(a) there has come to the notice of the Joint Overall Coordinators and the Joint Global Coordinators that:

(i) any statement, estimate, forecast or expression of opinion, intention or expectation contained in this prospectus and/or the **Green Application Form**, or any other documents which have been approved by our Company issued or used by or on behalf of our Company in connection with the Global Offering (together with this prospectus and the **Green Application Form**, the "**Offer Documents**") (including any supplement or amendment thereto), was, when it was issued, or has become, untrue, incomplete, incorrect or misleading in any material respect or that any forecast, expression of opinion, intention or expectation expressed in any Offer Documents, in any material respect, is not fair and honest and based on reasonable assumptions, when taken as a whole; or

(ii) any matter has arisen or has been discovered which would or might, had it arisen or been discovered immediately before the date of this prospectus, constitute a misstatement or omission in any material aspect; or

(iii) any of the representations, warranties, indemnities, agreements and undertakings given by our Company or the other warrantors in the Hong Kong Underwriting Agreement or the International Underwriting Agreement is (or would when repeated be) untrue, inaccurate or misleading or having been breached; or

(iv) any breach of any of the obligations or undertakings imposed upon any party (other than the any of the Joint Overall Coordinators or the Joint Global Coordinators or the Underwriters) to any of the Underwriting Agreements or the agreement between ourselves and the Joint Overall Coordinators and the Joint Global Coordinators (for themselves and on behalf of the Underwriters and the Capital Market Intermediaries) to record our agreement of the Offer Price; or

(v) any material adverse change or prospective material adverse change in the condition, business, assets and liabilities, properties, results of operations, in the financial or trading position or prospects of any member of our Group; or

(vi) approval by the Listing Committee of the listing of, and permission to deal in, the Shares is refused or not granted, other than subject to customary conditions, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or

(vii) our Company withdraws any of the Offer Documents (and/or any other documents used in connection with the contemplated subscription of the Offer Shares) or the Global Offering; or

(viii) any matter, event, act or omission which gives or is likely to give rise to any liability of any of our Company or the other warrantors pursuant to the indemnities given by us or any of the other warrantors in the Hong Kong Underwriting Agreement; or

(ix) any person (other than the Hong Kong Underwriters) has withdrawn or sought to withdraw its consent to being named in any of the Offer Documents or to the issue of any of the Offer Documents; or

(b) there shall develop, occur, exist or come into effect:

(i) any change or development involving a prospective material change in, or any event or series of events resulting or likely to result in or representing any material change or development in local, national, regional or international financial, political, military, industrial, legal, economic, currency market, fiscal or regulatory or market matters or conditions and matters and/or disaster or any monetary or trading settlement systems (including, without limitation, conditions in stock and bond markets, money and foreign exchange markets and inter-bank markets, a change in the system under which the value of the Hong Kong currency is linked to that of the currency of the United States or a revaluation or a devaluation of the Renminbi against any foreign currencies) in or affecting Hong Kong, the PRC, the Cayman Islands, the BVI, or any other jurisdiction relevant to our Group (each a "**Relevant Jurisdiction**"); or

(ii) any new law or regulation or any change or development involving a prospective change in any existing law or regulation, or any change or development involving a prospective change in the interpretation or application thereof by any court or other competent authority in or affecting any Relevant Jurisdiction; or

(iii) any event or series of events in the nature of force majeure (including, without limitation, acts of government, strikes, lock-outs, fire, explosion, flooding, civil commotion, acts of war, riot, public disorder, acts of terrorism (whether or not responsibility has been claimed), acts of God, economic sanctions, outbreak of disease or epidemic (including without limitation Severe Acute Respiratory Syndrome, avian influenza A (H5N1), swine influenza (H1N1) and COVID-19), in or affecting any of the Relevant Jurisdictions; or

(iv) any local, national, regional or international outbreak or escalation of hostilities (whether or not war is or has been declared) or other state of emergency or calamity or crisis in or affecting any of the Relevant Jurisdictions; or

(v) (A) any suspension or limitation on trading in shares or securities generally on the Stock Exchange, the New York Stock Exchange, the Nasdaq Stock Market, the London Stock Exchange, the Shanghai Stock Exchange, the Shenzhen Stock Exchange, the Tokyo Stock Exchange, or (B) a general moratorium of commercial banking activities in any of the Relevant Jurisdictions declared by the relevant authorities, or a disruption in commercial banking activities or foreign exchange trading or securities settlement or clearance services in or affecting any of the Relevant Jurisdictions; or

(vi) any material adverse change or development or event involving a prospective material adverse change in taxation or exchange controls (or the implementation of any exchange control), currency exchange rates or foreign investment regulations in any of the Relevant Jurisdictions; or

(vii) any imposition of economic sanctions, in whatever form, directly or indirectly, by any of the Relevant Jurisdictions; or

(viii) any material adverse change or development or event involving a prospective material adverse change in our Group's assets, liabilities, profit, losses, performance, condition, business, financial, earnings, trading position or prospects; or

(ix) the commencement by any judicial or regulatory body or organisation of any public action against our Company or a Director or the other warrantors in the Hong Kong Underwriting Agreement or an announcement by any judicial or regulatory body or organisation that it intends to take any such action; or

(x) other than with the approval of the Joint Overall Coordinators and the Joint Global Coordinators, the issue or requirement to issue by our Company of a supplementary prospectus or offering document pursuant to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Companies Ordinance or the Listing Rules in circumstances where the matter to be disclosed is, in the sole opinion of the Joint Overall Coordinators and the Joint Global Coordinators materially adverse to the marketing for or implementation of the Global Offering; or

(xi) an order or a petition is presented for the winding up or liquidation of our Company or any of its subsidiaries, or our Company or any of its subsidiaries make any compromise or arrangement with our Company's or any of its subsidiaries' creditors or enter into a scheme of arrangement or any resolution is passed for the winding-up of our Company or any of its subsidiaries or a provisional liquidator, receiver or manager is appointed over all or part of the assets or undertaking of our Company or any of its subsidiaries or anything analogous thereto occurs in respect of our Company or any of its subsidiaries; or

(xii) a valid demand by any creditor for repayment or payment of any of our Company's indebtedness or those of any of its subsidiaries or in respect of which our Company or any of its subsidiaries are liable prior to its stated maturity, or any loss or damage sustained by our Company or any of its subsidiaries (howsoever caused and whether or not the subject of any insurance or claim against any person); or

(xiii) any litigation or claim being threatened or instigated against our Company or any of its subsidiaries or our Directors or our Controlling Shareholder of material importance,

and which, in any of the above cases:

(1) is or may or will be or is likely to be adverse to, or affect, the business or financial or trading position or prospects of our Company or its subsidiaries as a whole; or

(2) has or may have or will have or is likely to have an adverse effect on the success of the Global Offering and/or make it impracticable or inadvisable for any part of the Hong Kong Underwriting Agreement, the Hong Kong Public Offering or the Global Offering to be performed or implemented as envisaged; or

(3) makes or may make or will or is likely to make it inadvisable or inexpedient to proceed with the Hong Kong Public Offering and/or the Global Offering or the delivery of the Offer Shares on the terms and in the manner contemplated by this prospectus.

Undertakings to the Stock Exchange pursuant to the Listing Rules

Undertakings by our Company

Under Rule 10.08 of the Listing Rules, our Company has undertaken to the Stock Exchange that our Company will not issue any further Shares or securities convertible into equity securities of our Company (whether or not of a class already listed) or enter into any agreement to such an issue within six months from the Listing Date (whether or not such issue of Shares or securities of our Company will be completed within six months from the Listing Date), except under the Capitalisation Issue or the Global Offering (including Shares that may be allotted and issued upon the exercise of the Over-allotment Option) or in certain circumstances provided under Rules 10.08(1) to 10.08(4) of the Listing Rules.

Undertakings by our Controlling Shareholder

Pursuant to Rule 10.07 of the Listing Rules, our Controlling Shareholder has undertaken to the Stock Exchange that it shall not, and shall procure that the relevant registered holder(s) shall not, without the prior consent of the Stock Exchange or unless otherwise in compliance with the applicable requirements of the Listing Rules:

(i) in the period commencing on the date by reference to which disclosure of its shareholding in our Company is made in this prospectus up to and ending on the date which is six months from the Listing Date (the "**First Six-month Period**"), dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares in respect of which it is shown by this prospectus to be the beneficial owner (as defined in Rule 10.07(2) of the Listing Rules); or

(ii) in the period of six months commencing on the date on which the First Six-month Period expires (the "**Second Six-month Period**"), dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares referred to in paragraph (i) above if, immediately following such disposal, or upon the exercise or enforcement of such options, rights, interests or encumbrances, it would cease to be a controlling shareholder (as defined in the Listing Rules) of our Company.

Our Controlling Shareholder has further undertaken to the Stock Exchange that within the period commencing from the date by reference to which disclosure of its shareholding in our Company is made in this prospectus and ending on the date which is 12 months from the Listing Date, it will:

(i) when it pledges or charges any Share beneficially owned by it in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) pursuant to Note (2) to Rule 10.07(2) of the Listing Rules, immediately inform our Company of such pledge or charge together with the number of Shares so pledged or charged; and

(ii) when it receives indications, either verbal or written, from the pledgee or chargee that any of the pledged or charged Shares will be disposed of, immediately inform our Company of such indications.

Our Company will inform the Stock Exchange in writing as soon as it has been informed of any of the matters referred to above (if any) by our Controlling Shareholder and disclose such matters by way of a press announcement to be published in accordance with Rule 2.07C of the Listing Rules as soon as possible.

For non-disposal undertakings of our existing Shareholders other than the Controlling Shareholder and Bizoe (International) as well as each of the individual shareholders of ZT (A) and ZT (E), please refer to the paragraphs headed "Voluntary undertakings by our existing Shareholders other than the Controlling Shareholder and Bizoe (International)" and "Voluntary undertakings by the individual shareholders of ZT (A) and ZT (E)" below in this section.

Undertakings pursuant to the Hong Kong Underwriting Agreement

Undertakings by our Company

Pursuant to the Hong Kong Underwriting Agreement, our Company has undertaken to each of the Sole Sponsor, the Joint Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Capital Market Intermediaries and the Hong Kong Underwriters that except pursuant to the Capitalisation Issue, the Global Offering, the Over-allotment Option and options which may be granted under any share option scheme of any member of our Group or with the prior written consent of the Joint Overall Coordinators and the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters and the

Capital Market Intermediaries) and unless in compliance with the requirements of the Listing Rules, our Company will not, at any time within the First Six-month Period, (a) offer, accept subscription for, pledge, issue, sell, lend, mortgage, assign, charge, contract to issue or sell, sell any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of, either directly or indirectly, conditionally or unconditionally, any such share capital or other securities of our Company or any interest therein (including, but not limited to, any securities that are convertible into or exchangeable for, or that represent the right to receive any such capital or securities or any interest therein); or (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any such capital or securities or any interest therein; or (c) enter into any transaction with the same economic effect as any transaction described in (a) or (b) above; (d) agree or contract to, or publicly announce any intention to enter into, any transaction described in (a) or (b) above; whether any such transaction described in (a) or (b) or (c) above is to be settled by delivery of Shares or other securities, in cash or otherwise.

Undertakings by our Controlling Shareholder

Pursuant to the Hong Kong Underwriting Agreement, our Controlling Shareholder has undertaken to each of our Company, the Sole Sponsor, the Joint Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Capital Market Intermediaries and the Hong Kong Underwriters that:

(i) during the First Six-month Period, it shall not, and shall procure that the relevant registered holder(s) and its associates and companies controlled by it and any nominee or trustee holding in trust for it shall not, without the prior written consent of the Joint Overall Coordinators and the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters and the Capital Market Intermediaries) and unless pursuant to the stock borrowing arrangement that may be entered with the Joint Overall Coordinators and the Joint Global Coordinators or their agent or otherwise in compliance with the requirements of the Listing Rules, (a) offer, pledge, charge (other than any pledge or charge of our Company's issued share capital after the Global Offering (assuming the Over-allotment Option is not exercised) in favour of an authorised institution as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) for a bona fide commercial loan), sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of, either directly or indirectly, conditionally or unconditionally, any share capital or other securities of our Company or any interest therein (including, but not limited to any securities that are convertible into or exchangeable for, or that represent the right to receive, any such capital or securities or any interest therein); or (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any such capital or securities or any interest therein; or

(c) enter into any transaction with the same economic effect as any transaction described in (a) or (b) above; or (d) agree or contract to, or publicly announce any intention to enter into, any transaction described in (a) or (b) or (c) above, whether any such transaction is to be settled by delivery of such capital or securities, in cash or otherwise;

(ii) during the Second Six-month Period, it will not enter into any of the transactions specified in (i)(a), (b) or (c) above or agree or contract to or publicly announce any intention to enter into any such transaction if, immediately following such transfer or disposal, it will cease to be a controlling shareholder (as defined in the Listing Rules) of our Company; and

(iii) until the expiry of the Second Six-month Period, in the event that it enters into any such transactions or agrees or contracts to, or publicly announces any intention to enter into any such transactions, it will take all reasonable steps to ensure that it will not create a disorderly or false market in the securities of our Company.

Pursuant to the Hong Kong Underwriting Agreement, our Controlling Shareholder has further undertaken to each of our Company, the Sole Sponsor, the Joint Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Capital Market Intermediaries and the Hong Kong Underwriters that, from the date of the Hong Kong Underwriting Agreement up to and including the expiry of the Second Six-month Period, it will:

(i) when it pledges or charges any securities or interests in the securities of our Company, immediately inform our Company and the Joint Overall Coordinators and the Joint Global Coordinators in writing of such pledge or charge together with the number of securities and nature of interest so pledged or charged; and

(ii) if and when it receives indications, either verbal or written, from any pledgee or chargee that any of the pledged or charged securities or interests in the securities of our Company will be sold, transferred or disposed of, immediately inform our Company and the Joint Overall Coordinators and the Joint Global Coordinators in writing of such indications. Our Company will inform the Stock Exchange in writing as soon as it has been informed of any of the matters referred to above (if any) by our Controlling Shareholder and disclose such matters by way of a press announcement to be published in accordance with Rule 2.07C of the Listing Rules as soon as possible.

Voluntary undertakings by our existing Shareholders other than the Controlling Shareholder and Bizoe (International)

Each of our existing Shareholders other than the Controlling Shareholder and Bizoe (International), namely ZT (B), ZT (C), ZT (D), ZT (E), ZT (F), ZT (G), ZT (H), ZT (I), ZT (J), ZT (K), ZT (L) and ZT (M) (the "**Other Shareholders**") has voluntarily undertaken to each of our Company, the Joint Overall Coordinators, the Joint Global Coordinators, the Sole Sponsor, the Capital Market Intermediaries and the Hong Kong Underwriters that without the prior written consent of our Company, it shall not and shall procure that the relevant registered holder(s) shall not at any time within the period commencing on the date by reference to which disclosure of its shareholding in our Company is made in this prospectus and ending on the date which is six months from the Listing Date, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares or securities of our Company in respect of which it is shown by this prospectus to be the beneficial owners. Such restrictions shall not apply to, among others:

(i) any charge, mortgage or pledge by the Other Shareholders of the Shares during the 6 months period in favour of a financial institution to secure a loan or financing facility made to the Other Shareholders (the "**Loan**") if the person making the Loan undertakes to be bound by the restrictions on disposal herein during the six months period and which restrictions shall include any disposal of the Shares on exercise of any enforcement action or foreclosure following a default under the Loan; or

(ii) any transfer with the prior written consent of our Company; or

(iii) any Shares acquired in open market transactions after the completion of the Global Offering; or

(iv) any transfers to any of the Other Shareholders' affiliates, provided that, prior to such transfer, such affiliates gives a written undertaking (addressed to and in favour of our Company in terms satisfactory to them and substantially the same as the Other Shareholders' deed of lock-up undertaking) agreeing to, and the Other Shareholders undertake to procure that such affiliates will, be bound by the undertaking.

Voluntary undertakings by the individual shareholders of ZT (A) and ZT (E)

Each of the individual shareholders of ZT (A) and ZT (E) has voluntarily undertaken to our Company that each of them shall not and shall procure that ZT (A) and ZT (E) (where applicable) shall not, during the period commencing from the date of this prospectus up to and including the date which is 12 months from the Listing Date, dispose of, nor enter into any agreement to dispose of, or otherwise create any options, rights, interests or encumbrances in respect of, any of the shares of ZT (A) and/or ZT (E) (where applicable) and the Shares in respect of which he/she/it is shown by this prospectus to be the beneficial owner.

Taking into account that (i) each of the individual shareholders of ZT (A) and ZT (E), which represented the entire issued share capital of ZT (A) and ZT (E), has given non-disposal undertaking in relation to the shares of ZT (A) and ZT (E) (where applicable) and our Shares held by ZT (A) and ZT (E); and (ii) ZT (A) and ZT (E) have given non-disposal undertaking pursuant to the Listing Rules and/or the Hong Kong Underwriting in relation to our Shares held by them, the non-disposal undertakings cover all individual shareholders of ZT (A) and ZT (E), as well as all shares of ZT (A) and ZT (E) and all Shares held by ZT (A) and ZT (E), thus our Directors consider, and the Sole Sponsor concurs, that the non-disposal undertakings by ZT (A), ZT (E) and each of their individual shareholders are feasible and enforceable in respect of the shares of ZT (A) and ZT (E) and our Shares held by ZT (A) and ZT (E).

As discussed in the paragraph headed "Relationship with our Controlling Shareholder — Background of our Controlling Shareholder" in this prospectus, there is also no acting-in-concert arrangement among the 79 shareholders of ZT (A). The execution of the non-disposal undertakings by the Other Shareholders and individual shareholders of ZT (A) and ZT (E) is voluntary and would not constitute any acting-in-concert arrangement among them for the purpose of the Takeovers Code. Therefore, there is no specific implication under the Takeovers Code arising from the non-disposal undertaking given by the Other Shareholders and the individual shareholders of ZT (A) and ZT (E).

Hong Kong Underwriters' interests in our Company

Save as disclosed in this section and save for their respective interests and obligations under the Hong Kong Underwriting Agreement, none of the Hong Kong Underwriters is interested beneficially or otherwise in any shares in any member of our Group or has any right (whether legally enforceable or not) or option to subscribe for, or to nominate persons to subscribe for, any shares in any member of our Group.

The International Placing

In connection with the International Placing, it is expected that our Company will enter into the International Underwriting Agreement with, among others, the International Underwriters. Under the International Underwriting Agreement, the International Underwriters would, subject to certain conditions set out therein, agree severally to apply or procure applications for their respective applicable proportions of International Placing Shares.

Our Company is expected to grant to the International Underwriters the Over-allotment Option, exercisable by the Joint Overall Coordinators and the Joint Global Coordinators on behalf of the International Underwriters at any time from the Listing Date until the date which is 30 days from the last date of lodging application under the Hong Kong Public Offering, to require our Company to allot and issue up to and not more than 18,000,000 additional new Shares (representing 15% of the total number of the Offer Shares initially available under the Global Offering) at the Offer Price to cover, among others, over-allocations (if any) in the International Placing.

Commissions and Expenses

The Capital Market Intermediaries will receive an underwriting commission of 4.0% of the aggregate Offer Price of all the Offer Shares (including Offer Shares to be issued pursuant to the Over-allotment Option) (collectively, the "**Gross Proceeds**"). The Joint Overall Coordinators will receive 2.0% of the Gross Proceeds as the Joint Overall Coordinators' fee (together with the underwriting commission, the "**Fixed Fees**"). In addition, our Company may, at our sole and absolute discretion, pay to any one or more Capital Market Intermediaries an additional incentive fee of up to 1.0% of the Gross Proceeds (the "**Discretionary Fees**"). Assuming the Discretionary Fees are paid in full, the ratio of Fixed Fees and Discretionary Fees payable is therefore approximately 85.7:14.3. The underwriting commission, financial advisory and documentation fees, listing fees, the Stock Exchange trading fee, the SFC transaction levy, the AFRC transaction levy, legal and other professional fees together with printing and other expenses relating to the Global Offering, assuming an Offer Price of HK$1.18 per Offer Share (being the mid-point of the indicative Offer Price range of HK$1.28 and HK$1.08), are estimated to amount to approximately HK$8.5 million in total (assuming that the Over-allotment Option is not being exercised).

Indemnity

Our Company and our Controlling Shareholder have agreed to indemnify the Capital Market Intermediaries and the Hong Kong Underwriters against certain losses which they may suffer, including but not limited to losses arising from the performance of their obligations under the Hong Kong Underwriting Agreement and any breach by us of the Hong Kong Underwriting Agreement.

Activities by Syndicate Members

The Hong Kong Underwriters and the International Underwriters (together, the "**Syndicate Members**") and their affiliates may each individually undertake a variety of activities (as further described below) which do not form part of the underwriting or stabilising process.

The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own account and for the account of others. In relation to our Shares, those activities could include acting as agent for buyers and sellers of our Shares, entering into transactions with those buyers and sellers in a principal capacity, proprietary trading in our Shares, and entering into over the counter or listed derivative transactions or listed and unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have as their underlying assets, assets including our Shares. Those activities may require hedging activity by those entities involving, directly or indirectly, the buying and selling of our Shares. All such activity could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in our Shares, in baskets of securities or indices including our Shares, in units of funds that may purchase our Shares, or in derivatives related to any of the foregoing.

In relation to issues by Syndicate Members or their affiliates of any listed securities having our Shares as their underlying securities, whether on the Stock Exchange or on any other stock exchange, the rules of the exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in our Shares in most cases.

All such activities may occur both during and after the end of the stabilising period described in the section headed "Structure and Conditions of the Global Offering" in this prospectus. Such activities may affect the market price or value of our Shares, the liquidity or trading volume in our Shares and the volatility of the price of our Shares, and the extent to which this occurs from day to day cannot be estimated.

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. The Global Offering comprises:

(i) the Hong Kong Public Offering of 12,000,000 Hong Kong Public Offer Shares (subject to reallocation as mentioned below) in Hong Kong as described in this section headed "Hong Kong Public Offering" in this section below; and

(ii) the International Placing of an aggregate of 108,000,000 International Placing Shares (subject to reallocation and the Over-allotment Option as mentioned below) to institutional, professional, corporate and other investors in Hong Kong and elsewhere in the world outside the United States.

Investors may apply for Offer Shares under the Hong Kong Public Offering or apply for or indicate an interest for International Placing Shares under the International Placing, but may not do both.

The Offer Shares will represent approximately 25% of the enlarged issued share capital of our Company immediately after completion of the Capitalisation Issue and the Global Offering, without taking into account the exercise of the Over-allotment Option. If the Over-allotment Option is exercised in full, the Offer Shares will represent approximately 27.7% of the enlarged issued share capital immediately after completion of the Capitalisation Issue, the Global Offering and the exercise of the Over-allotment Option in full as set out in the paragraph headed "Over-allotment Option" in this section below.

DETERMINATION OF THE OFFER PRICE

The Offer Price is expected to be fixed by agreement between the Joint Overall Coordinators and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company on or before the Price Determination Date, when the market demand for the Offer Shares will be ascertained. The Price Determination Date is currently expected to be on Thursday, 23 March 2023 and in any event, not later than Tuesday, 28 March 2023.

Prospective investors should be aware that the Offer Price to be determined on or before the Price Determination Date may be, but not expected to be, lower than indicative Offer Price range as stated in this prospectus. The Offer Price will not be more than HK$1.28 per Offer Share and is expected to be not less than HK$1.08 per Offer Share. The Offer Price will fall within the Offer Price range as stated in this prospectus unless otherwise announced, as further explained below, not later than the morning of the last day for lodging applications under the Hong Kong Public Offering.

The Joint Overall Coordinators and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) may, where they consider appropriate, based on the level of interest expressed by prospective professional, institutional and private investors during a book-building process, and with the consent of our Company, reduce the number of Offer Shares and/or the indicative Offer Price range below that stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, our Company will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offering on Thursday, 23 March 2023, cause there to be published on the Stock Exchange's website at ***www.hkexnews.hk*** and our Company's website at ***www.ztcon.com*** notices of reduction in the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range. Our Company will also, as soon as practicable following the decision to make such change, issue a supplemental prospectus updating investors of the change in the number of Offer Shares being offered under the Global Offering and/or the Offer Price, extend the period under which the Hong Kong Public Offering was opened for acceptance to allow potential investors sufficient time to consider their subscriptions or reconsider their submitted subscriptions, and require investors who had applied for the Hong Kong Offer Shares to positively confirm their applications for Offer Shares in light of the change in the number of Offer Shares and/or the Offer Price. Upon issue of such a notice and supplemental prospectus, the revised number of Offer Shares and/or the Offer Price range will be final and conclusive and the Offer Price, if agreed upon with our Company, will be fixed within such revised Offer Price range.

Before submitting applications for the Hong Kong Public Offer Shares, applicants should have regarded to the possibility that any announcement of a reduction in the number of Offer Shares and/or the Offer Price range may not be made until the last day for lodging applications under the Hong Kong Public Offering. Such notice will also include confirmation or revision, as appropriate, of the working capital statement, the Global Offering statistics as currently set out in the section headed "Summary" in this prospectus, and any other financial information which may change as a result of such reduction. In the absence of any notice being published on the Stock Exchange's website at ***www.hkexnews.hk*** and our Company's website at ***www.ztcon.com*** of a reduction in the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range as stated in this prospectus on or before the morning of the last day for lodging applications under the Hong Kong Public Offering, the Offer Price, if agreed upon by the Joint Overall Coordinators and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company, will under no circumstances be set outside the Offer Price range as stated in this prospectus. If you have already submitted an application for the Hong Kong

Offer Shares before the last day for lodging applications under the Hong Kong Public Offering, you will not be allowed to subsequently withdraw your application. However, if the number of Offer Shares and/or the Offer Price range is reduced, applicants will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

In the event of a reduction in the number of Offer Shares, the Joint Overall Coordinators and the Joint Global Coordinators may, at their discretion, reallocate the number of Offer Shares to be offered in the Hong Kong Public Offering and the International Placing, provided that the number of Offer Shares comprised in the Hong Kong Public Offering shall not be less than 10% of the total number of Offer Shares available under the Global Offering.

If, for any reason, the Joint Overall Coordinators and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company are unable to enter into the agreement to fix the Offer Price by the Price Determination Date, the Global Offering will not become unconditional and will not proceed.

Announcement of the final Offer Price, indication of the level of interests in the International Placing, the basis of allotment of Offer Shares available under the Hong Kong Public Offering and the Hong Kong identity card/passport/Hong Kong business registration numbers/certificate of incorporation numbers of successful applicants under the Hong Kong Public Offering are expected to be made available in a variety of channels in the manner described in "How to Apply for the Hong Kong Public Offer Shares — 11. Publication of Results" in this prospectus, including the Stock Exchange's website at ***www.hkexnews.hk*** and our Company's website at ***www.ztcon.com***.

PRICE PAYABLE ON APPLICATION

The Offer Price will not be more than HK$1.28 per Offer Share and is expected to be not less than HK$1.08 per Offer Share. Applicants under the Hong Kong Public Offering should pay, on application, the maximum price of HK$1.28 per Offer Share and 1% brokerage, 0.00565% Stock Exchange trading fee, 0.0027% SFC transaction levy and 0.00015% AFRC transaction levy. That means a total of HK$2,585.81 is payable for one board lot of 2,000 Shares. Please refer to the section headed "Important" in this prospectus for the table showing the exact amount payable for certain numbers of Hong Kong Public Offer Shares. If the Offer Price, as finally determined in the manner as described above, is lower than the maximum price of HK$1.28 per Offer Share, appropriate refund payments (including the related brokerage, the Stock Exchange trading fee, the

SFC transaction levy and the AFRC transaction levy attributable to the excess application money) will be made to applicants, without interest. Further details are set out in the section headed "How to Apply for the Hong Kong Public Offer Shares" in this prospectus.

CONDITIONS OF THE GLOBAL OFFERING

Acceptance of the application for the Offer Shares pursuant to the Hong Kong Public Offering is conditional upon the following:

- the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus on the Stock Exchange and such approval not subsequently having been revoked prior to the commencement of dealings in the Shares;
- the obligations of the Underwriters under the Underwriting Agreements becoming unconditional, and not being terminated in accordance with the terms thereof;
- the execution and delivery of the International Underwriting Agreement prior to or on the Price Determination Date; and
- the Offer Price having been determined and the execution of the agreement for such determination on or around the Price Determination Date,

in each case on or before the dates and times specified in such Underwriting Agreements (unless and to the extent such conditions are waived on or before such dates and times) and in any event not later than 30 days after the date of this prospectus.

If any of the conditions is not fulfilled or waived on or before the times specified above, the Global Offering will lapse and the application money will be returned to the applicants, without interest. The terms on which the application money will be returned to the applicants are set out in the paragraph headed "How to Apply for the Hong Kong Public Offer Shares — 13. Refund of Application Monies" in this prospectus.

In the meantime, the application money will be held in one or more separate bank accounts with the receiving banks or other bank(s) in Hong Kong, licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong).

THE GLOBAL OFFERING

The Global Offering comprises the International Placing and the Hong Kong Public Offering. A total of initially 120,000,000 Offer Shares will be made available under the Global Offering, of which 108,000,000 International Placing Shares (subject to reallocation and the Over-allotment Option), representing 90% of the Offer Shares, will initially be conditionally placed with selected institutional, professional, corporate and other investors under the International Placing. The remaining 12,000,000 Hong Kong Public Offer Shares (subject to reallocation), representing 10% of the Offer Shares, will initially be offered to members of the public in Hong Kong under the Hong Kong Public Offering.

The Hong Kong Public Offering is open to all members of the public in Hong Kong as well as to institutional and professional investors. The Hong Kong Underwriters have severally agreed to underwrite the Hong Kong Public Offer Shares under the terms of the Hong Kong Underwriting Agreement. The International Underwriters are expected to severally underwrite the International Placing Shares pursuant to the terms of the International Underwriting Agreement. Further details of the underwriting are set out in the section headed "Underwriting" in this prospectus.

Investors may apply for the Offer Shares under the Hong Kong Public Offering or indicate an interest for Offer Shares under the International Placing, but may not do both.

INTERNATIONAL PLACING

Our Company is expected to offer initially 108,000,000 International Placing Shares (subject to reallocation and the Over-allotment Option) at the Offer Price under the International Placing. The number of International Placing Shares expected to be initially available for application under the International Placing represents 90% of the total number of Offer Shares being initially offered under the Global Offering. The International Placing is expected to be fully underwritten by the International Underwriters subject to the Offer Price being agreed on or before the Price Determination Date.

It is expected that the International Underwriters, or selling agents nominated by them, on behalf of our Company, will conditionally place the International Placing Shares at the Offer Price with selected institutional, professional, corporate and other investors. Professional and institutional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Private investors applying through banks or other institutions who sought the International Placing Shares in the International Placing may also be allocated the International Placing Shares.

Allocation of the International Placing Shares will be based on a number of factors, including the level and timing of demand and whether or not it is expected that the relevant investor is likely to acquire further Shares and/or hold or sell its Shares after the Listing. Such allocation is intended to result in a distribution of the International Placing Shares on a basis which would lead to the establishment of a solid shareholder base to the benefit of our Company and its shareholders as a whole. Investors to whom International Placing Shares are offered will be required to undertake not to apply for Shares under the Hong Kong Public Offering. Our Company, our Directors, the Sole Sponsor, the Joint Overall Coordinators and the Joint Global Coordinators (for themselves and on behalf of the Underwriters and the Capital Market Intermediaries) are required to take reasonable steps to identify and reject applications under the Hong Kong Public Offering from investors who receive Shares under the International Placing, and to identify and reject indications of interest in the International Placing from investors who receive Shares under the Hong Kong Public Offering.

The International Placing is expected to be subject to the conditions as stated in the paragraph headed "Conditions of the Global Offering" in this section.

HONG KONG PUBLIC OFFERING

Our Company is initially offering 12,000,000 Hong Kong Public Offer Shares for subscription (subject to reallocation) by members of the public in Hong Kong under the Hong Kong Public Offering, representing 10% of the total number of Offer Shares being initially offered under the Global Offering. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters subject to the Offer Price being agreed on or before Price Determination Date. Applicants for the Hong Kong Public Offer Shares are required on application to pay the maximum Offer Price of HK$1.28 per Share plus a 1% brokerage, a 0.00565% Stock Exchange trading fee, a 0.0027% SFC transaction levy and a 0.00015% AFRC transaction levy.

The Hong Kong Public Offering is open to all members of the public in Hong Kong. An applicant for Shares under the Hong Kong Public Offering will be required to give an undertaking and confirmation in the application submitted by him/her/it that he/she/it has not applied for nor taken up any Share under the International Placing nor otherwise participated in the International Placing. Applicants should note that if such undertaking and/or confirmation given by an applicant is breached and/or is untrue, such applicant's application under the Hong Kong Public Offering is liable to be rejected.

For allocation purposes only, the number of the Hong Kong Public Offer Shares will be divided equally into two pools: pool A and pool B. The Hong Kong Public Offer Shares in pool A will consist of 6,000,000 Shares and will be allocated on an equitable basis to applicants who have applied for the Hong Kong Public Offer Shares in the value of HK$5 million or less (excluding brokerage, Stock Exchange trading fee, SFC transaction levy and AFRC transaction levy thereon). The Hong Kong Public Offer Shares available in pool B will consist of 6,000,000 Shares and will be allocated on an equitable basis to applicants who have applied for the Hong Kong Public Offer Shares in the value of more than HK$5 million (excluding brokerage, Stock Exchange trading fee, SFC transaction levy and AFRC transaction levy) and up to the value of pool B.

Investors should be aware that the allocation ratios for applications in the two pools, as well as the allocation ratios for applications in the same pool, are likely to be different. Where one of the pools is undersubscribed, the surplus Hong Kong Public Offer Shares will be transferred to satisfy demand in the other pool and be allocated accordingly. Applicants can only receive an allocation of Hong Kong Public Offer Shares from any one pool but not from both pools and can only make applications to either pool A or pool B. Multiple or suspected multiple application within either pool or between pool and any application made for more than 100% of the Hong Kong Public Offer Shares initially available under pool A or pool B will be rejected.

Allocation of the Hong Kong Public Offer Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. When there is over-subscription under the Hong Kong Public Offering, allocation of the Hong Kong Public Offer Shares may involve balloting, which would mean that some applicants may be allotted more Hong Kong Public Offer Shares than others who have applied for the same number of the Hong Kong Public Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Public Offer Shares.

BASIS OF ALLOCATION OF THE OFFER SHARES

The allocation of the Offer Shares between the International Placing and the Hong Kong Public Offering is at the discretion of the Joint Overall Coordinators and the Joint Global Coordinators, subject to adjustment and reallocation on the following basis:

(i) where the International Placing Shares are fully subscribed or oversubscribed:

(a) if the Hong Kong Public Offer Shares are undersubscribed, the Joint Overall Coordinators and the Joint Global Coordinators have the authority to reallocate all or any unsubscribed Hong Kong Public Offer Shares to the International Placing, in such proportions as the Joint Overall Coordinators and the Joint Global Coordinators deem appropriate;

(b) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents less than 15 times the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then the Offer Shares will be reallocated to the Hong Kong Public Offering from the International

Placing, so that the total number of Offer Shares available for subscription under the Hong Kong Public Offering will be increased to 24,000,000 Shares, representing 20% of the Offer Shares initially available for subscription under the Global Offering;

(c) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 15 times or more but less than 50 times the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then the Offer Shares will be reallocated to the Hong Kong Public Offering from the International Placing, so that the total number of Offer Shares available for subscription under the Hong Kong Public Offering will be increased to 36,000,000 Shares, representing 30% of the Offer Shares initially available for subscription under the Global Offering;

(d) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 50 times or more but less than 100 times the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then the Offer Shares will be reallocated to the Hong Kong Public Offering from the International Placing, so that the total number of Offer Shares available for subscription under the Hong Kong Public Offering will be increased to 48,000,000 Shares, representing 40% of the Offer Shares initially available for subscription under the Global Offering; and

(e) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 100 times or more the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then the Offer Shares will be reallocated to the Hong Kong Public Offering from the International Placing, so that the total number of Offer Shares available for subscription under the Hong Kong Public Offering will be increased to 60,000,000 Shares, representing 50% of the Offer Shares initially available for subscription under the Global Offering.

(ii) where the International Placing Shares are undersubscribed:

(a) if the Hong Kong Public Shares are also undersubscribed, the Global Offering will not proceed unless the Underwriters would subscribe for or procure subscribers for their respective applicable proportions of the Offer Shares being offered which are not taken up under the Global Offering on the terms and conditions of this Prospectus, the **Green Application Form** and the Underwriting Agreements; and

(b) if the Hong Kong Public Offer Shares are fully subscribed or oversubscribed (irrespective of the extent of over-subscription), then up to 12,000,000 Offer Shares may be reallocated to the Hong Kong Public Offering from the International Placing, so that the total number of the Offer Shares available for subscription under the Hong Kong Public Offering will be increased to 24,000,000 Shares, representing 20% of the total number of the Offer Shares initially available for subscription under the Global Offering.

In the event of reallocation of Offer Shares between the Hong Kong Public Offering and the International Placing, which is at the discretion of the Joint Overall Coordinators and the Joint Global Coordinators, in the circumstances where (A) the International Placing Shares are fully subscribed or oversubscribed and the Hong Kong Public Offer Shares are oversubscribed by less than 15 times under paragraph (i)(b) above, or (B) the International Placing Shares are not fully subscribed and the Hong Kong Public Offer Shares are fully subscribed or oversubscribed under paragraph (ii)(b) above, the final Offer Price shall be fixed at the low-end of the indicative Offer Price range (i.e. HK$1.08 per Offer Share) stated in this prospectus.

In addition, subject to the requirements under Practice Note 18 of the Listing Rules and Guidance Letter HKEX-GL91-18, the Joint Global Coordinators and the Joint Overall Coordinators may at their discretion reallocate Offer Shares from the International Placing to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering. In accordance with Guidance Letter HKEX-GL91-18 issued by the Stock Exchange, if such reallocation is done other than pursuant to Practice Note 18 of the Listing Rules, the maximum total number of Offer Shares that may be available under the Hong Kong Public Offering following such reallocation shall be not more than double the initial allocation to the Hong Kong Public Offering (i.e. 24,000,000 Offer Shares, representing 20% of the total number of the Offer Shares initially available under the Global Offering) and the final Offer Price shall be fixed at the low-end of the indicative Offer Price range (i.e. HK$1.08 per Offer Share).

For reallocation of Offer Shares from the International Placing to the Hong Kong Public Offering which is at the discretion of the Joint Overall Coordinators and the Joint Global Coordinators, the number of Offer Shares allocated to the International Placing will correspondingly be reduced and such additional Hong Kong Public Offer Shares will be allocated equally between pool A and pool B.

Allocation of the Offer Shares pursuant to the International Placing will be determined by the Joint Overall Coordinators and the Joint Global Coordinators and will be based on a number of factors including the level and timing of demand, total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to hold or sell its Shares, after the Listing. Such allocation is intended to result in a distribution of the Offer Shares under the International Placing on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of us and our Shareholders as a whole.

The Joint Overall Coordinators and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the International Placing and who has made an application under the Hong Kong Public Offering to provide sufficient information to the Joint Overall Coordinators and the Joint Global Coordinators so as to allow them to identify the relevant applications under the Hong Kong Public Offering and to ensure that they are excluded from any application of Offer Shares under the Hong Kong Public Offering.

OVER-ALLOTMENT OPTION

In connection with the Global Offering, our Company is expected to grant to the Joint Overall Coordinators and the Joint Global Coordinators (for themselves and on behalf of the International Underwriters) the Over-allotment Option which will expire on a date which is the 30th day after the last date of lodging application under the Hong Kong Public Offering. Pursuantto the Over-allotment Option, our Company may be required by the Joint Overall Coordinators and the Joint Global Coordinators (for themselves and on behalf of the International Underwriters) to allot and issue up to and not more than 18,000,000 additional new Shares (representing 15% of the total number of the Offer Shares initially available under the Global Offering) at the Offer Price to cover over-allocations in the International Placing. The Joint Overall Coordinators and the Joint Global Coordinators (for themselves and on behalf of the International Underwriters) may also cover such over-allocations by, purchasing Shares in the secondary market or through stock borrowing arrangements with ZT (A) or by a combination of these means or otherwise as may be permitted under the applicable laws and regulatory requirements. Any such secondary market purchases will be made in compliance with all applicable laws, rules and regulations. If the Over-allotment Option is exercised in full, the additional 18,000,000 new Shares will represent approximately 3.61% of our Company's enlarged issued share capital immediately after completion of the Capitalisation Issue, the Global Offering and the exercise of the Over-allotment Option. In the event that the Over-allotment Option is exercised or expired, a press announcement will be made.

STABILISATION

Stabilisation is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilise, the underwriters may bid for, or purchase, the newly issued securities in the secondary market, during a specified period of time, to retard and, if possible, prevent a decline in the initial public market price of the securities below the offer price. In Hong Kong, the stabilisation price is not permitted to exceed the offer price.

In connection with the Global Offering, CMBC Securities, as the stabilising manager, or its affiliates or any person acting for it, for itself and on behalf of the Underwriters, may over-allocate Shares or effect transactions with a view to stabilising or maintaining the market price of the Shares at a level higher than that which might otherwise prevail for a limited period after the Listing Date. The number of Shares that may be over-allocated will be up to, but not more than, an aggregate of 18,000,000 additional Shares, being the number of the Shares that may be issued under the Over-allotment Option. Such stabilising actions may include over-allocating International Placing Shares and covering such over allocations by exercising the Over-allotment Option or by making purchases in the secondary market or through stock borrowing arrangement with ZT (A) or through a combination of these means or otherwise. However, there is no obligation on the Stabilising Manager, its affiliates or any person acting for it to conduct any such stabilisation action. Such stabilisation action, if commenced, will be conducted at the absolute discretion of the Stabilising Manager, its affiliates or any person acting for it and may be discontinued at any time, and must be brought to an end after a limited period. Such transactions may be effected in compliance with all applicable laws and regulatory requirements.

Subject to and under the Securities and Futures (Price Stabilizing) Rules of the SFO, the Joint Overall Coordinators and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) may take all or any of the following actions ("**primary stabilising action**") with respect to any Share during the stabilisation period, which should end on Saturday, 22 April 2023, being the 30th day after the last date for lodging application under the Hong Kong Public Offering:

(1) purchase, or agree to purchase, any of the Shares;

(2) offer or attempt to do anything as described in paragraph (1), for the sole purpose of preventing or minimising any reduction in the market price of the Shares. The Joint Overall Coordinators and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) may also, in connection with any primary stabilising action, take all or any of the following actions:

(a) for the purpose of preventing or minimising any reduction in the market price of the Shares:

  (i) allocate a greater number of Shares than the number that is initially offered under the Global Offering; or

  (ii) sell or agree to sell Shares so as to establish a short position in them;

(b) pursuant to an option or other right to purchase or subscribe for Shares, purchase or subscribe for or agree to purchase or subscribe for Shares in order to close out any position established under paragraph (a);

(c) sell or agree to sell any Share acquired by it in the course of the primary stabilising action in order to liquidate any position that has been established by such action; and/or

(d) offer or attempt to do anything as described in paragraphs (a)(ii), (b) or (c).

Investors should be aware:

- that the Stabilising Manager may, in connection with the stabilising action, maintain a long position in the Shares;
- that there is no certainty regarding the extent to which and the time period for which the Stabilising Manager will maintain such a long position;
- of possible impact in the case of liquidation of such a long position by the Stabilising Manager;
- that stabilising action cannot be taken to support the price of the Shares for longer than the stabilising period which begins on the Listing Date and ends on the 30th day after the last date for the lodging of applications under the Hong Kong Public Offering on Saturday, 22 April 2023, and that after this date, when no further stabilising action may be taken, demand for the Shares, and therefore its price could fall;
- that the price of the Shares cannot be assured to stay at or above the Offer Price by the taking of any stabilising action; and
- that stabilising bids may be made or transactions effected in the course of the stabilising action at any price at or below the Offer Price, which means that stabilising bids may be made or transactions effected at a price below the price the investor has paid for the Shares.

Our Company will ensure or procure that a public announcement in compliance with the Securities and Futures (Price Stabilizing) Rules will be made within seven days of the expiration of the stabilising period.

STOCK BORROWING ARRANGEMENT

In connection with the Global Offering, the Joint Overall Coordinators and Joint Global Coordinators may over-allocate up to and not more than an aggregate of 18,000,000 additional Shares and cover such over-allocations by exercising the Over-allotment Option or by making purchases in the secondary market at prices that do not exceed the Offer Price or through stock borrowing arrangements or a combination of these means. In particular, for the purpose of covering such over-allocations, the Stabilising Manager may borrow up to 18,000,000 Shares from ZT (A), equivalent to the maximum number of Shares to be issued on a full exercise of the Over-allotment Option, under the stock borrowing agreement to be entered into with ZT (A).

Such stock borrowing arrangement is not subject to the restrictions of Rule 10.07(1)(a) of the Listing Rules provided that the following requirements as set out in Rule 10.07(3) of the Listing Rules are complied with:

- the stock borrowing arrangement is fully described in this prospectus and must be for the sole purpose of covering any short position prior to the exercise of the Over-allotment Option;

- the maximum number of Shares to be borrowed from ZT (A) will be limited to the maximum number of Shares that may be issued upon full exercise of the Over-allotment Option;

- the same number of Shares so borrowed will be returned to ZT (A) or its nominees (as the case may be) within three Business Days after the last day on which the Over-allotment Option may be exercised or, if earlier, the date on which the Over-allotment Option is exercised in full; the borrowing of Shares pursuant to the stock borrowing arrangement will be effected in compliance with applicable Listing Rules, laws and other regulatory requirements; and

- no payments will be made to ZT (A) in relation to such stock borrowing arrangement.

DEALING ARRANGEMENTS

Assuming that the Global Offering becomes unconditional at or before 8:00 a.m. (Hong Kong time) on Thursday, 30 March 2023, it is expected that dealings in our Shares on the Stock Exchange will commence at 9:00 a.m. on Thursday, 30 March 2023. The Shares will be traded in board lots of 2,000 Shares. The stock code of the Shares will be 2433.

IMPORTANT NOTICE TO INVESTORS:

FULLY ELECTRONIC APPLICATION PROCESS

We have adopted a fully electronic application process for the Hong Kong Public Offering. We will not provide any printed copies of this prospectus or any printed copies of any application forms for use by the public.

This prospectus is available at the website of the Stock Exchange at ***www.hkexnews.hk*** under the "*HKEXnews > New Listings > New Listing Information*" section, and our website at ***www.ztcon.com***. If you require a printed copy of this prospectus, you may download and print from the website addresses above.

The contents of the electronic version of this prospectus are identical to the printed prospectus as registered with the Registrar of Companies in Hong Kong pursuant to Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

Set out below are procedures through which you can apply for the Hong Kong Public Offer Shares electronically. We will not provide any physical channels to accept any application for the Hong Kong Public Offer Shares by the public.

If you are an intermediary, broker or agent, please remind your customers, clients or principals, as applicable, that this prospectus is available online at the website addresses above.

If you have any question about the application for the Hong Kong Public Offer Shares, you may call the enquiry hotline of our Hong Kong Share Registrar, Boardroom Share Registrars (HK) Limited, at +852 2153 1688 on the following dates:

Monday, 20 March 2023 — 9:00 a.m. to 6:00 p.m.
Tuesday, 21 March 2023 — 9:00 a.m. to 6:00 p.m.
Wednesday, 22 March 2023 — 9:00 a.m. to 6:00 p.m.
Thursday, 23 March 2023 — 9:00 a.m. to 12:00 noon

1. HOW TO APPLY

We will not provide any printed application forms for use by the public.

If you apply for Hong Kong Public Offer Shares, then you may not apply for or indicate an interest for International Placing Shares.

To apply for Hong Kong Public Offer Shares, you may:

(1) apply online via the **eWhite Form** service at ***www.ewhiteform.com.hk***; or

(2) apply through the **CCASS EIPO** service to electronically cause HKSCC Nominees to apply on your behalf, including by:

(i) instructing your **broker** or **custodian** who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Public Offer Shares on your behalf; or

(ii) (if you are an existing **CCASS Investor Participant**) giving **electronic application instructions** through the CCASS Internet System (***https://ip.ccass.com***) or through the CCASS Phone System (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time). HKSCC can also input **electronic application instructions** for CCASS Investor Participants through HKSCC's Customer Service Centre by completing an input request.

If you apply through channel (1) above, the Hong Kong Public Offer Shares successfully applied for will be issued in your own name.

If you apply through channels (2)(i) or (2)(ii) above, the Hong Kong Public Offer Shares successfully applied for will be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

Our Company, the Joint Overall Coordinators, the Joint Global Coordinators, the **eWhite Form** Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Hong Kong Public Offer Shares if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;

- have a Hong Kong address;
- are outside the United States, and are not a US person (as defined in Regulation S); and
- are not a legal or natural person of the PRC (except qualified domestic institutional investors).

If you apply online through the **eWhite Form** service, in addition to the above, you must also: (i) have a valid Hong Kong identity card number and (ii) provide a valid e-mail address and a contact telephone number.

If an application is made by a person duly authorised under a power of attorney, the Joint Overall Coordinators and the Joint Global Coordinators may accept it at their discretion and on any conditions if they think fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of the **eWhite Form** service for the Hong Kong Public Offer Shares.

If you are applying for the Hong Kong Public Offer Shares online by instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals, please contact them for the items required for the application.

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Public Offer Shares if you:

- are an existing beneficial owner of shares in our Company and/or any its subsidiaries;
- are a Director or chief executive officer of our Company and/or any of its subsidiaries;
- are a close associate of any of the above;
- are a connected person of our Company or will become a connected person of our Company immediately upon completion of the Global Offering; and
- have been allocated or have applied for any International Placing Shares or otherwise participate in the International Placing.

3. APPLYING FOR HONG KONG PUBLIC OFFER SHARES

Which application channel to use

For Hong Kong Public Offer Shares to be issued in your own name, apply online through the **eWhite Form** service at ***www.ewhiteform.com.hk***.

For Hong Kong Public Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Minimum Application Amount and Permitted Numbers

You may apply through the **eWhite Form** service or the **CCASS EIPO** service to give **electronic application instructions** for a minimum of 2,000 Hong Kong Public Offer Shares. Instructions for more than 2,000 Hong Kong Public Offer Shares must be in one of the numbers set out in the table below. You are required to pay the amount next to the number you select. No application for any other number of Hong Kong Public Offer Shares will be considered and any such application is liable to be rejected.

No. of Hong Kong Public Offer Shares applied for	Amount payable on application	No. of Hong Kong Public Offer Shares applied for	Amount payable on application	No. of Hong Kong Public Offer Shares applied for	Amount payable on application
	HK$		*HK$*		*HK$*
2,000	2,585.81	32,000	41,373.08	800,000	1,034,327.05
4,000	5,171.64	36,000	46,544.71	1,200,000	1,551,490.55
6,000	7,757.45	40,000	51,716.35	1,600,000	2,068,654.08
8,000	10,343.28	80,000	103,432.70	2,000,000	2,585,817.60
10,000	12,929.09	120,000	155,149.06	2,400,000	3,102,981.12
12,000	15,514.90	160,000	206,865.41	2,800,000	3,620,144.65
14,000	18,100.72	200,000	258,581.75	3,200,000	4,137,308.15
16,000	20,686.54	240,000	310,298.11	3,600,000	4,654,471.68
18,000	23,272.35	280,000	362,014.47	4,000,000	5,171,635.20
20,000	25,858.18	320,000	413,730.81	6,000,000*	7,757,452.80
24,000	31,029.82	360,000	465,447.17		
28,000	36,201.44	400,000	517,163.52	* Maximum Number of Hong Kong Public Offer Shares you may apply for	

No application for any other number of the Hong Kong Public Offer Shares will be considered and any such application is liable to be rejected.

4. TERMS AND CONDITIONS OF AN APPLICATION

By applying through the application channels specified in this prospectus, among other things, you:

(i) undertake to execute all relevant documents and instruct and authorise our Company and/or the Joint Overall Coordinators and the Joint Global Coordinators (or their agents or nominees), as agents of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Public Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;

(ii) agree to comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) and the Articles of Association;

(iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;

(iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;

(v) confirm that you are aware of the restrictions on the Global Offering in this prospectus;

(vi) agree that none of our Company, the Joint Overall Coordinators, the Joint Global Coordinators, the Underwriters, the Capital Market Intermediaries, their respective directors, officers, employees, partners, agents, advisers, the **eWhite Form** Service Provider and any other parties involved in the Global Offering is or will be liable for any information and representations not in this prospectus (and any supplement to it);

(vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Placing nor participated in the International Placing;

(viii) agree to disclose to our Company, our Hong Kong Share Registrar, receiving banks, the Joint Overall Coordinators, the Joint Global Coordinators, the Capital Market Intermediaries, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;

(ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of our Company, the Joint Overall Coordinators, the Joint Global Coordinators, the Capital Market Intermediaries and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus.

(x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;

(xi) agree that your application will be governed by the Laws of Hong Kong;

(xii) represent, warrant and undertake that (i) you understand that the Hong Kong Public Offer Shares have not been and will not be registered under the US Securities Act; and (ii) you and any person for whose benefit you are applying for the Hong Kong Public Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;

(xiii) warrant that the information you have provided is true and accurate;

(xiv) agree to accept the Hong Kong Public Offer Shares applied for, or any lesser number allocated to you under the application;

(xv) authorise our Company to place your name(s) or the name of the HKSCC Nominees, on our Company's register of members as the holder(s) of any Hong Kong Public Offer Shares allocated to you, and our Company and/or its agents to send any share certificate(s) and/or any e-Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you have chosen to collect the share certificate(s) and/or refund cheque(s) in person;

(xvi) understand that, if (i) the Offer Shares under the International Offering are fully subscribed or oversubscribed, and if the number of Offer Shares validly applied for in the Hong Kong Public Offering represents 100% or more, but less than 15 times, of the number of Offer Shares initially available under Hong Kong Public Offering; or (ii) the Offer Shares under the International Offering are not fully subscribed, and if the number of Offer Shares validly applied for in the Hong Kong Public Offering represents 100% or more of the number of Offer Shares initially available under the Hong Kong Public Offering, the Joint Overall Coordinators and the Joint Global Coordinators may, at their discretion, reallocate the Offer Shares initially allocated from the International Placing to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering, provided that the total number of Offer Shares available under the Hong Kong Public Offering shall not be increased to more than 12,000,000 Shares, representing double the number of Offer Shares initially available under the Hong Kong Public Offering and 20% of the total number of Offer Shares initially available under the Global Offering, and the final Offer Price shall be fixed at the low-end of the indicative Offer Price range (i.e. HK$1.08 per Offer Share) stated in this prospectus;

(xvii) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;

(xviii) understand that our Company and the Joint Overall Coordinators and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Public Offer Shares to you and that you may be prosecuted for making a false declaration;

(xix) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit by giving **electronic application instructions** to HKSCC or to the **eWhite Form** Service Provider by you or by any one as your agent or by any other person; and

(xx) (if you are making the application as an agent for the benefit of another person) warrant that no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person by giving **electronic application instructions** to HKSCC; and (ii) you have due authority to give **electronic application instructions** on behalf of that other person as their agent.

5. APPLYING THROUGH THE eWHITE FORM SERVICE

General

Individuals who meet the criteria in the paragraph headed "2. Who can apply" in this section, may apply through the **eWhite Form** service for the Offer Shares to be allotted and registered in their own names through the designated website at ***www.ewhiteform.com.hk***.

Detailed instructions for application through the **eWhite Form** service are on the designated website at ***www.ewhiteform.com.hk***. If you do not follow the instructions, your application may be rejected and may not be submitted to our Company. If you apply through the designated website, you authorise the **eWhite Form** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **eWhite Form** service.

If you have any questions on how to apply through the **eWhite Form** service for the Hong Kong Public Offer Shares, please contact the telephone enquiry line of our Hong Kong Share Registrar, Boardroom Share Registrars (HK) Limited, at +852 2153 1688 which is available on the following dates:

Monday, 20 March 2023 — 9:00 a.m. to 6:00 p.m.
Tuesday, 21 March 2023 — 9:00 a.m. to 6:00 p.m.
Wednesday, 22 March 2023 — 9:00 a.m. to 6:00 p.m.
Thursday, 23 March 2023 — 9:00 a.m. to 12:00 noon

Time for submitting applications under the eWhite Form Service

You may submit your application to the **eWhite Form** service at ***www.ewhiteform.com.hk*** (24 hours daily, except on the last application day) from 9:00 a.m. on Monday, 20 March 2023 until 11:30 a.m. on Thursday, 23 March 2023 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Thursday, 23 March 2023 or such later time under the paragraph headed "10. Effect of bad weather on the opening of the application lists" in this section.

No multiple applications

If you apply by means of **eWhite Form**, once you complete payment in respect of any **electronic application instruction** given by you or for your benefit through the **eWhite Form** service to make an application for Hong Kong Public Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application**

instruction under **eWhite Form** more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **eWhite Form** service or by any other means, all of your applications are liable to be rejected.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32)).

6. APPLYING THROUGH THE CCASS EIPO SERVICE

General

CCASS Participants may give **electronic application instructions** to apply for the Hong Kong Public Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these **electronic application instructions** through the CCASS Phone System by calling (852) 2979 7888 or through the CCASS Internet System (***https://ip.ccass.com***) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Centre
1/F, One & Two Exchange Square
8 Connaught Place
Central
Hong Kong

and complete an input request form.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Public Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Joint Overall Coordinators, the Joint Global Coordinators and our Hong Kong Share Registrar.

Applying through the CCASS EIPO Service

Where you have given **electronic application instructions** to apply for the Hong Kong Public Offer Shares and an application is made by HKSCC Nominees on your behalf:

(i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of this prospectus;

(ii) HKSCC Nominees will do the following things on your behalf:

- **agree** that the Hong Kong Public Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;

- **agree** to accept the Hong Kong Public Offer Shares applied for or any lesser number allocated;

- **undertake** and **confirm** that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the International Placing;

- (if the electronic application instruction are given for your benefit) **declare** that only one set of **electronic application instructions** has been given for your benefit;

- (if you are an agent for another person) **declare** that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorised to give those instructions as their agent;

- **confirm** that you understand that our Company, our Directors, the Joint Overall Coordinators and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Public Offer Shares to you and that you may be prosecuted if you make a false declaration;

- **authorise** our Company to place HKSCC Nominees' name on our Company's register of members as the holder of the Hong Kong Public Offer Shares allocated to you and to send Share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;

- **confirm** that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;

- **confirm** that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;

- **agree** that none of our Company, the Joint Overall Coordinators, the Joint Global Coordinators, the Capital Market Intermediaries, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);

- **agree** to disclose your personal data to our Company, our Hong Kong Share Registrar, receiving banks, the Joint Overall Coordinators, the Joint Global Coordinators, the Capital Market Intermediaries, the Underwriters and/or its respective advisers and agents;

- **agree** (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;

- **agree** that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with our Company and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Hong Kong Public Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;

- **agree** that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by our Company's announcement of the Hong Kong Public Offering results;

- **agree** to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving **electronic application instructions** to apply for Hong Kong Public Offer Shares;

- **agree** with our Company, for itself and for the benefit of each Shareholder (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving electronic application instructions) to observe and comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association; and

- **agree** that your application, any acceptance of it and the resulting contract will be governed by the Laws of Hong Kong.

Effect of Applying through the CCASS EIPO Service

By applying through CCASS EIPO service, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- **instructed** and **authorised** HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Public Offer Shares on your behalf;

- **instructed** and **authorised** HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy, AFRC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy, AFRC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and

- **instructed** and **authorised** HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in this prospectus.

Time for inputting electronic application instructions [(1)]

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

Monday, 20 March 2023 — 9:00 a.m. to 8:30 p.m.
Tuesday, 21 March 2023 — 8:00 a.m. to 8:30 p.m.
Wednesday, 22 March 2023 — 8:00 a.m. to 8:30 p.m.
Thursday, 23 March 2023 — 8:00 a.m. to 12:00 noon

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Monday, 20 March 2023 until 12:00 noon on Thursday, 23 March 2023 (24 hours daily, except on the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon Thursday, 23 March 2023, the last application day or such later time as described in the paragraph headed "10. Effect of bad weather on the opening of the application lists" in this section.

If you are instructing your **broker** or **custodian** who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Public Offer Shares on your behalf, you are advised to contact your **broker** or **custodian** for the latest time for giving such instructions which may be different from the latest time as stated above.

Note:

(1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants and/or CCASS Investor Participants.

No multiple applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Public Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Public Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Hong Kong Public Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

The Hong Kong Share Registrar would record all applications into its system and identify suspected multiple applications with identical names, identification document numbers and reference numbers according to the Best Practice Note on Treatment of Multiple/Suspected Multiple Applications ("**Best Practice Note**") issued by the Federation of Share Registrars Limited.

With regard to the section headed "Results of Applications Made by Giving **Electronic Application Instructions** to HKSCC via CCASS" in the announcement of results of allocations to be issued by our Company, the list of identification document number(s) is not a complete list of successful applicants, only successful applicants whose identification document numbers are provided by CCASS are disclosed. Applicants who applied for the Offer Shares through their brokers can consult their brokers to enquire about their application results.

Since applications are subject to personal information collection statements, beneficial owner identification codes displayed are redacted. Applicants with beneficial names only but not identification document numbers are not disclosed due to personal privacy issue.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Personal Data

The following Personal Information Collection Statement applies to any personal data held by our Company, our Hong Kong Share Registrar, the receiving banks, the Joint Overall Coordinators, the Joint Global Coordinators, the Capital Market Intermediaries, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees. By applying through the CCASS EIPO service, you agree to all of the terms of the Personal Information Collection Statement below.

Personal Information Collection Statement

This Personal Information Collection Statement informs the applicant for, and holder of, Hong Kong Public Offer Shares, of the policies and practices of our Company and the Hong Kong Share Registrar in relation to personal data and the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong).

Reasons for the collection of your personal data

It is necessary for applicants and registered holders of the Hong Kong Public Offer Shares to supply correct personal data to our Company or its agents and the Hong Kong Share Registrar when applying for the Hong Kong Public Offer Shares or transferring the Hong Kong Public Offer Shares into or out of their names or in procuring the services of the Hong Kong Share Registrar.

Failure to supply the requested data may result in your application for the Hong Kong Public Offer Shares being rejected, or in delay or the inability of our Company or the Hong Kong Share Registrar to effect transfers or otherwise render their services. It may also prevent or delay registration or transfers of the Hong Kong Public Offer Shares which you have successfully applied for and/or the dispatch of Share certificate(s) to which you are entitled.

It is important that the holders of the Hong Kong Public Offer Shares inform our Company and the Hong Kong Share Registrar immediately of any inaccuracies in the personal data supplied.

Purposes

Your personal data may be used, held, processed, and/or stored (by whatever means) for the following purposes:

- processing your application and refund cheque and e-Refund payment instruction(s), where applicable, verification of compliance with the terms and application procedures set out in this prospectus and announcing results of allocation of the Hong Kong Public Offer Shares;
- compliance with applicable laws and regulations in Hong Kong and elsewhere;

- registering new issues or transfers into or out of the names of the holders of the Shares including, where applicable, HKSCC Nominees;
- maintaining or updating the register of members of our Company;
- verifying identities of the holders of the Shares;
- establishing benefit entitlements of holders of the Shares, such as dividends, rights issues, bonus issues, etc.;
- distributing communications from our Company and its subsidiaries;
- compiling statistical information and profiles of the holder of the Shares;
- disclosing relevant information to facilitate claims on entitlements; and
- any other incidental or associated purposes relating to the above and/or to enable our Company and the Hong Kong Share Registrar to discharge their obligations to holders of the Shares and/or regulators and/or any other purposes to which the holders of the Shares may from time to time agree.

Transfer of personal data

Personal data held by our Company and the Hong Kong Share Registrar relating to the holders of the Hong Kong Public Offer Shares will be kept confidential but our Company and the Hong Kong Share Registrar may, to the extent necessary for achieving any of the above purposes, disclose, obtain or transfer (whether within or outside Hong Kong) the personal data to, from or with any of the following:

- our Company's appointed agents such as financial advisers, receiving banks and overseas principal share registrar;
- where applicants for the Hong Kong Public Offer Shares request a deposit into CCASS, HKSCC or HKSCC Nominees, who will use the personal data for the purposes of operating CCASS;
- any agents, contractors or third-party service providers who offer administrative, telecommunications, computer, payment or other services to our Company or the Hong Kong Share Registrar in connection with their respective business operation;

- the Stock Exchange, the SFC and any other statutory regulatory or governmental bodies or otherwise as required by laws, rules or regulations; and
- any persons or institutions with which the holders of the Hong Kong Public Offer Shares have or propose to have dealings, such as their bankers, solicitors, accountants or stockbrokers etc.

Retention of personal data

Our Company and the Hong Kong Share Registrar will keep the personal data of the applicants and holders of the Hong Kong Public Offer Shares for as long as necessary to fulfil the purposes for which the personal data were collected. Personal data which is no longer required will be destroyed or dealt with in accordance with the Personal Data (Privacy) Ordinance.

Access to and correction of personal data

Holders of the Hong Kong Public Offer Shares have the right to ascertain whether our Company or the Hong Kong Share Registrar hold their personal data, to obtain a copy of that data, and to correct any data that is inaccurate. Our Company and the Hong Kong Share Registrar have the right to charge a reasonable fee for the processing of such requests. All requests for access to data or correction of data should be addressed to our Company and the Hong Kong Share Registrar, at their registered address disclosed in the section headed "*Corporate information*" in this prospectus or as notified from time to time, for the attention of the company secretary, or the Hong Kong Share Registrar for the attention of the privacy compliance officer.

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Hong Kong Public Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Public Offer Shares through the **eWhite Form** service is also only a facility provided by the **eWhite Form** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, our Directors, the Joint Bookrunners, the Sole Sponsor, the Joint Overall Coordinators, the Joint Global Coordinators, the Capital Market Intermediaries, the **eWhite Form** Service Provider and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **eWhite Form** service will be allotted any Hong Kong Public Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should go to HKSCC's Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Thursday, 23 March 2023.

8. HOW MANY APPLICATIONS MAY YOU MAKE

Multiple applications for the Hong Kong Public Offer Shares are not allowed except by nominees.

All of your applications will be rejected if more than one application through the **CCASS EIPO** service (directly or indirectly through your broker or custodian) or through the **eWhite Form** service, is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

"**Unlisted company**" means a company with no equity securities listed on the Stock Exchange.

"**Statutory control**" means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

9. HOW MUCH ARE THE HONG KONG PUBLIC OFFER SHARES

The maximum Offer Price is HK$1.28 per Offer Share. You must pay the maximum Offer Price, brokerage of 1%, SFC transaction levy of 0.0027%, AFRC transaction levy of 0.00015% and the Stock Exchange trading fee of 0.00565% in full upon application for the Hong Kong Public Offer Shares under the terms set out in the paragraph headed "Minimum application amount and permitted numbers" in this section. This means that for one board lot of 2,000 Hong Kong Public Offer Shares, you will pay HK$2,585.81.

You may submit an application through the **eWhite Form** service in respect of a minimum of 2,000 Hong Kong Public Offer Shares. Each application or electronic application instruction in respect of more than 2,000 Hong Kong Public Offer Shares must be in one of the numbers set out in the paragraph headed "Minimum application amount and permitted numbers" in this section, or as otherwise specified on the designated website at ***www.ewhiteform.com.hk***.

If your application is successful, brokerage will be paid to the participants of the Sock Exchange, the SFC transaction levy, the AFRC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC and in the case of the AFRC transaction levy, collected by the Stock Exchange on behalf of the AFRC).

For further details on the Offer Price, see the section headed "Structure and Conditions of the Global Offering — Determination of the Offer Price" in this prospectus.

10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warming signal number 8 or above;
- a "black" rainstorm warning; or
- Extreme Conditions,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, 23 March 2023. Instead they will open between 11:45 a.m. and 12:00 noon on the next Business Day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Thursday, 23 March 2023 or if there is a tropical cyclone warning signal number 8 or above or a "black" rainstorm warning signal in force and/or Extreme Conditions in Hong Kong that may affect the dates mentioned in the section headed "Expected Timetable" in this prospectus, an announcement will be made in such event.

11. PUBLICATION OF RESULTS

Our Company expects to announce the final Offer Price, the level of indication of interest in the International Placing, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Public Offer Shares on Wednesday, 29 March 2023 on our Company's website at ***www.ztcon.com***, and the website of the Stock Exchange at ***www.hkexnews.hk***.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering will be available at the times and date and in the manner specified below:

- in the announcement to be posted on our Company's website at ***www.ztcon.com***, and the Stock Exchange's website at ***www.hkexnews.hk*** by no later than 8:00 a.m. on Wednesday, 29 March 2023;
- from the designated results of allocations website at ***www.ewhiteform.com.hk/results*** with a "search by ID" function on a 24-hour basis from 9:00 a.m. on Wednesday, 29 March 2023 to 12:00 midnight on Tuesday, 4 April 2023;
- by telephone enquiry line by calling (852) 2153-1688, between 9:00 a.m. and 6:00 p.m. from Wednesday, 29 March 2023 to Tuesday, 4 April 2023 (excluding Saturday, Sunday and public holiday).

If our Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Public Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are contained in the section headed "Structure and Conditions of the Global Offering" in this prospectus.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED THE HONG KONG PUBLIC OFFER SHARES

You should note the following situations in which the Hong Kong Public Offer Shares will not be allotted to you:

(a) If your application is revoked:

By applying through the CCASS EIPO service or the **eWhite Form** service, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32)) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot, respectively.

(b) If our Company, the Joint Overall Coordinators, the Joint Global Coordinators or our or their respective agents exercise their discretion to reject your application:

Our Company, the Joint Overall Coordinators, the Joint Global Coordinators, the **eWhite Form** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(c) If the allotment of Hong Kong Public Offer Shares is void:

The allotment of Hong Kong Public Offer Shares will be void if the Listing Committee of the Stock Exchange does not grant permission to list the Offer Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee of the Stock Exchange notifies our Company of that longer period within three weeks of the closing date of the application lists.

(d) If:

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Public Offer Shares and International Placing Shares;
- your **electronic application instructions** through the **eWhite Form** service are not completed in accordance with the instructions, terms and conditions on the designated website at ***www.ewhiteform.com.hk***;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- our Company, the Joint Overall Coordinators or the Joint Global Coordinators believe that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 50% of the Hong Kong Public Offer Shares initially offered under the Hong Kong Public Offering.

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum offer price of HK$1.28 per Offer Share (excluding brokerage, SFC transaction levy, AFRC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with the section headed "Structure and Conditions of the Global Offering — Conditions of the Global Offering" in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy, AFRC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on Wednesday, 29 March 2023.

14. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one Share certificate for all Hong Kong Public Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made by **electronic application instructions** to HKSCC via CCASS where the Share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Offer Shares. No receipt will be issued for sums paid on application.

Subject to arrangement on despatch/collection of Share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on or around Wednesday, 29 March 2023. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker's cashier's order(s).

Share certificates will only become valid at 8:00 a.m. on Thursday, 30 March 2023 provided that the Global Offering has become unconditional and the right of termination described in the section headed "Underwriting" in this prospectus has not been exercised. Investors who trade shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.

Personal collection

(a) If you apply through the eWhite Form service

If you apply for 1,000,000 Hong Kong Public Offer Shares or more and your application is wholly or partially successful, you may collect your share certificate(s) from Hong Kong Share Registrar, Boardroom Share Registrars (HK) Limited, at 2103B, 21st Floor, 148 Electric Road, North Point, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Wednesday, 29 March 2023, or such other date as notified by our Company in the newspapers as the date of despatch/collection of share certificates/e-Refund payment instructions/refund cheques.

If you do not collect your share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Public Offer Shares, your share certificate(s) (where applicable) will be sent to the address specified in your application instructions on Wednesday, 29 March 2023 by ordinary post at your own risk.

If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to that bank account in the form of e-Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

(b) If you apply through CCASS EIPO service

Allocation of Hong Kong Public Offer Shares

For the purposes of allocating Hong Kong Public Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of share certificates into CCASS and refund of application monies

- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Wednesday, 29 March 2023, or, on any other date determined by HKSCC or HKSCC Nominees.

- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offering in the manner specified in the paragraph headed "11. Publication of results" above on Wednesday, 29 March 2023. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Wednesday, 29 March 2023 or such other date as determined by HKSCC or HKSCC Nominees.

- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Hong Kong Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.

- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Wednesday, 29 March 2023. Immediately following the credit of the Hong Kong Public Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Public Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy, AFRC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Wednesday, 29 March 2023.

15. ADMISSION OF THE OFFER SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Offer Shares and we comply with the stock admission requirements of HKSCC, the Offer Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Offer Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second settlement day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Offer Shares to be admitted into CCASS.

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF ZHONGTIAN CONSTRUCTION (HUNAN) GROUP LIMITED AND GRANDE CAPITAL LIMITED

INTRODUCTION

We report on the historical financial information of Zhongtian Construction (Hunan) Group Limited (the "**Company**") and its subsidiaries (together the "**Group**") set out on pages I-4 to I-89, which comprises the consolidated statements of financial position as at 31 December 2019, 2020 and 2021 and 30 September 2022 and the statements of financial position of the Company as at 31 December 2020, 31 December 2021 and 30 September 2022, and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the periods then ended (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-89 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 20 March 2023 (the "**Prospectus**") in connection with the initial listing of shares of the Company (the "**Listing**") on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

DIRECTOR'S RESPONSIBILITY FOR THE HISTORICAL FINANCIAL INFORMATION

The director of the Company is responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information, and for such internal control as the director determines 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.

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 2 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 director, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

OPINION

In our opinion the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the Company's financial position as at 31 December 2020 and 2021 and 30 September 2022, the Group's financial position as at 31 December 2019, 2020 and 2021 and 30 September 2022 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 2 to the Historical Financial Information.

Review of Stub Period Comparative Historical Financial Information

We have reviewed the stub period comparative historical 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 statement of cash flows for the nine months ended 30 September 2021 and other explanatory information (together the "**Stub Period Comparative Historical Financial Information**"). The directors of the Company are responsible for the preparation and presentation of the Stub Period Comparative Historical Financial Information in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Historical Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Historical Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information.

REPORT ON MATTERS UNDER THE RULES GOVERNING THE LISTING OF SECURITIES ON THE STOCK EXCHANGE OF HONG KONG LIMITED AND THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to Note 12 to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Relevant Periods.

BDO Limited
Certified Public Accountants
Wan Che Bun
Practising Certificate Number: P05804
Hong Kong

20 March 2023

HISTORICAL FINANCIAL INFORMATION OF THE GROUP

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The consolidated financial statements of the Group for the Relevant Periods, on which the Historical Financial Information is based, were prepared in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") ("**Underlying Financial Statements**") and were audited by BDO Limited.

The Historical Financial Information is presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Year ended 31 December			Nine months ended 30 September	
		2019	2020	2021	2021	2022
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(Unaudited)	
Revenue	*7*	1,821,916	1,769,900	1,823,384	1,325,392	1,366,030
Cost of sales		(1,638,473)	(1,580,786)	(1,627,737)	(1,181,605)	(1,217,468)
Gross profit		183,443	189,114	195,647	143,787	148,562
Other income and other gains, net	*8*	3,217	6,480	1,456	1,331	482
Administrative expenses		(107,914)	(112,563)	(116,526)	(81,954)	(80,158)
Listing expenses		(2,399)	(10,722)	(4,513)	(3,975)	(4,464)
Share of result of an associate		(423)	—	—	—	—
Impairment on financial and contract assets, net		(7,409)	(7,473)	(500)	230	(712)
Finance costs	*9*	(8,921)	(5,299)	(3,549)	(2,651)	(4,776)
Profit before taxation	*10*	59,594	59,537	72,015	56,768	58,934
Income tax expense	*11*	(8,734)	(9,938)	(10,112)	(8,977)	(7,768)
Profit and total comprehensive income for the year/period		50,860	49,599	61,903	47,791	51,166
Profit and total comprehensive income for the year/period attributable to						
Owners of the Company		49,778	48,533	60,570	47,697	50,832
Non-controlling interests		1,082	1,066	1,333	94	334
		50,860	49,599	61,903	47,791	51,166

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Notes	As at 31 December			As at 30 September
		2019	2020	2021	2022
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
ASSETS AND LIABILITIES					
Non-current assets					
Property, plant and equipment	*15*	25,728	25,500	24,156	21,506
Investment properties	*16*	6,919	—	—	—
Interests in an associate	*17*	—	—	—	—
Deferred tax assets	*18*	2,593	3,730	3,797	3,835
Intangible assets		55	51	48	45
		35,295	29,281	28,001	25,386
Current assets					
Inventories	*19*	694	3,273	3,018	940
Trade, bills and other receivables	*20*	544,649	590,524	513,270	459,884
Contract assets	*21*	1,173,525	1,227,155	1,216,095	1,179,017
Amounts due from related companies	*22*	—	3,623	6,475	10,479
Amounts due from shareholders	*22*	3,894	12,542	9,260	2,847
Restricted bank deposits	*23*	27,467	26,156	18,429	9,966
Cash and cash equivalents	*24*	80,585	76,838	89,106	126,958
		1,830,814	1,940,111	1,855,653	1,790,091
Current liabilities					
Trade and bills payables	*25*	1,320,754	1,341,678	1,166,117	867,599
Accruals and other payables	*26*	185,387	254,243	302,800	382,345
Contract liabilities	*21*	29,128	37,178	24,976	50,086
Amounts due to related companies	*22*	8,267	586	4,833	5,021
Amounts due to shareholders	*22*	56,313	28,080	14,046	6,777
Amounts due to directors	*22*	5,328	1,870	253	462
Lease liabilities	*27*	533	467	28	191
Borrowings	*28*	75,984	65,620	66,895	138,966
Income tax payable		4,013	7,455	9,538	14,799
		1,685,707	1,737,177	1,589,486	1,466,246
Net current assets		145,107	202,934	266,167	323,845
Total assets less current liabilities		180,402	232,215	294,168	349,231
Non-current liabilities					
Lease liabilities	*27*	424	28	—	—
Borrowings	*28*	233	—	—	3,855
		657	28	—	3,855
NET ASSETS		**179,745**	**232,187**	**294,168**	**345,376**

	Notes	As at 31 December 2019	As at 31 December 2020	As at 31 December 2021	As at 30 September 2022
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
EQUITY					
Equity attributable to owners of the Company					
Share capital	*29*	—	1	1	1
Reserves	*30*	173,261	224,613	285,261	336,135
		173,261	224,614	285,262	336,136
Non-controlling interests	*31*	6,484	7,573	8,906	9,240
TOTAL EQUITY		**179,745**	**232,187**	**294,168**	**345,376**

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

	Notes	As at 31 December 2020	As at 31 December 2021	As at 30 September 2022
		RMB'000	*RMB'000*	*RMB'000*
ASSETS AND LIABILITIES				
Non-Current assets				
Investment in a subsidiary		—*	—*	—*
Current assets				
Amounts due from shareholders	*22*	1	1	1
Current liabilities				
Amount due to a subsidiary		—*	—*	—*
Net current assets		1	1	1
Net assets		1	1	1
EQUITY				
Share capital	*29*	1	1	1
TOTAL EQUITY		1	1	1

* The amount is less than RMB1,000.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital	Other reserve	Statutory special reserve	Statutory reserve	Retained earnings	Total	Non-controlling interests	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 29)	*(Note 30(a))*	*(Note 30(b))*	*(Note 30(c))*				
At 1 January 2019	—	139,869	132	5,627	40,338	185,966	4,125	190,091
Profit and total comprehensive income for the year	—	—	—	—	49,778	49,778	1,082	50,860
Dividend paid by a subsidiary	—	—	—	—	—	—	(113)	(113)
Appropriation to statutory reserve	—	—	—	5,502	(5,502)	—	—	—
Capital contribution by minority shareholders of subsidiaries	—	—	—	—	(13)	(13)	1,714	1,701
Acquisition of additional interest in a subsidiary	—	—	—	—	39	39	(39)	—
Transfer to special reserve	—	—	37,363	—	—	37,363	—	37,363
Utilisation of special reserve	—	—	(37,292)	—	—	(37,292)	—	(37,292)
Deemed distribution resulting from Demerger *(Note 2.1)*	—	(56,815)	—	—	—	(56,815)	(285)	(57,100)
Group reorganisation *(Note 1a)*	—	(5,765)	—	—	—	(5,765)	—	(5,765)
Balance at 31 December 2019 and 1 January 2020	—	77,289	203	11,129	84,640	173,261	6,484	179,745
Profit and total comprehensive income for the year	—	—	—	—	48,533	48,533	1,066	49,599
Dividend paid by a subsidiary	—	—	—	—	—	—	(188)	(188)
Appropriation to statutory reserve	—	—	—	4,882	(4,882)	—	—	—
Capital contribution by equity shareholders	1	—	—	—	—	1	—	1
Capital contribution by minority shareholders of a subsidiary	—	—	—	—	(6)	(6)	306	300
Acquisition of additional interest in a subsidiary	—	—	—	—	95	95	(95)	—
Transfer to special reserve	—	—	34,536	—	—	34,536	—	34,536

	Share capital	Other reserve	Statutory special reserve	Statutory reserve	Retained earnings	Total	Non-controlling interests	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 29)	*(Note 30(a))*	*(Note 30(b))*	*(Note 30(c))*				
Utilisation of special reserve . .	—	—	(34,190)	—	—	(34,190)	—	(34,190)
Group reorganisation *(Note 1b)*	—	2,384	—	—	—	2,384	—	2.384
Balance at 31 December 2020 and 1 January 2021	1	79,673	549	16,011	128,380	224,614	7,573	232,187
Profit and total comprehensive income for the year.	—	—	—	—	60,570	60,570	1,333	61,903
Appropriation to statutory reserve	—	—	—	6,218	(6,218)	—	—	—
Transfer to special reserve . . .	—	—	37,612	—	—	37,612	—	37,612
Utilisation of special reserve . .	—	—	(37,534)	—	—	(37,534)	—	(37,534)
Balance at 31 December 2021 and 1 January 2022	1	79,673	627	22,229	182,732	285,262	8,906	294,168

(1) It represents the issued capital of the then holding company of the companies now comprising the Group and the capital contributions from the equity holders of certain subsidiaries now comprising the Group before the completion of the Reorganisation.

(1a) Pursuant to the equity transfer agreements dated 17 July 2019, all of the then shareholders of Zhongtian Construction acquired the entire equity interest in Jicai Trading at the total consideration of RMB100,000 with reference to the amount of the registered capital of Jicai Trading.

Pursuant to the share transfer agreements dated 5 December 2019, certain directors, supervisors and senior management ,who also were shareholders, of Zhongtian Construction transferred a total of 99,287 shares in Zhongtian Construction to Hangxiao Materials at a total consideration of approximately RMB124,000. The other shareholders of Zhongtian Construction transferred a total of 4,592,403 shares in Zhongtian Construction to Hangxiao Materials at a total consideration of approximately RMB5,741,000.

(1b) On 9 March 2020, Pre-IPO investor, Ms. Yang, executed a capital increase agreement with Jicai Trading and all the then equity holders of Jicai Trading, pursuant to which Jicai Trading increased its registered capital from RMB100,000 to RMB101,100 and Ms. Yang subscribed for the additional registered capital of RMB1,100 of Jicai Trading for a consideration of approximately RMB2,385,000.

	Share capital	Other reserve	Statutory special reserve	Statutory reserve	Retained earnings	Total	Non-controlling interests	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 29)	*(Note 30(a))*	*(Note 30(b))*	*(Note 30(c))*				
Profit and total comprehensive income for the period	—	—	—	—	50,832	50,832	334	51,166
Appropriation to statutory reserve	—	—	—	5,204	(5,204)	—	—	—
Transfer to special reserve	—	—	19,652	—	—	19,652	—	19,652
Utilisation of special reserve	—	—	(19,610)	—	—	(19,610)	—	(19,610)
Balance at 30 September 2022	1	79,673	669	27,433	228,360	336,136	9,240	345,376
Balance at 31 December 2020 and 1 January 2021	1	79,673	549	16,011	128,380	224,614	7,573	232,187
Profit and total comprehensive income for the period	—	—	—	—	47,697	47,697	94	47,791
Appropriation to statutory reserve	—	—	—	4,787	(4,787)	—	—	—
Transfer to special reserve	—	—	27,642	—	—	27,642	—	27,642
Utilisation of special reserve	—	—	(27,784)	—	—	(27,784)	—	(27,784)
Balance at 30 September 2021 (unaudited)	1	79,673	407	20,798	171,290	272,169	7,667	279,836

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended 31 December			Nine months ended 30 September	
	2019	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Cash flows from operating activities					
Profit before taxation	59,594	59,537	72,015	56,768	58,934
Adjustments for:					
Depreciation of property, plant and equipment	6,319	6,393	6,546	4,424	3,501
Depreciation of investment properties	745	185	—	—	—
Amortisation of intangible assets	3	4	3	2	3
Finance costs	8,921	5,299	3,549	2,651	4,776
Interest income	(384)	(459)	(222)	(199)	(310)
Loss on disposal of property, plant and equipment	467	3	200	181	—
Gain on disposal of investment properties	—	(5,689)	—	—	—
Gain on lease modification	—	(35)	—	—	—
Impairment on/(reversal of) financial and contract assets, net	7,409	7,473	500	(230)	712
Gain on disposal of an associate	(935)	—	—	—	—
Share of result of an associate	423	—	—	—	—
Operating profit before working capital changes	82,562	72,711	82,591	63,597	67,616
Decrease/(increase) in inventories	676	(2,579)	255	2,417	2,078
(Increase)/decrease in trade, bills and other receivables	(188,229)	(51,583)	79,872	(204,767)	53,165
(Increase)/decrease in contract assets	(436,811)	(55,817)	9,699	40,453	35,304
Increase/(decrease) in trade and bills payables	561,271	20,924	(175,561)	(211)	(298,518)
Increase in accruals and other payables	46,760	68,965	49,889	31,923	79,587
Increase/(Decrease) in contract liabilities	14,462	8,050	(12,202)	(11,397)	25,110
Decrease/(increase) in amounts due from related companies	34,101	(3,638)	(2,860)	(3,919)	(4,023)
(Increase)/decrease in amounts due from shareholders	(1,061)	(8,210)	1,533	9,379	7,715
(Increase)/decrease in restricted bank deposits	(8,345)	1,311	7,727	11,625	8,463
Cash generated from/(used in) operations	105,386	50,134	40,943	(60,900)	(23,503)
Income tax paid	(9,256)	(7,633)	(9,350)	(3,538)	(2,545)
Net cash generated from/(used in) operating activities	96,130	42,501	31,593	(64,438)	(26,048)

	Year ended 31 December			Nine months ended 30 September	
	2019	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Cash flows from investing activities					
Purchase of property, plant and equipment	(9,700)	(6,054)	(5,569)	(5,380)	(481)
Proceeds on disposal of property, plant and equipment	285	45	167	159	—
Proceeds on disposal of investment properties	—	12,660	—	—	—
Proceeds from disposal of an associate	75,600	—	—	—	—
Interest received	384	459	222	199	310
Net cash generated from/(used in) investing activities	66,569	7,110	(5,180)	(5,022)	(171)
Cash flows from financing activities					
Proceeds from new borrowings	91,415	64,199	60,058	38,058	108,868
Repayments of borrowings	(122,851)	(74,796)	(58,783)	(35,783)	(32,942)
Interest paid	(8,921)	(5,299)	(3,549)	(2,651)	(4,776)
Dividend paid by a subsidiary	(113)	(188)	—	—	—
Repayments of lease liabilities	(954)	(586)	(467)	(457)	(207)
(Repayments to)/advances from related companies	(84,291)	(7,681)	4,247	4,746	188
(Repayments to)/advances from shareholders	(28,587)	(28,233)	(14,034)	14,346	(7,269)
Advances from/(repayments to) directors	2,370	(3,458)	(1,617)	(283)	209
Capital injection from minority shareholders of subsidiaries	1,701	300	—	—	—
Capital injection by equity shareholders of a subsidiary	—	2,384	—	—	—
Net cash generated from/(used in) financing activities	(150,231)	(53,358)	(14,145)	17,976	64,071
Net increase/(decrease) in cash and cash equivalents	12,468	(3,747)	12,268	(51,484)	37,852
Cash and cash equivalents at the beginning of the year/period	68,117	80,585	76,838	76,838	89,106
Cash and cash equivalents at the end of the year/period	80,585	76,838	89,106	25,354	126,958

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. GENERAL INFORMATION

Zhongtian Construction (Hunan) Group Limited (the "**Company**") is a limited liability company incorporated in the Cayman Islands on 27 March 2020. The Company's registered office is located at 71 Fort Street, P.O. Box 500, George Town, Grand Cayman, KY1-1106, Cayman Islands. The principal place of business of the Company is located in the People's Republic of China (the "**PRC**").

The Company, an investment holding company, and its subsidiaries (collectively referred as the "**Group**") are principally engaged in the provision of construction services in the PRC (the "**Listing Business**").

In the opinion of the directors, as at the date of this report, the ultimate holding company is ZT (A) Limited, a company incorporated in BVI.

Particulars of the Company's subsidiaries at the date of this report are as follows:

Name of subsidiaries#	Notes	Date and place of incorporation/establishment	Issued and fully paid capital/Registered capital	Percentage of effective equity interest attributable to the Company	Principal activities
Interests held directly					
Head Sage Limited ("**Head Sage**")	*(1)*	23 December 2019, BVI	US$1	100.00%	Investment holding
Interests held indirectly					
Zhongtian Holdings (Hong Kong) Limited ("**Zhongtian HK**")	*(2)*	6 April 2020, Hong Kong	HK$1	100.00%	Investment holding
株洲兆麟貿易有限公司 ("**Zhaolin Trading**")	*(1)*	21 April 2020, the PRC	Registered capital of HK$10,000,000	100.00%	Investment holding
株洲集采商貿有限公司^ ("**Jicai Trading**")#	*(1)*	9 July 2018, the PRC	Registered capital of RMB10,000,000	100.00%	Investment holding
株洲杭蕭材料貿易有限公司^ ("**Hangxiao Materials**")#	*(1)*	31 July 2019, the PRC	Registered capital of RMB1,000,000	100.00%	Investment holding
湖南中天建設集團股份有限公司 ("**Zhongtian Construction**")*	*(3)*	1 March 1979, the PRC	Registered capital of RMB61,600,000	99.50%	Provision of construction contracting business

Name of subsidiaries#	Notes	Date and place of incorporation/establishment	Issued and fully paid capital/Registered capital	Percentage of effective equity interest attributable to the Company	Principal activities
湖南中天建築安全科技有限公司^ (Formerly known as "株洲永安建設勞務有限公司") ("**Zhongtian Building**")#	*(3)*	13 March 2006, the PRC	Registered capital of RMB5,000,000	61.09%	Subcontracting of construction projects
株洲凱大起重設備安裝工程有限公司^ ("**Kaida Apparatus**")#	*(3)*	28 April 2004, the PRC	Registered capital of RMB6,500,000	56.70%	Installation of construction lifting facilities, renovation works and rental of construction machinery, pipe racks and fasteners
湖南中天杭蕭鋼構建設有限公司^ ("**Zhongtian Steel Structure Construction**")#	*(1)*	22 October 2021, the PRC	Registered capital of RMB35,000,000	99.50%	Engaging in steel structure construction business

The English names of all subsidiaries established in the PRC are translated for identification purpose only.

* This subsidiary is a company limited by shares.

^ These entities are established in the PRC in the form of domestic limited liability company.

(1) No audited financial statements have been prepared for these entities since incorporation, as these entities were not subject to any statutory audit requirement under the relevant rules and regulations in their jurisdictions of incorporation.

(2) The statutory financial statements of Zhongtian HK for the year ended 31 December 2020 and 2021 prepared under HKFRSs were audited by Uniwin International CPA Limited, certified public accountants registered in Hong Kong.

(3) No audited financial statements have been prepared for these entities for the years ended 31 December 2019, 2020 and 2021 and for the nine months ended 30 September 2022, as these entities were not subject to any statutory audit requirement under the relevant rules and regulations in their jurisdictions of incorporation.

For the purpose of the Historical Financial Information of this report, the directors of the Company have prepared the consolidated financial statements of the Group for the Relevant Periods (the "**Underlying Financial Statements**") in accordance with the basis of presentation and preparation set out in Note 2 below and accounting policies set out in Note 4 below which conform with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**").

The Historical Financial Information has been prepared from the Underlying Financial Statements, with no adjustments made thereon.

2. REORGANISATION, BASIS OF PRESENTATION AND PREPARATION

2.1 Reorganisation and basis of presentation

As detailed in the section headed "History, Development and Reorganisation" to the prospectus, in preparation for the listing of shares of the Company on the Main Board of the Stock Exchange (the "**Listing**"), the Group underwent a reorganisation (the "**Reorganisation**") to rationalise its corporate structure in connection with the Listing.

The Company was incorporated in the Cayman Islands on 27 March 2020 as an exempted company with limited liability under the Cayman Islands Companies Act. Pursuant to the Reorganisation as detailed in the section headed "History, Development and Reorganisation" in the prospectus, the Company became the holding company of the companies now comprising the Group in 2020. The Company, Head Sage, Zhongtian HK, Zhaolin Trading, Jicai Trading, Hangxiao Materials (together, the "**Non-operating Companies**") are newly incorporated companies as part of the Reorganisation and none of these new holding companies carried out any businesses since their incorporation. The Non-operating Companies are inserted as holding companies of Zhongtian Construction, have no substance, have not been involved in any business and do not meet the definition of a business. Accordingly, for the purpose of this report, the Historical Financial Information has been prepared based on that of Zhongtian Construction which comprised the Group during the Relevant Periods using the predecessor carrying amounts.

On 8 May 2019, the shareholders of Zhongtian Construction resolved to undergo a demerger of Zhongtian Construction into two companies, namely (1) Zhongtian Construction continuing to exist; and (2) Zhuzhou Puhui Commercial Management Co., Ltd. ("**Puhui Commercial**") which was established on 28 June 2019 as a result thereof (the "**Demerger**"). Following the Demerger, certain assets were transferred from Zhongtian Construction to Puhui Commercial at their respective net book values as of 2 July 2019. No liability of Zhongtian Construction was transferred to Puhui Commercial. The directors of the Company have confirmed that the purpose of the Demerger is to enable the Group to focus on construction contracting business as their core business but not property leasing. The Demerger was approved by the relevant government authorities and completed on 2 July 2019. The Demerger was in substance deemed as a distribution in which the assets being distributed as both entities are ultimately controlled by the same parties before and after the distribution. No gain or loss was generated from the Demerger as the shareholding structure of Zhongtian Construction remained unchanged while Puhui Commercial was established in the PRC as a limited liability company by way of the above demerger, which shares the same shareholding structure as Zhongtian Construction.

The net carrying value of the assets of Zhongtian Construction as at the date of the Demerger which were transferred to Puhui Commercial are as follows:

	RMB'000
Property, plant and equipment *(Note 15)*	13,702
Investment properties *(Note 16)*	39,378
Prepayments	4,020
Total	57,100

The related income expenditures and the net profit or loss attributable to above assets were included in the Group's Historical Financial Information up to the date of the Demerger.

The consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of the Group for the Relevant Periods include the results and cash flows of all companies now comprising the Group as if the current structure had been in existence throughout the Relevant Periods, or since their respective dates of acquisition or incorporation/establishment, whichever is the shorter period. The consolidated statements of financial position of the Group as at 31 December 2019, 2020 and 2021 and 30 September 2022 have been prepared to present the assets and liabilities of the subsidiaries and/or businesses using the existing carrying values, as if the current structure had been in existence at these dates or since their respective dates of acquisition or incorporation/establishment, whichever is the shorter period. No adjustments are made to reflect fair values, or recognise any new assets or liabilities as a result of the Reorganisation. All intra group transactions and balances have been eliminated between the consolidating entities.

2.2 Basis of preparation

The Historical Financial Information has been prepared in accordance with accounting policies which conform with the HKFRSs, which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations issued by the HKICPA. The Historical Financial Information also complies with the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

The HKICPA has issued a number of new and amended HKFRSs which are relevant to the Group and became effective during the Relevant Periods. For the purpose of preparing and presenting the Historical Financial Information for the Relevant Periods, the Group has adopted all new and amended HKFRSs that are effective during the Relevant Periods and has applied them consistently throughout the Relevant Periods.

3. NEW OR REVISED HKFRS ISSUED BUT NOT YET EFFECTIVE

The following new or revised HKFRSs, potentially relevant to the Historical Financial Information, have been issued, but are not yet effective and have not been early adopted by the Group.

Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current[2]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[2]
Amendments to HKAS 8	Definition of Accounting Estimate[2]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[2]
HK Interpretation 5 (2020)	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause[2]
HKFRS 17	Insurance Contracts and related amendments[2]

1 Effective for annual periods beginning on or after a date to be determined
2 Effective for annual periods beginning on or after 1 January 2023

The management of the Group does not anticipate that the adoption of the new/revised HKFRSs in future periods will have any material impact on the Group's consolidated financial information.

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 Basis of measurement

The Historical Financial Information has been prepared on the historical cost basis.

It should be noted that accounting estimates and assumptions are used in the preparation of the Historical Financial Information. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may be ultimately different from those estimates. The areas involving higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information are disclosed in Note 5.

4.2 Functional and presentation currency

The Historical Financial Information is presented in Renminbi ("**RMB**"), which is the same as the functional currency of the Company.

4.3 Basis of consolidation

The Historical Financial Information incorporates the financial statements of the Company and entities controlled by the Company (its subsidiaries) comprising the Group for the Relevant Periods. Control is achieved where the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statements of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intra-group transactions, balances and unrealised gains on transactions have been eliminated in full on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Adjustments are made to the financial statements of subsidiaries where necessary to ensure consistency with the policies adopted by the Group.

4.4 Merger accounting

The Reorganisation involved only inserting new holding companies on top of Zhongtian Construction and has not resulted in any change of economic substance with continuous common control by the shareholders. Accordingly, the Historical Financial Information has been prepared using the principles of merger accounting as if the current group structure had been in existence throughout the Relevant Periods.

The consolidated statements of profit or loss and other comprehensive income include the results of each of the consolidated entities from the earliest date presented or since the dates of incorporation of the consolidated entities, where this is a shorter period. All inter-company transactions and balances have been eliminated on consolidation.

The comparative amounts in the Historical Financial Information are presented as if the entities had been consolidated at the end of the previous reporting period unless the consolidated entities were incorporated at a later date.

4.5 Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: power over the investee, exposure, or rights, to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

4.6 Associate

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor a joint arrangement. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not control or joint control over those policies.

Associates are accounted for using the equity method whereby they are initially recognised at cost and thereafter, their carrying amount are adjusted for the Group's share of the post-acquisition change in the associates' net assets except that losses in excess of the Group's interest in the associate are not recognised unless there is an obligation to make good those losses.

Profits and losses arising on transactions between the Group and its associates are recognised only to the extent of unrelated investors' interests in the associate. The investor's share in the associate's profits and losses resulting from these transactions is eliminated against the carrying value of the associate. Where unrealised losses provide evidence of impairment of the asset transferred they are recognised immediately in profit or loss.

Any premium paid for an associate above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the associate. Where there is objective evidence that the investment in an associate has been impaired, the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate. The difference between the carrying amount of the associate at the date when the equity method was discontinued and any proceeds from disposing of the interest in the associate is included in the determination of the gain or loss on disposal of the associate.

4.7 Revenue recognition

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services, 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.

Depending on the terms of the contract and the laws that apply to the contract, control of the goods or service may be transferred over time or at a point in time. Control of the goods or service is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates or enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the goods or services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the goods or service.

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amounts receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. For contracts where the period between the payment and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

(i) Construction services

The Group engages in the provision for construction services of civil building, municipal works, foundation works, prefabricated steel structure and other specialised works. The Group's performance creates or enhances an asset or work in progress that the customer controls as the asset is created or enhanced, thus the Group satisfies a performance obligation and recognises revenue over time, by reference to completion to the contract costs incurred to date as a proportion to the total estimated contract costs while the contract costs and contract progress are highly correlated for the contracts. Invoices are issued according to contractual terms and are usually payable upon the date of issuance. Uninvoiced amounts are presented as contract assets.

When the outcome of a performance obligation in a contract can be reasonably measured, contract revenue and the associated contract costs are recognised over time based on the progress of the respective contract at the end of the reporting period. The progress toward complete satisfaction of the performance obligation of the contract is determined by reference to the contract costs incurred to date as a proportion of the total estimated contract costs.

When the outcome of a performance obligation in a contract cannot be reasonably measured, revenue is recognised only to the extent of contract costs incurred that are expected to be recovered.

Contract modification (e.g. variation order) are recognised when they are approved by customer. Generally, modification to a contract is not accounted for as a separate contract. Contract modification is accounted for as if it were a part of the existing contract and, therefore, form part of a single performance obligation that is partially satisfied at the date of the contract modification. The effect that the contract modification has on the transaction price, and on the measure of progress towards complete satisfaction of the performance obligation, is recognised as an adjustment to revenue (either as an increase in or a reduction of revenue) at the date of the contract modification (i.e. the adjustment to revenue is made on a cumulative catch-up basis). For approved modifications where a change in price has not been agreed and other claims, they are accounted for following the requirements in relation to variable consideration, that is to include in the transaction price to the extent that it is highly probable that a significant reversal in the amount of revenue recognised will not occur.

If at any time, the costs to complete the contract are estimated to exceed the remaining amount of the consideration under the contract, a provision is recognised in accordance with the accounting policy for onerous contracts as set out in Note 4.20.

(ii) Other income

Interest income is accrued on a time basis on the principal outstanding at the applicable interest rate.

(iii) Contract assets and contract liabilities

A contract asset represents the Group's right to consideration in exchange for services that the Group has transferred to a customer that is not yet unconditional. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due. Contract asset is recognised when (i) the Group completes the construction works under such service contracts but yet certified by architects, surveyors or other representatives appointed by customers; or (ii) the customers retain retention money to secure the due performance of the contracts. Contract assets are assessed for expected credit losses in accordance with the policy set out in Note 4.15(b). Loss allowance for contract assets is measured at an amount equal to lifetime expected credit losses. Expected credit losses on contract assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the customers and an assessment of both the current and forecast general economic conditions at the reporting date. Any amount previously recognised as a contract asset is reclassified to trade receivables at the point at which the milestones are reached. If the considerations (including advances received from customers) exceeds the revenue recognised to date under the input method, then the Group recognises a contract liability for the difference.

A contract liability represents the Group's obligation to transfer services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to a contract are accounted for and presented on a net basis.

(iv) Contract costs

The Group recognises an asset from the costs incurred to fulfil a contract when those costs meet all of the following criteria:

(a) the costs relate directly to a contract or to an anticipated contract that the entity can specifically identify;

(b) the costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and

(c) the costs are expected to be recovered.

The asset recognised is subsequently amortised to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the cost relate. The asset is subject to impairment review.

4.8 Property, plant and equipment

Property, plant and equipment held for use in the production or supply of services, or for administrative purposes as described below, are stated at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

The cost of property, plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other costs such as repairs and maintenance are recognised as an expense in profit or loss during the financial period in which they are incurred.

Property, plant and equipment are depreciated so as to write off their costs net of estimated residual values over their estimated useful lives on straight-line method. The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period. The useful lives are as follows:

Right-of-use assets	Over the lease terms
Plant and machinery	8-10 years
Motor vehicles	5 years
Furniture, Fixtures and office equipment	3 years
Leasehold improvement	Over the shorter of the lease terms or 5 years
Tools	3–5 years

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

The gain or loss on disposal of an item of property, plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognised in profit or loss on disposal.

4.9 Investment properties

Investment property is property held either to earn rentals or for capital appreciation or for both, but not held for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is measured at cost on initial recognition and subsequently at cost less accumulated depreciation and impairment losses, if any. Depreciation is charged so as to write off the cost of investment property net of estimated residual value over the estimated useful live using straight-line method. The useful live, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each of the reporting period. The useful lives are as follows:

Building	30 years
Land use right	50 years

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the properties) is recognised in profit or loss.

4.10 Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost is calculated using the first-in first out method. Net realisable value represents 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.

4.11 Leases

All leases are required to be capitalised in the statement of financial position as right-of-use assets and lease liabilities, but accounting policy choices exist for an entity to choose not to capitalise (i) leases which are short-term leases; and/or (ii) leases for which the underlying asset is of low-value. The Group has elected not to recognise right-of-use assets and lease liabilities for low-value assets and leases for which at the commencement date have a lease term of 12 months or less and do not contain purchase option. The lease payments associated with those leases have been expensed on straight-line basis over the lease term.

Accounting as a lessee

Right-of-use asset

The right-of-use asset should be recognised at cost and would comprise: (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability); (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee; and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. The Group measures the right-of-use assets applying a cost model. Under the cost model, the Group measures the right-to-use at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. For right-of-use asset that meets the definition of an investment property, they are carried at depreciated cost. The right-of-use assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease terms.

The Group accounts for leasehold land and buildings that are held for rental or capital appreciation purpose under HKAS 40 and are carried at cost less accumulated depreciation. Other than the above right-of-use assets, the Group also has leased a number of properties under tenancy agreements which the Group exercises its judgement and determines that it is a separate class of asset apart from the leasehold land and buildings which is held for own use. As a result, the right-of-use assets arising from the properties under tenancy agreements are carried at depreciated cost.

Lease liability

The lease liability is recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the lessee's incremental borrowing rate.

The following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments: (i) fixed payments less any lease incentives receivable; (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date; (iii) amounts expected to be payable by the lessee under residual value guarantees; (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequent to the commencement date, a lessee measures the lease liability by: (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made; and (iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, e.g., a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in assessment to purchase the underlying asset.

Accounting as a lessor

The Group has leased out its investment properties to a number of tenants. Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on the straight-line basis over the lease term.

4.12 Intangible assets and research and development costs

Intangible assets

Intangible assets representing an invention patent for technology with definite useful lives of 20 years acquired and initially recognised at cost. The finite useful lives is based over the period stated on the patent certificate. After initial recognition, patents are carried at cost less any subsequent accumulated amortisation and accumulated impairment losses. Intangible assets are tested for impairment as described in Note 4.13.

Research and development costs

Costs associated with research activities are expensed in profit or loss as they occur. Costs that directly attributable to the development activities are recognised as intangible assets provided they meet the following recognition requirements:

(i) demonstration of technical feasibilities of the prospective product internal use or sale;

(ii) sufficient technical, financial and other resources are available for completion;

(iii) there is intention to complete the intangible asset and use or sell it;

(iv) the Group's ability to use or sell the intangible asset is demonstrated;

(v) the intangible asset will generate probable economic benefits through internal use or sale; and

(vi) the expenditure attributable to the intangible asset can be reliably measured.

Capitalised development costs are amortised over the periods the Group expects to benefit from using or selling the products developed.

Development expenditure not satisfying the above criteria and expenditure on the research phase of internal projects are expensed as incurred.

4.13 Impairment of other assets

At the end of each reporting period, the Group reviews the carrying amounts of the following assets to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased:

- Property, plant and equipment;
- Investment properties;
- Investments in subsidiaries;
- Interests in an associate; and
- Intangible assets.

If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

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 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).

An impairment loss is recognised in profit or loss whenever 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 cash generating unit (or group of units) on a pro rata basis, except that the carrying amount of an asset will not be reduced below its individual fair value less costs of disposal (if measurable), or value in use, (if determinable).

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.

4.14 Cash and cash equivalents

Cash and cash equivalents include cash at banks and in hand as well as short term highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

4.15 Financial Instruments

(a) Financial assets

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place.

Financial assets with embedded derivatives are considered in their entirely when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are subsequently measured using the effective interest method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.

Fair value through other comprehensive income ("**FVOCI**"): Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Debt investments at FVOCI are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

Fair value through profit or loss ("**FVTPL**"): Financial assets at FVTPL include financial assets held for trading, financial assets designated upon initial recognition at FVTPL, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at FVTPL, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at FVOCI, as described above, debt instruments may be designated at FVTPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Equity instruments

On initial recognition of an equity investment that is not held for trading, the Group could irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. Equity investments at FVOCI are measured at fair value. Dividend income are recognised in profit or loss unless the dividend income clearly represents a recovery of part of the cost of the investments. Other net gains and losses are recognised in other comprehensive income and are not reclassified to profit or loss. All other equity instruments are classified as FVTPL, whereby changes in fair value, dividends and interest income are recognised in profit or loss.

(b) Impairment loss on financial assets

The Group recognises loss allowances for expected credit loss ("**ECLs**") on trade receivables, contract assets and financial assets measured at amortised cost and debt investments measured at FVOCI. The ECLs are measured on either of the following bases: (1) 12 months ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date; and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Group measures loss allowances for trade receivables and contract assets using HKFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The ECL rates adopted by the Company are determined that having considered that, among others, the Group has the Priority of Compensation to the proceeds from selling off or auctioning the underlying property projects for our contracted work in settling the debts owed and the Independent Valuer has been engaged to assess the market value of the underlying properties corresponding to the account receivables, The above ECL rate for each year represented the average of the relevant credit loss rates for each ageing group, which was determined based on a number of parameters, including (i) analysis of historical credit loss rates within two to five years from the measurement date is adopted; (ii) a discount of 30% to be applied on the value of the underlying properties so as to arrive at a conservative estimation of the proceeds that could be recovered by the Company under Priority of Compensation: (iii) the assessed market values of the underlying properties corresponding to the trade receivables and contract assets and any potential shortfall of proceeds recovered from the outstanding contract assets and account receivables balance based on conservative estimation; and (iv) forward-looking adjustment based on the correlation between default rates and macro-economic factors (indicative overall market conditions).

For other debt financial assets, the ECLs are based on the 12 months ECLs. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 60 days past due as the delay in payment is because of administrative oversight rather than financial difficulty of the counterparties and historical information suggests significant increases in credit risk only occur when payments are more than 60 days past due.

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.

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- a breach of contract, such as a default or past due event.

In addition, the Group considers that an event of default occurs when there is a breach of financial covenants by the counterparty; or information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group). Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Interest income on credit-impaired financial assets is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset. For non credit-impaired financial assets, interest income is calculated based on the gross carrying amount.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account. The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

(c) Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at amortised cost

Financial liabilities at amortised cost including trade and bills payables, accruals and other payables, borrowings, amounts due to related companies/shareholders/directors are initially recognised at fair value, net of transaction costs incurred, and subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

Borrowings

Borrowings are recognised initially at fair value, net of directly attributable transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Lease liabilities

Lease liabilities are measured at present value less lease repayments (see Note 4.11).

(d) Effective interest method

Effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. Effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(e) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(f) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKFRS 9.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

4.16 Foreign currency translation

Transactions entered into by the group entities in currencies other than the functional currency are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise.

On consolidation, income and expense items of foreign operations are translated into RMB at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the rates ruling when the transactions took place are used. All assets and liabilities of foreign operations are translated at the rate ruling at the end of reporting period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity as foreign exchange reserve. Exchange differences recognised in profit or loss of group entities' separate financial statements on the translation of long-term monetary items forming part of the Group's net investment in the foreign operation concerned are reclassified to other comprehensive income and accumulated in equity as foreign exchange reserve.

4.17 Income tax

Income taxes for the year comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates appropriate to the expected manner in which the carrying amount of the asset or liability is realised or settled and that have been enacted or substantively enacted at the end of reporting period.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Income taxes are recognised in profit or loss, except when they relate to items recognised in other comprehensive income or directly in equity in which case the taxes are also recognised in other comprehensive income or when they relate to items recognised directly in equity in which case the taxes are also recognised directly in equity.

4.18 Employee benefits

(a) Defined contribution retirement plan

Pursuant to the relevant regulations of the PRC government, the Group participates in a central pension scheme operated by the local municipal government (the "**Scheme**"), whereby the Group is required to contribute a certain percentage of the basic salaries of its employees to the Scheme to fund their retirement benefits. The local municipal government undertakes to assume the retirement benefits obligations of all existing and future retired employees of the Group. The only obligation of the Group with respect to the Scheme is to pay the ongoing required contributions under the Scheme. Contributions under the Scheme are charged to profit or loss as incurred. There are no provisions under the Scheme whereby forfeited contributions may be used to reduce future contributions.

(b) Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. Short-term employee benefits are recognised in the year when the employees render the related service.

(c) Termination benefits

Termination benefits are recognised on the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs involving the payment of termination benefits.

4.19 Segment reporting

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive directors for their decisions about resources allocation to the Group's business components and for their review of the performance of those components. The business components in the internal financial information reported to the executive director are determined following the Group's service lines.

For the purposes of assessing segment performance and allocating resources between segments, the directors assess segment profit or loss by gross profit or loss as measured in HKFRS financial statements.

For the purpose of presenting geographical location of the Group's revenue from external customers and the Group's non-current assets, country of domicile is determined by reference to the country where the majority of Group's subsidiaries operate.

4.20 Provisions and contingent liabilities

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation 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 benefit is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future uncertain events not wholly within the control of the Group are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

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.

4.21 Borrowings costs

Borrowing costs attributable directly to the acquisition, construction or production of qualifying assets which require a substantial period of time to be ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Income earned on temporary investments of specific borrowings pending their expenditure on qualifying assets is deducted from borrowing costs eligible for capitalisation. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

4.22 Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

4.23 Financial guarantees issued

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of:

- the amount determined in accordance with the expected credit loss model under HKFRS 9 Financial Instruments; and

- the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of HKFRS 15 Revenue from Contracts with Customers.

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Where guarantees in relation to loans or other payables of subsidiaries are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment.

4.24 Related parties

For the purposes of the Historical Financial Information, a party is considered to be related to the Group if:

(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 key management personnel of the Group or the Company's parent.

(b) An entity is related to the Group if any of the following conditions apply:

(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 the employees of 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 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 the Company'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 and include:

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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 Group makes estimates and judgements concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Impairment of financial and contract assets

The measurement of the ECLs allowance for financial assets measured at amortised cost and contract assets is an area that requires the use of significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses). A number of significant judgements, including determining the criteria for significant increase in credit risk, are also required in applying the accounting requirements for measuring ECLs. Details about the judgements and assumptions used in measuring ECLs is set out in Note 4.15(b) and Note 37(b) to the Historical Financial Information. Changes to these estimates and assumptions can result in significant changes to the timing and amount of ECLs to be recognised.

Revenue from provision of construction services

Construction contract revenue is recognised according to the percentage of completion of individual construction contract, which is measured by reference to the contract costs incurred to date as a proportion to total estimated contract cost. Contract assets/contract liabilities are determined based on contract costs incurred, progress billings, any foreseeable losses and recognised profit which is also dependent on estimation of contract costs. The recognition of contract revenue and contract assets/contract liabilities requires significant management judgement and involves estimation uncertainty. Estimated contract costs of individual contract, which mainly comprise subcontracting charges, materials and project staff costs, are supported by contract budget which was prepared by the directors of the Company. In order to ensure that the total estimated contract costs are accurate and up-to-date such that contract revenue can be estimated reliably, management reviews the contract budget, costs incurred to date and costs to completion regularly, in particular in the case of costs over-runs, and revises the estimated contract costs where necessary. Recognition of variations and claims also requires estimation and judgement by the management. Notwithstanding that the management regularly reviews and revises contract budgets when those construction contracts progressed, the actual contract costs and gross profit margin achieved may be higher or lower than the estimates and that will affect the revenue and gross profit recognised in the consolidated financial statements.

Estimation of total budgeted costs and cost to completion for construction contracts

Total budgeted costs for construction contracts comprise (i) materials and processing charges and project staff costs; (ii) costs of subcontracting; and (iii) an appropriation of variable and fixed construction overheads. In estimating the total budgeted costs for construction contracts, management makes reference to information such as (i) costs incurred up-to-date; (ii) current offers from sub-contractors and suppliers; (iii) recent offers agreed with sub-contractors and suppliers; and (iv) professional estimation on materials and processing charges, project staff costs and other costs estimated by the directors.

Estimates of current tax and deferred tax

Significant judgement is required in determining the amount of the provision for tax and the timing of payment of the related tax. Where the final tax outcomes are different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the periods in which such determination is made.

6. SEGMENT INFORMATION

(a) Operating segment information

The Group has identified its operating segments and prepared segment information based on the regular internal financial information reported to the Group's executive directors for their decisions about resources allocation to the Group's business components and review of these components' performance.

Management has determined the operating segments based on the reports reviewed by chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segment, has been identified as the executive directors of the Company.

During the Relevant Periods, the Group is principally engaged in the provision of construction services in the PRC. Management reviews the operating results of the business as one operating segment to make decisions about resources to be allocated. Therefore, the chief operating decision maker of the Company regards that there is only one segment which is used to make strategic decisions.

The major operating entities of the Group is domiciled in the PRC. Accordingly, all of the Group's revenue were derived in the PRC during the Relevant Periods.

As at 31 December 2019, 2020 and 2021 and 30 September 2022, all of the non-current assets were located in the PRC.

(b) Information about major customers

Revenue from major customers, each of them accounting for 10% or more of the Group's revenue for the Relevant Periods, is set out below:

	Year ended 31 December			Nine months ended 30 September	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Zhongtian Holdings Group	328,490	312,131	367,739	294,754	223,330
Customer Group 2	183,203	N/A*	N/A*	N/A*	N/A*
Customer 3	N/A*	220,518	N/A*	N/A*	N/A*
Customer 4	N/A*	N/A*	N/A*	N/A*	136,128

* The corresponding revenue did not contribute over 10% of the total revenue of the Group during that year/period.

7. REVENUE

Revenue represents the revenue from construction contracts and provision of construction machinery and equipment for construction projects.

	Year ended 31 December			Nine months ended 30 September	
	2019	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Revenue from construction contracts					
Civil building construction	888,497	1,031,904	885,259	657,407	670,050
Municipal works construction	669,011	485,033	427,745	262,359	461,373
Foundation works	146,162	120,067	114,195	81,161	22,455
Prefabricated steel structure construction works	62,650	106,345	369,761	305,023	202,563
Other specialised contracting works	49,666	17,857	17,170	12,924	3,796
Revenue from provision of construction machinery and equipment service					
Other specialised contracting works	5,930	8,694	9,254	6,518	5,793
	1,821,916	1,769,900	1,823,384	1,325,392	1,366,030
Timing of revenue recognition					
— Transferred over time	1,821,916	1,769,900	1,823,384	1,325,392	1,366,030

The following table provides information about the geographical areas of the revenue derived from customers:

	Year ended 31 December			Nine months ended 30 September	
	2019	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Hunan	1,302,621	1,326,848	1,381,893	1,024,227	921,761
Hainan	402,306	376,546	388,687	263,981	388,745
	1,704,927	1,703,394	1,770,580	1,288,208	1,310,506
Others	116,989	66,506	52,804	37,184	55,524
	1,821,916	1,769,900	1,823,384	1,325,392	1,366,030

The following table provides information about trade receivables, contract assets and contract liabilities from contracts with customers.

	As at 31 December			As at 30 September
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables *(Note 20)*	472,945	504,686	444,386	386,487
Contract assets *(Note 21(a))*	1,173,525	1,227,155	1,216,095	1,179,017
Contract liabilities *(Note 21(b))*	29,128	37,178	24,976	50,086

The contract assets primarily relate to the Group's rights to consideration for work completed at the reporting date on revenue related to the provision of construction services. Any amount previously recognised as a contract asset is reclassified to trade receivables at the point at which it becomes unconditional and the milestones are reached.

The contract liabilities mainly relate to the advance consideration received from customers.

(i) Revenue recognised in relation to contract liabilities at the beginning of the Relevant Periods

The following table shows the amounts of the revenue recognised during the Relevant Periods relates to carried forward contract liabilities:

	Year ended 31 December			Nine months ended 30 September
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Revenue recognised during the year/period	8,383	19,307	20,830	8,954

(ii) Transaction price allocated to the remaining performance obligations

The following table shows the amounts of the partially unsatisfied performance obligation in the Relevant Periods.

	As at 31 December			As at 30 September
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Partially unsatisfied performance obligation	1,636,230	2,541,776	1,351,916	1,543,092

As at 31 December 2021 and 30 September 2022, there is unsatisfied performance obligation amounted to approximately RMB776,881,000 and RMB1,221,459,000, which represents the wholly unperformed revenue contracts. These amounts represent revenue expected to be recognised in the future from long-term construction contracts. The Group will recognise the expected revenue in future when or as the work is completed, which is expected to occur in the next 1 to 23 months.

8. OTHER INCOME AND OTHER GAINS, NET

	Year ended 31 December			Nine months ended 30 September	
	2019	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Interest income on bank deposits	384	459	222	199	310
Rental income	1,324	—	—	—	—
Consulting fee income	1,023	—	—	—	—
Government grants *(Note)*	152	334	1,435	1,313	84
Gain on disposal of an associate	935	—	—	—	—
Loss on disposal of property, plant and equipment	(467)	(3)	(200)	(181)	—
Gain on disposal of investment property	—	5,689	—	—	—
Gain on lease modification	—	35	—	—	—
Others	(134)	(34)	(1)	—	88
	3,217	6,480	1,456	1,331	482

Note: These represented grants to incentivise the development of the Group, of which the entitlement was unconditional and one-off in nature.

9. FINANCE COSTS

	Year ended 31 December			Nine months ended 30 September	
	2019	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Interest charge on lease liabilities	48	35	6	4	5
Interest charge on amounts due to related companies	165	106	—	—	—
Interest charge on borrowings	8,708	5,158	3,543	2,647	4,771
	8,921	5,299	3,549	2,651	4,776

10. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging the followings:

	Year ended 31 December			Nine months ended 30 September	
	2019	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Cost of inventories	796,440	687,710	642,700	432,035	531,603
Auditors' remuneration	58	140	98	98	19
Depreciation of property, plant and equipment owned	5,180	5,757	6,041	4,045	3,138
Depreciation of right-of-use assets	1,139	636	505	379	363
Depreciation of investment properties	745	185	—	—	—
Amortisation of intangible assets	3	4	3	2	3
Listing expenses	2,399	10,722	4,513	3,975	4,464
Research and development costs	60,752	54,141	56,726	42,007	42,107
Short-term leases expenses					
— Office premises	67	67	67	34	36
— Machinery and equipment	35,463	116,984	199,353	145,263	139,525
Staff costs (including directors' emoluments *(Note 14)*):					
— Salaries and wages	69,348	42,101	39,224	32,046	29,548
— Retirement scheme contributions	4,550	4,178	4,193	3,690	3,106

11. INCOME TAX EXPENSE

Provision for the PRC Enterprise Income Tax ("**EIT**") for the Relevant Periods was made based on the estimated assessable profits calculated in accordance with the relevant income tax laws, and regulations applicable to the subsidiaries operated in the PRC.

	Year ended 31 December			Nine months ended 30 September	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
PRC Enterprise Income Tax					
Current year	9,857	11,075	10,179	8,919	7,806
Deferred tax *(Note 18)*	(1,123)	(1,137)	(67)	58	(38)
	8,734	9,938	10,112	8,977	7,768

Under the Law of the PRC on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulations of the EIT Law, the tax rate of the Group is 25% for the three years ended 31 December 2019, 2020 and 2021 and for the nine months ended 30 September 2021 and 2022, except for the following subsidiaries:

A subsidiary of the Company has been certified as new high technology enterprise in the PRC and enjoyed a preferential enterprise income tax rate of 15% for the year ended 31 December 2019, 2020 and 2021 and for the nine months ended 30 September 2021 and 2022.

Two subsidiaries of the Company were qualified as small enterprise and are eligible for preferential tax rate for the year ended 31 December 2019, 2020 and 2021 and for the nine months ended 30 September 2021 and 2022.

The income tax expense for the Relevant Periods can be reconciled to the profit before taxation per the consolidated statements of profit or loss and other comprehensive income as follows:

	Year ended 31 December			Nine months ended 30 September	
	2019	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Profit before taxation	59,594	59,537	72,015	56,768	58,934
Tax calculated at the rates applicable to profits in the tax jurisdictions concerned	14,899	14,884	18,004	14,192	14,734
Tax effect of non-deductible items	515	3,199	712	556	1,691
Effect of additional deduction of research and development costs	(1,644)	(966)	(1,854)	(1,463)	(1,966)
Tax effect of preferential tax rate	(5,036)	(7,179)	(6,750)	(4,308)	(6,691)
Income tax expense	8,734	9,938	10,112	8,977	7,768

12. DIVIDENDS

No dividends were paid or declared by the Company during the Relevant Periods.

During the years ended 31 December 2019, 2020 and 2021 and the nine months ended 30 September 2021 and 2022, a subsidiary of the Company declared and paid dividend of RMB113,000, RMB188,000, Nil and Nil (unaudited) and Nil respectively.

13. EARNINGS PER SHARE

Earnings per share information is not 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 presentation and preparation as disclosed in Note 2.

14. DIRECTORS' EMOLUMENTS AND THE FIVE HIGHEST PAID INDIVIDUALS

(a) Directors' emoluments

Details of directors' remuneration during the Relevant Periods are as follows:

	Fees	Salaries	Allowance and other benefits	Retirement scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2019					
Executive directors					
Yang Zhongjie	—	93	—	30	123
Liu Xiaohong	—	121	143	33	297
Min Shixiong	—	113	123	29	265
Shen Qiang	—	99	105	28	232
Chen Weiwu	—	72	—	22	94
	—	498	371	142	1,011
Non-executive directors					
Liu Jianlong *(Note)*	—	—	—	—	—
Deng Jianhua *(Note)*	—	—	—	—	—
Lau Kwok Fai Patrick *(Note)*	—	—	—	—	—
	—	—	—	—	—

	Fees	Salaries	Allowance and other benefits	Retirement scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2020					
Executive directors					
Yang Zhongjie	—	144	—	37	181
Liu Xiaohong	—	86	200	30	316
Min Shixiong	—	79	175	28	282
Shen Qiang	—	69	148	26	243
Chen Weiwu	—	132	71	20	223
	—	510	594	141	1,245
Non-executive directors					
Liu Jianlong *(Note)*	—	—	—	—	—
Deng Jianhua *(Note)*	—	—	—	—	—
Lau Kwok Fai Patrick *(Note)*	—	—	—	—	—
	—	—	—	—	—

	Fees	Salaries	Allowance and other benefits	Retirement scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2021					
Executive directors					
Yang Zhongjie	—	149	—	36	185
Liu Xiaohong	—	86	57	34	177
Min Shixiong	—	79	54	32	165
Shen Qiang	—	69	45	27	141
Chen Weiwu	—	132	—	17	149
	—	515	156	146	817
Non-executive directors					
Liu Jianlong *(Note)*	—	—	—	—	—
Deng Jianhua *(Note)*	—	—	—	—	—
Lau Kwok Fai Patrick *(Note)*	—	—	—	—	—
	—	—	—	—	—

	Fees	Salaries	Allowance and other benefits	Retirement scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Nine months ended 30 September 2021 (Unaudited)					
Executive directors					
Yang Zhongjie	—	111	—	33	144
Liu Xiaohong	—	64	43	32	139
Min Shixiong	—	60	40	30	130
Shen Qiang	—	51	34	25	110
Chen Weiwu	—	99	—	16	115
	—	385	117	136	638
Non-executive directors					
Liu Jianlong *(Note)*	—	—	—	—	—
Deng Jianhua *(Note)*	—	—	—	—	—
Lau Kwok Fai Patrick *(Note)*	—	—	—	—	—
	—	—	—	—	—

	Fees	Salaries	Allowance and other benefits	Retirement scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Nine months ended 30 September 2022					
Executive directors					
Yang Zhongjie	—	111	—	39	150
Liu Xiaohong	—	64	43	38	145
Min Shixiong	—	60	33	35	128
Shen Qiang	—	51	34	26	111
Chen Weiwu	—	99	—	18	117
	—	385	110	156	651
Non-executive directors					
Liu Jianlong *(Note)*	—	—	—	—	—
Deng Jianhua *(Note)*	—	—	—	—	—
Lau Kwok Fai Patrick *(Note)*	—	—	—	—	—
	—	—	—	—	—

Note: Appointed as non-executive director since 10 March 2023.

(b) The five highest paid individuals

The five highest paid individuals of the Group during the Relevant Periods are analysed as follows:

	Year ended 31 December			Nine months ended 30 September	
	2019	2020	2021	2021	2022
	Number of individuals	*Number of individuals*	*Number of individuals*	*Number of individuals* (Unaudited)	*Number of individuals*
Directors	3	4	4	4	4
Non-director, the highest paid individuals	2	1	1	1	1

Details of the remuneration of the above non-director, the highest paid individuals during the Relevant Periods are as follows:

	Year ended 31 December			Nine months ended 30 September	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Salaries and other emoluments	199	71	71	53	53
Discretionary bonuses	209	157	57	36	36
Retirement scheme contribution	52	26	26	27	31
	460	254	154	116	120

The number of the highest paid non-director individuals fell within the following emolument band:

	Year ended 31 December			Nine months ended 30 September	
	2019	**2020**	**2021**	**2021**	**2022**
	Number of individuals	*Number of individuals*	*Number of individuals*	*Number of individuals* (Unaudited)	*Number of individuals*
Nil to HK$1,000,000	2	1	1	1	1

During the Relevant Periods, no emoluments were paid by the Group to any director or any of the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office. There were no arrangements under which a director waived or agreed to waive any emolument during the Relevant Periods.

15. PROPERTY, PLANT AND EQUIPMENT

	Right-of-use assets	Plant and machinery	Motor vehicles	Furniture, fixtures and office equipment	Leasehold improvement	Tools	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2019	19,759	34,563	4,335	675	60	6,299	65,691
Additions	860	3,470	1,921	198	—	4,111	10,560
Disposals	—	(4,694)	(239)	—	—	(12)	(4,945)
Transfer upon Demerger *(Note 2.1)*	(16,909)	—	—	—	(60)	—	(16,969)
At 31 December 2019	3,710	33,339	6,017	873	—	10,398	54,337
Additions	492	4,458	281	127	—	1,173	6,531
Disposals	(1,285)	(858)	(91)	(184)	—	(609)	(3,027)
At 31 December 2020	2,917	36,939	6,207	816	—	10,962	57,841
Additions	—	5,259	—	41	—	269	5,569
Disposals	—	(900)	—	—	—	(583)	(1,483)
At 31 December 2021	2,917	41,298	6,207	857	—	10,648	61,927
Additions	370	247	—	—	—	234	851
Disposals	—	—	—	—	—	—	—
At 30 September 2022	3,287	41,545	6,207	857	—	10,882	62,778
At 1 January 2019	(4,794)	(17,871)	(2,762)	(425)	(33)	(3,865)	(29,750)
Charge for the year	(1,139)	(3,080)	(667)	(163)	(1)	(1,269)	(6,319)
Disposals	—	3,961	232	—	—	—	4,193
Transfer upon Demerger *(Note 2.1)*	3,233	—	—	—	34	—	3,267
At 31 December 2019	(2,700)	(16,990)	(3,197)	(588)	—	(5,134)	(28,609)
Charge for the year	(636)	(3,867)	(846)	(154)	—	(890)	(6,393)
Disposals	952	830	89	181	—	609	2,661
At 31 December 2020	(2,384)	(20,027)	(3,954)	(561)	—	(5,415)	(32,341)
Charge for the year	(505)	(3,600)	(797)	(134)	—	(1,510)	(6,546)
Disposals	—	873	—	—	—	243	1,116
At 31 December 2021	(2,889)	(22,754)	(4,751)	(695)	—	(6,682)	(37,771)
Charge for the period	(363)	(2,441)	(389)	(63)	—	(245)	(3,501)
Disposals	—	—	—	—	—	—	—
At 30 September 2022	(3,252)	(25,195)	(5,140)	(758)	—	(6,927)	(41,272)

	Right-of-use assets	Plant and machinery	Motor vehicles	Furniture, fixtures and office equipment	Leasehold improvement	Tools	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Net carrying value							
At 31 December 2019	1,010	16,349	2,820	285	—	5,264	25,728
At 31 December 2020	533	16,912	2,253	255	—	5,547	25,500
At 31 December 2021	28	18,544	1,456	162	—	3,966	24,156
At 30 September 2022	35	16,350	1,067	99	—	3,955	21,506

The above items of property, plant and equipment are depreciated on a straight line basis over their estimated useful lives or lease terms and after taking into account of their estimated residual values.

As at 31 December 2019, 2020 and 2021 and 30 September 2022, certain equipment with carrying amount of approximately RMB1,057,000, RMB950,000 and RMB4,852,000 and RMB7,539,000, were pledged as securities for the Group's borrowings (Note 28).

The carrying amounts of right-of-use assets at the end of each Relevant Periods and the depreciation by classes of right-of-use assets are set out as below:

	As at 31 December			As at 30 September
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Carrying amounts				
— Other properties leased for own use	1,010	533	28	35

	Year ended 31 December			Nine months ended 30 September
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Depreciation charge				
— Land and buildings	(177)	—	—	—
— Other properties leased for own use	(962)	(636)	(505)	(363)
	(1,139)	(636)	(505)	(363)

16. INVESTMENT PROPERTIES

	As at 31 December			As at 30 September
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cost				
At the beginning of the year/period	61,966	7,663	—	—
Addition	—	—	—	—
Disposal	—	(7,663)	—	—
Transfer upon Demerger *(Note 2.1)*	(54,303)	—	—	—
At the end of the year/period	7,663	—	—	—
Accumulated depreciation				
At the beginning of the year/period	(14,924)	(744)	—	—
Charge for the year/period	(745)	(185)	—	—
Disposal	—	929	—	—
Transfer upon Demerger *(Note 2.1)*	14,925	—	—	—
At the end of the year/period	(744)	—	—	—
Net carrying value				
At the end of the year/period	6,919	—	—	—

The fair value of the Group's investment properties as at 31 December 2019 amounted to approximately RMB13,900,000. The fair value of the investment properties have been arrived at on market approach carried out by APAC Asset Valuation and Consulting Limited, an independent valuer, who holds a recognised and relevant professional qualification and has recent experience in the location and category of the investment properties being valued. The fair value of investment properties is a level 3 fair value measurement. Fair value is determined based on direct comparison method by reference to market transactions of comparable properties or income capitalisation method, which involves certain estimates, including capitalisation rates and reversionary rental value.

As at 31 December 2020 and 2021 and 30 September 2022, the investment properties have been disposed.

17. INTERESTS IN AN ASSOCIATE

	As at 31 December			As at 30 September
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At the beginning of the year/period	75,088	—	—	—
Share of results of an associate	(423)	—	—	—
Disposal of an associate	(74,665)	—	—	—
At the end of the year/period	—	—	—	—

Particulars of the associate are as follows:

Name	Place of incorporation	Attributable equity interest held by the Group: As at 31 December 2019	2020	2021	As at 30 September 2022	Registered capital	Principal activities
湖南中天杭蕭鋼構科技股份有限公司* ("**Hangxiao Technology**")	The PRC	N/A	N/A	N/A	N/A	Registered capital of RMB120,000,000	Design and manufacture of steel structure

* Although the Group's ownership interest in Hangxiao Technology is more than 50%, the Group is only entitled to appoint three out of seven directors to the board of directors of Hangxiao Technology so that the Group has no control over the financial and operating policies of but has significant influences over it. The directors of the Company therefore treated the interest in Hangxiao Technology as an associate.

On 5 March 2019, the Group disposed of all of its 63% equity interest in Hangxiao Technology at a cash consideration of RMB75,600,000 to a related company, resulting in a gain on disposal of approximately RMB935,000. The disposal of Hangxiao Technology was completed on 5 March 2019. Upon completion of the disposal, Hangxiao Technology ceased to be classified as associate.

The summarised financial information of Hangxiao Technology is as follows:

	As at 31 December 2018
	RMB'000
Current assets	17,456
Non-current assets	102,324
Current liabilities	(593)
Non-current liabilities	—
Net assets	119,187
Group's share of the net assets of the associate	75,088

	Year ended 31 December 2018
	RMB'000
Revenue	1,019
Loss for the year	(737)
Other comprehensive income	—
Total comprehensive income	(737)

18. DEFERRED TAX ASSETS

Deferred tax assets recognised and movements during the Relevant Periods are as follows:

	Impairment losses on financial and contract assets
	RMB'000
At 1 January 2019	1,470
Credited for the year *(Note 11)*	1,123
At 31 December 2019 and 1 January 2020	2,593
Credited for the year *(Note 11)*	1,137
At 31 December 2020	3,730
Credited for the year *(Note 11)*	67
At 31 December 2021	3,797
Credited for the period *(Note 11)*	38
At 30 September 2022	3,835

19. INVENTORIES

	As at 31 December			As at 30 September
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Raw materials	692	3,271	3,015	937
Consumables	2	2	3	3
	694	3,273	3,018	940

20. TRADE, BILLS AND OTHER RECEIVABLES

	As at 31 December			As at 30 September
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables				
— Related parties	43,304	76,304	36,060	13,763
— Third parties	435,516	437,142	416,661	380,481
	478,820	513,446	452,721	394,244
Bills receivables	9,931	5,280	1,050	310
Impairment provision for				
— Trade receivables	(5,875)	(8,760)	(8,335)	(7,757)
— Bills receivables	(79)	(29)	(7)	(3)
	(5,954)	(8,789)	(8,342)	(7,760)
Trade and bills receivables, net	482,797	509,937	445,429	386,794
Deposits and other receivables	66,421	64,086	56,001	56,789
Prepayments	1,341	25,284	18,453	23,717
Impairment provision for deposits and other receivables	(5,910)	(8,783)	(6,613)	(7,416)
Other receivables, prepayments and deposits, net	61,852	80,587	67,841	73,090
	544,649	590,524	513,270	459,884

Included in trade receivables are trade debtors (net of impairment losses) with the following ageing analysis, based on invoice dates, as of the end of each reporting period:

	As at 31 December			As at 30 September
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables, aged				
0 – 90 days	286,512	246,923	216,064	185,590
91 – 180 days	30,126	67,563	59,846	32,331
181 – 365 days	61,854	69,243	61,334	54,207
1 – 2 years	51,798	73,909	65,467	80,775
2 – 3 years	15,849	17,855	15,816	13,684
Over 3 years	26,806	29,193	25,859	19,900
	472,945	504,686	444,386	386,487

Included in trade receivables are trade debtors (net of impairment losses) with the following ageing analysis, based on due dates, as of the end of the Relevant Periods:

	As at 31 December			As at 30 September
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables, aged				
Not yet past due	291,347	252,345	211,004	227,139
0 – 90 days	30,195	67,734	60,927	27,143
91 – 180 days	27,046	22,114	74,906	21,262
181 – 365 days	56,758	101,182	77,400	77,431
1 – 2 years	35,922	27,512	2,184	15,596
2 – 3 years	7,699	10,664	953	907
Over 3 years	23,978	23,135	17,012	17,009
	472,945	504,686	444,386	386,487

The Group recognised impairment loss based on the accounting policy stated in Note 4.15(b). Trade receivables are generally due within 10 to 90 days from the date of billing.

Further details on the Group's credit policy and credit risk analysis arising from trade, bills and other receivables are set out in Note 37(b).

As at 31 December 2019, 2020 and 2021 and 30 September 2022, certain trade and bills receivables arising from provision of construction services amounting to approximately RMB21,651,000, RMB3,295,000 and RMB6,612,000 and RMB1,910,000 were pledged as securities for the Group's borrowings (Note 28).

21. CONTRACT ASSETS AND CONTRACT LIABILITIES

(a) Contract assets

	As at 31 December			As at 30 September
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contract assets arising from construction services:				
— Related parties	136,213	104,780	140,237	132,188
— Third parties	1,041,885	1,129,135	1,083,979	1,056,724
	1,178,098	1,233,915	1,224,216	1,188,912
Less: Loss allowance provision	(4,573)	(6,760)	(8,121)	(9,895)
	1,173,525	1,227,155	1,216,095	1,179,017

Movements in contract assets are as follows:

	Year ended 31 December			Nine months ended 30 September
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At the beginning of the year/period	741,287	1,178,098	1,233,915	1,224,216
New contract assets during the year/period	1,122,648	904,133	714,640	654,637
Amounts recognised as trade receivables during the year/period	(685,837)	(848,316)	(724,339)	(689,941)
At the end of the year/period	1,178,098	1,233,915	1,224,216	1,188,912
Less: Loss allowance provision	(4,573)	(6,760)	(8,121)	(9,895)
	1,173,525	1,227,155	1,216,095	1,179,017

The Group's construction contracts include payment schedules, which require stage payments over the construction period once milestones are reached. Additionally, the Group typically agrees a 2 months to 2 years retention period for 3 – 5% of the contract sum, which is kept in contract assets until the end of the retention period as the Group's entitlement to it is conditional on the Group's work satisfactorily passing inspection. No contracts has significant financing component.

The expected timing of recovery or settlement for contract assets as at each of the Relevant Periods is as follows:

For retention receivables:

	As at 31 December			As at 30 September
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Due within one year	13,244	8,358	12,038	25,312
Due after one year	9,567	49,677	36,442	83,071
	22,811	58,035	48,480	108,383

The remaining contract assets of RMB1,150,714,000, RMB1,169,120,000 and RMB1,167,615,000 and RMB1,080,529,000 as at 31 December 2019, 2020 and 2021 and 30 September 2022 are generally expected to be settled within the next 2 years upon completion of services and acceptance by the customers.

Further details on the Group's credit policy and credit risk analysis arising from contract assets are set out in Note 37(b).

(b) Contract liabilities

	Year ended 31 December			As at 30 September
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contract liabilities arising from construction services:				
— Related parties	2,181	1,900	166	166
— Third parties	26,947	35,278	24,810	49,920
	29,128	37,178	24,976	50,086

Where discrepancies arise between the milestone payments and the Group's assessment of the stage of completion, contract liabilities can arise.

Movements in contract liabilities are as follows:

	Year ended 31 December			Nine months ended 30 September
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January	14,666	29,128	37,178	24,976
Amounts recognised as revenue during the year/period	(8,383)	(19,307)	(20,830)	(8,954)
New contract liabilities as a result of billing in advance of construction activities	22,845	27,357	8,628	34,064
At 31 December/30 September	29,128	37,178	24,976	50,086

22. AMOUNTS DUE FROM/(TO) RELATED COMPANIES/SHAREHOLDERS/DIRECTORS

(a) Amounts due to directors

Details of amounts due to directors are as follows:

	As at 31 December			As at 30 September
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Liu Xiaohong	—	240	240	240
Min Shixiong	2,550	1,503	13	13
Chen Weiwu	2,778	127	—	209
	5,328	1,870	253	462

As at 31 December 2019, 2020 and 2021 and 30 September 2022, the amounts due to directors are unsecured, interest free and repayable on demand.

The amounts due to directors were not trade related and the balances will be fully settled before or upon Listing.

(b) Amounts due from/(to) related companies/shareholders

As at 31 December 2019, certain amounts due to related company of RMB1,900,000 are unsecured, interest bearing at a fixed rate of 8.7% per annum and repayable within one year. The remaining amounts due from/(to) related companies/shareholders are unsecured, interest free and repayable on demand.

As at 31 December 2020 and 2021 and 30 September 2022, the amounts due from/(to) related companies/shareholders are unsecured, interest free and repayable on demand.

The amounts due from/(to) related companies/shareholders were not trade related and the balances will be fully settled before or upon Listing.

Further details on the Group's credit policy and credit risk analysis arising from amounts due from related companies/shareholders are set out in Note 37(b).

23. RESTRICTED BANK DEPOSITS

Bank deposits were restricted for the deposit of the construction projects, by court orders due to ongoing legal cases and guaranteed deposits placed in the banks in the PRC as securities for the Group's bills payables and loan.

24. CASH AND CASH EQUIVALENTS

The Group's cash and cash equivalents comprise bank deposits carrying interest at floating rates based on daily bank deposit rates and short-term bank deposits carrying interests at prevailing market interest rate. The director considers that the carrying value of the deposits at the end of each of the reporting period approximate to their fair value.

As at the end of the Relevant Periods, all of the Group's cash at banks and on hands are denominated in RMB and placed in the PRC. RMB is not a freely convertible currency. Under the PRC's Foreign Exchange Control Regulations and Administration of Settlement and Sales and Payment of Foreign Exchange Regulations, the Group and the Company are permitted to exchange RMB for foreign currencies through banks that are authorised to conduct foreign exchange business.

25. TRADE AND BILLS PAYABLES

	As at 31 December			As at 30 September
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables				
— Third parties	1,289,724	1,298,586	1,106,920	838,069
— Related parties	9,630	21,692	37,797	14,530
	1,299,354	1,320,278	1,144,717	852,599
Bills payables *(Note 28)*	21,400	21,400	21,400	15,000
	1,320,754	1,341,678	1,166,117	867,599

A credit period of up to 3 months, if applicable, from the date of billing is generally granted by the Group's trade suppliers. Based on the receipt of services and goods, which normally coincided with the invoice dates, the ageing analysis of the Group's trade payables as at the end of each of the reporting period is as follows:

	As at 31 December			As at 30 September
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
0 – 90 days	515,028	327,035	293,430	146,039
91 – 180 days	216,810	171,980	147,400	119,726
181 – 365 days	250,496	197,232	169,043	223,090
1-2 years	196,172	491,110	420,920	266,039
Over 2 years	120,848	132,921	113,924	97,705
	1,299,354	1,320,278	1,144,717	852,599

26. ACCRUALS AND OTHER PAYABLES

	As at 31 December			As at 30 September
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Deposits received	14,427	13,442	12,008	11,998
Other payables	79,893	95,733	93,120	83,931
Other tax payables	87,056	140,699	192,729	281,925
Accruals	4,011	4,369	4,943	4,491
	185,387	254,243	302,800	382,345

27. LEASE LIABILITIES

The Group leases properties to operate its business. These leases are typically made for fixed terms of 1 to 15 years. Lease terms are negotiated on an individual basis and contain different payments and conditions. These lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purpose.

The Group also leases properties with term of less than one year. These leases are short-term and the Group has elected not to recognise right-of-use assets and lease liabilities for these leases.

Present value of future lease payments of the Group's leases is analysed as follows:

	As at 31 December			As at 30 September
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current	533	467	28	191
Non-current	424	28	—	—
	957	495	28	191

Movement of the Group's lease liabilities is analysed as follows:

	Year ended 31 December			Nine months ended 30 September
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At the beginning of the year/period	1,051	957	495	28
Addition of new leases	860	492	—	370
Effect of lease modification	—	(368)	—	—
Interest expenses	48	35	6	5
Interest element of lease payments	(48)	(35)	(6)	(5)
Capital element of lease payments	(954)	(586)	(467)	(207)
At the end of the year/period	957	495	28	191

Total cash outflows in respect of the capital element of lease liabilities for the years ended 31 December 2019, 2020 and 2021 were RMB954,000, RMB586,000 and RMB467,000 and for the nine months ended 30 September 2021 and 2022 was RMB457,000 and RMB207,000 respectively.

The future lease payments of the Group's leases (excluding short-term leases) were scheduled to repay as follows:

	Minimum lease payments	Interest	Present value
	RMB'000	*RMB'000*	*RMB'000*
As at 31 December 2019			
— within 1 year	561	(28)	533
— 1 to 2 years, inclusive	115	(18)	97
— 3 to 5 years, inclusive	248	(29)	219
— over 5 years	111	(3)	108
	1,035	(78)	957
As at 31 December 2020			
— within 1 year	474	(7)	467
— 1 to 2 years, inclusive	29	(1)	28
— 3 to 5 years, inclusive	—	—	—
— over 5 years	—	—	—
	503	(8)	495
As at 31 December 2021			
— within 1 year	31	(3)	28
— 1 to 2 years, inclusive	—	—	—
— 3 to 5 years, inclusive	—	—	—
— over 5 years	—	—	—
	31	(3)	28
As at 30 September 2022			
— within 1 year	194	(3)	191
— 1 to 2 years, inclusive	—	—	—
— 3 to 5 years, inclusive	—	—	—
— over 5 years	—	—	—
	194	(3)	191

28. BORROWINGS

	As at 31 December			As at 30 September
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current				
— Bank borrowings, secured/guaranteed	50,000[1]	61,550[2]	62,550[3]	137,550[4]
— Bank borrowings, unsecured	—	—	508	508
— Other borrowings, secured	25,984	4,070	3,837	908
	75,984	65,620	66,895	138,966
Non-current				
Bank borrowings, secured	—	—	—	1,900[4]
Other borrowings, secured	233	—	—	1,955
	233	—	—	3,855
	76,217	65,620	66,895	142,821

Bank borrowings were repayable as follows:

	As at 31 December			As at 30 September
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	50,000	61,550	63,058	138,058
2 – 5 years	—	—	—	1,900

Other borrowings were repayable as follows:

	As at 31 December			As at 30 September
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	25,984	4,070	3,837	908
1 – 2 years	233	—	—	908
2 – 5 years	—	—	—	1,047

The interest rate profiles for the Group's borrowings were as follows:

	As at 31 December			As at 30 September
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Fixed-rate borrowings.	26,217	15,620	16,895	91,821
Floating-rate borrowings. . . .	50,000	50,000	50,000	51,000
	76,217	65,620	66,895	142,821
Interest rate range per annum.	4.6% – 15.0%	3.9% – 14.0%	4.2% – 14.0%	3.7% – 8.6%

The borrowings were secured by the following assets:

	As at 31 December			As at 30 September
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Property, plant and equipment *(Note 15)*.	1,057	950	4,852	7,539
Trade and bills receivables *(Note 20)* .	21,651	3,295	6,612	1,910
	22,708	4,245	11,464	9,449

1) As at 31 December 2019, the Group's bank borrowings with principal amounts of RMB50,000,000, bills payables of RMB21,400,000 (Note 25) and performance bonds issued by bank in favour of certain customers of the Group's construction projects with the aggregate value of RMB20,484,000 were secured by the properties of related companies.

2) As at 31 December 2020, the Group's bank borrowings with principal amounts of RMB50,000,000, bills payables of RMB21,400,000 (Note 25) and performance bonds issued by bank in favour of certain customers of the Group's construction projects with the aggregate value of RMB12,464,000 were secured by the properties of related companies; bank loans with principal amount of RMB6,550,000 were guaranteed by a related company, a director and his spouse of the Company; bank loans with principal amount of RMB3,000,000 were guaranteed by an independent third party, a guarantee company, and counter-guaranteed by three directors and their spouse of a subsidiary; bank loans of RMB2,000,000 were guaranteed by an independent third party, a guarantee company, and counter-guaranteed by four directors and their spouse of a subsidiary.

3) As at 31 December 2021, the Group's bank borrowings with principal amounts of RMB50,000,000, bills payables of RMB21,400,000 (Note 25) were secured by the properties of related companies; bank loans with principal amount of RMB6,550,000 were guaranteed by a director and his spouse of the Company; bank loans with principal amount of RMB3,000,000 were guaranteed by an independent third party, a guarantee company, and counter-guaranteed by three directors and their spouse of a subsidiary; bank loans of RMB1,000,000 were guaranteed by an independent third party, a guarantee company, and counter-guaranteed by four directors and their spouse of a subsidiary; bank loans of RMB2,000,000 were secured by the properties of the Group.

4) As at 30 September 2022, the Group's bank borrowings with principal amounts of RMB50,000,000, bills payables of RMB15,000,000 (Note 25) and performance bonds issued by bank in favour of certain customers of the Group's construction projects with the aggregate value of RMB2,459,000 were secured by the properties of related companies; bank loans with principal amount of RMB6,550,000 were guaranteed by a director and his spouse of the Company; bank loans with principal amount of RMB1,000,000 were guaranteed by an independent third party, a guarantee company, and counter-guaranteed by four directors and their spouse of a subsidiary; bank loans with principal amount of RMB3,000,000 were guaranteed by an independent third party, a guarantee company, and counter-guaranteed by one director and his spouse of a subsidiary; bank loans with principal amount of RMB2,000,000 were secured by the properties of the Group; bank loans with principal amount of RMB60,000,000 were secured by the properties of related companies and equity share of a related company, guaranteed by related companies, a director and his spouse of the Company; bank loans with principal amount of RMB8,000,000 were secured by the properties of related companies, and guaranteed by a related company, a director and his spouse of the Company; bank loans with principal amount of RMB1,900,000 were secured by bank deposits; and bank loans with principal amount of RMB7,000,000 were secured by trade receivables and guaranteed by a related company, four directors of a subsidiary and a director and his spouse of the Company. The securities and guarantees listed above will be released before or upon Listing.

29. SHARE CAPITAL

The Company was incorporated in the Cayman Islands on 27 March 2020 as an exempted company with limited liability, with authorised share capital of HK$380,000 divided into 38,000,000 shares of HK$0.01 each and issued 100,000 shares of HK$0.01 each.

30. RESERVES

The Group's reserves and the movements therein for the years ended 31 December 2019, 2020 and 2021 and for the nine months ended 30 September 2021 and 2022 respectively are presented in the consolidated statements of changes in equity.

(a) Other reserve

The other reserve of the Group represents the issued capital of the then holding company of the companies now comprising the Group and the capital contributions from the equity holders of certain subsidiaries now comprising the Group before the completion of the Reorganisation.

(b) Statutory special reserve

In the preparation of the consolidated financial statements, the Group has appropriated a certain amount of retained earnings to a special reserve fund for the years ended 31 December 2019, 2020 and 2021 and for the nine months ended 30 September 2021 and 2022 respectively, for safety production expense purposes as required by directives issued by the relevant PRC government authorities. The Group charged the safety production expense to profit or loss when such expense was incurred, and at the same time such special reserve fund was utilised and transferred back to retained earnings until such special reserve was fully utilised.

(c) Statutory reserve

In accordance with the PRC Company Law and the articles of association of the subsidiaries established in the PRC, the Group is required to appropriate 10% of its net profits after tax, as determined under PRC GAAP, to the statutory surplus reserve until the reserve balance reaches 50% of its registered capital. Subject to certain restrictions set out in the relevant PRC regulations and in the articles of association of the Group, the statutory surplus reserve may be used either to offset losses, or to be converted to increase share capital provided that the balance after such conversion is not less than 25% of the registered capital of the Group. The reserve cannot be used for purposes other than those for which it is created and is not distributable as cash dividends.

31. NON-CONTROLLING INTERESTS

	Year ended 31 December			Nine months ended 30 September
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At the beginning of the year/period	4,125	6,484	7,573	8,906
Capital contribution	1,714	306	—	—
Acquisition of additional interest	(39)	(95)	—	—
Dividend paid	(113)	(188)	—	—
Transfer upon Demerger *(Note 2.1)*	(285)	—	—	—
Profit for the year	1,082	1,066	1,333	334
At the end of the year/period	6,484	7,573	8,906	9,240

32. NOTES SUPPORTING TO CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Non-cash transactions

(i) During the year ended 31 December 2019, certain property, plant and equipment, investment properties and prepayment amounting to approximately RMB13,702,000, RMB39,378,000 and RMB4,020,000 were transferred to Puhui Management upon the Demerger as set out in Note 2.1. The transfer of such assets were dealt through the current account with Puhui Management.

(b) Reconciliation of liabilities arising from financing activities

The table below shows the details changes in the Group's liabilities arising from financing activities. Liabilities arising from financing activities are those for which each cash flows were, or future cash flows will be, classified in the Group's consolidated statements of cash flows from financing activities.

	Borrowings	Lease liabilities	Amounts due to related companies	Amounts due to shareholders	Amounts due to directors	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2019	107,653	1,051	92,558	84,900	2,958	289,120
Changes from cash flows:						
Proceeds from new borrowings	91,415	—	—	—	—	91,415
Repayments of borrowings	(122,851)	—	—	—	—	(122,851)
Interest paid	(8,708)	(48)	(165)	—	—	(8,921)
Repayments of lease liabilities	—	(954)	—	—	—	(954)
Repayments to related companies	—	—	(84,291)	—	—	(84,291)
Repayments to shareholders	—	—	—	(28,587)	—	(28,587)
Advances from directors	—	—	—	—	2,370	2,370
Total changes from financing cash flow	(40,144)	(1,002)	(84,456)	(28,587)	2,370	(151,819)
Other changes:						
Interest expenses	8,708	48	165	—	—	8,921
New leases	—	860	—	—	—	860
Total other changes	8,708	908	165	—	—	9,781
At 31 December 2019	76,217	957	8,267	56,313	5,328	147,082

	Borrowings	Lease liabilities	Amounts due to related companies	Amounts due to shareholders	Amounts due to directors	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2020	76,217	957	8,267	56,313	5,328	147,082
Changes from cash flows:						
Proceeds from new borrowings	64,199	—	—	—	—	64,199
Repayments of borrowings	(74,796)	—	—	—	—	(74,796)
Interest paid	(5,158)	(35)	(106)	—	—	(5,299)
Repayments of lease liabilities	—	(586)	—	—	—	(586)
Repayments to related companies	—	—	(7,681)	—	—	(7,681)
Repayments to shareholders	—	—	—	(28,233)	—	(28,233)
Repayments to directors	—	—	—	—	(3,458)	(3,458)
Total changes from financing cash flow	(15,755)	(621)	(7,787)	(28,233)	(3,458)	(55,854)
Other changes:						
Interest expenses	5,158	35	106	—	—	5,299
Effect of lease modification	—	(368)	—	—	—	(368)
New lease	—	492	—	—	—	492
Total other changes	5,158	159	106	—	—	5,423
At 31 December 2020	65,620	495	586	28,080	1,870	96,651

	Borrowings	Lease liabilities	Amounts due to related companies	Amounts due to shareholders	Amounts due to directors	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2021	65,620	495	586	28,080	1,870	96,651
Changes from cash flows:						
Proceeds from new borrowings	60,058	—	—	—	—	60,058
Repayments of borrowings	(58,783)	—	—	—	—	(58,783)
Interest paid	(3,543)	(6)	—	—	—	(3,549)
Repayments of lease liabilities	—	(467)	—	—	—	(467)
Advances from related companies	—	—	4,247	—	—	4,247
Repayments to shareholders	—	—	—	(14,034)	—	(14,034)
Repayments to directors	—	—	—	—	(1,617)	(1,617)
Total changes from financing cash flow	(2,268)	(473)	4,247	(14,034)	(1,617)	(14,145)
Other changes:						
Interest expenses	3,543	6	—	—	—	3,549
Total other changes	3,543	6	—	—	—	3,549
At 31 December 2021	66,895	28	4,833	14,046	253	86,055

	Borrowings	Lease liabilities	Amounts due to related companies	Amounts due to shareholders	Amounts due to directors	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2022	66,895	28	4,833	14,046	253	86,055
Changes from cash flows:						
Proceeds from new borrowings	108,868	—	—	—	—	108,868
Repayments of borrowings	(32,942)	—	—	—	—	(32,942)
Interest paid	(4,771)	(5)	—	—	—	(4,776)
Repayments of lease liabilities	—	(207)	—	—	—	(207)
Advances from related companies	—	—	188	—	—	188
Repayments to shareholders	—	—	—	(7,269)	—	(7,269)
Advances from directors	—	—	—	—	209	209
Total changes from financing cash flow	71,155	(212)	188	(7,269)	209	64,071
Other changes:						
Interest expenses	4,771	5	—	—	—	4,776
New lease	—	370	—	—	—	370
Total other changes	4,771	375	—	—	—	5,146
At 30 September 2022	142,821	191	5,021	6,777	462	155,272

	Borrowings	Lease liabilities	Amounts due to related companies	Amounts due to shareholders	Amounts due to directors	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2021	65,620	495	586	28,080	1,870	96,651
Changes from cash flows:						
Proceeds from new borrowings	38,058	—	—	—	—	38,058
Repayments of borrowings	(35,783)	—	—	—	—	(35,783)
Interest paid	(2,647)	(4)	—	—	—	(2,651)
Repayments of lease liabilities	—	(457)	—	—	—	(457)
Advances from related companies	—	—	4,746	—	—	4,746
Advances from shareholders	—	—	—	14,346	—	14,346
Repayment to directors	—	—	—	—	(283)	(283)
Total changes from financing cash flow	(372)	(461)	4,746	14,346	(283)	17,976
Other changes:						
Interest expenses	2,647	4	—	—	—	2,651
Total other changes	2,647	4	—	—	—	2,651
At 30 September 2021 (unaudited)	67,895	38	5,332	42,426	1,587	117,278

33. CAPITAL COMMITMENT

	As at 31 December			As at 30 September
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Commitments for the acquisition of property, plant and equipment:				
Contracted for but not provided	—	14,542	14,542	14,542

34. RELATED PARTY TRANSACTIONS

(a) The Group entered into the following related party transactions with related companies during the Relevant Periods:

	Year ended 31 December			Nine months ended 30 September	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Interest expenses paid to a related company	165	106	—	—	—
Rental income earned from related companies	111	—	—	—	—
Rental expenses paid/accrued to a related company	—	443	443	323	319
Purchase of materials from related companies	21,860	22,236	92,270	71,973	55,720
Construction services income earned from related companies	328,490	312,131	367,739	294,754	223,330
Consulting fee paid to related companies	1,570	337	—	—	—
Consulting fee earned from related companies	1,023	—	—	—	—
Sub-contracting service fee paid to related companies	3,216	8,008	642	—	6,571
Transfer of certain assets to a related company upon the Demerger *(Note 2.1)*	57,100	—	—	—	—
Management fee paid to related companies	339	12	—	—	—
Gain on disposal of an associate to a related company *(Note 17)*	935	—	—	—	—
Purchase of property, plant and equipment from a related company	—	57	—	—	—

The terms of the related party transactions carried out during the Relevant Periods were mutually agreed by the Group and the related companies.

(b) Compensation of key management personnel of the Group

The compensation of key management personnel of the Group during the Relevant Periods represented the directors' emoluments as disclosed in Note 14(a) to the Historical Financial Information.

35. CAPITAL MANAGEMENT POLICIES AND PROCEDURES

The Group manages its capital to ensure that the entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of net debt, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital, reserves and retained earnings, respectively.

The director reviews the capital structure on a continuous basis taking into account the cost of capital and the risk associated with the capital. The Group will balance its overall capital structure through the payment of dividends, new shares issue and share buy back as well as the issue of new debts or redemption of existing debt, if necessary.

Management regards total equity as capital. The amount of capital as at 31 December 2019, 2019, 2020 and 2021 and 30 September 2022 amounted to approximately RMB179,745,000, RMB232,187,000, RMB294,168,000 and RMB345,202,000, respectively, which the management considers as optimal having considered the projected capital expenditures and the projected strategic investment opportunities.

36. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

The following table shows the carrying amounts of financial assets and liabilities:

	As at 31 December			As at 30 September
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets				
Financial assets at amortised costs:				
Trade, bills and other receivables	543,308	565,240	494,817	436,167
Amounts due from related companies	—	3,623	6,475	10,479
Amounts due from shareholders	3,894	12,542	9,260	2,847
Restricted bank deposits	27,467	26,156	18,429	9,966
Cash and cash equivalents	80,585	76,838	89,106	126,958
	655,254	684,399	618,087	586,417
Financial liabilities				
Financial liabilities measured at amortised cost				
Trade and bills payables	1,320,754	1,341,678	1,166,117	867,599
Accruals and other payables	98,331	113,544	110,071	100,420
Amounts due to related companies	8,267	586	4,833	5,021
Amounts due to shareholders	56,313	28,080	14,046	6,777
Amounts due to directors	5,328	1,870	253	462
Lease liabilities	957	495	28	191
Borrowings	76,217	65,620	66,895	142,821
	1,566,167	1,551,873	1,362,243	1,123,291

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The main risks arising from the Group's financial instruments in the normal course of the Group's business are interest rate risk, credit risk and liquidity risk. These risks are limited by the Group's financial management policies and practices described below. Generally, the Group introduces conservative strategies on its risk management. The Group has not used any derivatives and other instruments for hedging purposes nor does it hold or issue derivative financial instruments for trading purposes.

(a) Interest rate risk

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group is exposed to interest rate risk primarily arising from borrowings. Certain of the borrowings is arranged at variable rates which expose the Group to cash flow interest rate risk. The interest rates and repayment terms of borrowings outstanding at the end of each of the reporting period are disclosed in Note 28.

The Group currently does not have an interest rate hedging policy. However, management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

The following table illustrates the sensitivity of the net profit for the Relevant Periods and retained earnings to a change in interest rates of +50 basis point and -50 basis point with effect from the beginning of each reporting period. The calculations are based on the Group's borrowings held at the end of each of reporting period. All other variables are held constant.

	Year ended 31 December			Nine months ended 30 September	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
If interest rates were 50 basis points higher					
Net profit for the year/period and retained earnings would decrease by:	(381)	(328)	(334)	(255)	(536)
If interest rates were 50 basis points lower					
Net profit for the year/period and retained earnings would increase by:	381	328	334	255	536

The policies to manage interest rate risk have been followed by the Group and are considered to be effective.

(b) Credit risk

The Group's credit risk is primarily attributable to its trade, bills and other receivables and contract assets. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

In respect of trade and other receivables and contract assets, individual credit evaluations are performed on all customers. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customers as well as pertaining to the economic environment in which the customers operate. Ongoing credit evaluation is performed on the financial condition of trade customers and, where appropriate, credit guarantee insurance cover is purchased. Trade receivables are due from the date of billing. Normally, the Group does not obtain collateral from customers.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry and country in which customers operate also has an influence on credit risk but to a lesser extent. 10.3%, 9.8%, 14.8%, 12.2% and 31.9%, 25.2%, 26.7%, 27.0% of the Group's trade, bills and other receivables and contract assets was due from the Group's largest customer and the five largest customers respectively within the construction business segment as at 31 December 2019, 2020 and 2021 and 30 September 2022, respectively.

(i) Trade and bills receivables/Contract assets

The Group measures loss allowances for trade and bills receivables and contract assets 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 bases, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

The following table provides information about the Group's exposure to credit risk and ECLs for trade and bills receivables and contract assets as at the end of each reporting period:

	Current	1 – 90 days	91 – 180 days	181 – 365 days	1 – 2 years	Over 2 – 3 years	Over 3 years	Total
At 31 December 2019								
Expected loss rate (%)	0.39%	0.39%	2.21%	2.51%	3.18%	4.05%	4.08%	
Gross carrying amount (RMB'000)	1,480,538	30,312	27,657	58,220	37,101	8,024	24,997	1,666,849
Loss allowance (RMB'000)	5,814	117	611	1,462	1,179	325	1,019	10,527
At 31 December 2020								
Expected loss rate (%)	0.55%	0.55%	2.78%	3.27%	4.09%	4.75%	5.07%	
Gross carrying amount (RMB'000)	1,492,931	68,107	22,747	104,605	28,684	11,196	24,371	1,752,641
Loss allowance (RMB'000)	8,180	373	633	3,423	1,172	532	1,236	15,549
At 31 December 2021								
Expected loss rate (%)	0.66%	0.66%	3.16%	3.75%	4.46%	4.99%	5.03%	
Gross carrying amount (RMB'000)	1,437,679	61,334	77,353	80,419	2,286	1,003	17,913	1,677,987
Loss allowance (RMB'000)	9,537	407	2,447	3,019	102	50	901	16,463
At 30 September 2022								
Expected loss rate (%)	0.83%	0.83%	3.25%	3.89%	4.73%	5.22%	5.29%	
Gross carrying amount (RMB'000)	1,418,267	27,371	21,977	80,563	16,371	958	17,959	1,583,466
Loss allowance (RMB'000)	11,804	228	715	3,132	775	50	951	17,655

Expected loss rates are based on actual loss experience over the past 3 years. These rates are adjusted to reflect differences between economic conditions during the Relevant Periods over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

Movements in the loss allowance for impairment of trade and bills receivables are as follows:

	Year ended 31 December			Nine months ended 30 September
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January	2,352	5,954	8,789	8,342
Provision for/(Reversal of) loss allowance	3,602	2,835	(447)	(582)
At 31 December/30 September	5,954	8,789	8,342	7,760

Change in loss allowance for impairment of trade and bills receivables during the Relevant Periods was mainly contributed from the followings:

— For the year ended 31 December 2019 and 2020, increase in past due trade and bills receivables resulted in an increase in loss allowance of RMB3,602,000 and RMB2,835,000, respectively;

— For the year ended 31 December 2021 and nine months ended 30 September 2022, decrease in past due trade and bills receivables resulted in a decrease in loss allowance of RMB447,000 and RMB582,000, respectively.

Movements in the loss allowance for impairment of contract assets are as follows:

	Year ended 31 December			Nine months ended 30 September
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January	1,594	4,573	6,760	8,121
Provision for loss allowance	2,979	2,187	1,361	1,774
At 31 December/30 September	4,573	6,760	8,121	9,895

The change in loss allowance for impairment of contract assets during the Relevant Periods was mainly due to origination of new contract assets net of those settled, which resulted in an increase in loss allowance of RMB2,979,000, RMB2,187,000 and RMB1,361,000 and RMB1,774,000 for the year ended 31 December, 2019, 2020 and 2021 and nine months ended 30 September 2022, respectively.

(ii) Deposits and other receivables/Amounts due from related companies/shareholders

In respect of deposits and other receivables, and amounts due from related companies/shareholders, the Group has applied the general approach prescribed by HKFRS 9, by measuring loss allowance at an amount equal to 12-month ECLs for deposits and other receivables, and amounts due from related companies/shareholders. To measure the ECLs, deposits and other receivables, and amounts due from related companies/shareholders have been grouped based on shared credit risk characteristics, ECLs are estimated based on historical credit loss experience, adjusted for factors that are specific to the debtors and general economic conditions.

As at the end of each of the reporting period, all deposits and other receivables, and amounts due from related companies/shareholders are measured at an amount equal to 12-month ECLs. The following table provides information about the Group's exposure to credit risk and ECLs for deposits and other receivables, and amounts due from related companies/shareholders:

	As at 31 December			As at 30 September
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Gross carrying amount				
— Deposits and other receivables . .	66,421	64,086	56,001	56,789
— Amounts due from related companies	—	3,638	6,498	10,521
— Amounts due from shareholders .	4,568	12,779	11,245	3,530
	70,989	80,503	73,744	70,840
Loss allowance				
— Deposits and other receivables . .	5,910	8,783	6,613	7,416
— Amounts due from related companies	—	15	23	42
— Amounts due from shareholders .	674	237	1,985	683
	6,584	9,035	8,621	8,141

Movements in the loss allowance account for impairment of deposits and other receivables, and amounts due from related companies/shareholders during the Relevant Periods is as follows:

	Year ended 31 December			Nine months ended 30 September
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January	5,756	6,584	9,035	8,621
Provision for/(Reversal of) loss allowance	828	2,451	(414)	(480)
At 31 December/30 September	6,584	9,035	8,621	8,141

Change in loss allowance for impairment of deposits and other receivables, and amounts due from related companies/shareholders during the Relevant Periods was mainly contributed from the followings:

— For the year ended 31 December 2019, increase in the ending balances of deposits and other receivables, and amounts due from related companies/shareholders resulted in an increase in loss allowance of RMB828,000.

— For the year ended 31 December 2020, increase in the ending balances of deposits and other receivables, and amounts due from related companies/ shareholders resulted in an increase in loss allowance of RMB2,451,000.

— For the year ended 31 December 2021, decrease in the ending balances of deposits and other receivables, and amounts due from related companies resulted in a decrease in loss allowance of RMB414,000.

— For the nine months ended 30 September 2022, decrease in the ending balances of deposits and other receivables, and amounts due from related companies/shareholders resulted in a decrease in loss allowance of RMB480,000.

In respect of the Group's cash and cash equivalents and restricted bank deposits, the directors consider the probability of default is low on these balances since the counterparties are financial institutions with high credit ratings or with good reputation.

(c) Liquidity risk

Ultimate responsibility for liquidity risk management rests with the directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves.

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The tables include both interest and principal cash flows. To the extent that interest flows are at floating rate, the undiscounted amounts are derived from current interest rate at the end of each reporting period.

	Carrying amount	Total contractual undiscounted cash flows	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2019						
Trade and bills payables	1,320,754	1,320,754	1,320,754	—	—	—
Accruals and other payables	98,331	98,331	98,331	—	—	—
Amounts due to related companies	8,267	8,432	8,432	—	—	—
Amounts due to shareholders	56,313	56,313	56,313	—	—	—
Amounts due to directors	5,328	5,328	5,328	—	—	—
Borrowings	76,217	77,959	77,719	240	—	—
Lease liabilities	957	1,035	561	115	248	111
	1,566,167	1,568,152	1,567,438	355	248	111
Financial guarantee issued — Maximum outstanding guarantee *(Note 38)*	—	93,510	7,218	10,432	34,074	41,786

	Carrying amount	Total contractual undiscounted cash flows	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2020						
Trade and bills payables	1,341,678	1,341,678	1,341,678	—	—	—
Accruals and other payables	113,544	113,544	113,544	—	—	—
Amounts due to related companies	586	586	586	—	—	—
Amounts due to shareholders	28,080	28,080	28,080	—	—	—
Amounts due to directors	1,870	1,870	1,870	—	—	—
Borrowings	65,620	67,176	67,176	—	—	—
Lease liabilities	495	503	474	29	—	—
	1,551,873	1,553,437	1,553,408	29	—	—
Financial guarantee issued — Maximum outstanding guarantee *(Note 38)*	—	87,215	10,603	10,261	37,247	29,104

	Carrying amount	Total contractual undiscounted cash flows	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2021						
Trade and bills payables	1,166,117	1,166,117	1,166,117	—	—	—
Accruals and other payables	110,071	110,071	110,071	—	—	—
Amounts due to related companies	4,833	4,833	4,833	—	—	—
Amounts due to shareholders	14,046	14,046	14,046	—	—	—
Amounts due to directors	253	253	253	—	—	—
Borrowings	66,895	67,737	67,737	—	—	—
Lease liabilities	28	31	31	—	—	—
	1,362,243	1,363,088	1,363,088	—	—	—
Financial guarantee issued — Maximum outstanding guarantee *(Note 38)*	—	85,455	8,031	12,200	65,224	—

	Carrying amount	Total contractual undiscounted cash flows	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 30 September 2022						
Trade and bills payables	867,599	867,599	867,599	—	—	—
Accruals and other payables	100,420	100,420	100,420	—	—	—
Amounts due to related companies	5,021	5,021	5,021	—	—	—
Amounts due to shareholders	6,777	6,777	6,777	—	—	—
Amounts due to directors	462	462	462	—	—	—
Borrowings	142,821	146,445	142,342	2,962	1,141	—
Lease liabilities	191	194	194	—	—	—
	1,123,291	1,126,918	1,122,815	2,962	1,141	—
Financial guarantee issued — Maximum outstanding guarantee *(Note 38)*	—	81,786	10,513	11,990	59,283	—

38. FINANCIAL GUARANTEE

As at 31 December 2019 and 2020 and 2021 and 30 September 2022, the Group provided guarantee to a former associate, which became a related company of the Group upon disposal, in relation to the related company's banking facilities up to a maximum amount of RMB120,450,000 and RMB84,200,000 and RMB84,200,000 and RMB84,200,000, respectively. As at 31 December 2019 and 2020 and 2021 and 30 September 2022, the outstanding amount of the bank loans drawn under the guarantee amounted to approximately RMB76,000,000 and RMB75,000,000 and RMB73,000,000 and RMB72,000,000, respectively. The directors do not consider it probable that a claim will be made against the Group under the guarantee. The Group has not recognised any deferred income nor loss allowance for expected credit loss in respect of the financial guarantee as its fair value and the amount of expected credit loss was considered insignificant. The guarantee provided to a former associate will be released before or upon Listing.

39. LITIGATION

A number of lawsuits and claims arising from the normal course of business were lodged against the Group which remain outstanding as at the end of the Relevant Periods. Based on the legal opinion of PRC lawyers, in the opinion of the directors, the related construction payables may arisen for these lawsuits and claims have been made and recognised on the consolidated financial statements of the Group.

40. EVENTS AFTER THE END OF THE RELEVANT PERIOD

The Group has no significant subsequent events entered into subsequent to 30 September 2022.

41. SUBSEQUENT FINANCIAL INFORMATION

No audited financial statements have been prepared by the Company or any of the companies comprising the Group in respect of any period subsequent to 30 September 2022.

The information set forth in this appendix does not form part of the Accountants' Report prepared by BDO Limited, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, as set out in Appendix I to this prospectus, and is included herein for illustrative purposes only.

The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the "Accountants' Report" set forth in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following unaudited pro forma financial information prepared in accordance with paragraph 4.29 of the Listing Rules and Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants is for illustrative purposes only, and is set out herein to provide the prospective investors with further illustrative financial information about the effect of the Global Offering on the consolidated net tangible assets of the Group attributable to the owners of the Company as at 30 September 2022 as if the Global Offering had taken place on 30 September 2022. Because of its hypothetical nature, the unaudited pro forma financial information may not give a true picture of the financial position of the Group had the Global Offering been completed on 30 September 2022 or at any future dates.

	Audited consolidated net tangible assets of the Group as at 30 September 2022	**Estimated net proceeds from the issue of Offer Shares pursuant to the Global Offering**	**Unaudited pro forma adjusted consolidated net tangible assets of the Group**	**Unaudited pro forma adjusted consolidated net tangible assets of the Group per Share**	
	RMB'000	*RMB'000*	*RMB'000*	*RMB*	*HK$*
	(Note 1)	*(Note 2)*		*(Note 3)*	*(Note 4)*
Based on an Offer Price of HK$1.08 per Share	336,091	82,052	418,143	0.87	0.95
Based on an Offer Price of HK$1.28 per Share	336,091	102,623	438,714	0.91	1.00

Notes:

(1) The audited consolidated net tangible assets of the Group attributable to owners of the Company as at 30 September 2022 have been derived from audited consolidated net assets of the Group of approximately RMB345,376,000 less non-controlling interests of RMB9,240,000 intangible assets of RMB45,000 as at 30 September 2022 as extracted from the Accountants' Report set out in Appendix I to this prospectus.

(2) The estimated net proceeds from the Global Offering are based on the Company issuing and offering 120,000,000 Shares at the Offer Price of HK$1.08 and HK$1.28 per Share, being the minimum and maximum Offer Price per Share, respectively, after deduction of the estimated underwriting fees, commission and other estimated expenses costs to be recognised as an expense or capitalised into equity by the Company in relation to the Global Offering which have not been reflected in net tangible assets of the Group as at 30 September 2022. The estimated net proceeds are converted into RMB at an exchange rate of RMB1.00 to HK$1.0967. No representation is made that the HK$ amounts have been, could have been or could be converted into RMB, or vice versa, at that rate, or at any other rate or at all. No account has been taken of any Shares which may be issued upon the exercise of the Over-allotment Options or any options that may be granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased by the Company pursuant to the general mandates for the allotment and issue or repurchase of Shares.

(3) The unaudited pro forma adjusted consolidated net tangible assets per Share is calculated based on 480,000,000 Shares in issue immediately following the completion of the Global Offering as set out in the "Share Capital" section to this prospectus had the Global Offering been completed on 30 September 2022, but taking no account of any Shares which may be issued upon the exercise of the Over-allotment Options, or any options that may be granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased by the Company pursuant to the general mandate for the allotment and issue or repurchase of Shares.

(4) The unaudited pro forma adjusted consolidated net tangible assets per Share are converted to HK$ at an exchange rate of RMB1.00 to HK$1.0967. No representation is made that the HK$ amounts have been, could have been or could be converted into RMB, or vice versa, at that rate, or at any other rate or at all.

(5) No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets of the Group to reflect any trading results or other transactions of the Group entered into subsequent to 30 September 2022.

B. ASSURANCE REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report, prepared for the purpose of inclusion in this prospectus, received from the reporting accountants of the Company, BDO Limited, Certified Public Accountants, Hong Kong, in respect of the unaudited pro forma financial information of the Group for the purpose of incorporation in this prospectus.

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INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

TO THE DIRECTORS OF ZHONGTIAN CONSTRUCTION (HUNAN) GROUP LIMITED

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Zhongtian Construction (Hunan) Group Limited (the "**Company**") 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 consolidated net tangible assets of the Group as at 30 September 2022, and related notes as set out in Section A of Appendix II of the Company's prospectus dated 20 March 2023 (the "**Prospectus**") in connection with the proposed initial public offering of the shares of the Company (the "**Global Offering**"). The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described in Section A of Appendix II of the Prospectus.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the Global Offering of the Company's consolidated financial position as at 30 September 2022 as if the Global Offering had taken place as at 30 September 2022. As part of this process, information about the Company's consolidated financial position has been extracted by the Directors from the Company's financial information for the year ended 30 September 2022, on which an accountants' report set out in Appendix I of the Prospectus has been published.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the unaudited 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 (the "**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.

Our 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 unaudited 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 unaudited 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 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 unaudited 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 purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited 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 Unaudited Pro Forma Financial Information.

The purpose of unaudited pro forma financial information included in the Prospectus 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 the Global Offering as at 30 September 2022 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited 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 unaudited 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 unaudited pro forma adjustments give appropriate effect to those criteria; and
- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the entity, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma 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:

(a) the unaudited pro forma financial information has been properly compiled by the Directors 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 unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

BDO Limited
Certified Public Accountants
Hong Kong

20 March 2023

*The following is the preliminary financial information of our Group as of and for the year ended 31 December 2022 (the "**2022 Preliminary Financial Information**"), together with comparative financial information as of and for the year ended 31 December 2021 and a discussion of changes in our financial condition and results of operations between the two periods. The 2022 Preliminary Financial Information does not constitute the consolidated financial statements of the Group for the year ended 31 December 2022 but is extracted from those financial statements. The 2022 Preliminary Financial Information was not audited. Investors should bear in mind that the 2022 Preliminary Financial Information in this appendix may be subject to adjustments.*

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		For the year ended 31 December	
	Note	**2021**	**2022**
		RMB'000	*RMB'000*
			(Unaudited)
Revenue	*4*	1,823,384	1,890,660
Cost of sales		(1,627,737)	(1,684,101)
Gross profit		195,647	206,559
Other income and other gains, net	*5*	1,456	850
Administrative expenses		(116,526)	(117,546)
Listing expenses		(4,513)	(6,181)
Impairment on financial and contract assets, net		(500)	(2,543)
Finance costs	*6*	(3,549)	(7,408)
Profit before taxation	*7*	72,015	73,731
Income tax expense	*8*	(10,112)	(8,243)
Profit and total comprehensive income for the year		61,903	65,488
Profit and total comprehensive income for the year attributable to			
Owners of the Company		60,570	64,471
Non-controlling interests		1,333	1,017
		61,903	65,488

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	As at 31 December 2021	As at 31 December 2022
		RMB'000	*RMB'000* (Unaudited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		24,156	19,566
Deferred tax assets		3,797	4,107
Intangible assets		48	45
		28,001	23,718
Current assets			
Inventories		3,018	828
Trade, bills and other receivables	*11*	513,270	434,116
Contract assets		1,216,095	1,127,150
Amounts due from related companies		6,475	8,318
Amounts due from shareholders		9,260	4,352
Restricted bank deposits		18,429	17,599
Cash and cash equivalents		89,106	151,661
		1,855,653	1,744,024
Current liabilities			
Trade and bills payables	*12*	1,166,117	803,363
Accruals and other payables		302,800	420,745
Contract liabilities		24,976	17,267
Amounts due to related companies		4,833	8,618
Amounts due to shareholders		14,046	5,806
Amounts due to directors		253	748
Lease liabilities		28	—
Borrowings		66,895	136,705
Income tax payable		9,538	11,334
		1,589,486	1,404,586
Net current assets		266,167	339,438
Total assets less current liabilities		294,168	363,156
Non-current liabilities			
Lease liabilities		—	—
Borrowings		—	3,425
		—	3,425
NET ASSETS		294,168	359,731
EQUITY			
Equity attributable to owners of the Company			
Share capital		1	1
Reserves		285,261	349,807
		285,262	349,808
Non-controlling interests		8,906	9,923
TOTAL EQUITY		294,168	359,731

NOTES TO THE 2022 PRELIMINARY FINANCIAL INFORMATION

1. BASIS OF PRESENTATION AND PREPARATION

As detailed in the section headed "History, Development and Reorganisation" to the prospectus, in preparation for the listing of shares of the Company on the Main Board of the Stock Exchange (the "**Listing**"), the Group underwent a reorganisation (the "**Reorganisation**") to rationalise its corporate structure in connection with the Listing.

The Company was incorporated in the Cayman Islands on 27 March 2020 as an exempted company with limited liability under the Cayman Islands Companies Act. Pursuant to the Reorganisation as detailed in the section headed "History, Development and Reorganisation" in the prospectus, the Company became the holding company of the companies now comprising the Group in 2020. The Company, Head Sage, Zhongtian HK, Zhaolin Trading, Jicai Trading, Hangxiao Materials (together, the "**Non-operating Companies**") are newly incorporated companies as part of the Reorganisation and none of these new holding companies carried out any businesses since their incorporation. The Non-operating Companies are inserted as holding companies of Zhongtian Construction, have no substance, have not been involved in any business and do not meet the definition of a business. Accordingly, the 2022 Preliminary Financial Information has been prepared based on that of Zhongtian Construction which comprised the Group during the periods using the predecessor carrying amounts.

The 2022 Preliminary Financial Information has been prepared in accordance with accounting policies which conform with the HKFRSs, which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations issued by the HKICPA. The 2022 Preliminary Financial Information also complies with the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

The 2022 Preliminary Financial Information has been prepared on the historical cost basis and is presented in Renminbi ("**RMB**"), which is the same as the functional currency of the Company.

The HKICPA has issued a number of new and amended HKFRSs which are relevant to the Group and became effective during the period. For the purpose of preparing and presenting the 2022 Preliminary Financial Information for the periods, the Group has adopted all new and amended HKFRSs that are effective during the periods and has applied them consistently throughout the periods.

2. NEW OR REVISED HKFRS ISSUED BUT NOT YET EFFECTIVE

The following new or revised HKFRSs, potentially relevant to the 2022 Preliminary Financial Information, have been issued, but are not yet effective and have not been early adopted by the Group.

Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current (the 2020 Amendments)[2]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[2]
Amendments to HKAS 8	Definition of Accounting Estimate[2]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[2]
HK Interpretation 5 (Revised)	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause[3]
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback[3]
HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts and related amendments[2]

1 Effective for annual periods beginning on or after a date to be determined
2 Effective for annual periods beginning on or after 1 January 2023
3 Effective for annual periods beginning on or after 1 January 2024

The management of the Group does not anticipate that the adoption of the new/revised HKFRSs in future periods will have any material impact on the Group's consolidated financial information.

3. SEGMENT INFORMATION

(a) Operating segment information

The Group has identified its operating segments and prepared segment information based on the regular internal financial information reported to the Group's executive directors for their decisions about resources allocation to the Group's business components and review of these components' performance.

Management has determined the operating segments based on the reports reviewed by chief operating decision maker (the "**CODM**"). The CODM, who is responsible for allocating resources and assessing performance of the operating segment, has been identified as the executive directors of the Company.

The Group is principally engaged in the provision of construction services in the PRC. Management reviews the operating results of the business as one operating segment to make decisions about resources to be allocated. Therefore, the CODM of the Company regards that there is only one segment which is used to make strategic decisions.

The major operating entities of the Group is domiciled in the PRC. Accordingly, all of the Group's revenue were derived in the PRC during the periods.

As at 31 December 2021 and 2022, all of the non-current assets were located in the PRC.

(b) Information about major customer

Revenue from customers of the corresponding years accounting for 10% or more of the Group's revenue for the year, is set out below:

	Year ended 31 December	
	2021	**2022**
	RMB'000	*RMB'000* (Unaudited)
Zhongtian Holdings Group	367,739	265,507

4. REVENUE

Revenue represents the revenue from construction contracts and provision of construction machinery and equipment for construction projects.

	Year ended 31 December	
	2021	2022
	RMB'000	*RMB'000* (Unaudited)
Revenue from construction contracts		
Civil building construction	885,259	857,897
Municipal works construction	427,745	735,037
Foundation works	114,195	24,325
Prefabricated steel structure construction works	369,761	257,670
Other specialised contracting works	17,170	6,488
Revenue from provision of construction machinery and equipment service	9,254	9,243
	1,823,384	1,890,660

5. OTHER INCOME AND OTHER GAINS, NET

	Year ended 31 December	
	2021	2022
	RMB'000	*RMB'000* (Unaudited)
Interest income on bank deposits	222	502
Government grants *(Note)*	1,435	211
Loss on disposal of property, plant and equipment	(200)	—
Others	(1)	137
	1,456	850

Note:

These represented grants to incentivise the development of our Group, of which the entitlement was unconditional and one-off in nature.

6. FINANCE COSTS

	Year ended 31 December	
	2021	**2022**
	RMB'000	*RMB'000* (Unaudited)
Interest charge on lease liabilities	6	5
Interest charge on borrowings	3,543	7,403
	3,549	7,408

7. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging the followings:

	Year ended 31 December	
	2021	**2022**
	RMB'000	*RMB'000* (Unaudited)
Cost of inventories	642,700	715,675
Auditors' remuneration	98	19
Depreciation of property, plant and equipment owned	6,041	5,043
Depreciation of right-of-use assets	505	398
Amortisation of intangible assets	3	3
Research and development costs	56,726	61,821
Short-term leases expenses		
— Office premises	67	59
— Machinery and equipment	199,353	143,595
Staff costs (including directors' emoluments):		
— Salaries and wages	39,224	30,098
— Retirement scheme contributions	4,193	6,164
Listing expenses	4,513	6,181

8. INCOME TAX EXPENSE

Provision for the PRC Enterprise Income Tax ("**EIT**") for the periods was made based on the estimated assessable profits calculated in accordance with the relevant income tax laws, and regulations applicable to the subsidiaries operated in the PRC.

	Year ended 31 December	
	2021	**2022**
	RMB'000	*RMB'000* (Unaudited)
PRC Enterprise Income Tax		
Current year	10,179	8,553
Deferred tax	(67)	(310)
	10,112	8,243

Under the Law of the PRC on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulations of the EIT Law, the tax rate of the Group is 25% for FY2021 and FY2022, except for the following subsidiaries:

A subsidiary of our Company has been certified as new high technology enterprise in the PRC and enjoyed a preferential enterprise income tax rate of 15% for FY2021 and FY2022.

Two subsidiaries of our Company were qualified as small enterprise and are eligible for preferential tax rate for FY2021 and FY2022.

9. DIVIDENDS

No dividends were paid or declared by our Company for FY2021 and FY2022.

10. EARNINGS PER SHARE

Earnings per share information is not presented as its inclusion for the purpose of this report is not considered meaningful due to the Reorganisation and presentation of the result of our Group for FY2021 and FY2022.

11. TRADE, BILLS AND OTHER RECEIVABLES

	As at 31 December	
	2021	**2022**
	RMB'000	*RMB'000*
		(Unaudited)
Trade receivables		
— Related parties	36,060	21,794
— Third parties	416,661	341,233
	452,721	363,027
Bills receivables	1,050	300
Impairment provision for		
— Trade receivables	(8,335)	(8,654)
— Bills receivables	(7)	(3)
	(8,342)	(8,657)
Trade and bills receivables, net	445,429	354,670
Deposits and other receivables	56,001	53,092
Prepayments	18,453	33,608
Impairment provision for deposits and other receivables	(6,613)	(7,254)
Other receivables, prepayments and deposits, net	67,841	79,446
	513,270	434,116

Included in trade receivables are trade debtors (net of impairment losses) with the following ageing analysis, based on invoice dates, as of the end of each reporting period:

	As at 31 December	
	2021	**2022**
	RMB'000	*RMB'000* (Unaudited)
Trade receivables, aged		
0–90 days	216,064	180,116
91–180 days	59,846	17,477
181–365 days	61,334	66,231
1–2 years	65,467	70,153
2–3 years	15,816	3,729
Over 3 years	25,859	16,667
	444,386	354,373

Included in trade receivables are trade debtors (net of impairment losses) with the following ageing analysis, based on due dates, as of the end of each reporting Periods:

	As at 31 December	
	2021	**2022**
	RMB'000	*RMB'000* (Unaudited)
Trade receivables, aged		
Not yet past due	211,004	234,063
0–90 days	60,927	18,225
91–180 days	74,906	15,936
181–365 days	77,400	49,773
1–2 years	2,184	17,674
2–3 years	953	2,035
Over 3 years	17,012	16,667
	444,386	354,373

Trade receivables are generally due within 10 to 90 days from the date of billing.

12. TRADE AND BILLS PAYABLES

	As at 31 December	
	2021	2022
	RMB'000	*RMB'000* (Unaudited)
Trade payables		
— Third parties	1,106,920	767,508
— Related parties	37,797	20,855
	1,144,717	788,363
Bills payables	21,400	15,000
	1,166,117	803,363

A credit period of up to 3 months from the date of billing is generally granted by our Group's trade suppliers. Based on the receipt of services and goods, which normally coincided with the invoice dates, the ageing analysis of our Group's trade payables as at the end of each of the reporting period is as follows:

	As at 31 December	
	2021	2022
	RMB'000	*RMB'000* (Unaudited)
0–90 days	293,430	223,588
91–180 days	147,400	116,288
181–365 days	169,043	252,924
1–2 years	420,920	92,018
Over 2 years	113,924	103,545
	1,144,717	788,363

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

We are a general contracting construction group in Hunan Province with over 40 years of operating history. In FY2022, we derived all of our revenue from our customers located in the PRC.

Currently, we primarily focused on the provision of construction services comprising (i) civil building construction services, provision of construction contracting mainly as general contractor for residential, industrial and commercial construction projects; (ii) municipal works construction services, which mainly consisted of construction of urban roads, education institutions, sports stadiums and water supply works; (iii) foundation works services which include foundation construction as well as earthwork construction; (iv) prefabricated steel structure construction services; and (v) other specialised contracting works which includes building renovation and decoration construction specialised contracting. We provide comprehensive construction services to customers throughout the construction process from project procurement, management, construction to supervision and to a lesser extent, we also engage in the provision of construction machinery and equipment service.

For FY2022, our Group's revenue amounted to approximately RMB1,890.7 million, representing an increase of approximately RMB67.3 million or 3.7% from approximately RMB1,823.4 million in FY2021. We recorded an increase in our gross profit from approximately RMB195.6 million in FY2021 to approximately RMB206.6 million in FY2022, representing a year-on-year growth of approximately 5.6%. As a result, our profit for the year increased from approximately RMB61.9 million in FY2021 to approximately RMB65.5 million in FY2022. For FY2022, our gross profit margin was approximately 10.9% and our net profit margin was approximately 3.5%, respectively.

Future Plans and Prospects

We strive to attain sustainable growth and continue to leverage our market position in the competitive construction industry and seek to promote long-term shareholder value by implementing the following business strategies:

- Expand business through funding our capital needs and cash flows for upcoming projects and enhance our market presence to capture more business opportunities;

- Invest in construction machinery and equipment to enhance our technical equipment capability;

- Further strengthen our R&D capabilities to embrace the latest development trend of PRC construction industry; and

- Capture the opportunities arising from the latest development trend of EPC model and green building including prefabricated construction method in the PRC.

Except for the estimated non-recurring Listing expenses as disclosed in this prospectus, to the best of our Directors' knowledge, there has been no material adverse change in the financial or trading position or prospects of our Group since 31 December 2022 and up to the Latest Practicable Date.

RESULTS OF OPERATIONS

Revenue

Construction contracts

For FY2022, our revenue generated from construction contracts increased by approximately RMB67.3 million or 3.7% from approximately RMB1,814.1 million in FY2021 to approximately RMB1,881.4 million in FY2022. The increment was mainly due to the increase in revenue generated from municipal works construction works, which grew by approximately RMB307.3 million or 71.8% while partially net-off by the decrement in revenue generated from prefabricated steel structure construction works and foundation works of approximately RMB112.1 million or 30.3% and RMB89.9 million or 78.7% respectively.

Civil building construction

For FY2022, our revenue generated from civil building construction stayed relatively stable and decreased by approximately RMB27.4 million or 3.1% from approximately RMB885.3 million in FY2021 to RMB857.9 million in FY2022, which was mainly attributable to the decrease in revenue generated from Hainan Lixun Meilun Science and Technology Park* (海南力迅美倫科創園) project, Chaling County People's Hospital Phase II Construction Project* (茶陵縣人民醫院二期建設工程項目) and Amusement and Intelligent Equipment R&D and Production Base Construction (Phase I)* (遊樂和智能裝備研發生產基地建設一期) project by approximately RMB44.4 million, RMB51.5 million and RMB47.6 million respectively from FY2021 to FY2022 as these projects are approaching its final stage of development. The decrement was partially net-off by the increment of revenue contributed by a new project namely Kairuisi Phase I* (凱睿思(一期)) project with a contract sum (excluded VAT) amounting to approximately RMB130.8 million and generated revenue of approximately RMB105.2 million in FY2022.

Municipal works construction

Our revenue generated from municipal works construction significantly increased by approximately RMB307.3 million or 71.8% from approximately RMB427.7 million in FY2021 to RMB735.0 million in FY2022, which was mainly due to (i) revenue contributed by a road construction project in Haikou of approximately RMB60.2 million in FY2022; (ii) increment in revenue contributed by Xupu County Chengbei School Supporting Facilities Construction* (溆浦縣城北學校配套設施建設工程) project by approximately RMB78.0 million compared to FY2021 due to completion of substantial parts in FY2022; (iii) increment in revenue contributed by a new project namely Yuci Road *(玉瓷路) project by approximately RMB32.7 million in FY2022; (iv) increase in revenue of another municipal works construction work project involving an education institution in Hunan Province by approximately RMB39.7 million due to the completion of demolishment and hence the project was resumed and completed in FY2022 with additional variation order amounting to approximately RMB30.0 million engaged by the customer and (v) increased in revenue contributed by Sanya City Third Ring Road* (三亞市三環路) project by approximately RMB83.4 million due to the clearance of the construction site has been completed and the project has resumed, as well as the additional variation order amounting to approximately RMB90.0 million engaged by the customer FY2022.

Foundation works

Our revenue generated from foundation works decreased by approximately RMB89.9 million or 78.7% from approximately RMB114.2 million in FY2021 to approximately RMB24.3 million in FY2022, mainly because of (i) the commencement and substantial completion of Changsha Zhenye City Phase V Field Leveling Earthwork* (長沙振業城五期場平土石方工程) project in FY2021 and approximately RMB33.7 million of revenue was recognised in FY2021 while no revenue was recognised in FY2022; (ii) decrement in revenue contributed from Zhuzhou Luosha Hongbei Cultural and Creative Park Plant Water, Electricity, Road, Land Levelling and Ancillary Works* (株洲羅莎烘焙文創園地塊三通一平及附屬工程) project by approximately RMB4.8 million compared to FY2021; and (iii) the decrement in another foundation work project that was substantially completed in FY2021 with approximately RMB28.8 million of revenue recognised in FY2021 while no revenue was recognised in FY2022.

Prefabricated steel structure construction works

For FY2022, our revenue generated from prefabricated steel structure construction works decreased from approximately RMB369.8 million for FY2021 to approximately RMB257.7 million for FY2022, mainly due to decrement of revenue generated from Zhongtian Lutai* (中天•麓台) project by approximately RMB74.6 million compared with FY2021 as the project has completed a major part of its construction works in FY2021 and approaching its later stage of construction and

Integration and upgrading of Bogie Urban Rail Frame* (轉向架城軌構架整合升級) project was approaching its completion in FY2022, leading to the decrease in revenue by approximately RMB32.7 million compared with FY2021.

Other specialised contracting works

For FY2022, our revenue from other specialised contracting works decreased from approximately RMB17.2 million in FY2021 to approximately RMB6.5 million in FY2022 due to substantial portions of a number of projects were completed in FY2021 and only one new project in this segment was commenced in FY2022 generating revenue of approximately RMB1.6 million.

Provision of construction machinery and equipment service

For FY2022, our revenue from this sub-segment stayed relatively stable at approximately RMB9.2 million compared to approximately RMB9.3 million for FY2021.

Cost of sales

	FY2021		FY2022	
	RMB'000	%	*RMB'000* (Unaudited)	% (Unaudited)
Raw material costs	642,700	39.5	715,675	42.5
Labour costs	9,652	0.6	7,141	0.4
Labour subcontracting costs	520,137	32.0	447,934	26.6
Construction subcontracting costs	124,295	7.6	272,414	16.2
Rental of machinery and equipment costs	244,010	15.0	157,274	9.3
Other project costs	86,943	5.3	83,663	5.0
Total	1,627,737	100.0	1,684,101	100.0

Our cost of sales increased from approximately RMB1,627.7 million from FY2021 to approximately RMB1,684.1 million from FY2022 by 3.5% in line with the revenue growth of approximately 3.7%. Among the cost of sales items, raw material costs increased by approximately 11.4% from FY2021 to FY2022, which was mainly due to increment in revenue from construction contracts and the major works of a number of projects such as Kairuisi Phase I* (凱睿思(一期)) project, Zhongyuan Guosheng Plaza Phase I* (中源國盛廣場(一期)) project and Zhongyuan Guosheng Plaza Phase II* (中源國盛廣場(二期)) project which required more raw materials at the latest stage of construction and hence incurred higher raw material costs in FY2022 than FY2021.

On the other hand, the aggregate labour costs and labour subcontracting costs decreased by approximately 14.1% in FY2022 as compared to FY2021, mainly attributable to the major works of a number of projects such as Zhongyuan Guosheng Plaza Phase I* (中源國盛廣場(一期)) project which required more raw materials but less labour and hence incurred less labour subcontracting costs in FY2022 than FY2021.

The construction subcontracting costs increased from approximately RMB124.3 million in FY2021 to approximately RMB272.4 million in FY2022, mainly due to the use of more construction subcontractors for performance of non-major parts of our construction process and other ancillary construction services for some projects for which the major part of construction has been completed, such as Jincheng International School* (金城國際學校) and Xupu County Chengbei School Supporting Facilities Construction Project* (漵浦縣城北學校配套設施建設工程) which required installation of lift and other ancillary construction services in FY2022.

Our rental of machinery and equipment costs decreased by approximately 35.5% in FY2022 as compared to FY2021 mainly due to the decrease in revenue generated from foundation works construction by approximately 78.7% and we utilised our own construction machinery and equipment for our construction works in FY2022.

Gross profit and gross profit margin

	FY2021		FY2022	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	RMB'000	*%*	*RMB'000* (Unaudited)	*%* (Unaudited)
Construction contracts				
— Civil building construction	95,433	10.8	92,500	10.8
— Municipal works construction	42,027	9.8	76,415	10.4
— Foundation works	7,782	6.8	1,574	6.5
— Prefabricated steel structure construction	45,293	12.2	30,951	12.0
— Other specialised contracting works	2,362	13.8	1,854	28.6
Subtotal	192,897	10.6	203,294	10.8
Provision of construction machinery and equipment service	2,750	29.7	3,265	35.3
	195,647	10.7	206,559	10.9

For FY2022, the gross profit margins of civil building construction remained relatively stable as compared to FY2021 while the gross profit margin of municipal works construction exhibited an increment of approximately 0.6% from approximately 9.8% in FY2021 to approximately 10.4% in FY2022 mainly because we recognised a larger portion of revenue in FY2022 than FY2021 from Jincheng International School* (金城國際學校) project, which recorded higher gross profit margins due to the relatively higher construction complexity and requirement compared to other type of municipal works engaged in FY2021 and a road construction in Haikou which recorded a higher gross profit margin due to tight construction schedule required by the relevant customer.

For FY2022, the gross profit margin of foundation works remained relatively stable and slightly decrease to approximately 6.5% compared with approximately 6.8% in FY2021 as the revenue from foundation works was mainly contributed by for Chaling Pioneering Park* (茶陵創業園) project in FY2022 with gross profit margin of approximately 6.2% while in FY2021 the higher gross profit margin was attributed to Changsha Zhenye City Phase V Field Leveling Earthwork* (長沙振業城五期場平土石方工程) project with gross profit margin of approximately 12.5% due to tighter schedule.

Other income and other gains

The other income and gains in FY2022 dropped by approximately RMB0.6 million as compared to FY2021 mainly due to decrease in government grants from approximately RMB1.4 million to approximately RMB0.2 million which was one-off in nature.

Administrative expenses

Our administrative expenses mainly consisted of R&D expenses, salaries and other benefits, depreciation and amortisation, repair and maintenance expenses, office administration expenses and other expenses. For FY2022, our administrative expenses stayed relatively stable and slightly increased from approximately RMB116.5 million to approximately RMB117.5 million mainly due to the increment in R&D expenses of approximately RMB5.1 million while partially net-off by the decrement in salaries and other benefits due to decrement in discretionary bonus for employees in FY2022.

Listing expenses

Listing expenses represented professional services fees incurred for the purpose of Listing. We incurred Listing expenses of approximately RMB4.5 million and RMB6.2 million for FY2021 and FY2022, respectively.

Impairment on financial and contract assets, net

Our impairment on financial and contract assets (net) represents the expected credit losses on our trade receivables, other receivables and contract assets. We conducted impairment analysis at the end of each year using a provision matrix to measure expected credit losses. For FY2021 and FY2022, our impairment on financial and contract assets was RMB0.5 million and RMB2.5 million, respectively.

For FY2022, impairment losses on financial and contract assets increased by approximately RMB2.0 million or 400% as compared to FY2021. For FY2022, we increased our average ECL rates for trade and bills receivables and contract assets from 0.97% as at 31 December 2021 to 1.27% as at 31 December 2022 based on the calculation of the Independent Valuer and for prudent sake with response to the overall market conditions in the PRC and real estate market.

Finance costs

Our finance cost in FY2022 increased by approximately RMB3.9 million as compared to FY2021, which was in line with the increase in bank and other borrowings in FY2022.

Income tax expenses

Our income tax expenses consist principally of enterprise income tax and movements in deferred tax assets. For FY2021 and FY2022, our income tax was RMB10.1 million and RMB8.2 million, respectively, and our effective tax rate for the corresponding periods was 14.0% and 11.2%, respectively. Since 1 January 2018 and up to the Latest Practicable Date, Zhongtian Construction, our principal operating subsidiary has been accredited as a High and New Technology Enterprise (高新技術企業) under the relevant PRC laws and regulation and was entitled to a preferential tax treatment of 15%, which is lower than the statutory rate of 25.0%. The preferential tax treatment in relation to the High and New Technology Enterprise Certificate (高新技術企業證書) will expire on 17 September 2024 unless the High and New Technology Enterprise Certificate (高新技術企業證書) is renewed.

Net profit

Our net profit increased by approximately RMB3.6 million in FY2022 as compared to FY2021 mainly attributable to the increment in gross profits of approximately RMB10.9 million partially net-off by the increase in Listing expenses of approximately RMB1.7 million, increase in finance costs of approximately RMB3.9 million and increase in impairment on financial and contract assets of approximately RMB2.0 million.

Analysis of key items of financial position

Net current assets

The following table sets forth a breakdown of our Group's current assets and liabilities as at the dates indicated:

	As at 31 December 2021	As at 31 December 2022
	RMB'000	*RMB'000* (Unaudited)
Current assets		
Inventories	3,018	828
Trade, bills and other receivables	513,270	434,116
Contract assets	1,216,095	1,127,150
Amounts due from related companies	6,475	8,318
Amounts due from shareholders	9,260	4,352
Restricted bank deposits	18,429	17,599
Cash and cash equivalents	89,106	151,661
	1,855,653	1,744,024
Current liabilities		
Trade and bills payables	1,166,117	803,363
Accruals and other payables	302,800	420,745
Contract liabilities	24,976	17,267
Amounts due to related companies	4,833	8,618
Amounts due to shareholders	14,046	5,806
Amounts due to directors	253	748
Lease liabilities	28	—
Borrowings	66,895	136,705
Income tax payable	9,538	11,334
	1,589,486	1,404,586
Net current assets	266,167	339,438

Our net current assets increased from approximately RMB266.2 million as at 31 December 2021 to approximately RMB339.4 million as at 31 December 2022, mainly due to the net profit of approximately RMB65.5 million generated for the FY2022 leading to the increase in net assets and net current assets of our Group.

Trade, bills and other receivables

Our trade, bills and other receivables comprised (i) net trade and bills receivables of approximately RMB445.4 million and RMB354.7 million as at 31 December 2021 and 2022 respectively; and (ii) net other receivables, prepayment and deposits of approximately RMB67.8 million and RMB79.4 million as at 31 December 2021 and 2022 respectively. Our net trade and bills receivables decreased by 20.4% because we put more effort to collect trade receivables from our customers during FY2022. Our net other receivables, prepayment and deposits increased because of increase in prepayments from approximately RMB18.5 million as at 31 December 2021 to approximately RMB33.6 million as at 31 December 2022.

Contract assets

Our contract asset decreased from approximately RMB1,216.1 million as at 31 December 2021 to RMB1,127.2 million as at 31 December 2022, mainly because of our efforts to follow up on the progress of the settlement audit. We have adopted an internal control policy on the settlement audit, according to which the cost and contract department of our Group will designate employees to follow up on the progress of the settlement audit for the completed projects together with the project management team, in a bid to lower the number of completed projects that have not completed settlement audit as well as shorten the settlement period of the completed projects in the long run.

Trade and bills payables

Our trade and bills payables decreased from approximately RMB1,166.1 million as at 31 December 2021 to approximately RMB803.4 million as at 31 December 2022 in line with the decrease in trade and bills receivables during FY2022 and is also due to the faster repayment by our Group during FY2022.

Accruals and other payables

Our accruals and other payables increased from approximately RMB302.8 million as at 31 December 2021 to approximately RMB420.7 million as at 31 December 2022, mainly due to the higher other tax payables of approximately RMB306.3 million as at 31 December 2022 as compared with RMB192.7 million as at 31 December 2021, mainly attributable to the increase in net VAT payable.

Indebtedness

The following table sets forth our Group's indebtedness as at the respective dates indicated:

	As at 31 December 2021	As at 31 December 2022
	RMB'000	*RMB'000* (Unaudited)
Non-current		
Borrowings	—	3,425
	—	3,425
Current		
Borrowings	66,895	136,705
Amounts due to related companies	4,833	8,618
Amounts due to shareholders	14,046	5,806
Amounts due to directors	253	748
Current portion of lease liabilities	28	—
	86,055	151,877
	86,055	155,302

Our aggregate indebtedness increased from approximately RMB86.1 million as at 31 December 2021 to approximately RMB155.3 million mainly because we raised more borrowings, mainly bank borrowings, from approximately RMB66.9 million as at 31 December 2021 to approximately RMB140.1 million as at 31 December 2022. Given that we maintained a low gearing ratio of 22.7% as at 31 December 2021, our Directors considered that it was appropriate to raise more bank financing for our working capital purpose while balancing our debt level in FY2022.

Key financial ratios

	FY2021 or as at 31 December 2021	FY2022 or as at 31 December 2022
		(Unaudited)
Revenue growth	3.0%	3.7%
Net profit growth	24.8%	5.8%
Gross profit margin *(Note 1)*	10.7%	10.9%
Net profit margin *(Note 2)*	3.4%	3.5%
Return on assets *(Note 3)*	3.3%	3.7%
Return on equity *(Note 4)*	21.7%	18.7%
Current ratio *(Note 5)*	1.2 times	1.2 times
Quick ratio *(Note 6)*	1.2 times	1.2 times
Trade and bills receivables turnover days *(Note 7)*	97.3	78.9
Contracts assets turnover days *(Note 8)*	246.0	228.0
Trade and bills payables turnover days *(Note 9)*	281.2	213.4
Interest coverage *(Note 10)*	21.3 times	11.0 times
Net debt to equity ratio *(Note 11)*	N/A *(Note 13)*	N/A *(Note 13)*
Gearing ratio *(Note 12)*	22.7%	39.0%

Notes:

1. Gross profit margin = gross profit ÷ revenue × 100%

2. Net profit margin = profit for the year ÷ revenue × 100%

3. Return on assets = profit for the year ÷ total assets × 100%

4. Return on equity = profit for the year ÷ total equity attributable to owners of the Company × 100%

5. Current ratio = total current assets ÷ total current liabilities

6. Quick ratio = (total current assets − inventories) ÷ total current liabilities

7. The calculation of average trade receivables turnover days is based on the average of the opening balance and closing balance of trade and bills receivables for the relevant year divided by revenue and multiplied by the number of days in the relevant year.

8. The calculation of average contract assets turnover days is based on the average of the opening balance and closing balance of contract assets for the relevant year divided by revenue and multiplied by the number of days in the relevant year.

9. The calculation of average trade and bills payables turnover days is based on the average of the opening balance and closing balance of trade and bills payables for the relevant year divided by cost of sales and multiplied by the number of days in the relevant year.

10. Interest coverage ratio = profit before finance costs and income tax expense ÷ finance costs

11. Net debt to equity ratio = (total interest-bearing debt including borrowings and lease liabilities net of cash and cash equivalent) ÷ total equity x 100%

12. Gearing ratio = (total interest-bearing debt including borrowings and lease liabilities) ÷ total equity × 100%

13. Net debt to equity ratio is not applicable to our Group as at 31 December 2021 and 2022 as our Group recorded net cash as at 31 December 2021 and 2022.

Revenue growth

Our revenue increased slightly from approximately RMB1,823.4 million in FY2021 to approximately RMB1,890.7 million in FY2022, representing an increase of approximately RMB67.3 million or 3.7%. Please refer to the paragraph headed "Management's discussion and analysis — Results of operations — Revenue" in this appendix for the reasons for the increase in our revenue.

Net profit growth

Our profit and total comprehensive income increased from approximately RMB61.9 million for FY2021 to approximately RMB65.5 million for FY2022, representing an increase of approximately RMB3.6 million or 5.8%. Please refer to the paragraph headed "Management's discussion and analysis — Results of operations — Net profit" in this appendix for the reasons for the increase in our net profit.

Gross profit margin

Our gross profit margin increased slightly from approximately 10.7% in FY2021 to approximately 10.9% in FY2022. Please refer to the paragraph headed "Management's discussion and analysis — Results of operation — Gross profit and gross profit margin" in this appendix for the reasons for the changes in gross profit margin.

Net profit margin

Our net profit margin remained stable at 3.4% and 3.5% respectively in FY2021 and FY2022 despite our improvement in gross profit margin as the increase in gross profit is partially offset by increase in finance costs by approximately RMB3.9 million, increase in impairment on financial and contract assets of approximately RMB2.0 million and increase in Listing expenses of approximately RMB1.7 million in FY2022 as compared with FY2021. Please refer to the paragraph headed "Management's discussion and analysis — Results of operations" in this appendix for the reasons for the changes in net profit margin.

Return on assets

Our return on assets increased slightly from 3.3% in FY2021 to 3.7% in FY2022 mainly resulted from our increase in net profit by 5.8% from FY2021 to FY2022.

Return on equity

Our return on equity decreased slightly from 21.7% in FY2021 to 18.7% in FY2022 despite our increase in net profit in FY2022 mainly because our equity increased by 22.6% from 31 December 2021 to 31 December 2022.

Current ratio

Our current ratio remained stable at 1.2 as at 31 December 2021 and 2022 respectively, meaning that our current assets can cover well above our current liabilities and that we had the net current assets position.

Quick ratio

Our quick ratio remained stable at 1.2 as at 31 December 2021 and 2022 respectively, meaning that our current assets can cover well above our current liabilities and that we had the net current assets position. As our inventory represented less than 0.2% of our total current assets as at 31 December 2021 and 2022, changes in inventory level did not have a significant impact on quick ratio.

Trade and bills receivables turnover days

We had lower trade and bills receivables turnover day of 78.9 days for FY2022 when compared with the trade and bills receivables turnover day of 97.3 days for FY2021 as we recorded faster repayment of trade receivables from our customers in FY2022.

Contract assets turnover days

Our contract assets turnover days dropped slightly from 246 days for FY2021 to 228.0 days for FY2022, mainly because of our efforts to follow up on the progress of the settlement audit and more contracts assets were billed and converted to trade receivables for FY2022.

Trade and bills payables turnover days

Our trade and bills payables turnover days decreased from 281.2 days in FY2021 to 213.4 days for FY2022 mainly due to faster repayment by our Group during FY2022.

Interest coverage

Our interest coverage ratio decreased from 21.3 times for FY2021 to 11.0 times for FY2022 mainly because of the increase in our borrowings from approximately RMB66.9 million as at 31 December 2021 to RMB140.1 million as at 31 December 2022.

Net debt to equity ratio

Net debt to equity ratio is not applicable to our Group as at 31 December 2021 and 2022 as our Group recorded net cash as at 31 December 2021 and 2022.

Gearing ratio

Our gearing ratio increased from approximately 22.7% as at 31 December 2021 to 39.0% as at 31 December 2022, mainly because we raised more bank borrowings during FY2022. Given that we maintained a low gearing ratio of 22.7% as at 31 December 2021, our Directors considered that it was appropriate to raise more bank financing for our working capital purpose while balancing our debt level in FY2022.

QUALITATIVE AND QUANTITATIVE DISCLOSURE ABOUT MARKET RISK

Please refer to the paragraph headed "Business — Risk management and internal control systems" in this prospectus for further information.

CODE ON CORPORATE GOVERNANCE PRACTICES

Since we were not yet listed on the Stock Exchange in FY2022, the Corporate Governance Code as set out in Appendix 14 to the Listing Rules was not applicable to us during such period under review. After the Listing, we will comply with all the code provisions set forth in the Corporate Governance Code. Our Directors will review our corporate governance policies and compliance with the Corporate Governance Code for each financial year and comply with the "comply or explain" principle in our corporate governance report, which will be included in our annual reports subsequent to the Listing.

REVIEW OF OUR PRELIMINARY FINANCIAL INFORMATION

We established an audit committee, which will come into operation with effect from the Listing, in compliance with the Corporate Governance Code. Each of the proposed members of the audit committee has reviewed the 2022 Preliminary Financial Information as set out in this appendix.

The unaudited financial information in respect of our consolidated statement of financial position as at 31 December 2022, consolidated statement of comprehensive income and the related notes thereto FY2022 as set out in our 2022 Preliminary Financial Information above has been agreed by the Reporting Accountants to the amounts set out in the Group's unaudited consolidated financial statements FY2022 following their work under Practice Note 730 "Guidance for Auditors Regarding Preliminary Announcements of Annual Results" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"). The work performed by the Reporting Accountants in this respect did not constitute an assurance engagement performed in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by the Reporting Accountants on the 2022 Preliminary Financial Information.

PURCHASE, SALES OR REDEMPTION OF OUR SHARES

Since we were not yet listed on the Stock Exchange in FY2022, this disclosure requirement is not applicable to us.

SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of our Company and of certain aspects of Cayman Islands company law.

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on 27 March 2020 under the Companies Act. Our Company's constitutional documents consist of our Amended and Restated Memorandum of Association ("**Memorandum**") and our Amended and Restated Articles of Association ("**Articles**").

1. MEMORANDUM OF ASSOCIATION

(a) The Memorandum provides, *inter alia*, that the liability of members of our Company is limited and that the objects for which our Company is established are unrestricted (and therefore include acting as an investment company), and that our 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 our Company is an exempted company, that our Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of our Company carried on outside the Cayman Islands.

(b) By special resolution our 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 10 March 2023. A summary of certain provisions of the Articles is set out below.

(a) Shares

(i) Classes of shares

The share capital of our Company consists of ordinary shares.

(ii) Variation of rights of existing shares or classes of shares

Subject to the Companies Act, if at any time the share capital of our 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 persons together holding (or, in the case of a member being a corporation, by our 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

Our Company may, by an ordinary resolution of our members: (a) increase our share capital by the creation of new shares of such amount as we think expedient; (b) consolidate or divide all or any of our share capital into shares of larger or smaller amount than our existing shares; (c) divide our unissued shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges or conditions; (d) subdivide our 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 our 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 our share capital.

(iv) Transfer of shares

Subject to the Companies Act 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 our Board may approve and may be under hand or, if the transferor or transferee is a Clearing House or our nominee(s), under hand or by machine imprinted signature, or by such other manner of execution as our 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 our 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 our Company in respect of that share.

Our Board may, in our 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 our Board otherwise agrees, no shares on the principal register shall be removed to any branch register nor 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.

Our Board may, in our 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 our 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.

Our 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 our 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 our 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 our 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 our Company to purchase our own shares

Our Company may purchase our own shares subject to certain restrictions and our Board may only exercise this power on behalf of our 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.

(vi) Power of any subsidiary of our Company to own shares in our Company

There are no provisions in the Articles relating to the ownership of shares in our Company by a subsidiary.

(vii) Calls on shares and forfeiture of shares

Our 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 our Board shall fix from the day appointed for payment to the time of actual payment, but our Board may waive payment of such interest wholly or in part. Our 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 our Company may pay interest at such rate (if any) not exceeding 20% per annum as our Board may decide.

If a member fails to pay any call or instalment of a call on the day appointed for payment, our 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 our 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 our Company all monies which, at the date of forfeiture, were payable by him to our Company in respect of the shares together with (if our Board shall in our discretion so require) interest thereon from the date of forfeiture until payment at such rate not exceeding 20% per annum as our Board may prescribe.

(b) Directors

(i) Appointment, retirement and removal

At any time or from time to time, our Board shall have the power to appoint any person as a Director either to fill a casual vacancy on our 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 annual general meeting of our 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 our Company after his appointment and be eligible for re-election at such meeting. Any Director so appointed by our Board shall not be taken into account in determining our 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 our 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. Our 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 our 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 our Company. The period for lodgement 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 our Company by way of qualification nor is there any specified upper or lower age limit for Directors either for accession to or retirement from our Board.

A Director may be removed by an ordinary resolution of our members 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 our Company) and our Company may by an 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.

The office of a Director shall be vacated if he:

(aa) resigns;

(bb) dies;

(cc) is declared to be of unsound mind and our 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) is prohibited from being or ceases to be a director by operation of law;

(ff) without special leave, is absent from meetings of our Board for six consecutive months, and our 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 our Directors or otherwise pursuant to the Articles.

From time to time our Board may appoint one or more of our body to be managing director, joint managing director or deputy managing director or to hold any other employment or executive office with our Company for such period and upon such terms as our Board may determine, and our Board may revoke or terminate any of such appointments. Our Board may also delegate any of our powers to committees consisting of such Director(s) or other person(s) as our 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 our Board.

(ii) Power to allot and issue shares and warrants

Subject to the provisions of the Companies Act, 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 our Company may by an ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as our 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 our Company or the holder of the share, it is liable to be redeemed.

Our Board may issue warrants to subscribe for any class of shares or other securities of our 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 our Board is satisfied beyond reasonable doubt that the original certificate has been destroyed and our Company has received an indemnity in such form as our Board thinks fit with regard to the issue of any such replacement certificate.

Subject to the provisions of the Companies Act, 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 our Company shall be at the disposal of our 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 our absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither our Company nor our 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 our 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 our Company or any of our subsidiaries

While there are no specific provisions in the Articles relating to the disposal of the assets of our Company or any of our subsidiaries, our Board may exercise all powers and do all acts and things which may be exercised or done or approved by our Company and which are not required by the Articles or the Companies Act to be exercised or done by our Company in general meeting, but if such power or act is regulated by our Company in general meeting, such regulation shall not invalidate any prior act of our Board which would have been valid if such regulation had not been made.

(iv) Borrowing powers

Our Board may exercise all the powers of our Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and uncalled capital of our Company and, subject to the Companies Act, to issue debentures, debenture stock, bonds and other securities of our Company, whether outright or as collateral security for any debt, liability or obligation of our Company or of any third party.

(v) Remuneration

Our Directors shall be entitled to receive, as ordinary remuneration for their services, such sums as shall from time to time be determined by our Board or our 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 our 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. Our 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 our Company may be entitled by reason of such employment or office.

Any Director who, at the request of our Company, performs services which in the opinion of our Board goes beyond the ordinary duties of a Director may be paid such special or extra remuneration as our 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 our Board may from time to time decide. Such remuneration shall be in addition to his ordinary remuneration as a Director.

Our Board may establish, either on our own or jointly in concurrence or agreement with subsidiaries of our Company or companies with which our Company is associated in business, or may make contributions out of our 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 our Company or any of our subsidiaries) and former employees of our Company and their dependents or any class or classes of such persons.

Our 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 our Board, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(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 our Company in general meeting.

(vii) Loans and provision of security for loans to Directors

Our Company shall not directly or indirectly make a loan to a Director or a director of any holding company of our 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 our Company or any of their respective close associates, or, if any one or more of our 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) Financial assistance to purchase Shares

Subject to the Companies Act, or any other law or so far as not prohibited by any law and subject to any rights conferred on the holders of any class of Shares, our Company shall have the power to give, directly or indirectly, by means of a loan, a guarantee, an indemnity, the provision of security or otherwise howsoever, financial assistance for the purpose of or in connection with a purchase or other acquisition made or to be made by any person of any Shares or warrants or other securities in our Company or any company which is a holding company of our Company.

(ix) Disclosure of interest in contracts with our Company or any of our subsidiaries

With the exception of the office of auditor of our Company, a Director may hold any other office or place of profit with our Company in conjunction with his office of Director for such period and upon such terms as our 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 our Company may be interested, and shall not be liable to account to our Company or the members for any remuneration or other benefit received by him as a director, officer or member of such other company. Our Board may also cause the voting power conferred by the shares in any other company held or owned by our Company to be exercised in such manner in all respects as we think fit, including the exercise in favour of any resolution appointing our 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 our 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 our 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 our Company shall declare the nature of his interest at the earliest meeting of our Board at which he may practically do so.

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 our Company.

A Director shall not vote or be counted in the quorum on any resolution of our 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 our Company or any of our subsidiaries;

(bb) the giving of any security or indemnity to a third party in respect of a debt or obligation of our Company or any of our 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 our Company or any other company which our Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

(dd) any proposal or arrangement concerning the benefit of employees of our Company or any of our 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 benefit scheme which relates to Directors, their close associates and employees of our Company or any of our 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 our Company by virtue only of his/their interest in those shares, debentures or other securities.

(x) Proceedings of our Board

Our Board may meet anywhere in the world for the despatch of business and may adjourn and otherwise regulate our meetings as we think 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 our 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 our Company may only be altered or amended, and the name of our Company may only be changed, with the sanction of a special resolution of our Company.

(d) Meetings of member

(i) Special and ordinary resolutions

A special resolution of our 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 the Companies Act, 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 our 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 our Company duly convened and held, and where relevant as a special resolution so passed.

(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 our 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 our 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 our 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 our 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 our 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 our nominee(s) be a member of our Company, such person or persons may be authorised as we think fit to act as our representative(s) at any meeting of our Company or at any meeting of any class of members of our 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 our nominee(s) as if such person were an individual member including the right to vote and the right to speak.

Where our 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

Our Company must hold an annual general meeting each financial year other than the financial year of our Company's adoption of the Articles. Such annual general meeting must be held within six (6) months after the end of our Company's financial year (unless a longer period would not infringe the Listing Rules, if any) and shall be held in the Relevant Territory or elsewhere as may be determined by our Board and at such time and place as our Board shall appoint.

(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 our Company having the right of voting at general meetings. Such requisition shall be made in writing to our Board or the secretary of our Company for the purpose of requiring an extraordinary general meeting to be called by our 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, our 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 our Board shall be reimbursed to the requisitionist(s) by our Company.

(v) Notices of meetings and business to be conducted

An annual general meeting of our Company shall be called by at least 21 days' notice in writing, and any other general meeting of our 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 our 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 our 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 Act and the Listing Rules, a notice or document may also be served or delivered by our Company to any member by electronic means.

Although a meeting of our 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 our 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 our 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 our 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 our Company entitled to attend and vote at a meeting of our 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 our Company or at a class meeting. A proxy need not be a member of our 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 our duly authorised representative) or by proxy.

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 our 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.

(viii) Right to Speak

All members have the right to (a) speak at a general meeting; and (b) vote at a general meeting except where a member is required, by the Listing Rules, to abstain from voting to approve the matter under consideration.

(e) Accounts and audit

Our Board shall cause proper books of account to be kept of the sums of money received and expended by our Company, and of the assets and liabilities of our Company and of all other matters required by the Companies Act (which include all sales and purchases of goods by the company) necessary to give a true and fair view of the state of our Company's affairs and to show and explain our transactions.

The books of accounts of our Company shall be kept at the head office of our Company or at such other place or places as our 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 our Company except as conferred by the Companies Act or ordered by a court of competent jurisdiction or authorised by our Board or our Company in general meeting.

Our Board shall from time to time cause to be prepared and laid before our Company at our 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 our 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 our 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), our 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.

Our members may by an ordinary resolution 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 our Board. The auditors' remuneration shall be fixed by our members in general meeting by an ordinary resolution or in such manner as the members may determine.

The members may, at a general meeting remove the auditor(s) by an ordinary 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 our 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

Our 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 our 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) our Board may deduct from any dividend or other monies payable to any member all sums of money (if any) presently payable by him to our Company on account of calls, instalments or otherwise.

Where our Board or our Company in general meeting has resolved that a dividend should be paid or declared, our 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

(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 our Board may think fit.

Upon the recommendation of our Board, our Company may by an ordinary resolution in respect of any one particular dividend of our 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 our 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 our Board or our Company in general meeting has resolved that a dividend be paid or declared, our Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

Our 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 our 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 our Board for the benefit of our Company until claimed and our 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 our Board and, upon such forfeiture, shall revert to our Company.

No dividend or other monies payable by our Company on or in respect of any share shall bear interest against our Company.

Our 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.

(g) Inspection of corporate records

For so long as any part of the share capital of our Company is listed on the Stock Exchange, any member may inspect any register of members of our 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 our 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 our Company under Cayman Islands law, as summarised in paragraph 3(f) of this Appendix.

(i) Procedures on liquidation

A resolution that our 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 our 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 our 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 our 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 Act, divide among the members in specie or kind the whole or any part of the assets of our 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.

(j) Subscription rights reserve

Provided that it is not prohibited by and is otherwise in compliance with the Companies Act, if warrants to subscribe for shares have been issued by our Company and our 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

Our Company was incorporated in the Cayman Islands as an exempted company on 27 March 2020 subject to the Companies Act. 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 Act 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 our Company must conduct our 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 our authorised share capital.

(b) Share capital

Under the Companies Act, 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 Act;

(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.

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 Act. Any such shares shall continue to be classified as treasury shares until such shares are either cancelled or transferred pursuant to the Companies Act.

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 Act, 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 a 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.

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 Act (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 Act (2018 Revision) of the Cayman Islands, our 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 appreciations shall apply to our Company or our operations; and

(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 our Company:

(aa) on or in respect of the shares, debentures or other obligations of our 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 Act (2018 Revision).

The undertaking for our Company is for a period of 30 years from 1 April 2020.

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 our 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 service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Act (2013 Revision) of the Cayman Islands.

(o) Register of Directors and officers

Pursuant to the Companies Act, our Company is required to maintain at our 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.

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 (i) 75% in value of the members or class of members or (ii) a majority in number representing 75% in value of the creditors or class of 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.

(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.

(t) Economic Substance Requirements

Pursuant to the International Tax Cooperation (Economic Substance) Act, 2018 of the Cayman Islands ("**ES Act"**) that came into force on 1 January 2019, a "relevant entity" is required to satisfy the economic substance test set out in the ES Act. A "relevant entity" includes an exempted company incorporated in the Cayman Islands as is the Company; however, it does not include an entity that is tax resident outside the Cayman Islands. Accordingly, for so long as the Company is a tax resident outside the Cayman Islands, including in Hong Kong, it is not required to satisfy the economic substance test set out in the ES Act.

4. GENERAL

Appleby, our Company's legal adviser on Cayman Islands law, has sent to our Company a letter of advice which summarises certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Act, is available on display as referred to in the paragraph headed "Documents Available on Display" 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.

A. FURTHER INFORMATION ABOUT OUR GROUP

1. Incorporation of our Company

Our Company was incorporated in the Cayman Islands under the Companies Act as an exempted company with limited liability on 27 March 2020.

Our Company was registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on 21 April 2020 and the principal place of business in Hong Kong is Unit E, 17th Floor, 8 Hart Avenue, Tsim Sha Tsui, Kowloon, Hong Kong. In connection with such registration, our Company has appointed Ms. Chan Kit Ming of Flat H, 30th Floor, Tower 6, Island Harbourview, 11 Hoi Fai Road, Tai Kok Tsui, Kowloon, Hong Kong as the authorised representative for the acceptance of service of process and notices on our Company's behalf in Hong Kong.

As our Company was incorporated in the Cayman Islands, it is subject to the Companies Act and our constitution, which comprises the Memorandum and the Articles. A summary of the relevant aspects of the Companies Act and certain provisions of the Articles is set out in Appendix IV to this prospectus.

2. Changes in the share capital of our Company

(a) As at the date of incorporation, the authorised share capital of our Company was HK$380,000 divided into 38,000,000 Shares with a par value of HK$0.01 each. Upon incorporation, one subscriber Share in our Company with a par value of HK$0.01 was allotted and issued as fully paid to a nominee subscriber, who on the same day transferred the said one Share to ZT (A) for a consideration of HK$0.01. Upon completion of the above transfer and share issue, ZT (A) became the sole Shareholder of our Company.

(b) On the same date, our Company allotted and issued 74,972 Shares, 3,686 Shares, 3,639 Shares, 2,872 Shares, 3,697 Shares, 948 Shares, 748 Shares, 497 Shares, 369 Shares, 279 Shares, 228 Shares, 253 Shares, and 7,811 Shares as fully paid to ZT (A), ZT (B), ZT (C), ZT (D), ZT (E), ZT (F), ZT (G), ZT (H), ZT (I), ZT (J), ZT (K), ZT (L) and ZT (M), respectively. After such allotment, our Company was owned as to approximately 74.97% by ZT (A), 3.69% by ZT (B), 3.64% by ZT (C), 2.87% by ZT (D), 3.70% by ZT (E), 0.95% by ZT (F), 0.75% by ZT (G), 0.50% by ZT (H), 0.37% by ZT (I), 0.28% by ZT (J), 0.23% by ZT (K), 0.25% by ZT (L) and 7.80% by ZT (M), respectively.

(c) On 9 April 2020, as part of the Reorganisation, Zhongtian HK acquired the equity interest in Jicai Trading held by Ms. Yang Shufen in consideration of our Company allotting and issuing 1,100 Shares, credited as fully paid, to Bizoe (International). After the aforesaid transaction, our Company was owned as to approximately 74.16% by ZT (A), 3.65% by ZT (B), 3.60% by ZT (C), 2.84% by ZT (D), 3.66% by ZT (E), 0.94% by ZT (F), 0.74% by ZT (G), 0.49% by ZT (H), 0.37% by ZT (I), 0.28% by ZT (J), 0.23% by ZT (K), 0.25% by ZT (L), 7.73% by ZT (M) and 1.09% by Bizoe (International), respectively.

(d) On 10 March 2023, the authorised share capital of our Company was increased from HK$380,000 divided into 38,000,000 Shares to HK$50,000,000 divided into 5,000,000,000 Shares by the creation of an additional 4,962,000,000 Shares, all of which shall rank equally in all respects with the existing Shares.

Immediately after completion of the Capitalisation Issue and the Global Offering (without taking into account any Share to be allotted and issued upon the exercise of the Over-allotment Option or any option which may be granted under the Share Option Scheme), the authorised share capital of our Company will be HK$50,000,000 divided into 5,000,000,000 Shares, of which 480,000,000 Shares will be allotted and issued fully paid or credited as fully paid and 4,520,000,000 Shares will remain unissued. Other than pursuant to the general mandate to allot and issue Shares as referred to in the paragraphs headed "A. Further information about our Group — 5. Written Resolutions of our Shareholders passed on 10 March 2023" and "A. Further information about our Group — 6. Repurchase of our Shares" under this appendix, the exercise of any option which may be granted under the Share Option Scheme, and our Directors do not have any present intention to allot and issue any of the authorised but unissued share capital of our Company and, without prior approval of our Shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of our Company.

Save for aforesaid and as disclosed in the section headed "History, Development and Reorganisation — Reorganisation" in this prospectus, there has been no alteration in our Company's share capital since its incorporation.

3. Reorganisation

Our Group underwent the Reorganisation in preparation for the Listing. Further details are set out in the section headed "History, Development and Reorganisation — Reorganisation" in this prospectus.

4. Changes in the share capital of the subsidiaries of our Company

The subsidiaries of our Company are listed in the Accountants' Report set out in Appendix I to this prospectus. Save as disclosed in the section headed "History, Development and Reorganisation — Reorganisation" in this prospectus, there has been no alteration in the share capital or registered capital of any of the subsidiaries of our Company within the two years immediately preceding the date of this prospectus.

5. Written resolutions of our Shareholders passed on 10 March 2023

Written resolutions of our Shareholders were passed on 10 March 2023 approving, amongst others, the following:

(a) the Memorandum and the Articles were adopted as the memorandum of association and articles of association of our Company;

(b) the authorised share capital of our Company was increased from HK$380,000 divided into 38,000,000 Shares of HK$0.01 each to HK$50,000,000 divided into 5,000,000,000 Shares each by the creation of additional 4,962,000,000 Shares, all of which shall rank equally in all respects with the existing Shares; and

(c) conditional upon the same conditions to be satisfied and/or waived as stated in the section headed "Structure and Conditions of the Global Offering" in this prospectus:

   (i) the Global Offering and the grant of the Over-allotment Option by our Company were approved and our Directors were authorised to (aa) allot and issue the Offer Shares and the Shares as may be required to be allotted and issued upon the exercise of the Over-allotment Option on and subject to the terms and conditions stated in this prospectus; (bb) implement the Global Offering and the listing of Shares on the Main Board; and (cc) do all things and execute all documents in connection with or incidental to the Global Offering and the Listing with such amendments or modifications (if any) as our Directors may consider necessary or appropriate;

(ii) conditional upon the share premium account of our Company being credited as a result of the Global Offering, our Directors were authorised to capitalise the amount of HK$3,598,989 from the amount standing to the credit of the share premium account of our Company by applying such sum to pay up in full at par a total of 359,898,900 Shares for allotment and issue to the holders of Shares whose names appear on the register of members of our Company at the close of business on 10 March 2023, or as each of them may direct in writing, in proportion (subject to rounding to avoid fractions and odd lots) to their then existing respective shareholdings in our Company and the Shares to be allotted and issued pursuant to this resolution shall rank equally in all respects with the then existing Shares;

(iii) the rules of the Share Option Scheme were approved and adopted and our Board or any committee thereof established by our Board was authorised, at its sole discretion, to (aa) administer the Share Option Scheme; (bb) modify or amend the rules of the Share Option Scheme from time to time as may be acceptable or not objected to by the Stock Exchange; (cc) grant options to subscribe for the Shares thereunder and to allot, issue and deal with the Shares pursuant to the exercise of subscription rights attaching to any option(s) granted thereunder; and (dd) take all such actions as it considers necessary or desirable to implement or give effect to the Share Option Scheme;

(iv) a general unconditional mandate was given to our Directors to exercise all the powers of our Company to allot, issue and deal with (including the power to make an offer or agreement, or grant securities which would or might require Shares to be allotted and issued), otherwise than by way of rights issue, scrip dividend schemes or similar arrangements providing for allotment and issue of Shares in lieu of the whole or in part of any cash dividend in accordance with the Articles, or pursuant to, or in consequence of, the Capitalisation Issue, the Global Offering, the exercise of the Over-allotment Option or any option which may be granted under the Share Option Scheme, Shares in aggregate not exceeding the sum of (1) 20% of the total number of Shares in issue immediately after completion of the Capitalisation Issue and the Global Offering (assuming the Over-allotment Option is not exercised) and without taking into account any Share which may be allotted and issued upon the exercise of any option which may be granted under the Share Option Scheme); and (2) the total number of Shares in issue which may be purchased by our Company pursuant to the authority granted to our Directors as referred to in sub-paragraph (v) below, until the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by the Articles or any applicable law(s) to be held, or the passing of an ordinary resolution by our Shareholders in a general meeting revoking, renewing or varying the mandate given to our Directors, whichever occurs first; and

(v) a general unconditional mandate was given to our Directors to exercise all the powers of our Company to repurchase, on the Stock Exchange and/or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose in accordance with all applicable laws and requirements of the Stock Exchange (or of such other stock exchange), Shares in aggregate not exceeding 10% of the total number of Shares in issue immediately after completion of the Capitalisation Issue and the Global Offering (assuming the Over-allotment Option is not exercised and without taking into account any Share which may be allotted and issued upon the exercise of any option which may be granted under the Share Option Scheme), until the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by the Articles or any applicable law(s) to be held, or the passing of an ordinary resolution by Shareholders in a general meeting revoking, renewing or varying the mandate given to our Directors, whichever occurs first; and

(vi) a general unconditional mandate mentioned in sub-paragraph (iv) above was extended by the addition to the total number of Shares in issue which may be allotted and issued or agreed (conditionally or unconditionally) to be allotted or issued by our Directors pursuant to such general mandate of an amount representing the total number of Shares repurchased by our Company pursuant to the mandate to repurchase Shares referred to in sub-paragraph (v) above, provided that such extended amount shall not exceed 10% of the total number of Shares in issue immediately after completion of the Capitalisation Issue and the Global Offering (assuming the Over-allotment Option is not exercised and without taking into account any Share that may be allotted and issued upon the exercise of any option which may be granted under the Share Option Scheme).

6. Repurchase of our Shares

This paragraph sets out information required by the Stock Exchange to be included in this prospectus concerning the repurchase by our Company of its own securities.

(a) Provisions of the Listing Rules

The Listing Rules permit companies with a primary listing on the Stock Exchange to purchase their own securities on the Stock Exchange subject to certain restrictions, the most important of which are summarised below:

(i) Shareholders' approval

All proposed repurchases of securities (which must be fully paid in the case of shares) by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholders, either by way of general mandate or by specific approval of a particular transaction.

Note: Pursuant to the written resolutions of our Shareholders passed on 10 March 2023, conditional upon the same conditions to be satisfied and/or waived as stated in the section headed "Structure and Conditions of the Global Offering" in this prospectus, a general unconditional mandate (the "**Repurchase Mandate**") was given to our Directors to exercise all the powers of our Company to repurchase, on the Stock Exchange and/or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose in accordance with all applicable laws and requirements of the Stock Exchange (or of such other stock exchange), Shares in aggregate not exceeding 10% of the total number of Shares in issue immediately after completion of the Capitalisation Issue and the Global Offering (assuming the Over-allotment Option is not exercised and without taking into account any Share to be allotted and issued upon the exercise of any option which may be granted under the Share Option Scheme). The Repurchase Mandate will remain effective until the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by the Articles or any applicable law(s) to be held, or the passing of an ordinary resolution by our Shareholders in a general meeting revoking, renewing or varying the mandate given to our Directors, whichever occurs first.

(ii) Source of funds

Repurchases must be funded out of funds legally available for the purpose in accordance with the Articles, the Listing Rules and the applicable laws of Hong Kong and the Companies Act. A listed company must 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. Subject to the foregoing, any repurchases by our Company may be made out of profits of our Company, out of share premium, or out of the proceeds of a fresh issue of shares made for the purpose of the repurchase or, subject to the Articles and Companies Act, out of capital of the

Company. Any amount of premium payable on the purchase over the par value of the shares to be repurchased must be out of profits of our Company, out of sums standing to the credit of share premium account of our Company before or at the time the Shares are repurchased, or, subject to the Articles and Companies Act, out of capital of our Company.

(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 (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.

Further, 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 days on which its shares were traded on the Stock Exchange.

In addition, the Listing Rules prohibits a listed company from repurchasing its securities if the repurchase would result in the number of shares which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Stock Exchange. A company is required to procure that the broker appointed by it to effect a repurchase of securities discloses to the Stock Exchange such information with respect to the repurchase as the Stock Exchange may request.

(iv) Status of repurchased shares

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.

Under the Companies Act, a company's repurchased shares may be treated as cancelled and, if so cancelled, the amount of that company's issued share capital shall be reduced by the aggregate nominal value of the repurchased shares accordingly although the authorised share capital of the company will not be reduced.

(v) Suspension of repurchase

A listed company may not make any repurchase of securities after inside information has come to its knowledge until the inside information has been made publicly available. In particular, during the period of one month immediately preceding the earlier of: (aa) 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 (bb) 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 submitted for publication 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 purchases, where relevant, and the aggregate prices paid.

(vii) Connected parties

A listed company is prohibited from knowingly repurchasing securities on the Stock Exchange from a "core connected person", which includes a director, chief executive or substantial shareholder of the company or any of its subsidiaries or an associate of any of them and a core connected person shall not knowingly sell his or its securities to the company.

(b) Reasons for repurchase

Our Directors believe that it is in the best interests of our Company and our Shareholders for our Directors to have a general authority from our Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made when our Directors believe that such repurchases will benefit our Company and our Shareholders.

(c) Funding of repurchase

In repurchasing Shares, our Company may only apply funds legally available for such purpose in accordance with the Articles, the Listing Rules and the applicable laws of Hong Kong and the Cayman Islands.

On the basis of our Company's current financial position as disclosed in this prospectus and taking into account the current working capital position, our Directors consider that, if the Repurchase Mandate were to be exercised in full, it might have a material adverse effect on the working capital and/or the gearing position as compared with the position disclosed in this prospectus. 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 the 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

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their respective close associates, has any present intention to sell any Share to our Company or our subsidiaries. Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules, the Articles and the applicable laws of Hong Kong and the Cayman Islands.

If, as a result of a repurchase of Shares, a Shareholder's proportionate interest in our Company's voting rights increases, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert (within the meaning of the Takeovers Code), depending on the level of increase of our 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, our Directors are not aware of any consequence which would arise under the Takeovers Code as a result of any repurchase pursuant to the Repurchase Mandate.

Our Directors will not exercise the Repurchase Mandate if the repurchase would result in the number of Shares which are in the hands of the public falling below 25% of the total number of Shares in issue (or such other percentage as may be prescribed as the minimum public shareholding under the Listing Rules).

Our Company has not made any repurchases of its securities since its incorporation.

No core connected person has notified our Company that he has a present intention to sell Shares to our Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

B. FURTHER INFORMATION ABOUT THE BUSINESS OF OUR GROUP

1. Summary of material contracts

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by members of our Group within the two years immediately preceding the date of this prospectus and are or may be material:

(1) the Deed of Indemnity;

(2) the Deed of Non-Competition; and

(3) the Hong Kong Underwriting Agreement.

2. Intellectual property rights

(a) Trademarks

As at the Latest Practicable Date, our Group has registered the following trademarks, which are, in the opinion of our Directors, material to our Group's business:

No.	Trademark	Registered owner	Class	Place of registration	Trademark number	Registration date	Expiry date
1.	中天集团 ZHONGTIAN GROUP	Zhongtian Construction	37	Hong Kong	305027355	15 August 2019	14 August 2029
2.	中天集团 ZHONGTIAN GROUP	Zhongtian Construction	37	Hong Kong	305027436	15 August 2019	14 August 2029
3.	中天建设 ZHONGTIAN CONSTRUCTION	Zhongtian Construction	37	Hong Kong	305165802	9 January 2020	8 January 2030

No.	Trademark	Registered owner	Class	Place of registration	Trademark number	Registration date	Expiry date
4.		Zhongtian Construction	37	Hong Kong	305165839	9 January 2020	8 January 2030
5.		Zhongtian Construction	37	Hong Kong	305172903	16 January 2020	15 January 2030
6.		Zhongtian Construction	37	Hong Kong	305172958	16 January 2020	15 January 2030
7.		Zhongtian Construction	37	PRC	47602405	21 May 2021	20 May 2031

(b) Patents

(i) As at the Latest Practicable Date, our Group had registered the following patents which are, in the opinion of our Directors, material to our Group's business:

No.	Patent	Registered owner(s)	Type	Place of registration	Patent number	Expiry date
1.	A kind of self-tapping foundation pile and method capable of establishing machine tool foundation on soft soil (一種可於軟土地上建立機床地基的自攻地基樁及方法)	Zhongtian Construction	Invention	PRC	ZL201610155221.5	17 March 2036
2.	A kind of wall wiper for civil construction (一種土建施工用的抹牆機)	Zhongtian Construction	Utility model	PRC	ZL201820417392.5	26 March 2028

No.	Patent	Registered owner(s)	Type	Place of registration	Patent number	Expiry date
3.	A kind of construction fence applicable to building construction (一種應用於房建工程中便於搭設的施工防護欄)	Zhongtian Construction	Utility model	PRC	ZL201820433116.8	28 March 2028
4.	A kind of roof painting device for civil construction (一種土建施工用屋面粉刷裝置)	Zhongtian Construction	Utility model	PRC	ZL201922229182.0	12 December 2029
5.	Perforated concrete pump pipe fixing device (穿孔型混凝土泵管固定裝置)	Zhongtian Construction	Utility model	PRC	ZL201922258695.4	15 December 2029
6.	Concrete pump horizontal fixed damping device (混凝土泵管水平固定減震裝置)	Zhongtian Construction	Utility model	PRC	ZL201922260495.2	15 December 2029
7.	A kind of external construction curtain wall convenient for safeguarding purposes (一種便於維護的外構建的建築幕牆)	Zhongtian Construction	Utility model	PRC	ZL201922366666.X	24 December 2029
8.	The construction structure of the external wall pouring formwork against the pull bolt (外牆澆築模板對拉螺栓施工結構)	Zhongtian Construction	Utility model	PRC	ZL202021356889.4	9 July 2030

No.	Patent	Registered owner(s)	Type	Place of registration	Patent number	Expiry date
9.	Waterproof plugging structure for pulling bolt holes of external wall (外牆對拉螺栓孔防水封堵結構)	Zhongtian Construction	Utility model	PRC	ZL202021356887.5	9 July 2030
10.	New flip-type discharge channel for construction elevator (施工電梯新型翻轉型出料通道)	Zhongtian Construction	Utility model	PRC	ZL202021356615.5	9 July 2030
11.	Mobile elevator shaft construction platform (移動式電梯井施工平台)	Zhongtian Construction	Utility model	PRC	ZL202021356529.4	9 July 2030
12.	Prefabricated truss floor bearing plate and its concrete floor structure (裝配式桁架樓承板及其混凝土樓面結構)	Zhongtian Construction	Utility model	PRC	ZL202021356330.1	9 July 2030
13.	Steel component hoisting device (一種鋼構件吊裝裝置)	Zhongtian Construction	Utility model	PRC	ZL202021484745.7	23 July 2030
14.	Concrete mixer for uniform mixing for building construction (建築施工用攪拌均勻的混凝土攪拌機)	Zhongtian Construction	Utility model	PRC	ZL202021484742.3	23 July 2030
15.	Detachable pipeline fixing device for building construction (建築施工用可拆卸管綫固定裝置)	Zhongtian Construction	Utility model	PRC	ZL202021484741.9	23 July 2030

No.	Patent	Registered owner(s)	Type	Place of registration	Patent number	Expiry date
16.	Double-layer steel structure workshop with photovoltaic modules (一種帶光伏組件的雙層鋼結構廠房)	Zhongtian Construction	Utility model	PRC	ZL202021483231.X	23 July 2030
17.	Positioning device for installing steel pipe bundle (一種鋼管束安裝用定位裝置)	Zhongtian Construction	Utility model	PRC	ZL202021483192.3	23 July 2030
18.	A kind of municipal road construction method (一種市政道路施工方法)	Zhongtian Construction	Invention	PRC	ZL202010753610.4	29 July 2040
19.	Detachable support device for building constructions (一種建築工程施工用可拆式支護)	Zhongtian Construction	Utility model	PRC	ZL202122008143.5	24 August 2031
20.	Concrete point compaction device (混凝土分點密實裝置)	Zhongtian Construction	Invention	PRC	202110916416.8	10 August 2041
21.	ALC connection point between wall panel and door frame (ALC墻板與門框的連接節點)	Zhongtian Construction	Utility model	PRC	ZL202123230788.X	20 December 2031
22.	ALC slatted window opening structure and its connection with window frame (ALC條板窗洞結構及其與窗框的連接構造)	Zhongtian Construction	Utility model	PRC	ZL202123231122.6	20 December 2031
23.	Protection device along the stair and its installation structure (樓梯臨邊防護裝置及其安裝結構)	Zhongtian Construction	Utility model	PRC	ZL202123315252.8	26 December 2031

No.	Patent	Registered owner(s)	Type	Place of registration	Patent number	Expiry date
24.	Concave non-adhesive plain brick curtain wall structure (凹造型無粘結清水磚幕牆結構)	Zhongtian Construction	Utility model	PRC	ZL202220063618.2	10 January 2032
25.	A kind of prefabricated steel structure device (一種裝配式鋼結構裝置)	Zhongtian Construction	Invention	PRC	ZL202210593858.8	26 May 2042
26.	Car wash tank for construction site construction vehicles (建築工地施工車輛用洗車槽)	Zhongtian Construction	Utility model	PRC	ZL202222416077.X	12 September 2032
27.	Construction site trolley for building construction (建築施工用工地灰斗車)	Zhongtian Construction	Utility model	PRC	ZL202222216639.6	22 August 2032
28.	Detachable wall cave protective device (可拆卸式臨牆洞口防護裝置)	Zhongtian Construction	Utility model	PRC	ZL202220063582.8	10 January 2032
29.	Assembly-type supporting system based on external overhanging cast-in-place concrete elements of steel buildings (基於鋼結構建築外懸挑現澆砼構件的裝配式支模體系)	Zhongtian Construction and Zhongtian Building	Utility model	PRC	ZL202221586555.5	22 June 2032
30.	Fish web type steel support beam mold support for cast-in-place floor slab (現澆樓板用魚腹式型鋼支撐梁模支撐)	Zhongtian Construction and Zhongtian Building	Utility model	PRC	ZL202221457601.1	9 June 2032

No.	Patent	Registered owner(s)	Type	Place of registration	Patent number	Expiry date
31.	Connecting device for wall bars (連牆杆用連接裝置)	Zhongtian Construction and Zhongtian Building	Utility model	PRC	ZL202221547433.5	19 June 2032

(ii) As at the Latest Practicable Date, our Group had applied for the registration of the following patents:

	Patent	Applicant	Type	Place of application	Application number	Application date
1.	Adjustable built-in foundation and its construction method based on the plinth of steel column (基於鋼柱柱腳安裝用可調式預埋底座及其施工方法)	Zhongtian Construction	Invention	PRC	202210325667.3	29 March 2022
2.	Construction edge protection fence (建築施工臨邊作業防護網)	Zhongtian Construction	Utility model	PRC	202222386664.9	5 September 2022
3.	Lifting and unloading platform for building construction (建築施工用升降卸料平臺)	Zhongtian Construction	Utility model	PRC	202222289756.5	29 August 2022

(c) Domain name

As at the Latest Practicable Date, our Group had registered the following domain name which is, in the opinion of our Directors, material to our Group's business:

Domain name	Registered owner	Registration date	Expiry date
www.ztcon.com	Zhongtian Construction	15 November 2004	15 November 2024

C. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Disclosure of Interests

(a) Interests and short positions of our Directors and chief executives of our Company in the Shares, underlying Shares and debentures of our Company and its associated corporations after completion of the Capitalisation Issue and the Global Offering

Immediately after the completion of the Capitalisation Issue and the Global Offering (without taking into account any Share to be allotted and issued upon the exercise of any option which may be granted under the Share Option Scheme), the interests or short positions of our Directors and chief executives of our Company in the Shares, underlying Shares or debentures of our Company or any of the associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are taken or deemed to have under such provisions of the SFO), or which will be required, pursuant to section 352 of the SFO, to be entered in the register as referred to therein, or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules, will be as follows:

(i) Interest in our Shares

Name of Director/ chief executive	Capacity/Nature of interest directly and indirectly held	Relevant company	Number of Shares *(Note 1)*	Approximate percentage of shareholding
Mr. Yang	Interest in a controlled corporation/Interest of spouse *(Note 2)*	ZT (E)	13,164,000(L)	2.74%
Mr. Liu	Interest in a controlled corporation *(Note 3)*	ZT (F)	3,376,000(L)	0.70%
Mr. Chen	Interest in a controlled corporation/Interest of spouse *(Note 4)*	ZT (H)	1,770,000(L)	0.37%

Name of Director/ chief executive	Capacity/Nature of interest directly and indirectly held	Relevant company	Number of Shares *(Note 1)*	Approximate percentage of shareholding
Mr. Shen	Interest in a controlled corporation *(Note 5)*	ZT (I)	1,314,000(L)	0.27%
Mr. Min	Interest in a controlled corporation *(Note 6)*	ZT (K)	812,000(L)	0.17%

Notes:

(1) The letter "L" denotes a person's "long position" (as defined under Part XV of the SFO) in such Shares.

(2) Our Company will be owned as to approximately 2.74% by ZT (E) immediately after completion of the Capitalisation Issue and the Global Offering (without taking into account any Share that may be allotted and issued upon the exercise of the Over-allotment Option and any option which may be granted under the Share Option Scheme). ZT (E) is owned as to approximately 77.93% by Mr. Yang and 22.07% by Ms. Gan Yinghua (甘映華). Ms. Gan Yinghua is the spouse of Mr. Yang. Mr. Yang is deemed to be interested in all the Shares held by Ms. Gan Yinghua by virtue of the SFO. Under the SFO, Mr. Yang is deemed to be interested in 100% of the Shares held by ZT (E).

(3) Our Company will be owned as to approximately 0.70% by ZT (F) immediately after completion of the Capitalisation Issue and the Global Offering (without taking into account any Share that may be allotted and issued upon the exercise of the Over-allotment Option and any option which may be granted under the Share Option Scheme). ZT (F) is wholly-owned by Mr. Liu. Under the SFO, Mr. Liu is deemed to be interested in all the Shares held by ZT (F).

(4) Our Company will be owned as to approximately 0.37% by ZT (H) immediately after completion of the Capitalisation Issue and the Global Offering (without taking into account any Share that may be allotted and issued upon the exercise of the Over-allotment Option and any option which may be granted under the Share Option Scheme). ZT (H) is owned as to approximately 94.97% by Mr. Chen and 5.03% by Ms. Yang Zhonghua (楊中華). Ms. Yang Zhonghua is the spouse of Mr. Chen. Mr. Chen is deemed to be interested in all the Shares held by Ms. Yang Zhonghua by virtue of the SFO. Under the SFO, Mr. Chen is deemed to be interested in 100% of the Shares held by ZT (H).

(5) Our Company will be owned as to approximately 0.27% by ZT (I) immediately after completion of the Capitalisation Issue and the Global Offering (without taking into account any Share that may be allotted and issued upon the exercise of the Over-allotment Option and any option which may be granted under the Share Option Scheme). ZT (I) is wholly-owned by Mr. Shen. Under the SFO, Mr. Shen is deemed to be interested in all the Shares held by ZT (I).

(6) Our Company will be owned as to approximately 0.17% by ZT (K) immediately after completion of the Capitalisation Issue and the Global Offering (without taking into account any Share that may be allotted and issued upon the exercise of the Over-allotment Option and any option which may be granted under the Share Option Scheme). ZT (K) is wholly-owned by Mr. Min. Under the SFO, Mr. Min is deemed to be interested in all the Shares held by ZT (K).

(ii) Interest in our Company's associated corporations

Name of Director/ chief executive	Name of associated corporation	Capacity/Nature of interest directly and indirectly held	Number of shares of/ capital contribution in associated corporation *(Note 1)*	Approximate percentage of shareholding/ equity interest of associated corporation
Mr. Yang	ZT (A) *(Note 2)*	Beneficial owner/Interest of spouse *(Note 3)*	21,831 (L)	29.12%
Mr. Liu	ZT (A) *(Note 2)*	Beneficial owner	4,621 (L)	6.16%
Mr. Chen	ZT (A) *(Note 2)*	Beneficial owner	2,195 (L)	2.93%
Mr. Min	ZT (A) *(Note 2)*	Beneficial owner/Interest of spouse *(Note 4)*	1,253 (L)	1.67%
Mr. Shen	ZT (A) *(Note 2)*	Beneficial owner	985 (L)	1.31%
Mr. Yang	Zhongtian Construction *(Note 5)*	Beneficial owner	108,049 (L)	0.17%
Mr. Liu	Zhongtian Construction *(Note 5)*	Beneficial owner	35,550 (L)	0.06%
Mr. Chen	Zhongtian Construction *(Note 5)*	Beneficial owner	17,681 (L)	0.03%
Mr. Shen	Zhongtian Construction *(Note 5)*	Beneficial owner	13,834 (L)	0.02%
Mr. Min	Zhongtian Construction *(Note 5)*	Beneficial owner	8,554 (L)	0.01%
Mr. Min	Kaida Apparatus *(Note 6)*	Beneficial owner	RMB76,000 (L)	1.17%

Notes:

(1) The letter "L" denotes a person's "long position" (as defined under Part XV of the SFO) in such Shares.

(2) Our Company will be owned as to approximately 55.62% by ZT (A) immediately after completion of the Capitalisation Issue and the Global Offering (without taking into account any Share that may be allotted and issued upon the exercise of the Over-allotment Option or any option which may be granted under the Share Option Scheme). Under the SFO, ZT (A) is an associated corporation of our Company.

(3) ZT (A) is owned as to approximately 25.24% by Mr. Yang and 3.88% by Ms. Gan Yinghua. Ms. Gan Yinghua is the spouse of Mr. Yang. Mr. Yang is deemed to be interested in all the Shares held by Ms. Gan Yinghua by virtue of the SFO.

(4) ZT (A) is owned as to approximately 1.30% by Mr. Min and 0.37% by Ms. Yang Bingquan (楊冰泉). Ms. Yang Bingquan is the spouse of Mr. Min. Mr. Min is deemed to be interested in all the Shares held by Ms. Yang Bingquan by virtue of the SFO.

(5) Zhongtian Construction is owned as to approximately 99.5% by Hangxiao Materials, which is owned as to approximately 99.99% by Zhaolin Trading, which is an indirect wholly-owned subsidiary of our Company. Under the SFO, Zhongtian Construction is an associated corporation of our Company.

(6) Kaida Apparatus is owned as to approximately 56.99% by Zhongtian Construction. Under the SFO, Kaida Apparatus is an associated corporation of our Company.

(b) Interests and/or short positions of our substantial Shareholders under the SFO

Please refer to the section headed "Substantial Shareholders" in this prospectus for details of the persons (other than a Director or a chief executive of our Company)/corporations who/which will have an interest or short position in the Shares and underlying Shares which would fall to be disclosed to our Company pursuant to Divisions 2 and 3 of Part XV of the SFO, or who/which is, directly or indirectly, to be interested in 10% or more of the issued voting shares of any other member of our Group.

Our Directors are not aware of any persons who will immediately after completion of the Capitalisation Issue and the Global Offering (without taking into account any Share that may be allotted and issued upon the exercise of the Over-allotment Option or any option which may be granted under the Share Option Scheme) have a notifiable interest (for the purposes of the SFO) in the Shares or, having such a notifiable interest, have any short positions (within the meaning of the SFO) in the Shares, other than those as disclosed above.

2. Particulars of Directors' service agreements and appointment letters

(a) Executive Directors

Each of our executive Directors has entered into a service agreement with our Company for an initial fixed term of three years commencing from the Listing Date. The term of service shall be renewed and extended automatically by one year on the expiry of such initial term and on the expiry of every successive period of one year thereafter, unless terminated by either party thereto giving at least three months' written notice of non-renewal before the expiry of the then existing term.

(b) Independent non-executive Directors

Each of the independent non-executive Directors has entered into an appointment letter with our Company for an initial fixed term of one year commencing from the Listing Date. The term of service shall be renewed and extended automatically by one year on the expiry of such initial term and on the expiry of every successive period of one year thereafter, unless terminated by either party thereto giving at least one month's written notice of non-renewal before the expiry of the then existing term.

Save as disclosed above, none of our Directors has or is proposed to have entered into any service agreement or letter of appointment with any member of our Group (excluding agreements expiring or determinable by any member of our Group within one year without the payment of compensation other than statutory compensation).

3. Remuneration of our Directors

During FY2019, FY2020, FY2021 and 3Q2022, the aggregate emoluments paid and benefits in kind granted by our Group to our Directors were approximately RMB869,000, RMB1,104,000, RMB671,000 and RMB495,000, respectively. Please refer to the section headed "Directors and Senior Management — Remuneration of Directors and senior management" for the reason for the increase in the aggregate emoluments paid and benefits in kind granted by our Group to our Directors in FY2020.

During each of FY2019, FY2020, FY2021 and 3Q2022, the aggregate of contributions to pension schemes for our Directors were approximately RMB142,000, RMB141,000, RMB146,000 and RMB156,000, respectively.

During each of FY2019, FY2020, FY2021 and 3Q2022, the aggregate of bonuses paid to or receivable by our Directors which are discretionary or are based on our Company's, our Group's or any member of our Group's performance were approximately RMB371,000, RMB594,000, RMB156,000 and RMB110,000, respectively.

Under the arrangements currently in force, our Company estimates that the aggregate remuneration payable to, and benefits in kind receivable by, our Directors (including the independent non-executive Directors) (excluding discretionary bonus) for FY2023 will be approximately HK$1.0 million.

None of our Directors or any past director(s) of any member of our Group has been paid any sum of money for each of FY2019, FY2020, FY2021 and 3Q2022 (a) as an inducement to join or upon joining our Company; or (b) for loss of office as a 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.

There has been no arrangement under which a Director has waived or agreed to waive any emolument for each of FY2019, FY2020, FY2021 and 3Q2022.

Under the arrangements currently proposed, conditional upon Listing, the basic annual remuneration (excluding payment pursuant to any discretionary benefit or bonus or other fringe benefits) payable by our Company to each of our Directors will be as follows:

	HK$
Executive Directors	
Mr. Yang	144,000
Mr. Liu	138,000
Mr. Chen	120,000
Mr. Shen	120,000
Mr. Min	132,000
Independent non-executive Directors	
Dr. Liu Jianlong	120,000
Ms. Deng Jianhua	120,000
Mr. Lau Kwok Fai Patrick	165,600

Each of our executive Directors and independent non-executive Directors is entitled to reimbursement of all necessary and reasonable out-of-pocket expenses properly incurred in relation to all business and affairs carried out by our Company from time to time or for providing services to our Company or executing their functions in relation to our Company's business and operations.

Save as disclosed above, no other emoluments have been paid or are payable, in respect of each of FY2019, FY2020, FY2021 and 3Q2022 by our Company to our Directors.

4. Related Party Transactions

Details of the related party transactions are set out under note 35 to the Accountants' Report set out in Appendix I to this prospectus.

5. Disclaimers

(a) Save as disclosed in the paragraph headed "C. Further Information about our Directors and Substantial Shareholders — 1. Disclosure of Interest" in this appendix, none of our Directors or chief executive has any interest or short position in any of the Shares, underlying Shares or debentures of our Company or any of the associated corporation (within the meaning of Part XV of the SFO), immediately after the completion of the Capitalisation Issue and the Global Offering, without taking into account any Share to be allotted and issued upon the exercise of any option which may be granted under the Share Option Scheme, which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any of them is 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 as referred to therein or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, in each case once the Shares are listed.

(b) Save as disclosed in the paragraph headed "C. Further Information about our Directors and Substantial Shareholders — 1. Disclosure of Interest" in this appendix, our Directors are not aware of any person (other than our Directors or the chief executive of our Company) who will, immediately after the completion of the Capitalisation Issue and the Global Offering (without taking into account any Share to be allotted and issued upon the exercise of any option which may be granted under the Share Option Scheme), have an interest or short position in the Shares or underlying Shares which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO, or who will, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group.

(c) None of our Directors or the experts under the paragraph headed "E. Other Information — 7. Qualifications of Experts" in this appendix has been directly or indirectly interested in the promotion of, or in any asset(s) which has or have been, within the two years immediately preceding the date of this prospectus, 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.

(d) None of our Directors nor the experts named under the paragraph headed "E. Other Information — 7. Qualifications of Experts" in this appendix below is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to our Company's business.

(e) None of the experts named under the paragraph headed "E. Other Information — 7. Qualifications of Experts" in this appendix below has any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

D. SHARE OPTION SCHEME

1. Summary of terms of the Share Option Scheme

(a) Purpose of the Share Option Scheme

The purpose of the Share Option Scheme is to enable our Group to grant options to the eligible participants as incentive or rewards for their contribution to our Group and/or to enable our Group to recruit and retain high-calibre employees and attract human resources that are valuable to our Group.

(b) Who may join

Our Directors shall, in accordance with the provisions of the Share Option Scheme and the Listing Rules, be entitled but shall not be bound at any time within a period of 10 years commencing from the date of the adoption of the Share Option Scheme to make an offer to any of the following classes:

(i) any Directors and employees of our Group (including persons who are granted options under the Share Option Scheme as an inducement to enter into employment contracts with any member of our Group) ("**Employee Participants**");

(ii) directors and employees of the holding companies, fellow subsidiaries or associated companies of our Company ("**Related Entity Participants**"); and

(iii) persons who provide services to our Group on a continuing or recurring basis in its ordinary and usual course of business which are in the interests of the long term growth of our Group, which may include persons who work for the member of our Group as independent contractors where the continuity and frequency of his/her service is akin to those of employees ("**Service Providers**"), but excluding any (i) placing agents or financial advisers providing advisory services for fundraising, mergers or acquisitions and (ii) professional service providers such as auditors or valuers who provide assurance, or are required to perform their services with impartiality and objectivity.

and, for the purpose of the Share Option Scheme, the offer for the grant of an option may be made to any company wholly-owned by one or more eligible participants.

For the avoidance of doubt, the grant of any option by our Company for the subscription of Shares or other securities of our Group to any person who falls within any of the above classes of eligible participants shall not, by itself, unless our Directors otherwise determine, be construed as a grant of option under the Share Option Scheme.

The eligibility of any of the eligible participants to an offer shall be determined by our Directors from time to time on the basis of our Directors' opinion as to such eligible participants' experience in the business of our Group, the length of his/her service with our Group, his/her contribution to the development and growth of our Group and other factors as our Directors may at their discretion consider appropriate. In assessing the eligibility of any Service Provider and whether such Service Provider provides services on a continuing or recurring basis in the ordinary and usual course of business of our Group, our Directors shall consider all relevant factors as appropriate from time to time, including (i) the experience of the Service Provider; (ii) the types of services that the Service Provider had provided to our Group; (iii) the period of engagement of the Service Provider; (iv) the contribution and/or future contribution of the Service Provider to the development and growth of our Group.

(c) Maximum number of Shares

(i) The total number of Shares which may be allotted and issued in respect of all options to be granted under the Share Option Scheme and any other share option schemes and share award schemes of our Group shall not in aggregate exceed 10% of the total number of Shares (assuming that the Over-allotment Option is not exercised) in issue at the time dealings in our Shares first commence on the Stock Exchange, being 48,000,000 Shares ("**Scheme Mandate Limit**") unless our Company obtains an approval from our Shareholders pursuant to paragraphs (iii) and (iv) below. The options which are cancelled or lapsed in accordance with the terms of the Share Option Scheme and any other share option scheme(s) or share award scheme(s) of our Company shall be regarded as utilised for the purpose of calculating the Scheme Mandate Limit.

(ii) Subject to paragraph (i), the total number of Shares which may be allotted and issued in respect of all Options to be granted under the Share Option Scheme and any other share option scheme(s) and share award scheme(s) of our Group to Service Providers shall be within the Scheme Mandate Limit and must not in aggregate exceed one (1) per cent of the total number of Shares (assuming the Over-allotment Option (as defined in this prospectus)) in issue at the time dealings in the Shares first commence on the Stock Exchange ("**Service Provider Sublimit**") unless our Company obtains an approval from our Shareholders pursuant to paragraphs (iii) and (iv) below.

(iii) Without prejudice to (iv) below, our Company may seek approval of our Shareholders in a general meeting to refresh the Scheme Mandate Limit and Service Provider Sublimit after three years from the approval of our Shareholders for the adoption of this Scheme or the last refreshment.

(iv) Any refreshment within any three year period must be approved by our Shareholders subject to:

(a) any controlling shareholders and their associates (or if there is no controlling shareholder, Directors (excluding independent non-executive Directors) and the chief executive of our Company and their respective associates) must abstain from voting in favour of the relevant resolution at the general meeting; and

(b) our Company must comply with the requirements under Rules 13.39(6) and (7), 13.40, 13.41 and 13.42 of the Listing Rules.

The requirements under paragraphs (a) and (b) above do not apply if the refreshment is made immediately after an issue of securities by our Company to our Shareholders on a pro rata basis as set out in Rule 13.36(2)(a) of the Listing Rules such that the unused part of the scheme mandate (as a percentage of the relevant class of shares in issue) upon refreshment is the same as the unused part of the scheme mandate immediately before the issue of securities, rounded to the nearest whole share.

(v) The total number of Shares which may be allotted and issued upon exercise of all options to be granted under the Share Option Scheme and any other share option scheme and share award schemes of our Company under the Scheme Mandate Limit as refreshed shall not exceed 10% of the Shares in issue as at the date of the approval of the limit.

(vi) Our Company may seek separate Shareholders' approval in a general meeting to grant options under the Share Option Scheme beyond the Scheme Mandate Limit, or if applicable, the extended limit referred to in (iii) or (iv) above to eligible participants identified by our Company before such approval is sought. The number and terms of options or awards to be granted to such eligible participant must be fixed before

Shareholders' approval. In respect of any options to be granted, the date of the board meeting for proposing such grant should be taken as the date of grant for the purpose of calculating the subscription price.

(d) Maximum entitlement of each eligible participant

Subject to (e) below, the total number of Shares issued and which may fall to be issued upon exercise of any option which may be granted under the Share Option Scheme and any option or awards which may be granted under any other share option scheme and share award scheme of our Group (including both exercised or outstanding options but excluding any options and awards lapsed in accordance with the terms of the scheme) to each grantee in any 12-month period up to and including the date of such grant shall not exceed 1% of the issued share capital of our Company for the time being ("**1% Individual Limit**"). Where any further grant of options under the Share Option Scheme to a grantee under the Share Option Scheme would result in the Shares issued and to be issued upon exercise of all options and awards granted and proposed to be granted to such person (including exercised, cancelled and outstanding options but excluding any options and awards lapsed in accordance with the terms of the scheme) under the Share Option Scheme and any other share option schemes and share award scheme of our Group in the 12-month period up to and including the date of such further grant exceeding the 1% Individual Limit, such further grant must be separately approved by our Shareholders in a general meeting with such grantee and their close associates (or his associates if the participant is a connected person) abstaining from voting. The number and terms of the options to be further granted to such Grantee must be fixed before shareholders' approval. In respect of any options to be further granted, the date of the board meeting for proposing such further grant should be taken as the date of grant for the purpose of calculating the subscription price.

(e) Grant of options to core connected persons

(i) Without prejudice to (ii) below, the making of an offer under the Share Option Scheme to any Director, chief executive or Substantial Shareholder of our Company or any of their respective associates must be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of an option under the Share Option Scheme).

(ii) Without prejudice to (i) above, where any grant of options under the Share Option Scheme to an independent non-executive Director or a Substantial Shareholder or any of their respective associates, would result in the Shares issued and to be issued upon exercise of all options under the Share Option Scheme already granted and to be granted (including options exercised, cancelled and outstanding but excluding any options and awards lapsed in accordance with the terms of the scheme) to such person in the 12-month period up to and including the date of such grant representing in aggregate over 0.1% of our Shares in issue.

Such further grant of options must be approved by our Shareholders in general meeting. The grantee, his associates and all core connected persons of our Company must abstain from voting in favour at such general meeting. Any change in the terms of options granted to a participant who is a director, chief executive or substantial shareholder of our Company, or any of their respective associates, must be approved by our Shareholders in the manner as set out in this paragraph if the initial grant of the Options requires such approval (except where the changes take effect automatically under the existing terms of this Scheme).

For the purpose of seeking the approval of our Shareholders under paragraphs (c), (d) and (e) above, our Company must send a circular to our Shareholders containing the information required under the Listing Rules and where the Listing Rules shall so require, the vote at our Shareholders' meeting convened to obtain the requisite approval shall be taken on a poll with those persons required under the Listing Rules abstaining from voting.

(f) Time of acceptance and exercise of an option

An offer under the Share Option Scheme may remain open for acceptance by the eligible participants concerned (and by no other person) for a period of up to 21 days from the date, which must be a Business Day, on which the offer is made.

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined and notified by our Directors to the grantee but in any event shall not be more than ten (10) years from the offer date of that option.

An offer shall have been accepted by an eligible participant in respect of all Shares which are offered to such eligible participant when the duplicate letter comprising acceptance of the offer duly signed by the eligible participant 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 such time as may be specified in the offer (which shall not be later than 21 days from the offer date). Such remittance shall in no circumstances be refundable.

Any offer may be accepted by an eligible participant in respect of less than the number of Shares which are offered provided that it is accepted in respect of a board lot for dealings in the Shares on the Main Board or an integral multiple thereof and such number is clearly stated in the duplicate letter comprising acceptance of the offer duly signed by such eligible participant and received by our Company together with a remittance in favour of our Company of HK$1.00 by way of consideration for the grant thereof within such time as may be specified in the offer (which shall not be later than 21 days from the offer date). Such remittance shall in no circumstances be refundable.

(g) Vesting Period and performance targets

The vesting period for Options shall be determined by the Board and in any case, shall not be less than twelve (12) months. A shorter vesting period may be granted to an Employee Participant at the discretion of the Board in the following circumstances:

(i) grants of ''make-whole'' options to new joiners to replace the share awards they forfeited when leaving the previous employer;

(ii) grants of options to an Employee Participant whose employment is terminated due to death or disability or occurrence of any out of control event;

(iii) grants of options with performance-based vesting conditions in lieu of time-based vesting criteria;

(iv) grants of options that are made in batches during a year for administrative and compliance reasons;

(v) grants of options with a mixed or accelerated vesting schedule such as where the option may vest evenly over a period of 12 months; and

(vi) grants of options with a total vesting and holding period of more than 12 months.

The Board may determine and set any performance targets, which shall be stated in the offer to the grantee, to be attained before the exercise of an option granted to the grantee as the Board may think fit. Such performance targets may include: (i) aggregate amount of revenue or business generated by the specific grantee during a financial year; (ii) annual growth on the revenue of our Group as compared to the immediately preceding financial year; or (iii) any measurable performance benchmark which the Board considers is relevant to the grantee.

(h) Subscription price for Shares

The subscription price in respect of any option shall, subject to any adjustments made pursuant to paragraph(s) below, be at the discretion of our Directors, provided that it shall not be less than the highest of:

(i) the closing price of our Shares as stated in the Stock Exchange's daily quotations sheet for trade in one or more board lots of the Shares on the offer date;

(ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five Business Days immediately preceding the offer date; and

(iii) the nominal value of a Share.

(i) Ranking of Shares

Shares to be allotted and issued upon the exercise of an option will be subject to all the provisions of the Articles of Association of our Company for the time being in force and will rank equally in all respects with the then existing fully paid Shares in issue on the date on which the option is duly exercised or, if that date falls on a day when the register of members of our Company is closed, the first day of the re-opening of the register of members (the "**Exercise Date**") and accordingly will entitle the holders thereof to participate in all dividends or other distributions paid or made on or after the Exercise Date other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor shall be before the Exercise Date. A 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 on the register of members of our Company as the holder thereof.

(j) Restrictions on the time of grant of options

For so long as our Shares are listed on the Stock Exchange, an offer may not be made after inside information has come to our Company's knowledge until it has announced the information. In particular, during the period commencing one month immediately preceding the earlier of (i) 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 our Company's result for any year, half-year, quarter-year or any other interim period (whether or not required under the Listing Rules); and (ii) the deadline for our Company to announce its results for any year, half-year, quarter-year period or any other interim period (whether or not required under the Listing Rules), and ending on the date of the results announcement, no offer for the grant of an option may be made.

Our Directors may not make any offer to an eligible participant who is a Director during the periods or times in which our Directors are prohibited from dealing in Shares under such circumstances as prescribed by the Listing Rules or any corresponding code or securities dealing restrictions adopted by our Company.

(k) Period of the Share Option Scheme

The Share Option Scheme will remain in force for a period of 10 years commencing on the date on which the Share Option Scheme is adopted.

(l) Rights of ceasing employment

If the grantee is an Employee Participant and in the event of his ceasing to be an Employee Participant for any reason other than his death, ill-health or retirement in accordance with his contract of employment or the termination of his employment on one or more of the grounds specified in (n) below before exercising the option in full, the option (to the extent not already exercised) shall lapse on the date of cessation or termination and not be exercisable unless our Directors otherwise determine in which event the grantee may exercise the option (to the extent not already exercised) in whole or in part within such period as our Directors may determine following the date of such cessation or termination. The date of cessation or termination as aforesaid shall be the last day on which the grantee was actually at work with our Company or the relevant subsidiary whether salary is paid in lieu of notice or not.

(m) Rights on death, ill-health or retirement

If the grantee is an Employee Participant and in the event of his ceasing to be an Employee Participant by reason of his death, ill-health or retirement in accordance with his contract of employment before exercising the option in full, his personal representative(s) or, as appropriate, the grantee may exercise the option (to the extent not already exercised) in whole or in part within a period of 12 months following the date of cessation of employment which date shall be the last day on which the grantee was at work with our Company or the relevant subsidiary whether salary is paid in lieu of notice or not.

(n) Rights on dismissal

In respect of a grantee who is an Employee Participant, the date on which the grantee ceases to be an Employee Participant by reason of termination of his employment on the grounds that he has been guilty of persistent or serious misconduct, or has committed any act of bankruptcy or has become insolvent or has made any arrangement or composition with his creditors generally, or has been convicted of any criminal offence (other than an offence which in the opinion of our

Directors does not bring the grantee or our Group into disrepute), such option (to the extent not already exercised) shall lapse automatically and shall not in any event be exercisable on or after the date of cessation to be an Employee Participant.

(o) Rights on breach of contracts

In respect of a grantee other than an Employee Participant, the date on which our Directors shall at their absolute discretion determine that (i) (1) such grantee has committed any breach of any contract entered into between such grantee on the one part and our Group on the other part; or (2) such grantee has committed any act of bankruptcy or has become insolvent or is subject to any winding-up, liquidation or analogous proceedings or has made any arrangement or composition with his creditors generally; or (3) such grantee could no longer make any contribution to the growth and development of our Group by reason of the cessation of its relations with our Group or by any other reason whatsoever; and (ii) the option shall lapse as a result of any event specified in sub-paragraph (i)(1) to (3).

(p) Rights on a general offer, a compromise or an arrangement

If a general or partial offer, whether by way of take-over offer, share re-purchase offer, or scheme of arrangement or otherwise in like manner is made to all the holders of the 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, our Company shall use all reasonable endeavours to procure that such offer is extended to all the grantees on the same terms, mutatis mutandis, and assuming that they will become, by the exercise in full of the options granted to them, our Shareholders. If such offer becomes or is declared unconditional or such scheme of arrangement is formally proposed to our Shareholders, the grantee shall, notwithstanding any other terms on which his/her option was granted, be entitled to exercise the option (to the extent not already exercised) to its full extent or to the extent specified in the grantee's notice to our Company in exercise of his option at any time thereafter and up to the close of such offer (or any revised offer) or the record date for entitlements under scheme of arrangement, as the case may be. Subject to the above, an option will lapse automatically (to the extent not exercised) on the date on which such offer (or, as the case may be, revised offer) closes.

(q) Rights on winding-up

In the event of a resolution being proposed for the voluntary winding-up of our Company during the option period, the grantee may, subject to the provisions of all applicable laws, by notice in writing to our Company at any time not less than two Business Days before the date on which such resolution is to be considered and/or passed, exercise his option (to the extent not already exercised) either to its full extent or to the extent specified in such notice in accordance with the provisions of the Share Option Scheme and our Company shall allot and issue to the grantee the Shares in respect of which such grantee has exercised his option not less than one Business Day before the date on which such resolution is to be considered and/or passed whereupon he shall accordingly be entitled, in respect of the Shares allotted and issued to him in the aforesaid manner, to participate in the distribution of the assets of our Company available in liquidation equally with the holders of the Shares in issue on the day prior to the date of such resolution. Subject thereto, all options then outstanding shall lapse and determine on the commencement of the winding-up of our Company.

(r) Grantee being a company wholly-owned by eligible participants

If the grantee is a company wholly-owned by one or more eligible participants:

(i) the provisions of paragraphs (m), (l), (n) and (o) above shall apply to the grantee and to the option granted to such grantee, mutatis mutandis, as if such option had been granted to the relevant eligible participant, and such option shall accordingly lapse or fall to be exercisable after the event(s) referred to in paragraphs (m), (l), (n) and (o) above shall occur with respect to the relevant eligible participant; and

(ii) the options granted to the grantee shall lapse and determine on the date the grantee ceases to be wholly-owned by the relevant eligible participant provided that our Directors may in their absolute discretion decide that such options or any part thereof shall not so lapse or determine subject to such conditions or limitations as they may impose.

(s) Adjustment of the subscription price

In the event of any alteration in the capital structure of our Company whilst any option remains exercisable or the Share Option Scheme remains in effect, and such event arises from a capitalisation issue, rights issue, consolidation or sub-division of the Shares, or reduction of the share capital of our Company, then, in any such case our Company shall instruct the auditors or an independent financial adviser to certify in writing the adjustment, if any, that ought in their opinion fairly and reasonably to be made either generally or as regards any particular grantee, to:

(i) the number or nominal amount of Shares to which the Share Option Scheme or any option(s) relate(s) (insofar as it is/they are unexercised); and/or

(ii) the subscription price of any option; and/or

(iii) (unless the relevant grantee elects to waive such adjustment) the number of Shares comprised in an option or which remain comprised in an option,

and an adjustment as so certified by the auditors or such independent financial adviser shall be made, provided that:

(i) any such adjustment shall give the grantee the same proportion of the issued share capital of our Company (as interpreted in accordance with the supplemental guidance attached to the letter from the Stock Exchange dated 5 September 2005 to all issuers relating to share option schemes), rounded to the nearest whole share, for which such grantee would have been entitled to subscribe had he exercised all the options held by him immediately prior to such adjustment;

(ii) no such adjustment shall be made the effect of which would be to enable a Share to be issued at less than its nominal value;

(iii) the issue of Shares or other securities of our Group as consideration in a transaction shall not be regarded as a circumstance requiring any such adjustment; and

(iv) any such adjustment shall be made in compliance with the Listing Rules and such rules, codes and guidance notes of the Stock Exchange from time to time.

In respect of any adjustment referred to above, other than any adjustment made on a capitalisation issue, the auditors or such independent financial adviser must confirm to our Directors in writing that the adjustments satisfy the relevant provisions of the Listing Rules and the supplemental guidance attached to the letter from the Stock Exchange dated 5 September 2005 to all issuers relating to share option schemes.

(t) Cancellation of options

Subject to the provisions in the Share Option Scheme and the Listing Rules, any option granted may not be cancelled except with the prior written consent of the relevant grantee and the approval of our Directors.

Where our Company cancels any option granted to a grantee but not exercised and issues new option(s) to the same grantee, the issue of such new option(s) may only be made with the available Scheme Mandate Limit, the Service Provider Sublimit or the limits approved by our Shareholders pursuant to paragraph (c)(iii) or (c)(iv) above (excluding, for this purpose, the options so cancelled).

(u) Termination of the Share Option Scheme

Our Company by an ordinary resolution in a general meeting may at any time terminate the operation of the Share Option Scheme and in such event no further options will be offered but in all other respects the provision of the Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any option (to the extent not already exercised) granted prior thereto or otherwise as may be required in accordance with the provisions of the Share Option Scheme and options (to the extent not already exercised) granted prior to such termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.

(v) Rights are personal to grantee

An option shall be personal to the grantee and shall not be transferable or assignable, and no grantee shall in any way sell, transfer, charge, mortgage, encumber or otherwise dispose of or create any interest whatsoever in favour of any third party over or in relation to any option or enter into any agreement so do so, unless a waiver is granted by the Stock Exchange allowing the transfer of the option to a vehicle for the benefit of the grantee and any family members of such grantee for estate planning and tax planning purposes that would continue to meet the purpose of the Share Option Scheme and the Listing Rules. Any breach of the foregoing by a grantee shall entitle our Company to cancel any option granted to such grantee to the extent not already exercised.

(w) Lapse of option

An option shall lapse automatically (to the extent not already exercised) on the earliest of (i) the expiry of the option period in respect of such option; (ii) the expiry of the periods or dates referred to in paragraphs (l), (m), (n), (o), (p), (q) and (r) above; or (iii) the date on which our Directors exercise our Company's right to cancel the option by reason of paragraph (v) above.

(x) Others

(i) The Share Option Scheme is conditional upon:

(1) the Stock Exchange granting the listing of and permission to deal in such number of Shares representing the Scheme Mandate Limit to be allotted and issued by our Company pursuant to the exercise of options in accordance with the terms and conditions of the Share Option Scheme; and

(2) the passing of the necessary resolution to approve and adopt the Share Option Scheme in a general meeting or by way of written resolution of our Shareholders.

(ii) Any alterations to the provisions of the Share Option Scheme relating to the matters governed by Rule 17.03 of the Listing Rules to the advantage of grantees or prospective grantees must be approved by our Shareholders in general meeting, provided that no such alteration shall operate to affect adversely the terms of issue of any option granted or agreed to be granted prior to such alteration except with the consent or sanction of such majority of the grantees as would be required of the holders of the Shares under the Articles of Association for the time being of our Company for a variation of the rights attached to the Shares.

(iii) Subject to paragraph (v) below, change to the terms of options granted to a participant must be approved by the Board, the Remuneration Committee, the independent non-executive Directors and/or our Shareholders (as the case may be) if the initial grant of the options was approved by the Board, the Remuneration Committee, the independent non-executive Directors and/or our Shareholders (as the case may be) except where the alterations take effect automatically under the existing terms of the Share Option Scheme.

(iv) The terms of the Share Option Scheme and/or any option amended must comply with the applicable requirements of the Listing Rules.

(v) Any change to the authority of our Directors or the administrators of the Share Option Scheme in relation to any alteration to the terms of the Share Option Scheme must be approved by our Shareholders in a general meeting.

2. Present status of the Share Option Scheme

Application has been made to the Stock Exchange for the listing of and permission to deal in the Shares to be within the Scheme Mandate Limit pursuant to the exercise of options which may be granted under the Share Option Scheme.

As at the date of this prospectus, no option has been granted or agreed to be granted under the Share Option Scheme.

E. OTHER INFORMATION

1. Tax and other indemnities

Our Controlling Shareholder and Zhongtian Holdings (collectively, the "**Indemnifiers**") have, under a Deed of Indemnity as referred to in paragraph (c) of the paragraph headed "B. Further Information about the Business of our Group — 1. Summary of Material Contracts" in this appendix, given joint and several indemnities to our Company (for ourselves and as trustee for and on behalf of our Company's subsidiaries) in connection with, among other things:

(a) any taxation (including estate duty) falling on any member of our Group resulting from or by reference to any income, profits, gains, transactions (including but not limited to any transactions involved in the Reorganisation), events, matters or things earned, accrued, received, entered into (or deemed to be so earned, accrued, received or entered into) or occurring on or before the date on which the Global Offering becomes unconditional; and

(b) all costs which any member of our Group may incur, suffer or accrue, directly or indirectly, from or on the basis of or in connection with (i) any litigation, arbitrations, claims (including counter-claims), complaints, demands and/or legal proceedings instituted by or against any member of our Group in relation to events occurred on or before the date on which the Global Offering becomes unconditional and (ii) any alleged or actual violation or breach or non-compliance by any member of our Group with any laws, regulations, rules or administrative orders or measures in Hong Kong, the PRC or other applicable jurisdictions on or before the date on which the Global Offering becomes unconditional, if any.

The Indemnifiers will, however, not be liable under the Deed of Indemnity to the extent that, among others:

- in relation to items (a) and (b) above, provision has been made for such liability in the audited consolidated accounts of our Company or any member of our Group for the Track Record Period;

- in relation to item (a) above, the taxation liability arises or is incurred as a result of a retrospective change in law or a retrospective increase in tax rates coming into force after the date on which the Global Offering becomes unconditional; or

- in relation to item (a) above, the taxation liability arises in the ordinary course of business of any member of our Group after the date on which the Global Offering becomes unconditional.

Our Directors have been advised that no material liability for estate duty under the laws of the Cayman Islands and BVI is likely to fall on our Group, and the estate duty under the laws of Hong Kong has been abolished.

2. Legal proceedings/Litigation

To the best knowledge of our Directors, save as disclosed in the section headed "Business — Legal and regulatory — Legal proceedings" in this prospectus, as at the Latest Practicable Date, neither our Company nor any of our Company's subsidiaries was engaged in any litigation, arbitration or claims of material importance, and no litigation, arbitration or claim of material importance is known to our Directors to be pending or threatened by or against our Company or any member of our Group, that would have a material adverse effect on the results of operations or financial condition.

3. Application for listing of Shares

Our Company has applied to the Listing Committee for the listing of, and the permission to deal in, the Shares in issue and to be issued pursuant to the Capitalisation Issue and the Global Offering as mentioned herein (including the additional Shares which may be issued upon full exercise of the Over-allotment Option) and the Shares to be issued upon exercise of any option which may be granted under the Share Option Scheme). All necessary arrangements have been made to enable the securities to be admitted into CCASS.

4. Compliance Adviser

In accordance with the requirements of the Listing Rules, our Company has appointed Grande Capital as our compliance adviser to provide advisory services to our Company to ensure compliance with the Listing Rules for a period commencing on the Listing Date and ending on the date on which our Company complies with Rule 13.46 of the Listing Rules in respect of the financial results for the first full financial year commencing after the Listing Date.

5. Preliminary expenses

The estimated preliminary expenses are approximately HK$42,000 and had been paid by our Company.

6. Promoter

(a) We do not have any promoter.

(b) Within the two years immediately preceding the date of this prospectus, no amount or benefit has been paid or given to any promoter of our Company in connection with the Global Offering or the related transactions described in this prospectus.

7. Qualifications of experts

The following are the qualifications of the experts who have given opinion or advice which are contained in this prospectus, and have given and have not withdrawn their written consent to the issue of this prospectus with the inclusion of their letter, report, and/or valuation certificate opinion and/or references to their names (as the case may be), all of which are dated the date of this prospectus, in the form and context in which they respectively appear in this prospectus:

Name	Qualifications
Grande Capital Limited	A licensed corporation to carry on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO
BDO Limited	Certified Public Accountants
Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.	Industry consultant
Beijing Dentons Law Offices, LLP (Shenzhen)	Legal advisers to our Company as to PRC laws
Hunan Dongsheng Law Firm* (湖南東盛律師事務所)	Legal advisers to our Company as to PRC laws in respect of construction matters in the PRC
Appleby	Legal advisers to our Company as to Cayman Islands laws
Ms. Queenie W.S. Ng	Barrister-at-law of Hong Kong

8. Consents of experts

Each of the abovementioned experts has given and has not withdrawn their respective consent to the issue of this prospectus with the inclusion of its report and/or letter and/or legal opinion (as the case may be) and reference to its name included in the form and context in which it respectively appears.

9. Fees of the Sole Sponsor

The Sole Sponsor will receive a sponsorship, financial advisory and documentation fee of a total amount of HK$5,050,000 in relation to the Listing and will be reimbursed for their expenses.

10. Independence of the Sole Sponsor

Neither the Sole Sponsor nor any of its close associates has accrued any material benefit as a result of the successful outcome of the Global Offering, other than the following:

(a) by way of sponsorship, financial advisory and documentation fee to be paid to the Sole Sponsor for acting as the sponsor of the Listing;

(b) by way of the compliance advisory fee to be paid to Grande Capital as our compliance adviser pursuant to the requirements under Rule 3A.19 of the Listing Rules; and

(c) Joint Overall Coordinators' fee and/or the underwriting commission to be paid to the Sole Sponsor for acting as the Joint Overall Coordinator and Underwriter to the Global Offering.

No director or employee of the Sole Sponsor who is involved in providing advice to our Company has or may have, as a result of the Listing, any interest in any class of securities of our Company or any of our Company's subsidiaries. None of the directors and employees of the Sole Sponsor has any directorship in our Company or any member of our Group. The Sole Sponsor is independent from our Group under Rule 3A.07 of the Listing Rules.

11. Binding effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

12. Miscellaneous

(a) Within the two years immediately preceding the date of this prospectus:

(i) save as disclosed in the section headed "History, Reorganisation and Corporate Structure" in this prospectus, no share or loan capital of our Company or any of its subsidiaries has been allotted and issued, agree to be allotted and issued or is proposed to be allotted and issued fully or partly paid either for cash or for a consideration other than cash; and

(ii) save as disclosed in the section headed "Underwriting" in this prospectus, no commission, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of our Company or any of our Company's subsidiaries and no commission (excluding sub-underwriters' commission) has been paid or payable for subscribing or agreeing to subscribe or procuring or agreeing to procure subscription for any Share or any of our Company's subsidiaries.

(b) No founder, management or deferred shares of our Company have been allotted and issued or agreed to be allotted and issued.

(c) Save as disclosed in the paragraph headed "D. Share Option Scheme" in this appendix, no share, warrant or loan capital of our Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option.

(d) Our Company has no outstanding convertible debt securities.

(e) There is no arrangement under which future dividends are waived or agreed to be waived.

(f) Our Directors confirm that, up to the date of this prospectus, there has been no material adverse change in the financial or trading position or prospects of our Group since 30 September 2022, being the end of the period reported on the Accountants' Report set out in Appendix I to this prospectus.

(g) Our Directors confirm that there has not been any interruption in the business of our Group which may have or have had a significant effect on the financial position of our Group in the 12 months immediately preceding the date of this prospectus.

13. Bilingual Prospectus

Pursuant to section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong), the English language and Chinese language versions of this prospectus are being published separately but are available to the public at the same time at each place where this prospectus is distributed by or on behalf of our Company.

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were:

1. a copy of the **Green** Application Form;

2. the written consents as referred to in the paragraph headed "E. Other information — 8. Consents of experts" in Appendix V to this prospectus; and

3. copies of the material contracts as referred to in the paragraph headed "B. Further information about the business of our Group — 1. Summary of material contracts" in Appendix V to this prospectus.

DOCUMENTS AVAILABLE ON DISPLAY

Copies of the following documents will be available on display on the Stock Exchange's website at ***www.hkexnews.hk*** and our website at ***www.ztcon.com*** up to and including the date which is 14 days from the date of this prospectus:

1. the Memorandum and the Articles of Association;

2. the Accountants' Report, the text of which is set out in Appendix I to this prospectus;

3. the audited financial statements of our Group for the Track Record Period;

4. the report from BDO Limited on the unaudited pro forma financial information of our Group, the text of which is set out in Appendix II to this prospectus;

5. the letter of advice prepared by Appleby summarising certain aspects of Cayman Islands company law as referred to in Appendix IV to this prospectus;

6. the legal opinions prepared by our PRC Legal Advisers;

7. the legal opinions prepared by our PRC Construction Legal Advisers;

8. the legal opinion prepared by Ms. Queenie W.S. Ng;

9. the industry report prepared by Frost & Sullivan;

10. the Companies Act;

11. the rules of the Share Option Scheme;

12. the material contracts as referred to in the paragraph headed "B. Further information about the business of our Group — 1. Summary of material contracts" in Appendix V to this prospectus;

13. the service agreements and letters of appointment as referred to in the paragraph headed "C. Further information about our Directors and Substantial Shareholders — 2. Particulars of Directors' service agreements and appointment letters" in Appendix V to this prospectus; and

14. the written consents as referred to in the paragraph headed "E. Other information — 8. Consents of experts" in Appendix V to this prospectus.

Zhongtian Construction (Hunan) Group Limited

中天建設(湖南)集團有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 2433