***An investment in our Shares involves various risks. You should carefully consider the following information about risks, together with the other information contained in this* [REDACTED]*, including our consolidated financial statement and related notes, before you decide to purchase our Shares. If any of the circumstances or events described below actually arises or occurs, our business, results of operations, financial condition and prospects would likely suffer. In any such case, the market price of our Shares could decline, and you may lose all or part of your investment. This* [REDACTED] *also contains forward-looking information that involves risks and uncertainties. Our actual results could differ materially from those anticipated in the forward-looking statements as a result of many factors, including the risks described below and elsewhere in this* [REDACTED].**

The most significant risks and uncertainties we face can be categorized into: (i) risks relating to our business and industry; (ii) risks relating to conducting business in the PRC; and (iii) risks relating to the [**REDACTED**] and the [**REDACTED**].

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

Any economic slowdown or decrease in general economic activities may result in weakness and volatility in our end markets and adversely affect our business, results of operations, financial condition, and prospects.

Our equipment operation services are highly correlated with construction and industrial activities, which are cyclical in nature and could be affected, to various extents, by the macro economy. The nature, timing and extent of changes in industry-wide conditions are unpredictable. Any economic slowdown or decrease in general economic activities may result in a decline in construction and industrial activities, which may in turn result in a downturn in activities in our industry. In the event of an industry downturn, unfavorable economic and market conditions may lead to a decline in the demand for our equipment operation services, and an increase in the possibility of our customers' default, which may, in turn, materially and adversely affect our business, financial condition, and results of operations.

The following factors during an economic downturn, among others, may result in weakness in our end markets, either temporarily or in the long term, which could in turn materially and adversely affect our results of operations:

- a decrease in the demand of our customers for our services;
- an increase in the repair and maintenance costs of our equipment, costs of construction materials or other raw materials, and labor costs;

- suspension of some of our ongoing projects;
- an increase in default risks of our customers or counterparties;
- a decrease in expected levels of infrastructure spending;
- excess fleet in equipment production in the manufacturing industry;
- a lack of availability of credit facilities to us from financial institutions;
- volatility in interest rates of our credit facilities;
- inability to effectively execute our business plans and strategies; and
- public health crises and epidemics, such as COVID-19.

In addition, our business, financial condition and results of operations are subject to the evolving macroeconomic policies in China, including monetary and industry policies. If we fail to promptly respond to such policy changes, our business, results of operations, financial condition, and prospects may be adversely affected.

Significant fluctuations in the rental prices of our equipment for lease may adversely affect our business.

During the Track Record Period, we derived a large portion of revenue from our operating lease services. For the years ended December 31, 2020, 2021 and 2022, revenue derived from operating lease services amounted to RMB2,484.6 million, RMB4,463.3 million and RMB5,189.9 million, respectively, accounting for 67.8%, 72.7% and 65.9% of our revenue for the corresponding years, respectively. Our portfolio of leased assets comprises various types of equipment. Significant fluctuations in the rental prices of such leased equipment may adversely affect our operating lease services. Rental prices of equipment used for lease are affected by, among others, overall purchase price, relevant utilization rate, and market demand of such equipment. If there are significant fluctuations in the rental prices of leased equipment, lessees' demands for such equipment may drop significantly, which could in turn lead to lower demands for our operating lease services. In addition, if the lessee defaults on its payment obligations, we may have to locate alternative customers, which could have a material adverse impact on our business, results of operations, and financial condition.

Our performance is subject to seasonality.

We experience seasonality in our business. As our operating lease services and engineering and technical services are primarily performed on construction sites, our services are affected by seasonal weather conditions. For example, in northern part of China, we cannot conduct most of our operating lease services in the first quarter of the year due to the extreme cold weather. Further, we may also experience seasonal fluctuation in our revenue and operating income in the first quarter of the year as a result of the Chinese New Year, which in turn, reduces the business activities and labor force in the market. As such, any comparisons of our operating results between different periods within a single financial year are not necessarily meaningful and cannot be relied on as indicators of our performance. Our financial condition and results of operations for future periods may continue to fluctuate, from time to time, due to seasonality.

Our operating lease services depends on whether we can maintain or increase the utilization rate of our equipment, and we may not be able to lease our equipment on favorable terms.

Our ability to maintain or increase the utilization rate of our equipment depends on the overall development trend in the equipment operation service industry, as well as competitive conditions at the time that the operating leases are entered into and expire. In addition, our ability to maintain or increase the utilization rate of our equipment will be affected by the maintenance, damage and operating history of the equipment. In the event of any fluctuations in market demand, we may not be able to avoid significant off-lease period, find interested lessees in advance, and enter into contracts on favorable terms with them.

Fierce competition of the equipment operation service industry may adversely affect our business and financial condition and we may not be able to compete successfully against existing and new competitors.

The equipment operation service industry in the PRC is highly competitive and fragmented. See "Industry Overview—Competitive Landscape of the Equipment Operation Service Market in China" in this [**REDACTED**]. Competition may intensify as our competitors expand their products or service offerings or as new competitors enter our existing or new markets. We believe that we compete with our competitors based on a number of factors, primarily including service quality, brand recognition, business scale, price and financial resources. Our competitors may have longer track records, longer operating histories, greater financial, technical, sales, marketing and other resources, greater brand recognition and larger customer bases. As a result, these competitors may be able to devote more resources to the development, promotion, sale and support of their services. In addition to competition from established companies, emerging companies may enter our existing or new markets. The emerging companies may have stronger capital resources, greater expertise in management and human resources, greater financial, technical and public relations resources, and stronger relationships with local governments than we do. Competitive pressures could adversely affect our revenues and operating results by, among other things, adversely affecting our utilization rate, depressing the prices that we can charge or increasing our costs to hire and retain employees.

We believe our current success can be partially attributed to our comprehensive service model, service quality, diversified equipment offering and nationwide service outlet network. We plan to expand our service outlet network, increase our equipment volume and enhance the quality of our equipment and enhance our one-stop solution capabilities. Our competitors may emulate our business model, and we may lose competitive advantages that distinguish ourselves from our competitors. As a result, we may fail to compete successfully against existing and new competitors, which may have a material adverse impact on our business, results of operations, and financial condition. Furthermore, as we are exploring the geographic coverage of our equipment and services and expanding our presence in overseas markets, we cannot assure you that we will be able to compete effectively in such market.

We may not be able to maintain, expand or optimize our nationwide service outlet network.

As of December 31, 2022, we have established a nationwide service outlet network consisting of 349 service outlets. Our service outlets are mainly focused on providing routine repair and maintenance services on equipment and warehousing services to our customers. If we fail to effectively compete with our competitors, our business, results of operations and financial condition may be adversely affected given the highly competitive market environment, and in turn we may not be able to maintain our service outlets. Moreover, for sustainable development, we need to continue to explore regions with potentials in the PRC for opportunities of development. Our efforts to expand our operations geographically depend on a number of factors beyond our control, including the macroeconomic conditions and policies implemented by the central and the local governments, the level of competition in the equipment operation service industry, changes in customer demand, prices of equipment and materials, and transportation costs. We may lack knowledge and experience with certain local markets, and our competitors in these new markets may have stronger financial resources, more established presence, stronger relationships with local governments and better understanding of customer requirements and preferences. As such, we may not be able to expand or optimize our nationwide service outlet network effectively, which could adversely affect our operating results.

Increases in our research and development costs may affect our financial performance.

For the years ended December 31, 2020, 2021 and 2022, our research and development expenses amounted to RMB153.6 million, RMB216.7 million and RMB270.6 million, respectively, representing 4.2%, 3.5% and 3.4% of our revenue for the same periods, respectively. We plan to increase our research and development spending in the areas of digitization and improve our services and production capabilities in the comingyears. For details, please see "Future Plans and [**REDACTED**]". We cannot give any assurances as to the direct benefits of our research and development efforts to be proportional to the increases in our related expenses. Thus, when our research and development efforts cannot deliver the expected outcome and generate additional revenue, our financial results will be adversely affected.

We may experience shortening of useful life and/or decline of market value arising from improper management or use of our equipment under operating lease.

We may experience shortening of useful life and/or decline of market value arising from improper management or use of our equipment due to various factors. For the years ended December 31, 2020, 2021 and 2022, our impairment losses on property, plant and equipment and inventories amounted to nil, nil and RMB19.1 million, respectively. Our impairment losses recorded in 2022 were attributable to the earlier-than-planned obsolescence of certain road equipment. Apart from the factors related to macro economy, construction industry and infrastructure industry, many other factors, including but not limited to the following, may affect the useful life and market value of our equipment:

- the history and documented records of equipment maintenance and operation;
- whether the equipment has experienced serious incidents;
- the compatibility of the specification and the configuration of the equipment; and
- the costs and availability of equipment components.

We believe that our equipment for leasing is in line with the requirements of efficiency, labor reduction, safety and environmental protection. However, we cannot guarantee that our current equipment will not be replaced or superseded by more advanced equipment or technique as a result of continuous developments in science and technology. If we are required to replace our current equipment with more advanced ones, we may experience significant depreciation of our current equipment and may not be able to dispose them at commercially acceptable prices, or at all.

The decrease in the market value of our equipment may reduce the proceeds we receive in disposing such equipment, increase pressure on our attempts to lease the equipment, or impact the lease rates of the equipment. Our business, results of operations, and financial condition may in turn be materially and adversely affected.

The cost of new equipment may increase, which may increase our cost of sales, and in some cases we may not be able to procure equipment due to supplier constraints.

In line with the market demand, we regularly add brand new equipment into our leasing fleet or replace our aging equipment to facilitate the sustainable development of our business. The cost of new equipment may increase, which may increase our cost of sales, and in some cases we may not be able to procure equipment due to supplier constraints. The cost of equipment could increase, due to factors beyond our control, such as inflation, complying with governmental regulations or increased costs of raw materials. Cost increases could materially adversely affect our business, financial condition and results of operations.

In addition, we may not be able to procure all necessary replacement equipment or add new equipment in a timely manner since our suppliers may not be able to meet our procurement schedules. If demand for new equipment increases significantly, manufacturers may not be able to meet our orders on a timely basis. As a result, we may experience long lead-times for certain types of equipment and we cannot assure you that we will be able to acquire sufficient numbers of certain types of equipment that we need to replace older equipment according to our expected schedule, which could restrict our ability to grow our business.

We rely on a number of key suppliers to supply our equipment for leasing, including aerial work platform and related parts, components, and accessories.

For the years ended December 31, 2020, 2021 and 2022, purchases from our top five suppliers, accounted for 64.7%, 53.8% and 42.2%, respectively, of our total purchases. We rely on our major suppliers to provide us with aerial work platform and related parts, components, and accessories. Loss of supply from some of our key suppliers, or a significant adverse change in the relationship with them, could cause interruptions to our equipment supply. Our failure to obtain the necessary equipment or parts and components in a timely manner could substantially limit our ability to meet our contractual obligations to deliver our equipment to our customers or to efficiently deploy our equipment fleet. Any failure to meet such obligations could have a material adverse effect on our reputation, ability to retain customers, market share, and results of operations.

The occurrence of epidemics, natural disasters, acts of war, and other disasters could significantly affect our business and the national and regional economies in the PRC.

Our business is subject to general economic and social conditions in the PRC. Natural disasters, acts of war, epidemics and other unpredictable or unforeseen events which are beyond our control may adversely affect the economy, infrastructure and livelihood of the people in China.

Any future natural disasters, public health and public security hazards may materially and adversely affect or disrupt our operations and severely restrict the level of economic activity in affected areas, which may in turn materially and adversely affect our business, results of operations and prospects. In addition, acts of war, terrorist attacks and civil unrest may cause damage or disruption to us, our employees, facilities, markets, suppliers and customers, any of which may materially and adversely affect our revenue, cost of sales, results of operation, financial condition or share price in ways that we cannot currently predict. Some regions in China, including the cities where we operate, are under the threat of flood, earthquake, sandstorm, snowstorm, fire, drought, or epidemics such as the Severe Acute Respiratory Syndrome, or SARS, the H5N1 avian flu, the human swine flu, also known as Influenza A (H1N1), or, most recently, the COVID-19 pandemic.

A global pandemic caused by COVID-19 broke out in early 2020 and has impacted the global economy ever since. The outbreak of COVID-19 in China in the first quarter of 2020 and resurgence of COVID-19 cases in certain major cities across China throughout 2022 have led to the imposition of various pandemic mitigation measures by the PRC Government, including lockdown, suspension of construction work, travel bans and strict social distancing and quarantine measures. As a result, most of our business operations were adversely affected during the relevant periods and we temporarily closed some of our service outlets as we were unable to carry a large portion of our operating lease services and engineering and technical services as planned. Whilst the duration of the official restrictions on construction varied across cities in the PRC due to the differences in local rules and regulations, our customers from our operating leases services segment and engineering and technical services segment requested for a halt in the provision of engineering services for about 45 days in the first quarter of 2020 and/or a suspension of our operating leases with them in the first quarter of 2020 and from time to time throughout 2022. Save for our customers with aerial work platform operating leases, as most of them requested for a suspension for about one month. We had also given some discounts to certain customers. Despite such effects, due to the long-term nature of such construction projects undertaken by our customers, and the relatively short period of business suspension, our Directors confirm that there had not been any major termination of contracts or material delays in relation to the equipments or services provided by us.

China began to modify its zero-COVID policy in late 2022, and most of the travel restrictions and quarantine requirements were lifted in December 2022. There was a rapid spread of COVID-19 in a relatively short period of time and a surge in COVID-19 confirmed cases.

The COVID-19 pandemic has had an adverse impact, and may continue to cause adverse impacts in the long term, on the economy and social conditions globally, and this may have an adverse impact on the PRC equipment operation service industry and in turn adversely affect our business operations. We are uncertain as to when the COVID-19 pandemic will be contained globally or whether it may resurge in China, and we also cannot predict whether COVID-19 pandemic will have a long-term impact on our business, results of operations, and financial condition. See "Business—Effects of the COVID-19 Pandemic".

A shortage in supply or increase in prices of raw materials may affect our business, results of operations, and financial condition.

Steel is a major raw material for our main equipment, and thus the steel price will directly affect the prices of our main equipment, namely, aerial work platforms, neo-excavation support system and neo-formwork system. According to the F&S Report, since 2016, attributable to the PRC Government's efforts to reduce excessive production capacity in steel industry, the prices of main steel products have increased with fluctuations and may further increase in the foreseeable future.

We mainly procure raw materials from third-party suppliers and have established cooperative relationship with multiple suppliers. However, we cannot assure you that our suppliers will continue to provide us with raw materials at acceptable prices, or the prices of our raw materials will remain stable in the future. We may not be able to transfer some or all of the increase in the costs of raw materials to our customers. In addition, as the production of raw materials is subject to various factors, such as trade disputes and government regulations, we may not be able to obtain sufficient raw materials from our suppliers in a timely manner, which could have a material adverse impact on our business, results of operations, and financial condition.

Failure to maintain and predict inventory levels in line with the level of demand for our products could cause us to lose sales or face excess inventory risks or obsolete inventory risks, either of which could have a material adverse effect on our business, financial condition and results of operations.

To operate our business successfully and meet our customers' demands and expectations, we must maintain a certain level of inventory for our products to ensure the timely delivery of our service when required. Our inventories primarily consist of (i) raw materials, which primarily include raw materials used for manufacturing our neo-formwork system and spare parts used for repairing our aerial work platform; (ii) work in progress, which represent our self-manufactured neo-formwork system; and (iii) finished goods held for sale in the ordinary course of business. As of December 31, 2020, 2021 and 2022, the carrying amounts of our inventories were RMB165.8 million, RMB291.4 million and RMB186.2 million, respectively. We are required to maintain an appropriate level of inventory of our raw materials for our commercial production. However, we maintain our inventory levels based on our internal forecasts which may change under different market conditions. If our forecast demand is lower than actual demand, we may not be able to maintain an adequate inventory level of our products or produce our equipment in a timely manner, and may lose sales and market share to our competitors. On the other hand, we may be exposed to increased inventory risks due to accumulated excess inventory of our equipment or raw materials. Excess inventory levels may increase our inventory holding costs, risk of obsolete inventory or write-offs. Moreover, there is no guarantee that the inventory information we collect is complete and accurate or that such information would allow us to effectively manage our inventory level. If we fail to maintain and predict inventory levels in line with the level of demand for our products, our business, financial condition and results of operations will be materially and adversely affected.

Our historical results may not be indicative of our future prospects and results of operations.

Although we experienced strong revenue and profit growth during the Track Record Period, we cannot assure you that we can sustain such growth in the future. Our profitability depends partially on our ability to control costs and operating expenses, which may increase as our business expands. In addition, we may continue to devote significant resources to increasing our equipment volume and implementing our digitalization upgrade. Such initiatives may negatively impact our short-term profitability. If our efforts in these initiatives prove ineffective, and we fail to increase revenue, or if our cost and operating expenses grow faster than our revenue growth, our business, results of operations, and financial condition may be negatively affected.

We may be unable to maintain our historical gross profit margins.

For the three years ended December 31, 2020, 2021 and 2022, our gross profit margin was 45.0%, 46.3% and 39.8%, respectively. For the years ended December 31, 2020 and 2021 and 2022, gross profit margin for our operating lease services was 52.3%, 53.1% and 44.7%, respectively. For the years ended December 31, 2020, 2021 and 2022, gross profit margin for our engineering and technical services was 28.8%, 29.1% and 30.0%, respectively. For the years ended December 31, 2020, 2021 and 2022, gross profit margin for our platform and other services was 37.2%, 19.6% and 31.5%, respectively. However, the gross profit margin we attained during the Track Record Period may not be taken as a reference to estimate our gross profit margin in the future. Our ability to maintain our historical profit margin is contingent on a variety of competitive, macroeconomic, governmental and regulatory factors and conditions which are beyond our control.

There is no assurance that we will be successful in meeting all challenges and addressing the risks and uncertainties as we may face in developing our business, and our gross profit margin can be maintained at the level similar to those in the Track Record Period. Should we fail to maintain our historical gross profit margins, our financial results may be adversely affected.

We had net current liabilities as of December 31, 2020 and 2021.

We had net current liabilities of RMB272.3 million and RMB18.0 million as of December 31, 2020 and 2021, respectively. Our future liquidity and ability to make additional capital investments necessary for our operations and business expansion will depend primarily on our ability to maintain sufficient cash generated from operating activities and to obtain external financing. Although we recorded net current assets as of December 31, 2022, there can be no assurance that our net current liabilities position will not recur in the future. In the event that we generate net current liabilities, our working capital for business operations may be constrained. If we do not generate sufficient positive operating cash flow or obtain additional financing for our expansion plans and to meet our working capital needs, financial condition, and results of operations may be materially and adversely affected.

We may not be able to satisfy our working capital requirements if we experience significant delays or defaults in payments from customers, or significant delays in our billing and settlement process.

We usually require our customers for operating lease services to pay rentals or service fees on a regular basis. Our customers may not be able to settle their payment with us in a timely manner or at all. As of December 31, 2020, 2021 and 2022, the gross carrying amounts of our trade receivables were RMB3,103.9 million, RMB5,033.4 million and RMB5,387.3 million, respectively. In the event that our customers experience financial distress or are unable to settle their payments due to us in a timely manner or at all, our results of operations and financial condition may be materially and adversely affected.

Delays or defaults in payments from customers or delayed billing process may adversely affect our ability to satisfy working capital requirements, and in turn increase our working capital needs. We are subject to the credit risk of our customers and rely on the timelines of receipt of progress payment and retention money from our customers to meet our payment obligations to our suppliers. If there is any delay of payment from our customers, we would experience cash flow mismatch when there is a significant timing difference between making payments to our suppliers and receiving payments from our customers. If any of our customers runs into financial difficulties or we have disputes with our customers which lead to the delay of payment by our customers to us, we may not be able to receive payments in full or at all. For the years ended December 31, 2020, 2021 and 2022, our trade receivables turnover days were 252 days, 250 days and 208 days, respectively. As of December 31, 2020, 2021 and 2022, our ECLs on trade receivables were RMB574.0 million, RMB835.1 million and RMB900.4 million, respectively, representing 18.5%, 16.6% and 16.7% of our trade receivables as of the same dates, respectively. However, we cannot guarantee that the provisions will be sufficient in the future.

While we monitor material overdue payments closely, we cannot assure you that we will be able to recover all or any part of the amounts due from our customers within the agreed credit terms or at all. If we fail to collect such payments at the end of the agreed credit terms, we may take longer than our average turnover days of trade receivables to collect payments and our provisions for payments in arrears and losses may increase. Furthermore, restructuring payments for delinquent customers may result in lower profits. Any material delay in payment or non-payment by our customers may materially and adversely affect our business, results of operations, and financial condition.

We are uncertain about the recoverability of our contract assets and tax recoverable, which may affect our financial conditions in the future.

As of December 31, 2020, 2021 and 2022, our contract assets amounted to RMB110.1 million, RMB276.9 million and RMB304.3 million, which represent retention receivables arising from our construction services. As of December 31, 2020, 2021 and 2022, our tax recoverable amounted to RMB715.2 million, RMB1,664.0 million and RMB1,400.3 million, respectively, which mainly include our input VAT to be credited, mostly as a result of our procurement of property, plant and equipment. We cannot guarantee the recoverability or predict the movement of our contract assets or tax recoverable. Contract assets are initially recognized for revenue earned from construction services as the receipt of consideration is conditional on successful completion of construction and acceptance by the customer. Upon completion of installation or construction and acceptance by the customer, the amounts recognized as contract assets are reclassified as trade receivables. However, we cannot guarantee when such construction and acceptance would take place. Furthermore, the recoverability of our tax recoverable depends on the procurement plans and our future revenue generated we have made in the future, which may lead to our tax recoverable not fully used. If we fail to recover our contract assets or tax recoverable, this may adversely affect our financial conditions in the future.

We may not be able to obtain adequate financing or generate sufficient cash from our operations to fund our capital expenditures.

We rely on cash generated from our operations and bank borrowings and other borrowings to fund our capital expenditures. Our ability to obtain adequate funding and generate sufficient cash from our operating activities to finance our operations and expansion plans depends on a number of factors, including but not limited to general economic and capital market conditions, credit availability from banks and other lenders, investor confidence, and the performance of our operations.

For the years ended December 31, 2020, 2021 and 2022, our interest expenses on bank and other borrowings amounted to RMB244.1 million, RMB637.5 million and RMB920.4 million, respectively. Our interest payments may reduce our amount of funds available for working capital, capital expenditure, acquisitions and other business purposes. If we are unable to service our debts, such inability could result in an event of default which, if not cured or waived, could have an adverse effect on our business, financial condition, and results of operations.

We cannot assure you that sufficient financing will be available to us. The level of our indebtedness and the amount of our interest payments could limit our ability to obtain additional financing or obtain favorable terms for the financing for future capital expenditures and working capital. Without sufficient funds, we will be forced to curtail our operations and expansion plans. Disruption, uncertainty or volatility in the capital markets or credit markets may limit our access to capital funds for our operations and expansion of our business, decrease our profitability, and significantly reduce our financial flexibility. Furthermore, our liquidity also depends on cash generated from operating activities and our cash and cash equivalents. The higher level of our indebtedness may require us to allocate more cash to repay of our debts, thereby reducing the amount of general working capital that we can use for daily operation, capital expenditure and other general corporate purposes. As a result, our business, results of operations, and financial condition may be materially and adversely affected.

Our financial results may fluctuate due to changes in the fair value of our debt investment.

Debt investments at fair value through other comprehensive income ("FVOCI") represent notes receivables in relation to our business operation. The fair values of our debt investment as of December 31, 2020, 2021 and 2022 were approximately RMB190.9 million, RMB480.1 million and RMB1,036.4 million, respectively. The increases were mainly due to the increase in our notes receivables as a result of our business expansion and an increased proportion of bank bills and commercial bills being accepted. For debt investments at fair value through other comprehensive income, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in profit or loss and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in other comprehensive income. The fair value of our debt investment at FVOCI was measured based on valuation techniques with key observable inputs, such as SHIBOR or yield curve of corporate bonds, by reference to instruments with similar credit characteristics and terms in the markets. The fluctuation of the observable inputs may have an adverse effect on our financial results.

The discontinuation of any preferential tax treatment currently available to us could adversely affect our financial condition, results of operations, cash flows, and prospects.

Shanghai Horizon Equipment & Engineering and Guangzhou Hongtu Equipment & Engineering were recognized as high and new technology enterprises and were entitled to a preferential income tax rate of 15% instead of 25% for a period of three years from 2020 to 2022. The qualification of high and new technology enterprise is subject to renewal every three years. Other than Shanghai Horizon Equipment & Engineering and Guangzhou Hongtu Equipment & Engineering, our subsidiaries in the PRC were subject to standard EIT rate of 25% under EIT law during the Track Record Period. For the years ended December 31, 2020, 2021 and 2022, our effective tax rates were 23.1%, 21.4% and 25.4%, respectively. See the section headed "Financial Information—Description of Major Components of Our Results of Operations—Income tax expense" in this [**REDACTED**]. Our eligibility to receive preferential tax treatment requires that we continue to qualify for such treatment. The qualification of high and new technology enterprise is subject to renewal every three years. However, the preferential tax treatment is provided to us at the discretion of the central government or relevant local government authorities, which could determine at any time to eliminate or reduce such preferential tax treatment, generally with prospective effect. Such government authorities may also choose to discontinue or refuse to renew such preferential tax treatment. The discontinuation of, or failure in renewing the preferential tax treatment currently available to us could have a material adverse effect on our financial condition, results of operations, cash flows, and prospects.

We are uncertain about the recoverability of our deferred tax assets, which may affect our financial condition in the future.

As of December 31, 2022, our deferred tax assets amounted to RMB333.1 million. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. If we suffer losses in the future, we may not be able to utilize all of our deferred tax assets, which could affect our financial condition in the future.

Our profitability may be materially and adversely affected by the potential increase in depreciation expenses.

Our business strategies and [**REDACTED**] include purchase of new machinery and equipment such as the aerial work platforms, neo-excavation system and neo-formwork system. Please refer to the section headed "Future Plans and [**REDACTED**]" in this [**REDACTED**] for the relevant details. Our Directors estimate that annual depreciation as a result of the procurement of additional machinery and equipment for each respective year under such strategy to be approximately RMB53.5 million, RMB1.6 million and RMB23.2 million, for our aerial work platforms, neo-excavation systems and neo-formwork systems for the year ending December 31, 2023, and approximately RMB75.9 million, RMB41.3 million, and RMB50.2 million, for the year ending December 31, 2024, respectively. Such annual depreciations will be charged to our statements of comprehensive income and affect our financial performance after the [**REDACTED**]. Accordingly, our results of operation and financial performance will be adversely affected.

Fluctuations and uncertainties regarding our deferred revenue may have impact on our liquidity position.

As of December 31, 2020, 2021 and 2022, we recorded RMB18.4 million, RMB17.3 million and RMB16.7 million in deferred revenue, respectively. Our deferred revenue will be recognized as other income, subject to government grants in relation to our assets, which may be changed pending policy level decisions by government authorities. Any changes thereof may have an adverse impact on our results of operations and liquidity.

We may not be able to successfully develop or adopt new technologies in a timely manner.

The market for our business operations may change rapidly because of changes in customer requirements, technological innovations, new service offerings, prices, industry standards and domestic and international economic factors. New service offerings and technology may render existing services or technology obsolete, excessively costly or otherwise unmarketable. If we are unable to introduce and integrate new technologies into our business operations in a timely and cost-effective manner, our competitive position will suffer and our prospects for growth will be impaired, which could have a material adverse effect on our business, financial condition, and results of operations.

Any failure to maintain an effective quality control system could have a material adverse effect on our business and operations.

The quality of the services that we provide is one of the factors critical to our success. In order to sustain such success, we need to continue to maintain an effective quality control system for our business, particularly for our operating lease services. The effectiveness of our quality control system depends significantly on a number of factors, including a timely update of the quality control system to suit ever-changing business needs, training programs as well as our ability to ensure that our quality control policies and guidelines are adhered to. Any failure or deterioration of our quality control system could result in defects in our services, which in turn may jeopardize our reputation, reduce demands for our services or even subject us to contractual liabilities and other claims. Any such claims, regardless of whether they are ultimately successful or not, may cause us to incur significant costs, harm our reputation and/or result in significant disruption to our operations. Furthermore, if any of such claims were ultimately successful, we may be required to pay for the claims, which could have a material adverse impact on our business, financial condition, and results of operations.

Failure to pay the social security funds and housing provident funds for and on behalf of our employees in accordance with the labor laws and regulations in China may have an adverse impact on our financial condition and results of operations.

During the Track Record Period, some of our subsidiaries engaged third-party human resources service providers to pay social security funds and housing provident funds for some employees. Under the agreements entered into between the third-party human resources service providers and our relevant subsidiaries, the third-party human resources service providers have the obligations to pay social security funds and housing provident funds for our relevant employees on time and in full. Such arrangements are not in strict compliance with applicable PRC laws and regulations. During the Track Record Period and as of the Latest Practicable Date, none of these subsidiaries had received any administrative fine or penalty or labor arbitration application from employees for such arrangement with third-party human resources service providers. Such third-party human resources service providers have provided us with their written confirmations that they have duly paid the social security funds and housing provident funds contributions for and on behalf of our employees according to our subsidiaries' agreements with them. However, if such human resources service providers fail to pay the social security funds or housing provident funds on time and in full for and on behalf of our employees as required by applicable PRC laws and regulations, we may be subject to additional contribution, late payment fee and/or penalties imposed by the relevant PRC authorities for failing to discharge our obligations in relation to payment of social security funds and housing provident funds as an employer or be ordered to rectify. According to our PRC Legal Advisers, there may also be a late fee for social security funds, calculated from the due date at 0.05% per day. Our Directors confirm that, to the best of their knowledge, there had been no contribution shortfalls, and as advised by our PRC Legal Advisers, our risk of being required to make up payment and administrative penalties for such non-compliance is relatively remote, no provision has been made so far in relation to this non-compliance incident. For details, see "Business—Legal Proceedings and Compliance—Non-compliance". If we were required by competent authorities to make additional contribution to social security funds and housing provident funds or receive penalties from competent authorities for such agency arrangements, our business, results of operations, and financial condition may be materially and adversely affected.

Labor shortage or increase in labor cost may affect our business growth and profitability.

Our equipment operation services rely on recruiting and retaining qualified professionals and successful training of these professionals. According to the F&S Report, the aging population in China has led to the insufficient supply of labor in some industries, which has in turn led to an increase in labor costs. With the intensification of the aging problem of workforce in the PRC, professionals with health conditions suitable for the construction industry are in short supply. As a result, we may incur more costs to hire suitable professionals. If our recruitment and retention efforts are not successful, qualified professionals may not be integrated into our workforce in a timely manner to meet our business needs.

For the years ended December 31, 2020, 2021 and 2022, the aggregate amount of our staff costs under cost of sales, sales staff costs under sales and distribution expenses, and administrative staff costs under administrative expenses was RMB664.4 million, RMB1,171.5 million and RMB1,293.4 million, respectively. As at December 31, 2022, we had a total of 4,249 employees in our workforce. It is expected that the labor cost in the PRC will continue to increase, and the PRC Government may promulgate additional laws and regulations on labor protection, such as increasing the statutory minimum wage. Such development may place a heavier burden on us as an employer and we may have to pay more benefits to employees. Any significant increase in our direct labor cost will increase our cost of sales. If we cannot transfer the increased cost to customers, our business, financial condition, and results of operations may be materially and adversely affected.

During the Track Record Period, we did not experience any labor shortage or significant increase in labor cost which had a material impact on our daily operation or profitability. However, we cannot guarantee that we will not experience shortage of skilled labor or the labor cost will not increase in the future or that our project progress or profitability will not be adversely affected.

We are subject to the risks of doing business in multiple jurisdictions.

As we plan to broaden the geographic coverage of our equipment and services and expand our presence in overseas markets, our business is subject to risks associated with doing business in multiple jurisdictions. Our business and financial results in the future could be adversely affected due to a variety of factors, including:

- changes in a specific country's or region's political and cultural climate or economic condition;
- unexpected changes in laws and regulatory requirements in relevant jurisdictions;

- the occurrence of economic stagnation or downturn in certain jurisdictions,including those caused by inflation or political instability;

- the burden of complying with a variety of foreign laws, including difficulties in enforcement of contractual provisions;

- inadequate intellectual property protection in certain jurisdictions;

- enforcement of anti-corruption and anti-bribery laws;

- trade-protection measures, import or export licensing requirements and fines, penalties or suspension or revocation of export privileges;

- delays resulting from certain barriers and restrictions, potentially longer payment cycles, greater difficulty in accounts receivable collection and potentially adverse tax treatment;

- the effects of applicable local tax regimes and potentially adverse tax consequences; and

- significant adverse changes in local currency exchange rates.

There can be no assurance that our existing or potential collaboration partners will not alter their perception of us or their preferences as a result of adverse changes to the state of political relationships between China and the relevant foreign countries or regions. Tensions and political concerns between China and the relevant foreign countries or regions may therefore adversely affect our business, financial condition, results of operations and prospects.

In addition, we are subject to general geopolitical risks in foreign countries where we operate, such as political and economic instability and changes in diplomatic and trade relationships. The occurrence of any one or more of these risks of doing business internationally, individually or in the aggregate, could materially and adversely affect our business and results of operations.

Accidents in our business or in relation to our leased equipment may expose us to liability and reputational risk.

Accidents, such as work injuries, may occur during the course of our business. For example, our engineering and technical services may carry the inherent occupational risk of accidents. As a result, we are exposed to risks in relation to work safety, including but not limited to claims for injuries, fatal or otherwise, sustained by our employees or other parties involved in our business operations. To the extent that we incur additional costs, we may suffer material adverse effects on our business, results of operations, financial condition and brand value. Whilst we had not encountered any material accidents during the Track Record Period, we may still be held liable for the injuries of employees or others. In addition, accidents may also occur when our customers are using the equipment leased from us. Such accidents may occur as a result of (i) the defective equipment which we purchased from our suppliers or (ii) customers' improper use of the leased equipment. With respect to the defective equipment, although we will conduct safety and quality checks of purchased equipment to make sure they meet our operation standards, there is no guarantee that we will be able to identify any defects of such equipment. In addition, we provide training to our customers regarding the equipment they lease when the leased equipment is delivered to the requested sites. However, we cannot guarantee that our customers will properly operate our equipment afterwards. We are generally not responsible for accidents that happen in relation to our leased equipment after such equipment is delivered to our customers unless the accident is caused by the defects in the equipment. However, we may incur significant time, efforts and costs to deal with such accidents upon occurrence of such accidents even without our fault. Furthermore, if such accidents are wrongly publicized, our reputation and reliability may be harmed and our customers may end their cooperation with us.

Our insurance policies primarily include all-risk property insurance for our permanent business sites, all-risk property insurance and third party liability insurance for our vehicles and equipment, logistics and transportation insurance for our logistics and transportation services, compulsory liability insurance for our passenger vehicles and commercial vehicles, as well as social insurance and commercial insurance for our employees. We cannot guarantee that our insurance may fully cover the claims or costs arising from such accidents. See "—Our insurance coverage may not sufficiently cover the risks related to our business". We may also experience interruptions to our business and may be required to change the manner in which we operate as a result of governmental investigations or the implementation of safety measures upon occurrence of accidents. Moreover, such occurrences may also damage our reputation and brand in the equipment operation service industry. Furthermore, certain claims arising from accidents may be the result of defects of equipment purchased from third party suppliers. Such third party suppliers may not indemnify us for such defects or may only provide us with limited indemnification that is insufficient to cover our or clients' damages resulting from the product liability claim. Any of the foregoing could adversely affect our reputation, brand, business, results of operations, and financial condition.

Our current risk management and internal control system may not be sufficient to protect us against various risks.

Our business operation is exposed to various risks, primarily including credit risk, market risk, liquidity risk, operational risk and legal and compliance risk. To manage such risks, we have established, and will continue to improve, our risk management and internal control system. See "Business—Risk Management and Internal Control". However, we cannot assure you that such risk management and internal control system will be effective in identifying, monitoring and mitigating all types of risks.

Our risk management capability is limited by the information, tools and technologies available to us. As some of our risk management measures are based on our historical market data and management's judgment, they may not accurately predict the types of risks that may arise in the future. In addition, we have developed and continually updated our IT systems for risk management and internal control, but we cannot guarantee that such systems would achieve the expected results or will not experience disruptions from time to time. See "—We may experience failures in or disruptions to our information technology systems". We also rely on our employees to effectively implement our risk management and internal control system. However, we cannot guarantee that our employees will always comply with or properly implement the relevant internal policies and procedures. If we are unable to effectively improve our risk management and internal control system, or timely achieve the expected results, our business, financial condition, and results of operations may be materially and adversely affected.

Our business operates under various permits, licenses, approvals and/or qualifications and the loss of or failure to obtain or renew any or all of these permits, licenses, approvals and/or qualifications may materially and adversely affect our business, results of operations, and financial condition.

We are subject to extensive PRC laws and regulations at the national and local level, which govern various aspects of our operations. We are required to obtain and maintain certain licenses, permits, certificates and approvals in order to provide our comprehensive service offerings to customers. For further information, see "Regulatory Overview" and "Business—Certificates, Licenses and Permits" in this [**REDACTED**]. These operating permits, licenses and/or qualifications are granted, renewed and maintained upon our satisfactory compliance with, among others, the applicable criteria set by the relevant governmental departments or organizations. Such criteria may include but not limited to compliance with safety regulations and environment protection regulations. These permits, licenses, approvals and/or qualifications may only be valid for a limited period of time and may be subject to periodic review and renewal by government authorities or relevant organizations. In addition, the standards of compliance required in relation thereto may change from time to time.

Further, we cannot guarantee that our internal control measures will always be sufficient and effective. Extensive government regulation and related delays in seeking the requisite licenses, qualifications and permits can significantly delay the introduction of additional services or products, which could materially and adversely affect our competitiveness. Certain legal uncertainties in, and inconsistent interpretations and enforcement of, current PRC laws and regulations expose us to the risk of non-compliance. If deemed non-compliant, we could be subjected to administrative or regulatory fines and penalties, including the suspension or revocation of our licenses, permits or qualifications, and our operations may be hindered or halted, which could have a material and adverse effect on our business and results of operations. As the PRC legal system and construction industry continue to evolve, changes in the relevant laws and regulations or in their interpretation or enforcement may also make it difficult for us to comply with the laws and regulations.

Our business operations and reputation may be materially and adversely affected by delays in the delivery or poor handling of our equipment and materials by external logistics service providers.

During the Track Record Period, we had engaged external logistic companies to deliver our equipment and materials to designated project sites. The timely delivery of our equipment and materials depends highly on, among others, the external logistics service providers' ability to fulfil their obligations in accordance with the terms of respective service contracts, such as their responsiveness to our logistic orders and provide us the required logistic services. Any failure to provide on-time delivery may have a material adverse impact on our business operations and reputation as it may lead to our customers' project delays, as well as expose us to potential contractual claims with our external logistics service providers or our customers. In such events, we may not be able to seek full indemnity from the external logistics service providers or enforce in full any favorable judgment obtained.

Further, we may also be obligated under respective service contracts with our customers to compensate them for any loss or damages incurred due to failure to comply with the terms. Any contractual disputes for material breaches by our external logistics service providers, which may arise in the future, may severely affect our business operations and divert our management attention and resources.

We may experience failures in or disruptions to our information technology systems.

We use various online platforms and systems in our business operations. If we are unable to detect or promptly remedy any system malfunction or misconfiguration, we may experience system interruptions or delays, which could adversely affect our operating results. In addition, we may experience occasional system interruptions and delays or other technical problems that make our online services unavailable or difficult to access, and prevent us from promptly responding or providing services to our customers, which may reduce our customers' intention to use our online platforms and even incur losses to our customers who may bring legal proceedings against us. Moreover, failures in or disruptions to our information technology systems, loss or leakage of confidential information, or breach of network security could cause transaction errors, processing inefficiencies and the loss of customers and sales, and subject us to increased costs, litigation and other liabilities, which could materially and adversely affect our business, results of operations, financial condition, and our reputation.

Our insurance coverage may not sufficiently cover the risks related to our business.

We maintain insurance policies against major risks and liabilities arising from our business operations. For details, see "Business—Insurance". We cannot assure you that our insurance coverage will be sufficient or available to cover damage, liabilities or losses we may incur in the course of our business. Moreover, there are certain losses for which insurance is not available in the PRC on commercially practicable terms, such as losses suffered due to business interruptions, earthquakes, typhoons, flooding, war or civil disorder. In the event of a dispute with our insurers, we may be required to engage in protracted litigation or negotiations in order to obtain benefits for which we are legally due, and those efforts may be wholly or partly unsuccessful. If we are held responsible for any such damages, liabilities or losses and there is an insufficiency or unavailability of insurance, there could be a material adverse effect on our business, results of operations, and financial condition.

Negative publicity, including adverse information on the internet, about us, our Shareholders and affiliates, our brand and our management may have a material adverse effect on our business, reputation, and the trading price of our Shares.

Negative publicity about us, our Shareholders and affiliates, the equipment we lease out, including possible defects of the equipment, even without our fault, our service quality, our brand, our management and other aspects of our business operations may arise from time to time. They may appear in the form of comments on internet postings and other media sources. For example, in the event that we fail to meet our customers' expectations as to the quality of our services, our customers may disseminate negative comments on social media platforms. In addition, our customers or suppliers may also become the subject of negative publicity for various reasons, such as customer complaints about the quality of their services. Negative publicity about Far East Horizon, its business, results of operations and financial condition could adversely affect our reputation, business and share price. In the long term, if such negative publicity about us, our Shareholders and affiliates, our brand, our management and other aspects of our business operations damage our reputation and result in a loss of customer confidence, it would affect our future ability to attract and retain new customers and employees. As a result, our business, results of operations, financial condition, and prospects would be materially and adversely affected.

Our success largely depends on the retention of our senior management team and our ability to attract and retain qualified and experienced employees.

Our continued success depends on the efforts of our senior management team and other key employees. As they possess key connections with potential business partners and industry expertise, losing their services may have a material adverse effect on our business. Should any or all members of our senior management team join or form a competing business with their expertise, connections and knowledge of our business operations, we may not be able to estimate the extent of and mitigate such damage. If any of our key employees leaves and we are unable to promptly hire a qualified replacement, our business, results of operations, and financial condition may be materially and adversely affected. In addition, the future growth of our business will depend, in part, on our ability to attract and retain qualified personnel in all areas of our business. If we are unable to attract and retain these qualified personnel, our growth may be limited and our business, results of operations, and financial condition could be materially and adversely affected.

We are exposed to risks associated with failing to detect and prevent fraud, negligence or other misconduct committed by our employees, agents, customers, suppliers or other third parties.

We are exposed to fraud or other misconduct committed by our employees, agents, customers, suppliers or other third parties that could subject us to financial losses and sanctions imposed by governmental authorities as well as seriously harm our reputation. For example, loss caused by misconduct of our employees in the process of providing operating lease services may cause us to make compensation if we were held to be negligent or reckless and will also cause us to suffer damage to our reputation in the market.

Our management information system and internal control procedures are designed to monitor our operations and overall compliance. However, they may be unable to identify non-compliance and/or suspicious transactions in a timely manner, or at all. There will therefore continue to be the risk that fraud and other misconduct may occur, resulting in financial loss, negative publicity or other negative outcomes, which may have an adverse effect on our business, reputation, financial condition, and results of operations.

We may be involved in intellectual property disputes and claims.

We currently hold a number of patents, copyrights and trademarks in the PRC. See "Business—Intellectual Property". We rely on and expect to continue to rely on a combination of confidentiality and license agreements, as well as trademark and copyright protection laws, to protect our proprietary rights. Nevertheless, these measures offer limited protection. Policing unauthorized use of proprietary information can be difficult and expensive. If we were unable to detect unauthorized use of, or take appropriate steps to enforce, our intellectual property rights, our business, results of operations, and financial condition could be materially and adversely affected.

Moreover, we may become subject to claims from competitors or third parties alleging intellectual property infringement by us in our ordinary course of business from time to time. Any claims or legal proceedings brought against us in relation to such issues, with or without merit, could result in substantial costs and divert capital resources and management attention. In the event of an adverse administrative or judicial decision, we may be compelled to pay substantial damages or to seek licenses from third parties and pay ongoing royalties on unfavorable terms. Moreover, regardless of whether we prevail, intellectual property disputes may damage our brand value and reputation in the eyes of current and potential customers and in our industry. In addition, enforceability, scope and validity of laws governing intellectual property rights in the PRC are uncertain and still evolving, which may subject us to increased compliance costs and increased risk of non-compliance in the future.

We are subject to changing laws and regulations regarding regulatory matters that may have increased or will increase both our costs and the risk of non-compliance.

We are or will be subject to rules and regulations by various governing bodies, including, for example, once we have become a public company, Hong Kong Stock Exchange and the Securities and Futures Commission, which are charged with the protection of investors and the oversight of companies whose securities are publicly traded, as well as the various regulatory authorities in China and the Cayman Islands, and to new and evolving regulatory measures under applicable laws. Our efforts to comply with new and changing laws and regulations have resulted in, and are likely to continue to result in, increased general and administrative expenses and a diversion of management time and attention from revenue-generating activities to compliance activities.

Moreover, because these laws, regulations and standards are subject to varying interpretations, their application in practice may evolve over time as new guidance becomes available. This evolution may result in continuing uncertainty regarding compliance matters and additional costs necessitated by ongoing revisions to our disclosure and governance practices. If we fail to address and comply with these regulations and any subsequent changes, we may be subject to penalties and our business may be harmed.

Some of our property lease agreements were not filed with the relevant government authorities and may in turn subject us to administrative fines.

According to applicable PRC administrative regulations, the lessor and the lessee of a property lease agreement are required to file the property lease agreement with relevant governmental authorities within 30 days after the execution of the property lease agreement. If the filing is not made, the governmental authorities may require that the filing be made within a stated period of time, failing which, they may impose a fine ranging from RMB1,000 to RMB10,000 for each agreement that has not been properly filed.

As of the Latest Practicable Date, we had not filed 74 lease agreements for the properties we leased with the local housing administration authorities as required under PRC laws and regulations. As advised by our PRC Legal Advisor, we might be ordered to rectify this non-filing by competent authorities and if we fail to rectify within a prescribed period, a penalty of RMB1,000 to RMB10,000 per agreement may be imposed on us as a result of such non-filing. As such, the estimated maximum amount of penalty for our failure to file these property lease agreements is approximately RMB740,000.

In the event that we are required by the competent authorities to register the property lease agreements, we may be subject to fines for the failure to register the property lease agreements, which could adversely affect our financial condition and results of operations.

The potential loss of our contracts due to force majeure events or other reasons beyond our control could materially and adversely affect our business, results of operations, and financial condition.

In accordance with PRC laws, if any force majeure event or any event beyond our control happens, such as COVID-19 outbreak, lessees may terminate the lease contracts, and they may only be required to compensate the lessors after taking into consideration the depreciation of the leased assets and shall not be obliged to make lease payments in full in the event that the lease contracts have been terminated due to damage to or loss of the leased assets as a result of force majeure or other reasons that are not caused by the lessees. If the leased assets are damaged or lost due to the foregoing reasons which result in termination of the relevant lease contracts, we may be forced to assume losses to the extent our insurance coverage is inadequate. Any uninsured loss could materially and adversely affect our business, results of operations, and financial condition.

We may be liable from time to time for legal disputes and other legal proceedings arising from our operation.

We may be involved in disputes from time to time in ordinary course of business. We cannot guarantee that that we will be able to resolve each of such disputes amicably via negotiations and/or mediation. Failure to do so may lead to us being subject to lawsuits and other legal proceedings. Therefore, we may be subject to enormous expenses for our defense in the relevant legal proceedings. In case of any unfavorable ruling made against us, we may be subject to substantial damages or other legal liabilities, which may adversely affect our reputation, business, financial condition and operating results.

We face risks related to complying with applicable laws, rules and regulations relating to the collection, use, disclosure and security of personal information; moreover, complying with evolving laws and regulations regarding cybersecurity, information security, privacy and data protection and other related laws and requirements may be expensive and force us to make adverse changes to our business. Many of these laws and regulations are subject to change and uncertain interpretation, and any failure or perceived failure to comply with these laws and regulations could result in negative publicity, legal proceedings, suspension or disruption of operations, increased cost of operations, or otherwise harm our business.

We grant limited access to specified data on our online platform to certain third parties. These third parties face the same challenges and risks inherent in handling and protecting the data. Any system failure or security breach or lapse on our part or on the part of any of such third parties that results in the release of user data could harm our reputation and brand and, consequently, our business, in addition to exposing us to potential legal liability.

Moreover, laws and regulations governing cybersecurity, information security, privacy and data protection are rapidly evolving, extensive, complex, and include inconsistencies and uncertainties. On June 10, 2021, the Standing Committee of the National People's Congress of China promulgated the PRC Data Security Law, which took effect on September 1, 2021. The PRC Data Security Law provides for data security protection obligations on entities and individuals carrying out data processing activities, introduces a data classification and hierarchical protection system based on the importance of data in economic and social development, as well as the degree of harm it will cause to national security, public interests, or legitimate rights and interests of individuals or organizations when such data is tampered with, destroyed, leaked, or illegally acquired or used, and provides for a national security review procedure for those data activities which may affect national security and imposes export restrictions on certain data and information. The PRC Data Security Law provides that "data" refers to any recording of information by electronic or other means. Data processing includes the collection, storage, use, processing, transmission, provision and public disclosure of data, etc.

Furthermore, on January 4, 2022, the Cyber Administration of China, together with 12 other departments, promulgated the Cybersecurity Review Measures (《網絡安全審查辦法》), which came into effect on February 15, 2022 and repeals the previous version promulgated on April 13, 2020. According to the Cybersecurity Review Measures, critical information infrastructure operators purchasing network products and services and online platform operators carrying out data processing activities, which affect or may affect national security, shall conduct a cybersecurity review. Online platform operators holding personal information of more than 1 million users seeking to be listed abroad must apply for a cybersecurity review as well. There remain substantial uncertainties with respect to the interpretation and applicability of the Cybersecurity Review Measures, especially the criteria for the determination of the risks that "affect or may affect national security". In addition, on November 14, 2021, the Cyberspace Administration of China issued the Regulations on Network Data Security Management (Draft for Comment) (the "**Draft Regulations**") (《網絡數據安全管理條例(徵求意見稿)》), which reiterate that a data processing operator which processes personal information of more than one million individuals seeking to be listed in foreign countries should apply for the cybersecurity review which differentiate "listing in a foreign country" with "listing in Hong Kong"; moreover, such draft regulations also specifically require that if the listing in Hong Kong by a data processing operator affects or may affect the national security, the data processing operator shall apply for cybersecurity review in accordance with the relevant provisions of the state. Due to the lack of further clarifications or detailed rules and regulations, there are uncertainties on how to determine whether or not a [**REDACTED**] by a company like us in Hong Kong affects or may affect national security, the PRC government authorities may have wide discretion in the interpretation and enforcement of these measures and regulations once enacted. The above Draft Regulations were released for public comment only and their operative provisions and the anticipated adoption or effective date may be subject to change with substantial uncertainty. It also remains uncertain whether the future regulatory changes would impose additional restrictions on companies like us. We cannot predict the impact of the draft regulations, if any, at this stage, and we will closely monitor and assess any development in the rule-making process.

If the enacted version of the draft regulations mandates clearance of cybersecurity review and other specific actions to be completed by companies like us, we face uncertainties as to whether such clearance can be timely obtained, or at all. If we are not able to comply with the cybersecurity and data privacy requirements in a timely manner, or at all, we may be subject to government enforcement actions and investigations, fines, penalties, suspension of our non-compliant operations, or removal of our online platform from the relevant application stores, among other sanctions, which could materially and adversely affect our business and results of operations.

These and other similar legal and regulatory developments could lead to legal and economic uncertainty, affect how we design our IT systems, how we operate our business, how we process and share data, and how we transfer personal data from one jurisdiction to another. We may incur substantial costs to comply with such laws and regulations, to meet the demands of our customers relating to their own compliance with applicable laws and regulations, and to establish and maintain internal compliance policies.

The approval of the CSRC or other governmental authorities may be required in connection with the [REDACTED], and, if required, we cannot predict whether we will be able to obtain such approval.

On July 6, 2021, the General Office of the State Council together with another authority jointly promulgated the Opinion on Severely Punishing Illegal Activities in Securities Market (the "**Securities Activities Opinions**") (《關於依法從嚴打擊證券違法活動的意見》), which calls for the enhanced administration and supervision of overseas-listed China-based companies, proposes to revise the relevant regulation governing the overseas issuance and listing of shares by such companies and clarifies the responsibilities of competent domestic industry regulators and government authorities.

On February 17, 2023, the CSRC promulgated the Trial Administrative Measures of the Overseas Securities Offering and Listing by Domestic Enterprises (《境內企業境外發行證券和上市管理試行辦法》) (the "**Overseas Listing Trial Measures**") and relevant five guidelines, which will become effective on March 31, 2023. According to the Overseas Listing Trial Measures, PRC domestic enterprises that seek to offer and list securities in overseas markets, either in direct or indirect means (the "**Overseas Offering and Listing**"), are required to fulfill the filing procedure with the CSRC and submit filing reports, legal opinions and other relevant documents. Specifically, following the principle of substance over form, if an issuer meets both of the following criteria, its overseas offering and listing will be deemed as indirect Overseas Offering and Listing by a PRC domestic enterprise: (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 fiscal year is accounted for by domestic companies; and (ii) the main parts of the issuer's business activities are conducted in mainland China, or its main place(s) of business are located in mainland China, or the majority of senior management staff in charge of its business operations and management are PRC citizens or have their usual place(s) of residence located in mainland China. The Overseas Listing Trial Measures also requires subsequent reports to be submitted to 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. For more details, please refer to "Regulatory Overview — Overseas Offering and Listing".

According to the Notice on Arrangements for Record Filing Administration of Overseas Offering and Listing of Domestic Enterprises and the relevant replies to questions by the CSRC officials which are both promulgated with the Overseas Listing Trial Measures simultaneously, (i) where, before March 31, 2023 (i.e. the effective date of the Overseas Listing Trial Measures), the PRC domestic enterprise's application for its indirect Overseas Offering and Listing has been approved by the overseas regulatory authorities or overseas stock exchanges (for example, a listing hearing has been passed by the Stock Exchange) but has not completed indirect Overseas Offering and Listing, a six-month transition period from March 31, 2023 (the "**Transition Period**") shall be allowed: if the PRC domestic enterprise does not need to re-perform the regulatory procedures for offering and listing with the overseas regulatory authorities or overseas stock exchanges and the PRC domestic enterprise completes the Overseas Offering and Listing within the Transition Period, it can be deemed as an existing issuer and is not required to file with CSRC for this Overseas Offering and Listing; if the PRC domestic enterprise needs to re-perform the regulatory procedures for offering and listing with the overseas regulatory authorities or overseas stock exchanges (for example, a new listing hearing is required by the Stock Exchange) or fail to complete Overseas Offering and Listing within the Transition Period, they shall file with the CSRC for this Overseas Offering and Listing; (ii) the PRC domestic enterprise which has submitted a valid application for Overseas Offering and Listing but has not yet obtained the consent of the overseas regulatory authorities or the overseas stock exchange before March 31, 2023 may make a reasonable time for submitting the filing application to the CSRC and shall complete the filing prior to its Overseas Offering and Listing.

Our PRC Legal Advisers are of the view that the [**REDACTED**] shall be deemed as an [**REDACTED**]. If we can pass the [**REDACTED**] hearing of the Stock Exchange on or before March 31, 2023 while no re-hearing is required by the Stock Exchange and the [**REDACTED**] can be completed on or before September 30, 2023, we will not be required to file with the CSRC with respect to the [**REDACTED**]. If we can not pass the [**REDACTED**] hearing of the Stock Exchange on or before March 31, 2023, or if we pass the [**REDACTED**] hearing of the Stock Exchange on or before March 31, 2023 but a re-hearing is required afterwards or we fail to complete the [**REDACTED**] on or before September 30, 2023, we will make the filing with the CSRC with respect to the [**REDACTED**]. In any event, we will perform the reporting obligations to the CSRC in the event of occurrence of material events after the [**REDACTED**] as required.

If it is determined that we are subject to any CSRC approval, filing, other governmental authorization or requirements for the [**REDACTED**] and reporting obligations, we cannot assure you that we could obtain such approval or meet such requirements in a timely manner or at all. Under such circumstance, we and our personnel directly in charge and other personnel with direct responsibility may be warned, fined or subject to other disciplinary measures if we fail to complete the filing with the CSRC or report to the CSRC after the occurrence of the material events as required.

RISKS RELATING TO DOING BUSINESS IN THE PRC

We are subject to adverse changes in economic, political and social conditions, and government policies in the PRC.

Substantially all of our businesses, assets, operations are located in the PRC. Accordingly, our financial condition, results of operations and prospects are, to a significant degree, subject to the economic, political, social and legal conditions in the PRC. The PRC economy differs from that of most developed countries in many respects, including the extent of government involvement, level of economic development, investment control, resource allocation, growth rate and control over foreign exchange.

For recent decades, the PRC Government has implemented economic reform measures to utilize market forces in the PRC economy. Many of the reform measures are unprecedented or experimental and are expected to be modified from time to time. Other political, economic and social factors may lead to further readjustment or introduction of other reform measures. This reform process and any changes in laws and regulations or the interpretation or implementation thereof in the PRC may have a material impact on our operations or may adversely affect our financial condition and results of operations.

While the PRC economy has grown significantly in recent years, this growth has been geographically uneven among various sectors of the economy and during different periods, and is subject to unpredictable risks domestically and internationally, such as the outbreak of COVID-19. The continuous outbreak of the COVID-19 has resulted in severe disruptions in domestic demand and supply, trade, finance, and other economic activities.

We cannot assure you that the PRC economy will continue to grow, or that if there is growth, such growth will be steady and uniform. Any economic slowdown may materially and adversely affect our business. In the past, the PRC Government has periodically implemented a number of measures intended to slow down certain segments of the economy which the PRC Government believed was overheating. We cannot assure you that the various macroeconomic measures and monetary policies adopted by the PRC Government to guide economic growth and allocate resources will be effective in improving the growth rate of the PRC economy. In addition, such measures, even if they benefit the overall PRC economy in the long term, may reduce demand for our services and therefore could materially and adversely affect our business, financial condition, and results of operations.

Inflation in the PRC could negatively affect our profitability and growth.

Economic growth in the PRC has, in the past, been accompanied by periods of high inflation. In response, the PRC Government has implemented policies from time to time to control inflation, such as restricting the availability of credit by imposing tighter bank lending policies or higher interest rates. The PRC Government may take similar measures in response to future inflationary pressures. Rampant inflation without the PRC Government's mitigation policies would likely increase our costs, thereby materially reducing our profitability. For example, certain operating expenses, such as employee compensation and rental and related expenses for office may increase as a result of higher inflation. We cannot assure you that we will be able to pass any additional costs to our customers. On the other hand, such control measures may also lead to slower economic activity and we may see reduced demand for our services.

Our ability to access credit and capital markets in the future may be adversely affected by factors beyond our control.

Interest rate increases by the PBOC, or market disruptions such as those experienced in the United States, European Union and other countries or regions, may increase our cost of borrowing or adversely affect our ability to access sources of liquidity upon which we may rely to finance our operations and satisfy our obligations as they become due. We intend to continue to make investments to support our business growth and may require additional funds to respond to business challenges. There can be no assurance that the anticipated cash flow from our operations will be sufficient to meet all of our cash requirements, or that we will be able to secure external financing at competitive rates, or at all. Any such failure may adversely affect our ability to finance our operations, meet our obligations, or implement our growth strategy.

Uncertainties with respect to the PRC legal system could limit the legal protection available to you.

The legal system in the PRC has inherent uncertainties that could limit the legal protection available to our Shareholders. As we conduct all of our substantial business operations in the PRC, we are principally governed by PRC laws, rules and regulations. The PRC legal system is based on the civil law system. Unlike the common law system, the civil law system is established on the written statutes and their interpretation by the Supreme People's Court, while prior legal decisions and judgments have limited significance as precedent. The PRC Government has been developing a commercial law system, and has made significant progress in promulgating laws and regulations related to economic affairs and matters, such as corporate organization and governance, foreign investments, commerce, taxation and trade.

However, many of these laws and regulations are relatively new and there is a limited volume of published decisions. Thus, there are uncertainties involved in their implementation and interpretation, which might not be as consistent and predictable as in other jurisdictions. Furthermore, the legal protection available to you under these laws, rules and regulations may be limited. Any litigation or regulatory enforcement action in the PRC may be protracted and result in substantial costs and diversion of resources and management attention.

As is known to all, the PRC legal system is based in part on government policies and internal rules, some of which are not published on a timely basis or at all, and which may have a retroactive effect. As a result, we may not be aware of our violation of any of these policies and rules until sometime after the violation. Such uncertainties, including uncertainty over the scope and effect of our contractual, property (including intellectual property) and procedural rights, and any failure to respond to changes in the regulatory environment in China could materially and adversely affect our business and impede our ability to continue our operations.

You may experience difficulties in effecting service of process or enforcing foreign judgments against us, our Directors or senior management residing in China.

Our Company is incorporated in the Cayman Islands. Substantially all of our assets are located in China and substantially all of our executive and non-executive Directors and senior management ordinarily reside in China. Therefore, it may not be possible to effect service of process in Hong Kong or elsewhere outside of China upon us or our Directors or senior management. Moreover, China has not entered into treaties for the reciprocal recognition and enforcement of court judgments with Japan, the United Kingdom, the United States and many other countries. As a result, recognition and enforcement in China of a court judgment obtained in other jurisdictions may be difficult or impossible.

On July 14, 2006, the Supreme People's Court of the PRC and the Government of the Hong Kong Special Administrative Region signed an Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters (the "**2006 Arrangement**"). Under the 2006 Arrangement, where any designated People's Court of the PRC or Hong Kong court has made an enforceable final judgment requiring payment of money in a civil and commercial case pursuant to a choice of court agreement, any party concerned may apply to the relevant People's Court of the PRC or Hong Kong court for recognition and enforcement of the judgment. On January 18, 2019, the Supreme People's Court of the PRC and the Government of the Hong Kong Special Administrative Region signed a new Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters (the "**2019 Arrangement**"), which broadened the scope of the judgments which are considered to be of in "civil and commercial" nature under both the PRC and Hong Kong laws. Judgments in civil and commercial matters under the 2019 Arrangement cover both monetary and non-monetary relief, with certain exclusions. Although the 2006 Arrangement has become effective while the 2019 Arrangement has not, the outcome and effectiveness of any action brought under the arrangements remain uncertain.

We may be deemed a PRC resident enterprise under the EIT Law and be subject to a tax rate of 25% on our global income.

Pursuant to the EIT Law, which came into effect on January 1, 2008 and was amended on February 24, 2017 and December 29, 2018, an enterprise established outside the PRC whose "de facto management body" is located in the PRC is considered a "PRC resident enterprise" and will generally be subject to the uniform enterprise income tax rate, or EIT rate, of 25% on its global income. Under the implementation rules of the EIT Law, "de facto management body" is defined as the organizational body that effectively exercises management and control over such aspects as the business operations, personnel, accounting and properties of the enterprise.

On April 22, 2009, SAT released the Notice Regarding the Determination of Chinese-Controlled Offshore Incorporated Enterprises as PRC Tax Resident Enterprises on the Basis of De Facto Management Bodies (關於境外註冊中資控股企業依據實際管理機構標準認定為居民企業有關問題的通知) ("**Circular 82**"), as amended on December 29, 2017, which sets out the standards and procedures for determining whether the "de facto management body" of an enterprise registered outside of the PRC and controlled by PRC enterprises or PRC enterprise groups is located within the PRC. Under Circular 82, a foreign enterprise controlled by a PRC enterprise or PRC enterprise group is considered a PRC resident enterprise if all of the following apply: (i) the senior management and core management departments in charge of daily business operations are located mainly within the PRC; (ii) financial and human resources decisions are subject to determination or approval by persons or bodies in the PRC; (iii) major assets, accounting books, company seals and minutes and files of board and shareholders' meetings are located or kept within the PRC; and (iv) at least half of the enterprise's directors with voting rights or senior management reside within the PRC. In addition, Circular 82 also requires that the determination of "de facto management body" shall be based on the principle that substance is more important than form. Further to Circular 82, SAT issued the Chinese-Controlled Offshore Incorporated Resident Enterprises Income Tax Regulation (Trial Implementation) (境外註冊中資控股居民企業所得税管理辦法(試行)) ("**Bulletin 45**"), which took effect on September 1, 2011 and was amended on June 1, 2015 and October 1, 2016 and June 15, 2018, to provide more guidance on the implementation of Circular 82 and clarify the reporting and filing obligations of such "Chinese-controlled offshore incorporated resident enterprises". Bulletin 45 provides procedures and administrative details for the determination of resident status and administration of post-determination matters. Although Circular 82 and Bulletin 45 explicitly provide that the above standards apply to enterprises which are registered outside of the PRC and controlled by PRC enterprises or PRC enterprise groups, Circular 82 may reflect SAT's criteria for determining the tax residence of foreign enterprises in general. The tax resident status of an enterprise is subject to determination by the PRC tax authorities and uncertainties remain with respect to the interpretation of the term "de facto management body". Most of our Directors and senior management are currently based in the PRC; if we are deemed a PRC resident enterprise, the EIT rate of 25% on our global taxable income may reduce capital we could otherwise divert to our business operations.

You may be subject to PRC income tax on dividends from us or on any gain realized on the transfer of our Shares under PRC law.

Under the EIT Law and its implementation rules, subject to any applicable tax treaty or similar arrangement between the PRC and your jurisdiction of residence that provides for a different income tax arrangement, PRC withholding tax at the rate of 10% is normally applicable to dividends from PRC sources payable to investors that are non-PRC resident enterprises, which do not have an establishment or place of business in the PRC, or which have such establishment or place of business if the relevant income is not effectively connected with the establishment or place of business. Any gains realized on the transfer of shares by such investors are subject to a 10% PRC income tax rate if such gains are regarded as income from sources within the PRC unless a treaty or similar arrangement provides otherwise. Under the PRC Individual Income Tax Law (中華人民共和國個人所得稅法) and its implementation rules, dividends from sources within the PRC paid to foreign individual investors who are not PRC residents are generally subject to a PRC withholding tax at a rate of 20% and gains from PRC sources realized by such investors on the transfer of shares are generally subject to a 20% PRC income tax rate, in each case, subject to any reduction or exemption set forth in applicable tax treaties and PRC laws.

Although we conduct substantially all of our business operations in the PRC, it is unclear whether dividends we pay with respect to our Shares, or the gain realized from the transfer of our Shares, would be treated as income from sources within the PRC and as a result be subject to PRC income tax if we are considered a PRC resident enterprise. If PRC income tax is imposed on gains realized from the transfer of our Shares or on dividends paid to our non-PRC resident investors, the value of your investment in our Shares may be materially and adversely affected. Furthermore, our Shareholders whose jurisdictions of residence have tax treaties or arrangements with the PRC may not qualify for benefits under such tax treaties or arrangements.

Regulations relating to offshore investment activities by PRC residents may subject us to fines or sanctions imposed by the PRC Government, including restrictions on the ability of our PRC subsidiaries to pay dividends or make distributions to us and our ability to increase our investment in our PRC subsidiaries.

SAFE promulgated the Notice on Relevant Issues Concerning Foreign Exchange Administration for Domestic Residents to Engage in Overseas Investment, Financing and Round Trip Investment via Special Purpose Vehicles (《國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) (the "**Circular 37**") in July 2014, which abolished and superseded the Circular on Relevant Issues concerning Foreign Exchange Administration for PRC Residents to Engage in Financing and Round Trip Investment via Overseas Special Purpose Vehicles (關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知). Pursuant to Circular 37 and its implementation rules, PRC residents, including PRC institutions and individuals, must register with local branches of SAFE in connection with their direct or indirect offshore investments in an overseas special purpose vehicle, or SPV, directly established or indirectly controlled by PRC residents for the purposes of offshore investment and financing with their legally owned assets or interests in domestic enterprises, or their legally owned offshore assets or interests or any inbound investment through SPVs. Such PRC residents are also required to amend their registrations with SAFE when there is change to the required information of the registered SPV, such as changes to its PRC resident individual shareholder, name, operation period or other basic information, or the PRC individual resident's increase or decrease in its capital contribution in the SPV, or any share transfer or exchange, merger or division of the SPV. In accordance with the Notice on Further Simplifying and Improving the Foreign Currency Management Policy on Direct Investment (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》) (the "**SAFE Notice No. 13**"), the foreign exchange registration aforesaid has been directly reviewed and handled by banks since June 1, 2015, and SAFE and its branches perform indirect regulation over such foreign exchange registration through local banks. Under this regulation, failure to comply with the registration procedures set forth in Circular 37 may result in restrictions being imposed on the foreign exchange activities of our PRC subsidiaries, including the payment of dividends and other distributions to its offshore parent or affiliate, the capital inflow from the offshore entities and its settlement of foreign exchange capital, and may also subject the relevant onshore company or PRC residents to penalties under PRC foreign exchange administration regulations.

We cannot assure that the Chinese resident shareholders will in the future complete the registration with the SAFE in a timely manner and obey the regulations on foreign exchange. If Chinese resident shareholders contribute capital to an offshore special purpose vehicle without completing Circular 37 Registration, the Chinese resident shareholders shall be ordered by the foreign exchange control authorities to recover the foreign exchange within a stipulated period and be subject to a fine of not more than 30% of the amount of evaded foreign exchange; where the case is serious, a fine ranging from 30% of the amount of evaded foreign exchange to the equivalent value shall be imposed; where the case constitutes a criminal offence, criminal liability shall be pursued in accordance with the law. In addition, we may not at all times be fully aware or informed of the identities of all of our Shareholders who are PRC residents, and we may not always be able to timely compel our Shareholders to comply with the requirements of Circular 37. Moreover, there is no assurance that the PRC Government will not have a different interpretation of the requirements of Circular 37 in the future.

PRC laws and regulations establish more complex procedures for some acquisitions of PRC companies by foreign investors, which could make it difficult for us to pursue growth through acquisitions in the PRC.

A number of PRC laws and regulations, including the M&A Rules, the Anti-Monopoly Law (反壟斷法), and the Rules of MOFCOM on Implementation of Security Review System of Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (商務部實施外國投資者併購境內企業安全審查制度的規定) promulgated by MOFCOM on August 25, 2011 and effective from September 1, 2011 (the "**Security Review Rules**"), have established procedures and requirements that are expected to make the review of certain merger and acquisition activities by foreign investors in the PRC more time-consuming and complex. These include requirements in some instances to notify MOFCOM in advance of any transaction in which foreign investors take control of a PRC domestic enterprise, or to obtain approval from MOFCOM before overseas companies established or controlled by PRC enterprises or residents acquire affiliated domestic companies. PRC laws and regulations also require certain merger and acquisition transactions to be subject to merger control or security review.

The Security Review Rules prohibits foreign investors from bypassing the security review requirement by structuring transactions through proxies, trusts, indirect investments, leases, loans, control through contractual arrangements or offshore transactions. If we are found to be in violation of the Security Review Rules and other PRC laws and regulations with respect to merger and acquisition activities in the PRC, or fail to obtain any of the required approvals, the relevant regulatory authorities would have broad discretion in dealing with such violations, including levying fines, revoking business and operating licenses, confiscating our income and requiring us to restructure or unwind our restructuring activities. Any of these actions could cause significant disruption to our business operations and could materially and adversely affect our business, financial condition and results of operations. Furthermore, if the business of any target company we plan to acquire falls into the ambit of security review, we may not be able to successfully acquire such company either by equity or asset acquisition, capital contribution or any contractual arrangement. We may grow our business in part by acquiring other companies operating in our industry. Complying with the requirements of the relevant regulations to complete such transactions could be time-consuming, and any required approval processes, including approval from MOFCOM, may delay or inhibit our ability to complete such transactions, thus affecting our ability to expand our business or maintain our market share.

Restrictions on currency exchange under PRC laws and regulations may limit our ability to satisfy obligations denominated in foreign currencies.

Currently, the Renminbi cannot be freely converted into foreign currencies, and the conversion and remittance of foreign currencies are subject to PRC foreign exchange regulations. Substantially all of our revenue is denominated in Renminbi. Under our current corporate structure, we derive our income primarily from dividend payments made by our PRC subsidiaries. Shortages in the availability of foreign currency may restrict the ability of our PRC subsidiaries to pay dividends or other payments to us or satisfy other foreign currency-denominated obligations, if any. In addition, any limitation on the ability of our PRC subsidiaries to pay dividends or make other distributions to us could materially and adversely limit our ability to grow, make investments or acquisitions that could be beneficial to our business, pay dividends, or otherwise fund and conduct our business.

Under existing PRC foreign exchange regulations, the Renminbi is convertible without prior approval from SAFE for current account transactions so long as certain procedures are complied with. Examples of such current account transactions include profit distributions and interest payments. However, prior approval and registration with SAFE is required for capital account transactions. Examples of capital account transactions include foreign direct investment and the repayment of loan principal. There can be no assurance that the PRC Government, in seeking to regulate the economy, will not restrict access to foreign currencies for current account transactions in the future. Such restrictions may limit our ability to convert cash from our operating activities into foreign currencies to make dividend payments or satisfy any foreign currency-denominated obligations we may have. Moreover, limitations on the flow of funds between us and our PRC subsidiaries may restrict our ability to provide financing to our PRC subsidiaries and take advantage of business opportunities in response to market conditions.

Fluctuations in exchange rates may have a material adverse impact on your investment.

The value of the Renminbi against US dollars, HK dollars and other currencies may fluctuate and subject to, among others, impacts of political situation and economic policies and situation. The Renminbi is no longer pegged to the US dollar, and is based on the policy of floating exchange rate. Its value in international market is determined with reference to a basket of currency policies. It is difficult to predict how market forces and the PRC Government's policies will continue to impact Renminbi exchange rates going forward. In light of the trend towards Renminbi internationalization, the PRC Government may announce further changes to the exchange rate system, and we cannot assure you that the Renminbi will not appreciate or depreciate significantly in value against the Hong Kong dollar, U.S. dollar or other foreign currencies.

Substantially all of our revenue, liabilities and assets are denominated in Renminbi, while our [**REDACTED**] from the [**REDACTED**] will be denominated in Hong Kong dollars. Material fluctuations in the exchange rate of the Renminbi against the Hong Kong dollar may negatively impact the value and amount of any dividends payable on our Shares. For example, significant appreciation of the Renminbi against the Hong Kong dollar could reduce the amount of Renminbi received from converting [**REDACTED**] or [**REDACTED**] from future financing efforts to fund our operations. Conversely, significant depreciation of the Renminbi may increase the cost of converting our Renminbi-denominated cash flow into Hong Kong dollars, thereby reducing the amount of cash available for paying dividends on our Shares or carrying out other business operations.

RISKS RELATING TO THE [REDACTED] AND THE [REDACTED]

There has been no prior market for our Shares, and their liquidity and market price following the [REDACTED] may be volatile.

Prior to the [**REDACTED**], there was no public market for our Shares. The indicative [**REDACTED**] and the [**REDACTED**] will be determined by negotiations between us, the [**REDACTED**] and the [**REDACTED**] (on behalf of the [**REDACTED**]), and they may differ significantly from the market price of our Shares following the [**REDACTED**].

We have applied to [**REDACTED**] and [**REDACTED**] our Shares on the Stock Exchange. However, even if approved, there can be no guarantee that: (i) an active or liquid trading market for our Shares will develop; or (ii) if such a trading market does develop, it will be sustained following completion of the [**REDACTED**]; or (iii) the market price of our Shares will not decline below the [**REDACTED**]. The [**REDACTED**] volume and [**REDACTED**] of our Shares may be subject to significant volatility in response to, among others, the following factors:

- variations in our financial condition and/or results of operations;
- changes in securities analysts' estimates of our financial condition and/or results of operations, regardless of the accuracy of information on which their estimates are based;
- changes in investors' perception of us and the investment environment generally;
- loss of visibility in the markets due to lack of regular coverage of our business;
- strategic alliances or acquisitions;
- potential litigations or regulatory investigations;
- loss of key personnel;
- changes in laws and regulations that impose limitations on our industry;
- announcements made by us or our competitors;
- changes in pricing adopted by us or our competitors;
- the liquidity of the market for our Shares; and
- general economic and other factors.

Since there will be a gap of several days between pricing and trading of our [REDACTED], the price of our [REDACTED] could fall below the [REDACTED] when the [REDACTED] commences.

The [**REDACTED**] of our Shares is expected to be determined on the [**REDACTED**]. However, our Shares will not commence [**REDACTED**] on the Stock Exchange until they are delivered, which is expected to be four Hong Kong business days after the [**REDACTED**]. As a result, investors may not be able to sell or 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 below the [**REDACTED**] when the [**REDACTED**] commences as a result of adverse market conditions or other adverse developments, that could occur between the time of sale and the time [**REDACTED**] begins.

Potential investors will experience immediate and substantial dilution as a result of the [REDACTED] and could face dilution as a result of future equity financings.

The [**REDACTED**] substantially exceeds the per Share value of our net tangible assets after subtracting our total liabilities, and therefore potential investors will experience immediate dilution when they purchase our Shares in the [**REDACTED**]. If we were to distribute our net tangible assets to our Shareholders immediately following the [**REDACTED**], potential investors would receive less than the amount they paid for their Shares.

We will comply with Rule 10.08 of the Listing Rules, which specifies that no further Shares or other securities of our Company (subject to certain exceptions) may be [**REDACTED**] or form the subject of any agreement to such an issue within six months from the [**REDACTED**]. However, after six months from the [**REDACTED**] we may raise additional funds to finance future acquisitions or expansions of our business operations by [**REDACTED**] or other securities of our Company. As a result, the percentage shareholding of the then Shareholders may be diluted and such newly [**REDACTED**] or other securities may confer rights and privileges that have priority over those of the then Shareholders.

Future or perceived sales of substantial amounts of our Shares could affect their market price.

The market price of our Shares could decline as a result of future sales of substantial amounts of our Shares or other related securities, or the perception that such sales may occur. Our ability to raise future capital at favorable times and prices may also be materially and adversely affected. Our Shares held by the Controlling Shareholders are currently subject to certain lock-up undertakings, the details of which are set out in "[**REDACTED**]" in this [**REDACTED**]. However, there is no assurance that following the expiration of the lock-up periods, these Shareholders will not dispose of any Shares. We cannot predict the effect of any future sales of the Shares by any of our Shareholders on the market price of our Shares.

We may not declare dividends on our Shares in the future.

Any declaration of dividends will be proposed by our Board of Directors, and the amount of any dividends will depend on various factors, including, without limitation, our results of operations, financial performance, profitability, business development, prospects, capital requirements, economic outlook and other factors which our Board of Directors may determine are important. For details, see "Financial Information—Dividends" in this [**REDACTED**]. We cannot guarantee when, if and in what form dividends will be paid. Our historical dividend policy should not be taken as indicative of our dividend policy in the future.

Our Controlling Shareholders has substantial influence over our Company and its interests may not be aligned with the interests of other Shareholders who subscribe for Shares in the [REDACTED].

Immediately after the [**REDACTED**], our Controlling Shareholders will directly and indirectly control the exercise of approximately [**REDACTED**]% of voting rights in the general meeting of our Company. For details, see "Relationship with Controlling Shareholders" in this [**REDACTED**]. The interests of our Controlling Shareholders may differ from the interests of our other Shareholders. Our Controlling Shareholders will have significant influence on the outcome of any corporate transaction or other matters submitted to our Shareholders for approval, including mergers, consolidations, sales of all or substantially all of our assets, election of Directors and other significant corporate actions. This concentration of ownership may discourage, delay or prevent changes in control of our Company that would otherwise benefit our other Shareholders. To the extent that the interests of our Controlling Shareholders conflict with those of our other Shareholders, our other Shareholders may be deprived of opportunities to advance or protect their interests.

Certain facts, forecast and other statistics in this [REDACTED] obtained from publicly available sources have not been independently verified and may not be reliable.

Certain facts, forecasts and statistics in this [**REDACTED**] relating to the PRC, the PRC economy and industries relevant to us were obtained from information provided or published by PRC Government agencies, industry associations, independent research institutions or other third-party sources, and we can guarantee neither the quality nor reliability of such source materials. The information derived from official government publications has not been independently verified by us, the Joint Sponsors, the [**REDACTED**], the [**REDACTED**], the [**REDACTED**], the [**REDACTED**], the [**REDACTED**], the [**REDACTED**], or any of their respective affiliates or advisers, or any other persons or parties involved in the [**REDACTED**], and, therefore, we make no representation as to the accuracy of such facts and statistics. Accordingly the information from official government sources contained herein may not be accurate and should not be unduly relied upon. Furthermore, we cannot assure you that they are stated or compiled on the same basis, or with the same degree of accuracy, as similar statistics presented elsewhere. In all cases, investors should consider how much weight or importance they should attach to or place on such facts, forecasts, or statistics.

Investors should read this entire [REDACTED] carefully and should not consider or rely on any particular statements in this [REDACTED] or in published media reports without carefully considering the risks and other information in this [REDACTED].

Prior or subsequent to the publication of this [**REDACTED**], there has been or may be press and media coverage regarding us and the [**REDACTED**], in addition to marketing materials we published in compliance with the Listing Rules. Such press and media coverage may include references to information that do not appear in this [**REDACTED**] or is inaccurate. We have not authorized the publication of any such information contained in unauthorized press and media coverage. Therefore, we make no representation as to the appropriateness, accuracy, completeness or reliability of any information disseminated in the media and do not accept any responsibility for the accuracy or completeness of any financial information or forward-looking statements contained therein. To the extent that any of the information in the media is inconsistent or conflicts with the contents of this [**REDACTED**], we expressly disclaim it. Accordingly, prospective investors should only rely on information included in this [**REDACTED**] and not on any of the information in press articles or other media coverage in deciding whether or not to purchase the [**REDACTED**].