
BUSINESS

OVERVIEW

We are one of the leading equipment operation service providers in China, with comprehensive equipment offerings and strong service capacities. According to the F&S Report, we were the largest equipment operation service provider in China in terms of revenue in 2021. Leveraging our equipment operation service capabilities, we provide comprehensive and multi-dimensional services covering the full cycle of projects.

Our major brands include Horizon Construction Development (宏信建發), Horizon Equipment (宏信設備) and Hongjin Equipment (宏金設備). Our leading market position and brand recognition are reflected in the numerous awards we have received, including Top Ten Brands In the Engineering Equipment Leasing Industry in 2020 and 2021, awarded by T50 Summit Organization Committee of World Construction Machinery Industry; first in China Top Ten MEWP Rental Company in 2022, awarded by T50 Summit Organization Committee of World Construction Machinery Industry; Top Ten Brands In the Aerial Work Platform Leasing Industry in 2021, awarded by T50 Summit Organization Committee of World Construction Machinery Industry; third in 2022, fourth in 2021, and sixth in 2020, in the Top 50 Aerial Work Platform Leasing Companies In the World in ACCESS 50; and 14th in 2022, and 24th in 2021, in IRN World's Top 100 Rental Companies, awarded by KHL Group, one of the world's largest international building information providers. Leveraging our leading position in the industry, we were able to participate in milestone projects such as the Hong Kong Emergency Hospital project, Zhengzhou Hangkonggang Railway Station project, Guangzhou Baiyun International Airport Terminal project, Semiconductor Manufacturing International Corporation Production Facility project, Baotou-Yinchuan High-speed Railway project, National Exhibition and Convention Center (Shanghai) project, Beijing Daxing International Airport project, Hong Kong-Zhuhai-Macao Bridge project and Huoshenshan Hospital project.

In addition, we are one of the leaders in aerial work platform equipment operation, neo-excavation support system operation and neo-formwork system operation service markets. According to the F&S Report, we are ranked first in all of the three markets in terms of equipment volume owned in China in 2021. For aerial work platforms, the equipment volume of our aerial work platforms amounted to approximately 131.3 thousand units in 2022, accounting for 30.6% of the market share in terms of equipment volume in China in the same year. For neo-excavation support systems, the equipment volume of our neo-excavation support systems amounted to approximately 1,576.6 thousand tons in 2022, accounting for 5.0% of the market share in terms of equipment volume in China in the same year. For neo-formwork systems, the equipment volume of our neo-formwork systems, amounted to approximately 622.6 thousand tons in 2022, accounting for 3.2% of the market share in terms of equipment volume in China in the same year. We believe that our comprehensive and multi-dimensional services covering the full cycle of projects and leveraging the synergies among our various product lines and diversified service

BUSINESS

categories enable us to enhance our market competitiveness and customer stickiness. As a result, we have fostered a diverse, blue chip, loyal and high-quality customer base to ensure our operational stability and sustainable growth. Moreover, we have established a nationwide service outlet network consisting of 299 service outlets as of December 31, 2021, covering 180 cities in China. According to the F&S Report, the number of our service outlets is ranked first in China in 2021 among all equipment operation service providers, enabling our industry-leading response time. As of December 31, 2022, our nationwide network comprised 349 service outlets, covering 187 cities in China. Furthermore, our proven digitalization capabilities continuously enhance our operational efficiency and customer service capabilities.

Our service portfolio consists of (i) operating lease services, (ii) engineering and technical services, and (iii) platform and other services. Our service portfolio for operating lease services covers various types of equipment and materials, which primarily include aerial work platforms, neo-excavation support systems, neo-formwork systems and other equipment. In addition, engineering and technical services we provide represent tailor-made one-stop solutions for different business or operation scenarios. Our platform and other services primarily focus on the re-rent of equipment and materials and sales of equipment, materials and spare parts. For the years ended December 31, 2020, 2021 and 2022, revenue generated from (i) engineering and technical services and (ii) platform and other services combined as a percentage of our revenue was 32.2%, 27.3% and 34.1%, respectively.

We had achieved strong financial performance during the Track Record Period. Our revenue increased from RMB3,663.6 million in 2020 to RMB7,877.6 million in 2022, representing a CAGR of 46.6%. Our EBITDA (a non-HKFRS measure) increased from RMB1,884.7 million in 2020 to RMB4,080.7 million in 2022, representing a CAGR of 47.1%. Our adjusted net profit (a non-HKFRS measure) increased from RMB504.2 million in 2020 to RMB944.8 million in 2022, representing a CAGR of 36.9%.

COMPETITIVE STRENGTHS

Leading equipment operation service provider in China

We are one of the leading equipment operation service providers in China, with comprehensive equipment offerings and strong service capacities. According to the F&S Report, we were the largest equipment operation service provider in China in terms of revenue in 2021. Leveraging our equipment operation service capabilities, we provide comprehensive and multi-dimensional services covering the full cycle of projects. Our service offerings include operating lease services, engineering and technical services, and platform and other services.

BUSINESS

Our leading market position and brand recognition provide us significant competitive edges over our peers in a large and highly fragmented market. With the rapid development of the equipment operation market, our clients increasingly embrace our high-quality services, which enable us to establish and sustain long-term relationships with top-tier customers. Our outstanding brand recognition and client relationships enable us to obtain high-profile projects and our abundant experience further enhances our expertise on project implementation, market reputation, and competitive edges. This is also reflected in the numerous awards we have received, including Top Ten Brands In the Engineering Equipment Leasing Industry in 2020 and 2021, awarded by T50 Summit Organization Committee of World Construction Machinery Industry; first in China Top Ten MEWP Rental Company in 2022, awarded by T50 Summit Organization Committee of World Construction Machinery Industry; Top Ten Brands In the Aerial Work Platform Leasing Industry in 2021, awarded by T50 Summit Organization Committee of World Construction Machinery Industry; third in 2022, fourth in 2021, and sixth in 2020, in the Top 50 Aerial Work Platform Leasing Companies In the World in ACCESS 50; and 14th in 2022, and 24th in 2021, in IRN World's Top 100 Rental Companies, awarded by one of the world's largest international building information providers – KHL Group. Leveraging our leading position in the industry, we were able to participate in milestone projects such as Hong Kong Emergency Hospital project, Zhengzhou Hangkonggang Railway Station project, Guangzhou Baiyun International Airport Terminal project, Semiconductor Manufacturing International Corporation Production Facility project, Baotou-Yinchuan High-speed Railway project, Xiong'an New District Civic Center project, Beijing Daxing International Airport project, Hong Kong-Zhuhai-Macao Bridge project and Huoshenshan Hospital project.

The equipment operation service market in China is vast with strong potential for rapid growth, with a market size of RMB935.4 billion in 2022, according to the F&S Report. With continuous urbanization, industrial upgrading and the implementation of China's 14th Five Year Plan, along with the strong demand from the construction market in China, the equipment operation service market is expected to flourish, reaching a market size of RMB1,593.2 billion in 2027, which represents a CAGR of 10.3% from 2023 to 2027, according to the F&S Report. In addition, the equipment operation service market is expected to become increasingly concentrated because large-scale equipment operation service providers are actively seeking to further increase market shares through market consolidation and quick expansion. As one of the leading market participants in this highly fragmented market, we expect to continue benefiting from the aforementioned expansion of the industry as well as the consolidation opportunities. Meanwhile, customers will continue to embrace service providers with technological competitive edges and tailor-made service capabilities. Therefore, we plan to strategically leverage our technological and service capabilities, industry experience and brand recognition to further solidify our leading position in the market to capture future opportunities brought by the ever-growing demand in China.

BUSINESS

Leveraging our market leadership and through our management's leadership and efforts of all our employees, we have achieved outstanding financial performance during the Track Record Period. Our revenue increased from RMB3,663.6 million in 2020 to RMB7,877.6 million in 2022, representing a CAGR of 46.6%. Our EBITDA, which is a non-HKFRS measure, is calculated by profit for the year adjusted by deducting our bank interest income and loan interest income, then adding back income tax expenses, interest expenses, depreciation of property, plant and equipment, depreciation of right-of-use assets, and amortization of lands and intangible assets, increased from RMB1,884.7 million in 2020 to RMB3,197.0 million in 2021, and further increased to RMB4,080.7 million in 2022, representing a CAGR of 47.1%. Our total assets increased from RMB15,639.2 million as of December 31, 2020 to RMB26,960.6 million as of December 31, 2021, and further increased to RMB30,291.8 million as of December 31, 2022, representing a CAGR of 39.2%.

Market leadership in aerial work platform operation, neo-excavation support system operation and neo-formwork system operation service markets well-positioned for industry upgrade

Equipment operation services in aerial work platform, neo-excavation support system and neo-formwork system have been our key business focus. According to the F&S Report, we ranked first in all of the three markets in terms of equipment volume owned in China in 2021. According to the F&S Report, the operation service markets of aerial work platform, neo-excavation support system and neo-formwork system in China are all well-positioned for rapid growth. Compared with traditional equipment and materials, aerial work platform, neo-excavation support system and neo-formwork system are more efficient, safe, cost-saving and environmentally-friendly. With the implementation of 14th Five Year Plan, the transformation and upgrade of the construction industry, as well as the increasing demand for equipment to replace human labor, the applicable scenarios of such equipment will continuously expand, and these markets are expected to flourish continuously, according to the F&S Report.

- *Aerial work platform.* Aerial work platform is the equipment used for work carried out at certain heights. Applicable scenarios of aerial work platform are continuously and extensively expanding, which in turn leads to the boom in demand for aerial work platform operation services. With the rapidly developing aerial work platform operation service market, we have built a service outlet network covering regions with booming market demand. We also adopted digital technologies to establish an online service system, and established a retail operation system integrating both online and offline operations in order to provide flexible, fast and efficient one-stop aerial work platform service solutions to end users. Through our nationwide service outlet network and our retail operation system, we have significantly improved our service quality and efficiency and shortened the response time. As of December 31, 2022, we

BUSINESS

managed approximately 131.3 thousand units of aerial work platform (for details, please see “—Our Equipment Portfolio—Utilization of Our Equipment), accounting for 30.6% of the market share in terms of equipment volume in China in the same year, according to the F&S Report.

- *Neo-excavation support system.* Neo-excavation support system mainly refers to steel support system. Instead of the traditional excavation support system used in the industry, which our Directors believe will be soon replaced, we offer neo-excavation support systems that include steel sheet pile, steel support, H-steel and HC support (combined steel support). Such systems are most useful in addressing customers’ needs for higher degree of safety, environmentally friendly construction methods, shorter construction period and reduced costs. All-steel structures and steel support system lay the foundation for our neo-excavation support system. Our neo-excavation support system operation services integrate design and construction management, which enables us to provide unique and comprehensive solutions for milestone, large-scale and high-profile projects. Our portfolio contains eight categories and 27 models of products, which are applied in numerous construction scenarios. We also customize key nodes in our neo-excavation support systems (such as trench steel support adjustable head, corner node of steel waling, H-beam strut converter, and integrated service system, which are light in weight and flexible to install), with patents registered. Equipped with our comprehensive and high-quality core products with self-owned IP rights, advanced construction methods, and leading engineering management system in the industry, we are able to cover most of underground construction scenarios and other construction scenarios with more complex conditions. From the date of our incorporation to December 31, 2022, we participated in more than 16,000 projects and served more than 7,000 customers in total with our neo-excavation support system. As of December 31, 2022, we owned approximately 1,576.6 thousand tons of neo-excavation support system, accounting for 5.0% of the market share in terms of equipment volume in China in the same year, according to the F&S Report.
- *Neo-formwork system.* Neo-formwork system mainly refers to ringlock scaffold. Our neo-formwork system contains full-product lines with proprietary developing and manufacturing capabilities. Compared with traditional formwork system, advanced characteristics of our ringlock scaffold include large bearing capacity, simple structure and general applicability, making it easier to be installed, demolished and managed. As a result, ringlock scaffold is superseding traditional formwork system in the market. With our constant research and development efforts, we have achieved design breakthroughs with a ringlock scaffold system that reduces the proportion of steel used, saves costs and material, whilst improving safety, bearing capacity and service life. As of December 31, 2022, we owned 39 patents for our neo-formwork system. We

BUSINESS

have established a production line with self-developed and self-manufactured formwork system to enhance product quality and improve safety. Leveraging our customized solution design system and standardized on-site construction management capabilities, we are able to provide our customers with integrated and comprehensive formwork system operation services for various milestone, large-scale and high-profile projects, including design, construction solutions and management. As of December 31, 2022, we owned over 622.6 thousand tons of neo-formwork system with a complete array of specifications, accounting for 3.2% of the market share in terms of equipment volume in China in the same year, according to the F&S Report.

Synergies among different product lines, and comprehensive and multi-dimensional services covering the full cycle of projects underpinned by our customer-oriented philosophy

Our customer-oriented philosophy has been the key to our rapid growth. We provide comprehensive and multi-dimensional services covering the full cycle of projects, leveraging the synergies among our various product lines and diversified service categories in order to enhance our market competitiveness and customer stickiness.

Historically, equipment operation service providers only provide equipment to customers with limited or no value-added services. We provide a more comprehensive service portfolio covering operating lease services, engineering and technical services, and platform and other services, which include (i) re-rent of equipment and materials and (ii) sales of equipment, materials and spare parts. Our comprehensive service portfolio enables us to cross sell our services, and to sustain our business growth.

Our multi-dimensional services portfolio encapsulates (i) the depth of our construction projects provided; (ii) the breadth of our services provided and (iii) our proprietary production capacities.

One of the dimensions that our services portfolio represents is the depth of construction projects we can be involved with, such as municipal engineering projects, industrial plant construction, housing construction, traffic and other infrastructure construction and other maintenance projects. The other dimension of our projects lies with the breadth of our services, which we can provide product leasing, product sales, engineering construction, technical support and other solution services for various enterprises in the different fields. Another dimension from our services lies with our capacities in producing our own materials, thus allowing us to have control over the quality and development of the equipment and material to be used in our customers' projects. When the ringlock scaffold industry was still at its infancy stage in the PRC in 2013, only few companies offered ringlock scaffold as a product in the market. We commenced to develop and produce scaffolding in house during that time, which gave us competitive

BUSINESS

advantage over other industry players. Moreover, we can better monitor the quality of self-manufactured products and implement quality control in all aspects of our production process. Furthermore, having control over the production allows us to be more flexible with our production plans for better efficiency.

For the years ended December 31, 2020, 2021 and 2022, revenue generated from (i) engineering and technical services and (ii) platform and other services combined as a percentage of our revenue was 32.2%, 27.3% and 34.1%, respectively. Leveraging our comprehensive service portfolio, we are able to cover the full cycle of landmark and milestone projects. For example, we served the full cycle of the National Exhibition and Convention Center (Shanghai) (“**NECC Shanghai**”) project. At the beginning stage, we provided approximately 1,000 tons of steel support used as neo-excavation support system for pit support; at the construction stage, we provided approximately 100 thousand tons of neo-formwork system; at the decoration stage, we provided more than 300 aerial work vehicles used for operations, which ensured the timely implementation of the project. In addition, we offered one-stop engineering and technical services during the process of NECC Shanghai construction. Moreover, after the completion of NECC Shanghai construction, we provided equipment operation service for its operation and maintenance activities. For example, when major events such as the China International Import Expo are held at the NECC Shanghai, we offered on-site electricity support services to ensure overall smooth operation. These examples have demonstrated the importance and benefits of our multi-dimensional servicing model. Among the top ten construction companies in China, nine of them had engaged two or more of our six product lines from our multi-dimensional services portfolio.

Leveraging our comprehensive and multi-dimensional services covering the full cycle of projects, we have further expanded and diversified our service scenarios and project types. As a result, we have fostered a diverse, blue chip, loyal and high-quality customer base to ensure our operational stability and sustainable growth.

- *Rapid growth in customer base spreading across various industries.* The number of our customers (on a standalone basis) has increased rapidly during the Track Record Period. The number of our customers increased from approximately 47,000 in 2020 to approximately 97,000 in 2021 and further increased to approximately 158,000 in 2022. For the number of our customers on a consolidated basis, see “—Customers” in this [REDACTED]. Our customer base spreads across various industries, including construction, manufacturing, commerce, real estate, culture, entertainment and various consumer industries. Moreover, our customer base is vastly expanding, covering large central enterprises, local SOEs, public entities, private companies and individuals.

BUSINESS

- *Blue-chip and loyal customer base.* We have established long-term partnerships with the top-tier construction companies in China. During the Track Record Period, all of the top ten construction service providers in China are ranked in terms of overall strength awarded by China Construction Enterprises Management Association were our clients. In 2022, among these top ten construction services providers in China, seven of them have established business relationship with us for over five years. Moreover, for the largest construction enterprise in China, we have achieved extensive cooperation with it in 188 cities across China.
- *Diversified customer base and scenarios.* Our diversified customer base enhances our competitive edges in the market and helps us avoid overdependence on any single customer or industry. The percentage of revenue generated from our top five customers decreased from 26.3% in 2020 to 17.9% in 2022. In addition, while we continue to provide solutions for numerous traditional construction scenarios, we also serve customers in an increasingly diversified reconstruction, operation and maintenance scenarios.

We believe that such breadth and range of services offered, being sufficient to cover a full lifecycle of a project, have allowed us to better serve our clients at reduced time, thus leading us to a potential to grow our market share. Furthermore, such a strong customer base lays a solid foundation for our business, brings us potential for future cross-selling and up-selling opportunities, and also gives us strong advantages over competitors in terms of extensive referral cases, and best practices and experiences of the industry.

Nationwide service outlet network with leading response time in the industry

In order to timely address customers' needs and continuously fuel the development of our comprehensive and one-stop equipment operation services, we have established a nationwide service outlet network consisting of 299 service outlets as of December 31, 2021, covering 180 cities in China. According to the F&S Report, the number of our service outlets is ranked first in China in 2021 among all equipment operation service providers.

BUSINESS

We have been actively expanding the coverage of our service outlets. As of December 31, 2020, 2021 and 2022 and the Latest Practicable Date, the number of our service outlets in China amounted to 207, 299, 349 and 349, respectively. In particular, as of December 31, 2020, 2021 and 2022, we had 142, 215 and 250 service outlets for aerial work platform, 52, 60 and 59 service outlets for neo-excavation support system, seven, 18 and 25 service outlets for neo-formwork system, and six, six and 15 service outlets for other equipment. The table below sets forth the number of our service outlets by regions as of the dates indicated:

	As of December 31,		
	2020	2021	2022
North China ⁽¹⁾	65	97	109
Central China ⁽²⁾	83	112	136
South China ⁽³⁾	59	90	104
Total	207	299	349

Notes:

- (1) Includes Xinjiang, Gansu, Qinghai, Inner Mongolia, Ningxia, Shaanxi, Shanxi, Beijing, Hebei, Henan, Tianjin, Shandong, Liaoning, Jilin and Heilongjiang.
- (2) Includes Jiangsu, Zhejiang, Shanghai, Sichuan, Chongqing, Hubei, Anhui and Tibet.
- (3) Includes Yunnan, Guizhou, Guangxi, Hainan, Hunan, Guangdong, Jiangxi and Fujian.

Our increasingly broadened nationwide coverage and the strategic and synergetic layouts of our service outlets enable us to allocate equipment and materials among different service outlets in surrounding areas, which assist us in addressing customers' needs quickly through transportation between our service outlets. For example, our average service delivery mileage for aerial work platform has been reduced from approximately 70 kilometers in 2018 to 37 kilometers in 2022. We believe our fast response time distinguishes us from our competitors in the equipment operation service industry in China.

Moreover, we have built up a professional supporting team responsible for 24/7 customer services. In addition, as of December 31, 2022, we were collaborating with approximately 568 logistics service providers in China to guarantee the timely delivery of our equipment and provision of maintenance services.

BUSINESS

Our service outlets are mainly focused on providing routine repair and maintenance services on equipment and warehousing services to our customers. All of our service outlets are directly managed by our business units to ensure direct reach-out to our customers. In addition, we strategically locate our four main bases in Shanghai Jiading, Shanghai Jinshan, Tianjin Wuqing and Guangzhou Nansha, which are mainly focused on complex repair and remanufacturing of the equipment. Remanufacturing is an industrial process by which a previously sold, worn, or non-functional product can be rebuilt or recovered. We believe that remanufacturing is an environmentally friendly process, allowing those worn or non-functional products to be reused, and supports a circular economy. As a result of such a vast network of service outlets, logistics services providers and main bases, our response time (i.e. the period of time required to reach the location of the site of work designated by the customer, from any of the service outlets) was around four hours, significantly leading the industry's response time of between 12 and 24 hours, according to the F&S Report. Leveraging our nationwide service outlet network with leading response time in the industry, we believe our four main bases will further complement service capabilities of our service outlets and enable us to provide quality and prompt services to our customers.

Proven digitalization capabilities that continuously enhance our operational efficiency and customer service capabilities

Backed by our technology research and development team with a new research and development center in Shanghai and a sub-center in Tianjin, digitalization continues to play a pivotal role in providing equipment operation service. As a result of our continued commitment to digitalization investments, our operational efficiency and service capabilities experienced rapid improvement.

- *Digitalized operation management.* In order to optimize our operations and enhance our productivity and management efficiency, we built up our ERP system back in 2015 and have been upgrading such system since then. Through our research and development efforts, we have upgraded the ERP system to an integrated online system, which enables us to achieve overall digitalized management of various aspects of our business operation, including, among others, customer service, order management, procurement, logistics, warehousing, human resources and financials. In addition, we have built our IoT system. To further enhance customer experience, we have installed intelligent hardware on our equipment to locate equipment and collect operating data. As a result, we are able to achieve remote control and real-time monitoring of our equipment and automatic order triggering, which reduces our logistics costs, optimizes equipment allocation, improves warehouse and service outlet utilization and enhances our operating efficiency. For example, our average equipment allocation capacity per employee for aerial work platform increased from approximately 1,000 units in 2021 to approximately 2,500 units in 2022

BUSINESS

and currently approximately 65% of the orders for aerial work platform are automatically matched for equipment allocation. Our average equipment service capacity per employee for aerial work platform increased from 20 units in 2016 to 115 units in 2022, and is expected to further increase in 2023. Moreover, we utilize AI-based algorithms and big data analytics to facilitate predictive maintenance of our equipment, minimizing downtime risks and decreasing maintenance costs. We believe that our digitalized operation management lays the foundation for future development of our platform services.

- *Digitalized service offerings.* We have been devoted to expanding our digitalized service offering channels. We have developed Horizon Equipment Aerial Work Platform, a WeChat applet providing digitalized services that cover the full cycle of equipment operation. Our WeChat applet is capable of providing various online services, such as online contracting, online payment, logistics tracking, transaction settlement and invoicing, which enables us to directly connect with small-and-medium enterprise customers through online orders. Through our digitalized service offerings, we built up both online and offline service offering channels to serve our customers, which in turn significantly enhance customer experience and satisfaction. Through the abovementioned initiatives, we are able to achieve digitalization of the whole process of equipment operation services for aerial work platform. Currently, more than 98% of the monthly contracts are executed online, more than 98% of the equipment deliveries are confirmed by electronic billing, approximately 91% of bills are able to be checked and confirmed with our customers online, and more than 61% of the order payments are settled online.

Close collaboration with Far East Horizon, one of our Controlling Shareholders, to capture significant opportunities

We closely collaborate with one of our Controlling Shareholders, Far East Horizon (listed on the Main Board of the Hong Kong Stock Exchange, stock code: 3360). Far East Horizon is an integrated financial and industrial group that focuses on basic industries and serves most dynamic enterprises across various industries. By implementing its “finance + industry” operational philosophy, Far East Horizon has been committed to providing customers with tailor-made integrated financial services and industrial operation services through continuous innovation of products and services. Far East Horizon’s businesses operations cover various industries, including, but not limited to, healthcare, culture and tourism, engineering construction, machinery, chemical and medicine, electronic information, public consuming, transportation & logistics and urban public utility.

BUSINESS

As one of the leading equipment operation service providers in China established by Far East Horizon, we share a similar brand name with one of our Controlling Shareholders. In addition, Far East Horizon's service offerings, reputation and brand recognition, have contributed and will continue to contribute to our business expansion, strengthen our service capabilities and enhance our brand recognition. For example, attributable to Far East Horizon's in-depth cooperative relationship with central enterprises, large-scale SOEs and influential listed enterprises, we are able to effectively and rapidly procure customers and establish mutual trust and cooperation with such quality customers. In addition, with Far East Horizon's strategic layout over multiple industries and multiple business segments, our close collaboration with Far East Horizon in financial leasing, investment operation and other business segments enables us to carry out holistic marketing strategy and provide comprehensive solutions to our key customers.

Moreover, as a company listed on the Hong Kong Stock Exchange since 2011, Far East Horizon has established a sound corporate governance structure and management system. Benefiting from the genes and culture of standardized management from Far East Horizon, we value the importance of standardized management and have implemented high standards on risk management and internal control to facilitate our business growth.

Experienced management team supported by a unique management mode

We believe our success has always been dependent on the high quality of our management team. Mr. Pan Yang, our executive Director and chief executive officer, has over 18 years of experience in financial leasing. Mr. Tang Li, our executive Director and chief financial officer, has over 18 years of experience in auditing, accounting, and financial management. Mr. Yu Guang, our chief operational officer, has been responsible for carrying out our organizational operation and technology research and development since 2011. We believe our senior management's outstanding management capabilities, abundant industry experience and in-depth understanding of our business operations enable them to implement successful business strategy and capture market opportunities, which further facilitate our robust growth. For more details of our management, see "Directors and Senior Management" of this [REDACTED].

With our customer-oriented philosophy, our management adopts a unique management mode of "small front desk, large middle desk" to ensure professional operations. "Small front desk" refers to our nationwide coverage of service outlets that enable timely response to customers' needs, with equipment operation and maintenance personnel assigned to each service outlet in order to achieve sufficient service flexibility. "Large middle desk" refers to our combination of various supporting services, including logistics, procurement, manufacturing, talent training and recruitment and repair and maintenance, along with our data middle office, including business flow system, operation platform and customer management platform, which collectively support our front desk services and its business development. Leveraging our strong middle desk supporting capabilities, we believe we are capable of providing tailor-made services to our customers.

BUSINESS

We believe that talents are the foundation for our ability to offer quality services and achieve sustainable growth. As a result, we have established a market-based compensation system. Over the years, we have assembled a team of talents that possess abundant experience in the equipment operation service industry. Our management team values the importance of loyalty, teamwork, cohesion, innovation capabilities, continuous learning capabilities and outstanding working performance. Therefore, besides market-based compensation, we provide our employees with benefits, such as special stipend for holidays for employees and employees' parents and children, as well as comprehensive trainings for our employees tailored for different levels. In addition, we have set up different incentive plans to highly align the interests of the employees to ours.

We believe that integrated experienced management team, unique management mode of "small front desk, large middle desk" and quality human resource system underpinned by a market-based compensation system will help us retain competent employees who are essential to our ability to provide integrated services, enhance our market position and achieve sustainable growth.

BUSINESS STRATEGIES

Strategically expand our service outlet network to further enhance our service capabilities

We plan to increase our market share, further reduce the average service delivery mileage to approximately 30 kilometers, and achieve continued revenue growth by further enhancing our service capabilities and expanding our service outlet network with a prudent and disciplined approach in selecting target markets for expansion to satisfy unmet demand. We plan to, on one hand, take optimization measures to downsize or close certain service outlets with low utilization, while on the other hand increase the number of our service outlets to over 430 and 500, respectively, by the end of 2023 and 2024, respectively. As of the Latest Practicable Date, we had 349 service outlets in China and one service outlet in Malaysia. Details of our expansion plan are as follows:

- *Increase service outlet density.* We believe that there is significant potential to increase our penetration and solidify our market shares in the hotspots of China's economy, including the Yangtze River Delta Region, Pearl River Delta Region, Beijing-Tianjin-Hebei Region and Chengdu-Chongqing Region. As market demand for equipment operation services in these regions has been historically strong, we believe that establishing more service outlets in these regions will better serve our existing customers, as well as reach out to more potential customers. Thus, we plan to increase our service outlet density in tier-one and tier-two cities in these areas to further increase our market shares in these cities.

BUSINESS

- *Further expand geographical coverage.* Increased urbanization, industrial upgrading and the implementation of 14th Five Year Plan along with the ever-growing demand from the construction industry in China, as well as the continuously expanding applicable scenarios of aerial work platform, bring opportunities for equipment operation services in tier-three and lower-tier cities in the Yangtze River Delta Region and Pearl River Delta Region. Using our existing service outlets in major cities in these areas as hubs, we will formulate growth strategies to expand coverage into neighboring areas based on the performance of existing service outlets. We will also explore opportunities to set up service outlets in new regions, such as Singapore, Malaysia and other Southeast Asian countries as well as certain core cities in central and western regions of China. We believe our service outlets in these regions will further facilitate our expansion.

We intend to apply approximately [REDACTED]% of the [REDACTED] from the [REDACTED] to expanding our service outlet network. For details, see "Future Plans and [REDACTED]".

Optimize our equipment portfolio

Our ability to further optimize our equipment portfolio is one of the drivers of our future growth. With the booming and flourishing of the equipment operation service market, increasing our equipment volume will assist us in further boosting our market share, while more comprehensive equipment offerings will ensure our diversified equipment and service portfolio. Moreover, as we collect a large amount of data from our daily equipment operation, we are able to provide equipment manufacturers with timely feedback and advice on equipment optimization and to help standardize equipment transformation and optimization. To solidify our leading position and capture future market opportunities, we plan to take the following measures for our aerial work platform, neo-excavation support system and neo-form work system:

- *Aerial work platform.* As aerial work platform is increasingly applied in different construction, operation, reconstruction and maintenance scenarios, including emerging consumer scenarios such as large-scale entertainment and sports events, the demand for aerial work platform operation services in China and southeast Asia is expected to flourish. Therefore, we plan to procure additional aerial work platforms that are in high demand, while selectively entering into re-renting arrangements to further increase the scale of aerial work platforms we manage, which we believe enables us to expand our equipment volume in an asset-light manner, further enhance our service capabilities and expand the applicable scenarios of our aerial work platform operation services.

BUSINESS

- *Neo-excavation support system.* With the increasing emphasis on high-quality and environmentally-friendly construction in China, our neo-excavation support system, which help reduce construction waste effectively, is expected to become more popular in the market. Therefore, we plan to procure additional high-quality excavation support system to meet customers’ needs and market demands.
- *Neo-formwork system.* Ringlock scaffold is regarded as one of the most advanced, reliable and safe formwork system available in the market due to its higher bearing capacity. Therefore, we plan to manufacture and procure, when necessary, additional ringlock scaffolds to meet customers’ needs and market demands.

We intend to apply approximately [REDACTED]% of the [REDACTED] from the [REDACTED] to pursue this strategy. For details, see “Future Plans and [REDACTED]”.

Enhance our one-stop solution capabilities

As China has gradually stepped into the ‘neo infrastructure era’, it is expected that the demand for equipment operation service, especially for operation and maintenance service, will experience a significant increase. For details, see “Industry Overview—Transformation and Upgrade of the Construction Industry” of this [REDACTED]. According to the F&S Report, it is expected that customers in China will increasingly embrace equipment operation service providers with comprehensive service portfolios. In addition, we believe one-stop solutions will help increase the utilization rate of our equipment and materials, enhance our competitiveness in the market, and establish higher entry barriers in the industry. Therefore, we plan to further enhance our one-stop solution capabilities. Key aspects we plan to further work on include:

- *Engineering technological upgrade.* We plan to expand the size of our research and development team dedicated to new construction methods to tailor customers’ needs arising from more complex projects and scenarios. In addition, we plan to recruit more experts in the equipment operation service industry and carry out extensive and in-depth cooperation with well-known universities and research institutes, which will further enhance our capabilities in providing high-quality, safe and reliable designs tailor-made for various complex scenarios. Moreover, we will closely keep track of technological trends and introduce advanced technologies to further enhance our one-stop solution capabilities. For example, our research and development team of neo-excavation support system focused on heavy-bearing combination support and large-span combination support system. In addition, we formed a technical team consisting of staff graduating from well-known universities all around the world to conduct research on foreign equipment and technologies. Meanwhile, we work closely

BUSINESS

with top tier universities, research institutions and other construction associations and institutions in various cities in China to carry out in-depth research and development. We also plan to deepen our research and development in light excavation support system for pipe trenches and underground maintenance equipment. In addition, we will use steel support system as the foundation to promote the vast application of environmentally-friendly and intelligent pits in the equipment operation service industry, while building up our own competitive edges in products and technologies. In order to encourage positive collaboration and cooperation between parties, we would share the results of such research and development initiatives with our co-developers (only universities and research institutions from which we do not face potential competition) for each of our own commercialization efforts that may follow afterwards.

- *Logistics service capabilities upgrade.* We plan to enhance our logistics service capabilities to complement our one-stop solutions. Through providing logistics services, we aim to not only address our customers' needs and reduce their logistics costs, but also to shorten their waiting time for service request, thereby improving consumer satisfaction. To be specific, we plan to enhance our warehousing service capabilities through accurate judgment of the supply and demand relationship and reasonable deployment, thus enabling us to directly transport and store equipment and materials in the warehouses nearest to our customers' sites to ensure speedy delivery. In addition, we plan to provide bulky item logistics services.
- *Construction service capabilities upgrade.* We plan to enhance our construction service capabilities to complement our one-stop solutions. We plan to recruit more talents capable of carrying out project management to ensure the smooth implementation of our construction. In addition, we plan to enhance our research and development efforts in safe and efficient construction.

In order to pursue this strategy, we intend to apply approximately [REDACTED]% of the [REDACTED] from the [REDACTED]. For details, see the section headed "Future Plans and [REDACTED]" in this [REDACTED].

BUSINESS

Enhance our operational efficiency through digitalization upgrade

We are fully aware of the importance of information technology to our business. We strive to enhance our AI-based algorithms and big data analytics to further optimize the management and logistics of our equipment along the full life cycle of use, maintenance and end-of-life disposal, driving improved cost efficiencies and equipment productivity. Such efforts will also enable us to further optimize our equipment portfolio and determine the optimal operating cycle of our equipment, maximizing investment returns.

In addition, we plan to upgrade our core business system to an engineering equipment operation service platform where we can share sources from our business partners (such as equipment suppliers, service providers, etc) in the future. Through our platform, we are able to provide our customers with more comprehensive equipment operation service offerings. Moreover, we will provide our partners with more business opportunities and a nationwide supply chain network, to help our partners reduce their costs in acquiring new customers and enhance their operational efficiency. We believe that our digitalization upgrade will facilitate our transformation from an equipment operation service provider to an equipment operation service platform.

In order to pursue this strategy, we will continue to build up our digitalization team and subscribe to or purchase supporting systems and platforms. We intend to apply approximately [REDACTED]% of the [REDACTED] from the [REDACTED] to pursue this strategy. For details, see the section headed "Future Plans and [REDACTED]" in this [REDACTED].

Expand our international footprints

We plan to broaden the geographic coverage of our equipment and services and expand our presence in overseas markets. The ASEAN Comprehensive Recovery Framework ("ACRF") adopted in 2020 includes a series of relief plans for countries in the region to stimulate investment in various fields including infrastructure construction in the region. In the past two years, relevant economic recovery plans have achieved remarkable results, and ASEAN is realizing rapid economic recovery with its high level of openness and regional integration. Going forward, investment in transportation infrastructure such as roads, railways and airports will continue to be the momentum of ASEAN's economic growth in the future. We are actively seeking opportunities to expand our footprints in Southeast Asia.

BUSINESS

As of the Latest Practicable Date, we had established one overseas service outlet for aerial work platform, which was located in Malaysia. We plan to establish one or two service outlets in Singapore, in 2023 and 2024 and will consider to establish an additional service outlet in Malaysia based on the performance of our existing Malaysian service outlet. We may penetrate into other Southeast Asian countries when appropriate opportunities arise and as our overseas service outlet network grows in the future, we will consider to establish a regional operational management and service center in Singapore. We intend to roll out sales of secondhand aerial work platform in these overseas markets first, which will be our core business in Southeast Asia, with the provision of operating lease services as our ancillary business in Southeast Asia. We may expand the portfolio of our services and equipment as we deepen our penetration in overseas markets and when appropriate opportunities arise. See “—Our Overseas Expansion Plan.” Leveraging our extensive experience and expertise in the industry, we believe that we are well positioned to replicate our success into, and capture the growth potential of, these fast growing markets.

Enhance our competitive edges through talents

We will continue to enhance our human resources management, expand our team of talents, establish suitable incentive mechanisms to enhance our competitive edges through talents:

- attract talents with our market-competitive remuneration packages and excellent corporate culture and reputation. In addition, we will build up diversified career development channels and platforms for talents we recruit. Moreover, we plan to recruit talents from emerging industries such as engineering and technologies and high-tech equipment manufacturing, to establish differentiation advantages;
- continue to optimize employee training programs by organizing regular training provided by senior employees covering various aspects of our business, such as project management and execution and technical know-hows. In addition, we will establish a rotation mechanism to allow our employees to try out different positions, enriching their knowledge and skills;
- continue to refine incentive plans, formulate employee incentive mechanism and implement plans for long-term incentive plans to retain and motivate outstanding employees to align their benefits with our interest;
- enhance the sense of pride, mission and professionalism of our employees through the promotion of corporate culture. We will encourage our employees to actively engage in our platform and ecosystem and fully understand and embrace our business model. With these efforts, we will be able to enhance service quality and improve employee productivity and cultivate a sense of belonging.

BUSINESS

AWARDS AND RECOGNITIONS

Our leading market position and brand recognition are reflected in the numerous awards we have received. The following table sets forth a selection of the notable awards and accreditations we received as of the Latest Practicable Date:

<u>Year</u>	<u>Award/Recognition</u>	<u>Awarding entity</u>
2022	14th In IRN World's Top 100 Rental Companies	KHL Group
2022	3rd In Top 50 Aerial Work Platform Leasing Companies In the World	ACCESS 50
2022	1st In China Top Ten MEWP Rental Company	T50 Summit Organization Committee of World Construction Machinery Industry
2022	Leader of Green Leasing In the China Financial Leasing "Tengfei Award"	Global Leasing Competitiveness Forum
2021	Top 50 Aerial Work Platform Leasing Companies In the World	ACCESS 50
2021	Top Ten Brands In the Aerial Work Platform Leasing Industry	T50 Summit Organization Committee of World Construction Machinery Industry
2021	Top Ten Brands In the Engineering Equipment Leasing Industry	T50 Summit Organization Committee of World Construction Machinery Industry
2021	24 th In IRN World's Top 100 Rental Companies	KHL Group
2020	Top Ten Brands In the Engineering Equipment Leasing Industry	T50 Summit Organization Committee of World Construction Machinery Industry

BUSINESS

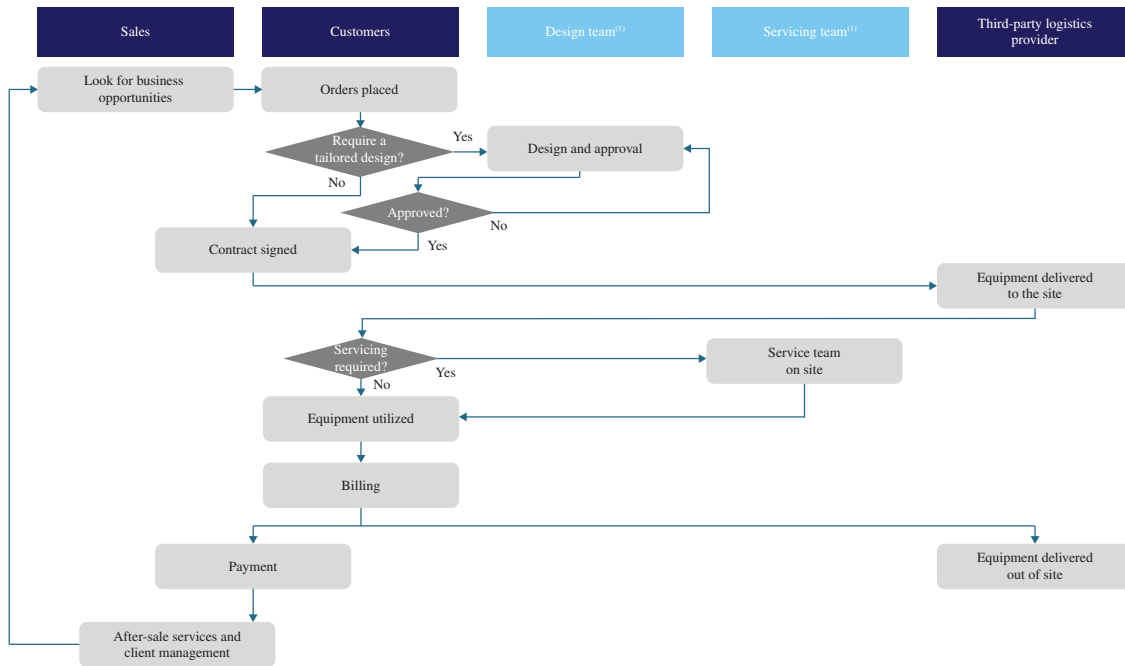
Year	Award/Recognition	Awarding entity
2020	Sixth In Top 50 Aerial Work Platform Leasing Companies In the World	KHL Group
2020	39th In IRN World's Top 100 Rental Companies	KHL Group
2019	Top Five Brands In the Synthetic Leasing Industry	T50 Summit Organization Committee of World Construction Machinery Industry
2019	Top Ten Brands In the China's Leasing Industry	T50 Summit Organization Committee of World Construction Machinery Industry
2018	Most Influential Enterprise in China's Aerial Work Platform Leasing Industry	Summit of World Aerial Work Platform Equipment and the Convention for China's Leasing Service Providers
2017	China Machinery Industry Science and Technology Award	China Machinery Industry Federation

OUR BUSINESS

Our service portfolio consists of (i) operating lease services, (ii) engineering and technical services, and (iii) platform and other services. With our customer-oriented philosophy, we believe that we have been able to satisfy our customers' needs through our comprehensive and multi-dimensional services covering the full cycle of projects, which includes, among others, designing, equipment and materials supply, on-site construction and installation and repair and maintenance. We believe our comprehensive service portfolio with synergies enables us to cross sell our services, and to sustain our business growth. Meanwhile, we are widely recognized by our customers for providing high-quality services. As a result, we have fostered a high-quality customer base over the years, primarily consisting of large central enterprises, local SOEs, public entities, private companies and individuals.

BUSINESS

The following flowchart illustrates the full cycle of our projects:



Note:

- Revenue or operational contribution by servicing team would not be counted towards our operating lease services business segment, as they would form part of the engineering and technical services business segment. The design team contributions would be counted towards the operating leases service should customers require certain calibrations, adjustments or design upgrades before the equipment is leased.

The following table illustrates the average project completion time of our works provided to customers during the Track Record Period:

Type of business	Average project completion/contract days
Operating lease services	
• Aerial work platforms	Around 50 days
• Neo-excavation support system	Around 130 days
• Neo-formwork system	Around 260 days
Engineering and technical services	
• Neo-excavation support system	Around 200 days
• Neo-formwork system	Around 400 days
Platform and other services	Sales and other businesses cannot be described by project duration; the cycle of re-renting business is consistent with the operating business cycle

BUSINESS

The following table sets forth a breakdown of our revenue by segment for the year indicated.

	For the year ended December 31,					
	2020		2021		2022	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Operating lease services	2,484,554	67.8	4,463,348	72.7	5,189,949	65.9
Engineering and technical services	1,062,760	29.0	1,519,288	24.7	2,136,630	27.1
Platform and other services	116,281	3.2	158,532	2.6	551,067	7.0
Total	<u>3,663,595</u>	<u>100.0</u>	<u>6,141,168</u>	<u>100.0</u>	<u>7,877,646</u>	<u>100.0</u>

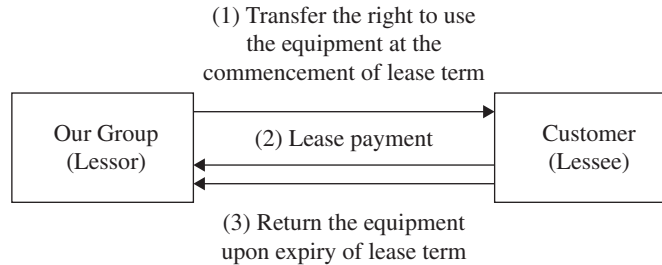
Operating Lease Services

Our service portfolio for operating lease services covers various types of equipment and materials. We offer operating lease services on a daily, weekly, monthly, yearly or project-by-project basis based on our customers’ needs. An operating lease is generally terminated when projects to which our equipment is relied upon is completed. Our operating leases may be renewed or supplemented if there are delays in construction plans, they may also be terminated before the original period when the construction managers release the equipment earlier than expected. Hence, the longevity of our operating leases depend on the needs of a customer and is decided on a case-by-case basis. 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.

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset. For details of key differences between operating lease and finance lease, see “Relationship with Controlling Shareholders—Delineation of Business—Business Delineation—Business model delineation”. During the Track Record Period, we leased out all of our rental equipment and materials under operating leases. We generally receive lease payments under operating leases, and set accounting policy for the recognition and depreciation of operating lease assets based on asset classes.

BUSINESS

A typical operating lease transaction is a dual-party arrangement that involves the lessor and the lessee. The following diagram illustrates the relationship among the lessor and the lessee:



Main product lines for our operating lease services primarily include aerial work platform, neo-excavation support system, neo-formwork system and other equipment, such as road equipment and electrical power equipment. For details of the summary of the key terms of our operating lease services contract, see “—Customers—Contracts with Customers”. We assign designated business units to manage each of these product lines by region. We conduct repair and maintenance on our equipment on a regular basis to ensure that our equipment is in good condition. We also upgrade and replace equipment used for operating lease services when needed.

The following tables set forth a portfolio of our operating leases by expiry schedule and contract value as of December 31, 2022:

	Within one year	After one year but within two years	After two years but within three years
Contract value of our operating leases by expiry schedule as of December 31, 2022 (RMB in millions)	4,361.3	535.6	17.3

BUSINESS

The following table shows rolling backlog by value and the movement of the number of our operating leasing projects during the Track Record Period and up until the Latest Practicable Date:

	For the year ended December 31,						Subsequent to the Track Record Period until the Latest Practicable Date	
	2020		2021		2022			
	<i>(RMB in millions)</i>		<i>(RMB in millions)</i>		<i>(RMB in millions)</i>		<i>(RMB in millions)</i>	
Operating leases at the beginning of the period	10,487	1,575.9	32,960	2,320.7	60,272	4,688.8	52,267	4,914.1
Additions of new operating leases during the period	30,663	1,474.3	68,176	3,553.9	46,437	3,450.2	14,436	532.5
Reductions (either by completion, termination or expiration) of operating leases during the period	8,190	729.5	40,864	1,185.8	54,442	3,228.8	16,845	421.3
Operating leases at the end of the period	32,960	2,320.7	60,272	4,688.8	52,267	4,914.1	49,858	5,025.3

Aerial Work Platform

Aerial work platform refers to the equipment used for the work carried out at certain heights and is extensively applied in all aerial working scenarios. Our aerial work platform portfolio primarily consists of scissor lift, straight boom lift, articulated boom lift, spider lift, glass sucker truck, mast boom lift and rail high-altitude vehicle, which are extensively applied to address our customers' needs for various types of aerial work, such as building construction, production and manufacturing, agricultural activities, recreational activities and various consumer-related activities.

The mechanical adjustment structure of our aerial work platform can ensure that the lifting process of the platform is stable and horizontal, which in turn makes the application of our aerial work platform safer in project implementation, as compared with traditional methods such as hanging baskets. In addition, our aerial work platform can make the project implementation process more efficient. For example, for a overhauling project for nine floodlights in a factory, two workers operating a scissor lift are able to complete such task in approximately 20 minutes, comparing to approximately 45 minutes taken by four

BUSINESS

workers not using our aerial work platform. Moreover, applying aerial work platform in project implementation will further save our customers' costs as labor costs are expected to continuously increase in the future. Our aerial work platform is equipped with following competitive edges:

- *High-quality and comprehensive equipment offerings with extensive product portfolio.* As of December 31, 2022, the amount of aerial work platform we managed amounted to approximately 131.3 thousand units with numerous categories of products available such as scissor lift, straight boom lift, articulated boom lift and spider lift. To ensure the high quality of our aerial work platform operation services, we constantly procure aerial work platform from top-tier suppliers.
- *Multi-scenario and multi-dimensional application.* Along with the increasingly popular trend for using equipment to replace human labor, applicable scenarios of aerial work platform are continuously expanding. Currently, applicable scenarios that our aerial work platform cover are quite broad, covering areas such as construction, logistics, municipalities, transportation, landscape, property management, cultural and sports activities.
- *Retail operation service model integrating online and offline services.* We established a retail operation system integrating both online and offline services in order to provide flexible, fast and efficient one-stop aerial work platform service solutions to end users. Our nationwide service outlet network and leading response time in the industry lay the foundation for our high-quality offline services. As of December 31, 2022, we had around 1,900 employees responsible for providing offline services and selling our aerial work platform operation services. We also collaborated with numerous logistics service providers to ensure the fast delivery of our equipment and services. In addition, for our aerial work platform operation services, we developed a WeChat applet called Horizon Equipment Aerial Work Platform for external users, and an app called Xiaohongren for internal operation management. Through such platforms, we are able to achieve digitalization of the whole process of equipment operation services for aerial work platform. Currently, more than 98% of the monthly contracts are executed online, more than 98% of the equipment deliveries are confirmed by electronic billing, approximately 91% of bills are able to be checked and confirmed with our customers online, and more than 61% of the order payments are settled online. The application of such online platforms has significantly enhanced the quality and efficiency of equipment operation services. Through such platforms, customers are able to conduct a preliminary search for available services based on their needs, and then place orders, make specific service requests, track service and delivery status, settle

BUSINESS

payment and file complaints. We have a dedicated team responsible for all service requests received through these platforms on a 24/7 basis. The following images illustrate the major interfaces of Xiaohongren:

Self-service orders



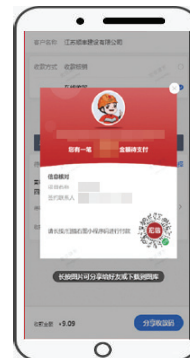
Logistics delivery



Rent settlement



Online payment



Set forth below are some pictures of our major aerial work platform.



spider lift



straight boom lift



scissor lift



articulated boom lift

As of December 31, 2022, we had 250 service outlets for aerial work platform, spreading across Yangtze River Delta Region, Pearl River Delta Region, Beijing-Tianjin-Hebei Region, Middle reaches of the Yangtze River and Chengdu-Chongqing Region.

BUSINESS

Through our well-established service system, we can guarantee the fast delivery of equipment and high-quality service experience. For example, our average service delivery mileage for aerial work platform has been reduced from approximately 70 kilometers in 2018 to 37 kilometers in 2022. At the same time, we provide regular maintenance and inspection service for our aerial work platform every 300 hours. In addition, we have service teams deployed nationwide, responding to all repair and maintenance service requests in a timely manner. On average, each of our service personnel visits customers 124 times every month, and our service teams can arrive around 1.5 hours on average and provide on-site guidance and services.

Neo-excavation support systems

Excavation support system refers to the temporary support structure applied in the pit or cofferdam to protect workers and equipment during the underground or underwater construction process. Excavation support system not only ensures safe construction, but also reduces the impact on surrounding buildings, roads and underground or underwater pipelines. Therefore, excavation support system is vastly applied in various construction scenarios such as railway transportation, underground corridors, housing construction, municipal buildings, industrial plants and commercial properties. Our neo-excavation support system mainly refers to steel support system, which is gradually superseding traditional excavation support system. Traditional excavation support system refers to concrete or cement supported system. Neo-excavation support system (i) provides a safe and environment-friendly construction process, (ii) shortens the construction period, and (iii) lowers construction costs for our customers.

Key products offered in our neo-excavation support system include steel sheet pile, steel support, H-steel, HC support (combined steel support) and pile Lassen combined piles ("PLC"). We provide our customers with comprehensive services, including product design, construction method guidance, construction resource allocation, product installation and demolition, and safety condition monitoring, as well as customized solutions for different construction projects for various geological conditions, pit structures and excavation depths. Our neo-excavation support system has the following competitive edges:

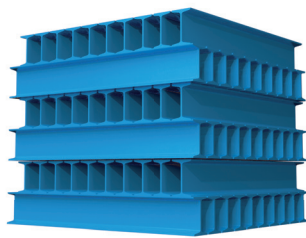
- *Comprehensive and high-quality products with self-owned IP rights.* As of December 31, 2022, we owned approximately 1,576.6 thousand tons of neo-excavation support system. Our comprehensive neo-excavation support system portfolio contains eight categories and 27 models of products, which are extensively applied in numerous construction scenarios. In addition, we customize unique key nodes of our neo-excavation support system. As a result, we have registered patents for the key nodes of our neo-excavation support system. Some of our unique key nodes, such as trench steel support adjustable head, corner node of steel waling, H-beam strut converter, and integrated servo

BUSINESS

system are light in weight and flexible in installation. Therefore, our neo-excavation support system is extensively used to address our customers' needs such as safer and more environment-friendly construction, shorter construction period, and lower construction costs.

- *Professional design and construction solutions for complex projects.* China has a diverse and complex geological mix, and thus the design and application of excavation system requires strong technical expertise. When confronting underground construction scenarios such as hard clay, gravel-soil and weathered rock layers, we help our customers install our neo-excavation support system and auxiliary equipment all together. Meanwhile, we apply advanced construction methods such as simulation algorithm and axial force synchronous loading equipment to provide customers with efficient one-stop construction design and solutions.
- *Professional project execution and management.* We adopt advanced intelligent building information modeling ("BIM") system to oversee our project designs in order to significantly improve the efficiency of both project design and project management. We have built up a professional project execution team with nationwide coverage to enforce our standardized operating manual at each stage of our projects. Throughout project execution, we have also adopted an advanced monitoring system with products such as tailor-made digitalized pit management software to monitor the safety status of the pit live.

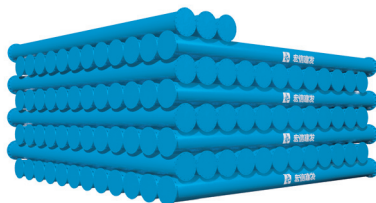
Set forth below are some pictures of our major neo-excavation support system.



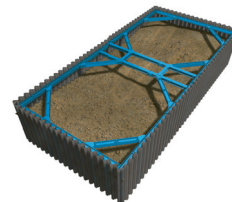
H-steel



Steel sheet pile



Steel support



H-beam

BUSINESS

We believe that we are the only equipment operation service provider in China equipped with a full range of pit excavation support products. As of December 31, 2022, we had 59 service outlets for our neo-excavation support system spreading across China. These service outlets are equipped with professional engineering and technical teams to provide diversified neo-excavation support system solutions to our customers. From our date of incorporation to December 31, 2022, we participated in more than 16,000 projects and served more than 7,000 customers in total with our neo-excavation support system.

Neo-formwork system

Formwork system is the system used for engineering construction support and enclosure, which mainly includes two categories, namely, formwork and scaffold. In terms of its composition materials, traditional formwork system mainly refers to wooden or bamboo scaffold, or steel pipe fastener or bowl buckle scaffold, while neo-formwork system mainly refers to steel ringlock scaffold. Our neo-formwork system mainly refers to ringlock scaffold, which are used for engineering construction support. Ringlock scaffold's main components include vertical rods, cross rods, diagonal rods, adjustable base and adjustable bracket. The fastener nodes of ringlock scaffold are connected mechanically, which enable self-locking function. In addition, the well-designed structure of its axial force of the vertical rod ensures its overall stability in a three-dimensional space, which can better ensure construction safety. Compared with traditional formwork system, advanced characteristics of ringlock scaffold include large bearing capacity, simple structure and general applicability, making it easier to be installed and demolished, as well as managed. As a result, ringlock scaffold is superseding traditional formwork system in the market.

We are able to provide integrated solutions tailor-made for various construction scenarios above the ground, with our service portfolio covering designing, material supply, installation and demolition, and on-site operation and maintenance. Our neo-formwork system is equipped with the following competitive edges:

- *Research and development and design capabilities with self-owned intellectual property rights.* We have a professional research and development team in house to develop unique formwork products adjusting to market demand, industry standards and specific technical requirements. We have achieved breakthroughs in the design of key nodes for formwork system, such as pole sleeves, cross rods joints and connecting plates. As of December 31, 2022, we possessed 39 patents for our neo-formwork system. Compared with similar products available in the market, the uniqueness of our design in pole sleeve helps reduce the proportion of steel contained in our neo-formwork system, which effectively save leasing costs for our customers while simultaneously adhering to environmentally-friendly requirements. Meanwhile, our tailored design also enhances the safety level, increasing the bearing capacity by around 11 tons, and extends the life of service for our neo-formwork system. For example, the formwork support column structure and formwork poles located in junctions are able to significantly increase the bearing capacity.

BUSINESS

- *Self-manufacturing capacities and comprehensive equipment offerings.* We self-manufacture all of our ringlock scaffold. As of December 31, 2022, the GFA of our production facilities amounted to approximately 180,262 sq.m. We are equipped with more than 100 sets of production equipment for our production lines for neo-formwork system and strictly adhere to national manufacturing standards in China. We have advanced production methods in place during the process of manufacturing and have established more than 30 manufacturing procedures to be strictly adhered to. We have strict quality control requirements on raw materials and key components of our neo-formwork system such as welding, galvanizing and other nodes to guarantee top-tier quality of our products with the ultimate goal of significantly extending the life of service for our products. Our self-manufactured neo-formwork systems has obtained European Conformity ("CE") certificate. Moreover, to constantly address our customers' needs, especially ones in relation to large-scale projects, we always maintain our equipment volume at a high level. As of December 31, 2022, we owned approximately 622.6 thousand tons of neo-formwork system, covering 12 categories and more than 3,400 specifications and models.
- *Customized project design and on-site management.* Service requests from different customers for neo-formwork system may vary due to divergent construction conditions they encounter. Therefore, tailor-made solutions for projects in relation to neo-formwork system is crucial to safe and cost-saving implementation. As of December 31, 2022, we had a professional team of 30 to 40 members designated for customized designs of neo-formwork system, which enables us to address our customers' needs arising from various construction conditions. Leveraging our extensive research and development tests and experience accumulated over the years, we have implemented a set of self-owned scientific formwork design system. In addition, our standardized on-site management capabilities ensure the smooth implementation of our customized project design. We require our employees to strictly adhere to our operational manual in relation to installation of our neo-formwork system and make sure all relevant employees are equipped with required certifications before carrying out on-site work. At each construction site, we carry out on-site inspections on a regular basis and make sure each team is equipped with a project manager, safety manager, construction crew, staff responsible for raw materials, and technician. We believe that our construction safety, high efficiency and strong service delivery capabilities have formed our competitive edges.

BUSINESS

Set forth below is the picture of our major neo-formwork system, namely, ringlock scaffold.



As of December 31, 2022, we had 25 service outlets for our neo-formwork system spreading across China. These service outlets are equipped with professional teams to provide diversified neo-formwork system solutions for various construction scenarios. From our date of incorporation to December 31, 2022, we participated in approximately 2,000 projects and served approximately 1,200 customers in total with our neo-formwork system.

Other Equipment

Besides leveraging our service capabilities for and equipment volume of our aerial work platform, neo-excavation support system and neo-formwork system to further solidify our market leadership, we proactively seek market opportunities for other equipment. Our other equipment primarily consists of road equipment and electrical power equipment.

- *Road equipment.* Our road equipment primarily consists of road milling machine, wheeled loader, and paver to serve different road construction scenarios, such as highways, national and provincial roads, municipal roads, airport runways and tracks. We participated in projects such as the runway overhaul of Beijing Capital International Airport and Shanghai Hongqiao International Airport, Bosch Automobile East Sea Testing Yard and Sri Lanka Airport.
- *Electrical power equipment.* We are equipped with high-quality power generating units, power distribution cabinets, electric cable, uninterruptible power supplies, inverter, load box and transformer to provide comprehensive services including professional emergency protection for electrical power equipment, and power testing and commissioning. The scenarios our electrical power equipment are able to cover mainly include large activities or sporting events, mines, factories and shipyards, and exhibitions. We participated in projects such as the China International Import Expo, Shanghai Fintech Conference, Huoshenshan Hospital and Leishenshan Hospital and Wuhan Military World Games Arenas.

BUSINESS

Set forth below are some pictures of our other equipment.



Road equipment



Electrical power equipment

Engineering and Technical Services

Attributable to our comprehensive and multi-dimensional service model covering the full cycle of projects, we are able to provide high-quality engineering and technical services, which represent tailor-made one-stop solutions for different business or operation scenarios. Our engineering and technical services and operating lease services are complementary, in which the engineering and technical services segment can provide additional services to our customers engaged in the operating leasing services segment to better meet their needs. For instance, some of the work to be performed in relation to the operating lease services provided to neo-excavation support systems (such as product installation and demolition, safety condition monitoring, and solutions for different construction projects for various geological conditions, pit structures and excavation depths) and neo-formwork systems (such as standardized on-site management) are provided under the engineering and technical service segment, and our design teams can provide services to both segments. That being said, customers can also engage our engineering and technical services as a standalone option.

In general, our design team provides services at minimal to immaterial value to our customers under the operating leases services segment and the design work design services provided under the engineering and technical services segment are accounted for revenue generated under such segment. For details of our pricing model for engineering and technical services, see “—Pricing” in this section.

BUSINESS

To be specific, our service portfolio does not only cover operating lease services for equipment and materials, but also comprehensive engineering and technical services, which include, among others, designing, equipment and materials supply, on-site construction and installation, repair and maintenance and logistics services based on our customers' needs for different scenarios.

Key steps of our one-stop solutions primarily include:

- *Designing.* We offer tailor-made designs based on our customers' needs for various complex scenarios. Details covered in our designs normally include types, specifications and quantity of equipment and materials needed, construction methods, logistics arrangements, construction management, and repair and maintenance for the full cycle of the project.
- *Equipment and material supply.* In accordance with tailor-made designs, we provide our customers with abundant equipment and material supply and guarantee the high quality of equipment and materials we provide, as well as ensure our customers' demands are met.
- *On-site construction and installation.* Our project management team and on-site construction team work closely to carry out on-site construction services in accordance with the construction plan after equipment and materials are delivered to the construction site, and timely notify our customers on the construction progress and status. Proven capabilities of our professional project management team and on-site construction team guarantee the safety, efficiency and accuracy of the construction process.
- *Repair and maintenance.* We provide repair and maintenance services to equipment that our customers rent from us to make sure all equipment and materials function properly. Leveraging our national-wide service outlet coverage, we are able to respond to all repair and maintenance service requests in a timely manner. We deploy professional service personnel to collect customer service requests as well as provide services.
- *Logistics services.* We help our customers transport equipment and materials through logistics services. As part of our comprehensive and multi-dimensional services covering the full cycle of projects, we have collaborated with numerous logistics service providers spreading across China to guarantee a smooth and efficient delivery.

BUSINESS

Our one-stop solutions primarily address customers' needs arising from:

- *Neo-excavation support system-related services.* We provide efficient and cost-saving integrated solutions for numerous pit construction scenarios, including those for subway, high-speed railway, elevated bridge, tunnel, bridge, pipe gallery, pipe trench, river, port and other scenarios for infrastructural pit construction, industrial pit construction and civil use pit construction. Leveraging our comprehensive product offering for neo-excavation support system, which includes Lassen steel sheet piles, H-steel, steel pipe support, HC support (combined steel support), bailey sheet, steel support axial force servo system, supporting axial force multi-point synchronous loading system and pit monitoring system, comprehensive solutions we are able to offer include, among others, designing, construction and installation, as well as 24/7 monitoring of construction status.
- *Neo-formwork system-related services.* We offer installation, repair and maintenance and demolition services for scaffold in various construction projects, including, but not limited to, municipal projects, industrial plant projects, housing construction projects, and bridge construction projects. Leveraging our large equipment volume and technical service capabilities, we are able to provide safe, reliable and cost-saving one-stop solutions. In addition, our professional construction team and construction safety inspection teams guarantee the efficiency and safety for installation, application and demolition of our neo-formwork system during the construction process.
- *Electrical power supply services.* Our one-stop solutions for electrical power equipment include, among others, on-site inspection, design, equipment supply, construction, operation and maintenance, and technical support services for various scenarios, such as exhibitions, sports events, mining construction and ocean engineering. For example, in outdoor events held on islands, deserts, plateaus and other areas that are not equipped with power grid supply or insufficient power supply, we can guarantee sufficient power supply through our comprehensive equipment offerings for electrical power equipment. Our electrical power equipment can stably supply electrical power with low noise and low emission. Moreover, these equipment are equipped with high mobility and flexibility in terms of equipment combination. As a result, our electrical power supply solutions can rapidly provide customers with temporary and backup electrical power supplies for large-scaled outdoor events.
- *Road construction and maintenance services.* With the assistance of our professional road construction team, we are able to provide integrated one-stop solutions for numerous road construction and maintenance scenarios, such as those for municipal roads, airstrips, test tracks and highways. For example, for highway construction work conducted on remote areas, multiple professional construction teams we arrange on-site are able to accomplish highly intensive construction tasks and offer high-quality highway construction services.

BUSINESS

For details of the summary of the key terms of our engineering and technical services, see “—Customers—Contracts with Customers”.

Case Studies

Case A: one-stop solutions for one large-span steel support project with complex surrounding environment in Taiyuan

- *Project requirements.* Our client required us to construct a pit adjacent to residential areas for this project. Considering such limited and complex surrounding environment, the customer had stringent requirements for pit safety and stability. In addition, the construction was difficult to be carried out because the soil of the pit was mainly powder clay and fine sand, making them hard to be constructed on. The span of the pit amounted to approximately 78 meters, making it a large span.
- *Our one-stop solutions.* For this project, we designed a detailed construction plan, and provided around 1,500 tons of excavation support system, multiple pile hammers, and had a professional construction team in place. In addition, we applied our large-span steel support system technology with self-owned IP rights, axial force servo system and multi-point synchronous loading system. The large-span steel support system is a type of new pit support system that is able to support pit construction spanning over ten, or even one hundred meters, with high stability and installation accuracy. The axial force servo system can monitor the pressure state of the support system on a 24/7 basis, as well as trigger alarm and provide compensation automatically when the actual support axial force deviates from the preset number. The multi-point synchronous loading system can load prestress for multiple steel support synchronously, which significantly reduces the loss of steel support prestress, and enhances the reliability of steel support system.
- *Results.* We successfully accomplished all pit support tasks, and helped our client complete the construction project safely and efficiently.

Case B: one-stop solutions for COVID-19 prevention and control related projects (including Huoshenshan Hospital and Leishenshan Hospital projects) in Wuhan

- *Project requirements.* Our client requested us to provide electrical power supply services for the construction and operation of some COVID-19 prevention and control related projects (including Huoshenshan Hospital and Leishenshan Hospital projects) in Wuhan during the outbreak of COVID-19 pandemic in 2020. We confronted three major challenges: urgent electrical power supply demand, unstable equipment operating environment, and extremely high requirement for electrical power supply stability.

BUSINESS

- *Our one-stop solutions.* Based on the characteristics and requirements of this project, we conducted an urgent on-site environment inspection and study, and designed the electrical power system and a backup electrical power supply plan. In addition, we provided 60 sets of electrical power supply equipment and arranged 13 professional technicians on-site.
- *Results.* We efficiently and safely carried out the emergency electrical power supply services for Huoshenshan Hospital and Leishenshan Hospital projects. It is notable that it only took us around two hours from customer's order placement to successfully complete the trial-transmission of power supply.

Procurement of external labor force from subcontractors

Due to the nature of our business model, our engineering and technical services segment often rely on referrals from our operating leases services segment. Hence, a regular and sizable workforce for engineering and technical services would result in redundancy and wasteful staffing allocation. In order to maintain a flexible workforce, and considering our diversified services portfolio and the needs to expand our engineering and technical services segment, we will need to rely on subcontractors to provide an external labor force to provide engineering and technical services to our customers.

Starting from the year ended December 31, 2019, we made adjustments to our engineering and technical services portfolio so that we would offer more services for labor-intensive on-site construction work, on which we will require the procurement of a subcontracted labor force. We would usually select subcontractors based on parameters such as the following:

- *Qualifications.* The subcontractors should have the necessary service qualifications, such as business licenses and safety permits
- *Reputation.* The subcontractors should not have records of misbehavior, illegal activities, unethical activities occurred in previous construction projects (such as not paying migrant workers on time, or any occurrences of labor strikes)
- *Performance.* The management personnel of the subcontractors should be able to command the subcontracted labor to perform their duties and to provide quality work.
- *Technical skills.* The subcontractors should have performed similar tasks in the past, and work performed should satisfy our production needs and specifications
- *Size.* The subcontractor should guarantee that there are enough staff members to be available on-site

BUSINESS

- *Risk management.* The subcontractors should be able to cover the workers wages and compensation from accidents, or from any public health incidents, swiftly before the project funds can be made available for such purposes

Whilst we are also in the process of gradually building up in-house engineering and technical services team, our Directors estimate that we will continue to rely on subcontractors to provide a certain level of workforce for this business segment in the future.

Platform and Other Services

Our platform and other services primarily consist of (i) platform services, which focuses on re-rent of equipment and materials and (ii) sales of equipment, materials and spare parts.

Platform Services

Leveraging the traffic attributable to our business operation, we have laid the foundation for our platform services. Therefore, we plan to build up an integrated engineering equipment service platform that runs through the upstream and downstream of the equipment operation service industry, which will in turn enhance the efficiency of resource allocation in the industry. The platform services mainly include the joint mode and matching mode. Joint mode refers to the mode where we rent from other equipment providers and enter into re-rent arrangements with customers. For details of the summary of the key terms of re-rent services under our platform and other services contract, see “—Customers —Contracts with Customers”. Matching mode refers to the mode where we act as the agent to provide intermediary services for equipment providers and customers with relevant needs, while we charge an intermediary service fee. During the Track Record Period and as of the Latest Practicable Date, all the revenue we derived from platform services were attributable to the joint mode. Leveraging the platform services capabilities and customer resources advantages, we are able to integrate and revitalize the idle or scattered equipment resources of small and medium-scale equipment service providers or engineering contractors to better serve downstream customers, which in turn assist us in developing matching mode of our platform and other services in the future.

BUSINESS

Joint mode

During the Track Record Period and up until the Latest Practicable Date, our platform services business only comprised of entering into re-rent arrangements with customers looking for equipment that do not exist in our owned product portfolios and all the revenue we derived from platform service were attributable to the re-rent service. At various occasions, upon the request from customers, we will source and rent from other equipment providers and enter into re-rent arrangements with these customers. The following table sets forth a breakdown of our other equipment providers, by the industry they were primarily engaged in and their background, with which we had transactions in relation to our platform services during the Track Record Period:

Industry and background of equipment provider	For the year ended December 31,					
	2020		2021		2022	
	Number of equipment providers	Transaction amount ⁽¹⁾	Number of equipment providers	Transaction amount ⁽¹⁾	Number of equipment providers	Transaction amount ⁽¹⁾
	(RMB'000)		(RMB'000)		(RMB'000)	
Construction machinery and other equipment lessors	237	82,724.1	228 ⁽³⁾	47,285.9	27 ⁽³⁾	450,355.4
Machinery equipment or material lessors	110	24,305.2	20	18,877.1	27	5,433.8
Engineering services provider	15	3,301.1	78	19,925.1	4	401.2
Engineering equipment or material lessors	6	1,103.7	26	3,309.1	6	1,802.6
Natural persons	4	218.7	13	516.5	–	–
Others ⁽²⁾	7	710.3	39	3,363.4	2	37.4
Total	379	112,363.1	404	93,277.2	66	458,030.4

Notes:

1. Refers to the amount paid to such providers for the re-renting of equipment and material.
2. Others include logistics providers and loading, offloading services providers and labor dispatching services provider.
3. The number of equipment providers decreased significantly in 2022, primarily because (i) we mainly provided engineering and technical services for road equipment in 2022, and therefore experienced a decrease in re-renting of road equipment; and (ii) we increased the proportion of equipment rented from certain selected equipment providers with more diversified equipment portfolio.

BUSINESS

For details of the summary of the key terms of re-rent services under our platform and other services contract, please see “—Customers—Contracts with Customers” in this section. Our Directors confirm that to their best knowledge and information obtained through their best endeavours, none of these equipment providers has any past or present relationships (including, without limitation, business, employment, family, financing, trust or otherwise) with our Group, Shareholders, Directors, senior management or their respective associates.

According to the F&S Report, the equipment leasing industry is highly fragmented in China where no single leasing company has all types of equipment to satisfy various needs of customers, leading to a low matching efficiency between a lessor and a lessee. In this context, in order to help customers to reduce time and costs in communicating with multiple lessors for one project, large scale equipment leasing companies would integrate various sources of equipment in the industry and re-rent to their customers. Industry players would also refer customers to other sources of equipment or vice versa, to better utilize the overall resource pool in the market. This model is favoured by customers for its time and cost saving features, and it is favoured by industry players as it is an asset-light model that both lowers inventory stock at low utilization rate and gains access to largest customer base for industry players.

Matching mode

Moving forward, we may further develop our platform services to enhance our servicing capabilities as an equipment and services agent for customers and suppliers that are upstream and downstream in the industry. We may be able to connect such customers to equipment providers, without being engaged in any re-renting arrangements ourselves. Via the platform, both customers and suppliers would be charged an intermediary fee. Since we have not yet launched this business model, the pricing and fees structure are still to be determined.

Sales of Equipment, Materials and Spare Parts

We sell equipment, materials and spare parts to our customers. Main equipment, materials and spare parts we sell include aerial work platform, road equipment, forklift and electrical power equipment, certain parts of the equipment and scaffold and steel support.

BUSINESS

OUR SERVICE OUTLETS

In order to timely address customers' needs and continuously fuel the development of our comprehensive and one-stop equipment operation services, we have established a nationwide service outlet network. As of December 31, 2020, 2021 and 2022 and the Latest Practicable Date, the number of our service outlets in China amounted to 207, 299, 349 and 349, respectively. In particular, as of December 31, 2020, 2021 and 2022, we had 142, 215 and 250 service outlets for aerial work platform, 52, 60 and 59 service outlets for neo-excavation support system, seven, 18 and 25 service outlets for neo-formwork system, and six, six and 15 service outlets for other equipment. The table below sets forth the number of our service outlets by regions as of the dates indicated:

	As of December 31,		
	2020	2021	2022
North China ⁽¹⁾	65	97	109
Central China ⁽²⁾	83	112	136
South China ⁽³⁾	59	90	104
Total	207	299	349

Notes:

- (1) Includes Xinjiang, Gansu, Qinghai, Inner Mongolia, Ningxia, Shaanxi, Shanxi, Beijing, Hebei, Henan, Tianjin, Shandong, Liaoning, Jilin and Heilongjiang.
- (2) Includes Jiangsu, Zhejiang, Shanghai, Sichuan, Chongqing, Hubei, Anhui and Tibet.
- (3) Includes Yunnan, Guizhou, Guangxi, Hainan, Hunan, Guangdong, Jiangxi and Fujian.

The table below sets forth the movement of the number of our service outlets during the Track Record Period:

	Year ended December 31,		
	2020	2021	2022
Number of service outlets at the beginning of the period	148	207	299
Addition of new service outlets	69	96	65
Closure of existing service outlets	10	4	15
Net increase/(decrease) in service outlets	59	92	50
Number of service outlets at the end of the period	207	299	349

BUSINESS

During the Track Record Period, our additions of new service outlets primarily reflected our continued sales growth. Our closure of service outlets primarily reflected low utilization and our efforts to optimize our service outlet network after taking into account of local market conditions and competitive landscape.

OUR EQUIPMENT PORTFOLIO

The following table sets forth our owned equipment portfolio by type as of December 31, 2022:

<u>Type of equipment</u>	<u>Approximate average implied remaining useful lives⁽¹⁾ (in years)</u>	<u>Age (in years)</u>
Aerial work platforms	7.87	2.13
Neo-excavation support system materials	7.01	2.99
Neo-formwork system materials	6.26	3.74

Note:

- (1) The average implied remaining useful life of our equipment is calculated by deducting the age of such equipment from its economic useful life with reference to our accounting policy (i.e. 10 years on straight-line depreciation basis), which is formed based on the historical information and industrial experience. Our directors believe that, although the estimated economic useful life is 10 years, the equipment may not be scrapped at the end of its useful life.

Our product development department, and together with the investment department and the strategic research department, research the operating lease market by product category and by geography (both domestic and overseas) to estimate appropriate time for further actions. We also regularly add equipment and products to our portfolio, considered by our budget committee on a quarterly basis, with reference to market demand. We would consider dispose aged equipment to second-hand markets after seven to eight years of useful life.

Self-manufacturing of our ringlock scaffold

We commenced scaffold manufacturing in-house since the year of 2013, which gave us competitive advantage over other industry players. We can better monitor the quality of self-manufactured products and implement quality control in all aspects of our production process. Furthermore, having control over the production allows us to be more flexible with our production plans for better efficiency.

Our current production facilities operated at an installed capacity of 153,000 tons for the year ended December 31, 2022. The main raw materials for producing the ringlock scaffold include strip steel, steel pipes, stamping parts, steel castings, and extrusion, going through various work stations, the average production time would be between 33 and 102 seconds per unit.

BUSINESS

Utilization of Our Equipment

We endeavor to enhance the utilization of our equipment. The below table sets forth our equipment volume by equipment type and their respective utilization rates.

	As of/for the year ended December 31,		
	2020	2021	2022
Aerial work platform			
Equipment volume (in thousand units) ⁽¹⁾	55.1	97.2 ⁽¹⁾	131.3 ⁽¹⁾
Utilization rate ⁽²⁾	78.2%	80.2%	77.3%
Neo-excavation support system			
Equipment volume (in thousand tons)	973.7	1,537.9	1,576.6
Utilization rate ⁽²⁾	72.7%	72.2%	67.9%
Neo-formwork system			
Equipment volume (in thousand tons)	338.3	534.4	622.6
Utilization rate ⁽²⁾	71.0%	78.9%	71.7%

Notes:

- (1) As of December 31, 2021 and 2022, in addition to the 92.6 thousand units and 110.1 thousand units, respectively, of aerial work platform we owned, we managed 4,618 units and 21,163 units, respectively, of aerial work platforms which we re-rented to customers through the platform services joint mode. For details, see “—Our Business—Platform and Other Services—Platform services”.
- (2) Calculated as the average of total value of assets we leased out during the year divided by the average of total value of equipment we owned during the corresponding year. “Average of total value of equipment” is the total asset value of all equipment, averaged between the beginning and the end of the year. According to the F&S Report, this method of calculation is consistent with the common industry practice.

The utilization rate for aerial work platform increased from 78.2% in 2020 to 80.2% in 2021, primarily due to our expansion strategy in capturing a larger market share with aerial work platforms which have proven to be successful. The utilization rate for aerial work platform decreased from 80.2% in 2021 to 77.3% in 2022, primarily due to the pandemic mitigation measures by the PRC Government which caused some of our customers to request for a suspension of our operating leases with them and caused us to lose certain revenue opportunities because we suspended the operations of some of our service outlets or we encountered difficulties in delivering our equipment at the request of customers. See “—Effects of the COVID-19 Pandemic.”

The utilization rate for our neo-excavation support system remained relatively stable at 72.7% in 2020 and 72.2% in 2021. The utilization rate for our neo-excavation support system decreased from 72.2% in 2021 to 67.9% in 2022, primarily due to the same reasons above.

The utilization rate for our neo-formwork system increased from 71.0% in 2020 to 78.9% in 2021, and decreased from 78.9% in 2021 to 71.7% in 2022, primarily due to same reasons above.

BUSINESS

OUR MILESTONE PROJECTS

Attributable to our comprehensive and multi-dimensional service model covering the full cycle of projects underpinned by our customer-oriented philosophy, along with our diversified equipment offerings, we have been able to undertake milestone projects. The following table sets forth some of our milestone projects.

Project name	Time	Equipment and engineering and technical services provided
Hong Kong Emergency Hospital	2022	Neo-excavation support system; aerial work platform
Zhengzhou Hangkonggang Railway Station	2022	Neo-excavation support system; neo-formwork system; aerial work platform
Guangzhou Baiyun International Airport Terminal	2022	Aerial work platform
Semiconductor Manufacturing International Corporation Production Facility	2022	Neo-formwork system; aerial work platform
Baotou-Yinchuan High-speed Railway	2022	Aerial work platform; neo-formwork system
NECC Shanghai	2012-2015	Neo-excavation support system; neo-formwork system; aerial work platform; electrical power equipment; one-stop solutions
Wuhan East Lake Tunnel	2013	Neo-excavation support system; road equipment
Hong Kong-Zhuhai-Macao Bridge	2016	Aerial work platform
Beijing Daxing International Airport	2017	Neo-formwork system; aerial work platform
Xiong'an New District Civic Center	2018	Neo-excavation support system; aerial work platform
Headquarter of a well-known technology, media, telecom enterprise in Wuhan	2018	Neo-formwork system; aerial work platform

BUSINESS

<u>Project name</u>	<u>Time</u>	<u>Equipment and engineering and technical services provided</u>
Wuhan Military World Games Arenas	2019	Neo-excavation support system; neo-formwork system; aerial work platform; electrical power equipment; one-stop solutions
Hangzhou Olympic Center	2018-2021	Neo-excavation support system; neo-formwork system; aerial work platform
Hangzhou Xiaoshan Airport	2019-2020	Neo-formwork system; aerial work platform; road equipment
A well-known winery in Sichuan	2019-2021	Neo-formwork system; aerial work platform
Quzhou Sports Center	2019-2021	Neo-formwork system; aerial work platform
Huoshenshan Hospital and Leishenshan Hospital	2020	Electrical power equipment; one-stop solutions

OUR OVERSEAS EXPANSION PLAN

We plan to broaden the geographic coverage of our equipment and services and expand our presence in overseas markets. We adopt a prudent and disciplined approach when selecting target overseas markets for expansion. Before entering into a new overseas market, we will conduct comprehensive analysis on the market conditions and regulatory requirements.

The ACRF adopted in 2020 includes a series of relief plans for countries in the region to stimulate investment in various fields including infrastructure construction in the region. In the past two years, relevant economic recovery plans have achieved remarkable results, and ASEAN is realizing rapid economic recovery with its high level of openness and regional integration. Going forward, investment in transportation infrastructure such as roads, railways and airports will continue to be the momentum of ASEAN’s economic growth in the future. See “Industry Overview—Future Trends of the Equipment Operation Service Market in China and ASEAN—ASEAN.” We are actively seeking opportunities to expand our footprints in Southeast Asia.

As of the Latest Practicable Date, we had established one overseas service outlet for aerial work platform, which was located in Malaysia. The principal activities of our subsidiary in Malaysia are import and export, sale and leasing of new and used equipment. We plan to establish one or two service outlets in Singapore, in 2023 and 2024 and will consider to establish an additional service outlet in Malaysia based on the performance of

BUSINESS

our existing Malaysian service outlet. We may penetrate into other Southeast Asian countries when appropriate opportunities arise and as our overseas service outlet network grows in the future, we will consider to establish a regional operational management and service center in Singapore.

We intend to roll out sales of secondhand aerial work platform in these overseas markets first, which will be our core business in Southeast Asia, with the provision of operating lease services as our ancillary business in Southeast Asia. Our target customers are mainly local aerial work platform leasing companies. We believe our deep industry knowledge as well as abundant experience with the supply, repair and maintenance of aerial work platform will enable us to compete with the existing market players by offering affordable and high-quality secondhand aerial work platform to our overseas customers. We may expand the portfolio of our services and equipment as we deepen our penetration in overseas markets and when appropriate opportunities arise. Leveraging our extensive experience and expertise in the industry, we believe that we are well positioned to replicate our success into, and capture the growth potential of, these fast growing markets.

FINANCING CAPABILITIES

During the Track Record Period, we funded our business operations through borrowings and leases. As of December 31, 2020, 2021 and 2022, the balance of our borrowings and leases accounted for 83%, 85% and 90%, respectively, of our total liabilities. We borrow from various types of financial institutions, including policy banks, state-owned banks, joint-stock commercial banks, city commercial banks, foreign-invested banks and finance lease companies. As of December 31, 2022, we had RMB38,216 million available banking facilities in aggregate from banks and finance lease companies, of which RMB10,884 million were unutilized and unrestricted.

We are committed to optimizing our assets and liabilities portfolio, business structure and financial indicators in order to improve our corporate credit rating and lower our financing costs. We manage our balance sheet by maintaining a reasonable level of asset-liability ratio. We make reasonable use of financial leverage and closely monitor our asset-liability ratio to prevent potential liquidity risks. We believe that our asset-liability ratio was maintained at a reasonable level during the Track Record Period.

EFFECTS OF THE COVID-19 PANDEMIC

A global pandemic caused by COVID-19 broke out in early 2020 and has impacted the global economy ever since. For details, see "Risk Factors — Risks Relating to Our Business and Industry — 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".

BUSINESS

Effects of the COVID-19 Outbreak on Our Business Operations

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 suspended the operations of 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 (i) a halt in the provision of engineering services for about 45 days in the first quarter of 2020 and/or (ii) a suspension of our operating leases with them for about 45 days in the first quarter of 2020 and for an aggregate of two or three months throughout 2022 (except for our customers with aerial work platform operating leases, as most of them requested for a suspension for about one month). We agreed to give rental or service fee waivers or discounts to certain customers in consideration of the suspension of our services. The aggregate contract value of such rental or service fee waivers and discounts in 2022 amounted to approximately RMB21.9 million, with a total of 89 projects affected. 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. In addition, due to the pandemic mitigation measures by the PRC Government, we lost certain revenue opportunities because we suspended the operations of some of our service outlets or we encountered difficulties in delivering our equipment at the request of customers. The number of our service outlets suspended due to the outbreak of COVID-19 in 2020 and 2022 was 93 and 58, respectively. However, we benefited from government relief of social security payments for employment support relating to the COVID-19 pandemic amounted to approximately RMB27.9 million in 2020.

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. However, the surge in COVID-19 infections since December 2022 has not materially impacted our business operations and financial performance as the majority of our infected employees recovered and resumed working very shortly. As of the Latest Practicable Date, over 1,200 of our employees had informed us that they were infected. As far as we are aware, all of our infected employees have recovered. With the bounce back of China's economy, our business operations has resumed to normal.

BUSINESS

Since the outbreak of the COVID-19 pandemic and up to the Latest Practicable Date, we did not encounter material disruptions to services and the supply of equipment and materials from our suppliers. Our Directors confirm that we did not encounter and are not expected to experience any labor shortage as a result of the outbreak of COVID-19 pandemic.

Our Contingency Plan and Response towards the COVID-19 Outbreak

In response to the COVID-19 outbreak, we have implemented a contingency plan to minimize the disruptions that may be caused to our business operations, including identification of and discussions with various suitable equipment suppliers and material suppliers which meet our demands and requirements to ensure the stability and consistency of our services. Further, we have also adopted enhanced hygiene and precautionary measures across the construction sites and working places since March 2020.

Effects of the COVID-19 Outbreak on Our Business Strategies

We believe, and F&S concurs, that the outbreak of the COVID-19 pandemic has provided a unique opportunity for us to consider how we could deliver real value to our customers and refine our development strategies for the years ahead. We believe that the PRC Government will introduce counter-cyclical control policies that will benefit our upstream and downstream industries, such as infrastructure and construction industries. As a result, we expect that demand for equipment operation service will boom in anticipation of the strong demand from infrastructure and construction industries. As a result, we plan to actively enhance our management and operational capabilities and continue to implement our digitalization upgrade in order to further expand our business scale. We therefore believe that our expansion plan as discussed in “—Business Strategies” is feasible, and we currently expect that it is unlikely that we would change the use of the [REDACTED] received by our Company from the [REDACTED] as disclosed in “Future Plans and [REDACTED]” in this [REDACTED] as a result of the COVID-19 pandemic.

INFORMATION TECHNOLOGY

Information technology provides critical support to our business operation, and forms one of our competitive edges, as well as an important factor that has enabled us to distinguish ourselves from other competitors. We believe that information technology has been and will continue to be critical to the efficiency of our business operation, as well as the upgrade of our business model. With the goal to improve customer experience and serve our customers wholeheartedly, we actively embrace information technology in different scenarios.

BUSINESS

In 2015, we established an ERP system, and have been continuously building and upgrading the system since then. In 2019, we upgraded the ERP system to a unified online system, which serves various aspects of our business operation, including, among others, customer service, order management, procurement, logistics, warehousing, human resources and financials. Meanwhile, we are building a big data analysis and processing platform. Through technical means such as big data analysis, we can better understand customers and serve them. We established a WeChat applet for external online services, which enables our customers to place orders, make payments, track orders, and query the bills by themselves online. In addition, we started to build our IoT system since 2015. We have installed intelligent hardware on our equipment to locate equipment and collect operating data. As a result, we are able to achieve remote equipment operation. Moreover, based on data collected and our analysis, equipment maintenance order will be automatically triggered to better serve our customers in the long term. Such measures assist us in enhancing operational efficiency, as well as reducing labor costs. Our PRC Legal Advisers have advised us that as of the Latest Practicable Date, we were in compliance with the ICP filing regulatory requirements in the PRC in connection with our WeChat applet.

Accompanied with the digitalized production system, we have built up a professional production research and development team and a digitalized production research and development center, which had more than 240 employees responsible for the design, development and testing of the digitalized production system as of December 31, 2022. Therefore, our systematic digitalization capabilities are able to cover all applicable scenarios. As a result of our continuous digitalization efforts, our operating efficiency enhanced rapidly. For example, in the area of business management, we have significantly enhanced the automation level of order review, rent calculation, statement, collection, and invoicing. Such high level of automation enables our business units to complete the whole leasing process automatically, which significantly reduces the operation costs. On the service end, our average equipment service capacity per person for aerial work platform has increased from 20 units in 2016 to 115 units in 2022.

Our leading information technology design and development capabilities in the industry enable us to optimize our operating efficiency, enhance the productivity and quality of management of our front desk staff, and lay the foundation for our future digitalization transformation and platform attempts.

CYBERSECURITY AND PRIVACY

We collect production and operating data during our ordinary course of daily operations. In addition, we collect personal data from users and employees through our interfaces (namely, mobile apps and WeChat applets) upon their authorization through requesting them to read and click to confirm the acceptance of user agreement and privacy policy. The data collected depends on the context of individual's interactions with the

BUSINESS

interfaces, including users' privacy settings and the services and features they use. The types of data collected by us are disclosed in the privacy policies in each interface, which may include, among others, name, mobile number, location, address and ID number. We have established appropriate and necessary control policies, mechanisms and measures in our cybersecurity, data and personal information risk management processes, which consist of network security protection measures, internal organizational and management policies, and vendor management policies:

- we have formulated and implemented "Information Security Management Measures" and "Information System Security Management Measures" to strengthen information and information system security management, as well as "System Data Security Management Specification" for data backup, data archiving and data extraction;
- we have set up a dedicated information security management team responsible for cybersecurity and data protection;
- we have formulated and implemented "Permission Policy Specification" to avoid unauthorized access and strengthen permission control and security;
- in terms of vendor management, we have formulated and implemented the "Rules for Management of Procurement Evaluation" and the "IT Procurement Management Specification" to ensure the reliability of vendors' products and services.

Specifically, we have established a policy that requests explicit consent before the collection of user data. There will be no sharing, transmission or public disclosure of personal information without receiving consent from users. Unless otherwise provided for in laws and administrative regulations, upon clear instructions from a user, we will delete their relevant personal information accordingly. Besides, we have established internal rules and guidelines to restrict access to our information systems. We grant our staff different level of access based on their positions and responsibilities, and adopt password controls to prevent unauthorized access to confidential information. We check our system logs regularly, in which system users' behaviors are recorded. We have access and control systems to our computer rooms and electronic equipment, under which any unauthorized entry is not allowed. Meanwhile, we regularly implement both local and remote data backups and conduct recovery test to ensure the effectiveness of the stored information. We assign staff to be responsible for daily maintenance of information related hardware. In addition, we organize annual comprehensive risk assessment of information assets, and adjust strategies for information risk control and security management. We have an emergency response mechanism for information security and we carry out emergency drills on a regular basis and improve our information management system accordingly.

BUSINESS

We store personal data and production and operating data in separate servers both of which are owned by us and operated and maintained by our own staff. The data storage periods are subject to the specific types of data and the periods necessary to realize the purpose of processing such data, and in any event are in compliance with relevant laws or industry norms. For example, we keep system logs for six months and keep user data for no less than three years upon completion of services.

Unless otherwise authorized by relevant individuals, we will delete or anonymize personal information in the following circumstances: (i) the storage periods agreed with the individuals or specified in the applicable laws and regulations have expired, (ii) relevant individuals have closed their accounts; (iii) relevant individuals have withdrawn their consent to our collection and use of data; (iv) the purpose of processing such data has been achieved or cannot be achieved, or is no longer needed; (v) other circumstances as stipulated by applicable laws and regulations.

According to the "Cyber Security Law of the People's Republic of China" (《中華人民共和國網絡安全法》) and "Personal Information Protection Law of the People's Republic of China", personal information shall be processed in accordance with the principles of lawfulness, fairness, and necessity in processing personal information. Our PRC Legal Advisers are of the view that a user's consent to the processing of personal information should be obtained by such App or WeChat applet before use. A privacy policy and user agreement would be displayed before the App or WeChat applet collects any customer data, and the user is required to click and respond that they understand and consent to such privacy policy. Our PRC Legal Advisers are of the view that such a mechanism fulfils the legal requirement of obtaining a user's consent for the processing of personal information. During the Track Record Period, (i) the relevant data collected by us was obtained by the authorization given by the relevant individual via reading and understanding the relevant agreement; (ii) we only used the relevant data for the purpose of providing services to the relevant individual, and the usage of the data had not exceeded the scope of authorized use; (iii) the user data collected and generated by us within the territory of mainland China is stored in mainland China and does not involve any cross-border transmission; (iv) we have established an organized system related to network and data security, implemented relevant training, and appointed personnel in charge of network security; (v) we have formulated and implemented an internal control system and related technical measures regarding network and data security; (vi) we had not been subject to any claims regarding network security, data security, personal information protection and other data compliance matters, nor has it been subject to any relevant penalties. The laws and regulations of cybersecurity and data protection are relatively new and ever-evolving, and their interpretation and enforcement involve significant uncertainty. Our PRC Legal Advisers are of the view that there are no material legal impediment for us to implement relevant obligations under the PRC laws and regulations in material respects with respect to cyber security and data privacy and security.

BUSINESS

On November 14, 2021, the Cyberspace Administration of China (the “CAC”) released 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)》). The Draft Regulations, among other things, stipulates that (i) data processing operators which process personal information of more than one million individuals seeking a listing in a foreign country, and (ii) data processing operators seeking a listing in Hong Kong that affect or may affect national security, must apply for a cybersecurity review.

On January 4, 2022, the CAC, together with 12 other relevant PRC government authorities, promulgated the amended “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. The amended Cybersecurity Review Measures (the “**Measures**”) provide cybersecurity review requirements on (i) critical information infrastructure operators (“**CIIOs**”) anticipating the procurement of network products and services that affect or may affect national security after such products and services are put into use, (ii) online platform operators carrying out data processing activities that affect or may affect national security, and (iii) online platform operators holding personal information of more than one million users seeking a listing in a foreign country.

The “Protection Regulations on the Critical Information Infrastructure” (《關鍵信息基礎設施安全保護條例》) (the “**Protection Regulations**”), which were promulgated by the State Council and became effective on September 1, 2021, provide that protection work departments are responsible for organizing the identification of critical information infrastructure (“**CII**”) within their industries and sectors and notifying operators about the identification results. As of the Latest Practicable Date, we had not received any notification from relevant regulatory authorities regarding our identification as a CIIO. Given the fact that we have not been identified as a CIIO, as advised by our PRC Legal Advisers, the obligation for CIIOs to proactively apply for cybersecurity review shall not be applicable to us as of the Latest Practicable Date.

While the Measures provide no further explanation or interpretation for “listing in a foreign country”, as advised by our PRC Legal Advisers, given the fact that, as of the Latest Practicable Date, we had processed personal information of less than 200,000 persons (which was significantly less than the “one million” threshold), as well as the differentiation made by Article 13 of the Draft Regulations which clarifies that “listing in a foreign country” does not include “listing in Hong Kong”, the obligations under the Measures to proactively apply for cybersecurity review by an online platform operator seeking listing in a foreign country shall not be applicable to our [REDACTED] in Hong Kong.

BUSINESS

The Measures and the Draft Regulations provide no further explanation or interpretation of "affect or may affect national security." Article 10 of the Measures outlines the security risks which should be taken into consideration when the cybersecurity review assesses the potential national security risks, which mainly include the following seven factors: (i) the risk that the use of products and services could bring about the illegal control of, interference with, or destruction of CII; (ii) the harm to CII business continuity of product and service supply disruptions; (iii) the security, openness, transparency, and diversity of sources of products and services, the reliability of supply channels, as well as the risk of supply disruptions due to political, diplomatic, and trade factors; (iv) product and service providers' compliance with PRC laws, regulations, and department rules; (v) the risk that core data, important data or large amount of personal information being stolen, leaked, damaged, illegally used or illegally exported; (vi) the risk of CII, core data, important data, or large amount of personal information being affected, controlled, or maliciously used by foreign governments, as well as the risk of network information security, if a company goes public; and (vii) other factors that could harm CII security, cybersecurity and data security.

Scenarios (i)-(iv) mainly focus on security risks associated with CIIOs purchasing specific network products and services. As mentioned above, as advised by our PRC Legal Advisers, according to the Protection Regulations, protection work departments are responsible for organizing the identification of CII within their industries and sectors and notifying operators about the identification results. As of the Latest Practicable Date, we had not received any notification from relevant regulatory authorities regarding our identification as a CIIO. Therefore, scenarios (i)-(iv) are not applicable to us and our [REDACTED] as of the Latest Practicable Date.

In terms of scenario (v), during the Track Record Period and up to the Latest Practicable Date, the user data collected by us within the territory of China during our business operations had been stored within the territory of China, we had taken appropriate backup, encryption, access control and other necessary technical and organizational measures and set up overall cybersecurity and data protection policies to protect data from unauthorized access, disclosure, theft, tampering, destruction, loss, illegal use, or other serious incidents and breaches, and we had not experienced any material cybersecurity and data privacy incident including without limitation, data or personal information theft, leakage, damage, tampering, loss and illegal use, or any claim from any infringement upon any third parties' right to data privacy. Therefore, as advised by our PRC Legal Advisers, our Directors are of the view that the risk that our business operations and our [REDACTED] might give rise to national security concern under this scenario is relatively low. However, as advised by our PRC Legal Advisers, the interpretation and applicability of "core data" and "important data" remain uncertain and subject to further clarification by the CAC or relevant regulatory authorities, we cannot preclude the possibility that this scenario may apply. We will keep abreast of and conform to the legislative and regulatory requirement to prevent the related risks that may trigger scenario (v).

BUSINESS

Scenario (vi) applies to the risks when a company goes public. As advised by our PRC Legal Advisers, our Directors are of the view that the risk that our business operations and our [REDACTED] might give rise to national security concern under this scenario is relatively low, on the basis that: (i) we have not been identified as CIIO by relevant regulatory authorities; (ii) the user data collected by us within the territory of China as part of our business operations has been stored within the territory of China; and (iii) we have set up appropriate technical and organizational measures to mitigate the risks on cybersecurity and data protection and will continuously make great effort to prevent the related risks that may trigger scenario (vi). However, as advised by our PRC Legal Advisers, the interpretation and applicability of "core data", "important data", and "network information security" remains uncertain and subject to further clarification by the CAC or relevant regulatory authorities, we cannot preclude the possibility that this scenario may apply.

As to scenario (vii), our PRC Legal Advisers are of the view that the interpretation and applicability of it may be subject to uncertainty and further elaboration by the CAC or relevant regulatory authorities. As advised by our PRC Legal Advisers, we cannot preclude the possibility that this scenario may apply.

Due to the lack of further clarifications or detailed rules and regulations, there are uncertainties on how to determine whether a [REDACTED] by a company like us in Hong Kong affects or may affect national security or not, the PRC government authorities may have discretion in the interpretation and enforcement of these measures and regulations. As of the Latest Practicable Date, the Draft Regulations had not been formally adopted, the final version of the Draft Regulations had not been issued and their anticipated adoption or effective date is subject to changes. As advised by our PRC Legal Advisers, if the Draft Regulations become effective in the current form, we do not foresee any material impediments for us to comply with the Draft Regulations in all material respects, on the basis that (i) during the Track Record Period and up to the Latest Practicable Date, we had not been subject to any material administrative penalties, mandatory rectifications, or other sanctions by any competent regulatory authorities in relation to cybersecurity, data and personal information protection, nor had we been subject to or involved in any investigations, or received any inquiry, examination, warning, interview, or similar notice in such respect by any competent regulatory authorities; (ii) during the Track Record Period and up to the Latest Practicable Date, there had been no material cybersecurity, data and personal information protection incident or infringement upon any third parties, or other administrative or legal proceedings, pending or, to the best of our knowledge, threatened against or relating to us; (iii) we have taken appropriate and necessary control mechanisms in our cybersecurity, data and personal information risk management processes, including without limitation, access control, encryption, backup, and emergency response mechanism and measures; and (iv) we will closely monitor the legislative and regulatory development in cybersecurity, data and personal information protection, and we will implement, maintain and continually improve our compliance practices to comply with regulatory and legal requirements in such respects, including, among others, the Draft Regulations, if implemented in their current form. Base on the foregoing and the fact that

BUSINESS

we have not received any objection to the [REDACTED] from relevant regulatory authorities, nor have we been involved in any investigation, official inquiry, examination, warning, or similar notice in such respect as of the Latest Practicable Date, our Directors are of the view that the Draft Regulations would not have an adverse and material impact on the [REDACTED], assuming the Draft Regulations are implemented in the current form.

RESEARCH AND DEVELOPMENT

We always attach great importance to technologies and research and development in order to enhance our operational efficiency and provide customers with more standardized services. Our research and development efforts primarily focus on the upgrade of our products and service capabilities. Apart from designing and delivering equipment and services tailor-made for our customers, we continuously devote our efforts in technological breakthroughs in the industry. For example, for pit support construction conducted in narrow ditches, we have developed a ditch-supporting system, which is more convenient to be installed, lighter in weight and more cost-saving. For pit projects with relatively higher risks, leveraging our IoT capabilities, we developed a pit supervision system to reduce project related risks. For steel pipe axial force servo system developed for sensitive environment, we upgraded such system with higher weight-bearing, wireless and intelligent capacity, and further expanded its applicability into wider steel support systems, giving us a leading edge in the industry.

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. As of December 31, 2022, our research and development and IT employees amounted to 351, representing 8.3% of our total number of employees as of the same date. As a reflection of our sustained investment in technologies, we possessed numerous intellectual property rights as of the Latest Practicable Date. See “—Intellectual Property”.

QUALITY CONTROL

Quality is essential for our continuous development and prosperity in the industry. We devote vast efforts to the quality of the products and services we provide to our customers in order to continuously improve our brand recognition. In 2014, we obtained ISO9001 quality management system certification, and then formulated and implemented internal quality standards, whose requirements were more stringent than common industry standards. In addition, we have our quality management system in place to ensure effective documentation process of our products. We strictly adhere to our quality standards to control the whole process covering procurement, maintenance service, production and engineering construction, and enhance quality awareness of our staff through continuous training.

BUSINESS

We review customer feedback periodically and continuously improve the quality of our equipment and services according to customer feedback. In order to strictly control the quality of incoming and outgoing goods, we built a material, oil and spare-part laboratory, and a scaffold pressure test machine, which is capable of testing scaffold pressure in professional testing organizations. In addition, we value the feedback, including complaints from our customers and have set up various channels to collect their input on how we could serve them better in the future. Our customers may share with us their suggestions or raise their complaints by dialing our national service hotline.

We have a technical quality committee, which focuses on quality management, formulating long-term quality objectives and plans, and ensuring our quality standards are set in accordance with scientific and technical standards. Our asset management department also has a technical quality team, which focuses on the promotion of the implementation of our quality policies and plans. Each of our business units has a technical quality division, which focuses the quality indicators of such business unit, and the implementation of process management and maintenance of the standard policies.

SALES AND MARKETING

As of December 31, 2022, we have a dedicated team responsible for our sales and marketing activities. Our sales and marketing activities are primarily conducted through on-site marketing events, telephone calls and internet marketing. We secure customers and orders from various channels. For instance, we would send our staff to visit the sites and connect or directly negotiate with the person in charge on site. Through online promotion or posters on construction sites, we would be able to attract the attention of potential customers, and then conduct contract negotiations. We would also obtain contacts and introductions through referrals from existing customers and suppliers. In particular, most of our operating leases for neo-excavation systems were obtained through direct negotiations (except when we were engaged with SOEs, which would require a public tender process), whilst most contracts for engineering and technical services were obtained through public tender to SOEs. The onus of repairs of equipment and materials are often involved in contract negotiations, and it would vary depending on the business segment and type of customer. For example, the onus to repair a damaged equipment, aerial work platform or other machinery within our operating leases services segment would lie with the person deemed to have contributed to the damage. This person is likely to be the customer as we would not be operating such machinery. On the contrary, for our engineering and technical services segment, should there be any damage to equipment and machinery that we were operating, then the onus to repair might be on us. This is subject to the damage inspections of our equipment and material when they were given access to enter the site, and before exiting the site upon project completion.

BUSINESS

Our employees actively interact with our customers to understand their needs, because we believe that frequent interactions with existing customers enable us to anticipate any future services that we may provide to them. In addition, we have been able to achieve high customer satisfaction from the high-quality services we provide, which has enabled us to develop new customers through referrals as well. Moreover, we often participate in exhibitions or forums in the equipment operational service industry to enhance our public exposure.

We hold regular training courses for our sales and marketing team members and set clear career development paths for them. Senior personnel will be assigned as junior employees' mentors upon their arrival at our Company. In addition, a large amount of online sales and marketing training materials and on-site skillset development workshops will be provided to them. Moreover, we place sales and marketing personnel with outstanding performance into our reserved base for service outlet managers, which can further enhance their comprehensive management capabilities and marketing skillset.

CUSTOMERS

We provide equipment operation services to customers. As a service provider operating in a highly fragmented and intensely competitive industry, we believe that building a high-quality customer base is crucial to our business growth. Attributable to our comprehensive and multi-dimensional service model covering the full cycle of projects, we have fostered a loyal and high-quality customer base over the years, which primarily includes large central enterprises, local SOEs, public entities, private companies and individuals in China. The number of our customers (on a standalone basis) increased from approximately 47,000 in 2020 to approximately 97,000 in 2021, and further increased to approximately 158,000 in 2022. Our customers come from various industries, including construction, manufacturing, commerce, real estate, culture, entertainment and various consumer industries. For instance, in the manufacturing industry, our neo-formwork system can be used for the construction of inner frames, outer frames and foundation pits of factories, whereas our aerial work platforms can be used for the installation of steel structures, lighting, fire-proofing, curtain walls, etc, during the installation phase of a factory construction. In the commercial real estate industry, our neo-formwork can be used for the construction of the foundation pits and frames of commercial complexes and office buildings, whereas our aerial work platforms can be used for the installation of fixtures, advertising billboards, cleaning or painting on commercial buildings. In cultural, entertainment and consumer industries, our aerial work platforms can be used for video shooting from certain height, concerts and exhibitions or trade shows, and our neo-formworks can be used to build stadiums and exhibition centers.

BUSINESS

Through our years of operation, we have established stable and long-term relationships with many blue chip, loyal and high-quality customers. We have been committed to providing comprehensive, multi-dimensional, and long-term equipment operation services covering the full cycle of projects to better and more efficiently meet our customers' business needs. We have established long-term positive business relationship with our customers. For the three years ended December 31, 2020, 2021 and 2022, the number of customers who were our customers at the beginning of the year and made more than one order during the same year were 4,134, 12,739 and 22,438, respectively. In 2022, among the top ten PRC construction enterprises ranked in terms of overall strength awarded by China Construction Enterprises Management Association, seven of them have established business relationship with us over five years. Moreover, for the largest construction enterprise in China, we have achieved extensive cooperation with it in 188 cities across China. In terms of the construction projects that our customers are engaged in, for the year ended December 31, 2022, by our Directors' estimates, for our revenue generated from construction projects, key contributors included infrastructure projects, industrial plants, commercial real estate and our involvement in providing services in the residential property market is considered to be minimal.

We have established a comprehensive policy to evaluate our customers. In terms of customer credit evaluation, we mainly evaluate our customers based on their transaction amount (our revenue) and history with us. In addition, our customers' business strength and stability are evaluated from various dimensions (such as founding time, qualifications and business nature), which in turn enable us to set up tailor-made management policies based on corresponding customer classification. Our customers generally settle their payments with us through wire transfer.

In each year during the Track Record Period, revenue generated from our five largest customers amounted to RMB962.3 million, RMB1,161.8 million and RMB1,418.1 million, respectively, representing 26.3%, 18.9% and 17.9% of our total revenue for the same periods, respectively. In each year during the Track Record Period, revenue generated from our largest customer amounted to RMB379.2 million, RMB454.6 million and RMB498.8 million, respectively, representing 10.4%, 7.4% and 6.3% of our total revenue for the same periods, respectively.

BUSINESS

The following tables set forth details of our five largest customers during the Track Record Period.

For the year ended December 31, 2020

Customer ⁽¹⁾	Revenue amount <i>(RMB in millions)</i>	% of total revenue <i>(%)</i>	Credit terms	Commencement of business relationship	Primary services provided	Customer background
Customer A	379.2	10.4	One to 90 days	2014	Operating lease services; engineering and technical services	A listed company on the Shanghai Stock Exchange and a subsidiary of a State-run construction engineering company, established in Beijing with main operations covering China. Main business include housing construction, infrastructure construction, real estate and design.
Customer B	230.4	6.3	One to 90 days	2013	Operating lease services; engineering and technical services	One of the largest multi-functional comprehensive construction groups in China and Asia integrating infrastructure construction, survey design and consulting services, engineering equipment and parts manufacturing, real estate development, railway and highway investment and operation, mineral resources development, and material trading.
Customer C	194.3	5.3	Five to 90 days	2016	Operating lease services; engineering and technical services	A wholly state-owned construction enterprise, and one of the largest comprehensive construction groups in China. Main businesses include engineering contracting, integrating survey, design, investment and financing, construction, equipment installation, project supervision, and technical consultation.
Customer D	99.5	2.7	One to 90 days	2014	Operating lease services; engineering and technical services	Company listed on the main board of the Hong Kong Stock Exchange and being a state-owned infrastructure company in China. Main businesses include infrastructure design, infrastructure construction, dredging and equipment manufacturing.
Customer E	58.9	1.6	One to 90 days	2014	Operating lease services; engineering and technical services	A mineral company approved by the State-owned Assets Supervision and Administration Commission of the State Council. Main businesses include engineering contracting, resource development, equipment manufacturing and real estate development business.
Total	<u>962.3</u>	<u>26.3</u>				

Note:

(1) Combined based on public information available.

BUSINESS

For the year ended December 31, 2021

Customer ⁽¹⁾	Revenue amount	% of total revenue	Credit terms	Commencement of business relationship	Primary services provided	Customer background
	<i>(RMB in millions)</i>	<i>(%)</i>				
Customer A	454.6	7.4	One to 90 days	2014	Operating lease services; engineering and technical services	A listed company on the Shanghai Stock Exchange and a subsidiary of a State-run construction engineering company, established in Beijing with main operations covering China. Main business include housing construction, infrastructure construction, real estate and design.
Customer B	290.6	4.7	One to 90 days	2013	Operating lease services; engineering and technical services	One of the largest multi-functional comprehensive construction groups in China and Asia integrating infrastructure construction, survey design and consulting services, engineering equipment and parts manufacturing, real estate development, railway and highway investment and operation, mineral resources development, and material trading.
Customer C	208.6	3.4	Five to 90 days	2016	Operating lease services; engineering and technical services	A wholly state-owned construction enterprise, and one of the largest comprehensive construction groups in China. Main businesses include engineering contracting, integrating survey, design, investment and financing, construction, equipment installation, project supervision, and technical consultation.
Customer D	123.0	2.0	One to 90 days	2014	Operating lease services; engineering and technical services	Company listed on the main board of the Hong Kong Stock Exchange and being a state-owned infrastructure company in China. Main businesses include infrastructure design, infrastructure construction, dredging and equipment manufacturing.
Customer E	85.0	1.4	One to 90 days	2014	Operating lease services; engineering and technical services	A mineral company approved by the State-owned Assets Supervision and Administration Commission of the State Council. Main businesses include engineering contracting, resource development, equipment manufacturing and real estate development business.
Total	<u>1,161.8</u>	<u>18.9</u>				

Note:

(1) Combined based on public information available.

BUSINESS

For the year ended December 31, 2022

Customer ⁽¹⁾	Revenue amount <i>(RMB in millions)</i>	% of total revenue <i>(%)</i>	Credit terms	Commencement of business relationship	Primary services provided	Customer background
Customer A	498.8	6.3	One to 90 days	2014	Operating lease services; engineering and technical services	A listed company on the Shanghai Stock Exchange and a subsidiary of a State-run construction engineering company, established in Beijing with main operations covering China. Main business include housing construction, infrastructure construction, real estate and design.
Customer B	380.1	4.8	One to 90 days	2013	Operating lease services; engineering and technical services	One of the largest multi-functional comprehensive construction groups in China and Asia integrating infrastructure construction, survey design and consulting services, engineering equipment and parts manufacturing, real estate development, railway and highway investment and operation, mineral resources development, and material trading.
Customer C	301.9	3.8	Five to 90 days	2016	Operating lease services; engineering and technical services	A wholly state-owned construction enterprise, and one of the largest comprehensive construction groups in China. Main businesses include engineering contracting, integrating survey, design, investment and financing, construction, equipment installation, project supervision, and technical consultation.
Customer D	142.0	1.8	One to 90 days	2014	Operating lease services; engineering and technical services	Company listed on the main board of the Hong Kong Stock Exchange and being a state-owned infrastructure company in China. Main businesses include infrastructure design, infrastructure construction, dredging and equipment manufacturing.
Customer F	95.3	1.2	One to 90 days	2014	Operating lease services; platform and other services; engineering and technical services	A company incorporated in the PRC on April 19, 2010 with limited liability. Main business includes investment in corporate management service projects.
Total	<u>1,418.1</u>	<u>17.9</u>				

Note:

(1) Combined based on public information available.

BUSINESS

All of our five largest customers during the Track Record Period were Independent Third Parties. As of the Latest Practicable Date, none of our Directors, their associates or any Shareholders which, to the knowledge of our Directors, owned more than 5% of the issued share capital of our Company had any interest in any of our five largest customers during the Track Record Period.

The following table sets forth an analysis of our revenue generated by the types of customers:

	For the year ended December 31,											
	2020				2021				2022			
	Number of customers		Revenue generated		Number of customers		Revenue generated		Number of customers		Revenue generated	
	<i>(RMB in</i>		<i>(RMB in</i>		<i>(RMB in</i>		<i>(RMB in</i>		<i>(RMB in</i>		<i>(RMB in</i>	
	(%)	millions)	(%)	(%)	(%)	millions)	(%)	(%)	(%)	millions)	(%)	(%)
SOE ⁽¹⁾	915	2.8	1,335.4	36.5	1,224	1.8	1,717.8	28.0	1,354	1.4	2,162.4	27.4
Non-SOE ⁽¹⁾	32,063	97.2	2,328.2	63.5	67,800	98.2	4,423.4	72.0	93,820	98.6	5,715.2	72.6
Total	<u>32,978</u>	<u>100.0</u>	<u>3,663.6</u>	<u>100.0</u>	<u>69,024</u>	<u>100.0</u>	<u>6,141.2</u>	<u>100.0</u>	<u>95,174</u>	<u>100.0</u>	<u>7,877.6</u>	<u>100.0</u>

Note:

- (1) Customers that we categorized as SOEs are those which their ultimate beneficiary is the State-owned Assets Supervision and Administration Commission, with others categorized as Non-SOEs. The number of customers each year are calculated on a consolidated (to the legal entity level) and non-accumulative basis.

The following table sets forth an analysis of our revenue generated customers by the industry in which they operate:

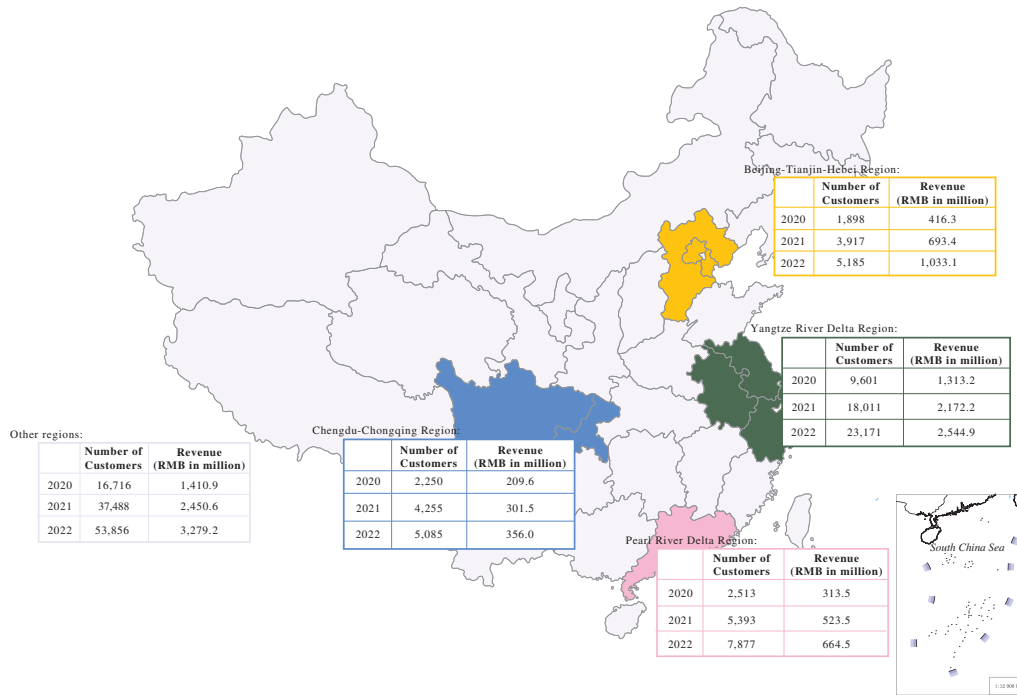
	For the year ended December 31,											
	2020				2021				2022			
	Number of customers		Revenue generated		Number of customers		Revenue generated		Number of customers		Revenue generated	
	<i>(RMB in</i>		<i>(RMB in</i>		<i>(RMB in</i>		<i>(RMB in</i>		<i>(RMB in</i>		<i>(RMB in</i>	
	(%)	millions)	(%)	(%)	(%)	millions)	(%)	(%)	(%)	millions)	(%)	(%)
Construction industry ⁽¹⁾	23,771	72.1	3,462.2	94.5	49,538	71.8	5,801.7	94.5	72,199	75.9	7,496.6	95.1
Non-construction industry ⁽¹⁾	3,421	10.4	157.0	4.3	6,368	9.2	250.7	4.1	8,494	8.9	296.7	3.8
Sole proprietors ⁽¹⁾	5,786	17.5	44.4	1.2	13,118	19.0	88.8	1.4	14,481	15.2	84.3	1.1
Total	<u>32,978</u>	<u>100.0</u>	<u>3,663.6</u>	<u>100.0</u>	<u>69,024</u>	<u>100.0</u>	<u>6,141.2</u>	<u>100.0</u>	<u>95,174</u>	<u>100.0</u>	<u>7,877.6</u>	<u>100.0</u>

BUSINESS

Note:

- (1) Customers that we categorized as those in the construction industry, non-construction industry and sole proprietors were based on publicly available information on the background of our customers.

The following map is a representation of the number of customers and revenue by geographical location for during the Track Record Period:



Contracts with Customers

A summary of the key terms of our operating lease services contract is as follows:

- Term.** The contract term varies based on types of equipment and materials involved. Contract term for aerial work platform varies significantly from seven days to six months based on our customers' needs. Contract term for neo-excavation support system and neo-formwork system generally ranges from three months to one year;
- Services.** We provide operating lease services of various types of equipment and materials to our customers. Our equipment and materials include, among others, aerial work platform, neo-excavation support system, neo-formwork system, road equipment and power supply equipment. We will be responsible for the repair and maintenance of the equipment, as well as providing equipment operation training services to the customers as requested. We may also provide logistics service and arrange on-site equipment operation staff in accordance with a predetermined cost if required by our customer;

BUSINESS

- *Payment term.* If the term of the contract exceeds one month, the rent shall be payable by month; if the term of the contract is less than one month, the rent shall be paid within seven days after the leased equipment is returned. Sometimes, we may require a down payment or deposit from our customer; however, the credit terms granted to customers may not be strictly enforced and, according to the F&S Report, it is common practice in the industry we operate. For further details, please see "Financial Information—Description of Certain Items in the Consolidated Statement of Financial Position—Trade Receivables" and "Risk Factors—Risks Relating to Our Business and Industry—We are exposed to credit risks in relation to our contract assets and trade receivables. 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";
- *Termination.* If the lessee fails to pay the rent and other fees as stipulated in contact to us within the prescribed period in the contract, and the payment is overdue for more than 15 days, the lessee shall pay us a late fee at the rate of 0.1% of the overdue amount per day. In addition, if not all of the equipment has been fully delivered, we have the right to refuse to deliver the remaining equipment to the lessee. If the payment is overdue for more than 30 days, then we have the right to take back the leased equipment, suspend or terminate the contract in advance, and all losses arising from the overdue payment shall be borne by the lessee. After the termination of the contract, the lessee shall pay us a late fee at the rate of 0.1% of the overdue amount per day.
- *Renewal.* Upon the expiration of the contract term, the lessee shall immediately return the equipment to us. If the lessee intends to further rent the equipment upon the expiration of the contract term, it shall renew the contract within one week before the expiration of such contract.

A summary of the key terms of our engineering and technical services contract is as follows:

- *Term.* The contract term varies, and normally ranges from one month to one year;
- *Services.* We provide engineering and technical services to our customers and the scope of work varies from contracts to contracts, but generally includes project design, planning, arranging professional staff to install and demolish the equipment and/or materials on the construction site, and logistics services;
- *Payment term.* We will invoice our customer when a project reaches certain phases or at certain point during the year, such as before Chinese New Year. The customer will pay us by the 25th of the month when the invoice is rendered, and the payment shall be no less than 80% of the settlement amount; before the project completion or demolition of the majority of equipment and/or materials, 80% of the total payment shall be settled; within one to two months after the project completion or demolition of the majority of equipment and/or materials,

BUSINESS

95% of the total payment shall be settled; within 60 working days after the project completion, the total payment shall be settled by the customers; however, the credit terms granted to customers may not be strictly enforced and, according to the F&S Report, it is common practice in the industry we operate. For further details, please see "Financial Information—Description of Certain Items in the Consolidated Statement of Financial Position—Trade Receivables" and "Risk Factors—Risks Relating to Our Business and Industry—We are exposed to credit risks in relation to our contract assets and trade receivables. 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";

- *Termination.* If the customer fails to pay us for the contract price and down payments as agreed, the customer shall pay us a late fee at the rate of 0.5% of the overdue amount per day. If the delay of payment exceeds certain day(s) as stipulated in the contract, we shall have the right to suspend the construction or cancel the contract. All losses arising from the overdue payment shall be borne by the customer. After the termination of the contract, the customer shall pay us a late fee at the rate of 0.5% of the overdue amount per day.

A summary of the key terms of re-rent services under our platform and other services contract is as follows:

- *Term.* The re-rent contract term varies based on types of equipment and materials involved and our customers' needs;
- *Services.* We rent from other equipment providers, and enter into re-rent contract with customers. These equipment and materials include, among others, aerial work platform, neo-excavation support system, neo-formwork system, road equipment and power supply equipment. We will be responsible for the installation and demolition, daily repair and maintenance of these equipment. We will also arrange on-site equipment operation staff for the customers;
- *Contract price.* The unit price of our equipment is mainly determined by the type of the equipment, and the total price is based on the unit price and actual number of units leased;
- *Payment term.* The rent shall be payable by month. The lessee shall pay the rent within 60 days after both parties' confirmation of the monthly settlement; however, the credit terms granted to customers may not be strictly enforced and, according to the F&S Report, it is common practice in the industry we operate. For further details, please see "Financial Information—Description of Certain Items in the Consolidated Statement of Financial Position—Trade Receivables" and "Risk Factors—Risks Relating to Our Business and Industry—We are exposed to credit risks in relation to our contract assets and trade receivables. 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";

BUSINESS

- *Termination.* If the equipment is defected during the contract term, we will be responsible for the repair or replacement of the equipment, and any associated costs. We shall complete equipment repair and maintenance within two calendar days. Otherwise, the lessee has the right to terminate the re-rent contract, and all related losses shall be borne by us.

Our contracts with customers do not contain provisions in relation to minimum purchase commitment and price adjustment. We did not experience any breaches of our contracts during the Track Record Period.

Pricing

For our operating lease services, our price is mainly determined by type of equipment and length of rental period. We adjust the pricing based on the overall purchase price and relevant utilization rate and market demand. For instance, our neo-formwork materials were priced around RMB5.0 to RMB10.3 per ton per day, and our aerial work platforms were priced around RMB750 to RMB250,000 per unit per month during the Track Record Period. Generally, we set higher price for equipment with higher utilization rate and higher demand from the market.

For our engineering and technical services, our pricing is primarily determined through (i) a cost-plus basis, with separate aspects to be charged individually such as (a) the overall tonnage of the materials required, (b) labor costs and design costs. For a typical on-side installation, we would charge based on tonnage of machinery and its auxiliary equipment. For on-site material delivery, project exit and other customized services, we would charge based on tonnage but would also charge labor cost and design costs based on time spent and labor force utilized and (ii) a commission, calculated based on the services required and utilized, which may fluctuate depending on the complexity of the instructions received from customers, and will be included in the final price as a part of a service fee in the final bill.

For platform services, we follow the same business model as that of our operating lease services and derive our profit from the pricing difference between the price we charge our customers and the price we pay to equipment and/or materials providers. Similarly, our price is mainly determined by the type of equipment and length of the rental period. For instance, our aerial work platforms to be re-rented under this segment, though not being the exact same models as those rented from our operating leases services segment, were priced at an average price of RMB3,700 per unit per month, with a price range of around RMB750 to RMB250,000 per unit per month, during the Track Record Period. The re-rental prices of our neo-excavation systems under this segment were around an average of RMB7 per ton per day, with a price range of around RMB1 to RMB10 per ton per day, during the Track Record Period. For our sales of equipment, materials and spare parts, pricing is primarily benchmarked to the prevailing market rate of relevant

BUSINESS

equipment, materials or spare parts. Our Directors confirm that we do not sell aged equipment, materials and spare parts under this business segment, the sales of which would be treated as a disposal of obsolete property, plant and equipment. For further details, please see “— Our Equipment Portfolio” in this section.

When determining the range of the rental fees or commission ideas, we usually set a benchmark price based on various parameters. The benchmark price is used to determine the final price charged to customers. Benchmark prices that are determined based on the benchmark pricing rules usually consider equipment operating costs, profit margins, historical contract prices in different regions as well as the corresponding intensity of competition. The final price charged to our customers is based on the benchmark price with an addition of the prices of service and commodity attributes, and the commission for our engineering and technical services will be included in the final price. We usually consider various internal and external factors, with internal factors such as customer’s credit rating, product quantity and supply-demand relationship, customer’s overdue records and risks, whether the counterparty is a strategic customer with which we have signed a contract, and our latest mobilization rate. External factors includes amount of customer demand, lease period, requirement for level of newness of equipment, whether products require modification, whether the counterparty engages in special operation, especially the coating industry, and the logistics cost of entering and exiting the site. Our Directors confirm that, with the advice from our PRC Legal Advisers, that such pricing mechanisms are not subject to any governmental control in China.

SUPPLIERS

During the Track Record Period, we primarily procured equipment used for provision of our operating lease services, construction, manufacturing and engineering and technical services. Our major suppliers primarily include equipment and materials manufacturers and service providers.

To ensure procured items can meet our needs, we have set up procurement guidelines and standards based on different types of goods we purchase. We implement a centralized procurement management model with the asset management department responsible for our procurement management and execution. Currently, main steps in our procurement process include open bidding, invitation-only bidding, price inquiry comparison, competitive negotiation and single source procurement for certain products. We endeavor to ensure that all procurement conducted are in our best interest.

BUSINESS

Contracts with Suppliers

A summary of the key terms of equipment purchase agreement is as follows:

- *Specification.* The purchase agreement typically sets out the specifications, models, quantities and total purchase amount of the equipment we purchased;
- *Unit purchase price.* The unit purchase price of the equipment is specified in the purchase agreement;
- *Logistics.* Unless otherwise agreed, the supplier is required to deliver the equipment we purchased to locations designated by us;
- *Payment term.* We will pay the purchase price to the supplier under the conditions that (i) we receive the original copy of VAT invoice issued by the supplier for 100% of the purchase price; (ii) all purchased equipment are properly delivered to us; and (iii) the settlement statement is signed by both parties. We may withhold a certain percentage of the total purchase price as the warranty deposit, and will refund to the supplier within 20 working days after the expiration of the warranty period of the equipment. During the Track Record Period, credit terms with our suppliers may differ from time to time based on the type of equipment or materials we procure;
- *Termination.* If the supplier breaches the contract and fails to rectify within a reasonable period of time after we have notified the supplier, we have the right to unilaterally terminate the contract without any liability.

In each year during the Track Record Period, procurement from our five largest suppliers amounted to RMB5,143.8 million, RMB6,354.7 million and RMB2,019.1 million, respectively, representing 64.7%, 53.8% and 42.2%, of our total purchases for the same periods, respectively. In each year during the Track Record Period, procurement from our largest supplier amounted to RMB2,032.5 million, RMB1,950.7 million and RMB616.1 million, respectively, representing 25.6%, 16.5% and 12.9%, of our total purchases for the same periods, respectively.

BUSINESS

The following table sets forth details of our five largest suppliers during the Track Record Period.

For the year ended December 31, 2020

Supplier	Procurement amount <i>(RMB in millions)</i>	% of total purchases <i>(%)</i>	Credit terms	Commencement of business relationship	Primary goods/services procured	Supplier background
Supplier D	2,032.5	25.6	30 days	2018	Aerial work platform	Equipment and materials company
Supplier A	974.2	12.3	30 days	2015	Neo-excavation support system	Equipment and materials company
Supplier B	852.3	10.7	10 days	2013	Aerial work platform	Equipment and materials company
Supplier C	654.2	8.2	30 days	2014	Aerial work platform	Equipment and materials company
Supplier F	630.6	7.9	30 days	2020	Aerial work platform	Equipment and materials company
Total	<u>5,143.8</u>	<u>64.7</u>				

For the year ended December 31, 2021

Supplier	Procurement amount <i>(RMB in millions)</i>	% of total purchases <i>(%)</i>	Credit terms	Commencement of business relationship	Primary goods/services provided	Supplier background
Supplier D	1,950.7	16.5	30 days	2018	Aerial work platform	Equipment and materials company
Supplier F	1,695.3	14.4	30 days	2020	Aerial work platform	Equipment and materials company
Supplier A	1,370.4	11.6	30 days	2015	Neo-excavation support system	Equipment and materials company
Supplier B	742.8	6.3	10 days	2013	Aerial work platform	Equipment and materials company
Supplier G	595.4	5.0	30 days	2020	Neo-excavation support system	Equipment and materials company
Total	<u>6,354.7</u>	<u>53.8</u>				

BUSINESS

For the year ended December 31, 2022

Supplier	Procurement amount <i>(RMB in millions)</i>	% of total purchases <i>(%)</i>	Credit terms	Commencement of business relationship	Primary goods/services procured	Supplier background
Supplier D	616.1	12.9	30 days	2018	Aerial work platform	Equipment and materials company
Supplier E	521.9	10.9	30 days	2021	Aerial work platform	Equipment and materials company
Supplier F	487.3	10.2	30 days	2020	Aerial work platform	Equipment and materials company
Supplier H	245.0	5.1	Material purchase: pre-payment Labor subcontract: 70 days	2020	Construction services	Equipment and materials company
Supplier I	148.9	3.1	30 days	2021	Aerial work platform	Equipment and materials company
Total	<u>2,019.1</u>	<u>42.2</u>				

All of our five largest suppliers during the Track Record Period were Independent Third Parties. As of the Latest Practicable Date, none of our Directors, their associates or any Shareholders which, to the knowledge of our Directors, owned more than 5% of the issued share capital of our Company, had any interest in any of our five largest suppliers during the Track Record Period.

During the Track Record Period, we maintained multiple suppliers to avoid over-reliance on any of suppliers and we believe there is no difficulty to find suitable substitutes for our suppliers. We did not experience any material disputes with suppliers, any difficulties in the procurement services, any interruption in our operations due to a shortage of services or any significant fluctuations in their prices during the Track Record Period.

CUSTOMER/SUPPLIER OVERLAP

During the years ended December 31, 2020, 2021 and 2022, we had 113, 178 and 192 overlapping customers/suppliers (i.e. those who were both our customers and suppliers during the Track Record Period) calculated on a standalone basis (as opposed to a group consolidated basis). For the years ended December 31, 2020, 2021 and 2022, the aggregated revenue generated from such overlapping customers/suppliers were RMB152.9 million, RMB203.1 million and RMB205.8 million, respectively, accounting for 4.2%,

BUSINESS

3.3% and 2.6%, respectively, of our total revenue for the same periods. For the years ended December 31, 2020, 2021 and 2022, the aggregated purchases from such overlapping customers/suppliers were RMB4,466.5 million, RMB4,649.9 million and RMB1,046.3 million, respectively, accounting for 56.2%, 39.4% and 21.8%, respectively, of our total purchases for the same periods. Transactions with overlapping customers and suppliers are seen by our Directors as commonplace primarily because of the different skill sets, capabilities and inventories owned by various parties. For instance, as we provide both operating leases services and engineering and technical services, whilst some customers from the operating lease services segment may be in need of equipment to perform in construction projects, they might be well staffed with construction labor, and their performance and skill sets would be useful for our reference when selecting a subcontractor to provide labor for our engineering and technical services segment. Similarly, when some of our suppliers of raw materials require aerial work platforms for them to conduct various constructions, renovation or repair work to their factories and facilities, they would become our customers as well. During the Track Record Period, some of our five largest customers and suppliers had also been our overlapping customers/suppliers. The following tables set forth the five largest customers (identified as an overlapping customer based firstly on a standalone basis, then consolidated into one of the five largest customers) and suppliers (calculated on a standalone basis) who had also been our overlapping customers/suppliers, for the periods indicated:

Top five customers	Revenue generated (RMB in million)	% of		Purchasing amount (RMB in million)	% of		Customer background
		revenue generated (%)	Primary services/ product sold		purchasing amount (%)	Primary services/ products purchased	
<i>For the year ended December 31, 2020</i>							
Customer A	379.2	10.4	Operating lease services, engineering and technical services	4.0	0.1	Engineering equipment and spare parts	A listed company on the Shanghai Stock Exchange and a subsidiary of a State-run construction engineering company, established in Beijing with main operations covering China. Main business include housing construction, infrastructure construction, real estate and design

BUSINESS

Top five customers generated	Revenue generated (RMB in million)	% of revenue generated (%)	Primary services/ product sold	Purchasing amount (RMB in million)	% of purchasing amount (%)	Primary services/ products purchased	Customer background
Customer B	230.4	6.3	Operating lease services, engineering and technical services	1.3	< 0.1	Engineering equipment and spare parts	One of the largest multi-functional comprehensive construction groups in China and Asia integrating infrastructure construction, survey design and consulting services, engineering equipment and parts manufacturing, real estate development, railway and highway investment and operation, mineral resources development, and material trading
Customer C	194.3	5.3	Operating lease services, engineering and technical services	0.4	< 0.1	Engineering equipment and spare parts	A wholly state-owned construction enterprise, and one of the largest comprehensive construction groups in China. Main businesses include engineering contracting, integrating survey, design, investment and financing, construction, equipment installation, project supervision, and technical consultation
<i>For the year ended December 31, 2021</i>							
Customer A	454.6	7.4	Operating lease services, engineering and technical services	2.3	< 0.1	Engineering equipment and spare parts	A listed company on the Shanghai Stock Exchange and a subsidiary of a State-run construction engineering company, established in Beijing with main operations covering China. Main business include housing construction, infrastructure construction, real estate and design

BUSINESS

Top five customers generated	Revenue generated (RMB in million)	% of revenue generated	Primary services/ product sold	Purchasing amount (RMB in million)	% of purchasing amount	Primary services/ products purchased	Customer background
Customer B	290.6	4.7	Operating lease services, engineering and technical services	0.5	< 0.1	Engineering equipment and spare parts	One of the largest multi-functional comprehensive construction groups in China and Asia integrating infrastructure construction, survey design and consulting services, engineering equipment and parts manufacturing, real estate development, railway and highway investment and operation, mineral resources development, and material trading
Customer D	123.0	2.0	Operating lease services, engineering and technical services	0.2	< 0.1	Engineering equipment and spare parts	Company listed on the main board of the Hong Kong Stock Exchange and being a state-owned infrastructure company in China. Main businesses include infrastructure design, infrastructure construction, dredging and equipment manufacturing
Customer E	85.0	1.4	Operating lease services, engineering and technical services	60.3	0.5	Engineering equipment and spare parts	A mineral company approved by the State-owned Assets Supervision and Administration Commission of the State Council. Main businesses include engineering contracting, resource development, equipment manufacturing and real estate development business
<i>For the year ended December 31, 2022</i>							
Customer A	498.8	6.3	Operating lease services, engineering and technical services	0.4	< 0.1	Engineering equipment and spare parts	A listed company on the Shanghai Stock Exchange and a subsidiary of a State-run construction engineering company, established in Beijing with main operations covering China. Main business include housing construction, infrastructure construction, real estate and design

BUSINESS

Top five customers	Revenue generated (RMB in million)	% of		Purchasing amount (RMB in million)	% of		Customer background
		revenue generated (%)	Primary services/ product sold		purchasing amount (%)	Primary services/ products purchased	
Customer C	301.9	3.8	Operating lease services, engineering and technical services	0.3	< 0.1	Engineering equipment and spare parts	A wholly state-owned construction enterprise, and one of the largest comprehensive construction groups in China. Main businesses include engineering contracting, integrating survey, design, investment and financing, construction, equipment installation, project supervision, and technical consultation
Customer D	142.0	1.8	Operating lease services; engineering and technical services	0.2	< 0.1	Engineering equipment and spare parts	Company listed on the main board of the Hong Kong Stock Exchange and being a state-owned infrastructure company in China. Main businesses include infrastructure design, infrastructure construction, dredging and equipment manufacturing.
Top five suppliers	Revenue generated (RMB in million)	% of		Purchasing amount (RMB in million)	% of		Supplier background
		revenue generated (%)	Primary services/ product sold		purchasing amount (%)	Primary services/ products purchased	
<i>For the year ended December 31, 2020</i>							
Supplier D	9.4	0.4	Operating lease services, engineering and technical services	2,032.5	25.6	Aerial work platform	Incorporated in 2005, based in the PRC and operating in the mechanical engineering industry as a developer, manufacturer and distributor of aerial work platforms.

BUSINESS

Top five suppliers	Revenue generated (RMB in million)	% of revenue generated (%)	Primary services/ product sold	Purchasing amount (RMB in million)	% of purchasing amount (%)	Primary services/ products purchased	Supplier background
Supplier F	0.1	< 0.1	Operating lease services, engineering and technical services	630.6	7.9	Aerial work platform	Incorporated in 2012, mainly based in the PRC and mainly operating in the aerial work platform engineering, mechanical engineering and mining engineering industry as a manufacturing company.
Supplier B	0.1	< 0.1	Operating lease services, engineering and technical services	852.3	10.7	Aerial work platform	Incorporated in 1966, operating worldwide as a manufacturer of heavy machinery that can be used in aviation, construction, entertainment and infrastructure projects. It also operates as a developer, manufacturer and distributor of aerial work platforms.
Supplier C	0.4	< 0.1	Operating lease services, engineering and technical services	654.2	8.2	Aerial work platform	Incorporated in 1969, operating worldwide as a developer, manufacturer and distributor of aerial work platforms that are mainly used in maintenance and roadworks.
<i>For the year ended December 31, 2021</i>							
Supplier F	2.8	< 0.1	Operating lease services, engineering and technical services	1,695.3	14.4	Neo-excavation system	Incorporated in 2012, mainly based in the PRC and mainly operating in the aerial work platform engineering, mechanical engineering and mining engineering industry as a manufacturing company.
Supplier B	0.1	< 0.1	Operating lease services, engineering and technical services	742.8	6.3	Neo-excavation system	Incorporated in 1966, operating worldwide as a manufacturer of heavy machinery that can be used in aviation, construction, entertainment and infrastructure projects. It also operates as a developer, manufacturer and distributor of aerial work platforms.

BUSINESS

Top five suppliers	Revenue generated (RMB in million)	% of revenue generated (%)	Primary services/ product sold	Purchasing amount (RMB in million)	% of purchasing amount (%)	Primary services/ products purchased	Supplier background
Supplier D	0.1	< 0.1	Operating lease services, engineering and technical services	1,950.7	16.5	Aerial work platform	Incorporated in 2005, based in the PRC and operating in the mechanical engineering industry as a developer, manufacturer and distributor of aerial work platforms.
<i>For the year ended December 31, 2022</i>							
Supplier H	1.0	< 0.1	Operating lease services, engineering and technical services	245.0	5.1	Aerial work platform	Incorporated in 2006, based in the PRC and operating in the engineering construction industry.
Supplier D	< 0.1	< 0.1	Operating lease services, engineering and technical services	616.1	12.9	Aerial work platform	Incorporated in 2005, based in the PRC and operating in the mechanical engineering industry as a developer, manufacturer and distributor of aerial platforms.

The following table shows a comparison of the commercial terms between our overlapping customers/suppliers and our non-overlapping customers:

	Non-overlapping customers	Overlapping customers/suppliers
<i>Term</i>	For operating lease services: <ul style="list-style-type: none"> Aerial work platform: varies significantly from seven days to six months Neo-excavation support system and neo-formwork system: generally ranges from three months to one year 	For operating lease services: <ul style="list-style-type: none"> Ranges between a few days to within a year, depending on the equipment

BUSINESS

	Non-overlapping customers	Overlapping customers/suppliers
	For engineering and technical services:	For engineering and technical services:
	<ul style="list-style-type: none">• Normally ranges from one month to one year	<ul style="list-style-type: none">• Around or up to one year
<i>Payment terms</i>	For operating lease services:	For operating lease services:
	<ul style="list-style-type: none">• Monthly payment if the term of the contract exceeds one month• Payable seven days after the leased equipment is returned if the term of the contract is less than one month	<ul style="list-style-type: none">• Monthly payment for longer leases• Payable within a week for shorter periods
	For engineering and technical services:	For engineering and technical services:
	<ul style="list-style-type: none">• Payments will be made monthly• 95% payable within one to two months after the project completion or demolition of the majority of equipment and/or materials• Fully payable within 60 working days after the project completion	<ul style="list-style-type: none">• Payments will be made monthly• With a credit term of between 45 and 60 days for the majority of the total payment to be settled

BUSINESS

The following table shows a comparison of the commercial terms between our overlapping customers/suppliers and our non-overlapping suppliers:

	Non-overlapping suppliers	Overlapping customers/suppliers
<i>Specifications and pricing</i>	<ul style="list-style-type: none">The unit price and the specification of suppliers will be determined based on the equipment and materials to be procured by us	<ul style="list-style-type: none">The unit price and the specification of suppliers will be determined based on the equipment and materials to be procured by us
<i>Payment terms</i>	<ul style="list-style-type: none">May withhold a certain percentage of the total purchase price as the warranty deposit (refundable to the supplier within 20 working days after the expiration of the warranty period of the equipment)Credit terms may differ from time to time based on the type of equipment or materials	<ul style="list-style-type: none">May withhold a certain percentage of the payment (which will be paid upon meeting similar criteria) as a warranty deposit, with a period of no more than one month

Our Directors confirm that terms and conditions in relation to our transactions with the overlapping customers/suppliers during the Track Record Period were comparable to those with other non-overlapping customers/suppliers. Our Directors confirm that the transactions with overlapping customers and suppliers were on normal commercial terms, because (a) we are knowledgeable of the industry and are experienced in identifying whether the commercial term is in line with market practice; (b) with respect to supplier engagement, we generally conduct negotiations with a number of suppliers as part of our supplier selection process and we will compare the commercial terms of supplier candidates in making the selection; and (c) with respect to transactions with customers, the commercial terms are heavily negotiated and customers may be in negotiations with our competitors, which ensures that the commercial terms are normal and in line with market practice.

BUSINESS

Due to the different business nature and industries of our suppliers and customers, there had been only limited instances during the Track Record Period where the products that were sold to, purchased by or rented by, our Group from an Overlapping Customers/Supplier were the same types of products as those rented by, the same Overlapping Customers/Supplier. For example, our Overlapping Customer/Suppliers with a relatively large revenue contribution are normally construction companies that leased equipment and purchased engineering and technical services from us. During our service period to some of these construction companies, we will sometimes purchase a small amount of spare parts on an ad hoc basis or rent certain small equipment on-short term basis from them if we are short of the relevant products on-site or nearby. Moreover, Overlapping Customer/Suppliers to whom we had paid relatively large procurement costs are normally equipment providers which sell us equipment. In the process of their own business operation, they may rent our equipment on an ad hoc basis. Our Directors confirm that the aggregated amount of such purchases or sales amount of same products to and from overlapping customers/suppliers were less than 0.1% of our total revenue or total purchasing amount during each period of the Track Record Period, thus is considered to be immaterial.

Our Directors further confirm, and Frost & Sullivan concurs, that the terms of these transactions were in line with industry norm. Generally, main players in the equipment operation service industry engage in a wide range of equipment-related business activities, such as construction, repair and maintenance and logistics. As a result, it is normal for main players in the equipment operation service industry to have such customer/supplier overlap.

EMPLOYEES

We believe that talents are the foundation for our ability to offer quality services and achieve sustainable growth. As a result, we have established a market-competitive compensation system. Over the years, we have assembled a team of talents with loyalty, innovation, continuous learning and outstanding performance that possess abundant experience in the equipment operation service industry. We care about our employees and are committed to provide them with a platform for sustainable development, a comprehensive career path, targeted training for employees at different levels.

We regard high quality personnel as a key component to the stable development of our business, and therefore, we put a great emphasis on recruiting and training quality employees. Our recruiting process generally consist of recruitment, screening, internal review and selection and offer. In addition, we have provided comprehensive training programs to our employees. For example, courses we offer to our employees include those in relation to management skill enhancement, qualification test tutoring, and professional skill training. Moreover, we design different classes for employees with different career paths.

BUSINESS

We believe that high-skilled research and development talents are important to our future growth, and we set aside special funds for our research and development in information technology and engineering each year. We face fierce competition for high-skilled talents, such as management and core technical personnel, and our growth depends in part on our ability to retain existing personnel and recruit new high-skilled talents. Therefore, we have developed a comprehensive incentive plan for such personnel and will implement a long-term incentive plan to align the interests of such employees with ours to a high degree.

We have fostered the core value of “customer first, hard work and win-win through cooperation” from Far East Horizon. As a result, our employees have strong cohesion.

As of December 31, 2022, we had a total of 4,249 employees that were all located in the PRC. The following table sets forth a breakdown of our employees by function. As a part of our further expansion, we aim to increase the size of our team to around 4,600 by the end of 2023. For further details, please see “Future Plans and [REDACTED]”.

<u>Function</u>	<u>Number of employees</u>	<u>% of our employees</u> (%)
Business operation		
– <i>Equipment and materials</i>	266	6.3
– <i>Engineering</i>	403	9.5
– <i>Business and operations</i>	1,233	29.0
– <i>Production</i>	<u>1,036</u>	<u>24.4</u>
Subtotal	2,938	69.1
Research and development	146	3.4
General administration	657	15.5
IT	205	4.8
Management and support	<u>303</u>	<u>7.1</u>
Total	<u><u>4,249</u></u>	<u><u>100.0</u></u>

BUSINESS

We currently have a labor union for our employees. We believe that we have maintained good relationships with our employees. During the Track Record Period and up to the Latest Practicable Date, we did not experience any material labor disputes or strikes that may have a material and adverse effect on our business, financial condition or results of operations. We have been advised by our PRC Legal Advisers that we have complied with applicable PRC labor laws and regulations in all material respects during the Track Record Period and up to the Latest Practicable Date.

SEASONALITY

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, reduce the business activities and labor force in the market. For details, see “Financial Information — Key Factors Affecting Our Results of Operations — Our performance is subject to seasonality”.

COMPETITION

According to the F&S Report, the PRC equipment operation service industry is highly competitive and fragmented, with the top three players collectively accounting for 1.5% of the total market share, while approximately 15,000 small-to-medium scale players accounting for the remaining 98.5% in 2021. We distinguish ourselves from other competitors through our high-quality and large-scale asset portfolio, fast response and resource allocation capabilities and brand recognition. For details relating to the industry and markets in which we operate, see “Industry Overview” in this [REDACTED].

INTELLECTUAL PROPERTY

As a comprehensive equipment operation service provider in China’s construction industry, we provide construction machinery, mechanical and electrical equipment, construction materials and other products, as well as innovative technical services such as design, research and development and construction solutions to our customers. We primarily rely on the applicable laws and regulations on patents, copyrights, trademarks to protect our intellectual property rights. Meanwhile, we also sign confidentiality agreement with other parties to protect our innovations. As of the Latest Practicable Date, we owned one trademark, 58 patents, 8 domain names and 31 software copyrights in China, which we believe were material in relation to our business. In addition, as of the Latest Practicable Date, we had a series of ongoing intellectual property applications in China, including 34 patent applications, which we believe were material in relation to our business. As a result of our achievements in intellectual property right protection, we were recognized as a

BUSINESS

model enterprise for patents by the local government in Jiading County in 2018. For more information about our registered intellectual property and intellectual property applications, see "Appendix IV — Statutory and General Information — C. Further Information about Our Business — 2. Intellectual property rights".

As of the Latest Practicable Date, we were not aware of (i) any infringement which could have a material adverse effect on our business operations by us against any intellectual property rights of any third party or by any third party against any of our intellectual property rights; or (ii) any disputes with third parties with respect to intellectual property rights.

PROPERTIES

Owned Properties

As of the Latest Practicable Date, we owned six parcels of land with a total area of approximately 285,802.5 sq.m. used for manufacturing of neo-formwork system, and six buildings with an aggregated GFA of approximately 180,403.0 sq.m., which are primarily used for warehousing and repair and maintenance of our equipment and materials, as well as manufacturing of neo-formwork system. During the Track Record Period and up to the Latest Practicable Date, we have obtained all applicable certificates for all properties that we own in accordance with relevant laws and regulations.

Leased Properties

As of the Latest Practicable Date, we leased 95 parcels of land in various locations with a total area of approximately 440,588.3 sq.m., which are primarily used as parking lots for vehicles and warehouses for engineering machinery, equipment and materials. As of the Latest Practicable Date, we leased 74 buildings in various locations with an aggregated GFA of approximately 66,275.83 sq.m., which are primarily used as office buildings, factories and warehouses. As of the Latest Practicable Date, we had not registered the lease agreement for 74 of the buildings we leased, primarily due to non-cooperation of the relevant landlords. Moving forward, and as a remedial measure, we will proactively promote the registration of landlords, including through timely and continuous communication with and supervision over the landlords by our handling personnel, and strive to require the landlords to complete the registration. In addition, whether the landlords cooperated in registration will be one of the criteria for future selection of properties. For details, see "Risk Factors — Risks Relating to Our Business and Industry — Some of our property lease agreements were not filed with the relevant government authorities and may in turn subject us to administrative fines".

BUSINESS

According to section 6(2) of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice, this [REDACTED] is exempted from compliance with the requirements of section 342(1)(b) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, which require a valuation report with respect to all of our Group's interests in land or buildings, for the reason that, as of December 31, 2022, we had no single property with a carrying amount of 15% or more of our total assets.

LEGAL PROCEEDINGS AND COMPLIANCE

Legal Proceedings

From time to time we may be involved in legal proceedings or disputes in the ordinary course of business from time to time. During the Track Record Period and as of the Latest Practicable Date, there were no litigation, arbitration proceedings or administrative proceedings pending or threatened against us or our Directors which may have a material adverse effect on our business, financial condition or results of operations.

Non-compliance

Save for the following historical non-compliance incidents, our Directors are not aware of any material non-compliance of our Group with the applicable laws and regulations during the Track Record Period and as of the Latest Practicable Date:

Use of Third-party Human Resources Service Providers to Pay Social Security Funds and Housing Provident Funds

Currently, in most cities in China, the eligibility of purchasing a house, a car and the education of children is premised on paying social security funds and housing provident funds for a certain duration of time locally. Considering the relevant abovementioned needs, it becomes practical to pay social security funds and housing provident funds for employees in their local residence across different cities. Therefore, our Company engaged the third-party human resources service providers which hold relevant qualifications and have rich industry experience to pay social securities funds and housing provident funds for employees living outside Shanghai, Guangzhou, Tianjin and Beijing in their local residence. Such arrangements, although not uncommon in China, are not in strict compliance with applicable PRC laws and regulations. Pursuant to the agreements entered into between our relevant PRC subsidiaries and such third-party human resources service providers, such human resources service providers are required to pay social security funds and housing provident funds for our relevant employees on time and in full. These third-party human resources service providers have confirmed in writing that they have paid such contributions on time and in full according to our agreements with them and in compliance with applicable PRC laws and regulations. During the Track Record Period and

BUSINESS

as of the Latest Practicable Date, none of us or our PRC subsidiaries had been subject to any administrative fine or penalty or received labor arbitration notices from any of their employees in relation to such agency arrangements. Nevertheless, we have strictly controlled the scale of the total number of employees covered by third-party payment arrangements, and in the meanwhile started to gradually reduce third-party payment arrangements from late 2021. The total number of our employees covered by third party arrangement decreased on a monthly basis from the beginning of 2022, and such number as of December 31, 2022 decreased by around 50% compared to that as of December 31, 2021. We aim to further decrease the total number of our employees covered by third party arrangement by around 10% by the end of 2023 (compared to that as of December 31, 2022).

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. See "Risk Factors — Risks relating to our business and industry — 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" in this [REDACTED].

In addition, according to our PRC Legal Advisers, as our Group did not make such contributions directly, but through a third-party, there is a risk of being ordered by the social insurance administrative department in charge and the housing provident fund management center to make rectification within a time limit (including re-registering for payment, repayment and collection of late fees, calculated from the due date at 0.05% per day for social security funds). If it is not rectified after the expiry date, we will be facing a fine by the social insurance administrative department for one to three times the amount of social security funds due, and fined by the housing provident fund management center for more than RMB10,000 and less than RMB50,000. We undertake that we will rectify the arrangement of engaging the third-party human resources service providers to pay social security funds and housing provident funds for our employees within the prescribed time limit once ordered by competent authorities.

During the Track Record Period and up to the Latest Practicable Date, none of us or our PRC subsidiaries had received labor arbitration notices from any of their employees in relation to such agency arrangements. In addition, our PRC subsidiaries were neither aware of any employee complaints filed against them nor involved in any labor disputes with their employees with respect to social security funds and housing provident funds during the Track Record Period and up to the Latest Practicable Date.

BUSINESS

As advised by our PRC Legal Advisers, considering that (i) during the Track Record Period and as of the Latest Practicable Date, our Group had obtained the social insurance and housing provident fund payment certification documents issued by the relevant competent authorities, and, as confirmed by our PRC Legal Advisers, we had not been subject to any major administrative penalties due to non-compliance of social insurance and housing provident funds; (ii) up to the Latest Practicable Date, we had not received any notices from relevant competent authorities in relation to the payment of social insurance and housing provident funds by third-party human resources service providers, any notices regarding any late payment fees for employees; (iii) these third-party human resources service providers have confirmed in writing that they have paid such contributions in compliance with applicable PRC laws and regulations on time; and (iv) subsequent rectification will be carried out by us in accordance with applicable laws and regulations and the requirements of relevant competent authorities, our PRC Legal Advisers are of the view that the risk of us being required to make up payment and administrative penalties by the relevant authorities for such non-compliance is relatively remote.

For the years ended December 31, 2020, 2021 and 2022, the amounts of payments made by us for contributions to social security funds and housing provident funds made to such third-party human resource service providers amounted to RMB34.5 million, RMB101.3 million and RMB102.7 million, respectively. The slight increase in 2022 was mainly attributable to the increased compensation level of our employees, despite the fact that the total number of our employees covered by third-party payment arrangements as of December 31, 2022 decreased by around 50% compared to that as of December 31, 2021. Our Directors confirm that during the same period, there had not been any shortfall in contributions, 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 is to be made in relation to such amounts or any amount in relation to the potential penalties or fines. Our Directors are of the view that, in the event that the social insurance administrative department and the housing provident fund management center request us to rectify the arrangement of engaging the third-party human resources service providers to pay social security funds and housing provident funds for some employees, we may be subject to the payment of an additional social security funds late fees of approximately RMB9.1 million in respect of the aforesaid arrangement during the Track Record Period and up to the Latest Practicable Date. However, such arrangement will not have a material adverse impact on the normal operations of our Company.

Our Directors confirm that none of such third-party human resources service providers have any past or present relationships (including, without limitation, business, employment, family, financing, trust or otherwise) with our Company or our subsidiaries, shareholders, Directors, senior management or any of our respective associates.

BUSINESS

Internal Control and Rectification Measures

We have adopted the following internal control measures to rectify and prevent the recurrence of such non-compliance.

- We undertake to take practical measures to mitigate the practice of engaging third party agencies to make of social security funds and housing provident funds contributions, as soon as requested by the competent government authorities;
- We have designated our human resources department to review and monitor the reporting and contributions of social security funds and housing provident fund for our employees on a monthly basis; and
- We will consult our PRC legal counsel on a regular basis for advice on relevant PRC laws and regulations to increase awareness and to keep us abreast of relevant regulatory developments, and to subsequently proceed with rectification and reversal of this arrangement in accordance with applicable laws and regulations.

Moving forward, we will actively encourage and make social security funds and housing provident funds contributions for our employees and we will promptly provide such contributions for our employees as requested by the relevant regulatory authorities.

CERTIFICATES, LICENSES AND PERMITS

As advised by our PRC Legal Advisers, our Directors confirm that, during the Track Record Period and as of the Latest Practicable Date, we had obtained all material certificates, licenses, approvals and permits from relevant authorities for our operations in the all material respects. We are required to renew such certificates, licenses, approvals and permits from time to time, and we do not expect any material difficulties in such renewals so long as we comply with the applicable requirements and conditions set by the relevant laws and regulations.

BUSINESS

The table below sets forth details of key permits we hold for our operations.

<u>License/permit</u>	<u>Granting authority</u>	<u>Date of grant</u>	<u>Expiry date</u>
Safety production license	Shanghai Municipal Commission of Housing and Urban-rural Development	January 2023	January 2026
Special equipment production license	Shanghai Municipal Administration for Market Regulation	June 2019	June 2023
Construction enterprise qualification	Shanghai Municipal Commission of Housing and Urban-rural Development Urban Transportation Management	February 2021	November 2025
Transportation operation license	Institute of Jiading District, Shanghai	September 2020	September 2024

SOCIAL, HEALTH, SAFETY AND ENVIRONMENTAL MATTERS

We are committed to operating our business in compliance with applicable PRC laws and regulations in relation to labor, safety and environmental protection matters. We have adopted internal policies for occupational safety and employee health management applicable to our business operation. Our Directors are of the view that, whilst the risks and potential adverse impacts by the forces of climate change and other environmental impacts may cause certain disruptions to our operations (for example, landslides, flash floods and fires) or may affect our supply chain when the prices of raw materials begin to increase at an unreasonable level in the mid-to-near future, the main ESG risks that would be most relevant to us are those related to regulatory compliance. During the Track Record Period and up to the Latest Practicable Date, we had complied with PRC laws and regulations in relation to social, health, safety, and environmental matters in all material respects and had not had any incidents that have materially and adversely affected our operations.

BUSINESS

We identify potential material ESG issues which may affect our Group's business or stakeholders, based on the corporate strategies of our Group and characteristic of the industry, as well as the development of national policies and applicable regulatory requirements and industry standards. We assess the materiality of identified ESG issues from two dimensions metrics of "significance to stakeholders" and "significance to our Group" by taking into account the opinions of both stakeholders and experts and with reference to the following factors and quantifiable metrics:

- Factors considered:
- the likelihood or frequency of the occurrence of the relevant risk;
 - the degree of impact on our Group if the relevant risk occurs.

- Quantifiable metrics:
- limiting direct economic loss below RMB500,000;
 - limiting administrative fines below RMB100,000;
 - nil suspension of non-compliance operation and nil suspension or revocation of business license due to ESG-related issues.

We prioritize the ESG issues based on the assessment results. During the Track Record Period, we pay great attention to environmental protection and are committed to operating our business in compliance with applicable environmental protection laws and regulations. We believe our continued growth rests on integrating social values into our business. We have been dedicated to creating a lasting positive environmental, social, and governance impact. We have adopted internal policies for environmental protection that fit our business operation, established an environmental protection management system, and implemented process controls based on such system. We regulate and instruct each of our business units to conduct environmental protection management properly in accordance with applicable PRC laws and regulations. Meanwhile, we conduct related inspections from time to time to make sure all business units complete their environmental protection assignments properly. We have set up metrics and targets for these ESG issues and to review our key ESG performance on a regular basis. Moreover, we may from time to time engage independent professional third parties to help us make necessary improvements.

BUSINESS

Environmental protection

We are committed to practicing environmental protection and promoting sustainability to fulfil our social responsibilities as a global corporate citizen. We have formulated numerous environmental management policies and measures to avoid and reduce the risks and impacts of our operations on the environment. We also strictly implemented the requirements of the ISO14001 environmental management system and passed relevant certifications.

We have set the following specific ESG-related targets:

Strategy Theme	Targets
Greenhouse Gas Emission Reduction ⁽¹⁾⁽²⁾	We target to reduce the intensity of total greenhouse gas/total revenue to 0.0058 tons of carbon dioxide per RMB1,000, 0.0057 tons of carbon dioxide per RMB1,000 and 0.0056 tons of carbon dioxide per RMB1,000 for the years ending December 31, 2023, 2024 and 2025, respectively.
Electricity Consumption Reduction ⁽¹⁾⁽³⁾	We target to reduce the intensity of total energy consumption/total revenue to 0.194 megawatt hours per RMB10,000, 0.192 megawatt hours per RMB10,000 and 0.190 megawatt hours per RMB10,000 for the years ending December 31, 2023, 2024 and 2025, respectively.
Water Consumption Reduction ⁽⁴⁾	We target to the intensity of total water consumption/total revenue to 0.355 cubic meters per RMB10,000, 0.348 cubic meters per RMB10,000 and 0.341 cubic meters per RMB10,000 for the years ending December 31, 2023, 2024 and 2025, respectively.
Wastes Discharge	We will continue to dispose of our hazardous and non-hazardous wastes in compliance with relevant laws and regulations.

BUSINESS

Notes:

1. The Group set out the specific ESG-related targets with reference to the carbon neutral strategy adopted by Far East Horizon in 2022.
2. By 2025, we target to reduce the intensity of total greenhouse gas/total revenue by 2% per year with reference to our discharge in 2021. For the years ended December 31, 2021 and 2022, our intensity of total greenhouse gas/total revenue was 0.0061 tons of carbon dioxide per RMB1,000 and 0.0045 tons of carbon dioxide per RMB1,000, respectively.
3. By 2025, we target to reduce the intensity of total energy consumption/total revenue by 1% per year with reference to our consumption in 2021. For the years ended December 31, 2021 and 2022, our intensity of total energy consumption/total revenue was 0.198 megawatt hours per RMB10,000 and 0.165 megawatt hours per RMB10,000, respectively.
4. By 2025, we target to reduce the intensity of total water consumption/total revenue by 2% per year with reference to our consumption in 2021. For the years ended December 31, 2021 and 2022, our intensity of total water consumption/total revenue was 0.370 cubic meters per RMB10,000 and 0.377 cubic meters per RMB10,000, respectively.

To further our targets, we have established the specific ESG-related policies. For details, see “—Social, Health, Safety and Environmental Matters—Environmental Protection—Exhaust and Greenhouse Gas Emissions”, “—Social, Health, Safety and Environmental Matters—Environmental Protection—Water Consumption and Pollution” and “—Social, Health, Safety and Environmental Matters—Environmental Protection—Treatment of Waste, Used Equipment and Scrap Metal”, respectively, in this section. We continuously monitor on the progress. Yearly assessment and reporting are prepared by the ESG Committee and submitted to our Board for the planning of further action plans. In case our progress lag far behind our set target, we will take actions, such as purchasing voluntary carbon credit in the open market to offset our emissions to confirm our achievability of the set targets.

Exhaust and greenhouse gas emissions

Regarding exhaust and greenhouse gas emissions, our operations may be regulated under the “Environmental Protection Law of the People’s Republic of China” (promulgated on April 24, 2014 and effective on January 1, 2015), “Regulations on the Administration of Pollution Discharge Permits” (promulgated on January 24, 2021 and effective on March 1, 2021), and “Law of the People’s Republic of China on the Prevention and Control of Air Pollution” (promulgated and effective on October 26, 2018). Our operational bases are also subject to national or local emission standards related to air pollution including national standard of GB16297-1996 Integrated Emission Standard of Air Pollutants, Shanghai city standard of DB31/933-2015 Integrated Emission Standard of Air Pollutants and Guangdong province standard of DB44/27-2001 Emission Limits of Air Pollutants.

BUSINESS

The table below sets forth data on our greenhouse gas emission for the periods indicated:

	For the year ended December 31,		
	2020⁽⁴⁾	2021⁽⁵⁾	2022⁽⁵⁾
	<i>('Tons of carbon dioxide)</i>		
Scope 1 direct greenhouse gas emission ⁽¹⁾	N/A	27,904	29,707
Scope 2 indirect greenhouse gas emission ⁽²⁾	N/A	9,720	5,755
Total greenhouse gas emission	9,861	37,624	35,462
Intensity of total greenhouse gas/total revenue RMB'000	0.0027	0.0061	0.0045

Notes:

1. Scope 1 direct greenhouse gas emission refers to direct emissions from the consumption of natural gas, gasoline, diesel, and refrigerant, the operation of sewage treatment stations, etc.
2. Scope 2 direct greenhouse gas emission refers to indirect emissions from purchased electricity and purchased heating power.
3. The data on our greenhouse emissions set forth above are not audited by an external advisor.
4. We only included three operation bases, namely one in Jiading District, Shanghai, one in Jinshan District, Shanghai and one in Wuqing District, Tianjin, into the calculation scope of indicators related to greenhouse gas emission in 2020.
5. In response to the increasing requirements by relevant laws and regulations on ESG-related compliance and disclosure, we established the ESG committee in 2021 and have taken all of our subsidiaries into consideration for calculation of scope of indicators related to greenhouse gas emission since the same year.

To ensure that we maintain our exhaust emissions to a minimum, any fumes produced during welding process is collected and discharged after electrostatic purification treatment, welding dust is collected in a dust collector, exhaust gas collected from paint sprays is subsequently collected and filtered through ultraviolet photolysis, activated charcoal adsorption and a catalytic converter. Our emission management facilities have designated personnel responsible for regular maintenance, inspection and management of equipment and facilities are carried out to ensure normal operation of the facilities.

BUSINESS

In terms of greenhouse gas emissions, for the years ended December 31, 2021 and 2022, our Group has emitted approximately 37,624 tons and 35,462 tons of carbon dioxide, respectively. We have put in place an energy saving policy, which includes strict power management requirements, such as requiring employees to turn off the lights after leaving the office or during lunch breaks, and to turn on the air-conditioning or heating only when the weather is reaching a certain temperature.

Moreover, we utilize alternative sources of energy such as geothermal heat pumps and solar panels. Energy saving initiatives are also put in place with our research and development department in designing more efficient techniques in production, and procurement team selects more energy-saving equipment to be included in our portfolio. For example, the use of electric forklifts and arm-type electric vehicles to replace traditional internal combustion equipment can save about 20,108,144 liters of diesel consumption per year, which is equivalent to reducing carbon dioxide emissions by about 55,822 tons, and the use of steel support turnover materials to replace reinforced concrete materials, the annual replacement of reinforced concrete consumption of 259,200 cubic meters, equivalent to a reduction of about 790,320 tons of carbon dioxide emissions. The table below sets forth data on our energy consumptions for the periods indicated:

	For the years December 31,		
	2020⁽²⁾	2021⁽³⁾	2022⁽³⁾
	<i>('Megawatt Hours)</i>		
Direct consumption ⁽¹⁾⁽²⁾			
Petrol	15,065.9	28,194.2	15,080.1
Diesel	2,980.2	79,950.9	104,826.5
Indirect consumption			
Electricity	5,290	13,538	10,090
Total intensity of total energy consumption/total revenue			
RMB'10,000	0.064	0.198	0.165

Notes:

1. For the years ended December 31, 2020, 2021 and 2022, we used approximately 1.8 million, 10.4 million and 11.3 million liters of petrol and diesel, respectively.
2. We only included three operation bases, namely one in Jiading District, Shanghai, one in Jinshan District, Shanghai and one in Wuqing District, Tianjin, into the calculation scope of indicators related to energy consumption in 2020.
3. In response to the increasing requirements by relevant laws and regulations on ESG-related compliance and disclosure, we established the ESG committee in 2021 and have taken all of our subsidiaries into consideration for calculation of scope of indicators related to energy consumption since the same year.

BUSINESS

Our Directors are of the view that as we are not engaged in heavy industrial operations, we do not have any reduction or reporting obligations, or pollution levies to be paid in this regard, under the relevant laws of China. The relevant government departments do not issue pollutant discharge permits for our business and would only conduct a registration such emission sources.

Water consumption and pollution

Regarding water consumption and pollution, our operations may be regulated under the "Water Pollution Prevention and Control Law of the People's Republic of China" (promulgated on June 27, 2017 and effective on January 1, 2018), the "Water Law of the People's Republic of China" (promulgated on July 2, 2016 and effective on that day) and the "Regulations on Urban Drainage and Sewage Treatment" (promulgated on October 2, 2013 and effective on January 1, 2014). Our operational bases are also subject to national or local emission standards related to water pollution including national standard of GB 26877-2011 Discharge Standard of Water Pollutants for Motor Vehicle Maintenance and Repair, Tianjin city standard of DB12/356-2018 Integrated Wastewater Discharge Standard, Shanghai city standard of DB31/445-2009 Wastewater Quality Standards for Discharge to Municipal Sewers, Shanghai city standard of DB31/199-2018 Integrated Wastewater Discharge Standard and Guangdong province standard of DB44/26-2001 Discharge Limits of Water Pollutants.

For the year ended December 31, 2020, we had consumed approximately 60,902 cubic meters of water and generated approximately 48,721 cubic meters of wastewater. For the same year, the intensity of our water consumption/total revenue was at 0.166 cubic meters per RMB10,000. The aforementioned indicators were calculated with reference to only three operation bases, namely one in Jiading District, Shanghai, one in Jinshan District, Shanghai and one in Wuqing District, Tianjin. In response to the increasing requirements by relevant laws and regulations on ESG-related compliance and disclosure, we established the ESG committee in 2021 and have taken all of our subsidiaries into consideration for calculation of scope of indicators related to water consumption and wastewater since the same year. For the years ended December 31, 2021 and 2022, we had consumed approximately 227,002 cubic meters and 296,906 cubic meters of water and generated approximately 204,301 cubic meters and 260,266 cubic meters of wastewater, respectively. The wastewater is mainly domestic wastewater, and the production wastewater is only generated when we clean our equipment. For the years ended December 31, 2021 and 2022, respectively, intensity of our water consumption/total revenue was at 0.370 cubic meters per RMB10,000 and 0.377 cubic meters per RMB10,000, respectively. Due to the low pollution risk of the industry, therelevant government authorities do not issue pollutant permits, and only conducts fixed pollution source registration. Our environmental policy requires the reuse of wastewater after being used to clean equipment for the first time. We also collect rainwater for cleaning purposes. We utilized maintenance-free batteries to gradually replace existing lead-acid batteries in aerial work platforms, which not only optimized the operating procedures, but also saved the water required for equipment maintenance, and reduced the discharge of lead-acid pollution into the water source.

BUSINESS

Treatment of waste, used equipment and scrap metal

Regarding the treatment of waste, used equipment and scrap metal, our operations may be regulated under the "Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste" (promulgated on April 29, 2020 and effective on September 1, 2020) and the "National Hazardous Waste List (2021 Edition)".

Horizon Construction Development actively strives for the harmless treatment of waste and the recycling of resources. We have taken all of our subsidiaries into consideration for calculation of scope of indicators related to wastes since 2022. For the year ended December 31, 2022, we had produced approximately 74 tons of hazardous waste and approximately 336 tons of non-hazardous waste, respectively. The treatment of hazardous waste is delegated to qualified units for professional disposal: after filing an official declaration and filing an registration in relation to the waste to be disposed, the hazardous waste is mostly likely sent to disposal by incineration. For general industrial solid waste, we made environmental declarations in a timely manner according to the requirements of the new Solid Waste Law, and engaged qualified units for collection and disposal.

We have formulated a corresponding management system, and assigned professional and dedicated personnel to take the lead in pollution prevention and control. All construction projects are required to implement various compliance procedures for environmental protection. For hazardous wastes that are likely to cause pollution to the environment, we implemented management plan filing and transfer of filing, and engaged qualified disposal units and transportation units to standardize the treatment. In the daily operations, we added oil-saving trays and oil-absorbing sponge to the operating environment and locations where there is a risk of oil leakage, and strictly required employees for enforcement. We also conducted energy conservation and environmental protection publicity activities. We invited local governments to carry out garbage classification management training, equipped materials with classified garbage bins, and advocated garbage classification and storage, paper saving and water conservation within our Company.

In equipment selection, priority was given to aerial work equipment consuming clean electric energy. For individual models that diesel equipment is indispensable, we preferred environmentally-friendly emission equipment. With the increment in equipment year by year as well as the number of engineering service projects and improvement in inventory turnover, the wear and tear of equipment tires has also increased. The online application registration of our engines commenced in August 2019. As of December 31, 2022, we already completed the online environmental information registration for approximately 15,850 engine equipment (including the national environmental protection platform, the Shanghai environmental protection platform as well as the provincial and municipal local environmental protection platforms).

BUSINESS

In respect of the specific operational measures, the asset department is responsible for the selection of suppliers and the confirmation of on-site technical conditions of the disposal units before the disposal of obsolete equipment and scrap metal with no value for use. Our health safety and environment department is responsible for the supervision and management of the qualifications of suppliers and the compliance of the disposal process, and each business department is responsible for making requests for industrial solid waste disposal.

In the face of the high wear and tear of equipment tires and numerous scraps, we invested manpower to actively explore customers in the market, select the best tire retreading manufacturers, refurbish our scrap tires and realize the transformation of waste into treasure on the premise of compliance with the factory and usage standards. We accumulatively reused about 38,728 tires, saving approximately RMB8.5 million in cost.

We believe we are not subject to any material environmental liability risk or compliance risk. During the Track Record Period and up to the Latest Practicable Date, we had not been subject to any material administrative penalties for non-compliance of PRC environmental laws or regulations in the PRC, nor had we encountered any material safety issues, accidents and claims relating to our business during the Track Record Period.

Corporate governance

Our Group acknowledges its responsibility on environmental protection and social responsibilities and is committed to comply with the environmental, social and governance reporting requirements upon [REDACTED]. We have established an ESG policy (the "ESG Policy") which outlined, among others, (i) the appropriate risk governance on ESG matters; (ii) ESG strategy formation procedures; (iii) management and monitoring of ESG risk (including climate-related risks); and (iv) the identification of key performance indicators and the relevant measurements.

Our Group's ESG Policy was established in accordance with the standards of Appendix 27 to the Listing Rules. The Board has the overall responsibility for evaluating and determining our Group's ESG-related risks (including climate-related risks), and establishing, adopting and reviewing the ESG vision, policy and target of our Group. The Board has established an ESG Committee that comprises three Directors with Mr. Sum Siu Kei as the chairman, who holds the professional qualification of ESG Planner from the International Council for Sustainable Development. Mr. Xu Min and Mr. He Ziming have been appointed as the ESG Committee members. Mr. He has experience in green development who was appointed as the vice president of the green development branch concerning China building aluminum alloy formwork (中國建築鋁合金模板綠色發展分會) under China Construction Materials Rental Contractor Association (中國基建物資租賃承包協會) in December 2017. The ESG Committee is established to investigate and make recommendations on the ESG policies and practices of our Company. It serves as a supportive role and has to report to the Board regularly and to oversee and monitor in implementing measures to address our Group's ESG-related risks and responsibilities.

BUSINESS

The ESG Committee will (i) direct, review and develop our ESG policies, strategies, principles and visions; (ii) monitor the development and implementation of our ESG objectives, including setting performance targets, reviewing the progress of achieving those targets, and advising on the actions required to achieve those targets; (iii) monitor and report to the Board the external ESG trends and major trends affecting our ESG policies and strategies and its objectives; (iv) direct and review the identification and prioritization of the materiality of ESG issues of our Group; (v) review annual ESG reports and ESG-related disclosures, and make recommendations to the Board for approval; and (vi) identify ESG risks and opportunities related to our Company, assess the impact arising from such risks or opportunities on our Group, and make recommendations to the Board on responses to those risks or opportunities. The ESG Committee meets at least once a year. Any findings or recommendations on ESG related issues will be submitted and reported to the Board afterwards by way of minutes of the committee meeting.

The ESG Committee may establish a work group thereunder to take charge of the tasks such as drafting and making recommendations on the ESG policies and practices of our Company, preparing annual environmental, social and governance reports, monitoring ESG performance, identifying ESG risks and implementing the ESG activities in a comprehensive manner.

The Impact of Climate Risks and Opportunities

We have attached great importance to the impact brought by climate change on our financial operations and sustainable development. With reference to the list of climate-related risks recommended by the Task Force on Climate-related Financial Disclosures, we identified physical risk and transition risk as our key climate-related risks. Physical risk refers to the risk related to the frequent extreme weather events such as rainstorms and typhoons which may disturb our normal operation and cause our economic losses. Transition risk refers to medium and long-term financial risk related to the process of adjustment towards a lower-carbon economy which can be prompted by, for example, changes in climate-related policies and regulations, technological changes, or a change in market sentiment. Our operating costs caused by climate-related policies and regulations in sustainable practice requirements may be increased.

BUSINESS

The following table sets forth further details of physical risk and transition risk, their respective impact on our Group and our responses or mitigating steps:

Type of risk	Details of the risk	Impact on the Group	Short/mid/ long-term	Our response or mitigating steps
Acute Physical Risk	Increased severity and frequency of extreme weather events, which could cause business interruption, supply chain disruption and increased indirect operating costs.	Acute physical risk will increasing the cost due to the disruption of our operation and supply chain.	Short term	We have established a full-process management system from forewarning to emergency response and disposal to cope with extreme weather events. We have compiled a complete set of practical protocols and working manuals, and taken climate factors into account in the selection and operation of business premises.
Emerging Regulation	For example, carbon pricing mechanisms place a value on greenhouse gas emissions and would result in the our operational costs increasing. In addition, certain jurisdictions have adopted or may adopt legislation or regulation that imposes caps or taxes on greenhouse gas emissions that could increase our operating costs, reduce the demand for our products.	Transition risk in relation to emerging regulation will increase cost due to compliance with regulations and carbon offsets.	Mid to long-term	We have put in place an energy saving policy and other measures such as requiring employees to turn off the lights after leaving the office or during lunch breaks, and to turn on the air-conditioning or heating on when the weather is reaching a certain temperature, utilizing alternative sources of energy, upgrading our equipment and production lines to improve energy efficiency and advocating green materials and technology to be used in our projects.
Market	Increasing on the fuel price.	Transition risk in relation to market will increasing cost on traditional fuel.	Mid-term	We have kept following the upcoming new technology of the equipment producers, and will prepare a transition plan for the clean energy equipment.

BUSINESS

Type of risk	Details of the risk	Impact on the Group	Short/mid/ long-term	Our response or mitigating steps
Technology	Increasing usage of the clean energy equipment/devices.	Transition risk in relation to technology may cause us to lose the chance to gain more customers who need to use clean energy devices to achieve their net zero targets or fulfil compliance requirement.	Mid to long-term	We have kept following the upcoming new technology of the equipment producers, and will prepare a transition plan for the clean energy equipment.

Opportunities

While analyzing the climate risk that we are exposed to, our management concludes that better risk management can unlock greater opportunities. As we actively invest in and operate in the new energy projects, climate change risks may create unexpected opportunities and extra revenue for our business operation and development.

Employee Rights and Benefits

We are committed to equal employment opportunity and workplace diversity. Equal opportunities are given to employees in respect of recruitment, training and development, job advancement, and compensation and benefits. Under our internal policies, the employees shall not be discriminated against or deprived of such opportunities on the basis of gender, ethnic background, religion, colour, sexual orientation, age, marital status, family status, retirement, disability, pregnancy or any other discrimination prohibited by applicable laws and regulations. We value cultural diversity at workplace, and recruit employees in a wide range of ages, genders, ethnicities and education background. As of December 31, 2022, we had a total number of 4,249 employees, among which we had 3 employees with doctorate or post-doctorate degree, 187 employees with masters degree and 1,850 employees with undergraduate degree, representing 0.1%, 4.4% and 43.5% of our total workforce, respective. As of the same date, we had 833 employees below age 25, 2,701 employees between age 25 to 35, 539 employees between age 35 to 40 and 176 employees above age 40, representing 19.6%, 63.6%, 12.7% and 4.1% of our total workforce, respectively.

We comply with all relevant laws and regulations of China during the Track Record Period including: Labour Law, Labour Contract Law, Regulations on Paid Annual Leave for Employees, Law on the Protection of Women’s Rights and Interests and Special Rules on the Labour Protection of Female Employees.

BUSINESS

We provide remuneration packages, which include salary and bonuses, and various welfare benefits, such as medical care, retirement benefits, and occupational injury insurance to our employees. We provide our employees with paid time off, including public holidays, marital leaves, maternity leaves, compassionate leaves and annual leaves according to labour laws and regulations. We promote our employees on a performance merit basis.

Occupational Health and Safety

We implement the work safety and occupational hazards prevention measures to protect our employees. Specifically, we established an intrinsic safety system by covering various aspects of workplace such as resource input, process safety, equipment and material safety, technical safety, quality safety, and safety supervision, in an effort to promote the secure, healthy, and sustainable business development. We adopt a “four no-excuse” protocol for safety accidents management, in which we insist that (i) the causes of the accidents be investigated thoroughly; (ii) responsible persons be accounted for; (iii) lessons be learned from past accidents and (iv) corrective and preventive measures be implemented properly. To manage our occupational safety related risks, we take steps to procure protective equipment for workers, replace safety facilities and equipment, maintain and inspect equipment used for special purpose, dispose of hazardous and solidwaste, carry out pre-employment compliance certification training, and conduct occupational health check-ups on a regular basis. Our Directors are not aware of any material incidents or breach of any applicable workplace safety regulations during the Track Record Period and up to the Latest Practicable Date.

Supplier Management

As of December 31, 2022, we had a total number of 2,578 suppliers, which are mainly from hotspots of China’s economy, including Yangtze River Delta Region, Pearl River Delta Region, Beijing-Tianjin-Hebei Region, and Chengdu-Chongqing Region. We have put in place a supplier management system to guarantee the standard supplier selection and procurement. We have set up a supplier management group and designated a department in charge of supplier management to carry out supplier management in a more professional manner and reinforce internal oversights as well as checks and balances. Meanwhile, we kept conducting supplier appraisal and made company-wide announcements of the periodic assessment and improvement results. As an advocate for sustainable development, we explicitly prefer to procurement of energy-saving and eco-friendly products from suppliers with good social and corporate governance practices. During our selection and procurement process, we strictly comply with relevant laws, regulations and rules, and require all of suppliers to obtain and maintain necessary and valid business license, qualifications and certifications, and demonstrate legal compliance with applicable laws and regulations in relation to environment, product quality, society and corporate

BUSINESS

governance. We oppose bribes of any kind. We have introduced the supplier whistleblower mechanism, through which all employees can report to the supplier management group in respect of any conduct of fraud, kickbacks, or commercial bribery involved in the procurement process. If any of our suppliers commits misconduct or breaches applicable law and regulations that may cause or have caused material environmental, social and governance impact, we may not renew our contracts with them. During the Track Record Period and up to the Latest Practicable Date, our Directors are not aware of any record in respect of material non-compliance of applicable law and regulations or any unethical behaviours by our suppliers.

INSURANCE

For operational fixed assets, we established a mature asset operation system to effectively manage and use all assets. In addition, we insure for all operational fixed assets against risks that may happen as follows: for our permanent business sites, such as our main bases in Shanghai Jiading, Shanghai Jinshan, Tianjin Wuqing and Guangzhou Nansha, we take out all-risk property insurance against risks of loss of our assets; for aerial work vehicles, road equipment, electric equipment, engineering equipment, such as excavators and pile drivers, passenger vehicles and commercial vehicles, we take out all-risk property insurance and third party liability insurance against risks of property damage and damage to other people or property during the process of self-use and leasing of assets; for logistics and transportation services, we take out logistics and transportation insurance against damage to our assets during the process of logistics and transportation. Meanwhile, for passenger vehicles and commercial vehicles, we take out vehicle compulsory liability insurance according to applicable PRC laws and regulations. Overall, we believe that our insurance coverage is in line with industry practice and is sufficient to cover all scenarios and risks of our existing operations.

For our employees, we purchase social insurance for them in accordance with applicable PRC laws and regulations, including housing, pension, medical, maternity, work injury and unemployment insurance, which are paid at a prescribed percentage of the employee's salary. We purchase MPF (Mandatory Provident Fund Schemes) and workers' compensation insurance for our Hong Kong employees. We also purchase commercial insurance for our employees against possible risks.

With the continuous development of our business types and models, our insurance coverage and types may not adequately protect us against certain operating risks and other hazards, which may result in adverse effects on our business. In such cases, we will evaluate our insurance coverage as needed, and continue to expand insurance coverage and types. For details, see "Risk Factors — Risks Relating to Our Business and Industry — Our insurance coverage may not sufficiently cover the risks related to our business" in this [REDACTED].

BUSINESS

RISK MANAGEMENT AND INTERNAL CONTROL

Our Directors believe that compliance creates value for us and dedicate to cultivating a compliance culture among all of our employees. To ensure such compliance culture is embedded into everyday workflow and set the expectations for individual behavior across the organization, we regularly conduct internal compliance checks and inspections and conduct compliance trainings.

We face various risks during our business operations, see "Risk Factors — Risks Relating to Our Business and Industry". We have established a risk management system and relevant policies and procedures which we consider appropriate for our business operations. These policies and procedures are essential to the achievement of sound corporate governance and the healthy growth of our business performance. In particular, we have adopted, among other things, the following risk management measures:

In terms of organizational setting, our internal organization is divided into "front, middle and back desk" to ensure that each department has its own role and can effectively undertake our strategy. The front desk is responsible for business operation and development; the middle desk includes the operation management department and the asset management department, responsible for business operation management and equipment and asset management, respectively; the back desk is responsible for logistic support and services, in which the audit department is responsible for all-round and whole process supervision and auditing of the performance of all departments.

In terms of asset procurement and allocation, we established prudent evaluation mechanisms for market risks monitoring and budget committee. We set up specific positions to monitor upstream and downstream market conditions and industry trends in real time and promptly alert relevant risks. Through the budget committee, we conduct thorough demonstration and prudent evaluation of our annual asset procurement and allocation to ensure more reasonable and accurate asset investment and allocation. In relation to any risks of increasing prices in raw materials, in particular, steel products, we believe that the following will help us mitigate such risks or navigate through the changes in the market due to such risks:

- We will actively implement the strategy of direct procurement from steel mills to achieve the goal of ensuring supply and reducing costs. At the same time, we will further promote balanced and stable procurement, and make long-term and relatively accurate demand forecasts to enhance suppliers' confidence and willingness to cooperate, so as to achieve the goal of reducing procurement costs. Even as the cost of materials increases, we will communicate and negotiate with steel mills, and duly slow down procurement to reduce procurement expenditure when there is a price surge;

BUSINESS

- Our equipment assets were not greatly affected by the rise in the price of raw materials. With the continuous growth in our procurement volume, its position in the leasing industry has become increasingly prominent, and it has selectively introduced well-known domestic construction machinery manufacturers into its qualified supplier team. We have a predominant position in the negotiation process of equipment asset procurement, and the actual procurement cost has been declining year by year.

In terms of business operation risk management, we built a supervision system that runs through the whole process of the business from importation, execution, to revenue collection and write-off, and a risk management system and risk control model covering internal and external data to help accurately identify customer risks. For business receivables, we establish a full process and three-dimensional collection team, which is responsible for telephone collection, on-site collection, legal action and special debt settlement, to guarantee the quality of business receivables.

In terms of management of equipment assets, we have established an integrated management system covering warehouse entry inspection, storage management, maintenance, logistics and transportation, and lease monitoring. In addition, we achieve remote real-time monitoring and management of equipment assets by adding intelligent hardware to the equipment through IoT technologies.

In terms of liquidity risk management, we pay specific attention to mismatch of long-term and short-term indebtedness and managing liquidity risk through increasing the proportion of long-term indebtedness. We may aim to optimize our financing structure by using more interest-bearing bank loans and other long-term financing methods to replace short-term liabilities, so as to mitigate the maturity mismatches between assets and liabilities.

In terms of financial reporting risk management, we established an audit committee under the Board to monitor the integrity of our financial statements and review significant financial reporting judgments contained in our annual and interim reports. Our audit committee consists of three members: Mr. Xu Min, Ms. Jin Jinping and Mr. Sum Siu Kei. For the qualifications and experiences of these members, see "Directors and Senior Management".

In terms of internal control and compliance, we adopted adequate internal control policies to ensure the continuing compliance with the Listing Rules, including but not limited to the detection and administration of notifiable and connected transactions and other disclosure matters. We also provide regular anti-corruption and anti-bribery compliance training for senior management and employees in order to cultivate a good compliance culture. In addition, we organize training seminars for our Directors and senior management to satisfy the requirements of the Listings Rules.

BUSINESS

Anti-corruption and Anti-bribery Measures

In order to comply with applicable anti-corruption and anti-bribery laws and regulations of the PRC and Hong Kong, we have formulated and implemented an anti-corruption and anti-bribery regime. Key anti-corruption and anti-bribery measures include the following:

- we provide anti-fraud and ethics training to our new employees and distribute our anti-corruption and anti-bribery policy to all employees through employee handbooks and announcements;
- our audit department is responsible for identifying improper conduct of our employees and monitoring inter-department activities, and we plan to establish a committee consisting of our management team to carry out such responsibilities in the future. The primary duties of the committee include providing anti-corruption and anti-bribery compliance advice, investigating potential corruption or fraudulent incidents, and initiating anti-fraud promotional activities with our Group; and
- we have a whistleblowing and complaint handling process through written submissions, telephone or email, and we will conduct investigations for any suspected cases of bribery, corruption or other related misconduct or fraudulent activities. In cases where misconduct is found, we may take disciplinary actions as appropriate, report to the relevant regulatory authorities and/or initiate legal actions to recover any losses suffered by us as a result of such misconduct.

Our Directors confirm that, during the Track Record Period and up to the Latest Practicable Date, we were in compliance with anti-corruption and anti-bribery laws and regulations in the PRC and Hong Kong, and were not subject to any administrative penalties or investigations from any regulatory authorities in respect of such activities.