You should carefully consider all of the information set out in this document before making an investment in the ***[REDACTED]****, including the risks and uncertainties described below. Our business, financial position and results of operations could be materially and adversely affected by any of these risks and uncertainties, and you may lose all or part of your investment. You should pay particular attention to the fact that we are incorporated in the Cayman Islands and we mainly conduct our business operations in the PRC, the legal and regulatory environment of which may differ in some respects from those in other countries. For more information concerning the PRC and certain related matters discussed below, please see "Regulatory Overview" in this document.*

We believe that there are certain risks and uncertainties involved in our operations, some of which are beyond our control. We have categorized these risks and uncertainties into: (i) risks relating to our business and our industry; (ii) risks relating to doing business in the PRC; and (iii) risks relating to the **[REDACTED]**.

RISKS RELATING TO OUR BUSINESS AND OUR INDUSTRY

Our business and future growth are subject to the level of domestic petroleum refinery and petrochemical production activities in the PRC, which is highly dependent on the PRC government's relevant policies and regulations and which may change from time to time.

Our business and future growth prospects depend on the levels of domestic petroleum refinery and petrochemical development in the PRC where our customers are based. According to the F&S Report, the refining capacity of China has increased from 807.4 million tonnes in 2016 to 910.0 million tonnes in 2021, representing a CAGR of approximately 2.4%. According to the Action Plan for Carbon Dioxide Peaking Before 2030 (《2030年前二氧化碳達峰行動計劃》) issued by the State Council, China's petroleum refinery capacity is expected to reach 1 billion tonne a year by 2025.

To support a sound development of the petroleum refinery and petrochemical industry, the PRC government has issued several policies and regulations and our Group benefits directly and indirectly from such policies and regulations. For example, the Announcement on Implementing the Catalogue for Guiding Industry Restructuring (2019 Version) (《產業結構調整指導目錄(2019年本)》) issued by National Development and Reform Commission in 2019, encouraged the development and application of large petrochemical equipment sets, and replace outdated petrochemical equipment with advanced petrochemical equipment. The 14th Five-Year Plan for Raw Materials Industry Development (《"十四五"原材料工業發展規劃》) issued by the Ministry of Industry and Information Technology in December 2021 emphasized the transformation of quality, and efficiency for the petrochemical industry and promoting the development of the petrochemical industry. The Plan for High-quality Development of the petrochemical industry during the 14th Five-Year Plan Period (《"十四五"推動石化化工行業高質量發展》) issued by six departments Including the Ministry of Industry and Information Technology, the National Development and Reform Commission, the Ministry of Science and Technology, the Ministry of Ecology and Environment and the Emergency Response Department and the National Energy Administration, supported the transformation of domestic petroleum refinery and petrochemical industry to an integrated, large-scale, clean, high value-added, and intelligent industry. Hence, the increasing refining capacity, the structural adjustment of refineries that promote the replacement of existing equipment and the rapid development of petrochemical industry have ensured the continuous demand for petroleum refinery and petrochemical equipment over the past few years. According to the F&S Report, the market size of petroleum refinery and petrochemical equipment in China increased from RMB405.9 billion in 2016 to RMB615.5 billion in 2021, representing a CAGR of approximately 8.7%. The market is forecast to grow at a CAGR of approximately 5.7% from 2021 to 2026, reaching RMB812.7 billion in 2026. For details, please see "Industry Overview" to this document.

Nonetheless, we cannot assure you that the favourable regulations and policies which we currently benefit from will be maintained, become more favourable or continue to exist at all. We cannot predict how and to what extent the government policies will affect the petroleum refinery and petrochemical industry as a whole or any sub-segments. Therefore, you should not regard the PRC Government's intentions or announcements as an indication of the future prospects of our industries or our future performance as we may not directly or indirectly benefit from any future amendments to the relevant regulations, or changes to governmental policies. In the event of any changes to government policies and regulations, if we cannot respond effectively and in a timely manner, our business, financial conditions, results of operations and prospect nay be materially and adversely affected.

Most of our sales are contract-based and may be non-recurring. We generally have to go through competitive tendering or quotation process to secure new contracts, and we may not be able to obtain new contracts on commercially acceptable terms, or at all. Failure to continuously secure new contracts could materially affect our financial condition and results of operations.

Our customers select and engage us as a supplier to provide petroleum refinery and petrochemical equipment mainly on a contract basis through tender or quotation. The average useful life of our equipment provided to customers ranges from approximately 10 years to 20 years. As such, our revenue may not be recurring in nature. Their selection process and procurement decisions are subject to internal evaluation criteria which are affected by a number of factors such as their own business needs, technological and compliance requirements, financing arrangements, business relationship with and qualifications of the suppliers, many of which are out of our control. While we have maintained long-standing business relationships with our major customers, it is uncertain whether we will be selected by our customers for their future projects after the completion of the existing projects, nor can we assure you that we will always remain on any shortlist of suppliers for our existing customers. There is no guarantee that our existing customer will continue to engage us for new contracts, and our Group generally has to go through competitive tendering or quotation process to secure new contracts. In the event that we are unable to maintain business relationships with our existing customers, our existing customers have no expansion plans, or we are unable to price our tender or quotation competitively, our business and hence our revenue and our financial performance will be adversely affected.

It is critical for our Group to secure new contracts at a level similar to or greater than our current business level on a continuous basis. The number and size of contracts we are able to obtain may fluctuate from year to year and we cannot assure you that we will be able to continue to obtain new contracts on terms commercially acceptable to us or that the new contracts will be profitable at current levels, or at all. In the event that our Group is unable to maintain business relationships with our existing customers or engage with new customers, our financial condition and results of operations could be materially and adversely affected.

We depend on a stable and adequate supply of quality materials and components from our suppliers during the Track Record Period. Fluctuation in prices of materials and components or unstable supply of materials and components could adversely affect our financial condition and results of operations.

Our major materials and components comprise steel materials, such as steel plates and steal pipes, and components, such as electrical parts, electronic measurement instrument (電氣儀錶) and fire-resistant materials (耐火材料). For the years ended 31 December 2020, 2021 and 2022, our cost of materials and components used amounted to approximately RMB115.0 million, RMB135.5 million and RMB232.8 million, representing approximately 77.4%, 76.5% and 81.4% respectively, of our total cost of goods sold. If we are unable to effectively manage the price fluctuations in our major materials and components or transfer the increased costs to our customers or adjust our procurement strategy, any significant increase in their prices would materially and adversely impact our profit margin, which in turn, could adversely affect our financial condition and results of operations.

We purchased most of our materials and components from suppliers in the PRC. Supplies of materials and components are subject to a variety of factors that are beyond our control. Such factors include demand and supply dynamics, suppliers' business performance, government control and overall economic conditions, all of which may have an impact on the availability of the materials and components and their respective market prices. We do not have long-term contract with our suppliers, therefore, we cannot guarantee you that our suppliers will not significantly increase the price of materials and components in the future. Although we have maintained a stable business relationship with our suppliers for the supply of materials and components, we cannot assure you that that they will continue their business relationship with us and deliver to us in a timely manner and a sufficient quantity of materials and components on commercially acceptable terms, or at all. In the event that we are unable to obtain a sufficient quantity of materials and components at a commercially reasonable price or in a timely manner from them, or at all, our production schedule, quality of products and profit margins may be materially and adversely affected.

We may not be able to successfully develop or adopt new technologies in a timely manner. In particular, our investments in R&D may not yield any positive results as we expect, which could affect our ability to meet the changing demands of our customers and hence we may lose business opportunities to our competitors.

The industries of our customers, mainly represent the petroleum refinery and petrochemical industry, are constantly evolving and the technology required for our products utilized in such industries are ever-changing. To cater for such changes, it is important that we keep ourselves up-to-date with market trends and adapt accordingly by developing and implementing the up-to-date technologies into our products on a timely basis. During the Track Record Period, our R&D expenditure amounted to approximately RMB15.1 million, RMB18.7 million and RMB25.1 million, respectively, and all these amounts were charged to our consolidated profit or loss. We cannot assure you that we will be able to timely identify and respond to new trends in the future, nor can we assure you that we can accurately predict future industry trends and market demand. The process of developing new technologies is inherently complex and involves significant uncertainties and the R&D activities may not yield the expected outcomes. For instance, our R&D efforts may fail to translate new development plans into commercially feasible solutions and our new technologies may become obsolete due to rapid technological advancements as well as changes in customer preferences and market reception. If we fail to develop or adopt new technologies in a timely manner to meet the changing demands of our customers in the future, or if our customers or competitors have developed or adopted advanced technologies which are more effective or more commercially attractive, our revenue may be adversely affected and we may lose other business opportunities, which may materially and adversely affect our business, financial condition, results of operations and future development.

In addition, the development of new technologies requires substantial amount of time, capital and other resources but may not generate revenue in line with our expectations. The use of new technologies, innovative engineering designs and production methods could also result in implementation failures, unexpected increases in costs and unstable conditions which could adversely affect the planning and profitability of our products. We cannot guarantee that our investments and efforts in R&D can achieve positive results as we expect. If we fail in our efforts in R&D, our financial condition and results of operations may be materially and adversely affected.

Our failure to accurately estimate or control our costs for fixed-price contract may materially and adversely affect our profitability.

Most of our Group's revenue was derived from fixed-price contracts during the Track Record Period. Under these contracts, we usually sell our equipment at a fixed contract price and therefore if there are any cost overruns, we may be unable to recover in full or in part the additional costs incurred. In determining the value of contracts we entered into with our customers, we generally estimate the costs involved in manufacturing the equipment required by our customers, such as material costs and labour costs. Since we usually make material procurement arrangements with suppliers after we have entered into the relevant contracts with our customers, in which the price of the materials are usually set out, we generally would not be able to pass on any increase in material costs to our customers if we experience an unexpected increase in material costs during the period from signing of a sale contract to placing the relevant purchase order with our suppliers. The actual costs for production of a product may also differ from our Group's initial estimation due to unanticipated technical problems or unforeseeable reasons encountered during the course of production of the relevant product. In the event that the costs of our sales contracts increase unexpectedly to the extent that our Group has to incur substantial extra costs without sufficient compensation, our financial performance and profitability may be adversely affected.

Our backlog may not be a reliable indicator of our future results of operations.

Backlog in our business represents our estimate of the contract value of work that remains to be completed as of a certain date. The contract value of a contract represents the amount that we expect to receive under the terms of contract assuming that the relevant contract will be performed in accordance with their terms. As at 31 December 2020, 2021 and 2022, we had an aggregate backlog (exclusive of VAT) of approximately RMB102.6 million, RMB186.5 million and RMB409.0 million. Any modification, termination or suspension of these contracts by our customers, especially with regard to any one or more sizeable contracts, may have a substantial and immediate effect on our backlog. Contracts may also remain in our backlog for an extended period of time beyond what was initially anticipated due to various factors beyond our control. Moreover, backlog is not a measure defined by generally accepted accounting principles and backlog may not be indicative of future operating results. Due to various reasons, including some contracts commencing and ending within a short period of time, not all revenue will be recorded in the backlog information. Therefore, our backlog information only reflects the general volume of our future contracts under contract and may not be indicative of future operating results. For details, see "Business — Backlog and new contract value — Backlog" in this document. As a result, investors shall not unduly rely on our backlog information or consider it as a reliable indicator of our future profits or results of operations.

We have a concentration of customers during the Track Record Period, which may cause our business to be materially and adversely affected.

We have a concentration of customers during the Track Record Period. For the years ended 31 December 2020, 2021 and 2022, our five largest customers accounted for approximately 47.1%, 46.9% and 76.1% of our total revenue, respectively, and our largest customer accounted for 12.6%, 20.8% and 60.6% of our total revenue for the respective periods. In addition, we had a concentration of credit risk as at 31 December 2020, 2021 and 2022 as approximately 49.6%, 48.5% and 78.6% of the gross trade receivables as at 31 December 2020, 2021 and 2022 were due from our five largest customers for the relevant years, respectively. There is no assurance that these major customers will continue to enter into contracts with us at fees acceptable to our Group or they will remain as financially sound in the future. In the event that these customers encounter financial difficulties and our Group is not able to recover any amount due from these customers or diversify our customer base, our business, results of operations, profitability and liquidity may be materially and adversely affected.

We are subject to credit risks of our customers.

We are subject to credit risks of our customers and our liquidity is dependent on the prompt payments from our customers. Our trade and notes receivables mainly refer to outstanding amounts due from our customers for sales of our products. As at 31 December 2020, 2021 and 2022, our net trade and notes receivables were approximately RMB108.7 million, RMB160.2 million and RMB309.8 million respectively; while our average trade and notes receivables turnover days were approximately 140 days, 198 days and 205 days, respectively. See "Financial Information — Description of Selected Items of the Consolidated Statements of Financial Position — Trade and notes receivables" in this document for further details. Please also refer to Note 6(b) to the Accountants' Report set out in Appendix I in this document for details of our credit risk. There is no assurance that all such trade receivables due to us will be settled on time. Accordingly, we face credit risk in collecting trade receivables due from our customers. Our performance, liquidity and profitability will be adversely affected if significant amounts due to our Group are not settled on time. The deterioration of the credit condition of any of our major customers could also materially and adversely affect our business.

If our customers delay in making payments under relevant sale contracts, it may result in potential mismatches in time between receipt of payments from our customers and payment obligations incurred by us, and may adversely affect our cash flow position and our financial condition and our ability to meet our working capital requirement.

Delays in or failures to make payment by our customers may negatively affect our cash flow position and our ability to meet our working capital requirements. In addition, we incur costs associated with a sale contract — primarily materials and components costs and labor costs — on an ongoing basis. In respect of the contracts on which we have already incurred significant costs, customers' defaults in making payments could materially and adversely affect our results of operations and reduce our working capital that would otherwise be available for other contracts. Additionally, approximately 5 to 10% of the contract value is typically withheld by our customers as retention deposits against any possible defects in the quality of our work and will only be released after expiration of the warranty period, which typically lasts one to two years after completion of a sale contract. As a result, we may be required to bear some costs and expenditures for contracts prior to receiving sufficient payment from our customers to cover such costs and expenditures.

As a result of the foregoing, we may have substantial receivables on any particular date. As at 31 December 2020, 2021 and 2022, our net trade and notes receivables were approximately RMB108.7 million, RMB160.2 million and RMB309.8 million, respectively, accounting for approximately 52.1%, 55.1% and 66.1% of our total current assets, respectively. For further details of our trade and notes receivables, see "Financial Information — Description of Selected Items of the Consolidated Statement of Financial Position — Trade and notes receivables" in this document. Any default in payments of receivables or delays in payments owed to us may lead to a decrease in our working capital. While we may file claims against clients for uncompensated costs we have incurred pursuant to our contracts, dispute resolutions may require significant time, financial and other resources, and the outcome is often uncertain. In general, we make provisions for bad debts relating to both on-going and completed contracts primarily based on the period of delay in payment and other factors affecting the perceived likelihood of collection on the receivables. We cannot assure you that our customers will make payments to us in full on a timely basis or that we will be able to efficiently manage the level of bad debt arising from receipt of payments in installments.

In addition, we face the risk that our customers may be unable to perform their contractual obligations to us due to failure to obtain sufficient funding for their project development, general financial difficulties or other reasons. In the event that there is instability in the credit markets, the availability of credit may be limited and it may be relatively difficult or expensive to obtain financing. This situation could negatively impact our customers' ability to fund their projects and purchase our products. Accordingly, if our customers are unable to obtain financing in a timely manner or at a reasonable cost, relevant projects may be adversely affected, and our financial performance and prospects may be materially and adversely affected.

If we fail to fulfil our obligations under our contracts with customers, our results of operations and financial condition may be adversely affected.

Our contract liabilities represent advance payments received from our customers for sales of our products before delivery of goods. As at 31 December 2020, 2021 and 2022, our contract liabilities amounted to approximately RMB13.3 million, RMB17.7 million and RMB89.3 million, respectively. Our contract liabilities will subsequently be recognized as revenue when the relevant products are delivered to customers. For details, please see "Financial Information — Description of Selected Items of Consolidated Statements of Financial Position — Contract assets and contract liabilities" in this document.

If we fail to fulfil our obligations under our contracts with customers, we may not be able to convert such contract liabilities into revenue, and our customers may also require us to refund the payments we have received, which may adversely affect our cash flow and liquidity condition and our ability to meet our working capital requirements. In addition, if we fail to fulfil our obligations under our contracts with customers, our relationship with such customers may worsen, which may also affect our reputation and results of operations in the future.

Any material disruption to our production facilities may materially and adversely affect our business.

We have two production facilities located in Luoyang city, Henan Province, the PRC. During the Track Record Period, we conducted most of the manufacturing works of our petroleum refinery and petrochemical equipment at our own production facilities. Smooth and consistent daily operations of our production facilities are crucial to our business. While regular repair and maintenance programmes for our production facilities are scheduled by our production department to ensure that our production facilities are in good conditions, there is no assurance that we are able to discover all the faults and defects whenever they exist or occur so as to execute repair works or take appropriate measures before any harm is caused to our production plants, staff or production. Furthermore, we cannot assure you that there will be no sudden malfunctions or halts of our production facilities during our daily operations due to any natural disasters, power shortage or malicious human acts. A prolonged disruption in the operations of our production facilities may adversely affect our business operations, financial condition and operating results. Our operations are vulnerable to interruptions by war, riot, fire, earthquake, epidemic, power blackout and other events beyond our control. Any material disruption at our production facilities, even for a short duration, could result in decrease in production capacity for a sustained period and delays in deliveries of our products, which could adversely affect our business operations.

We may not be able to efficiently manage our inventory risks.

Our inventory mainly comprises materials and components, work-in-progress, and finished products. Our scale and business model require us to manage a large volume of inventory effectively. As at 31 December 2020, 2021 and 2022, our inventory amounted to approximately RMB31.9 million, RMB45.3 million and RMB53.1 million, respectively, representing approximately 15.3%, 15.6% and 11.3% of our current assets, respectively. Our average inventory turnover days were approximately 103 days, 80 days and 63 days, respectively for the years ended 31 December 2020, 2021 and 2022. There is also occasions that our customers requested our Group to delay the scheduled delivery of our products under the sales contracts because their sites were not ready for on-site installation of our products. If more customers requested for extension of the scheduled delivery of products, we may be subject to a heightened risk of inventory obsolescence, a decline in inventory values and inventory write-down or write-off. In addition, high inventory levels may also require us to commit substantial capital resources. Any of the above may materially and adversely affect our operations and financial conditions.

We had net cash outflow from our operating activities for the years ended 31 December 2020 and 2021. If we experience an increase in inventories and an increase in trade and notes receivables, our business, financial condition and results of operations may be materially and adversely affected.

For the years ended 31 December 2020 and 2021, we had net cash outflow from our operating activities of approximately RMB7.1 million and RMB5.0 million, respectively. We recorded net cash inflow from our operating activities of approximately RMB1.0 million for the year ended 31 December 2022. The fluctuation of our operating cash flow was primarily contributed by the fluctuation of balances of inventories, trade and notes receivables and trade and notes payables. For further information, see "Financial Information — Liquidity and Capital Resources — Cash flows" in this document.

We cannot assure you that we will not experience net operating cash outflow in the future. Net operating cash outflow could impair our ability to make necessary capital expenditures and constrain our operational flexibility as well as adversely affect our ability to meet our liquidity requirements. For example, if we do not have sufficient net cash flow to fund our future capital requirements or pay our trade and notes payables, we may need to secure other external financing. If adequate funds are not available from external financing, whether on satisfactory terms or at all, we may be forced to delay or curtail our development and expansion plans. As a result, our business, financial condition and results of operations may be materially and adversely affected.

Our business and operations require capital resources on an ongoing basis. Any failure to obtain sufficient funding may adversely affect our business, financial performance, growth prospects and expansion plans.

We require capital resources to fund our business and to purchase necessary machines and equipment. Further growth of our operating scale and expansion into new geographic markets may also call for increased capital expenditures, further increasing our capital requirements.

To the extent that our capital requirements exceed our financial resources, we will be required to seek additional debt or equity financing or to defer planned expenditures. We have historically financed our working capital requirements and capital expenditures primarily with cash generated from our operations and through external financing, including bank and other borrowings. Our ability to obtain external financing in the future and the cost of such financing are subject to a variety of uncertainties, including but not limited to:

- the overall condition of financial markets;
- potential changes in monetary policies with respect to bank interest rates and lending policy;
- our ability to obtain the PRC government approvals required to obtain domestic or international financing; and the performance of our operations.

Any adverse change in our cash flows generated from our operations may weaken our financial condition and adversely affect our ability to obtain external financing in a timely fashion or on terms acceptable to us. If we are unable to obtain sufficient financing on a timely basis and at a reasonable cost, our business, financial condition and results of operations could be adversely affected.

Our business plans and strategies to enhance our production capacity may not be successful and/or effectively implement and such plans may result in significant increase in our costs and and other operating expenses.

We intend to construct a new production facility to expand our production capacity and to capture the business opportunities arising from the growing demand of petroleum refinery and petrochemical equipment in the coming years. For details, please see "Business — Business Strategies — Increase our production capacity and capabilities to expand our scale of operations" in this document. We may incur significant costs including, construction cost, purchase costs of machinery and equipment, installation cost and other operating costs for the new production facility. Our construction cost and purchase costs of new machinery and equipment is likely to increase our depreciation expenses. Any substantial increase in our capital expenditure may increase our depreciation expenses and other operating expenses, reduce our profitability and have a material and adverse impact on our results of operations, financial condition and prospects.

We cannot assure you that our expansion plan will be completed as scheduled, or at all. We are required to obtain various approvals, permits, license and certificates throughout multiple stages of our new construction. Generally, such approvals, permits, license or certificates are only issued or renewed after certain conditions have been satisfied. If we are unable to obtain above documents for any reason, or if we encounter unforeseen difficulties in the course of the construction, the construction may be significantly delayed and we may not be able to complete the new production facility. Any failure or delay in implementing any parts of our plan may result in a lack of production capacity to support our growth, which could materially and adversely affect our business, financial condition and results of operations. Our plan to expand our production capacity is also subject to the following risks: (i) our actual production volume may vary depending on the demand for our products, subject to factors that are beyond our control such as market trend and customers' preferences. The demand for our products and revenue to be generated may not increase in line with our increase in production capacity; and (ii) we expect to incur additional direct labour costs, capital expenditure and depreciation costs in connection with the expansion plan. We cannot assure you that our future growth will correspond to our expansion of production capacity. If we fail to implement our expansion plans and business strategies successfully, our business performance, financial conditions and future prospects and growth could be materially and adversely affected.

PRC markets for petroleum refinery and petrochemical equipment industry are highly competitive and subject to technological innovation, and we may be unable to compete effectively in relevant markets

We face competition from both domestic and international petroleum refinery and petrochemical equipment manufacturers. Our ability to compete successfully depends heavily on our manufacturing capability, customer resources, full range of professional qualifications and innovation. Some of our competitors may have certain advantages over us, including greater financial resources, more advanced technologies, greater economies of scale, broader brand name recognition and better relationships in the market. Increasing competition may result in price and gross profit margin reduction, and loss of our market share, any of which could adversely affect our business and profitability. In addition, our competitors may in some cases be effective in causing our current and potential customers to favour their equipment or prevent or reduce sales of ours. The occurrence of any of these circumstances may hinder our growth and our ability to compete and reduce our market share. We may not grow as fast as we used to, or we expected to, which could materially and adversely affect our business, results of operations, financial condition and prospects. For information about the competition landscape and our major competitors, see "Industry Overview" in this document.

Besides, according to F&S Report, the major threat of the industry we operate is insufficient technological innovation and lack of research capabilities. In such event, we cannot assure you that we will be able to develop and offer new forms of equipment and high-performance equipment to accommodate our target customers' requirements in a timely manner, or at all, that would allow us to maintain or strengthen our leadership position in our industry.

We could be adversely affected as a result of any sales we made to certain countries that are, or become subject to sanctions administered by the United States, the European Union, the United Nations, Australia or other relevant sanctions authorities.

Certain countries or organizations, including the U.S., the European Union, the United Kingdom, and Australia, have, through executive orders, legislation or other governmental means, implemented measures that impose economic sanctions against Sanctioned Countries or against targeted industry sectors, groups of companies or persons, and/or organizations.

During the Track Record Period, we sold and delivered our products directly and indirectly to customers located in the Relevant Sanctioned Countries, specifically Russia and Iran. The revenue generated from such transactions related to the Relevant Sanctioned Regions was approximately RMB22.2 million, RMB6.8 million and RMB0.2 million, representing approximately 9.4%, 2.8% and 0.1% of our total revenue for the years ended 31 December 2020, 2021 and 2022, respectively.

As advised by our International Sanctions Legal Adviser, such sales and deliveries to such customers in the Relevant Sanctioned Regions during such period did include certain transactions that might potentially qualify as Secondary Sanctionable Activity under U.S. law, and the risks that such conduct described above might be result in the imposition of significant penalties are low and may be further mitigated by additional remedial measures, but cannot be excluded. As such, in the event that any of our business activities are found to be in violation of any of the International Sanctions Laws by any competent authorities we are subject to, our business and financial condition and results of operations could be materially and adversely affected. Further, if we fail to prevent the occurrence of any business activities which are subject to the International Sanctions, our business operation, financial condition and results of operation may be materially and adversely affected.

For information about our internal control measures implemented in respect of such sanctioned-related risks, please refer to the paragraphs headed "Business — Business activities with customers in relation to countries/regions subject to the International Sanctions" in this document.

Our operations are subject to inherent operational and safety risks and occupational hazards, which could cause us to incur substantial costs.

Due to the nature of our business, we engage or may engage in certain inherently hazardous activities, including operations at height, use of heavy machinery and working with flammable and explosive materials. While we are committed to ensure our business operations is in compliance with requisite safety requirements and standards and have established a department dedicated to safety monitoring, we cannot assure you that we are free from risks surrounding these activities, such as geological catastrophes, toxic gas and liquid leakages, equipment failure, industrial accidents, fire and explosions. These hazards can cause personal injury and loss of life, damage to or destruction of property and equipment, environmental damage and pollution, any of which could result in suspension of our operations or even imposition of civil or criminal penalties on us and therefore could have a material and adverse impact on our financial condition, results of operations and may damage our reputation which in turn inhibit our ability to obtain business and contracts in the future.

We may be subject to litigations, claims or other disputes for our operations.

We may from time to time encounter disputes arising from contracts with customers, suppliers or other third parties, which may involve claims against them or us. Claims against us by our customers may involve substandard products, which may result in us incurring liquidated damages under the terms of our contracts with our customers. On the other hand, claims may arise after disputes with suppliers due to any delay of payment to suppliers. We may also be liable for injuries sustained by our staff during their course of work. Should any claims against us fall outside the scope and/or limit of our insurance coverage, our financial condition may be adversely affected. Claims involving us could result in time-consuming and costly litigations, arbitration, administrative proceedings or other legal procedures. Expenses we incur in legal proceedings or arising from claims brought by or against us could have a material and adverse effect on our business, financial condition, results of operations and business prospects. Moreover, legal proceedings resulting in unfavourable judgment or findings may harm our reputation and damage our prospects of securing future contracts, thereby materially and adversely affecting our results of operations and business prospects.

Our business depends substantially on our ability to attract and retain experienced professionals.

The success of our operations depends on our ability to attract and retain experienced professionals, including executive officers and professionals such as engineers, R&D personnel and senior technical workers with the requisite experience, knowledge and expertise to successfully carry out our business. Additionally, certain rules and regulations relating to the specialized certifications we hold in respect of our business require us to retain a specified number of qualified professionals on our full-time staff. Competition for qualified personnel is intense in the PRC engineering market. We face the risk of losing our employees to competitors who are able to offer more competitive compensation packages, and we may be unable to find replacements in a timely manner. We may also need to make significant expenditures to train employees in order to enhance their relevant experience and specialized skills. In addition, we may need to improve our remuneration packages and our human resources management to improve employee retention.

We have entered into confidentiality agreements and non-competition agreements with our key employees to prevent information leakage of our proprietary technologies and trade secrets resulting from any loss of key employees. However, we cannot assure that there will be no violations of the terms of the confidentiality agreements and non-competition agreements.

The diversity of our business both in terms of scale and geographic location creates significant pressure on our human resources. Our future operating results will depend on our management's ability to maintain effective control over such a large and diversified enterprise. If we are unable to recruit personnel with the necessary skills, the attention of our management could be diverted. If we cannot recruit and retain the employees necessary for executing our contracts or performing necessary business activities, our business operation may be adversely affected.

Our business operation management system, particularly with respect to quality control procedures, may not be able to prevent all incidences of negligence or mistake.

Our management system, which covers matters including production scheduling, product quality, costs, health, safety and environmental protection, is essential to the effective management, progress, quality, safety and profit margins of our contracts. In particular, the quality of our products is critical to the success of our business. Accordingly, we must maintain an effective quality control system for our business operations. Effective quality control depends on various factors, including the mechanism of our quality control system, management of an individual contract, provision of sufficient training to our employees and our ability to ensure that employees adhere to our quality control policies and guidelines. Any negligence or mistake in quality control could result in defects in our products or delays in our production, which in turn may subject us to contractual and other claims. Any such claims, regardless of outcome, could cause us to incur significant costs, harm our business reputation and result in significant disruption to our operations.

Any failure to adequately protect our intellectual property rights or any infringement claims brought by third parties against us may have an adverse effect on our business, financial condition and results of operations.

We rely primarily on patents and proprietary technologies to protect our technologies, which include engineering and construction technologies for our products. These patents and proprietary technologies have played a significant role in improving our production efficiency and completing large-scale and complex projects. As at the Latest Practicable Date, we possessed (including co-owned) 186 registered patents which comprised of 144 utility patents, 40 invention patents and two design patents in the PRC, as well as four international patents. However, the legal regime governing intellectual property in the PRC is still evolving and the level of protection for intellectual property rights in the PRC may differ from those in other jurisdictions. We may not be able to promptly detect infringement and take effective steps to enforce our intellectual property rights, which may be costly. In the event that the steps we have taken and the protection provided by law do not adequately safeguard our intellectual property rights, we could suffer losses due to the provision or the sale of competing services or products by others which exploit our intellectual property rights.

In addition, there can be no assurance that our intellectual property rights will not be challenged, misappropriated or circumvented by third parties, or that our competitors will not independently develop alternative technologies that are equivalent to or more advanced than our technologies. Moreover, we may not be successful in obtaining patent authorizations or registrations or protecting the patents, which could have a material and adverse impact on our business, financial condition and results of operations. We may also be subject to claims on infringement of patents, trademarks or other intellectual property rights of others. Defending or otherwise dealing with any infringement claims, whether with or without merit, could be time-consuming, costly, detrimental to our brand and trademarks, reduce our sales and require us to enter into licensing agreements that may not be favorable or acceptable to us.

We use intellectual property in our operations that may be owned by others and we also develop (independently or with other parties) intellectual property from such intellectual property for use in our operations and licensing to our clients. There can be no assurance that our use or licensing of any of such intellectual property, or of new intellectual property developed from such intellectual property, will not be challenged or that we would be able to successfully defend ourselves if challenged. If any such challenge by third parties is successful, we may not be able to use or license such intellectual property, which may have a material and adverse effect on our operations if such intellectual property involved is critical to our business.

The discontinuation of the preferential tax treatment for High Technology Enterprises or government grants currently available to us in the PRC or other unfavourable changes in tax law or government grant policy could result in additional tax obligations and expenses.

Our subsidiaries, Luoyang Ruichang and Shanghai Ruiqieer hold the certificate of High Technology Enterprises and are entitled to a preferential income tax rate of 15% on their taxable income during Track Record Period and as at the Latest Practicable Date. The qualification of Luoyang Ruichang and Shanghai Ruiqieer as High Technology Enterprises is currently valid from September 2020 to September 2023 and from December 2021 to December 2024, respectively. We intend to apply for renewal of such qualification thereafter but there is no assurance that our application will succeed. The High Technology Enterprises qualification is re-assessed by the relevant authorities every three years, and standard of the assessment may be changed. In the event that this preferential tax treatment is discontinued, these subsidiaries will become subject to a 25% standard enterprise income tax rate, which would increase our income tax expenses and could materially reduce our net income and profitability. Our business and financial performance could also be adversely affected by unfavourable changes in or interpretation of existing, or promulgation of new tax laws or regulations applicable to our business and any unfavourable changes in tax law could result in additional tax obligations and expenses.

In addition, we received government grants in the amount of approximately RMB2.7 million, RMB4.2 million and RMB0.7 million for the years ended 31 December 2020, 2021 and 2022, respectively, as encouragement for research and development and employment stabilisation. The amounts of and conditions attached to such government grants were determined at the sole discretion of the relevant PRC authorities. We cannot assure you that we will continue to receive such government grants or that the amount of any such government grants will not be reduced in the future. Even if we continue to be eligible to receive such government grants, we cannot guarantee that any conditions attached to the grants will be as favourable to us as they have historically been. Reduction or discontinuation of these government grants could adversely affect our financial condition and results of operations.

Our insurance coverage may not be sufficient to cover all potential risks or losses associated with our business and operations.

We maintain insurance coverage in amounts that we believe are consistent with our risk of loss and the customary practice in the industry, and in determining such amounts we base on the level of our operational risks, we have entered into insurance policies to cover certain risks associated with our business. See "Business — Insurance" in this document. However, although we believe our insurance coverage meets the needs of our business, we cannot guarantee that our current levels of insurance are sufficient to cover all potential risks and losses. In addition, our insurers review our policies each year. We cannot guarantee that we can renew our insurance on similar acceptable terms each year in the future, or at all. If we suffer from severe unexpected losses or losses that far exceed the policy limits, our business, financial condition and operating results could be materially and adversely affected.

We do not purchase any third-party liability insurance to cover claims with respect to personal injury or property or environmental damage claims arising from accidents on their properties or relating to errors and omissions in the operation of our business and have not maintained any insurance policy against losses arising from environmental regulatory requirements, business interruption, industrial accidents and demonstrations and protests by, or other activities of, our employees or third parties; nor do they carry any key-man life insurance on their key employees. Our Directors consider that, the purchasing of these types of insurance is not compulsory under the relevant PRC laws and regulations, and voluntarily purchasing such insurance would incur additional costs for our business operations, which could reduce our competitiveness in the PRC. However, risks relating to our operations arising from one of the aforementioned uninsured occurrences or otherwise could expose us to material losses and thereby have a material and adverse impact on our business.

Failure to obtain or renew licences, certificates and permits required in the manufacturing of our petroleum refinery and petrochemical equipment could adversely affect our business, financial condition, results of operations and prospects.

We possess necessary licences, certificates and permits that are material to the manufacturing of petroleum refinery and petrochemical equipment for the operation of our business. As our products applied in various countries, to conform with the relevant industry standards, we are also required to obtain various industrial licences/certificates issued by relevant accrediting institutions in the PRC, including Design License of Special Equipment of the PRC (Pressure vessel) (特種設備設計許可證(壓力容器)), Production Licence for Special Equipment of the PRC (Installation, repairmen and modification of special pressure equipment) (特種設備生產許可證(承壓類特種設備安裝、修理、改造)) and Certificate of Authorisation (ASME-U) (authorised by ASME). See "Regulatory Overview" in this document for more details. However, there is no assurance that we will be able to obtain our licences, certificates and permits or renew such licences, certificates or permits upon their expiration. In addition, the eligibility criteria for these licences, certificates, and permits may change from time to time and additional licences, certificates and permits may be required and higher compliance standards may have to be observed. In the event of the introduction of any new laws and regulations or changes in the interpretation of any existing laws and regulations that increase compliance costs for us or prohibit or make it more expensive for us to continue with the operation of any part of our business, our business, financial condition and results of operations may be materially and adversely affected.

We are exposed to fair value changes for financial assets measured at fair value through profit and loss and through other comprehensive income; and valuation uncertainty due to the use of unobservable inputs that require judgement and assumptions which are inherently uncertain

During the Track Record Period, we had acquired financial assets at fair value through profit and loss which mainly represented bank commercial products; and financial assets at fair value through other comprehensive income which represented investment in an unlisted equity. We may, from time to time, invest in such similar products in the future. As at 31 December 2021, our financial assets at fair value through profit or loss amounted to approximately RMB7.0 million. As at 31 December 2021 and 2022, our financial assets at fair value through other comprehensive income amounted to approximately RMB17.0 million and RMB14.7 million, respectively and we recognised fair value changes on financial assets at fair value through other comprehensive income of approximately RMB2.3 million for the year ended 31 December 2022. Since the values of our financial assets depend on the investment performance of the underlying financial instruments, our investments are subject to all of the risks associated with those underlying financial instruments, including the possibility of a default by, or bankruptcy of, the issuers of such products. Any potential realised or unrealised losses in our investments in the future resulting from the changes in the value of the financial instruments we invested in may adversely affect our business, our results of operations and our financial condition. Moreover, we cannot assure you that we will not incur any such fair value losses in the future. Any change in market conditions could lead to volatility in the fair values of our financial assets, which could further impact our financial condition and results of operations and may also impact our ability to dispose of these financial instruments at favorable prices.

We are subject to environmental, safety and health laws and regulations which are applicable to our business and the compliance costs for, or the penalties or fines incurred as a result of our failure to comply with such laws and regulations, may materially and adversely affect our business operation and financial position.

Our production generates waste water, solid waste, noise, dust, air pollutants, sewage and other industrial waste. As a result, our operations are subject to various national and local environmental laws and regulations as well as governmental oversight in the PRC. The environmental laws and regulations impose stringent standards on our handling and disposal of solid waste, emission of water and emulsified waste, and airborne emissions. Moreover, our operations may be subject to further oversight and supervision by local governments in the PRC. Therefore, we may face increased costs and efforts to comply with the applicable environmental requirements and standards in the PRC.

In addition, future changes in the scope, application and interpretation of the environmental laws and regulations as well as governmental oversight in the PRC may limit or restrict our production capacity and/or substantially increase our costs in connection with the installation of additional safety improvement equipment or other related expenses, and thus adversely affect our financial condition and results of operations. As environmental laws and regulations as well as governmental oversight in the PRC become more stringent or heightened over time, we cannot assure you that we will be in compliance with these laws and regulations at all times. Furthermore, local governments in the PRC has authority to order emergency shutdowns of our operations to curtail pollution under relevant PRC laws. Such actions will result in unexpected business interruptions or suspension of operations at our plants and may lead to significant financial and reputational losses if we cannot find suitable alternatives to fulfil orders in time. If our insurance coverage cannot adequately cover such losses or liabilities, we would be financially responsible for such losses or liabilities, which could result in a material and adverse impact on our business, results of operations and financial condition.

Moreover, our equipment is generally applied in petroleum refinery and petrochemical industry, which are subject to extensive environmental and safety laws and regulations governing the emission, discharge, release and disposal of hazardous material, and the generation, handling, storage, transportation, treatment and disposal of solid waste material. There can be no assurance that more stringent laws, regulations or policies applicable to our customers will not be implemented. If we are unable to adapt timely to offer products that comply with the more stringent standards, we may lose contracts and other business opportunities to our competitors, which in turn may affect our business and results of operations.

We may be subject to additional social insurance fund and housing provident fund contributions and late payments or fines imposed by relevant regulatory authorities.

Under the relevant PRC laws and regulations, we are required to make social insurance fund and housing provident fund contributions for our employees. During the Track Record Period, we did not make full social insurance fund and housing provident fund contributions for some of our employees. We estimate that the aggregate amount of social insurance payments and housing provident fund contributions that we did not pay for the years ended 31 December 2020, 2021 and 2022 was approximately RMB1.5 million, RMB3.3 million, and RMB3.2 million. As advised by our PRC Legal Advisers, in respect of outstanding social insurance contributions, the relevant PRC authorities may demand that we pay the outstanding social insurance funds within a stipulated deadline and a late payment fee equal to 0.05% of the outstanding amount for each day of delay. If we fail to make such payments, we may be liable to a fine of one to three times of the overdue amount. In respect of the outstanding housing provident fund contributions, we may be required by the relevant PRC authorities to pay the outstanding amount to the housing provident funds within a prescribed time frame. If we fail to pay housing provident fund contributions within the prescribed deadlines, an application may be made to the relevant people's court for compulsory. As at the Latest Practicable Date, we had not received any notification from the relevant authorities demanding payment of the outstanding social insurance funds and housing provident funds. However, we cannot assure you that we will not be subject to any order in the future to rectify such non-compliance, nor can we assure you that there are no, or will not be any, employee complaints regarding payment of the social insurance funds and housing provident funds under the relevant laws and regulations implemented at the national, provincial or local level. We may also incur additional expenses to comply with the relevant laws and regulations implemented by the national, provincial or local authorities.

We may be subject to administrative penalties as we have not registered all of our leased agreements with competent construction or real estate administration authorities.

Pursuant to applicable PRC laws and regulations, lease agreements must be registered with competent construction or real estate administration authorities. As at the Latest Practicable Date, we have three lease agreements that have not completed lease registration, either as the lessor or lessee. Under PRC laws and regulations, the parties concerned with these properties lease may be subject to administrative fines for failing to register the lease agreement within a prescribed period as required by the competent authorities. Our PRC Legal Advisers advised that we may be ordered to rectify our failures to register and, if we fail to do so within a prescribed period, a penalty of between RMB1,000 and RMB10,000 per agreement may be imposed on us as a result. The estimated total amount of penalty for our failure to file our lease agreements is RMB3,000 to RMB30,000. In the event that our leases are deemed by the relevant authorities to be invalid, we intend to find alternative locations nearby and relocate relevant offices. We may incur additional relocation costs and cannot assure you that we will be able to find alternative locations in a timely or effective manner.

The approval, filing or other requirements of the CSRC or other PRC Government authorities may be required under PRC laws.

On February 17, 2023, the CSRC promulgated the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) (the "Overseas Listing Trial Measures") and relevant supporting guidelines, which will come into effect on March 31, 2023. The Overseas Listing Trial Measures will comprehensively improve and reform the existing regulatory regime for overseas offering and listing of PRC domestic companies' securities and will regulate both direct and indirect overseas offering and listing of PRC domestic companies' securities. Any domestic company that is deemed to conduct overseas offering and listing activities shall file with the CSRC in accordance with the Overseas Listing Trial Measures.

The Overseas Listing Trial Measures provides that if the issuer meets both the following criteria, the overseas securities offering and listing conducted by such issuer will be deemed as indirect overseas offering by PRC domestic companies: (i) 50% or more of any of the issuer's operating revenue, total profit, total assets or net assets as documented in its audited consolidated financial statements for the most recent fiscal year is accounted for by domestic companies; and (ii) the main parts of the issuer's business activities are conducted in mainland China, or its main place(s) of business are located in mainland China, or the majority of senior management staff in charge of its business operations and management are PRC citizens or have their usual place(s) of residence located in mainland China. [Given that (i) our domestic operating entities generated 100% of our total revenue as shown in our audited consolidated financial statements for the year ended 31 December 2022; (ii) our senior management are mostly PRC citizens; and (iii) our business activities are mainly conducted in the PRC, we fall within the scope of "domestic companies", and the **[REDACTED]** falls within the scope of indirect overseas offering and listing. Therefore, we are subject to the filing obligations as contemplated in the Trial Measures.

Pursuant to the Overseas Listing Trial Measures, where an issuer submits an application for initial public offering to competent overseas regulators, such issuer must file with the CSRC within three business days after such application is submitted. Also according to the Announcement relating to the Arrangement of Filing Management of Overseas Offering and Listing by Domestic Companies (《關於境內企業境外發行上市備案管理安排的通知》) issued on 17 February 2023 by the CSRC, (i) on or prior to the effective date of the Overseas Listing Trial Measures, domestic companies that have already submitted valid applications for overseas securities offering and listing but have not obtained approval from overseas regulatory authorities or stock exchanges may reasonably arrange the timing for submitting their filing applications with the CSRC, and must complete the filing before the completion of their overseas securities offering and listing; (ii) a six-month transition period will be granted to domestic companies which, prior to the effective date of the Overseas Listing Trial Measures, have already obtained the approval from overseas regulatory authorities or stock exchanges (such as the completion of hearing in the market of Hong Kong or the completion of registration in the market of the United States), but have not completed the indirect overseas listing; if domestic companies fail to complete the overseas listing within such six-month transition period, they shall file with the CSRC according to the requirements.

We cannot guarantee that we could meet such requirements or complete such filing in a timely manner. Any failure to complete or delay in completing such filing procedures for this **[REDACTED]** or future financing activities would subject us to sanctions by the CSRC or other PRC regulatory authorities, which would have a material adverse effect on our business and financial position. Further, as the Overseas Listing Trial Measures was recently promulgated, there remain substantial uncertainties as to its interpretation and implementation and how it may impact our ability to raise or utilize funds and our business operation.

The outbreak of COVID-19, the uncertainty of the global economic conditions and the change in geopolitical environment could have a material adverse impact on our financial condition and results of operations.

Since the end of December 2019, the outbreak of a novel strain of coronavirus named COVID-19 has materially and adversely affected the global economy. In response, countries and regions across the world, including China, have imposed widespread lockdowns, closure of work places and travel restrictions. The adverse global economic conditions may negatively impact our clients' ability to raise funds for projects and their willingness to invest in new projects. This may cause our customers to reduce their capital expenditures, change the types of products purchased or seek more favorable pricing and other terms in their contracts with us. There are no comparable recent events that provide guidance as to the effect the COVID19-outbreak as global pandemic may have, and as a result, the ultimate impact of the pandemic is highly uncertain and subject to change. We do not yet know the full extent of the impacts will depend on future developments, which are highly uncertain and unpredictable, such as the duration of the outbreak. Hence, our customers may be unable to predict the timing, impact or duration of any economic slowdown or subsequent economic recovery globally and in the regions in which they operate. Moreover, during economic downturn, our customers or other counterparties may face financial constraints, or even the risk of bankruptcy, resulting in an increasing likelihood of default or delinquent payment by our customers or other counterparties, which could have an adverse impact on our results of operations and financial condition. A continuation or further weakening of current economic conditions could have a material adverse impact on our business, financial condition and results of operations.

There have also been concerns about the relationship between China and other countries, which may potentially have economic effects. In particular, there is significant uncertainty about the future relationship between the United States and China with respect to trade policies, treaties, government regulations and tariffs. Any further escalation in trade tensions between China and the U.S. or a trade war, or the perception that such escalation or trade war could occur, may have negative impact on the economies of not only the two countries concerned, but the global economy as a whole. Economic conditions in China are sensitive to global economic conditions, as well as changes in domestic economic and political policies and the expected or perceived overall economic growth rate in China. Any severe or prolonged slowdown in the global or Chinese economy may materially and adversely affect our business, oversea expansions, results of operations and financial condition.

Our business operations may be affected by an occurrence of a widespread public health problem, acts of war, natural disasters or other factors beyond our control.

Our business may be interrupted for reasons beyond our control, which may include widespread health problems, acts of war or natural disasters such as bad weather conditions, flooding, typhoons, tsunamis, snowstorms, landslides, earthquakes and fires, as well as labor strikes or social turmoil. We operate our business principally in the PRC. Our operations and business could be adversely affected by the above factors that are beyond our control.

The countries where we have operations may encounter epidemics, which may cause different degrees of damage to the national and local economies and result in material disruptions to our operations. The occurrence of natural disasters, unanticipated catastrophic events or a recurrence of an epidemic and other adverse public health developments in the countries where we have operations could severely disrupt our business operations, and in turn materially and adversely affect our business, financial condition and results of operations.

In addition, although we believe that we have a good working relationship with our employees, if our employees were to engage in a strike or other work stoppage, we could experience a significant disruption of operations and/or higher ongoing labor costs, which may have a material adverse effect on our business and results of operations.

RISKS RELATING TO DOING BUSINESS IN THE PRC

Currently, the majority of our assets are located in the PRC and our revenue is substantially generated from the PRC. Hence, our business operations and prospects are to a large extent affected by the economic, political, social and legal developments in the PRC.

Changes in the PRC's political and social conditions or government policies could materially and adversely affect our business prospects, financial conditions and result of operations.

Our revenue is substantially derived from our operations in China during the Track Record Period and in a foreseeable future. As a result, our financial condition and results of operations are to a large extent influenced by the economic, political and social conditions and development and the government policies of the PRC. Although the PRC's economy has been transitioning from a planned economy to a more market-oriented economy for more than three decades, a substantial portion of productive assets in the PRC is still owned by the PRC government. The PRC government also exercises significant control over the economic growth of the PRC through allocating resources, controlling foreign exchange, setting monetary policy and providing preferential treatments to particular industries or companies. In recent years, the PRC government has implemented economic reform measures emphasizing the use of market forces to drive economic development. These economic reform measures may be adjusted, modified or applied inconsistently from industry to industry, or across different regions of the country. As a result, some of these measures may benefit the overall PRC economy, but some of them may have a negative effect on the industries in which we and our clients operate and subsequently our business.

The PRC has been one of the world's fastest growing economies as measured by GDP in recent years. However, the rate of economic growth in the PRC has been experiencing a slowdown, primary as a result of the COVID-19 pandemic. In addition, any future escalation of the ongoing trade war between the United States and China, regional or national instability, or ongoing impact of the COVID-19 pandemic may negatively impact the growth in The Chinese economy as a whole. Although the PRC government has implemented a number of measures to address the slowdown, we cannot be certain that these measures will be successful. Any continuing or worsening slowdown could significantly reduce domestic commerce in China, including through the internet generally and within our ecosystem. An economic downturn, whether actual or perceived, a further decrease in economic growth rates, or an otherwise uncertain economic outlook in China or any other market in which we may operate could have a material and adverse effect on our business, financial condition, results of operations and prospects.

We face foreign exchange risk, and fluctuations in exchange rates could have a material and adverse effect on our business and investors' investment.

The value of the Renminbi against the the Hong Kong dollars, U.S. dollar and other currencies fluctuates and is affected by, among other things, changes in PRC and international political and economic conditions and the PRC government's fiscal, monetary and currency policies. It is difficult to predict how market forces and the PRC government's policies will continue to impact Renminbi exchange rates going forward. Renminbi may appreciate or depreciate significantly in value against the Hong Kong dollar, the U.S. dollar or other foreign currencies in the long term, depending on the fluctuation of the basket of currencies against which it is currently valued, or it may be permitted to enter into a full float, which may also result in significant appreciation or depreciation of the Renminbi against the U.S. dollar or other foreign currencies. During Track Record Period, even though substantially all of our revenue and expenses were denominated in Renminbi, fluctuation in exchange rates may nevertheless in the future adversely affect the value of our net costs and earnings. In particular, the **[REDACTED]** from the **[REDACTED]** will be in Hong Kong dollars. Any unfavorable movement in the exchange rate of the Renminbi against Hong Kong dollar may adversely affect the value of our **[REDACTED]** from the **[REDACTED]**. In addition, any unfavorable fluctuations in the exchange rate between the Renminbi and offer currencies may also lead to an increase in our costs, which would affect our business, results of operations and financial conditions.

The PRC government's control over foreign currency exchange and requirements for governmental approval may affect our results of operations and financial position.

Currently, Renminbi still cannot be freely converted into any foreign currency, and conversion and remittance of foreign currencies are subject to PRC foreign exchange laws and regulations which would affect exchange rates and our foreign exchange transactions. As our operations are primarily conducted in the PRC and substantially most of our revenue is denominated in RMB, fluctuations in the RMB exchange rate against other currencies did not have a material impact on our results of operations during the Track Record Period. However, as we shall expand our business into international markets, our overseas income and expenditures may increase, and exposure to fluctuations in foreign exchange may also increase.

Pursuant to existing foreign exchange regulations in the PRC, we are allowed to carry out current account foreign exchange regulations in the PRC, we are allowed to carry out current account foreign exchange transactions (including dividend payouts) without submitting the certifying documents of such transactions to SAFE for approval in advance as long as they are processed by banks designated for foreign exchange trading. However, foreign exchange transactions for capital account purposes, including direct overseas investment and various international loan, may require and prior approval or registration with SAFE.

There can be no assurance that the policies regarding foreign exchange transactions under the current account and the capital account will continue in the future. In addition, these foreign exchange policies may restrict our ability to obtain sufficient foreign exchange, which could have an effect on our foreign exchange transactions and the fulfillment of our other foreign exchange requirements. If there are changes in the policies regarding the payment of dividends in foreign currencies to shareholders or other changes in foreign exchange policies resulting in insufficient foreign exchange, our payment of dividends in foreign currencies may be affected. If we fail to obtain approval from the SAFE to convert Renminbi into any foreign exchange for foreign exchange transactions, our capital expenditure plans, and even our business, financial condition and results of operations, may be adversely affected.

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

The SAFE promulgated the Circular on Relevant Issues Concerning Foreign Exchange Control on Domestic Residents' Offshore Investment and Financing and Roundtrip Investment through Special Purpose Vehicles (關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知), or the Circular 37 on 14 July 2014. Pursuant to Circular 37, PRC residents, including PRC institutions and individuals, must register with local branches of SAFE in connection with their direct or indirect offshore investments in an overseas special purpose vehicle, or SPV, directly established or indirectly controlled by PRC residents for the purposes of offshore investment and financing with their legally owned assets or interests in domestic enterprises, or their legally owned offshore assets or interests or any inbound investment through SPVs.

Such PRC residents are also required to amend their registrations with SAFE when there is change to the required information of the registered SPV, such as changes to its PRC resident individual shareholder, name, operation period or other basic information, or the PRC individual resident's increase or decrease in its capital contribution in the SPV, or any share transfer or exchange, merger or division of the SPV. In accordance with Circular of the State Administration of Foreign Exchange on Further Simplifying and Improving the Direct Investment-related Foreign Exchange Administration Policies (關於進一步簡化和改進直接投資外匯管理政策的通知), or the Circular 13, the foreign exchange registration aforesaid has been directly reviewed and handled by banks since 1 June 2015, and SAFE and its branches perform indirect regulation over such foreign exchange registration through local banks. Under this regulation, failure to comply with the registration procedures set forth in Circular 37 may result in restrictions being imposed on the foreign exchange activities of our PRC subsidiaries, including the payment of dividends and other distributions to their offshore parent or affiliate, the capital inflow from the offshore entities and their settlement of foreign exchange capital, and may also subject the relevant onshore companies or PRC residents to penalties under PRC foreign exchange administration regulations.

As of the Latest Practicable Date, some individual shareholders of our Company who are Chinese citizens had not conducted their registration with competent local branches of the SAFE. We are committed to complying with and ensuring that our Shareholders who are subject to the regulations will comply with the relevant rules. Any future failure by any of our Shareholders who is a PRC resident, or controlled by a PRC resident, to comply with relevant requirements under this regulation could subject us to penalties or sanctions imposed by the PRC Government. However, we may not at all times be fully aware or informed of the identities of all of our Shareholders who are PRC residents, and we may not always be able to timely compel our Shareholders to comply with the requirements of Circular 37. Moreover, there is no assurance that the PRC Government will not have a different interpretation of the requirements of Circular 37 in the future.

We may be treated as a resident enterprise for PRC tax purpose under the EIT Law, which could results in unfavorable tax consequences to us and our non-PRC shareholders.

Our Company are incorporated under the laws of the Cayman Islands, but substantially all of our operations are in China. Under the EIT Law and its implementation rules, an enterprise incorporated in a foreign country or region may be classified as either a "non-resident enterprise" or a "resident enterprise". If an enterprise incorporated in a foreign country or region has its "de facto management bodies" located within China, such enterprise will be considered a PRC tax resident enterprise and will normally be subject to the enterprise income tax of 25% on its worldwide income. The relevant implementation rules define "de facto management bodies" as those which exercise substantial and overall management and control over the manufacturing and business operations, personnel, accounting, properties and other aspects of an enterprise. In April 2009, the SAT issued the Notice Regarding the Determination of Chinese-Controlled Offshore-Incorporated Enterprises as PRC Tax Resident Enterprises on the Basis of De Facto Management Bodies, which sets forth certain specific criteria for determining whether the "de facto management body" of a Chinese-controlled offshore- incorporated enterprise is located in mainland China. However, it only applies to offshore enterprises controlled by PRC enterprises and not those controlled by PRC individuals. Substantially all of the members of our management are currently located in China and we expect them to continue to be located in China. Due to the lack of clear guidance on the criteria pursuant to which the PRC tax authorities will determine our tax residency under the EIT Law, it remains unclear whether the PRC tax authorities will treat us as a PRC resident enterprise for tax purposes. As a result, if we are deemed to be a PRC tax resident enterprise, we will be subject to an enterprise income tax rate of 25% on our worldwide income, and be obligated to withhold PRC income tax on the gross amount of dividends we pay to our Shareholders who are non-PRC tax residents. The withholding income tax rate is 10%, unless otherwise provided under applicable double taxation treaties between China and the government of the relevant foreign tax jurisdiction where a Shareholder resides. In addition, if we are deemed to be a PRC resident enterprise for tax purposes under the EIT Law, gains on sales or other transfers of the **[REDACTED]** by an investor may also be treated as income derived from sources within the PRC and be subject to PRC tax.

The PRC legal system is still evolving and there are inherent uncertainties as to interpretation and implementation of laws, which could limit the legal protection available to us and to our Shareholders.

Our business and operations are conducted in the PRC and are governed by PRC laws, regulations and rules. The PRC legal system is based on written statutes and various administrative regulations and policy decrees. Prior court decisions or rulings may be cited for reference in courts and administrative proceedings but have limited precedential value. Since the 1970s, the PRC government has been committed to developing and refining its legal system and has achieved significant progress in its laws and regulations governing economic matters such as shareholders' rights, foreign investment, company organization and management, business, tax and trade. However, PRC laws and regulations are still evolving, and because of the limited number and non-binding nature of published cases, there exist uncertainties about their interpretation and implementation. Depending on the government agency or how an application or case is presented to such agency, we may receive less favorable interpretations of laws and regulations than our competitors, or we may receive interpretations that are inconsistent with our interpretations. These uncertainties may impede our ability to enforce the contracts we have entered into with our clients, suppliers and other business partners. We cannot predict the effect of future developments in the PRC legal system, including the promulgation of new laws, changes to existing laws or the interpretation or enforcement thereof, the pre-emption of local regulations by national laws, or the overturn of local government decisions. These uncertainties may limit legal protections available to us. In addition, any litigation in the PRC may be protracted and result in substantial costs and diversion of resources and management attention and have a material adverse effect on our business, prospects, financial condition and results of operations.

We are a holding company that substantially relies on dividend payments from our subsidiaries for funding, and our corporate structure may limit our ability to receive dividends from, and transfer funds to, our PRC subsidiaries, which could restrict our ability to act in response to changing market conditions and reallocate funds from one affiliated PRC entity to another in a timely manner.

We are a holding company incorporated in the Cayman Islands and operate our business through our subsidiaries in China. Therefore, the availability of funds to us to pay dividends to our shareholders and to service our indebtedness depends upon dividends received from these subsidiaries. PRC laws require that dividends be paid only out of the net profit calculated according to PRC accounting principles, which differ in certain aspects from generally accepted accounting principles in other jurisdictions, including HKFRS. PRC laws also require foreign-invested enterprises, such as some of our subsidiaries in China, to set aside part of their net profits as statutory reserves. These statutory reserves are not available for distribution as cash dividends. In addition, restrictive covenants in bank credit facilities, convertible bond instruments or other agreements that we or our subsidiaries are currently subject to or may enter into in the future may also restrict the ability of our subsidiaries to make contributions to us and our ability to receive distributions. Therefore, these restrictions on availability and usage of our major source of funding may impact our ability to pay dividends to our Shareholders and to service our indebtedness.

Any transfer of funds from our Company to our PRC subsidiaries, either as a shareholder loan or as an increase in registered capital, is subject to registration or approval of PRC governmental authorities, including relevant administration of foreign exchange or relevant examining and approval authority. In addition, it is not permitted under PRC laws for our PRC subsidiaries to directly lend money to each other. Therefore, it is difficult to change our plans with respect to use of funds or capital expenditure plans once the relevant funds have been remitted from our Company to our PRC subsidiaries. These limitations on free flow of funds between us and our PRC subsidiaries could restrict our ability to act in response to changing market conditions and reallocate funds from one PRC subsidiary to another in a timely manner.

Any decline in or restrictions on the ability of our operating subsidiaries to pay dividends to us could adversely affect our cash flow, earnings and ability to pay dividends.

We conduct a substantial portion of our operations through our operating subsidiaries in the PRC. Most of our assets are held by, and most of our earnings and cash flows are attributable to, our operating subsidiaries in the PRC. If the earnings from our operating subsidiaries were to decline, our earnings and cash flow could be adversely affected. The ability of our operating subsidiaries to pay dividends depends on business considerations and regulatory restrictions, including the cash flow and articles of association of these companies, shareholders' agreements they are parties to and applicable PRC laws and regulations. In particular, under PRC law, our operating subsidiaries may only pay dividends after they have made up for any accumulated losses and 10% of their net profit has been set aside as a statutory reserve fund, unless the amount set aside for the reserve fund accounts for 50% or more of their registered capital. In addition, distributions by our operating subsidiaries to us other than dividends may be subject to governmental approval, approval by other shareholders and taxation. These restrictions could reduce the amount of distributions that we receive from our operating subsidiaries, which could restrict our ability to fund our operations, generate revenue and pay dividends. There can be no assurance that our operating subsidiaries will generate sufficient earnings and cash flows to pay dividends or otherwise distribute sufficient funds to enable us to pay dividends.

It may be difficult to effect service of legal process upon, or to enforce any foreign judgments or being original actions in the PRC based on foreign laws against, us, our Directors, and our senior management.

Substantially all of our operations and assets are located in the PRC. In addition, almost all of our Directors and executive officers reside in the PRC, and their personal assets may also be in the PRC. As a result, it may be difficult or impossible for investors to effect service of process from outside the PRC upon us or our Directors and executive officers.

Moreover, China does not have treaties providing for the reciprocal recognition and enforcement of judgments awarded by courts in the British Virgin Islands, the Cayman Islands and most other western countries. As a result, recognition and enforcement in China of the judgment of a court in any of these jurisdictions in relation to any matter not subject to a binding arbitration provision may be difficult or impossible. Furthermore, an original action may be brought in China against us or our Directors or executive officers only if the actions are not required to be arbitrated by PRC law and upon satisfaction of the conditions for institution of a cause of action pursuant to the PRC Civil Procedure Law 《(中華人民共和國民事訴訟法)》. As a result of the conditions set forth in the PRC Civil Procedure Law and the discretion of the PRC courts to determine whether the conditions are satisfied and whether to accept the action for adjudication, there remains uncertainty on whether investors will be able to bring an original action in China in this fashion.

RISKS RELATING TO THE [REDACTED]

There has been no prior public market for our Shares. The trading volume and market price of the [REDACTED] following the [REDACTED] may be volatile.

Prior to the **[REDACTED]**, there was no public market for our Shares. The initial **[REDACTED]** to the public for our **[REDACTED]** was the result of negotiations between us, **[REDACTED]** (for itself and on behalf of the **[REDACTED]**), and the **[REDACTED]** may differ significantly from the market price for our **[REDACTED]** following the **[REDACTED]**. We have applied to **[REDACTED]** and **[REDACTED]** in our **[REDACTED]** on the Hong Kong Stock Exchange. However, the **[REDACTED]** does not guarantee that an active liquid public trading market for our **[REDACTED]** will develop. In addition, the price and trading volumes of the Shares may be volatile. Factors such as variations in our revenue, earnings and cash flows or any other developments of our Company may affect the volume and price at which the **[REDACTED]** will be traded.

As the **[REDACTED]** per **[REDACTED]** is higher than the consolidated net tangible asset of our Group attributable to owners of our Company per **[REDACTED]**, purchasers of our **[REDACTED]** in the **[REDACTED]** will experience immediate dilution.

The **[REDACTED]** of our **[REDACTED]** is higher than the consolidated net tangible asset of our Group attributable to owners of our Company per Share of our Shares immediately prior to the **[REDACTED]**. Therefore, all investors and purchasers of our **[REDACTED]** in the **[REDACTED]** will experience an immediate dilution in **[REDACTED]** adjusted consolidated net tangible assets and existing holders of our Shares will receive an increase in adjusted consolidated net tangible assets per Share of their Shares. If we issue additional Shares or equity-linked securities in the future, investors and purchasers of Shares may experience further dilution of their interest.

Since there will be a gap of several days between pricing and trading of our [REDACTED], there is a risk that the price of our [REDACTED] could fall before trading of our [REDACTED] begins.

There is a gap of several days between pricing and trading of our shares, holders of our Shares are subject to the risk that the price of our **[REDACTED]** could fall during the period before the trading of our **[REDACTED]** begins. The **[REDACTED]** of our **[REDACTED]** is expected to be determined on the **[REDACTED]**. However, our **[REDACTED]** will not commence **[REDACTED]** on the Stock Exchange until the **[REDACTED]**. As a result, Investor may not be able to sell or otherwise deal in our **[REDACTED]** during the period between the **[REDACTED]** and **[REDACTED]**.

Accordingly, holders of our **[REDACTED]** are subject to the risk that the price of our **[REDACTED]** could fall before trading begins as a result of adverse market conditions or other adverse developments that could occur between the time of sale and the time of trading begins.

Future sales or perceived sales of substantial amounts of our securities in the public market, could materially and adversely affect the prevailing market price of our [REDACTED].

The market price of our **[REDACTED]** could decline as a result of future sales of substantial amounts of our **[REDACTED]** or other securities relating to our **[REDACTED]** in the public market or the issuance of new **[REDACTED]** or other securities, or the perception that such sales or issuances may occur. Future sales, or perceived sales, of substantial amounts of our securities, including any future offerings, could also materially and adversely affect our ability to raise capital in the future at a time and at a price which we deem appropriate. In addition, our shareholders may experience dilution in their holdings to the extent we issue additional securities in future offerings. A certain amount of our **[REDACTED]** currently outstanding will be subject to contractual and/or legal restrictions on resale for a period of time after completion of the **[REDACTED]**. See "**[REDACTED]**" After these restrictions lapse or if they are waived or breached, future sales, or perceived sales, of substantial amounts of our **[REDACTED]**, or the possibility of such sales, by us could negatively impact the market price of our **[REDACTED]** and our ability to raise equity capital in the future.

Future disposal or perceived disposal of a substantial number of [REDACTED] of our existing Shareholders in the public market could materially and adversely affect the prevailing market price of our [REDACTED].

Disposal of substantial amounts of our **[REDACTED]** in the public market after the completion of the **[REDACTED]**, or the perception of such disposal could adversely affect the market price of our **[REDACTED]** and materially impair our future ability to raise capital through offerings of our Shares. There is no assurance that our major Shareholders would not dispose of their shareholdings. Any significant disposal of our Shares by any of the major Shareholders could materially affect the prevailing market price of our Shares. In addition, these disposals may make it more difficult for us to issue new Shares in the future at a time and price we deem appropriate, thereby limiting our ability to raise further capital. We cannot predict the effect of any significant future disposal on the market price of our **[REDACTED]**.

There can be no assurance if and when we will pay dividends in the future.

Our Directors may declare dividends after taking into account, among other things, our results of operations, financial condition, cash flows, capital adequacy ratios, operating and capital expenditure requirement contractual restrictions, our Memorandum and Articles of Association, the Cayman Companies Act, applicable laws and regulations and other factors that our Directors deem relevant and will be subject to approved of our Shareholders. See "Financial Information — Dividends" in this document for further details. Our future payments of dividends will be at the absolute discretion of our Board and subject to Shareholders' approval. We cannot assure you when or whether we will pay dividends in the future.

Our [REDACTED] may be subject to cancellation or disciplinary proceedings if there is a breach by us of the Listing Rules or any undertakings which may have been given in favor of the Hong Kong Stock Exchange.

Upon the **[REDACTED]**, we will be required to comply with applicable laws and regulations in Hong Kong (including the Listing Rules) and any other undertakings which have been given in favor of the Hong Kong Stock Exchange from time to time. If the Listing Committee finds that there has been a breach by us of, or any circumstance which causes us to breach, the Listing Rules or such other undertakings which may have been given in favor of the Hong Kong Stock Exchange from time to time, the Listing Committee may instigate cancellation or disciplinary proceedings in accordance with the Listing Rules.

You may face difficulties in protecting your interests under the laws of the Cayman Islands.

We are a Cayman Islands company and our corporate affairs are governed by, among other things, our Memorandum and Articles of Association, the Companies Act and common law of the Cayman Islands. The rights of Shareholders to take action against our Directors, actions by minority shareholders and the fiduciary responsibilities of our Directors to us under Cayman Islands law are to a large extent governed by the common law of the Cayman Islands. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands as well as from English common law, which has persuasive, but not binding, authority on a court in the Cayman Islands. The laws of the Cayman Islands relating to the protection of the interests of minority shareholders differ in some respects from those in other jurisdictions. Such differences may mean that the remedies available to the minority shareholders may be different from those they would have under the laws of other jurisdictions.

Investors should not rely on any information contained in press articles or other media regarding us and the [REDACTED].

Prior to the publication of this document, there has been press and media coverage regarding our Company and the **[REDACTED]**. Such press and media coverage may include references to certain events or information that do not appear in this document, including certain operating and financial information and projections, valuations and other information. We have not authorized the disclosure of any such information in the press or media and do not accept responsibility for any such press or media coverage or the accuracy or completeness of any such information. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. To the extent such statements are inconsistent with, or conflict with, the information contained in this document, we disclaim responsibility for them.

Accordingly, prospective investors should not rely on any such information and should only rely on information included in this document in making any decision as to whether to purchase our Shares.

The industry statistics and forward-looking information contained in this document may not be accurate, reliable, or fair.

Statistical and other information relating to the PRC and our industry contained in the section headed "Industry Overview" in this document have been compiled partly from various publicly available PRC official government publications as well as industry reports we commissioned from independent industry consultants. We believe that the sources of such information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. However, we cannot guarantee the quality of such source materials. Moreover, statistics derived from multiple sources may not be prepared on a comparable basis. Neither the **[REDACTED]** nor any of their affiliates or advisers, nor we or any of our affiliates or advisers have verified the accuracy of the information contained in such sources. We make no representation as to the accuracy of the information contained in such sources, which may not be consistent with other information compiled within or outside the PRC. Accordingly, the industry information and statistics contained herein may not be accurate and should not be unduly relied upon for your investment in our Company or otherwise.

This document contains certain forward-looking statements and information relating to us and the subsidiaries comprising our Group that are based on the beliefs of our management as well as assumptions made by and information currently available to our management. When used in this document, the words "anticipate," "believe," "could," "estimate," "expect," "going forward", "future", "prospective", "intend," "may," "ought to," "plan," "project," "seek," "should," "will," "would" and similar expressions, as they relate to our Company or our management, are intended to identify forward-looking statements. Such statements reflect the current views of our Company's management with respect to future events, operations, liquidity and capital resources, some of which may not materialize or may change. These statements are subject to certain risks, uncertainties and assumptions, including the other risk factors as described in this document. You are strongly cautioned that reliance on any forward-looking statements involves known or unknown risks and uncertainties. The risks and uncertainties facing our Company which could affect the accuracy of forward-looking statements include, but are not limited to, the following:

- our business prospects;
- our future debt levels and capital needs;
- future developments, trends and conditions in the industries and markets in which we operate;
- our strategy, plans, objectives and goals;
- general economic conditions;
- changes to regulatory and operating conditions in the industries and markets in which we operate;
- our ability to reduce costs;
- our dividend policy;
- projects under construction or planning;
- our capital expenditure plans;
- the amount and nature of, and potential for, future development of our business;
- capital market developments;
- the actions and developments of our competitors; and certain statements in the section headed "Financial Information" in this document with respect to trends in prices, volumes, operations, margins, overall market trends, risk management and exchange rates.

Subject to the requirements of the Listing Rules, we do not intend to publicly update or otherwise revise the forward-looking statements in this document, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this document might not occur in the way we expect, or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements in this document are qualified by reference to this cautionary statement.