This summary aims to give you an overview of the information contained in this document. As this is a summary, it does not contain all the information that may be important to you. You should read the whole document before you decide to invest in the ***[REDACTED]****.*

There are risks associated with any investment. Some of the particular risks in investing in the ***[REDACTED]*** *are set out in the section headed "Risk Factors" of this document. You should read that section carefully before you decide to invest in the* ***[REDACTED]****.*

OVERVIEW

We are a petroleum refinery and petrochemical equipment manufacturer based in Henan Province, the PRC. Our products are customized to meets customers' specification and requirements, on a contract basis in which are divided into four product categories, namely (i) SRU and VOCs incineration equipment; (ii) catalytic cracking equipment; (iii) process burners; and (iv) heat exchangers, including their related parts and components, to our downstream customers in the PRC. According to the F&S Report, we were the fifth largest catalytic cracking equipment manufacturer for petroleum refinery and petrochemical operations in the PRC with a market share of approximately 1.8% in terms of revenue in 2021; we were also the second largest SRU and VOCs equipment manufacturers in petroleum refinery and petrochemical operation in the PRC with a market share of approximately 4.7% in terms of revenue in 2021.

During the Track Record Period, our customers mainly comprised market participants in the petroleum refinery and petrochemical industries in the PRC, which can be further classified into end-users; third-party contractors; equipment manufacturers and others. Established in 1994, we have forged and maintained strong and stable relationship with industry-renowned customers, which included subsidiaries and branches of two of the largest petroleum refinery and petrochemical groups in the PRC; and one of the largest EPC (engineeing, procurement and construction) contractors in this industry in the PRC. The business relationship between our Group and our five largest customers during the Track Record Period has ranged from two to 28 years.

The following table sets out a breakdown of revenue by product categories for the Track Record Period:

	Year ended 31 December					
	2020		2021		2022	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
SRU and VOCs incineration equipment	106,270	45.0	103,968	41.9	75,534	18.0
Catalytic cracking equipment	67,661	28.7	63,273	25.5	251,625	60.0
Process burners	36,761	15.6	29,971	12.1	45,046	10.8
Heat exchangers	25,393	10.7	50,832	20.5	46,868	11.2
Total	236,085	100.0	248,044	100.0	419,073	100.0

We have two production facilities in Luoyang city, Henan province, the PRC, with a total gross floor area of approximately 20,807.4 sq.m. which one is responsible for the production of SRU and VOCs incineration equipment and catalytic cracking equipment, and the other one is responsible for the production of process burners and heat exchangers. As at the Latest Practicable Date, our production facilities are equipped with our major production machinery and equipment, including but not limited to lathe, welding machine, rolling machine, lifting machine, cutting machine, flaw detector and press machine. For the year ended 31 December 2022, the utilization rates of each of our two production facilities was approximately 82.1% and 51.7%, respectively. For further details of our production facilities and utilization rates, see "Business — Production facilities" and "Business — Properties" in this document.

During the Track Record Period and up to the Latest Practicable Date, our principal market has been the PRC. Internationally, we have also established overseas presences in Hong Kong, Canada and Brazil with a view to expanding our market presence. During the Track Record Period, our revenue was substantially generated from contracts with customers located in the PRC.

For the years ended 31 December 2020, 2021 and 2022, our revenue was approximately RMB236.1 million, RMB248.0 million and RMB419.1 million, respectively. Our net profit for the same period was approximately RMB34.1 million, RMB13.2 million and RMB36.5 million, respectively.

COMPETITIVE STRENGTHS

We believe that our success and potential for future growth are largely attributable to the following competitive strengths:

- Leveraging on our years of experience, we have accumulated a wealth of industry knowhow
- We have established and maintained strong and stable business relationships with our major customers
- We possess strong research and development and design capabilities
- We have an experienced management team

BUSINESS STRATEGIES

We plan to implement the following strategies to leverage on our competitive strengths to capture the growing market demand and solidify our market position:

- Increase our production capacity and capabilities to expand our sale of operation
- Further strengthen our design and research and development capabilities
- Expand our business presence in overseas markets

OUR CUSTOMERS

The table below sets out the breakdown of revenue by customer type during the Track Record Period:

	Year ended 31 December					
	2020		2021		2022	
	RMB'000	%	*RMB'000*	%	*RMB'000*	%
End-users	144,102	61.0	169,053	68.2	384,300	91.7
Third-party contractors	71,754	30.4	40,146	16.2	30,117	7.2
Equipment manufacturers	14,519	6.2	34,713	14.0	3,762	0.9
Others[(1)]	5,710	2.4	4,132	1.6	894	0.2
	236,085	100.0	248,044	100.0	419,073	100.0

Note:

(1) Others mainly consist of sale of equipment to trading companies and research centre during the Track Record Period, which our Directors consider this represented an insignificant part of our total revenue.

We have established stable and long-term business relationship with our major customers. For the years ended 31 December 2020, 2021 and 2022, revenue from our five largest customers amounted to approximately RMB111.3 million, RMB116.4 million and RMB318.0 million, representing approximately 47.1%, 46.9% and 76.1% of our total revenue, respectively, among which revenue from our largest customer amounted to approximately RMB29.8 million, RMB51.7 million and RMB253.4 million, representing approximately 12.6%, 20.8% and 60.6% of our total revenue, respectively. For details of our customers, please refer to section headed "Business — Our Customers" in this document.

OUR SUPPLIERS AND PROCUREMENT

The principal materials procured by us are steel materials such as steel plates and steel pipes, and components such as fire resistant materials (耐火材料), electrical parts, water-sealed tanks, converters and reactors. We purchase certain materials and instruments from designated suppliers outsider the PRC under our customers' requests, other than that, we purchase most of our materials and components from local suppliers in the PRC. We generally engage third parties for transportation, installation and consulting services for conducting site visits, technical study and cost estimation study in preparation of tender documents.

We maintain a list of qualified suppliers, including materials and components suppliers and service suppliers, and have in place a set of selection criteria for suppliers including various factors such as quality of work, pricing, reputation in the industry, their qualification and financial position and whether they can complete the work within the expected timeframe as specified by us.

We have established stable and long-term business relationship with our major suppliers. For the years ended 31 December 2020, 2021 and 2022, purchases from our five largest suppliers amounted to approximately RMB18.7 million, RMB40.9 million and RMB53.5 million, representing approximately 12.6%, 23.0% and 18.5% of our total cost of goods sold, respectively, among which purchases from our largest supplier amounted to approximately RMB4.9 million, RMB10.6 million and RMB14.9 million, representing approximately 3.3%, 6.0% and 5.2% of our total cost of goods sold, respectively. For details of our suppliers, please refer to section headed "Business — Our Suppliers" in this document.

SALES AND MARKETING AND PRICING POLICY

During the Track Record Period and up to the Latest Practicable Date, we identify potential business opportunities mainly through tendering or quotation and direct negotiation with customers. In order to maintain good relationships with our customers, we may also schedule visits with our customers based on the communication and arrangements with individual customers. We determine our pricing on a case-by-case basis by adopting a cost-plus pricing model, where we determine the price of our equipment by taking into account various factors such as the cost of materials and components, overhead, labour costs, transportation costs, technical requirement, customer relationships, competitive landscape, production schedule, contract sum and our business strategies adopted from time to time.

MAJOR COST COMPONENTS

During the Track Record Period, our cost of goods sold comprises (i) materials and components used; (ii) outsourcing service fees; (iii) direct labour; (iv) taxes and levies; (v) royalty fee; and (vi) manufacturing overhead which mainly included electricity and fuel, repair and maintenance, depreciation of property, plant and equipment related to our productions, production safety cost and others. Our cost of goods sold amounted to approximately RMB148.6 million, RMB177.1 million and RMB286.1 million for the years ended 31 December 2020, 2021 and 2022, respectively. The fluctuation in our cost of goods sold during the Track Record Period were generally in line with our fluctuation in revenue for the same period. Please refer to "Financial Information — Description of Selected Items in the Consolidated Statements of Comprehensive Income — Cost of good sold" in this document for further details.

MARKET COMPETITION

According to the F&S Report, the PRC market of petroleum refinery and petrochemical equipment is fragmented. In 2021, there were over 40,000 petroleum refinery and petrochemical equipment manufacturers in China's petroleum and petrochemical equipment markets. According to the F&S Report, we were the fifth largest catalytic cracking equipment manufacturer for petroleum refinery and petrochemical operations in the PRC with a market share of approximately 1.8% in terms of revenue in 2021; we were also the second largest SRU and VOCs equipment manufacturers in petroleum refinery and petrochemical operation in the PRC with a market share of approximately 4.7% in terms of revenue in 2021. Based on our past performance and the fact that we are one of the few equipment manufacturers in the industry that possess both design engineering and manufacturing capabilities in China's petroleum refinery and petrochemical equipment industry as of 2021, according to the F&S Report, we believe we are one of the key market players in the PRC petroleum refinery and petrochemical equipment industry and we set certain national standards and codes in the industry. Please refer to "Industry Overview — Competitive Landscape of Petroleum Refinery and Petrochemical Equipment Industry" in this document for more details.

PRINCIPAL RISK FACTORS

Our business and the **[REDACTED]** involve certain risks, which are set out in "Risk Factors" in this document. You should read that section in its entirety before you decide to invest in the **[REDACTED]**. Some of the major risks we face include:

- 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;

- 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;

- 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;

- 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; and

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

KEY FINANCIAL INFORMATION

The tables below set forth the selected financial and operating data from our consolidated financial information for the years indicated below. For more details on the financial information, see "Financial Information" and the Accountants' Report in Appendix I to this document.

Selected consolidated statements of profit or loss and other comprehensive income

	Year ended 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Revenue	236,085	248,044	419,073
Gross profit	87,528	70,898	133,016
Other income and gains, net	4,408	8,577	1,824
Profit before tax	41,038	17,643	44,100
Profit for the year	34,104	13,246	36,533

Non-HKFRS measure

To supplement our consolidated financial statements which are presented in accordance with HKFRS, we also presented adjusted profit and adjusted net profit margin as non-HKFRS financial measures which are not required by, or presented in accordance with HKFRS. We believe that the presentation of non-HKFRS financial measures when shown in conjunction with the corresponding HKFRS financial measures provides useful information to potential investors and management in understanding and evaluating our operating performance from period to period by eliminating potential impact of non-recurring item that does not affect our ongoing operating performance. In addition, the non-HKFRS financial measures may be defined differently from similar terms used by other companies and therefore, may not be comparable to similar measures presented by other companies.

The following table sets forth the adjusted profit and adjusted net profit margin in each respective year during the Track Record Period:

	Year ended 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Profit for the year	34,104	13,246	36,533
Add: **[REDACTED]** expenses	2,457	5,076	9,367
Adjusted profit for the year *(unaudited)*[(1)]	36,561	18,322	45,900
Adjusted net profit margin for the year *(unaudited)*[(2)]	15.5%	7.4%	11.0%

Notes:

(1) We calculated the adjusted profit for the year by adding back the **[REDACTED]** expenses to the profit for the year as presented in accordance with HKFRS.

(2) We calculated the adjusted net profit margin by dividing adjusted net profit for the year by revenue for the year and multiplied by 100%.

Revenue

Our revenue increased by approximately RMB11.9 million or 5.0% from approximately RMB236.1 million for the year ended 31 December 2020 to approximately RMB248.0 million for the year ended 31 December 2021, primarily driven by the increase in revenue from sales of heat exchangers by approximately RMB25.4 million as a result of the increase in demand for our heat exchangers from more customers and some of the orders from our customers delivered with relatively larger contract sum; and partially offset by the decrease of sales of process burners by approximately RMB6.8 million, which was mainly attributable to the decrease in sale orders from our customers and overall smaller contract sum; and we were requested by certain customers to delay in delivery of our equipment as agreed as their designated construction sites were not ready for installation.

Our revenue further increased to approximately RMB419.1 million for the year ended 31 December 2022, representing a growth of approximately RMB171.1 million or 69.0% as compared to that of 2021. Such increase was mainly due to the increase in revenue of sales of catalytic cracking equipment and process burners by approximately RMB188.3 million and RMB15.0 million, respectively as a result of increased demand for our products, and partially offset by the decrease in revenue of sales of SRU and VOCs incineration equipment by approximately RMB28.4 million, during the year ended 31 December 2022.

Gross profit and gross profit margin

The following table sets forth our gross profit and gross profit margin by product categories for the Track Record Period:

	Year ended 31 December					
	2020		2021		2022	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
SRU and VOCs incineration equipment	32,185	30.3	24,328	23.4	22,785	30.2
Catalytic cracking equipment	27,998	41.4	18,924	29.9	79,921	31.8
Process burners	17,223	46.9	15,778	52.6	15,377	34.1
Heat exchangers	10,122	39.9	11,868	23.3	14,933	31.9
Total/overall	87,528	37.1	70,898	28.6	133,016	31.7

Our gross profit decreased by approximately RMB16.6 million from approximately RMB87.5 million for the year ended 31 December 2020 to approximately RMB70.9 million for the year ended 31 December 2021, mainly because our revenue growth for 2021 by approximately 5.0% was in a less extent to our increase in cost of goods sold of approximately 19.2%, as a result of increase in the cost of materials and components used by approximately 17.8% and increase of outsourcing service fee by approximately 19.1%. Our gross profit increased by approximately RMB62.1 million to approximately RMB133.0 million for the year ended 31 December 2022, which largely aligned our growth in revenue and resulted from the gradual decrease in steel price from October 2021 due to the high inventory levels and insufficient demand in PRC according to the F&S Report.

For a more detailed discussion, see "Financial Information" in this document.

Selected consolidated statements of financial positions

	As at 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Total non-current assets	116,482	130,869	123,585
Total current assets	208,592	290,962	468,938
Total non-current liabilities	16,000	33,000	24,000
Total current liabilities	122,308	182,945	328,033
Net current assets	86,284	108,017	140,905
Total equity	186,766	205,886	240,490

We recorded net current assets of approximately RMB86.3 million, RMB108.0 million and RMB140.9 million as at 31 December 2020, 2021 and 2022, respectively. Please refer to "Financial Information — Net Current Assets" in this document for more details.

Selected consolidated statements of cash flow statements

	Year ended 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Net cash (used in)/generated from operating activities	(7,110)	(4,952)	1,032
Net cash generated from/(used in) investing activities	40,235	(29,274)	5,273
Net cash (used in)/generated from financing activities	(16,172)	19,280	1,529
Net increase/(decrease) in cash and cash equivalents	16,953	(14,946)	7,834
Effect of changes in foreign exchange rate	(144)	(40)	384
Cash and cash equivalents at beginning of year	11,349	28,158	13,172
Cash and cash equivalents at end of year	28,158	13,172	21,390

For further details on our cash flows, please refer to "Financial Information — Liquidity and Capital Resources — Cash flows."

Key financial ratios

	Year ended 31 December		
	2020	**2021**	**2022**
Return on equity	18.3%	6.4%	15.2%
Return on total assets	10.5%	3.1%	6.2%
Interest coverage	21.6 times	6.4 times	12.8 times
Gross profit margin	37.1%	28.6%	31.7%
Net profit margin	14.4%	5.3%	8.7%

	As at 31 December		
	2020	**2021**	**2022**
Current ratio	1.7 times	1.6 times	1.4 times
Quick ratio	1.4 times	1.3 times	1.3 times
Gearing ratio	23.0%	31.9%	32.7%
Net debt to equity ratio	7.9%	25.5%	23.8%

For the analysis of our key financial ratios, please refer to the section headed "Financial Information — Key Financial Ratios" in this document.

RESEARCH AND DEVELOPMENT

Our Directors believe that our established industry knowhow and research and development capabilities contribute significantly to our success in the industry. We have been participating in the preparation and drafting of national industry codes such as the "Testing and Measurements Codes of Burner Tubular Heater in Petrochemical Industry" (石油化工管式爐用燃燒器試驗檢測程) and "Technical Specification for Burners of Tubular Heater in Petrochemical Industry" (石油化工管式爐燃燒器工程技術條件) and our research and development teams is led by Mr. Shao Song, our executive Director, Mr. Zhang Xian and Mr. Jin Xuli, our senior management team, who have more than 20 years of experience in the petroleum refinery and petrochemical equipment industry. As of the Latest Practicable Date, we (i) have collaborated with and established one testing and research center with one of Callidus's related parties and one research and development center with Huazhong University of Science and Technology, respectively; (ii) have had approximately seven senior engineers, 48 engineers and seven assistant engineers; and (iii) have 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.

OUR CONTROLLING SHAREHOLDERS

As of the Latest Practicable Date, Mr. Lu Bo (together with Riches Development, One Ideal Limited and Now Wealth Limited) and Ms. Lu Xiaojing (together with Richen Development, Lady Jing Limited and LXJ Limited), held approximately 43.78% and 43.78% shareholdings of our Company, respectively. As such, Mr. Lu Bo (together with Riches Development, One Ideal Limited and Now Wealth Limited) and Ms. Lu Xiaojing (together with Richen Development, Lady Jing Limited and LXJ Limited) will each be entitled to exercise voting rights of approximately **[REDACTED]**% of the total issued share capital of our Company upon completion of the Capitalisation Issue and the **[REDACTED]** (assuming the **[REDACTED]** is not exercised) and are considered as our Controlling Shareholders upon **[REDACTED]**. Please refer to the section headed "Relationship with our Controlling Shareholders" in this document for further details.

PRE-[REDACTED] INVESTMENTS

We undertook Pre-**[REDACTED]** Investments in preparation for the **[REDACTED]**. Immediately following completion of the Capitalisation Issue and the **[REDACTED]** (assuming the **[REDACTED]** is not exercise), the issued share capital of our Company is owned as to the Pre-**[REDACTED]** Investors, namely, Mr. Tang Yinsheng, Mr. Li Hua and Mr. Li Yijun by approximately **[REDACTED]**%, **[REDACTED]**% and **[REDACTED]**%. See "History, Reorganisation and Corporate Structure — Pre-**[REDACTED]** Investments" to this document for further details.

BUSINESS ACTIVITIES WITH CUSTOMERS IN RELATION TO COUNTRIES/REGIONS SUBJECT TO INTERNATIONAL SANCTIONS

During the Track Record Period, we had sales and deliveries of our products including process burners and SRU and VOCs incineration equipment to Relevant Sanctioned Regions. 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.

Our International Sanctions Legal Adviser has advised us, based on the procedures and the assumptions and qualifications set forth in its Opinion, that for purposes of the HKEX Sanctions Guidance, the U.S. may be a Relevant Jurisdiction with respect to certain activities of our Company, and that such sales and deliveries to customers in the Relevant Sanctioned Regions during such period (a) did not constitute Primary Sanctioned Activity under U.S. law and (b) did include certain transactions that might potentially qualify as Secondary Sanctionable Activity under U.S. law, and that the risks that such conduct described (b) might result in the imposition of significant penalties are low, and may be further mitigated by additional remedial measures, but cannot be excluded. We intend to continue to sell our products to customers in countries/regions subject to International Sanctions except for the Sanctioned Countries and Relevant Sanctioned Regions after **[REDACTED]** if and when suitable business opportunity arises, subject to our strict adherence to our internal control and risk management measures. To identify and monitor our exposure to risks associated with sanctions laws relating to these sales, we will implement relevant internal control measures to protect the interests of our Group and our Shareholders. For details, please refer to the section headed "Business — Business Activities with Customers in relation to Countries/Regions subject to International Sanctions — Our internal control measures to minimize sanctions risk" in this document.

LEGAL PROCEEDINGS AND REGULATORY COMPLIANCE

During the Track Record Period and up to the Latest Practicable Date, there was no litigation or arbitration pending or threatened against our Group or any of our Directors which could have a material adverse effect on our Group's financial condition or results of operations. During the Track Record Period, we were involved in certain non-compliance incidents in relation to the failure to make social insurance and housing provident fund contributions in full. Please refer to section headed "Business — [Legal Proceedings" and "Business — Regulatory Compliance]" for further details. Save as the above, our Directors confirm that our Group has been in compliance in all material aspect with the applicable laws and regulations, and was not involved in any other legal proceedings or disputes of material importance or subject to any material claims, damages or losses during the Track Record Period and up to the Latest Practicable Date.

FUTURE PLANS AND [REDACTED]

We estimate that the net **[REDACTED]** from the **[REDACTED]** (after deducting **[REDACTED]** commissions, fees and estimated expenses payable by us in connection with the **[REDACTED]**), assuming an **[REDACTED]** of HK$**[REDACTED]**, being the mid-point of the indicative **[REDACTED] [REDACTED]** of HK$**[REDACTED]** and HK$**[REDACTED]** per Share as stated in the **[REDACTED]**, and that the **[REDACTED]** is not exercised, will be approximately HK$**[REDACTED]** (equivalent to approximately RMB**[REDACTED]**). We currently intend to apply the net **[REDACTED]** from the **[REDACTED]** in the following manner:

- approximately HK$**[REDACTED]** (equivalent to RMB**[REDACTED]**), representing approximately **[REDACTED]**% of the net **[REDACTED]** from the **[REDACTED]**, will be used to partially finance the construction of the New Production Facility to increase our production capacity and capabilities

- approximately HK$**[REDACTED]** (equivalent to approximately RMB**[REDACTED]**), representing approximately **[REDACTED]**% of the net **[REDACTED]** from the **[REDACTED]**, will be used to further strengthen our design and research and development capabilities

- approximately HK$**[REDACTED]** (equivalent to approximately RMB**[REDACTED]**), representing approximately **[REDACTED]**% of the net **[REDACTED]** from the **[REDACTED]** will be used for our general working capital and general corporate purposes.

Please refer to the section headed "Future Plans and **[REDACTED]** — **[REDACTED]**" in this document for further details.

[REDACTED]

[REDACTED]

DIVIDENDS

For the year ended 31 December 2021, our Company declared dividends of approximately USD2.8 million (equivalent to approximately RMB19.3 million) to shareholders. For the year ended 31 December 2020, subsidiaries of our Group, declared dividends, in aggregate, of approximately USD4.1 million (equivalent to approximately RMB27.0 million) to then shareholders. All of such declared dividends have been fully paid as at the Latest Practicable Date.

We do not have any fixed dividend policy nor pre-determined dividend payout ratio. The declaration of dividends is subject to the discretion of our Board. Any declaration of final dividend by our Company shall also be subject to the approval of our shareholders in a shareholders meeting. Our Directors may recommend a payment of dividends in the future after taking into account our operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions, capital expenditure, future development requirements, Shareholders' interests and other factors which they may deem relevant at such time. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents, applicable laws and regulations and approval of our Shareholders. As our Company is a holding company, our ability to declare and pay dividends will depend on the receipt of sufficient funds from our subsidiaries. Any future declarations and payments of dividends may or may not reflect the historical declarations and payments of dividends and will be at the absolute discretion of our Directors.

IMPACT OF OUTBREAK OF COVID-19 ON OUR OPERATIONS

Given the limited impact of COVID-19 on our production and sales, our business and financial conditions have not been materially adversely affected as a result of the COVID-19. The overall financial impact caused by the outbreak of COVID-19 was more visible during the first half of 2020. However, since first quarter of the year is typically the low season of our production and sales and with the rapid resumption of sales and production since February 2020, the impact on our financial performance for the year of 2020 as a whole was not significant. Nonetheless, when and whether COVID-19 could be successfully contained remains uncertain. We cannot guarantee that the outbreak of COVID-19 will not further escalate, which in turn may have a material adverse effect on our business operations. For more information, see "Risk factors — 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".

In the unlikely event that we are forced to completely suspend our business operations due to the outbreak of COVID-19, whether due to government policy or any other reasons beyond our control, taking into account (i) approximately RMB**[REDACTED]** (equivalent to approximately HK$**[REDACTED]**), or **[REDACTED]**% of the net **[REDACTED]** from the **[REDACTED]** which is allocated for working capital and general corporate purposes (assuming an **[REDACTED]** of HK$**[REDACTED]**, being the mid-point of the indicative **[REDACTED]**, and that the **[REDACTED]** is not exercised); and (ii) our cash and cash equivalent of approximately RMB[35.4] million as 28 February 2023. Assuming that (i) our operations have been completely suspended after the Latest Practicable Date; (ii) we will not generate any revenue due to the suspension of business; (iii) fixed operation costs such as rental expenses (including utilities expenses) will be paid in connection with the leased premises; (iv) all employees will be paid based on the minimum salary standards set up by the local government authorities; (v) our expansion plans will be suspended; (vi) there will be no further internal or external financing from shareholders or financial institutions; (vii) no further dividend will be declared and paid; (viii) repayment of bank borrowings will be made for the principal and related interests according to the repayment schedule; (ix) trade and notes payables and other payables will be settled when due; (x) trade and notes receivables will be settled based on the historical settlement pattern and prudential estimates, our Directors estimate that we will be financially viable for not less than eleven months. The abovementioned extreme situation may or may not occur and the abovementioned analysis is for illustrative purpose only. Our Directors currently assess that the likelihood of such situation is remote. The actual impact caused by the outbreak of COVID-19 will depend on its subsequent development, therefore it is a possibility that such impact to our Company may be out of our Director's control and beyond our estimation and assessment.

RECENT DEVELOPMENTS

Recent Development in Our Business Operations and No Material Adverse Change

Subsequent to the Track Record Period and up to the Latest Practicable Date, our Directors confirm that our business model remained stable which was in line with our expectations. As at 31 December 2022, the aggregate contract value (exclusive of VAT) of our contract backlog was approximately RMB409.0 million.

Saved as disclosed in "**[REDACTED]** expenses" in this section, our Directors confirm that, up to the date of this document, there has been no material adverse change in our financial, operational or trading positions or prospects of our Company or its subsidiaries since 31 December 2022, being the end of the reporting period set out in the Accountants' Report in Appendix I to this document, and there has been no event since 31 December 2022 which would materially affect the information shown in Appendix I to the document.

Recent Regulatory Developments Relating to Overseas Listing

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.

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. As at the Latest Practicable Date, the Overseas Listing Trial Measures are yet to take effect.