RISK FACTORS

An [REDACTED] in our H Shares involves risks. You should carefully consider all of the information in this document, including our consolidated financial statements and related notes before making an [REDACTED] in our H Shares.

You should pay particular attention to the fact that our business is located in the PRC and we are governed by a legal and regulatory environment which in some respects may differ from that which prevails in other countries. Our business, financial conditions, results of operations and prospects could be materially and adversely affected by any of these risks. The [REDACTED] of our H Shares may decline due to any of these risks, and you may lose all or part of your [REDACTED]. This document also contains forward-looking information that involves risks and uncertainties. Our actual results could differ materially from those anticipated in the forward-looking statements as a result of many factors, including the risks described below and elsewhere in this document.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

Our business and future growth are subject to macroeconomic conditions in the PRC, particularly in Tianjin, and changes in market demand for our services, which are beyond our control.

Our business and future growth depend on macroeconomic conditions and levels of construction and infrastructure development in the PRC, particularly in Tianjin where our business is focused. During the Track Record Period, most of our revenue was derived from our construction projects located in Tianjin. Therefore, our business is particularly susceptible to the macroeconomic conditions and government spending on public construction works in Tianjin.

We cannot assure that the macroeconomic conditions, GDP, fixed asset investment or the demand for construction services in the PRC or Tianjin, in particular, will continue to grow at historical rates, or at all. Any change in the macroeconomic conditions in the PRC or Tianjin, in particular, concerning the construction industry or a downturn in the construction industry in the PRC or Tianjin, in particular, could adversely affect the business and financial position of our customers and therefore the demand for our services, which in turn could have a material and adverse effect on our business, financial conditions and results of operations.

Our operations are subject to extensive government policies and regulations and we are particularly susceptible to adverse changes in policies and regulations affecting the construction industry.

Our business operations are governed by a wide range of laws, regulations and policies relating to the construction industry set out by the PRC Government or relevant authorities. The underlying requirements in relation to the renewal or grant of qualifications, licenses and permits, approval of construction works and projects, as well as compliance with various industry standards and regulations may change from time to time.

Furthermore, for each of the three years during the Track Record Period, our revenue generated from the construction projects located in Tianjin amounted to RMB91.5 million, RMB255.2 million and RMB279.7 million, representing 99.1%, 92.9% and 97.4% of our total revenue generated from our construction services, respectively. Therefore, we may be susceptible to adverse changes in local government policies affecting the construction industry in Tianjin where we primarily conduct our business, including the policies that affect local government budgets and private sector participation in the related industry. These policies may affect the level of activity in the local construction industry and, in turn, affect the number of construction projects available to us.

There can be no assurance that the PRC Government will not adopt additional industry-related policies in the future, which may have a material and adverse effect on our business, financial conditions and results of operations.

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

Our working capital, future operations and cash flow are largely dependent on the timely settlement of the payments by our customers. It generally takes one month to one year to complete the required construction works for our construction projects, and depending on the scale and complexity of the project. Moreover, even after we have completed the work required, the process of settlement audit as well as the internal procedures for our customers to settle their payments to us afterwards may take months to complete, therefore it may take more than one year for us to receive the corresponding payments for our construction works after completion of the relevant projects, which may affect our working capital and cash flow position. If we experience delays in payments from our customers, our trade and accounts receivables will increase. In addition, we may make payments in advance for procuring construction materials, equipment and labor at the beginning of a project or before achieving certain project milestones. As such, if our customers fail to make timely payments or default on payments, or if there is a lapse in time between the receipt of payments from our customers and the payments we owe to our suppliers, our results of operations would be adversely affected and our working capital would be reduced. In the event that we are unable to generate sufficient cash flow from our operations or are otherwise unable to obtain sufficient funds to bridge the temporary cash flow mismatch, our liquidity and financial condition may be materially and adversely affected.

Our trade and bills receivables amounted to RMB31.9 million, RMB90.7 million and RMB118.1 million as of December 31, 2020, 2021 and 2022, representing 19.4%, 29.7% and 27.3% of our total assets, respectively. As of December 31, 2020, 2021 and 2022, the provision for impairment losses on trade and bills receivables amounted to RMB0.7 million, RMB2.3 million and RMB6.3 million, respectively, accounting for 2.2%, 2.5% and 5.3% of our trade and bills receivables, respectively. For each of the three years during the Track Record Period, our average trade and bills receivables turnover days were 107.5 days, 83.3 days and 141.5 days, respectively. Our trade receivables aged over one year based on invoice and due dates amounted to RMB23.5 million as of December 31, 2022. For further details, please refer to the section headed "Financial Information — Description of Selected Items of the Consolidated Statements of Financial Position — Trade and bill receivables" in this document. There can be no assurance that we will be able to collect all or any of our trade and bill receivables, and we may record impairment losses on such receivables in the future, which could have a material and adverse effect on our business, results of operations and financial conditions.

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

Contract assets are recognized when our Group recognizes revenue before being unconditionally entitled for billing under the payment terms are set out in the contract (such as upon completion of settlement audit). For details of the accounting treatments of our construction projects, please refer to the section headed "Financial Information — Description of Selected Items of the Consolidated Statements of Financial Position — Contract Assets" in this document. Contract assets are transferred to receivables when the rights to the consideration have become unconditional which usually occurs when we measure the progress and bill our customers. Our Group recorded contract assets of RMB46.4 million, RMB126.6 million and RMB214.7 million as of December 31, 2020, 2021 and 2022, respectively.

There can be no assurance that the financial position of our customers will remain solvent, or that our customers will settle our progress payment or release the retention fee on time after expiry of the warranty period, or that we will be able to recover our contract assets in full or at all in the future. If we are unable to receive our progress payments and retention fee or recover our contract assets, our liquidity and financial position may be materially and adversely affected.

If we are unable to perform our contracts with customers and fulfill our obligations, our financial position and results of operations may be adversely affected.

Generally, several factors may lead to project delays, including but not limited to: (i) failure to obtain various regulatory approvals, licenses or permits from government agencies as scheduled; (ii) delivery delays caused by shortages of key equipment, materials or labor; (iii) suspension of the construction of certain outdoor projects ordered by authorities during severe air pollution or other extreme weather conditions; (iv) quality problems with equipment; and (v) unanticipated engineering, design, environmental or geological problems. Any failure or delay during the construction of a project could result in a delay or reduction in payment by the project owners to us and could have a material and adverse effect on our reputation, business, financial position and results of operations.

If we fail to fulfill our obligations under our contracts with customers, we may not receive the payments from our customers, and our customers may require us to refund the payments received or seek damages under the contracts, which may adversely affect our cash flow and liquidity position and our ability to meet our working capital requirements, which in turn could affect our financial position and results of operations.

If we are unable to accurately estimate or control our costs for projects, or there are substantial changes to the scope of work we are required to perform, we may incur additional expenses, which could adversely affect our profitability.

We enter into contracts which usually charge construction fee based on fixed unit price or a fixed contract sum for our construction services that take place over a period of time. We are responsible for our own costs and risks of the construction work pursuant to the contracts from time to time. Cost overruns may occur due to the evolving macroeconomic conditions, variations in labor and equipment productivity, price fluctuations of raw materials, cost fluctuations of labor and unforeseen conditions. Our profitability is vulnerable to changes in the cost of projects. Cost overruns may result in lower profit margin or even losses in a project. Total costs incurred in any project may be influenced by a variety of factors, including but not limited to availability of subcontractors, materials and equipment, changes in project scope or conditions, fluctuations in the market prices of materials and performance of subcontractors, many of which may be beyond our control. Increases in costs in any particular project, especially to the extent that such increases were unforeseen at the time when we entered into the contract and that such increases were not factored into the initial pricing and were not otherwise passed to our clients, may lead to lower-than-expected profits or even losses for us, which could materially and adversely affect our business, financial conditions and results of operations.

We face intense competition in our industry, which could adversely affect our business.

According to the Frost & Sullivan Report, the municipal public construction industry is highly fragmented in Tianjin. Accordingly, we face intense competition from a significant number of state-owned and state-controlled construction companies which provide similar services or alternatives. Some of these competitors may have greater capital, financial, technical and marketing resources and are endorsed by the government. There can be no assurance that we will be able to increase or maintain our existing market share and maintain our leading position. Our competitors may be capable of providing better services and responding to market changes faster and more effectively than us. Such intense competition would adversely and materially affect our business operations and financial conditions.

We may not be able to maintain our current tender success rate.

Due to the nature of our industry, most of our revenue is derived from contracts awarded through tendering and such contracts are not recurring in nature. During the Track Record Period, a vast majority of our revenue was generated from projects that were awarded by tender. There can be no assurance that we will be invited to participate in tender processes and even if we are invited, our tender success rate is not within our control. Therefore, there can be no assurance that we will succeed in tender processes, and maintain or increase our tender success rate.

Moreover, we may not be awarded with new contracts by our customers upon expiry of the existing contracts. If our Group is not able to maintain the current tender success rate, or if we are unable to secure new projects with a contract sum similar to, or larger than, that of our current projects on a continuous basis, our revenue and operation may be materially and adversely affected. Besides, it takes approximately several months for project identification and contract signing, thus the time and effort spent on the bidding may also adversely affect the business operations of our Group.

There is no guarantee that our existing customers will continue engaging us in future business.

We are awarded construction projects on a project-by-project basis by our customers. Accordingly, our existing customers are not obligated to award projects to us or to place new orders, and there is no guarantee that we will be able to secure new business from our customers despite the long-term relationships we may have established with certain customers. As a result, our revenue and the number of projects we are able to secure may vary from period to period, and it is difficult to accurately predict our future business. In addition, there can be no assurance that we will be able to secure future business from our existing customers, or that we will be able to obtain new customers, in which case our business, results of operations and prospects would be materially and adversely affected.

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

Our construction projects may place our employees or subcontracted workers in potentially hazardous environments in close proximity to heavy construction machinery and equipment, moving motor vehicles, highly volatile materials. Despite the implementation of safety policies and standardized construction methods and techniques, our employees and subcontracted workers are still exposed to risks associated with our construction activities, such as equipment failure, industrial accidents, geological catastrophes, fires and explosions. These hazards may cause personal injury or fatalities, as well as damage or destruction of our properties and equipment. There can be no assurance that workplace accidents will not occur in the future, despite the implementation of safety policies and measures. Even if such accidents are not caused by our fault or negligence, such accidents may result in disciplinary action by the PRC Government and/or cause us to incur substantial costs and damage to our reputation, which could have a material and adverse effect on our business, financial position and results of operations.

We have limited control over the quality, availability and performance of our subcontractors.

We may lack the technical qualifications for certain specific types of construction works in a project, including but not limited to electricity system construction, fire protection and waterproofing works. Thus, from time to time, we engage subcontractors to provide labor services and ancillary construction services in the course of our project execution. Despite the fact that we have policies in place to monitor and check on the performance of our subcontractors from time to time, we may not be able to monitor such subcontractors as closely and effectively as we monitor our own employees. There can be no assurance that each of our subcontractors has the level of skills and competence required by us. If the services rendered by the subcontractors are not timely delivered or their work is of low quality, we may incur extra costs for engaging alternative subcontractors to remediate the work or we may be liable to compensate our customers for the delay in the project schedule, which in turn would affect our results of operations and profitability.

Our business operations are subject to adverse weather conditions, severe air pollution, natural disasters and other seasonality.

Most of our construction projects are conducted outdoors, therefore our projects may be adversely affected by severe weather conditions and air pollution. For instance, we may experience significant project delays caused by inclement weather, such as protracted periods of precipitation or extreme temperatures. We may also be ordered by authorities to temporarily halt certain construction projects during times of severe air pollution. These situations could result in our inability to meet key milestones set forth in our construction contracts, and cause us to incur additional costs. In addition, natural disasters and other operating hazards, such as earthquakes, floods, typhoons, landslides or fire, may interrupt our construction projects. Substantial damage to our projects caused by any of these events or the resulting disruptions, technical or mechanical difficulties or sourcing difficulties could be costly and time-consuming to repair and may disrupt our operations. Moreover, we could be forced to suspend or abandon our construction projects, which may cause us to incur additional costs and experience delays in the schedule of our construction projects. Any significant delay or interruption could impair our ability to meet our contractual obligations and cause us to be liable for damages or result in cancellation of orders by our customers, any of which could negatively affect our reputation, business and results of operations.

In addition, our construction business is affected by seasonality, primarily due to latent construction activities during the Chinese New Year and climate differences in different regions covered by our construction business. Our construction operations are primarily located in Tianjin, which may face limitations during the winter. Moreover, most of our construction projects may be completely suspended during the Chinese New Year period. Although we may overcome some seasonal impacts to our construction business with the advancement of our technology and improvement of equipment, we may nonetheless incur additional expenses or experience delays in progress when conducting our construction business under inclement conditions.

Our business is concentrated in Tianjin and there is no assurance that our plan to expand to other regions in the PRC will be successful.

To diversify our revenue source and customers base, in addition to business expansion in Tianjin, we plan to explore and develop new business opportunities in other regions in the PRC, where we have little or no operating experience. These new regions may have different competitive landscape, business and regulatory environments, market conditions and customers' preferences. Potential customers in these regions may not be familiar with us and we may need to build up our reputation in such markets through greater investments in marketing activities and participations into the local projects to increase our visibility. We may also find it more difficult in new regions to hire, train and retain qualified employees who share our business philosophy and culture. Therefore, we could not guarantee that we will be able to replicate our business model in other regions.

In addition, we may need additional capital to fund the expansion and investment plan to set up new offices in other regions in the PRC should our expansion plan materialize. In the event that we do not have sufficient operating cashflow, we will need to obtain alternative financing. There is no assurance that we will be able to obtain adequate financing on acceptable terms, or at all. As a result, we cannot assure you that our plan to expand to other regions in the PRC will be successful.

We may encounter difficulty in managing our future growth.

Our total revenue increased from RMB92.4 million in 2020 to RMB288.0 million in 2022, with a CAGR of 76.5% from 2020 to 2022. Our ability to continue to grow our business depends on our ability to continuously and successfully implement our business strategies, which primarily depends on our ability to tender for, and compete for, more construction projects, improve our profitability, as well as capture more business opportunities. The success and growth of our business operations depends on effective management of risks in relation to, among other things, the general macroeconomic conditions and the relationships with our customers and suppliers. Despite we are steadily expanding our business, there can be no assurance that our systems, procedures, controls, personnel and expertise will be adequate to support our future growth. Failure to achieve any of the foregoing, or to manage the risks and uncertainties of measures to achieve the foregoing, could materially and adversely affect our business, financial conditions, results of operations and growth prospects.

We currently have a relatively concentrated customer base. The loss of one or more of our major customers, or a failure to expand our customer base, could negatively affect our results of operations.

We currently derive a substantial portion of our revenue from a limited number of major customers. Although we plan to expand and diversify our customer base, we still expect to be reliant on our major customers for the foreseeable future. For each of the three years during the Track Record Period, 53.9%, 63.5% and 77.1%, respectively, of our total revenues were derived from services provided to our top five customers. If our business relationships with our major customers are terminated or curtailed, the revenue we derive from providing services to them may significantly decrease.

The decrease in the amount of business we do with these limited major customers, the deterioration of our relationships with any major customer, or any material negative trend in markets in which these customers operate, could materially disrupt our operations and our revenue and cash flows from operating activities could be significantly reduced. If we cannot find other potential customers with similar scopes and scales of demand and commercial terms on a timely basis, or at all, the loss of business from any one of such customers could have a material and adverse effect on our business and results of operations, as well as our ability to attract and retain other customers. If we fail to manage such risk or deterioration of our relationships with our major customers, our brand and reputation could also be materially harmed.

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

As raw materials constitute a substantial portion of our cost of sales, we are vulnerable to changes in market prices and the availability of our raw materials. Our raw materials primarily include steel, concrete and other construction materials. For each of the three years during the Track Record Period, cost of materials consumed by us accounted for 37.1%, 48.0% and 41.4% of our cost of sales, respectively. Raw materials prices depend on a variety of factors beyond our control, including the global and PRC economy and related government policies, climatic change and industry demand. For instance, according to the Frost & Sullivan Report, in September 2021, due to the sustained increase in the price of global commodities and the implementation of Measures to Improve the Dual Control System on Energy Intensity and Total Consumption (《完善能源消費強度和總量雙控制度方案》) issued by the NDRC, various cities implemented measures to restrict power consumption and production, leading to a significant decline in output and a situation of supply shortage and high demand. As a result, the prices of raw materials showed a surge in 2021. There can be no assurance that the prices of our raw materials will remain at the same level and that there will not be a shortage of our raw materials. If there is shortage of raw materials or fluctuation in price and we are unable to pass on the corresponding price increases to our customers, our profit margins may decrease, our cost of sales may increase, and our results of operations may be adversely affected.

Further, we typically procure our major raw materials from a list of qualified suppliers, all of whom were domestic companies. In the event of an overall increase in market demand for such materials, we cannot guarantee that we will be able to obtain our principal raw materials from our qualified suppliers in necessary amounts and in a timely manner. If our supplies are disrupted, or if one or more of our current suppliers are unable to meet our requirements for any reason, we may incur substantial costs and delays in our operations. Although we believe that alternative suppliers for our raw materials are readily available, any unanticipated supply interruption may have an adverse effect on our business, financial position and results of operations.

Discontinuation of any of the preferential tax treatments currently available to us can adversely affect our financial conditions and results of operations.

Pursuant to the EIT Law, the EIT rate generally applicable in the PRC has been 25% since January 1, 2008. In November 2019, our Company was certified as a High and New Technology Enterprise* (高新技術企業) and is entitled to enjoy a preferential EIT rate of 15% until 2024, rather than 25% generally applicable to the PRC tax resident enterprises. There can be no assurance that such preferential EIT rate will remain the same or be renewed in the future. Therefore, there can be no assurance that our Company will continue to enjoy the preferential tax rate in the future. If our Company fails to maintain or renew the High and New Technology Enterprise* (高新技術企業) certification or the PRC Government changes its tax policy of supporting new technology development, the EIT rate applicable to us may increase to 25% or other rates as the PRC Government may determine. This can have an adverse effect on our cash flow and financial position.

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

We are subject to risks of contracts being modified, cancelled or even terminated due to certain circumstances that are beyond our control, including project delays and failure of the customers to settle the contract value. There can be no assurance that the contract backlog amount can accurately reflect our profitability in the future. We also cannot guarantee that our backlog amount will be recognized in a timely manner or in full.

In addition, during the Track Record Period, the completion of some of our projects were delayed, thereby contributing to the increasing trend of historical revenue of our Group. Such trend of financial information does not have any implication and may not necessarily reflect our future financial performance. Our future financial performance largely depends on our capability to secure new contracts, maintain our relationships with existing customers and keep our costs similar to the current level. There can be no assurance that such growth rate can be sustained and should our Group experience any stagnation or negative growth in the future, our profitability will be adversely affected.

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

Since we are primarily engaged in the construction related business, we are required to maintain and renew a number of licenses, qualifications and permits. For further details, please refer to section headed "Business — Licenses, qualifications and permits" in this document. To maintain or renew such licenses, qualifications and permits, our Company may be subject to inspections, examinations and inquiries by the relevant government authorities. We cannot guarantee that we will be able to maintain or renew the requisite licenses, qualifications and permits or comply with the new requirements for maintaining those licenses, qualifications and permits if new laws or regulations are promulgated or the existing laws and regulations are amended. Failure in renewing any of the material licenses, qualifications and permits may prevent us from undertaking or carrying out certain types of projects or works or we may be subject to penalties or may incur additional costs. As a result, our business, financial conditions and results of operations may be adversely affected.

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

We are subject to extensive laws and regulations in the PRC at the national and local levels, which govern various aspects of our operations. Despite the implementation of our internal control measures, we cannot assure that our measures are sufficient and effective to prevent our Group from violating laws and regulations in the PRC. Certain legal uncertainties, inconsistent interpretations and enforcement of current PRC laws and regulations, rapid changes in the relevant laws and regulations and their interpretation and enforcement may expose us to the risk of non-compliance with the laws and regulations. We may be subject to administrative or regulatory fines and penalties, including the suspension or revocation of our licenses, if non-compliance is identified and our operations may be hindered or halted, which could have a material and adverse effect on our business and results of operations.

We may be involved in claims and litigations in our ordinary course of business.

We may be involved in claims and litigations in the ordinary course of our business for, among other things, defective or allegedly defective services, personal injuries, damage to or destruction of property, payment disputes, breaches of contract, and project delays. If found liable on such claims, we may face significant monetary damages, as well as find ourselves subject to government sanctions, including fines and the loss of operational licenses, approvals and permits. We may be subject to lengthy and expensive legal proceedings if the dispute is not resolved through negotiations. Furthermore, we might suffer from negative publicity resulting from such claims. There can be no assurance that we will not be subject to future liability claims or that if any such claims were successful, our business prospects, results of operations and reputation would not be materially and adversely affected.

Our risk management and internal control systems may not fully protect us against various risks inherent in our business.

We have implemented risk management and internal control systems consisting of relevant organizational framework policies, risk management policies and risk control procedures. These systems are designed to help us manage our risk exposures, primarily our operational, financial and legal risks. However, we may not be successful in implementing our risk management and internal control systems. While we strive to maintain effective risk management and internal control systems, there can be no assurance that our risk management and internal control systems are adequate or effective. Failure to address potential risks and internal control deficiencies could materially and adversely affect our reputation, business, financial conditions and results of operations.

We may be unable to prevent or detect bribery or other misconducts committed by our employees or third parties.

We may be exposed to bribery and other misconducts including, among other things, acceptance of kickbacks, bribes or other illegal benefits or gains by our employees or third parties. Our risk management and internal control systems are designed to monitor our operations and ensure overall compliance, however, its effectiveness depends on the implementation and adherence by our employees. There can be no assurance that all of our employees will adhere to such policies and procedures, and the implementation of such policies and procedures may involve human errors. Although we have implemented measures to detect and prevent the misconduct of employees and third parties, there can be no assurance that our internal control systems will be effective in preventing corruption, bribery or other illegal activities. Moreover, our growth and expansion may affect our ability to implement stringent risk management and internal control policies and procedures. If we fail to timely adopt, implement and modify, as applicable, our risk management and internal control policies and procedures, our business, financial conditions and results of operations could be materially and adversely affected.

Our insurance policies may not be adequate to cover all risks of loss associated with our business operations.

We maintain insurance policies in accordance with the needs of our business and the requirements set forth in relevant laws and regulations. However, there can be no assurance that the insurance policies will provide adequate coverage for all of the risks associated with our business operations. If we are to incur substantial liabilities that are not covered by our insurance policies or if we suffer extended periods of disruption or interruption in our business operations, we could incur significant costs and losses that could materially and adversely affect our results of operations. In addition, the occurrence of certain incidents, including earthquakes, fires, adverse weather conditions, war, floods, power outages, equipment failures, construction accidents and the consequences, damages and disruptions resulting from any of the foregoing incidents, may not be covered adequately, or at all, by our insurance policies. Any uninsured losses or liabilities may cause us to incur substantial costs and the diversion of resources, which could have an adverse effect on our business operations.

We may be exposed to intellectual property disputes and infringement claims, which may harm our reputation and profitability.

We rely upon a combination of patents, trademarks, software copyrights and domain names to protect us against infringement. As of the Latest Practicable Date, we had registered 82 intellectual property rights. We may have to resort to litigation to enforce our intellectual property rights and protect our proprietary information. Any legal proceeding, litigation or claim, brought by us or against us, can incur additional costs, divert our management's attention and resources, and hence may undermine our profitability. In addition, there can be no assurance that our employees will not breach the employee confidentiality agreements and therefore we cannot ensure that there will not be any misappropriation of proprietary information. Any case of such misappropriation may result in a decrease in our revenue and a decline in our competitiveness.

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

Our success depends, to a significant extent, on the services and efforts of our senior management and key personnel and our ability to attract, retain and motivate them. We may compete with other regional and national construction companies for experienced management and qualified personnel, and the competition may be intense. There can be no assurance that we will be able to continue to attract and retain the qualified personnel essential for our growth. The loss of services of any employees holding important positions or possessing industry expertise or experience, especially specialized key technical personnel, could have an adverse impact on our business operations. If we are unable to timely recruit replacement personnel with the equivalent qualifications, our growth and success could be adversely affected.

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

We believe that R&D is of great importance to our business owing to the constantly evolving construction industry. We have dedicated a significant amount of efforts into developing our construction project management system and construction technologies. Through R&D, we endeavor to enhance the efficiency and effectiveness of our construction solutions and to develop more innovative construction solutions so as to maintain or even enhance our competitiveness in the construction industry. However, the achievements of our R&D may not be realized within the timeline as expected by us and there may also be discrepancy between the expected and actual returns resulting from applying the outcome of the R&D. As a result, if the profits generated from our R&D are not able to cover its costs in the short run, our revenue, results of operations and business will be adversely affected in the short run accordingly.

We may experience ineffectiveness in our information technology systems including our construction project management system.

We rely, to a large extent, on our IT systems including our construction project management system for our daily operations and project management. Our IT systems are critical to our operations and also support our key operational processes. Our operating efficiency and risk management practices have been enhanced by such IT systems. However, our IT systems may be subject to risks such as computer viruses, hardware and software failures, telecommunications failures, power outages, fires, natural disasters and other similar events. IT system redundancy (i.e. duplication of systems as a backup) and other IT service measures to protect our systems in cases of breakdown in the above circumstances may be ineffective or inadequate. Such failures or disruptions could adversely impact our business by, among other things, preventing access to our office online system, interfering with customer transactions or impeding the measurement or monitoring of our raw materials, labor and equipment in the project. These events could materially and adversely affect our reputation, financial conditions and operating results, or result in adverse claims or other legal proceedings against us. Although we have not experienced any major IT system breakdown during the Track Record Period, there can be no assurance that our IT systems will always operate without interruption in the future.

We may fail to upgrade as well as adapt and respond timely and effectively to rapidly changing technologies and new trends in IT systems

We have used our Jiexiao System for project management in various phases of construction projects, which contributes to the cost control and effective management of our projects.

We believe that, in light of the technological advancements and new trends in the industry, our ability to continue to utilize technologies in our construction services is crucial to our future success.

Preferences on services may change rapidly in the future as a result of development and progress of technologies. Our existing IT systems applied in our services may become obsolete or less relevant if we fail to accurately predict future development trends, and such changes may tamper our strengths. We may incur significant costs in developing new IT systems and building up such resources and expertise, in order to make use of the latest IT in our operation. Our existing IT systems may become less efficient if their functionalities fail to keep up with industrial standards or trends, following which our customers may become less willing to conduct business with us without effective assistance from our Jiexiao System. We may not be able to identify and respond to these new trends in a timely manner, or at all. Further, substantial time and costs may be required to adjust our IT systems in response to such rapid changes.

We cannot assure that we may keep ourselves abreast with the development of latest technology in the industry in which we operate. In the event that we are unable to accurately predict market trends or adapt to evolving market demand, our ability to innovate and meet stakeholders' needs will suffer and our revenue and profitability, as well as our reputation, may be materially and adversely affected. If we fail to address these developments, there may also be a material and adverse impact on our competitiveness and our ability to meet our growth targets.

RISKS RELATING TO CONDUCTING BUSINESS IN THE PRC

The filing with CSRC may be required in connection with the [REDACTED] and future offering activities, and we cannot predict whether we will be able to complete such filing.

The PRC Government has recently indicated an intent to exert more oversight and control over securities [REDACTED] and other capital markets activities that are conducted overseas and foreign [REDACTED] in PRC-based companies like us.

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

On February 17, 2023, the CSRC released the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies* (《境內企業境外發行證券和上市管理試行辦法》) (the "**Overseas Listing Trial Measures**"), which became effective on March 31, 2023 and stipulates that domestic companies that seek to offer or list securities overseas, both directly and indirectly, shall complete the filing procedures and report relevant information to the CSRC. Pursuant to the Overseas Listing Trial Measures, any PRC company limited by shares are required to file with the CSRC within three business days after its application for overseas listing is submitted. We will file with the CSRC within the specific time limit as required by the Overseas Listing Trial Measures to ensure our compliance in all respects. Given that the Overseas Listing Trial Measures were recently promulgated, there remain uncertainties as to their interpretation, application, and enforcement and how they will affect our operations and our future financing. In addition, it is uncertain whether we can or how long it will take us to complete such filings for the [REDACTED] or our future financing activities. Any failure to complete such filings or deficiencies occurred in such filing documents could subject us to sanctions by the PRC government authorities. Furthermore, such failure or deficiencies may adversely affect our ability to finance the development of our business and may have a material adverse effect on our business and financial conditions. For further details, please refer to the section headed "Regulatory Overview" in this document.

Any changes in China's economic, political and social conditions, as well as the regulatory policies may adversely affect our business, financial conditions, operating results, sustainability of our growth and prospects.

All of our business assets are located in the PRC and all of our revenue are currently derived from our operations in the PRC. Accordingly, our business, financial position and results of operation are, to a material extent, subject to the economic, political and legal developments of the PRC.

The economy of the PRC differs from the economies of most developed countries in many respects, including the extent of government involvement, level of development, growth rate, and control of foreign exchange and allocation of resources. We cannot predict whether changes in the PRC's political, economic and social conditions, laws, regulations and policies will have any adverse effect on our future business, results or financial conditions. Moreover, the PRC government continues to play a significant role in regulating industrial development. It also exercises significant control over China's economic growth through the allocation of resources, controlling payment of foreign currency denominated obligations, setting monetary policies and providing preferential treatments to particular industries or companies. All of these factors could affect the economic conditions in China and, in turn, our industry and our Company.

In recent years, the PRC government implemented a series of laws, regulations and policies which imposed stricter standards with respect to, among other things, quality and safety control, and supervision, cybersecurity and data security. For further details, please refer to the section headed "Regulatory Overview" in this document. If the PRC government imposes stricter regulations on our industry, we could face higher compliance costs, which may impact our profitability. In addition, the central and local governments in the PRC may introduce various new laws, regulations and policies or further amend existing laws, regulations and policies. The introduction or amendment of such laws, regulations and policies relating to construction industries may affect our relevant business operations. Therefore, we may need to adjust our business in accordance with the new or amended laws, regulations and policies.

Uncertainties regarding the interpretation and enforcement of PRC laws and regulations could adversely affect us.

As our businesses are conducted in the PRC, our operations are principally governed by PRC laws and regulations. The PRC legal system is based on written statutes and their interpretations by the Supreme People's Court. Prior court decisions may only be cited for reference but do not have binding precedential effect. Accordingly, the outcome of dispute resolution may not be consistent and predictable like common law jurisdictions.

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

You may experience difficulties in effecting service of legal process and enforcing judgments against us and our management.

We are a company incorporated under the laws of the PRC and all of our business, assets and operations are located in the PRC. In addition, the majority of our Directors, supervisors and senior management reside in China. The PRC does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts with the United States and many other countries. As a result, it may not be possible to effect service of process within the United States or elsewhere outside the PRC upon us or such Directors, supervisors or senior management, including with respect to matters arising under U.S. federal securities laws or applicable state securities laws.

As between the PRC and Hong Kong, the new arrangement entered into between the Supreme People's Court of the PRC and the government of Hong Kong on January 18, 2019 has lifted the requirements for a choice of court agreement in writing in a civil or commercial case under the previous regime on bilateral recognition and enforcement. However, before such new arrangement becomes officially effective, it may be difficult or impossible to enforce a judgment rendered by a Hong Kong court in the PRC if the parties in the dispute do not agree to enter into a choice of court agreement in writing. As a result, it may be difficult or impossible for investors seek recognition and enforcement of foreign judgments in the PRC.

Although we will be subject to the Listing Rules and the Takeovers Code upon the [REDACTED] of our H Shares on the Hong Kong Stock Exchange, the holders of H Shares will not be able to bring actions on the basis of violations of the Listing Rules and must rely on the Hong Kong Stock Exchange to enforce its rules. The Listing Rules and the Takeovers Code do not have the force of law in Hong Kong. We cannot assure that any action brought in the PRC by holders of H Shares to enforce a Hong Kong arbitration award made in favor of holders of H Shares would succeed.

You may be subject to PRC taxation.

Under applicable PRC tax laws, dividends paid by us to non-PRC resident individual holders of H Shares and gains realized by non-PRC resident individual holders of H Shares upon sale or other disposition of H Shares are both subject to PRC individual income tax. Pursuant to the Circular on Questions Concerning the Collection of Individual Income Tax following the Repeal of Guo Shui Fa [1993] No. 045*(《關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知》) dated June 28, 2011 issued by the State Administration of Taxation, the rate for tax on dividends is between 5% and 20% depending on the applicable tax treaties or arrangements between the PRC and the specific jurisdiction in which the non-PRC resident individual holder of H Shares resides or 20% if there is no such treaty or arrangement. However, pursuant to the Circular Declaring That Individual Income Tax Continues to Be Exempted over Income of Individuals from Transfer of Shares*(《關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知》) issued by the PRC Ministry of Finance and the State Administration of Taxation on March 30, 1998, gains of individuals derived from the transfer of listed shares in enterprises may be exempt from individual income tax. We understand that in practice to date the PRC tax authorities have not sought to collect from non-PRC resident individuals either the tax on gains realized upon sale or other dispositions of H Shares, or any excess of the tax on dividends paid by a PRC company over the amount that was withheld at source.

In accordance with the Notice of the Issues Concerning Withholding the Enterprise Income Tax on the Dividends Paid by Chinese Resident Enterprises to Shareholders which are Overseas Non-resident Enterprises* (《關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》) issued by the State Administration of Taxation of the PRC and effective from November 6, 2008, dividends paid to, and gains realized by, non-PRC resident enterprise holders of H Shares are both subject to PRC enterprise income tax at a rate of 10%. There are significant uncertainties as to the interpretation and application of applicable PRC tax laws due to several factors, including the relatively short history of certain of such laws. These uncertainties include, whether non-PRC resident individual holders of H Shares will be subject to PRC individual income tax at a flat rate of 20% even where payments are made through an organization such as [REDACTED] (and if so, whether and how the excess of PRC individual income tax on the dividends paid by us to non-PRC resident individual holders of H Shares over any amount withheld by us will be collected by the PRC tax authorities in the future), and whether and how income tax on gains realized by non-PRC resident persons upon the sale or other dispositions of H Shares will be collected by the PRC tax authorities in the future. If there is any change to the applicable PRC tax laws and interpretations or applications in respect of such laws, holders of H Shares may be required to pay PRC income tax (in the case of individuals, at a rate of up to 20%) on the dividends paid by us and gains realized upon sale or other dispositions of H Shares which have not historically been collected by the PRC tax authorities in practice.

The PRC Government's control over foreign currency conversion may limit our foreign exchange transactions, including dividend payments to our Shareholders.

Currently, RMB cannot be freely converted into foreign currency, and the conversion rate and remittance of foreign currencies are subject to PRC foreign exchange regulations. Under the current PRC foreign exchange control system, foreign exchange transactions under the current account conducted by us, including the payment of dividends, do not require advance approval from SAFE, but we are required to present documentary evidence of such transactions and conduct such transactions at designated foreign exchange banks within the PRC that have the requisite licenses to conduct foreign exchange business. Foreign exchange transactions under the capital account conducted by us, however, must be approved in advance by SAFE.

Under the existing foreign exchange regulations, following the completion of the [REDACTED], we will be able to pay dividends in foreign currencies without prior approval from SAFE by complying with certain procedural requirements. However, we cannot assure that these foreign exchange policies regarding payment of dividends in foreign currencies will continue in the future. In addition, any insufficiency of foreign exchange may restrict our ability to obtain sufficient foreign exchange for dividend payments to Shareholders or to satisfy other foreign exchange requirements. If we fail to obtain approval from SAFE to convert the RMB into any foreign currency for business purposes, our capital expenditure plans and our business, operating results and financial position may be materially and adversely affected.

RISKS RELATING TO THE [REDACTED]

There has been no prior public market for our H Shares. An active [REDACTED] market for our H Shares may not develop or be sustained and the liquidity of our H Shares may be limited.

Prior to the [REDACTED], there has been no public market for our H Shares. The initial [REDACTED] range of our H Shares will be the result of negotiations between the [REDACTED] (for itself and on behalf of the [REDACTED]) and us.

In addition, while we have applied to have our H Shares [REDACTED] on the Hong Kong Stock Exchange, there can be no guarantee that a public market for our H Shares with adequate liquidity and [REDACTED] volume will develop and be sustained following the completion of [REDACTED].

Furthermore, all our Controlling Shareholders are subject to a 12-month lock-up period commencing from the [REDACTED] and H Shares to be [REDACTED] to our [REDACTED], if any, will be subject to a 6-month lock-up period from the [REDACTED], during which they will not, *inter alia*, directly or indirectly dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of any Shares.

Accordingly, [REDACTED] H Shares, representing approximately [REDACTED]% of our total share capital, will be free to [REDACTED] immediately following the completion of the [REDACTED] (assuming the [REDACTED] is not exercised). As a result, a [REDACTED] on the Hong Kong Stock Exchange does not guarantee that an active and liquid [REDACTED] market for our H Shares will develop, especially during the period when a significant portion of our H Shares are subject to lock-up undertakings, or if it does develop, that it will be sustained following the [REDACTED], or that the market [REDACTED] of the H Shares will rise following the [REDACTED].

The [REDACTED] and [REDACTED] volume of our H Shares may be volatile which could result in substantial losses for [REDACTED] purchasing our H Shares in the [REDACTED].

The [REDACTED] and [REDACTED] volume of our H Shares may be highly volatile. Several factors, some of which are beyond our control, including variation in our operating results, changes in our pricing policy, changes in securities analysts' estimates of our financial performance, announcements made by us or our competitors, regulatory developments or market changes in the PRC affecting us or our industry, strategic alliances, joint venture or acquisitions, any business interruptions resulting from nature disasters or accidents, addition or departure of our key personnel, release or expiration of lock-up or other transfer restrictions on our Shares, and involvement in litigation, could cause large and sudden changes to the [REDACTED] and [REDACTED] at which our H Shares will [REDACTED].

Furthermore, the business, results of operations, financial conditions and the market [REDACTED] of shares of other companies engaging in similar business may affect the [REDACTED] and [REDACTED] volume of our shares. In addition, Hong Kong Stock Exchange and other securities markets have, from time to time, experienced significant price and volume volatility that is not related to the operating performance of any particular company, so it is also possible that our H Shares may be subject to changes in [REDACTED] not directly related to our performance.

Since there will be a time gap between [REDACTED] and [REDACTED] of our H Shares in the [REDACTED], holders of our H Shares are subject to the risk that the [REDACTED] of our H Shares could fall during the time gap before [REDACTED] of our H Shares begins.

The [REDACTED] of our H Shares is expected to be determined on the [REDACTED]. However, [REDACTED] of our Shares on the Hong Kong Stock Exchange will not commence until they are delivered, which is expected to be several business days after the [REDACTED]. As a result, [REDACTED] may not be able to sell or otherwise [REDACTED] with our H Shares during that period. Accordingly, holders of our H Shares are subject to the risk that the [REDACTED] of our H Shares could fall before [REDACTED] begins due to adverse market conditions or other events that could occur between the time of sale and the time [REDACTED] begins.

Sales or expected sales of large amounts of our H Shares or other securities relating to our H Shares in the [REDACTED] market could adversely affect the market price of our H Shares.

Future sales or perceived sales by our Shareholders of our H Shares after the [REDACTED] could result in a significant decrease in the prevailing market [REDACTED] of our H Shares. Only a limited number of the H Shares currently outstanding will be available for sale or issuance immediately after the [REDACTED] due to contractual and regulatory restrictions on disposal and new issuance. For further details, please refer to the section headed "Information about this document and the [REDACTED] — [REDACTED]" in this document for a more detailed discussion of the restrictions that may apply to future sales of our H Shares. Nevertheless, after these restrictions lapse or if they are waived, future sales of significant amounts of our H Shares in the [REDACTED] market or the perception that these sales may occur could significantly decrease the prevailing market [REDACTED] of our H Shares and our ability to raise equity capital in the future.

[REDACTED] of our H Shares in the [REDACTED] will experience immediate dilution and may experience further dilution if we issue additional Shares in the future.

If we issue additional H Shares in the future, our H Share [REDACTED] in the [REDACTED] may experience further dilution in their ownership percentage. We may need to raise additional funds in the future for finance expansion or new developments relating to our existing operations or new acquisitions. If additional funds are raised through the issuance of new equity or equity-linked securities of our Company other than on a pro-rata basis to the existing Shareholders, the percentage ownership of such Shareholders in our Company may be reduced or such new securities may confer rights and privileges that take priority over those conferred by our [REDACTED].

We may need additional capital, and the sale or issue of additional H Shares or other equity securities could result in additional dilution to our Shareholders.

Notwithstanding our current cash and cash equivalents and the net [REDACTED] from the [REDACTED], we may require additional cash resources to finance our continued growth or other future developments. We cannot assure you that financing will be available in the amounts or on terms acceptable to us, if at all. If we fail to raise additional funds, we may need to sell additional equity securities, which could result in additional dilution to our Shareholders.

There can be no assurance as to whether we will pay dividends in the future.

Our ability to pay dividends will depend on whether we are able to generate sufficient earnings. We do not have a formal dividend policy or a fixed dividend distribution ratio. There is no assurance as to whether we will pay dividends in the future. Declaration and distribution of dividends shall be proposed and formulated by our Board at their discretion and will be subject to shareholders' approval. A decision to declare or pay any dividends and the amount of any dividends will depend on various factors, including but not limited to, our results of operations, cash flows, financial conditions, our Articles of Association, statutory and regulatory restrictions, operating and capital expenditure requirements, distributable profits, future prospects and other important factors that our Board may determine. Accordingly, our dividend distribution, if any, is not indicative of any future dividend distribution policy and [REDACTED] should be aware that the amount of dividends paid, if any, should not be used as a reference or basis upon which future dividends are determined.

Certain statistics contained in this document are derived from a third-party report and publicly available official sources.

This document, particularly the section headed "Industry Overview" in this document, contains information and statistics, including but not limited to information and statistics relating to the PRC and construction industries. Such information and statistics have been derived from various official government sources, publicly available sources, and a third-party report prepared by Frost & Sullivan commissioned by us. The information from official government sources has not been independently verified by us, the Sole Sponsor, any of its directors, officers, affiliates, advisers or representatives, or any other party involved in the [REDACTED]. There can be no assurance that they are stated or compiled on the same basis or with the same degree of accuracy, as the case may be, in other jurisdictions. You should read the entire [REDACTED] carefully and we strongly advise you to not rely on any information contained in press articles or other media regarding us and the [REDACTED].

There may be coverage in the media regarding the [REDACTED] and our operations which are beyond our control. We do not accept any responsibility for the accuracy or completeness of such media coverage or forward-looking statements and make no representation as to the appropriateness, accuracy, completeness or reliability of any information disseminated in the media. We disclaim any information in the media to the extent that such information is inconsistent or conflicts with the information contained in this document. Accordingly, [REDACTED] should not rely on any of the information in press articles or other media coverage.

Forward-looking statements contained in this document are subject to risks and uncertainties.

This document contains certain statements and information that are forward-looking and uses forward-looking terminology such as "anticipate", "believe", "could", "potential", "going forward", "intend", "plan", "project", "seek", "expect", "may", "ought to", "should", "would", or "will" and similar expressions. We have based these forward-looking statements largely on our expectations and projections about future events. You are strongly cautioned that reliance on any forward-looking statement involves risks and uncertainties and that any or all of those assumptions could prove to be inaccurate and as a result, the forward-looking statements based on those assumptions could also be incorrect. In light of these and other risks and uncertainties, the inclusion of forward-looking statements in this document are not a guarantee by us that our plans and objectives will be achieved. Forward-looking statements should be considered in light of various important factors, including those set forth in this section. 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. 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.