
RISK FACTORS

Investing in the [REDACTED] involves a high degree of risk. You should carefully read all the information in this document including the risks and uncertainties described below before making an investment in our H Shares. Our business, financial position or results of operations could be materially and adversely affected by any of the risks mentioned in this section. The [REDACTED] of our H Shares may decline due to any of these risks, and you may lose all or part of your investment. You should pay particular attention to the fact that we are a company incorporated in the PRC, our business is primarily located in China and we are governed by a legal and regulatory environment that may differ from that prevails in other countries and jurisdictions. For more information concerning China and certain related matters discussed below, please refer to “Regulatory Overview” in this document, “Summary of Principal Laws and Regulations” and “Summary of Articles of Association of the Company” set out in Appendices IV and V to this document for further details.

There are certain risks and uncertainties involved in our business and operations, some of which are beyond our control. We have broadly categorised these risks and uncertainties into (i) risks relating to our business and industry; (ii) risks relating to conducting business in the PRC; and (iii) risks relating to the H Shares and the [REDACTED].

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

Our business and future growth may be affected by the macro-economic conditions and performance of and level of demand in construction and O&M services in China and Anhui Province, which are beyond our control.

During the Track Record Period, all our business was conducted in Anhui Province. The demand for our services as well as our business and the prospects of future growth depend on the overall economic conditions and the development of the construction and O&M industries in China, especially in Anhui Province. China has experienced high real GDP growth rate over the past years. The industries and markets that our Group operate in are sensitive to economic fluctuations and market uncertainty and are highly regulated. According to F&S, in respect of Anhui Province, the market size of (i) building construction industry increased from RMB0.46 trillion in 2018 to RMB0.60 trillion in 2022, with a CAGR of 7.0%, (ii) municipal infrastructure construction industry increased from RMB93.0 billion in 2018 to RMB125.7 billion in 2022, with a CAGR of 7.8% and (iii) municipal infrastructure O&M industry (in terms of maintenance and operation expenditure of municipal facilities) increased from RMB30.5 billion in 2018 to RMB41.8 billion in 2022, with a CAGR of 8.2%. For details of the overall market size of construction and O&M industries in the PRC, please refer to “Business — Competition — Market Size” in this document. We cannot assure you that the market size of the construction and O&M industries in China or Anhui Province will grow at the current rate, or at all, or the demand for our services will keep increasing or maintain at the similar level.

In addition, we are susceptible to the changes in national or local policies related to the construction and O&M industries, including those that control the supply of land for infrastructure development, project financing, foreign investment and taxation. These policies may affect the level of activity in the construction and O&M industries, and in turn

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affect the number of construction and O&M projects available to us. We cannot assure you that there would be no other additional industry-related policies in the future, which may pose a significant effect on our business, financial condition and results of operations.

Further, the performance and prospects of our services depend upon the continued public spending and investment by local PRC governments. Public spending and investment by local governments is subject to various factors such as macroeconomic environment, market conditions and government’s economic policies, many of which are beyond our control. As a result, any changes in the macro-economic conditions in the PRC, particularly in Anhui Province could materially and adversely affect our business, financial position and results of operation.

A significant portion of our revenue is generated from Zhongjiang Group.

Our Controlling Shareholder, Anhui Zhongjiang, is a state-owned enterprise based in Anhui Province. Zhongjiang Group (i.e. Anhui Zhongjiang and its subsidiaries and associates) is primarily engaged in public facility management, real estate development and professional technical services. During the Track Record Period, a significant portion of our revenue was generated from Zhongjiang Group. In FY2021, FY2022 and 4M2023, the revenue derived from Zhongjiang Group amounted to RMB118.8 million, RMB1,095.0 million and RMB586.3 million, respectively, representing 11.0%, 49.4% and 62.7% of our total revenue during the same periods. For further information about our business relationship with Zhongjiang Group, please refer to “Business — Customers — Relationship with Zhongjiang Group” in this document.

We do not have control over the management strategy of Anhui Zhongjiang, nor the macro-economic or other factors that affect its business operations and financial positions. Any adverse development in the business or financial positions of Anhui Zhongjiang may materially and adversely affect our ability to maintain and grow our business relationships with Zhongjiang Group. In addition, we entered into contracts with Zhongjiang Group on a project-by-project basis mainly through tendering process, and there is no guarantee that we will be able to successfully secure the contracts from Zhongjiang Group in the future. Accordingly, it may be difficult for us to procure service contracts from alternative sources in a timely manner or on favourable terms, which could materially and adversely affect our business, financial conditions and results of operations.

Certain of our revenue is derived from contracts awarded through tendering which are non-recurring in nature and there is no guarantee that we will succeed in the tender process or our customers will award new contracts to us in the future.

In FY2020, FY2021, FY2022 and 4M2023, we submitted 101, 269, 439 and 146 tender documents, respectively, and the number of projects awarded to us were 27, 39, 57 and 12 respectively, and our tender success rates were 26.7%, 14.5%, 13.0% and 8.2%, respectively. The tendering process depends on a number of factors, including but not limited to the quality of services provided, the level of pricing and the operating capabilities and our efforts may be hindered by factors that are beyond our control, which may include, among others, changes in general economic conditions, as well as supply and demand dynamics within the construction and O&M industries. There is no guarantee that we will

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be invited to tendering process or made aware of upcoming projects in future. Additionally, we face the risk of not being able to secure new contracts upon expiration of our current projects. There is also no assurance that we will be able to maintain or enhancing our tender success rate. These factors may adversely affect our operational results and business prospects.

Our historical financial results may not be indicative of our future performance as our revenue is mainly derived from non-recurring projects and any decrease in the number of projects would negatively affect our operations and financial results.

We operate our business on a project-by-project basis and our projects are non-recurring. For FY2020, FY2021, FY2022 and 4M2023, our total revenue amounted to RMB513.7 million, RMB1,084.5 million, RMB2,216.0 million and RMB935.6 million, respectively. While our business experienced significant growth during the Track Record Period, we are subject to risks of contracts being modified, cancelled or even terminated due to certain circumstances beyond our control. Our historical financial information is a mere analysis of our past performance and may not have any implication on our financial performance in the future. As our business model is generally project-based, our revenue may fluctuate depending on the number of projects we are able to secure, and we may have limited visibility as to our future revenue streams.

We face intense competition in our industries, and failure to compete effectively may cause us to lose market share.

According to F&S, the construction and O&M industries in Anhui Province are highly fragmented. As such, we face intense competition from a significant number of construction companies as well as O&M service providers in Anhui Province, which offer similar or alternative services to our own. Many of our competitors may have longer operating histories, wider range of licences and qualifications, stronger capital resources, larger customer bases, stronger customer relationships, greater brand recognition, greater financial, technical and marketing resources and wider range of services. As a result, some of our competitors may be better equipped to capture the market opportunities by providing better services, as well as adapting more effectively to market trends, or be able to undertake certain projects as they possess qualifications and licences that we do not have. Our competitiveness depends on our track record of project delivery, performance, service quality as well as capabilities. The pressure from competition may require us to reduce our prices or increase our costs and may adversely affect our profit level. Inability to compete effectively could materially and adversely affect our business, financial condition, results of operations and market position.

A notable portion of our revenue is generated from Wuhu Municipal Engineering Management Office during the Track Record Period as a result of the Wuhu Municipal People’s Government’s measure

Our history can be traced back to the establishment of Wuhu Municipal Engineering Management Office in 1987, which was a government department managing and providing municipal infrastructure construction and O&M services in Wuhu City. In 2014, Wuhu Municipal Engineering Management Office underwent a structural reform (管養分離改革)

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and separated its (i) management function from its (ii) municipal infrastructure construction and O&M functions. Pursuant to the Implementation Plan for the Separation of Management and Maintenance of Municipal Gardens in Wuhu City (蕪湖市市政園林管養分離改革實施方案) dated 11 October 2014 (the “**Plan**”), various municipal construction projects and municipal-level (市級市政) O&M projects were to be awarded to our Group for an initial period of five years (the “**Period**”) and such Period was extended to 2025. For FY2020, FY2021, FY2022 and 4M2023, our revenue generated pursuant to the Plan amounted to RMB134.5 million, RMB123.1 million, RMB150.8 million and RMB28.7 million, respectively, representing 26.2%, 11.4%, 6.8% and 3.1% of our total revenue of the respective periods, respectively. We do not have control over the local government’s decision on the Plan and there is no guarantee that the Period will be renewed or the Plan will not be revoked. After the expiry of the Period or the revocation of the Plan, we cannot assure you that we will be able to continue to secure the same number of contracts or similar level of contract sums from the Wuhu Municipal People’s Government, which could significantly affect our business, financial conditions and results of operations.

We have limited control over the quality, availability and performance of our construction and O&M subcontractors and subcontracted workers.

We subcontract certain part(s) of our construction and O&M services from time to time. We normally require our subcontractors to possess certain qualifications depending on the nature of the construction and O&M services before we choose them as our subcontractors. However, we cannot completely guarantee the performance and work quality of our subcontractors as we may not be able to monitor the operations of our subcontractors as directly and efficiently as we do with our own operations. If a subcontractor fails to meet our quality standards or breaches our subcontracting agreement, and if we are unable to hire alternative subcontractors in a timely manner or on favourable terms, or at all, our operations may be delayed, which could harm our reputation and adversely affect our business, financial condition and results of operations. We may be subject to additional costs if we are required to hire alternative subcontractors, which would lower the efficiency and profitability of our operations. We may not be able detect any illegal contracting and subcontracting behaviour in relation to our subcontractors, which could subject us to legal proceedings or investigation initiated by the relevant regulatory body. We may be liable for defects in our subcontractors’ work, potentially facing claims for such issues. While we may seek indemnity from relevant subcontractors if a liability claim arises, we might need to compensate customers before recovering those amounts. If we cannot obtain indemnity or remain uncompensated for an extended period, it could result in significant financial burdens, in which case our business, financial condition and results of operations could be materially and adversely affected.

As we have limited control over our subcontracted workers, if we are not able to accurately screen and ascertain the level of skill and experience of our subcontracted workers or if there are injuries and accidents involving our subcontracted workers, our project schedule may be delayed. During the Track Record Period, we did not experience any shortage of labour or any significant increase in labour cost that resulted in a

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significant delay in our project schedule or a material decrease in our profits. However, we cannot guarantee that we will not experience labour shortage or face increased labour costs in the future, as such, our project schedule or profitability may be negatively affected.

Any material discrepancies between the estimated costs and the actual costs ultimately incurred may materially and adversely affect our financial condition and results of operations.

We normally conduct a cost analysis before we enter into contracts with our customers. The bidding, contract negotiation or construction process of our construction projects may limit our ability to accurately predict costs at the outset. Our contract terms therefore expose us to cost overruns as a result of factors beyond our control, including variations in labour subcontracting costs, price fluctuations of raw materials, and other unforeseen project conditions. The occurrence of any of such factors may result in inaccurate cost estimates, lower our profits or even result in a loss despite any buffers we may have built into the contract value to safeguard against cost increases. Some of our contracts may have a price adjustment mechanism, allowing us to adjust the price for additional costs incurred as a result of certain circumstances. However, if our estimated costs are lower than our actual costs, or if the price adjustment does not sufficiently cover our increased costs, our business, financial condition, and results of operations may be materially and adversely affected.

Substantial inaccuracies in our project estimations concerning time and costs could result in delays or budget overruns, which in turn may materially and adversely affect our financial condition and results of operation. During the Track Record Period, there were 24 loss-making projects which have completed construction during the Track Record Period. The total accumulated gross losses during the Track Record Period amounted to RMB6.5 million, which is insignificant as compared to our total revenue generated during the Track Record Period.

From time to time, we may also need to perform additional work or adjust the scope of work under our contracts. Failure to recover costs associated with such changes may materially and adversely affect our business, financial condition and results of operations.

We may not be able to meet our working capital requirements if we experience significant increases in amounts due from customers, significant delays in our billing and settlement process, or significant delays or defaults in our trade and bills receivables, or retention fees while remaining subject to satisfying payment obligations to our suppliers and subcontractors.

From time to time, we may allocate substantial resources to projects before receiving the majority of the contract value from our customers. Delays in milestone-based payments or uncollected retention fees from major customers could adversely impact our cash flow and working capital. Generally, our credit terms are not stipulated in the contract. For FY2020, FY2021, FY2022 and 4M2023, our Group had average trade and bills receivables turnover days of 261.3 days, 165.9 days, 121.0 days and 91.0 days, respectively. Furthermore, the process to recover payments due could be time-consuming and may require additional resources. For FY2020, FY2021, FY2022 and 4M2023, our average trade and bills payables turnover days were 754.1 days, 379.6 days, 213.7 days and 179.8 days, respectively.

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Our inability to collect trade and bills receivables on a timely basis could materially and adversely affect our business, financial condition, results of operations and liquidity. Should we experience any delays or difficulties in collecting payments from our customers and/or trade and bills receivables from our customers, while remaining obligated to satisfy our ongoing payment obligations to our suppliers, we may be required to consider alternative sources of financing and/or delay our payment obligations, and our cash flow, financial condition and results of operations may be materially affected.

We may face disagreement with our customers over the value of works performed by us.

Disagreement may arise between our customers and us as to the value of work performed and the related progress billing. The value of our work done is generally ascertained with reference to the scope of work and fees specified in the contracts or determined by the mechanism specified in the contracts. However, our customers and us may have different view or assessment as to the valuation of the works performed. Any dispute regarding the value of the work performed may prolong our payment application, which may affect our liquidity and financial position. There is no assurance that we will be able to recover the disputed cost of the works performed under in full or at all, and we may not be able to maintain the same or similar profit margins under such circumstances, resulting in adverse effect on our financial condition and results of operations.

We may not be able to fully collect our fees from customers and as a result, may incur impairment losses on trade and bills receivables.

We may encounter difficulties in collecting our fees from customers. Our trade and bills receivables amounted to RMB299.6 million, RMB583.6 million, RMB774.1 million and RMB543.3 million as at 31 December 2020, 2021 and 2022, and 30 April 2023, respectively, representing 7.3%, 25.9%, 33.9% and 23.9% of our total assets, respectively. For FY2020, FY2021, FY2022 and 4M2023, the provision for or (reversal of) impairment of trade receivables was RMB8.4 million, RMB9.1 million, RMB(0.3) million, and RMB(9.8) million, respectively. For more information on our trade and bills receivables, please refer to “Financial Information — Discussion on Selected Items of Consolidated Statements of Financial Position — Net Current Assets — Trade and bills receivables” in this document. In the event that the actual recoverability is lower than expected, or that our past allowance for impairment of trade and bill receivables becomes insufficient in light of the new information, we may need to make additional impairment allowance, which may in turn materially and adversely affect our business, financial position and results of operations.

Backlog is subject to unexpected adjustments and cancellations and, therefore, may not be indicative of our future results of operations.

Backlog represents our estimate of the contract value of work that remains to be completed as at a certain date. The contract value of a project represents the amount that we expect to receive under the terms of the contract, assuming the contract is performed in accordance with its terms. Backlog is not a measure defined by generally accepted accounting principles and may not be indicative of future results of operations. Please refer to “Business — Backlog and New Contract Value” in this document for further details. As

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at the Latest Practicable Date, we had RMB5,696.5 million in terms of contract value in our backlog the figure is based on the assumption that our relevant construction and O&M contracts will be performed in full in accordance with their terms. The termination or modification of any one or more major contracts may have a substantial and immediate effect on our backlog. However, we cannot guarantee that the amount estimated in our backlog will be realised in full, in a timely manner, or at all, or that, even if it is realised, such backlog will result in profits as expected. As a result, you should not rely on our backlog information as an indicator of our future earnings.

We may not be able to bill and receive the full amount of contract assets for our works.

Our contract assets represent the amount of works performed by us but which have yet to reach the milestone which we are entitled to bill our customers for works completed. Normally there are timing differences between the completion of contract works, the payment application made by us, the subsequent issue of the invoice by us and the payment made by our customers. Subject to the certification of work by the relevant professionals appointed by our customers, we would be entitled to request for progress payments that are usually measured by reference to a prescribed percentage of the certified volume of work completed.

Our Group recorded contract assets of RMB95.0 million, RMB174.9 million, RMB246.7 million, and RMB331.8 million, as at 31 December 2020, 2021, 2022 and 30 April 2023, respectively. There is no assurance that we will be able to bill and receive the full amount of contract assets as we may not be able to reach an agreement with our customers on the value of our work conducted or our customers may fail to release the retention money in a timely manner. If we are not able to do so, our results of operations, liquidity and financial position may be materially and adversely affected. For more information on our contract assets, please refer to “Financial Information — Discussion on Selected Items of Consolidated Statements of Financial Position — Net Current Assets — Contract assets and contract liabilities” in this document.

Our business is highly labour-intensive and we rely on a stable supply of labour to carry out our projects.

Our projects involve intensive labour works. Depending on the nature and complexity of our projects, a significant number of workers from different trades with different skills may be required. There is no guarantee that the supply of labour, average labour costs and labour subcontracting expenses will be stable. In the event that we or our subcontractors fail to retain the existing labour and/or recruit sufficient labour in a timely manner to cope with the demand of our existing or future projects and/or there is a significant increase in the costs of labour, we may not be able to complete our projects on schedule and may face claims from our customers in respect of the delay. As such, our operations and profitability may be adversely affected.

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In addition, during the Track Record Period, we engaged dispatched employees. In the event that we decide to lay off some of our employees or otherwise change our employment or labour practices, we may be subject to the regulatory limit on the number of dispatched employees, which may limit our ability to effect those changes in a desirable or cost-effective manner. As such, our business and results of operations may be materially affected.

We are susceptible to fluctuation in the prices and availability of raw materials.

Our business performance is susceptible to fluctuations in market prices and the availability of our raw materials. Our principal raw materials primarily include asphalt concrete, cement, ready-mixed concrete, and steel. Our raw material costs represent a notable portion of our cost of sales. For FY2020, FY2021, FY2022 and 4M2023, our costs of raw materials represented 21.4%, 28.7%, 35.3% and 37.4% of our total cost of sales, respectively. The prices of raw materials are influenced by factors beyond our control, including economic conditions and related government policies. We cannot assure you that raw material prices will remain stable or that our cost of sales will not be adversely affected by potential increases. If we are unable to purchase any of our raw materials on terms acceptable to us or if we are not able to pass on such price increases to our customers, our profit level may decrease and our results of operations may be materially and adversely affected.

We typically procure our principal raw materials from a list of qualified suppliers. 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 the necessary amount and quality 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. Any unanticipated supply interruptions may have an adverse effect on our business and results of operations.

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.

Construction sites are potentially dangerous workplaces and our construction projects routinely place our employees, subcontracted workers and others in close proximity with heavy-duty construction machinery and equipment, moving motor vehicles, working at heights and chemical processes. We cannot guarantee that workplace accidents will not occur in the future. The occurrence of any accident may result in administrative penalties imposed by the PRC government and/or cause us to incur relatively substantial costs, damage our reputation and result in loss of future business. Further, there may be work safety related claims or legal proceedings against us, which may incur substantial costs and could divert our senior management’s attention from our business. Subsequent to the Track Record Period and as at the Latest Practicable Date, there was one fatal incident that may lead to a potential litigation as well as potential administrative penalties. For details, please refer to “Business — Environmental Protection and Occupational Health and Safety — Fatal Accident/Incident during the Track Record Period and up to the Latest Practicable Date” in this document. As a result, our business, financial condition and results of operations may be adversely affected.

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We may fail to maintain or renew the relevant licences, certificates or permits.

We are subject to extensive laws and regulations at the local and national level, which govern various aspects of our operations, including, among others, construction, environmental protection, contracting and subcontracting, and occupational safety etc. We cannot guarantee that our compliance measures will always be sufficient and effective. If we are deemed non-compliant, we could be subject to administrative or regulatory fines and penalties, including the suspension or revocation of our licences, and our operations may be hindered or halted, which could have a material and adverse effect on our business and results of operations. Any changes in the relevant laws and regulations or in their interpretation or enforcement may also direct our management’s attention and increase our cost in complying with the laws and regulations.

We operate in a highly regulated industry that requires us to obtain, maintain and renew a number of licences, certificates and permits. Further, we are subject to regular inspections, examinations, inquiries and audits, as well as periodic and spot inspections by the relevant government authorities to maintain or renew such licences, certificates and permits. We cannot guarantee that we will be able to obtain, maintain or renew the requisite licences, certificates and permits, or comply with any new licensing requirements if new laws or regulations are promulgated or existing laws or regulations are amended, which may subject us to penalties, limitations or costs as a result and, in turn, have a material and adverse effect on our business, financial condition and results of operations.

We may have difficulty in managing our future growth and implementing on expansion plan successfully.

The success and continuation of our business operations and growth depend on our effective risk management including, among others: (a) our operational, financial and management systems; (b) skills of our management team; (c) measures to train, motivate, manage and retain our employees; (d) risk monitoring system to assess the financial condition and business operation; (e) retention of existing customers and identifying new customers; (f) our liquidity position while committing resources to our business operating; (g) expansion and business development; (h) the complexity and costs associated with expanded operations, which may divert our resources and require substantial capital commitment and (j) diversification of our customer base to improve our working capital management. We cannot assure you that our systems, procedures, controls, personnel and expertise will be adequate to support our future growth. Failure to achieve any of the foregoing, or manage the risks and uncertainties created by measures to achieve the foregoing, could materially and adversely affect our business, financial condition, results of operations and growth prospects.

We have set out our expansion plan in “Future Plans and [REDACTED]” in this document. Whether our expansion plan can be implemented successfully may be beyond our control and some future events may affect the expansion plan, such as change in the expected capital needs for our existing and upcoming projects, costs related to the setup of sales office and raw materials and equipment storage area and acquisition of asphalt concrete production machinery and equipment etc. There is no assurance that we will be

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successful in materialising our expansion plan successfully. If we fail to implement our expansion plan based on our schedule or at all, our business and results of operation may be adversely affected.

Our expansion into new geographical markets may face certain risks and uncertainties.

During the Track Record Period and up to the Latest Practicable Date, we have already expanded our business to other cities outside Wuhu City in Anhui Province, such as Hefei City, Bozhou City, Bengbu City, Chuzhou City, Chizhou City, Ma’anshan City and Lu’an City, and Sichuan Province. Further, we plan to expand our business to Nanjing City, Chongqing City and Shanghai City. We cannot guarantee that we can successfully enter into new markets as the economic development, business practices and customer preferences may differ. Our limited experience in new regions and competition from local entities may pose challenges. In addition, we may be competing against local, regional or national competitors that are more familiar with the local customs and practices or have stronger relationships with local customers. Even if we are awarded projects, the costs of engaging local labour force, and transporting our equipment and machinery to or leasing equipment and machinery from local suppliers may be higher and thus significantly affect our profitability on such projects. If we fail to expand into other markets or fail to expand profitably or in a manner favourable to us, our business, growth and prospects may be materially and adversely affected.

The interest of our Controlling Shareholder may differ from the interests of other Shareholders, which may adversely affect our business and financial condition.

Upon completion of the [REDACTED], Anhui Zhongjiang will hold in aggregate [REDACTED]% of our Company’s [REDACTED] share capital, assuming that the [REDACTED] is not exercised. As our Controlling Shareholder and pursuant to the Articles of Association, Anhui Zhongjiang will be able to influence our significant operational and financial decisions (including dividend plans and investment decisions) that require a vote by our Shareholders, including but not limited to:

- election of directors, thereby indirectly affecting the selection of our senior management;
- amount and timing of dividend payments and other distributions;
- acquisition of or merger with another entity;
- overall strategic and investment decisions;
- issuance of securities and adjustment to our capital structure;
- purchase or sale of material assets;
- proposals on annual financial budgets and final accounts; and
- amendments to the Articles of Association.

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Anhui Zhongjiang and its ultimate beneficial owner, Wuhu SASAC, may also hold different opinions from other Shareholders from time to time, and may exercise its voting rights at its discretion according to its own interests. In the event that the interests of our Controlling Shareholder conflict with those of other Shareholders, other Shareholders may be at a disadvantage as a result.

We charged interest on advances to Zhongjiang Group during the Track Record Period.

During the Track Record Period, we had interest income from amounts due from related parties in relation to advances to Zhongjiang Group. Our interest income from the amounts due from related parties, which represents the interest income from our advances to Zhongjiang Group, were RMB1.8 million for 4M2023 and the effective interest rate was 2.12%.

According to the General Lending Provisions (貸款通則) promulgated by the People’s Bank of China, only financial institutions may legally engage in the business of extending loans, and loans between companies that are not financial institutions are prohibited. The People’s Bank of China may impose a fine of one to five times of the income generated (being interests charged) from the loan advancing activities between enterprises. Our PRC Legal Advisers advised that, the Supreme People’s Court recognises the validity and enforceability of financing arrangements and lending transactions between non-financial institutions so long as such agreements are for business operation purposes and do not fall into invalid lending (無效借貸) stipulated in the Civil Code of the PRC and the Provisions of the Supreme People’s Court on Several Issues concerning the Application of Law in the Trial of Private Lending Cases (《最高人民法院關於審理民間借貸案件適用法律若干問題的規定》).

As at the Latest Practicable Date, we had not received any notice of claim or were not subject to any investigation or penalty relating to the loans we provided to related parties and third parties during the Track Record Period. The advances to Zhongjiang Group were fully settled as at the Latest Practicable Date. On this basis, our PRC Legal Advisers are of the view that the risk of us being penalised for the above-mentioned advances is extremely remote. However, in the event that we are ordered by the relevant authorities to pay the penalties, our financial condition and results of operations may be adversely affected.

We are subject to potential adverse consequence as a result of defective title of one of the properties we leased in the PRC.

We leased Gangxi Village Territory, South East side of Guangji Bridge, Zhongjiang Avenue, Wuhu City, Anhui Province, China (中國安徽省蕪湖市中江大道廣濟橋南東側港西村境內) for a period from 1 July 2023 to 30 April 2026 for asphalt concrete production and office (the “**Property**”). However, the lease agreement relating to the Property had not been registered with the relevant local authorities. Registration of lease agreement requires the landlord’s cooperation, including submission of their identity documentations and relevant title certificates to relevant authorities, which are beyond our control. As a result, it is possible that a third party might seek to assert ownership rights in respect of the Property

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and we may not be able to continue occupying the Property if they are challenged by the relevant local authorities. In the event that a third party successfully claims a right to the Property, we may need to find an alternative location. However, we cannot guarantee you that we will be able to find a suitable replacement in a timely manner, or at all, failing which, we may need to incur additional costs, or it may cause a disruption to our business operations.

We may not be able to complete our projects on time.

We are generally required to complete the projects we undertake within the prescribed timeframe pursuant to the arrangement with our customers. The progress of construction is subject to factors that are beyond our control, including but not limited to:

- suspension of the construction of outdoor projects ordered by authorities during severe air pollution, outbreak of pandemic or other unexpected situations;
- delivery delays caused by shortages of key materials;
- quality problems with raw materials or equipment supplied by the suppliers;
- insufficient labour supply by the labour subcontractors;
- delays in obtaining permits or regulatory approvals;
- unexpected engineering, design, environmental or geological problems; and
- influence of unexpected adverse weather, such as protracted periods of precipitation or extreme temperatures, natural disasters and other operating hazards, such as earthquakes, floods, typhoons, landslides or fire.

We cannot assure you that our construction and O&M projects could be completed on time. Any failure or delay during the project could result in a delay or a reduction in payment by the customers to us, impair our ability to meet our contractual obligations and cause us to be liable for damages or cause our customers to terminate our contracts, any of which could negatively affect our reputation, 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 others, defective or allegedly defective services, personal injuries or fatalities, damage to or destruction of property, payment disputes, breach of contract and delay in completion of projects. If we were found liable on any of such claims, we could be liable for significant monetary damages, as well as subject to sanctions, including fines and the loss of operational licences, approvals or permits. In addition, we may be subject to lengthy and expensive litigation or arbitration proceedings as these proceedings are out of our control. Further, we might suffer negative publicity resulting from such claims. If any negative publicity or reputational harm is not effectively remedied, our existing or potential customers may develop negative views of our Group, which may negatively affect our

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ability to maintain solid relationships with our customers, engage new customers and/or expand into new markets. In addition, the measures we take to remedy or reverse any negative publicity may be financially costly and divert management’s attention and may not generate the desired results. We cannot assure you that we will not be subject to future liability claims or that if any such claim were successful, our business and results of operations would not be adversely affected. During the Track Record Period and up to the Latest Practicable Date, we were involved in three work-related injuries. Among the three cases, (a) two were fatal injury cases, for details, please refer to “Business — Environmental Protection and Occupational Health and Safety — Fatal Accident/Incident during the Track Record Period and up to the Latest Practicable Date” in this document, and (b) one work-related injury case was settled with the claimant through mediation and we paid the settlement sum in full as at the Latest Practicable Date.

Our business operations are subject to adverse weather conditions, natural disasters and other operating hazards.

Our services are generally conducted outdoors and may be materially and adversely affected by adverse weather conditions. For instance, we may experience significant project delays caused by inclement weather, protracted periods of precipitation or extreme temperatures, which could result in our inability to meet key milestones set forth in our contracts. Natural disasters and other operating hazards, such as earthquakes, floods, typhoons, landslides or fires, may interrupt our construction projects. Substantial damage to our projects under construction 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. Any significant delay or interruption could impair our ability to meet our contractual obligations and cause us to be liable for damages or cause our customers to terminate our contracts, any of which could negatively affect our reputation, business and results of operations.

The outbreak of any severe communicable disease, if uncontrolled, could adversely affect our Group’s results of operations.

The outbreak of any severe communicable disease in the PRC or other parts of the world, if uncontrolled, could have an adverse effect on our Group’s operations and the overall business sentiments and environment.

The unforeseen outbreak of health epidemics may have material and adverse effect on the overall living and economic conditions in the infected areas and the construction and O&M industries. There is no assurance that there will be no occurrence of health epidemics or any other contagious disease or outbreaks in the PRC. Should any such event occur, (i) the total number of construction and O&M projects available in the market may decrease, which may in turn materially and adversely affect our business operations as we cannot guarantee that we will be able to procure sufficient number/scale of projects to maintain our business operation and performance; (ii) our ongoing projects may delay in progress and our construction works may not be conducted on time, which would result in the decrease in recognition of revenue and trade receivables and delay in payment from our customers; (iii) we may experience delay or shortage in payment from our customers due to their financial

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pressure and thus be exposed to associated credit risk and liquidity risk; (iv) we may also experience shortage or disruption of supply of labour, construction materials and machineries and provision of subcontracting services for our ongoing projects and increase in construction costs, which would cause the delay in progress of our ongoing projects and decrease in profit margins recognised from the projects; (v) we may be notified by our customers to terminate existing contracts or cancellation of our ongoing projects and thus our financial performance and results of operations may be adversely affected; and (vi) we may be notified by our customers, suppliers or subcontractors to terminate their existing contracts with us or by our banks to terminate our bank loans. Should any of such events occur, our financial positions and results of operations may be adversely affected.

We face risks associated with undertaking PPP projects.

During the Track Record Period and up to the Latest Practicable Date, we have participated in five PPP projects as both an investor and a contractor, among which, two of them which we had controlling interests and have been transferred to Anhui Zhongjiang, our Controlling Shareholder, along with the equity interest of the corresponding project company which owned the above two projects, in 2022. The remaining three PPP projects are the projects which we do not have controlling interests. We participated in PPP projects adopting both the EPC and PC contracting models. We may face risks in undertaking PPP projects, including among others, the inability of customers to make payment upon completion of the project, default by the project companies on their payment obligations, fluctuating economic conditions and our inaccurate estimate of the project’s profitability. Any changes in government policies may limit our ability to profit from such projects, which will materially and adversely affect our business and results of operations. Undertaking PPP projects may require significant working capital over extended periods, which may affect our liquidity and decrease the capital resources otherwise available for other uses. This may also have a material adverse effect on our business, financial conditions, and results of operations.

We may not be able to detect and prevent fraud, bribery or other misconducts committed by our employees or third parties.

We may be exposed to fraud, bribery or other misconducts committed by our employees, suppliers, customers or other third parties that could subject us to financial losses and regulatory penalties and adversely affect our reputation. Our internal control procedures are designed to monitor our operations and ensure overall compliance. However, our internal control procedures may be unable to identify all non-compliance incidents or suspicious activities in a timely manner or at all. Bribery, including acceptance of kickbacks, bribes or other illegal benefits or gains by our employees or third parties, such as our suppliers, in our ordinary course of business may be difficult to detect or prevent and the precautions we take to detect and prevent such activities may not be effective. In addition to potential financial losses, misconduct of our employees or third parties could subject us to third-party claims and regulatory investigations. Our failure to detect and prevent fraud, bribery and other misconduct may have an adverse impact on our reputation, business, financial condition, and operating results.

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Our inability to attract, retain or secure senior management and key personnel for our operations could hinder our continuing growth and success.

We believe that our success depends on the efforts of our senior management and key personnel and our ability to continue to attract, retain and motivate key personnel. We compete with other local, regional and national construction companies as well as O&M service providers for experienced management and qualified personnel, and the competition for such personnel is 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 personnel holding an important position or possessing industry expertise or experience, including those in charge of project management, risk management, production, sales and marketing, research and development, and accounting and financial management, could have a material and adverse effect on our operations. Under such circumstances, if we are unable to recruit and retain replacement personnel with the equivalent qualifications in time or at all, our growth and success could be adversely affected.

We may incur significant costs in relation to warranties offered to our customers.

We generally include a warranty clause in our contracts. Typically, the warranty period ranges from one to two years, depending on the type of services provided. Retention fees retained by our customers are generally 3% to 5% of the settlement amount calculated upon completion and acceptance of the construction projects payable to us. The warranty arrangement requires these retention fees to be returned to us in instalments during the warranty period if there are no major quality issues with our construction projects during such period. There can be no assurance, however, that we will recover all or any of the amounts retained by customers for warranty purposes in the future. If we are unable to recover a significant proportion of the amounts retained by our customers as warranties, our future business, financial condition and results of operations may be materially and adversely affected.

Our operations are subject to and may be affected by changes in PRC tax laws and regulations.

We are subject to periodic examinations on fulfillment of our tax obligations under the PRC tax laws and regulations by the PRC tax authorities. During the Track Record Period, we did not have any material dispute or unresolved issues with the relevant tax authorities. However, we cannot assure you that future examinations by the PRC tax authorities would not result in fines, other penalties or action that may adversely affect our business, financial conditions, results of operations, and growth prospects. Furthermore, we cannot assure you that our historical operations, including business operation as well as corporate actions such as internal reorganisation or investment in associate companies, would not result in fines, other penalties or action that may materially and adversely affect our business, financial conditions and results of operations in the future.

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

We purchase and maintain insurance policies in accordance with the needs of our business and as required under the relevant laws and regulations. However, we cannot guarantee that our insurance coverage will fully address the risks in connection with our business operations. If we were to incur substantial liabilities that are not covered by our insurance policies or if we suffer protracted periods of disruptions or interruptions 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 loss or liabilities or extended disruptions or interruptions to our business operations may cause substantial costs and the diversion of resources, which could have a material and adverse effect on our operating results.

We may be involved in intellectual property disputes and claims of infringement, which may divert our management’s attention and harm our reputation and profitability.

We rely upon a combination of patents, trademarks, domain names and contractual rights to protect our intellectual property rights. As at the Latest Practicable Date, we registered one trademark in the PRC and applied for registration of one trademark in the PRC and one trademark in Hong Kong, respectively, owned six patents and one domain name in China. However, there can be no assurance that the steps we have taken to monitor and protect our intellectual property rights are adequate to prevent or deter infringement or other misappropriation of our intellectual property. Failure to successfully enforce our intellectual property rights would diminish our level of competitiveness and harm our reputation.

We may be required to commence legal proceedings to enforce our intellectual property rights and protect our proprietary information. Conversely, we may be subject to litigation involving claims by third parties that our operations infringe their intellectual property rights. Any litigation or claims brought by or against us, whether with or without merit, or whether successful or not, can be both costly and time-consuming and may significantly reduce our resources. An unfavourable determination in any such litigation or proceedings to which we may become a party could materially and adversely affect our business, financial condition and results of operations.

Our operations may be adversely affected by present or future environmental regulations or enforcement.

Our operations are subject to environmental protection laws, regulations, including the Law of the People’s Republic of China on Prevention and Control of Noise Pollution (中華人民共和國噪聲污染防治法). For instance, we are required to adopt measures to control environmental pollution produced at the construction sites and are subject to fees for discharging waste substances. In the event of serious environmental offences, we may be subject to fines and other administrative punishments. As confirmed by our PRC Legal

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Advisers, our operations were in compliance with the PRC environmental laws and regulations in all material respects during the Track Record Period. However, we cannot assure you that we will not be subject to any fines or administrative punishments for damage to the environment, if any, in the future. If the amount of the fines is substantial or punishments are imposed, our results of operations, financial condition and business may be adversely affected.

The PRC government and the relevant government authority may amend environmental protection laws, regulations, policies and standards from time to time, and as a result, we may be subject to more obligations. We may also be required to revise our current practices, implement enhanced compliance and internal control system, purchase new pollution control equipment, offer training to our employees and subcontractors and introduce new preventive or remedial measures so as to ensure compliance with the relevant laws, regulations, policies and standards, which would utilise additional financial, human and other resources. If we fail to fully comply with the relevant laws, regulations, policies and standards in a timely manner, or at all, we may be subject to penalties and hence our results of operations, financial condition and business may be adversely affected.

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

We have established an internal control system consisting of the internal rules and regulations in relation to our business operations, including management of business operation, human resources, payroll, cash management, and information on technology systems to manage our risk exposures, primarily our operational risk, legal risk and liquidity risk. However, we may not be successful in implementing our internal control system. While we seek to continue to enhance our internal control system from time to time, we cannot assure you that our internal control system is adequate or effective and any failure to address any potential risks and internal control deficiencies could materially and adversely affect our business, financial condition and results of operations.

Since our internal control system depends on its implementation by our employees, we cannot assure you that all of our employees will adhere to such policies and procedures, and the implementation of such policies and procedures may involve human errors or mistakes. For instance, we are subject to risks in relation to actions taken by us or our employees that constitute violations of the anti-corruption and other related laws. We are unable to guarantee that our internal control system will be effective in preventing the occurrence of corruption, bribery or other illegal activities. Moreover, our growth and expansion may affect our ability to implement stringent internal control policies and procedures as our business evolves. If we fail to timely adopt, implement and modify, as applicable, our risk management and internal control policies and procedures, our business, financial condition and results of operations could be materially and adversely affected.

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Negative publicity or damage to our business reputation may have a potential adverse impact on our business.

We value and rely on our reputation to maintain and expand our businesses. Any negative publicity associated with us could result in loss of business. We conduct business with a number of counterparties, including customers, suppliers and subcontractors. If any of such counterparties are dissatisfied with us, and raises any complaint about us to the public, whether justified or not, our business, brand and reputation may be adversely affected, which will in turn adversely affect our results of operations and growth prospects.

We may experience failures in our information technology systems.

We rely on our information technology systems for daily operations. Our information technology systems are critical to our operations, including contract management, safety and quality control, documentation management, production management, human resources and accounting and finance management. Our information technology systems also support our key operation processes, including project management, procurement and bidding. Our operating efficiency and risk management practices have been enhanced by such information technology systems. However, we cannot assure you that any damage or interruption caused by power outages, computer viruses, hardware and software failures, telecommunications failures, fires, natural disasters and other similar events relating to our information technology systems will not happen in the future. Restoring affected systems could involve considerable costs and resources. In case of significant damage or disruption, our operations may be adversely impacted.

Our result of operations may subject to seasonal fluctuations.

Our revenue may be affected by seasonality as it is noted that we typically record higher revenue in the second half of the year than in the first half of the year. We attribute this seasonality to the effect of the long Chinese New Year holiday when most of our projects are suspended. As a result, our interim reports may not be indicative of our performance for the year or our future performance, and period-to-period comparisons may not be meaningful due to the seasonal fluctuations and other reasons beyond our control. We cannot assure you that our operating results will meet the expectations of market analysts or our investors for a certain period. If we fail to meet their expectations, there may be a decline in the price of our H Shares.

RISKS RELATING TO CONDUCTING BUSINESS IN THE PRC

Any changes in China’s economic, social and political conditions, as well as the regulatory policies may have adverse impact on our business, financial performance, operating results and prospects.

Our Company is incorporated in the PRC, and we derived all our revenue from customers based in the PRC, and therefore our financial condition, operating results and prospects depend to a large extent on economic, political, legal and social developments in the PRC. Such changes in the PRC economy and relevant markets in the future may materially and adversely affect our business, financial position and results of operations.

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Foreign exchange control may limit our ability to pay dividends and other obligations and affect the value of your investment.

Currently, the conversion and remittance of foreign currencies are subject to PRC foreign exchange regulations. There is no assurance that we will have sufficient foreign exchange to meet our foreign exchange requirements. 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, any changes to these foreign exchange policies regarding payment of dividends in foreign currencies may affect our ability to pay dividends. 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 Renminbi into any foreign currency for any of the above purposes, our capital expenditure plans and our business, operating results and financial position may be materially and adversely affected.

The development of the PRC legal system and changes in the interpretation and enforcement of PRC laws, regulations and policies in China could affect our business operation and future prospects.

Our Company is incorporated under the laws of the PRC. The PRC legal system is based on written statutes. Since the late 1970s, the PRC government has promulgated laws and regulations dealing with economic matters, such as foreign investment, corporate organisation and governance, commerce, taxation and trade, with a view towards developing a comprehensive system of commercial law. As these laws and regulations are continually evolving in response to changing economic and other conditions, the difference relating to the interpretation and implementation of PRC laws and regulations may affect the remedies that are available to investors and us.

It may be difficult to effect service of legal process and enforce judgments obtained from non-PRC courts against us or our Directors, Supervisors or senior management residing in China.

We are established in China. All of our assets are located in China and the majority of our Directors, Supervisors and senior management currently reside in China. Therefore, it may be difficult or impossible to effect service of process within jurisdictions outside China upon us or our Directors, Supervisors or senior management. A judgment of a court of another jurisdiction may only be reciprocally recognised or enforced if the jurisdiction has a treaty with China or if there are reciprocal relationships between China and such jurisdiction. The recognition and enforcement in China of a court judgment obtained in other jurisdictions related to any matter that is not subject to a binding arbitration provision may be difficult or impossible.

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Payment of dividends is subject to restrictions under the PRC laws.

Under the PRC laws and our Articles of Association, we may only pay dividends out of distributable profits. Distributable profits are our after-tax profits as determined under PRC GAAP or IFRS, whichever is lower, less any recovery of accumulated losses and appropriations to statutory and other reserves that we are required to make. The declaration of dividends is proposed by our Board and subject to our Shareholders’ approval. We cannot guarantee whether, when and in what form we will pay dividends in the future. We may not have sufficient or any distributable profits to enable us to make dividend distributions to our Shareholders, including in periods for which our financial statements indicate we are profitable. In addition, dividends paid in the past may not be indicative of our dividend policy in the future.

You may be subject to PRC taxation for dividends received and gains realised in connection with our H Shares. Under the PRC tax laws, rules and regulations, non-PRC resident individuals and non-PRC resident enterprises are generally subject to PRC income tax obligations on dividends paid to them by us at the rate of 20% and 10%, respectively. We would be required to withhold such tax from our dividend payments to them, subject to any reduction or exemption under any tax treaties between the PRC and the jurisdictions of such non-PRC resident individuals or non-PRC resident enterprises. Similarly, holders of our H Shares who are non-PRC resident individuals or non-PRC resident enterprises would be required to pay PRC income tax on gains from the dispositions of our H Shares at the rate of 20% or 10%, respectively, subject to any reduction or exemption under any tax treaties between the PRC and the jurisdictions of such non-PRC resident individuals or non-PRC resident enterprises.

Despite the arrangements mentioned above, the PRC tax laws and rules may change, including the relevant preferential tax treatment. If there is any change to applicable tax laws and rules and interpretation or application in respect of such laws and rules, the value of your investment in our H Shares may be materially affected.

RISKS RELATING TO THE H SHARES AND THE [REDACTED]

There has been no prior public market for our H Shares. [REDACTED] of our H Shares may be volatile. If the [REDACTED] of our H Shares declines or fluctuates, this could result in substantial losses for investors purchasing our H Shares in the [REDACTED].

Prior to the [REDACTED], there has been no public market for our H Shares. We cannot assure you that a public market for our H Shares with adequate liquidity and [REDACTED] will develop and be sustained following the completion of [REDACTED]. A [REDACTED] on the Stock Exchange, however, does not guarantee that an active and [REDACTED] for the H Shares will develop or, if it does develop, that it will be sustained.

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In addition, the initial [REDACTED] for our H Shares to the public will be agreed by us and the [REDACTED], and the [REDACTED] may differ significantly from the market price of the H Shares following this [REDACTED]. The [REDACTED] and [REDACTED] of the H Shares may be subject to significant volatility as a result of various factors, including:

- variations in our operating results or differences between our operating results and those anticipated by investors and analysts;
- 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 the industries in which we participate;
- any business interruptions resulting from natural disasters or accidents;
- investors’ perception of us and of the investment environment in Asia, including Hong Kong and the PRC;
- announcements of or completions of acquisitions, strategic alliances or joint ventures by us or our competitors;
- additions to, or departure of, our key personnel;
- release or expiration of lock-up or other transfer restrictions on our Shares;
- liability claims brought against us;
- involvement in litigation; and
- general political, economic, financial, social development and stock market conditions and other factors.

Moreover, in recent years, stock markets in general, and the H shares issued by other issuers in the PRC and listed on the Hong Kong Stock Exchange, have both experienced price and volume fluctuations, some of which were unrelated or did not fully correspond with the operating performance of the relevant companies. These broad market and industry fluctuations may materially and adversely affect the market price of our H Shares in a similar manner.

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

Future sales by our Shareholders of substantial amounts of our H Shares or other securities relating to our H Shares in the public markets after the [REDACTED], or the perception that these sales may occur, could adversely affect market prices of our H Shares prevailing from time to time.

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Domestic Shares may be converted into H Shares after [REDACTED] subject to relevant laws and regulations and approvals. Please refer to “Information about this Document and the [REDACTED] — Restrictions on [REDACTED] and [REDACTED] of H Shares” in this document for a more detailed discussion of restrictions that may apply to future sales of our H Shares. After these restrictions lapse, the market price of our H Shares may decline as a result of future sales of substantial amounts of our H Shares or other securities relating to our H Shares in the public market, the issuance of new H Shares or other securities relating to our H Shares, the conversion of substantial amounts of Domestic Shares into H Shares or the perception that such sales, conversion or issuances may occur. This could also adversely affect our ability to raise capital at a time and at a price we deem appropriate.

Our Shareholders may experience dilution in their holdings when we [REDACTED] additional securities in future [REDACTED]. New equity or equity-linked securities issued by us may also confer rights and privileges that take priority over those conferred by the H Shares.

There will be a time gap of several business days between pricing and trading of the H Shares offered under the [REDACTED].

The [REDACTED] of our H Shares will be determined on the [REDACTED]. However, our H Shares will not commence [REDACTED] on the Stock Exchange until they are delivered, which is expected to be several Business Days after the [REDACTED]. Consequently, our H Shares will not commence [REDACTED] on the Stock Exchange until they are delivered and it is expected that there will be a considerable gap of time between the [REDACTED] of the H Shares/closing of the [REDACTED] and the commencement of [REDACTED]. As a result, investors may not be able to sell or otherwise deal in the H Shares until the commencement of [REDACTED] and accordingly, holders of the H Shares are subject to the risk that the price of their H Shares could fall before [REDACTED] begins as a result of adverse market conditions or other adverse developments that could occur between the time of sale and the time [REDACTED] begins. Accordingly, Shareholders are subject to the risk that the price of the H Shares when [REDACTED] begins could be lower than the [REDACTED] as a result of adverse market conditions or other adverse developments that may occur between the time of sale and the time [REDACTED] begins.

Potential investors will experience immediate and substantial dilution as a result of the [REDACTED].

Investors will pay a price per H Share that exceeds the per H Share value of the tangible assets after subtracting the total liabilities and will therefore experience immediate dilution when they purchase the Shares in the [REDACTED]. As a result, if we were to distribute our net tangible assets to the Shareholders immediately following the [REDACTED], investors purchasing Shares in the [REDACTED] would receive less than they paid for their Shares. Please refer to “Unaudited [REDACTED] Financial Information” set out in Appendix II to this document for further details.

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Our historical dividend payments should not be taken as an indication of our future dividend policy or our payment of dividends in the future.

We may distribute dividends by way of cash or by other means that we consider appropriate. A decision to declare and pay any dividends would require the approval of the Board and will be at its discretion. In addition, any final dividend for a financial year will be subject to Shareholders’ approval. For FY2020, FY2021, FY2022 and 4M2023, our Group paid dividends of nil, nil, RMB537.4 million and RMB89.9 million, respectively. However, any historical dividend payment should not be regarded as an indication of future dividend policy or our payment of dividends in the future.

We have not independently verified certain facts, forecasts and other statistics obtained from various government publications contained in this document.

Some facts, statistics, and data in this document are derived from official government sources that we believe to be reliable and appropriate for such information. However, we cannot guarantee the quality or reliability of such source materials. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. While our Directors have taken reasonable care in extracting and reproducing the information, they have not been prepared or independently verified by us, the Sole Sponsor, the [REDACTED], the [REDACTED], the [REDACTED], the [REDACTED], the [REDACTED], the Controlling Shareholder, any of their or our Company’s respective directors, officers or representatives, or any other person involved in the [REDACTED]. Hence, none of them makes any representation as to the accuracy or completeness of such facts, statistics, and data. In light of the possibly flawed or ineffective collection methods or discrepancies between published information, market practice, and other problems, the statistics in this document may be inaccurate or may not be comparable to statistics produced for other publications or purposes and you should not place undue reliance on them.

Furthermore, there is no assurance that they are stated or compiled on the same basis or with the same degree of accuracy as similar statistics presented elsewhere. In all cases, investors should give consideration as to how much weight or importance they should attach to, or place on, such information or statistics.

You should read the entire document carefully and we strongly caution you not to rely on any information contained in press articles or other media regarding us and the [REDACTED].

There may have been press and media coverage regarding the [REDACTED] and our Group, which contains, among other things, financial information, projections, valuations and other forward-looking information. We have not authorised the disclosure of any such information in the press or media and do not accept responsibility for 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, prospective investors in our H Shares are cautioned to make their investment decisions on the basis of the information contained in this document only and should not rely on any of the information in press articles or other media coverage.

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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. The 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 the risks and uncertainties associated with the forward-looking statements, the inclusion of these statements in this document should not be regarded as representations or warranties by us that our plans and objectives will be achieved and these forward-looking statements should be considered in light of various important factors, including those set out in this section. Subject to the requirements of the Hong Kong Listing Rules, we do not intend publicly to 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.