宏信建設發展有限公司
Horizon Construction Development Limited

(Incorporated in the Cayman Islands with limited liability)

STOCK CODE : 9930

GLOBAL OFFERING

Joint Sponsors, Overall Coordinators, Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

华泰国际 HUATAI INTERNATIONAL | citi | 招银国际 CMB INTERNATIONAL | DBS

Joint Bookrunners and Joint Lead Managers

BOC INTERNATIONAL | 申萬宏源香港 SHENWAN HONGYUAN | 國泰君安國際 GUOTAI JUNAN INTERNATIONAL

交銀國際 BOCOM International | 建银国际 CCB International | 農銀國際 ABC INTERNATIONAL | ZTSC 中泰國際

Joint Lead Managers

富途證券 | 老虎證券 | 華盛証券 Valuable Capital Limited

IMPORTANT: If you are in any doubt about any of the contents of this Prospectus, you should obtain independent professional advice.

Horizon Construction Development Limited
宏信建設發展有限公司

(Incorporated in the Cayman Islands with limited liability)

GLOBAL OFFERING

Number of Offer Shares under the Global Offering	:	**364,694,000 Shares (subject to the Over-allotment Option)**
Number of Hong Kong Offer Shares	:	**36,470,000 Shares (subject to adjustment)**
Number of International Offer Shares	:	**328,224,000 Shares (including 36,470,000 Reserved Shares under the Preferential Offering) (subject to adjustment and the Over-allotment Option)**
Maximum Offer Price	:	**HK$4.80 per Share, plus brokerage of 1.0%, SFC transaction levy of 0.0027%, AFRC transaction levy of 0.00015% and Stock Exchange trading fee of 0.00565% (payable in full on application in Hong Kong Dollars and subject to refund)**
Nominal Value	:	**US$0.00002 per Share**
Stock Code	:	**9930**

Joint Sponsors, Overall Coordinators, Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

Joint Bookrunners and Joint Lead Managers

Joint Lead Managers

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this Prospectus, make no representation as to its accuracy or completeness, and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Prospectus.

A copy of this Prospectus, having attached thereto the documents specified in "Appendix V—Documents Delivered to the Registrar of Companies and Available on Display" to this Prospectus, has been registered by the Registrar of Companies in Hong Kong as required by section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility for the contents of this Prospectus or any other document referred to above.

The Offer Price is expected to be determined by agreement between the Overall Coordinators (on behalf of the Underwriters) and us on the Price Determination Date. The Price Determination Date is expected to be on or about Thursday, May 18, 2023 and, in any event, not later than Friday, May 19, 2023. The Offer Price will be not more than HK$4.80 and is currently expected to be not less than HK$4.52. Applicants for Hong Kong Offer Shares are required to pay, on application, the maximum Offer Price of HK$4.80 for each Hong Kong Offer Share together with brokerage of 1.0%, SFC transaction levy of 0.0027%, AFRC transaction levy of 0.00015% and Stock Exchange trading fee of 0.00565%, subject to refund if the Offer Price should be lower than HK$4.52. If, for any reason, the Overall Coordinators (on behalf of the Underwriters) and us are unable to reach an agreement on the Offer Price, the Global Offering will not proceed and will lapse.

The Overall Coordinators (on behalf of the Underwriters, and with our consent) may reduce the number of Offer Shares and/or the indicative Offer Price range stated in this Prospectus at any time prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, a notice of the reduction in the number of Offer Shares and/or the indicative Offer Price range will be published on the website of our Company at **www.hongxinjianfa.com** and on the website of the Hong Kong Stock Exchange at **www.hkexnews.hk** not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. Further details are set forth in the sections headed "Structure of the Global Offering—The Hong Kong Public Offering" and "How to Apply for Hong Kong Offer Shares and Reserved Shares" in this Prospectus. Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this Prospectus, including the risk factors set out in "Risk Factors".

The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement to subscribe for, and to procure applicants for the subscription for, the Hong Kong Offer Shares, are subject to termination by the Overall Coordinators (on behalf of the Hong Kong Underwriters) if certain grounds arise prior to 8:00 a.m. on the day that trading in the Shares commences on the Hong Kong Stock Exchange. Such grounds are set out in the section headed "Underwriting—Underwriting Arrangements and Expenses—Hong Kong Public Offering—Grounds for termination" in this Prospectus. It is important that you refer to that section for further details.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities law in the United States and may not be offered, sold, pledged or transferred within the United States (as defined in Regulation S), except in transactions exempt from, or not subject to, the registration requirements of the U.S. Securities Act. The Offer Shares are being offered and sold outside the United States in offshore transactions in accordance with Regulation S.

ATTENTION

We have adopted a fully electronic application process for the Hong Kong Public Offering. We will not provide printed copies of this document or printed copies of any application forms to the public in relation to the Hong Kong Public Offering. This document is available at the website of the Hong Kong Stock Exchange at www.hkexnews.hk and our website at www.hongxinjianfa.com. If you require a printed copy of this document, you may download and print from the website addresses above.

May 12, 2023

IMPORTANT NOTICE TO INVESTORS:
FULLY ELECTRONIC APPLICATION PROCESS

We have adopted a fully electronic application process for the Hong Kong Public Offering. We will not provide printed copies of this document or printed copies of any application forms to the public in relation to the Hong Kong Public Offering.

This document is available at the website of the Hong Kong Stock Exchange at www.hkexnews.hk, under "HKEXnews > New Listings > New Listing Information", and our website at www.hongxinjianfa.com. If you require a printed copy of this document, you may download and print from the website addresses above.

To apply for the Hong Kong Offer Shares, you may:

(a) apply online through the **White Form eIPO** service at **www.eipo.com.hk**;

(b) apply through the **CCASS EIPO** service to electronically cause HKSCC Nominees to apply on your behalf, including by:

  (i) instructing your **broker** or **custodian** who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf; or

  (ii) (if you are an existing **CCASS Investor Participant**) giving **electronic application instructions** through the CCASS Internet System (**https://ip.ccass.com**) or through the CCASS Phone System by calling +852 2979 7888 (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time). HKSCC can also input **electronic application instructions** for CCASS Investor Participants through HKSCC's Customer Service Center by completing an input request.

We will not provide any physical channels to accept any application for the Hong Kong Offer Shares by the public. The contents of the electronic version of this document are identical to the printed prospectus as registered with the Registrar of Companies in Hong Kong pursuant to Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

If you are an **intermediary**, **broker** or **agent**, please remind your customers, clients or principals, as applicable, that this document is available online at the website addresses above.

See "How to Apply for Hong Kong Offer Shares and Reserved Shares" for further details of the procedures through which you can apply for the Hong Kong Offer Shares electronically.

Your application must be for a minimum of 1,000 Hong Kong Offer Shares and in one of the numbers set out in the table below. You are required to pay the amount next to the number you select.

No. of Hong Kong Offer Shares applied for	Amount payable on application	No. of Hong Kong Offer Shares applied for	Amount payable on application	No. of Hong Kong Offer Shares applied for	Amount payable on application	No. of Hong Kong Offer Shares applied for	Amount payable on application
	HK$		*HK$*		*HK$*		*HK$*
1,000	4,848.41	20,000	96,968.15	100,000	484,840.80	3,000,000	14,545,224.00
2,000	9,696.81	25,000	121,210.20	200,000	969,681.60	4,000,000	19,393,632.00
3,000	14,545.22	30,000	145,452.25	300,000	1,454,522.40	5,000,000	24,242,040.00
4,000	19,393.63	35,000	169,694.28	400,000	1,939,363.20	6,000,000	29,090,448.00
5,000	24,242.05	40,000	193,936.32	500,000	2,424,204.00	7,000,000	33,938,856.00
6,000	29,090.45	45,000	218,178.35	600,000	2,909,044.80	8,000,000	38,787,264.00
7,000	33,938.86	50,000	242,420.40	700,000	3,393,885.60	9,000,000	43,635,672.00
8,000	38,787.27	60,000	290,904.48	800,000	3,878,726.40	10,000,000	48,484,080.00
9,000	43,635.67	70,000	339,388.55	900,000	4,363,567.20	15,000,000	72,726,120.00
10,000	48,484.08	80,000	387,872.65	1,000,000	4,848,408.00	18,235,000[(1)]	88,410,719.88
15,000	72,726.12	90,000	436,356.72	2,000,000	9,696,816.00		

Note:

(1) Maximum number of Hong Kong Offer Shares you may apply for.

No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

Time and date[1]

Despatch of **BLUE** Application Forms to Qualifying Far East Horizon Shareholders on or before .... Friday, May 12, 2023

Hong Kong Public Offering and Preferential Offering commence .... 9:00 a.m. on Friday, May 12, 2023

Latest time for completing electronic applications under **White Form eIPO** service through the designated website **www.eipo.com.hk**[2] .... 11:30 a.m. on Thursday, May 18, 2023

Application lists of the Hong Kong Public Offering and the Preferential Offering open[3] .... 11:45 a.m. on Thursday, May 18, 2023

Latest time for (a) completing payment for **White Form eIPO** applications by effecting internet banking transfer(s) or PPS payment transfer(s); (b) giving **electronic application instructions** to HKSCC[4] and (c) lodging **BLUE** Application Forms .... 12:00 noon on Thursday, May 18, 2023

If you are instructing your **broker** or **custodian** who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf, you are advised to contact your **broker** or **custodian** for the latest time for giving such instructions which may be different from the latest time as stated above.

Application lists of the Hong Kong Public Offering and the Preferential Offering close[3] .... 12:00 noon on Thursday, May 18, 2023

Expected Price Determination Date[5] .... Thursday, May 18, 2023

Announcement of the Hong Kong Offer Price and the International Offer Price on our website at **www.hongxinjianfa.com**[6] and the website of the Hong Kong Stock Exchange at **www.hkexnews.hk** on or around .... Wednesday, May 24, 2023

Announcement of the level of indications of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the Preferential Offering and the basis of allocation of the Hong Kong Offer Shares under Hong Kong Public Offering and the Reserved Shares under the Preferential Offering on our website at **www.hongxinjianfa.com** and the website of the Hong Kong Stock Exchange at **www.hkexnews.hk** on or before . . . . . Wednesday, May 24, 2023

The results of allocations in the Hong Kong Public Offering and the Preferential Offering (with successful applicants' identification document numbers, where appropriate) to be available through a variety of channels, including:

- in the announcement to be posted on our website at **www.hongxinjianfa.com** and the website of the Hong Kong Stock Exchange at **www.hkexnews.hk** . . . . Wednesday, May 24, 2023

- from the designated results of allocations website at **www.iporesults.com.hk** (alternatively: English **https://www.eipo.com.hk/en/Allotment**; Chinese **https://www.eipo.com.hk/zh-hk/Allotment**) with a "search by ID" function from . . . . 8:00 a.m. on Wednesday, May 24, 2023 to 12:00 midnight on Tuesday, May 30, 2023

- from the allocation results telephone enquiry by calling +852 2862 8555 between 9:00 a.m. and 6:00 p.m. on . . . . Wednesday, May 24, 2023, Thursday, May 25, 2023, Monday, May 29, 2023 and Tuesday, May 30, 2023

Share certificates in respect of wholly or partially successful applications pursuant to the Hong Kong Public Offering and the Preferential Offering to be dispatched/collected or deposited into CCASS on or before[(7)(9)] . . . . Wednesday, May 24, 2023

White Form e-Refund payment instructions/refund checks in respect of wholly or partially successful applications if the final Offer Price is less than the price payable on application (if applicable) or wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering and the Preferential Offering to be dispatched/collected on or before[(8)(9)] .... Wednesday, May 24, 2023

Dealings in the Shares on the Hong Kong Stock Exchange expected to commence at 9:00 a.m. on .... Thursday, May 25, 2023

The application for the Hong Kong Public Offer Shares will commence on Friday, May 12, 2023 through Thursday, May 18, 2023, being slightly longer than normal market practice of 3.5 days. The application monies (including the brokerages, SFC transaction levies, AFRC transaction levies and Hong Kong Stock Exchange trading fees) will be held by the receiving banks on behalf of the Company and the refund monies, if any, will be returned to the applicants without interest on Wednesday, May 24, 2023. Investors should be aware that the dealings in the Shares on the Stock Exchange are expected to commence on Thursday, May 25, 2023.

Notes:

(1) All dates and times refer to Hong Kong local dates and time, except as otherwise stated.

(2) You will not be permitted to submit your application through the designated website at **www.eipo.com.hk** after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the designated website at or before 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.

(3) If there is/are a tropical cyclone warning signal number 8 or above, a "black" rainstorm warning and/or Extreme Conditions in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, May 18, 2023, the application lists will not open or close on that day. See "How to Apply for Hong Kong Offer Shares and Reserved Shares—D. Effect of bad weather and Extreme Conditions on the opening and closing of the application lists."

(4) Applicants who apply for Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC via CCASS or instructing your broker or custodian to apply on your behalf via CCASS should refer to "How to Apply for Hong Kong Offer Shares and Reserved Shares—A. Applications for the Hong Kong Offer Shares—6. Applying through **CCASS EIPO** service."

(5) The Price Determination Date is expected to be on or around Thursday, May 18, 2023 and, in any event, not later than Friday, May 19, 2023. If, for any reason, we do not agree with the Overall Coordinators (for themselves and on behalf of the Underwriters) on the pricing of the Offer Shares by Friday, May 19, 2023, the Global Offering will not proceed and will lapse.

(6) None of the websites set out in this section or any of the information contained on the websites forms part of this Prospectus.

(7) Share certificates will only become valid evidence of title at 8:00 a.m. on the Listing Date provided that the Global Offering has become unconditional and the right of termination described in "Underwriting—Underwriting Arrangements and Expenses—Hong Kong Public Offering—Grounds for Termination" has not been exercised. Investors who trade Shares on the basis of publicly available allocation details or prior to the receipt of Share certificates or the Share certificates becoming valid do so entirely at their own risk.

(8) e-Refund payment instructions/refund checks will be issued in respect of wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering and the Preferential Offering and also in respect of wholly or partially successful applications in the event that the final Offer Price is less than the price payable per Offer Share on application. Part of the applicant's Hong Kong identity card number or passport number, or, if the application is made by joint applicants, part of the Hong Kong identity card number or passport number of the first-named applicant, provided by the applicant(s) may be printed on the refund check, if any. Such data would also be transferred to a third party for refund purposes. Banks may require verification of an applicant's Hong Kong identity card number or passport number before encashment of the refund check. Inaccurate completion of an applicant's Hong Kong identity card number or passport number may invalidate or delay encashment of the refund check.

(9) Applicants who have applied (i) 1,000,000 Hong Kong Offer Shares or more through the **White Form eIPO** service or (ii) 1,000,000 Reserved Shares or more on a **BLUE** Application Form and have provided all information required by your Application Form may collect any refund checks (where applicable) and/or Share certificates in person from our Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong from 9:00 a.m. to 1:00 p.m. on Wednesday, May 24, 2023 or such other date as notified by us as the date of dispatch/collection of Share certificates/e-Refund payment instructions/refund checks. Applicants being individuals who are eligible for personal collection may not authorize any other person to collect on their behalf. Individuals must produce evidence of identity acceptable to our Hong Kong Share Registrar at the time of collection.

Applicants who have applied for Hong Kong Offer Shares through **CCASS EIPO** service should refer to "How to Apply for Hong Kong Offer Shares and Reserved Shares—H. Dispatch/collection of share certificates/e-Refund payment instructions/refund checks—Personal Collection—If you apply through **CCASS EIPO** service" for details.

Applicants who have applied through the **White Form eIPO** service and paid their applications monies through single bank accounts may have refund monies (if any) dispatched to the bank account in the form of e-Refund payment instructions. Applicants who have applied through the **White Form eIPO** service and paid their application monies through multiple bank accounts may have refund monies (if any) dispatched to the address as specified in their application instructions in the form of refund checks by ordinary post at their own risk.

Share certificates and/or refund checks for applicants who have applied for less than 1,000,000 Hong Kong Offer Shares and any uncollected Share certificates and/or refund checks will be dispatched by ordinary post, at the applicants' risk, to the addresses specified in the relevant applications.

Further information is set out in "How to Apply for Hong Kong Offer Shares and Reserved Shares—G. Refund of application monies" and "How to Apply for Hong Kong Offer Shares and Reserved Shares—H. Dispatch/collection of share certificates/e-Refund payment instructions/refund checks."

The above expected timetable is a summary only. For details of the structure of the Global Offering, including its conditions, and the procedures for applications for Hong Kong Offer Shares and Reserved Shares, see "*Structure of the Global Offering*" and "*How to Apply for Hong Kong Offer Shares and Reserved Shares*".

The **BLUE** Application Forms have been despatched to all Qualifying Far East Horizon Shareholders. In addition, a printed copy of this Prospectus will be despatched to all Qualifying Far East Horizon Shareholders to their address recorded on the register of members of Far East Horizon on the Record Date. Qualifying Far East Horizon Shareholders may obtain a printed copy of this Prospectus, free of charge, during normal business hours from any of the designated branches of the receiving banks and the designated offices of each of the Joint Global Coordinators as set out in "How to Apply for Hong Kong Offer Shares and Reserved Shares". An electronic version of this Prospectus (identical to the printed Prospectus) can be accessed and downloaded from the websites of the Company at **www.hongxinjianfa.com** and the Stock Exchange at **www.hkexnews.hk**.

Distribution of this Prospectus and/or the Application Forms into any jurisdiction other than Hong Kong may be restricted by law. Persons into whose possession this Prospectus and/or the Application Forms (including without limitation, agents, custodians, nominees and trustees) should inform themselves of, and observe, any such restrictions. Any failure to comply with such restrictions may constitute a violation of the securities laws of any such jurisdiction. In particular, this Prospectus should not be distributed, forwarded or transmitted in, into or from any of the Specified Territories with or without the Application Forms, except to Qualifying Far East Horizon Shareholders as specified in this Prospectus.

The application for the Hong Kong Offer Shares and the Reserved Shares will commence on Friday, May 12, 2023 through Thursday, May 18, 2023.

IMPORTANT NOTICE TO INVESTORS

This Prospectus is issued by Horizon Construction Development Limited solely in connection with the Hong Kong Public Offering and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Hong Kong Offer Shares offered by this Prospectus pursuant to the Hong Kong Public Offering. This Prospectus may not be used for the purpose of, and does not constitute, an offer or a solicitation of an offer to subscribe for or buy, any security in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares or the distribution of this Prospectus in any jurisdiction other than Hong Kong. The distribution of this Prospectus and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.

You should rely only on the information contained in this Prospectus to make your investment decision. We have not authorized anyone to provide you with information that is different from what is contained in this Prospectus. Any information or representation not made in this Prospectus must not be relied on by you as having been authorized by us, the Joint Sponsors, the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Capital Market Intermediaries, any of the Underwriters, any of our or their respective directors, officers or representatives, or any other person or party involved in the Global Offering.

This summary aims to give you an overview of the information contained in this Prospectus. As this is a summary, it does not contain all the information that may be important to you. You should read this Prospectus in its entirety before you decide to invest in the Offer Shares. There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in the section entitled "Risk Factors" in this Prospectus. You should read that section carefully before you decide to invest in the Offer Shares.

OVERVIEW

We are one of the leading equipment operation service providers in China, with comprehensive equipment offerings and strong service capacities. According to the F&S Report, we were the largest equipment operation service provider in China in terms of revenue in 2022. Leveraging our equipment operation service capabilities, we provide comprehensive and multi-dimensional services covering the full cycle of projects.

Our major brands include Horizon Construction Development (宏信建發), Horizon Equipment (宏信設備) and Hongjin Equipment (宏金設備). Our leading market position and brand recognition are reflected in the numerous awards we have received. See "Business—Awards and Recognitions." Leveraging our leading position in the industry, we were able to participate in milestone projects. See "Business—Our Milestone Projects."

In addition, we are one of the leaders in aerial work platform equipment operation, neo-excavation support system operation and neo-formwork system operation service markets. As of December 31, 2022, the equipment volume of our aerial work platforms, neo-excavation support systems and neo-formwork systems amounted to approximately 131.3 thousand units, approximately 1,576.6 thousand tons and approximately 622.6 thousand tons, respectively. We believe that our comprehensive and multi-dimensional services covering the full cycle of projects and leveraging the synergies among our various product lines and diversified service categories enable us to enhance our market competitiveness and customer stickiness. As a result, we have fostered a diverse, blue chip, loyal and high-quality customer base to ensure our operational stability and sustainable growth. Moreover, we have established a nationwide service outlet network consisting of 349 service outlets as of December 31, 2022, covering 187 cities in China. According to the F&S Report, the number of our service outlets ranked first in China as of December 31, 2022 among all equipment operation service providers, enabling our industry-leading response time. Furthermore, our proven digitalization capabilities continuously enhance our operational efficiency and customer service capabilities.

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

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

OUR BUSINESS

With a customer-oriented philosophy, we believe that we have been able to satisfy our customers' needs through our comprehensive and multi-dimensional services covering the full cycle of projects. We believe our comprehensive service portfolio with synergies enables us to cross sell our services, and to sustain our business growth. Our main business segments, categorized by service portfolios, are as follows:

- ***Operating lease services:*** Our service portfolio for operating lease services covers various types of equipment and materials. We offer operating lease services on a daily, weekly, monthly, yearly or project-by-project basis based on our customers' needs. Main product lines for our operating lease services primarily include aerial work platform, neo-excavation support system, neo-formwork system and other equipment, such as road equipment and electrical power equipment.

- ***Engineering and technical services:*** Attributable to our comprehensive and multi-dimensional service model covering the full cycle of projects, we are able to provide high-quality engineering and technical services, which represent tailor-made one-stop solutions for different business or operation scenarios.

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

The following table sets forth a breakdown of our revenue by segment for the years indicated:

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

Notes:

(1) The main product lines for our operating lease services include aerial work platform, neo-excavation support system, neo-formwork system and other equipment.

(2) Our engineering and technical services represent tailor-made one-stop solutions for different business or operation scenarios.

(3) Our platform and other services primarily include platform services and sales of equipment, materials and spare parts.

The following table sets forth a breakdown of our gross profit and gross profit margin by segment for the years indicated:

	For the year ended December 31,					
	2020		2021		2022	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	RMB'000	%	*RMB'000*	%	*RMB'000*	%
Operating lease services	1,299,161	52.3	2,372,269	53.1	2,319,230	44.7
Engineering and technical services	305,947	28.8	442,642	29.1	640,364	30.0
Platform and other services	43,253	37.2	31,026	19.6	173,412	31.5
Total gross profit/Overall gross profit margin	**1,648,361**	**45.0**	**2,845,937**	**46.3**	**3,133,006**	**39.8**

The gross profit margin for operating lease services remained relatively stable at 52.3% for the year ended December 31, 2020 and 53.1% for the year ended December 31, 2021. The gross profit margin for operating lease services decreased from 53.1% for the year ended December 31, 2021 to 44.7% for the year ended December 31, 2022, primarily because the increase in cost of sales for providing operating lease services outpaced the increase in our revenue generated from operating lease services, which was primarily due to a decrease in the utilization rate for our equipment mainly attributable to the suspension of our operating leases with customers and suspension of operations of our service outlets in 2022 as a result of the COVID-19 pandemic.

The gross profit margin for engineering and technical services remained relatively stable at 28.8% for the year ended December 31, 2020 and 29.1% for the year ended December 31, 2021. The gross profit margin for engineering and technical services remained relatively stable at 29.1% for the year ended December 31, 2021 and 30.0% for the year ended December 31, 2022.

The gross profit margin for platform and other services decreased from 37.2% in 2020 to 19.6% in 2021, primarily due to a higher proportion of sales of certain materials which had relatively lower gross profit margins. The gross profit margin for platform and other services increased from 19.6% for the year ended December 31, 2021 to 31.5% for the year ended December 31, 2022, primarily due to a higher proportion of revenue from platform services, which had relatively higher gross profit margins than that of sales of equipment, materials and spare parts.

OUR EQUIPMENT

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

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

Notes:

(1) As of December 31, 2021 and 2022, in addition to the 92.6 thousand units and 110.1 thousand units, respectively, of aerial work platform we owned, we managed 4,618 units and 21,163 units, respectively, of aerial work platforms which we re-rented to customers through the platform services joint mode. For details, see "—Our Business—Platform and Other Services—Platform services".

(2) Calculated as the average of total value of assets we leased out during the year divided by the average of total value of equipment we owned during the corresponding year. "Average of total value of equipment" is the total asset value of all equipment, averaged between the beginning and the end of the year. According to the F&S Report, this method of calculation is consistent with the common industry practice.

COMPETITIVE STRENGTHS

We believe that the following strengths continue to drive our value growth and set us apart from our competitors: (i) leading equipment operation service provider in China; (ii) market leadership in aerial work platform operation, neo-excavation support system operation and neo-formwork system operation service markets well-positioned for industry upgrade; (iii) synergies among different product lines, and comprehensive and multi-dimensional services covering the full cycle of projects underpinned by our customer-oriented philosophy; (iv) nationwide service outlet network with leading response time in the industry; (v) proven digitalization capabilities that continuously enhance our operational efficiency and customer service capabilities; (vi) close collaboration with Far East Horizon, one of our Controlling Shareholders, to capture significant opportunities; and (vii) experienced management team supported by a unique management mode.

COMPETITIVE LANDSCAPE

According to the F&S Report, we ranked first in all of the three markets in terms of equipment volume owned in China as of December 31, 2022.

The aerial work platform operation service market in China is highly concentrated. As of December 31, 2022, the top three market participants collectively accounted for 58.4% of the total market size in terms of equipment volume, with the remaining 41.6% contributed by over 1,600 small-to-medium scale players. As of the same date, we ranked the first, accounting for 30.6% of the market share, in terms of equipment volume.

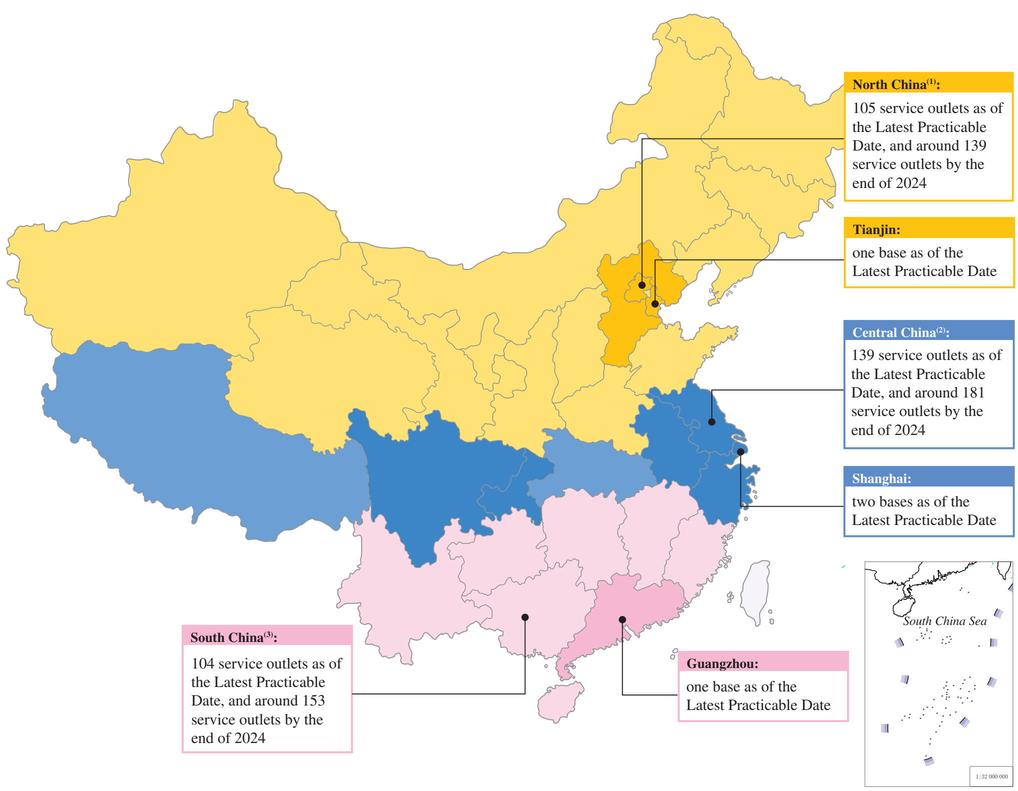
In contrast, the neo-excavation support system operation service market in China is highly fragmented. As of December 31, 2022, the top three industry players only accounted for 7.9% of the total market share in terms of equipment volume. As of the same date, we ranked the first, accounting for 5.0% of the market share, in terms of equipment volume.

The neo-formwork system operation service market in China is highly fragmented. As of December 31, 2022, the top three market participants collectively accounted for 6.0% of the total market size in terms of equipment volume, with the remaining 94.0% contributed by over 800 small-to-medium scale players. As of the same date, we ranked the first, accounting for 3.2% of the market share, in terms of equipment volume.

BUSINESS STRATEGIES

In order to achieve our goals, we have formulated the following strategies: (i) strategically expand our service outlet network to further enhance our service capabilities; (ii) optimize our equipment portfolio; (iii) enhance our one-stop solution capabilities; (iv) enhance our operational efficiency through digitalization upgrade; (v) expand our international footprints; and (vi) enhance our competitive edges through talents.

In terms of our plans to expand our service outlet network, the following map represents the geographical distribution of the number of our main bases, and existing and expected future service outlets to be established in China by the end of 2024:



Notes:

(1) Includes Xinjiang, Gansu, Qinghai, Inner Mongolia, Ningxia, Shaanxi, Shanxi, Beijing, Hebei, Henan, Tianjin, Shandong, Liaoning, Jilin and Heilongjiang.

(2) Includes Jiangsu, Zhejiang, Shanghai, Sichuan, Chongqing, Hubei, Anhui and Tibet.

(3) Includes Yunnan, Guizhou, Guangxi, Hainan, Hunan, Guangdong, Jiangxi and Fujian.

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

OUR CUSTOMERS AND SUPPLIERS

As a service provider operating in a highly fragmented and intensely competitive industry, we believe that building a high-quality customer base is crucial to our business growth. Attributable to our comprehensive and multi-dimensional service model covering the full cycle of projects, we have fostered a loyal and high-quality customer base over the years, which primarily includes large central enterprises, local SOEs, public entities, private companies and individuals in China. The number of our customers (on a standalone basis) increased from approximately 47,000 in 2020 to approximately 97,000 in 2021, and further increased to approximately 158,000 in 2022. Our customers come from various industries, including construction, manufacturing, commerce, real estate, culture, entertainment and various consumer industries.

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

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

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

OUR CONTROLLING SHAREHOLDERS

Immediately following completion of the Spin-off (without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option), Far East Horizon will directly hold approximately 71.72% of the total issued share capital of our Company and will also be entitled to control the exercise of voting rights in respect of the Shares held by Farsighted Wit Limited (representing approximately 5.52% of the total issued share capital of our Company) at our general meetings. Therefore, Far East Horizon and Farsighted Wit Limited will constitute a group of our Controlling Shareholders upon Listing. Our Directors are of the view that there is clear business delineation between Far East Horizon Group and our Group. We focus on equipment operation business, covering (i) operating lease services, (ii) engineering and technical services, and (iii) platform and other services. We have been able to satisfy our customers' needs through our comprehensive and multi-dimensional services covering the full cycle of projects. Far East Horizon Group (excluding our Group) mainly focuses on, among others, financial leasing and advisory services. The business models, customer and suppliers and underlying assets of Far East Horizon Group (excluding our Group) are different and clearly delineated from those of our Group. Although our three non-executive Directors, Mr. Kong Fanxing, Mr. Xu Huibin and Ms. Guo Lina, and one independent non-executive Director, Mr. Liu Jialin, hold overlapping directorship or other positions in Far East Horizon Group, our Directors are of the view that our Company and Far East Horizon Group can be managed independently. For details of our Controlling Shareholders, please see the section headed "Relationship with Controlling Shareholders".

CONNECTED TRANSACTIONS

Our Group has entered into and will continue to engage in certain transactions with our connected persons, which will constitute continuing connected transactions upon Listing. For details of our continuing connected transactions, please see the section headed "Connected Transactions".

The table set out below is a summary of our non-exempted continuing connected transactions:

Nature of transactions	Waiver sought	Annual cap for each of the years ending December 31,		
		2023	2024	2025
		(RMB'000)	*(RMB'000)*	*(RMB'000)*
Office Seats Leasing Agreement with Far East Horizon Connected Persons	Announcement requirement	9,564	9,564	9,564
Construction and Decoration Services Agreement with Far East Horizon Connected Persons	Announcement requirement	10,054	376	75
Material Procurement Agreement with Shangyu Boteng	Announcement requirement	165,600	165,600	165,600
Financial Leasing Agreement with Far East Horizon Connected Persons	Announcement and independent Shareholders' approval requirements	Direct leasing:		
		68,333	65,161	55,311
		Sale-leaseback:		
		937,500	931,225	906,115

SPIN-OFF AND PREFERENTIAL OFFERING

Our Listing constitutes a spin-off of our Company from Far East Horizon (stock code: 3360) under Practice Note 15 of the Listing Rules. The proposal in relation to the Spin-off has been submitted by Far East Horizon to the Stock Exchange for approval pursuant to Practice Note 15 of the Listing Rules and the Stock Exchange has confirmed that Far East Horizon may proceed with the Spin-off. Far East Horizon considers that the spin-off and separate listing of our Group will be commercially beneficial to Far East Horizon, our Company and our Shareholders as a whole. For details, please see the section headed "History, Reorganization and Corporate Structure—The Spin-off".

The Spin-off will constitute a deemed disposal of the interest in a subsidiary of Far East Horizon under the Listing Rules. As the highest applicable percentage ratio under the Listing Rules for the Spin-off is expected to be more than 5% but less than 25%, the Spin-off will constitute a discloseable transaction for Far East Horizon under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements under the Listing Rules. The Spin-off will not be subject to the shareholders' approval of Far East Horizon.

In order to enable the Qualifying Far East Horizon Shareholders to participate in the Global Offering on a preferential basis as to allocation only, subject to the Stock Exchange granting approval for the listing of, and permission to deal in, the Shares on the Main Board and such approval not having been withdrawn and the Global Offering becoming unconditional, the Qualifying Far East Horizon Shareholders are invited to apply for an aggregate of 36,470,000 Reserved Shares in the Preferential Offering as an Assured Entitlement. For details, please see the section headed "Structure of the Global Offering—The Preferential Offering" in this Prospectus. The Preferential Offering has been approved by the Board and our Directors have been advised that the Preferential Offering will not conflict with or result in a breach of the Cayman Islands Companies Act.

PRE-IPO INVESTMENTS

We introduced the Pre-IPO Investors through several rounds of Pre-IPO Investments since our establishment. On March 27, 2020, the Shanghai Horizon Construction Development Investors, who were ultimately its key employees including management team members and key business personnel, agreed to make capital contributions to Shanghai Horizon Construction Development in the aggregate amount of RMB353,200,000. The Pre-IPO Investment enabled Shanghai Horizon Construction Development to share its interests with the key employees, which helped retain the key employees for continual operation and attract suitable personnel for further development.

On December 19, 2020, Lanjin Limited, which is wholly owned by Mr. He Ziming, agreed to subscribe for 607 Shares at a total consideration of US$9,153,835.71. Mr. He Ziming is a non-executive Director of our Company, and a seasoned industry participant with more than 15 years of experience and high reputation in the operating lease industry. Our Directors believe that we have benefited from his relevant management experience, industry knowledge, market insights and professional advice in such industry.

On April 16, 2021, (i) Xuzhou XCMG Huijin M&A Industry Fund (L.P.), (ii) Zoomlion International Trading (H.K.) Co., Limited, (iii) GSPR Holdings Limited, (iv) Zhejiang Dingli Machinery Co., Ltd., (v) LGMG International Limited, (vi) Terex International Holdings 2 Limited and (vii) Thrive Accomplish Limited agreed to subscribe for an aggregate of 6,651 Shares at a total consideration of US$204,910,326.45. The Pre-IPO Investors include leading industrial enterprises and renowned institutional investors. The Pre-IPO Investment demonstrated their confidence in the operations of our Group, assisted us in broadening our Shareholder base, and replenished the capital and improved the capital structure of our Company.

For details of the Pre-IPO Investments, please see the section headed "History, Reorganization and Corporate Structure—Pre-IPO Investments".

SUMMARY OF FINANCIAL INFORMATION

Selected items of consolidated statements of profit or loss

	For the year ended December 31,		
	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*
Revenue	3,663,595	6,141,168	7,877,646
Cost of sales	(2,015,234)	(3,295,231)	(4,744,640)
Gross profit	1,648,361	2,845,937	3,133,006
Profit before tax	641,507	902,499	893,804
Profit for the year	493,362	709,638	666,562
Profit attributable to:			
Owners of the parent	448,373	709,638	666,562
Non-controlling interests	44,989	–	–
	493,362	709,638	666,562

Non-HKFRS Measures

To supplement our consolidated results which are prepared and presented in accordance with HKFRS, we use EBITDA and adjusted net profit, each a non-HKFRS measure, as additional financial measures, which are not required by, or presented in accordance with, HKFRS. EBITDA (a non-HKFRS measure) is defined as profit for the year adjusted by deducting bank interest income and loan interest income, then adding back income tax expenses, finance costs, depreciation of property, plant and equipment, depreciation of right-of-use assets and amortization of other intangible assets. We define adjusted net profit (a non-HKFRS measure) as profit for the year adjusted for listing expenses, foreign exchange losses/gains from redemption liabilities on ordinary shares, foreign exchange losses/gains from interest payables on redemption liabilities on ordinary shares, and interest on redemption liabilities on ordinary shares. Listing expenses are expenses incurred in relation to the Global Offering. Foreign exchange losses/gains from redemption liabilities on ordinary shares, foreign exchange losses/gains from interest payables on redemption liabilities on ordinary shares, and interest on redemption liabilities on ordinary shares arose from the recipients of proceeds of our Pre-IPO Investments in 2021, which are non-cash in nature and do not result in cash outflow. Such foreign exchange losses/gains and interest expenses will not recur after the Listing as the redemption liabilities on ordinary shares will be reclassified as equity upon the Listing. We believe that such non-HKFRS measures facilitate comparisons of operating performance by eliminating the potential impact of these non-cash items. The use of such non-HKFRS measures has limitations as an analytical tool, and you should not consider them in isolation from, as a substitute for, analysis of, or superior to, our results of operations or financial conditions as reported under HKFRS. In addition, such non-HKFRS financial measures may be defined differently by other companies, and may not be comparable to other similarly titled measures used by other companies.

The table below sets forth the reconciliation of our non-HKFRS measures presented to the most directly comparable HKFRS financial measures for the years indicated:

	For the year ended December 31,		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Profit for the year	493,362	709,638	666,562
Less:			
Bank interest income	3,550	9,245	11,391
Loan interest income	13,903	–	–
Add:			
Income tax expenses	148,145	192,861	227,242
Finance costs	303,984	650,318	924,818
Depreciation of property, plant and equipment	773,801	1,577,373	2,194,927
Depreciation of right-of-use assets	182,163	75,263	77,700
Amortization of other intangible assets	726	805	814
EBITDA (a non-HKFRS measure)	1,884,728	3,197,013	4,080,672
Profit for the year	493,362	709,638	666,562
Less:			
Foreign exchange gains from redemption liabilities on ordinary shares(1)	–	20,509	–
Foreign exchange gains from interest payables on redemption liabilities on ordinary shares(1)	–	–	–
Add:			
Listing expenses(2)	10,855	27,126	40,349
Foreign exchange losses from redemption liabilities on ordinary shares(1)	–	–	120,671

	For the year ended December 31,		
	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*
Foreign exchange losses from interest payables on redemption liabilities on ordinary shares(1)	–	–	9,130
Interest on redemption liabilities on ordinary shares(1)	–	63,968	108,061
Adjusted net profit (a non-HKFRS measure)	**504,217**	**780,223**	**944,773**

Notes:

(1) Foreign exchange losses/gains from redemption liabilities on ordinary shares, foreign exchange losses/gains from interest payables on redemption liabilities on ordinary shares, and interest on redemption liabilities on ordinary shares arose from the recipients of proceeds of our Pre-IPO Investments in 2021, which are non-cash in nature and do not result in cash outflow. Such foreign exchange losses/gains and interest expenses will not recur after the Listing as the redemption liabilities on ordinary shares will be reclassified as equity upon the Listing.

(2) Listing expenses are expenses incurred in relation to the Global Offering.

Our revenue continued to increase during the Track Record Period, reflecting our business growth.

Our net profit increased by 43.8% from RMB493.4 million for the year ended December 31, 2020 to RMB709.6 million for the year ended December 31, 2021, which was generally in line with the increase in our revenue. Our net profit decreased by 6.1% from RMB709.6 million for the year ended December 31, 2021 to RMB666.6 million for the year ended December 31, 2022, primarily due to (i) the increase in cost of sales for providing operating lease services outpacing the increase in our revenue generated from operating lease services, which was primarily due to a decrease in the utilization rate for our equipment mainly attributable to the suspension of our operating leases with customers and suspension of operations of our service outlets in 2022 as a result of the COVID-19 pandemic; and (ii) an increase in finance costs mainly a result of our increased external financing efforts.

Selected items of consolidated statements of financial position

	As of December 31,		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Non-current assets	11,217,599	18,988,430	19,951,849
Current assets	4,421,604	7,972,176	10,339,945
Current liabilities	4,693,941	7,990,176	8,190,967
Non-current liabilities	5,643,513	12,959,469	15,425,592
Net current (liabilities)/assets	(272,337)	(18,000)	2,148,978
Total equity	5,301,749	6,010,961	6,675,235
Non-controlling interests	426	–	–

We recorded net current assets of RMB2,149.0 million as of December 31, 2022, as compared to net current liabilities of RMB18.0 million as of December 31, 2021, which was because the increase in our total current assets outpaced the increase in our total current liabilities, primarily due to (i) an increase in cash and cash equivalents; (ii) an increase in debt investments at FVOCI mainly attributable to an increase in payments from customers through bank bills and commercial bills; and (iii) a decrease in other payables and accruals mainly attributable to a decrease in advanced lease payments primarily due to our adjusted credit policy to grant credit terms (instead of requiring prepayments) to certain major customers and a decrease in other tax payables. This was partially offset by an increase in interest-bearing bank and other borrowings to support our business expansion.

Our net current liabilities decreased from RMB272.3 million as of December 31, 2020 to RMB18.0 million as of December 31, 2021, which was because the increase in our total current assets outpaced the increase in our total current liabilities, mainly reflecting our efforts to strategically increase the proportion of long-term debt financing to optimize our financing structure and mitigate the maturity mismatches between assets and liabilities. In addition, the increase in our total current assets was mainly due to (i) an increase in trade receivables mainly attributable to increases in our revenue and business scale as a result of our business expansion; (ii) an increase in prepayments, other receivables and other assets mainly attributable to an increase in deductible input value added tax as a result of our equipment procurement to support the expansion of our operating lease services. The increase in our total current liabilities was mainly due to an increase in interest-bearing bank and other borrowings to support our business expansion.

For details, see the section headed "Financial Information—Net Current Liabilities/Assets" in this Prospectus.

Our total equity increased from RMB246.6 million as of January 1, 2020 to RMB5,301.7 million as of December 31, 2020, primarily due to (i) the issue of shares of RMB4,740.9 million, which was in connection with the issue of Shares to Far East Horizon, Farsighted Wit Limited and Lanjin Limited as part of our Reorganization (see "History, Reorganization and Corporate Structure—Reorganization" for more details); (ii) profit for the year ended December 31, 2020 of RMB493.4 million; and (iii) capital contribution by non-controlling equity holders of subsidiaries of RMB364.6 million, mainly in connection with the capital increase in Shanghai Horizon Construction Development by the Shanghai Horizon Construction Development Investors (see "History, Reorganization and Corporate Structure—Pre-IPO Investments" for more details). The increase was offset by acquisition of non-controlling interests of RMB543.8 million. See Note 30(c) to "Appendix I—Accountants' Report" in this Prospectus for more details. Our total equity increased from RMB5,301.7 million as of December 31, 2020 to RMB6,011.0 million as of December 31, 2021, primarily due to (i) issue of ordinary shares with a redemption obligation of RMB1,326.2 million, representing capital contribution by certain Pre-IPO Investors in 2021 (see "History, Reorganization and Corporate Structure—Pre-IPO Investments" for more details; and (ii) our net profit for the year ended December 31, 2021 of RMB709.6 million. The increase was partially offset by recognition of a redemption obligation of RMB1,326.2 million, because the relevant Pre-IPO Investors were granted the right to require our Company to redeem all or part of the then outstanding Shares they held at a specified redemption price if the initial public offering of our Shares on the Stock Exchange or another recognized international securities exchange does not take place within 36 months after closing, as a result of which the equity investment by these Pre-IPO Investors are recognized as a liability at the net present value of the redemption price. Our total equity increased from RMB6,011.0 million as of December 31, 2021 to RMB6,675.2 million, primarily due to our net profit for the year ended December 31, 2022 of RMB666.6 million.

Selected items of consolidated statements of cash flow

	For the year ended December 31,		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Net cash generated from operating activities	1,027,305	2,449,374	2,822,827
Net cash used in investing activities	(6,690,791)	(10,470,801)	(3,462,671)
Net cash generated from financing activities	5,807,677	8,370,277	2,285,788

	For the year ended December 31,		
	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*
Net increase in cash and cash equivalents	**144,191**	**348,850**	**1,645,944**
Cash and cash equivalents at the beginning of the year	22,781	165,830	506,991
Effects of foreign exchange rate changes, net	(1,142)	(7,689)	6,390
Cash and cash equivalents at the end of the year	**165,830**	**506,991**	**2,159,325**

Our cash and cash equivalents increased from RMB165.8 million as of December 31, 2020 to RMB507.0 million as of December 31, 2021, primarily due to (i) net cash generated from financing activities of RMB8,370.3 million; and (ii) net cash generated from operating activities of RMB2,449.4 million. This was partially offset by net cash used in investing activities of RMB10,470.8 million. See "Financial Information—Liquidity and Capital Resources—Cash Flows" for more details. Our cash and cash equivalents further increased to RMB2,159.3 million as of December 31, 2022, primarily due to (i) net cash generated from operating activities of RMB2,822.8 million; and (ii) net cash generated from financing activities of RMB2,285.8 million. This was partially offset by net cash used in investing activities of RMB3,462.7 million.

SUMMARY OF KEY FINANCIAL RATIOS

The following table set forth our key financial ratios as of the dates or for the years indicated.

	As of/For the year ended December 31,		
	2020	2021	2022
Return on equity(1)	17.8%	12.5%	10.5%
Return on assets(2)	4.0%	3.3%	2.3%
Gearing ratio(3)	59.1%	74.1%	74.1%
Interest coverage(4)	3.05	2.37	1.95
Gross profit margin(5)	45.0%	46.3%	39.8%
EBITDA margin (a non-HKFRS measure)(6)	51.4%	52.1%	51.8%

Notes:

(1) Our return on equity is calculated as the profit for the year divided by the average balance of total equity at the beginning and the end of that year and multiplied by 100%.

(2) Our return on assets is calculated as profit for the year divided by the average balance of total assets at the beginning and the end of that year and multiplied by 100%.

(3) Our gearing ratio is calculated as dividing net debt by total equity as of the same date plus net debt and multiplied by 100%. Net debt includes interest-bearing bank and other borrowings less cash and cash equivalents. Our gearing ratio increased from 59.1% as of December 31, 2020 to 74.1% as of December 31, 2021, primarily due to an increase in bank and other borrowings (including interest on redemption liabilities on ordinary shares, which arose from the recipients of proceeds of our Pre-IPO Investments in 2021).

(4) Our interest coverage is calculated as profit before interest and tax for the year divided by the finance costs for the year.

(5) Gross profit margin is calculated based on gross profit for the year divided by revenue for the year and multiplied by 100%.

(6) EBITDA margin, a non-HKFRS measure, is calculated based on EBITDA (a non-HKFRS measure) for the year divided by revenue for the year and multiplied by 100%.

For details, see the section headed "Financial Information—Key Financial Ratios" in this Prospectus.

SUMMARY OF MATERIAL RISK FACTORS

Our operations involve certain risks, some of which are beyond our control. Some of the risks generally associated with our business and industry include: (i) any economic slowdown or decrease in general economic activities may result in weakness and volatility in our end markets and adversely affect on our business, results of operations, financial condition, and prospects; (ii) significant fluctuations in the rental prices of our equipment for lease may adversely affect our business; (iii) our performance is subject to seasonality; (iv) our operating lease services depends on whether we can maintain or increase the utilization rate of our equipment, and we may not be able to lease our equipment on favorable terms; (v) fierce competition of the equipment operation service industry may adversely affect our business and financial condition and we may not be able to compete successfully against existing and new competitors; and (vi) we may not be able to maintain, expand or optimize our nationwide service outlet network.

These risks are not the only significant risks that may affect the value of our Shares. You should carefully consider all of the information set forth in this Prospectus and, in particular, should evaluate the specific risks set forth in "Risk Factors" in deciding whether to invest in our Shares.

GLOBAL OFFERING STATISTICS

The statistics in the following table are based on the assumptions that: (i) the Global Offering is completed and 364,694,000 Shares are issued and sold in the Global Offering; (ii) the Over-allotment Option is not exercised; and (iii) 3,197,244,000 Shares are issued and outstanding upon completion of the Global Offering.

	Based on an Offer Price of HK$4.52 per Offer Share	Based on an Offer Price of HK$4.80 per Offer Share
Market capitalization of our Shares[(1)]	HK$14,451.5 million	HK$15,346.8 million
Unaudited pro forma adjusted net tangible asset value per Share[(2)]	HK$3.44	HK$3.47

Notes:

(1) The calculation is based on 3,197,244,000 Shares expected to be in issue immediately upon the completion of the Global Offering.

(2) The unaudited pro forma adjusted net tangible asset value per Share is calculated after making the adjustments referred to in "Unaudited Pro Forma Financial Information" in Appendix II to this Prospectus.

DIVIDENDS

No dividends have been paid or declared by our Company during the Track Record Period. Shanghai Horizon Construction Development declared dividends of RMB14.3 million to one of our non-controlling equity shareholders in 2019, which was settled in cash in 2020. Our Board may declare dividends in the future after taking into account our results of operations, financial condition, cash requirements and availability and other factors as it may deem relevant at such time. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents and Cayman Companies Law. In addition, our Directors may from time to time pay such interim dividends on shares outstanding of our Company and authorize payment of the same out of the funds of our Company lawfully available. Our future declarations of dividends may or may not reflect our historical declarations of dividends and will be at the discretion of our Board.

USE OF PROCEEDS

We estimate the net proceeds of the Global Offering which we will receive, assuming an Offer Price of HK$4.66 per Offer Share (being the mid-point of the Offer Price range stated in this Prospectus), will be approximately HK$1,555.4 million, after deduction of underwriting fees and commissions and estimated expenses payable by us in connection with the Global Offering and assuming the Over-allotment Option is not exercised.

Assuming the Offer Price is fixed at HK$4.66 per Offer Share (being the mid-point of the Offer Price range stated in this Prospectus), we intend to use the net proceeds of the Global Offering for the following purposes.

- approximately 4.0%, or HK$62.8 million, will be used to strategically expand our service outlet network to enhance our service capabilities;
- approximately 67.0%, or HK$1,041.6 million, will be used to optimize our equipment portfolio;
- approximately 11.0%, or HK$170.9 million, will be used to enhance our one-stop solution capabilities;
- approximately 8.0%, or HK$124.6 million, will be used to enhance our operational efficiency through digitalization upgrade; and
- approximately 10.0%, or HK$155.5 million, will be used for our working capital and general corporate purposes.

To the extent that the net proceeds are not immediately applied to the above purposes or if we are unable to effect any part of our future development plans as envisaged, we intend to hold such funds in short-term demand deposits with authorized financial institutions or licensed banks as defined under the Securities and Futures Ordinance or the applicable laws in the PRC for so long as it is deemed to be in the interests of our Company and our Shareholders as a whole.

LISTING EXPENSES

Listing expenses to be borne by us are estimated to be approximately RMB127.1 million (including underwriting commission) and assuming the Over-allotment Option is not exercised. This constitutes around 8.5% of the gross proceeds from the Global Offering, which includes underwriting-related expenses (including but not limited to commission and fees) of RMB45.0 million and non-underwriting-related expenses of RMB82.1 million (which includes fees and expenses for legal advisors and accountants of RMB62.4 million and other expenses of RMB19.7 million). For the year ended December 31, 2020, 2021 and 2022, approximately RMB10.9 million, RMB27.1 million and RMB40.3 million, respectively, were charged to our consolidated statements of profit or loss as administrative expenses. After December 31, 2022, approximately RMB3.8 million is expected to be charged to our consolidated statements of profit or loss, and approximately RMB44.8 million is expected to be accounted for as a deduction from equity upon the Listing. The listing expenses above are the latest practicable estimate for reference only, and the actual amount may differ from this estimate.

EFFECTS OF THE COVID-19 PANDEMIC

The outbreak of COVID-19 in China in the first quarter of 2020 and resurgence of COVID-19 cases in certain major cities across China throughout 2022 have led to the imposition of various pandemic mitigation measures by the PRC Government, including lockdown, suspension of construction work, travel bans and strict social distancing and quarantine measures. As a result, most of our business operations were adversely affected during the relevant periods and we suspended the operations of some of our service outlets as we were unable to carry a large portion of our operating lease services and engineering and technical services as planned. Whilst the duration of the official restrictions on construction varied across cities in the PRC due to the differences in local rules and regulations, our customers from our operating leases services segment and engineering and technical services segment requested for (i) a halt in the provision of engineering services for about 45 days in the first quarter of 2020 and/or (ii) a suspension of our operating leases with them for about 45 days in the first quarter of 2020 and for an aggregate of two to three months throughout 2022 (except for our customers with aerial work platform operating leases, as most of them requested for a suspension for about one month). We agreed to give rental or service fee waivers or discounts to certain customers in consideration of the suspension of our services. The aggregate contract value of such rental or service fee waivers and discounts in 2022 amounted to approximately RMB21.9 million, with a total of 89 projects affected. Despite such effects, due to the long-term nature of such construction projects undertaken by our customers, and the relatively short period of business suspension, our Directors confirm that there had not been any major termination of contracts or material delays in relation to the equipments or services provided by us. In addition, due to the pandemic mitigation measures by the PRC Government, we lost certain revenue opportunities because we suspended the operations of some of our service outlets or we encountered difficulties in delivering our equipment at the request of customers. The number of our service outlets suspended due to the outbreak of COVID-19 in 2020 and 2022 was 93 and 58, respectively. However, we benefited from government relief of social security payments for employment support relating to the COVID-19 pandemic amounted to approximately RMB27.9 million in 2020.

China began to modify its zero-COVID policy in late 2022, and most of the travel restrictions and quarantine requirements were lifted in December 2022. There was a rapid spread of COVID-19 in a relatively short period of time and a surge in COVID-19 confirmed cases. As of the Latest Practicable Date, over 1,200 of our employees had informed us that they were infected. However, the surge in COVID-19 infections since December 2022 has not materially impacted our business operations and financial performance as the majority of our infected employees recovered and resumed working very shortly. As far as we are aware, all of our infected employees have recovered. With the bounce back of China's economy, our business operations has resumed to normal. For details, see "Business—Effects of the COVID-19 Pandemic—Effects of the COVID-19 Outbreak on Our Business Operations".

RECENT DEVELOPMENTS AND NO MATERIAL ADVERSE CHANGE

We seized the massive opportunities of major infrastructure upgrades with comprehensive, multi-dimensional, and full-cycle service capabilities. Our equipment volume for aerial work platform, neo-excavation support system and neo-formwork system increased from approximately 131.3 thousand units, 1,576.5 thousand tons and 622.6 thousand tons, respectively, as of December 31, 2022 to approximately 145.1 thousand units, 1,586.8 thousand tons and 639.9 thousand tons, respectively, as of March 31, 2023. For the three months ended March 31, 2023, the utilization rate for aerial work platform, neo-excavation support system and neo-formwork system were 58.2%, 60.2% and 67.2%, respectively. The relatively low utilization rate for the three months ended March 31, 2023 was generally in line with the seasonal fluctuation in our revenue and operating income in the first quarter of the year as a result of the Chinese New Year. See "Financial Information—Key Factors Affecting Our Results of Operations —Our performance is subject to seasonality". Based on our unaudited management accounts, we recorded a slight increase in revenue for the three months ended March 31, 2023 as compared with the same period in the previous year; while our gross profit for the three months ended March 31, 2023 decreased as compared with the same period in the previous year, primarily due to our increase in equipment volume without a corresponding increase in utilization rate for our equipment volume, which was because the market demand for our equipment remained relatively stable and modest during the first quarter of the relevant years as a result of seasonality in our business. Our Directors confirm that, since December 31, 2022 (being the date on which the latest consolidated financial information of our Group was prepared) and up to the date of this Prospectus, there has been no material adverse change in our business operations, the business environment in which we operate, as well as our financial or trading position, indebtedness, mortgage, contingent liabilities, guarantees or prospects.

Recent Regulatory Developments

Cybersecurity

On November 14, 2021, the Cyberspace Administration of China (the "**CAC**") released the "Regulations on Network Data Security Management (Draft for Comment)" (the "**Draft Regulations**") (《網絡數據安全管理條例(徵求意見稿)》), which, among other things, stipulates that (i) data processing operators which process personal information of more than one million individuals seeking a listing in a foreign country, and (ii) data processing operators seeking a listing in Hong Kong that affect or may affect national security, must apply for a cybersecurity review. In addition, the CAC, together with 12 other relevant PRC government authorities, promulgated the amended "Cybersecurity Review Measures" (《網絡安全審查辦法》), which came into effect on February 15, 2022 and provide cybersecurity review requirements on (i) critical information infrastructure operators ("**CIIOs**") anticipating the procurement of network products and services that affect or may affect national security after such products and services are put into use, (ii) online platform operators carrying out data processing activities that affect or may affect national security, and (iii) online platform operators possessing personal information of more than one million users seeking a listing in a foreign country.

Due to the lack of further clarifications or detailed rules and regulations, there are uncertainties on how to determine whether a proposed listing by a company like us in Hong Kong affects or may affect national security or not, the PRC government authorities may have discretion in the interpretation and enforcement of these measures and regulations. We cannot preclude the possibility that we may need to conduct cybersecurity review.

As of the Latest Practicable Date, the Draft Regulations have not been formally adopted, the final version of the Draft Regulations had not been issued and their anticipated adoption or effective date is subject to changes. As advised by our PRC Legal Advisers, if the Draft Regulations become effective in the current form, we do not foresee any material impediments for us to comply with the Draft Regulations in all material respects. See "Risk Factors—Risks Relating to Our Business and Industry—We face risks related to complying with applicable laws, rules and regulations relating to the collection, use, disclosure and security of personal information; moreover, complying with evolving laws and regulations regarding cyber security, information security, privacy and data protection and other related laws and requirements may be expensive and force us to make adverse changes to our business. Many of these laws and regulations are subject to change and uncertain interpretation, and any failure or perceived failure to comply with these laws and regulations could result in negative publicity, legal proceedings, suspension or disruption of operations, increased cost of operations, or otherwise harm our business" and "Business—Cybersecurity and Privacy" for more details.

Overseas Offering and Listing

On February 17, 2023, the CSRC promulgated the Trial Administrative Measures of the Overseas Securities Offering and Listing by Domestic Enterprises (《境內企業境外發行證券和上市管理試行辦法》) (the "**Overseas Listing Trial Measures**") and relevant five guidelines, which became effective on March 31, 2023. According to the Overseas Listing Trial Measures, PRC domestic enterprises that seek to offer and list securities in overseas markets, either in direct or indirect means ("**Overseas Offering and Listing**"), are required to fulfill the filing procedure with the CSRC and submit filing reports, legal opinions and other relevant documents. For more details, please refer to "Regulatory Overview—Overseas Offering and Listing".

Our PRC Legal Advisers are of the view that the Listing shall be deemed as an indirect Overseas Offering and Listing. If we can pass the hearing of the Stock Exchange on or before March 31, 2023 while no re-hearing is required by the Stock Exchange and the Listing can be completed on or before September 30, 2023, we will not be required to file with the CSRC with respect to the Listing. If we cannot pass the hearing of the Stock Exchange on or before March 31, 2023, or if we pass the hearing of the Stock Exchange on or before March 31, 2023 but a re-hearing is required afterwards or we fail to complete the Listing on or before September 30, 2023, we will need to make the filing with the CSRC with respect to the Listing. In any event, we will perform the reporting obligations to the CSRC in the event of occurrence of material events after the Listing as required. Based on the above and the current expected timetable of the Global Offering and Listing which means we have passed the hearing of the Stock Exchange before March 31, 2023 and the re-hearing is not required by the Stock Exchange, as advised by our PRC Legal Advisers, we do not need to perform the record-filing procedures with CSRC for the Global Offering and Listing. For more details, please refer to "Risk Factors—Risks Relating to Our Business and Industry—The approval of the CSRC or other governmental authorities may be required in connection with the Global Offering, and, if required, we cannot predict whether we will be able to obtain such approval".

In this Prospectus, unless the context otherwise requires, the following terms shall have the meanings set out below. Certain other terms are explained in the section headed "Glossary of Technical Terms" in this Prospectus.

"**AFRC**"	the Accounting and Financial Reporting Council;
"**Application Form(s)**"	**GREEN** Application Form(s) in relation to the Hong Kong Public Offering and **BLUE** Application Form(s) in relation to the Preferential Offering;
"**Articles of Association**" or "**Articles**"	the articles of association of our Company, as amended, which shall become effective on the Listing Date, a summary of which is set out in "Appendix III—Summary of the Constitution of our Company and Cayman Companies Law" to this Prospectus;
"**ASEAN**"	the Association of Southeast Asian Nations;
"**associate(s)**"	has the meaning ascribed to it under the Listing Rules;
"**Assured Entitlement**"	the entitlement of the Qualifying Far East Horizon Shareholders to apply for the Reserved Shares on an assured basis pursuant to the Preferential Offering to be determined on the basis of their respective shareholdings in Far East Horizon on the Record Date;
"**Audit Committee**"	the audit committee of the Board;
"**Available Reserved Shares**"	has the meaning ascribed to it in the section headed "Structure of the Global Offering—The Preferential Offering—Basis of Allocation for Applications for Reserved Shares" in this Prospectus;
"**Beneficial Far East Horizon Shareholder(s)**"	any beneficial owner(s) of shares of Far East Horizon whose shares of Far East Horizon are registered, as shown in the register of members of Far East Horizon, in the name of a registered shareholder of Far East Horizon on the Record Date;

"**BLUE Application Form(s)**"	the application form(s) to be sent to the Qualifying Far East Horizon Shareholders to subscribe for the Reserved Shares pursuant to the Preferential Offering;
"**Board**" or "**Board of Directors**"	the board of Directors of our Company;
"**Business Day**"	a day on which banks in Hong Kong are generally open for business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong;
"**BVI**"	the British Virgin Islands;
"**Capital Market Intermediaries**"	the capital market intermediaries as named in "Directors and Parties Involved in the Global Offering" in this prospectus;
"**Cayman Islands Companies Act**" or "**Companies Act**"	the Companies Act, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands;
"**CCASS**"	the Central Clearing and Settlement System established and operated by HKSCC;
"**CCASS Clearing Participant**"	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant;
"**CCASS Custodian Participant**"	a person admitted to participate in CCASS as a custodian participant;
"**CCASS Investor Participant**"	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation;
"**CCASS Operational Procedures**"	the operational procedures of HKSCC in relation to CCASS, containing the practices, procedures and administrative requirements relating to the operation and functions of CCASS, as from time to time in force;

"**CCASS Participant**"	a CCASS Clearing Participant, CCASS Custodian Participant or a CCASS Investor Participant;
"**China**" or "**the PRC**"	the People's Republic of China, but for the purposes of this Prospectus and for geographical reference only (unless otherwise indicated), excluding Hong Kong, the Macau Special Administrative Region of the People's Republic of China and Taiwan;
"**close associate(s)**"	has the meaning ascribed to it under the Listing Rules;
"**Companies Ordinance**"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time;
"**Companies (Winding Up and Miscellaneous Provisions) Ordinance**"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time;
"**Company**", "**our Company**" or "**the Company**"	Horizon Construction Development Limited (宏信建設發展有限公司), an exempted company incorporated with limited liability in the Cayman Islands on September 28, 2020;
"**connected person(s)**"	has the meaning ascribed to it under the Listing Rules;
"**Controlling Shareholders**"	has the meaning ascribed thereto in the Listing Rules and unless the context requires otherwise, refers to Far East Horizon and Farsighted Wit Limited;
"**core connected person(s)**"	has the meaning ascribed to it under the Listing Rules;
"**Corporate Governance Code**"	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules;
"**CSRC**"	China Securities Regulatory Commission (中國證券監督管理委員會), a regulatory body responsible for the supervision and regulation of the Chinese national securities markets;

"**Director(s)**" or "**our Director(s)**"	the director(s) of our Company;
"**EIT**"	the PRC Enterprise Income Tax;
"**EIT Law**"	the PRC Enterprise Income Tax Law (中華人民共和國企業所得稅法) enacted by the NPC;
"**Exchange Participant(s)**"	a person: (a) who, in accordance with the Listing Rules, may trade on or through the Stock Exchange; and (b) whose name is entered in a list, register or roll kept by the Stock Exchange as a person who may trade on or through the Stock Exchange;
"**Extreme Conditions**"	extreme conditions caused by a super typhoon as announced by the government of Hong Kong;
"**Far East Horizon**"	Far East Horizon Limited (遠東宏信有限公司), a company incorporated in Hong Kong with limited liability on May 15, 2008 and listed on the Main Board of the Stock Exchange (stock code: 3360) since March 2011, one of our Controlling Shareholders;
"**Far East Horizon Group**"	Far East Horizon and its subsidiaries (excluding our Group);
"**Far East Horizon Share(s)**"	share(s) of Far East Horizon;
"**Far East Horizon Shareholder(s)**"	holder(s) of the Far East Horizon Share(s);
"**Frost & Sullivan**" or "**F&S**"	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., an independent market research and consulting company;
"**F&S Report**"	the independent industry report prepared by Frost & Sullivan;
"**GDP**"	gross domestic product;

"**General Rules of CCASS**"	the terms and conditions regulating the use of CCASS as may be amended or modified from time to time and where the context so permits, shall include the CCASS Operational Procedures;
"**Global Offering**"	the Hong Kong Public Offering and the International Offering;
"**GREEN Application Form(s)**"	the application form(s) to be completed by **White Form eIPO** Service Provider, Computershare Hong Kong Investor Services Limited;
"**Group**", "**our Group**", "**the Group**", "**we**", "**us**" or "**our**"	our Company and our subsidiaries at the relevant time, or where the context refers to any time prior to our Company becoming the holding company of its present subsidiaries, the present subsidiaries of our Company and the business carried on by such subsidiaries or, as the case may be, the predecessors;
"**Guangzhou Hongtu Equipment & Engineering**"	Guangzhou Hongtu Equipment & Engineering Co., Ltd.* (廣州宏途設備工程有限公司), a company established in the PRC on March 23, 2015 with limited liability and a wholly-owned subsidiary of our Company as of the Latest Practicable Date;
"**HKFRS**"	Hong Kong Financial Reporting Standard(s) (including HKASs and Interpretation) issued by the Hong Kong Institute of Certified Public Accountants;
"**HKICPA**"	Hong Kong Institute of Certified Public Accountants;
"**HKSCC**"	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited;
"**HKSCC Nominees**"	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC;
"**Hong Kong**" or "**HK**"	the Hong Kong Special Administrative Region of the PRC;
"**Hong Kong dollar(s)**", "**HK dollars**" or "**HK$**"	Hong Kong dollars, the lawful currency of Hong Kong;

"**Hong Kong Offer Shares**"	the 36,470,000 Shares being initially offered by our Company for subscription at the Offer Price pursuant to the Hong Kong Public Offering (subject to reallocation as described in the section headed "Structure of the Global Offering" in this Prospectus);
"**Hong Kong Public Offering**"	the offer for subscription of the Hong Kong Offer Shares to the public in Hong Kong at the Offer Price, subject to and in accordance with the terms and conditions set out in this Prospectus and the Application Forms;
"**Hong Kong Securities and Futures Ordinance**" or "**Securities and Futures Ordinance**" or "**SFO**"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time;
"**Hong Kong Share Registrar**"	Computershare Hong Kong Investor Services Limited;
"**Hong Kong Stock Exchange**" or "**Stock Exchange**"	The Stock Exchange of Hong Kong Limited;
"**Hong Kong Takeovers Code**" or "**Takeovers Code**"	The Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC, as amended, supplemented or otherwise modified from time to time;
"**Hong Kong Underwriters**"	the underwriters of the Hong Kong Public Offering listed in the section headed "Underwriting—Hong Kong Underwriters" in this Prospectus;
"**Hong Kong Underwriting Agreement**"	the underwriting agreement dated May 10, 2023 relating to the Hong Kong Public Offering entered into by, among other parties, our Company, the Joint Sponsors, the Overall Coordinators, the Joint Global Coordinators and the Hong Kong Underwriters;

"**Horizon Construction (HK)**"	Horizon Construction (Hong Kong) Limited (宏信建發(香港)有限公司, formerly known as Jinsheng Construction (Hong Kong) Limited (晉勝建設(香港)有限公司)), a company established in Hong Kong on December 19, 2014 with limited liability and a wholly-owned subsidiary of our Company as of the Latest Practicable Date;
"**Huatie Emergency**"	Zhejiang Huatie Emergency Equipment Science and Technology Co., Ltd.* (浙江華鐵應急設備科技股份有限公司), a limited liability company incorporated in 2008, an Independent Third Party;
"**IFEFL**"	International Far Eastern Financial Leasing Co., Ltd.* (遠東國際融資租賃有限公司), a company established in the PRC on September 13, 1991 with limited liability and a wholly-owned subsidiary of Far East Horizon as of the Latest Practicable Date;
"**Independent Third Party(ies)**"	any entity or person who is not a connected person of our Company within the meaning ascribed to it under the Listing Rules;
"**International Offering**"	the conditional placing of the International Offering Shares at the Offer Price outside the United States in offshore transactions in reliance on Regulation S as further described in the section headed "Structure of the Global Offering" in this Prospectus;
"**International Offer Shares**"	the 328,224,000 Shares being initially offered for subscription and purchased at the Offer Price under the International Offering, subject to reallocation as described under the section headed "Structure of the Global Offering" in this Prospectus;
"**International Underwriters**"	the underwriters of the International Offering, who are expected to enter into the International Underwriting Agreement;
"**International Underwriting Agreement**"	the international underwriting agreement relating to the International Offering and expected to be entered into by, among others, our Company, the Overall Coordinators, the Joint Global Coordinators and the International Underwriters on or about the Price Determination Date, as further described in the section headed "Underwriting—The International Offering" in this Prospectus;

"**Joint Bookrunners**"	Huatai Financial Holdings (Hong Kong) Limited, Citigroup Global Markets Asia Limited (in relation to the Hong Kong Public Offering), Citigroup Global Markets Limited (in relation to the International Offering), CMB International Capital Limited, DBS Asia Capital Limited, BOCI Asia Limited, Shenwan Hongyuan Securities (H.K.) Limited, Guotai Junan Securities (Hong Kong) Limited, BOCOM International Securities Limited, CCB International Capital Limited, ABCI Capital Limited and Zhongtai International Securities Limited;
"**Joint Global Coordinators**"	Huatai Financial Holdings (Hong Kong) Limited, Citigroup Global Markets Asia Limited, CMB International Capital Limited and DBS Asia Capital Limited;
"**Joint Lead Managers**"	Huatai Financial Holdings (Hong Kong) Limited, Citigroup Global Markets Asia Limited (in relation to the Hong Kong Public Offering), Citigroup Global Markets Limited (in relation to the International Offering), CMB International Capital Limited, DBS Asia Capital Limited, BOCI Asia Limited, Shenwan Hongyuan Securities (H.K.) Limited, Guotai Junan Securities (Hong Kong) Limited, BOCOM International Securities Limited, CCB International Capital Limited, ABCI Securities Company Limited, Zhongtai International Securities Limited, Futu Securities International (Hong Kong) Limited, Tiger Brokers (HK) Global Limited and Valuable Capital Limited;
"**Joint Sponsors**"	Huatai Financial Holdings (Hong Kong) Limited, Citigroup Global Markets Asia Limited, CMB International Capital Limited and DBS Asia Capital Limited;
"**Lanjin Stone**"	Shanghai Lanjin Stone Decoration Co., Ltd.* (上海藍金石材裝飾有限公司), a company established in the PRC on March 25, 1998 with limited liability and wholly-owned by Mr. He Ziming, our non-executive Director, as of the Latest Practicable Date;
"**Latest Practicable Date**"	May 3, 2023, being the latest practicable date for the purpose of ascertaining certain information contained in this Prospectus prior to its publication;

"**Listing**"	the listing of our Shares on the Main Board;
"**Listing Committee**"	the listing committee of the Stock Exchange;
"**Listing Date**"	the date, expected to be on or about Thursday, May 25, 2023, on which dealings in our Shares first commence on the Main Board;
"**Listing Rules**"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time;
"**M.$**"	Malaysian ringgit, the lawful currency of Malaysia;
"**M&A Rules**"	Regulations on Mergers and Acquisitions of Domestic Companies by Foreign Investors (關於外國投資者併購境內企業的規定), which were jointly promulgated by MOFCOM, the SASAC, the SAT, the State Administration for Industry and Commerce of the PRC, the CSRC, and the SAFE on August 8, 2006, and came into effect on September 8, 2006 and subsequently amended on June 22, 2009, as amended, supplemented or otherwise modified from time to time;
"**Main Board**"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange. For the avoidance of doubt, the Main Board excludes the Growth Enterprise Market;
"**MIIT**"	the Ministry of Industry and Information Technology of the PRC (中華人民共和國工業和信息化部);
"**Ministry of Finance**"	the Ministry of Finance of the PRC (中華人民共和國財政部);
"**MOFCOM**"	the Ministry of Commerce of the PRC (中華人民共和國商務部) or its predecessor, the Ministry of Foreign Trade and Economic Cooperation of the PRC (中華人民共和國對外貿易經濟合作部);

"MOHRSS"	the Ministry of Human Resources and Social Security of the PRC (中華人民共和國人力資源和社會保障部);
"NDRC"	the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會);
"Nomination Committee"	the nomination committee of the Board;
"Non-Qualifying Far East Horizon Shareholder(s)"	Far East Horizon Shareholder(s) whose names appeared in the register of members of Far East Horizon on the Record Date and whose addresses as shown in such register in any of the Specified Territories, and any Far East Horizon Shareholder(s) or Beneficial Far East Horizon Shareholder(s) at that time who are otherwise known by Far East Horizon to be resident in any of the Specified Territories;
"NPC"	the National People's Congress of the PRC (中華人民共和國全國人民代表大會), the national legislative body of the PRC;
"Offer Price"	the final offer price per Offer Share (exclusive of brokerage fee of 1.0%, SFC transaction levy of 0.0027%, AFRC transaction levy of 0.00015% and Stock Exchange trading fee of 0.00565%) of not more than HK$4.80 and expected to be not less than HK$4.52, such price to be agreed upon by our Company and the Joint Global Coordinators (on behalf of the Underwriters) on or before the Price Determination Date;
"Offer Share(s)"	the Hong Kong Offer Shares and the International Offer Shares;
"Over-allotment Option"	the option to be granted by us to and exercisable by the Overall Coordinators and the Joint Global Coordinators (for themselves and on behalf of the International Underwriters), pursuant to which we may be required to allot and issue up to an aggregate of 54,704,000 additional Shares (representing 15% of our Shares initially being offered under the Global Offering) to cover over-allocations in the International Offering, details of which are described in the section headed "Structure of the Global Offering—The International Offering—Over-allotment Option" in this Prospectus;

"**Overall Coordinators**"	Huatai Financial Holdings (Hong Kong) Limited, Citigroup Global Markets Asia Limited, CMB International Capital Limited and DBS Asia Capital Limited;
"**Pangyuan Rental**"	Shanghai Pangyuan Machinery Rental Co., Ltd.* (上海龐源機械租賃有限公司), a limited liability company incorporated in 2001 in Shanghai, an Independent Third Party;
"**PBOC**"	the People's Bank of China (中國人民銀行), the central bank of the PRC;
"**Preferential Offering**"	the preferential offering to the Qualifying Far East Horizon Shareholders of 36,470,000 Shares (representing approximately 10% of the Offer Shares initially being offered under the Global Offering) as an Assured Entitlement out of the International Offer Shares being offered under the International Offering at the Offer Price, on and subject to the terms and conditions set out in this document and in the **BLUE** Application Form, as further described in "Structure of the Global Offering—The Preferential Offering";
"**PRC Company Law**"	Company Law of the PRC (中華人民共和國公司法), as amended and adopted by the Standing Committee of the Tenth National People's Congress on October 27, 2005 and effective on January 1, 2006 and latest amended on October 26, 2018 and effective on the same date as amended, supplemented and otherwise modified from time to time;
"**PRC Government**"	the central government of the PRC and all governmental subdivisions (including provincial, municipal and other regional or local government entities) and instrumentalities thereof or, where the context requires, any of them;
"**PRC Legal Advisers**"	Tian Yuan Law Firm, our legal advisers as to PRC laws;

"**Pre-IPO Investment(s)**"	the pre-IPO investments in our Group undertaken by the Pre-IPO Investors, details of which are set out in "History, Reorganization and Corporate Structure" in this Prospectus;
"**Pre-IPO Investors**"	Mr. He Ziming, Mr. He Qingchang, Lanjin Stone, Tianjin Lianhong, Tianjin Lianzhi, Tianjin Liancheng, Lanjin Limited, Xuzhou XCMG Huijin M&A Industry Fund (L.P.), Zoomlion International Trading (H.K.) Co., Limited, GSPR Holdings Limited, Zhejiang Dingli Machinery Co., Ltd., LGMG International Limited, Terex International Holdings 2 Limited and Thrive Accomplish Limited, or where the context so requires, any of them;
"**Price Determination Date**"	the date, expected to be on or about Thursday, May 18, 2023, on which the Offer Price is to be fixed by agreement between us, the Overall Coordinators and the Joint Global Coordinators (on behalf of the Underwriters);
"**Principal Share Registrar**"	Maples Fund Services (Cayman) Limited;
"**Prospectus**"	this Prospectus being issued in connection with the Hong Kong Public Offering;
"**Qualifying Far East Horizon Shareholder(s)**"	Far East Horizon Shareholder(s) whose name(s) appeared in the register of members of Far East Horizon on the Record Date, other than Non-Qualifying Far East Horizon Shareholders;
"**Regulation S**"	Regulation S under the U.S. Securities Act;
"**Reorganization**"	the corporate reorganization of our Group in preparation for the Listing, particulars of which are set out in "History, Reorganization and Corporate Structure" in this Prospectus;
"**Record Date**"	May 2, 2023, being the record date for determining the Assured Entitlement of the Qualifying Far East Horizon Shareholders to the Reserved Shares;
"**Remuneration Committee**"	the remuneration committee of the Board;

"**Reserved Share(s)**"	the 36,470,000 Offer Shares being offered by the Company to the Qualifying Far East Horizon Shareholders pursuant to the Preferential Offering as the Assured Entitlement at the Offer Price, representing approximately 10% of the Offer Shares being offered under the Global Offering (without taking into account any Shares which may be issued and allotted pursuant to the Over-allotment Option), which are to be allocated out of the Shares being offered under the International Offering;
"**RMB**" or "**Renminbi**"	the lawful currency of the PRC;
"**S$**"	Singapore dollars, the lawful currency of Singapore;
"**SAFE**"	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局), the PRC governmental agency responsible for matters relating to foreign exchange administration;
"**SAMR**"	the State Administration for Market Regulation (國家市場監督管理總局), formerly the State Administration for Industry and Commerce of the PRC (中華人民共和國國家工商行政管理總局);
"**SASAC**"	the State-owned Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會);
"**SAT**"	the State Administration of Taxation of the PRC (中華人民共和國國家稅務總局);
"**SFC**"	the Securities and Futures Commission of Hong Kong;
"**SFO**"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time;

"**Shanghai Donghong Co., Ltd.**"	Shanghai Donghong Industrial Development Co., Ltd.* (上海東泓實業發展有限公司), a company established in the PRC on April 28, 2006 with limited liability and an indirectly wholly-owned subsidiary of Far East Horizon as of the Latest Practicable Date, and a connected person of our Company;
"**Shanghai Hongjin Equipment & Engineering**"	Shanghai Hongjin Equipment & Engineering Co., Ltd.* (上海宏金設備工程有限公司), a company established in the PRC on August 2, 2013 with limited liability and a wholly-owned subsidiary of our Company as of the Latest Practicable Date;
"**Shanghai Horizon Construction Development**"	Shanghai Horizon Construction Development Co., Ltd.* (上海宏信建設發展有限公司), a company established in the PRC on April 14, 2014 with limited liability and a wholly-owned subsidiary of our Company as of the Latest Practicable Date;
"**Shanghai Horizon Equipment & Engineering**"	Shanghai Horizon Equipment & Engineering Co., Ltd.* (上海宏信設備工程有限公司), a company established in the PRC on July 13, 2011 with limited liability and a wholly-owned subsidiary of our Company as of the Latest Practicable Date;
"**Share(s)**"	ordinary share(s) in the share capital of our Company with a par value of US$0.00002 each;
"**Shareholder(s)**"	holder(s) of our Share(s);
"**SOEs**"	state-owned enterprises;
"**Specified Territories**"	in respect of Preferential Offering, the United States and such territory or territories outside Hong Kong which Far East Horizon and the Company consider it necessary or expedient to exclude from the Preferential Offering on account of legal restrictions under the laws of the relevant jurisdiction or the requirements of the relevant regulatory body or stock exchange in that jurisdiction;

"**Spin-off**"	the separate listing of our Shares on the Main Board, by way of Global Offering (including the Preferential Offering);
"**Sponsor-overall coordinators**" or "**Sponsor-OCs**"	Huatai Financial Holdings (Hong Kong) Limited, Citigroup Global Markets Asia Limited, CMB International Capital Limited and DBS Asia Capital Limited;
"**Stabilizing Manager**"	Huatai Financial Holdings (Hong Kong) Limited;
"**State Council**"	the State Council of the PRC (中華人民共和國國務院);
"**Stock Borrowing Agreement**"	the stock borrowing agreement expected to be entered into between the Stabilizing Manager and Far East Horizon on or about the Price Determination Date pursuant to which Far East Horizon will agree to lend the Stabilizing Manager up to 54,704,000 Shares on the terms set out therein;
"**subsidiary(ies)**"	has the meaning ascribed to it under the Listing Rules;
"**substantial shareholder(s)**"	has the meaning ascribed to it under the Listing Rules;
"**Tianjin Horizon Construction Development Investment**"	Tianjin Horizon Construction Development Investment Co., Ltd.* (天津宏信建發投資有限公司, formerly known as Tianjin Jinsheng Industrial Investment Co., Ltd.* (天津晉勝實業投資有限公司)), a company established in the PRC on June 20, 2019 with limited liability and a wholly-owned subsidiary of our Company as of the Latest Practicable Date;
"**Tianjin Horizon Construction Development Leasing**"	Tianjin Horizon Construction Development Leasing Co., Ltd.* (天津宏信建發租賃有限公司, formerly known as Tianjin Horizon Construction Development Co., Ltd.* (天津宏信建設發展有限公司)), a company established in the PRC on April 16, 2020 with limited liability and a wholly-owned subsidiary of our Company as of the Latest Practicable Date;

"**Tianjin Horizon Equipment Leasing**"	Tianjin Horizon Equipment Leasing Co., Ltd.* (天津宏信設備租賃有限公司), a company established in the PRC on July 27, 2012 with limited liability and a wholly-owned subsidiary of our Company as of the Latest Practicable Date;
"**Tianjin Liancheng**"	Tianjin Liancheng Enterprise Management Consulting Center (Limited Partnership)* (天津聯程企業管理諮詢中心(有限合夥)), a limited partnership established in the PRC on March 23, 2020;
"**Tianjin Lianhong**"	Tianjin Lianhong Enterprise Management Consulting Center (Limited Partnership)* (天津聯宏企業管理諮詢中心(有限合夥)), a limited partnership established in the PRC on March 23, 2020;
"**Tianjin Lianzhi**"	Tianjin Lianzhi Enterprise Management Consulting Center (Limited Partnership)* (天津聯智企業管理諮詢中心(有限合夥)), a limited partnership established in the PRC on March 23, 2020;
"**Track Record Period**"	the period comprising the three financial years ended December 31, 2022;
"**Underwriters**"	the Hong Kong Underwriters and the International Underwriters;
"**Underwriting Agreements**"	the Hong Kong Underwriting Agreement and the International Underwriting Agreement;
"**United States**" or "**U.S.**"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction;
"**US$**" or "**U.S. dollars**"	United States dollars, the lawful currency of the United States;
"**U.S. persons**"	U.S. persons as defined in Regulation S;
"**U.S. Securities Act**"	the U.S. Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder;
"**VAT**"	value added tax;

"**White Form eIPO**"	the application for Hong Kong Offer Shares to be issued in the applicant's own name by submitting applications online through the designated website of **White Form eIPO** Service Provider at **www.eipo.com.hk**;
"**White Form eIPO Service Provider**"	Computershare Hong Kong Investor Services Limited;
"**%**"	per cent.

* *For identification purpose only*

The English translation and/or transliteration of the names of PRC nationals, entities, enterprises, government authorities, departments, facilities, certificates, titles, laws and regulations included in this Prospectus is included for identification purposes only. In the event of any inconsistency between the English translation and/or transliteration and the Chinese versions, the Chinese versions shall prevail.

In this Prospectus, unless the context otherwise requires, explanations and definitions of certain terms used in this Prospectus in connection with our Group and our business shall have the meanings set out below. The terms and their meanings may not always correspond to standard industry meaning or usage of these terms.

"**aerial work platform**"	the movable machinery equipment used for work carried out at certain heights;
"**average equipment service capacity per employee**"	the number of units that one employee can supervise at the same time;
"**CAGR**"	compound annual growth rate;
"**ECL(s)**"	expected credit loss(es);
"**excavation support system**"	the temporary support structure applied in the pit or cofferdam to protect workers and equipment during the underground or underwater construction process;
"**formwork system**"	formwork and scaffolding system that can be used for engineering construction support and enclosure above the ground;
"**HC support**"	a type of steel support system used in deep pit construction, which is able to prestress, monitor the pressure state of the support system on a 24/7 basis, as well as provide compensation automatically;
"**H-steel**"	a type of steel excavation support material used in deep pit construction, which has good resistance to bending and a cross section similar to capital H;
"**IoT**"	internet of things, the network of physical objects that are embedded with sensors, software, and other technologies for the purpose of connecting and exchanging data with other devices and systems over the internet;

"**neo-excavation support system**"	mainly refers to steel support system mainly used for underground or underwater construction to protect the safety of workers and equipment;
"**neo-formwork system**"	mainly refers to ringlock scaffold used for engineering construction support and enclosure above the ground, which is used for temporary support and enclosure protection when building the main structure;
"**Pearl River Delta Region**"	the southern-central part of Guangdong Province with dynamic activities in manufacturing, trade and tertiary services;
"re-rent"	the business model that equipment operation service providers rent from vendors and then rent to customers. Such rentals are accounted for as subleases;
"**ringlock scaffold**"	a new type of support system, which can be applied in the construction process for various construction structures;
"sq.m."	square meter(s);
"**Yangtze River Delta Region**"	the metropolis of Shanghai and the provinces of Zhejiang, Jiangsu and Anhui.

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

- our operations and business prospects;
- future developments, trends and conditions in the industry and markets in which we operate;
- our strategies, plans, objectives and goals and our ability to successfully implement these strategies, plans, objectives and goals;
- our ability to continue to maintain our leadership position in the industry;
- our ability to control or reduce costs;
- cost, fluctuation in the price and availability of equipment purchased and spare parts, components and accessories;
- general economic conditions;
- changes to regulatory and operating conditions in the industry and markets in which we operate;
- our dividend policy;
- our capital expenditure plans;
- the amount and nature of, and potential for, future development of our business;
- capital market developments;

- our future debt levels and capital needs;
- the competitive environment of the industry and markets in which we operate;
- the actions and developments of our competitors;
- certain statements in the sections headed "Business" and "Financial Information" in this Prospectus with respect to trends in prices, operations, margins, overall market trends, and risk management; and
- other statements in this Prospectus that are not historical facts.

By their nature, certain disclosures relating to these and other risks are only estimates and should one or more of these uncertainties or risks materialize or should underlying assumptions prove to be incorrect, our financial condition and actual results of operations may be materially and adversely affected and may vary significantly from those estimated, anticipated or projected, as well as from historical results.

Subject to the requirements of applicable laws, rules and regulations, we do not have any and undertake no obligation to update or otherwise revise the forward-looking statements in this Prospectus, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this Prospectus might not occur in the way we expect or at all. Accordingly, you should not place undue reliance on any forward-looking information. Moreover, the inclusion of forward-looking statements should not be regarded as representations by us that our plans and objectives will be achieved or realized. All forward-looking statements in this Prospectus are qualified by reference to the cautionary statements in this section.

In this Prospectus, statements of or references to our intentions or those of our Directors are made as of the date of this Prospectus. Any such information may change in light of future developments.

An investment in our Shares involves various risks. You should carefully consider the following information about risks, together with the other information contained in this Prospectus, including our consolidated financial statement and related notes, before you decide to purchase our Shares. If any of the circumstances or events described below actually arises or occurs, our business, results of operations, financial condition and prospects would likely suffer. In any such case, the market price of our Shares could decline, and you may lose all or part of your investment. This Prospectus 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 Prospectus.

The most significant risks and uncertainties we face can be categorized into: (i) risks relating to our business and industry; (ii) risks relating to conducting business in the PRC; and (iii) risks relating to the Spin-off and the Global Offering.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

Any economic slowdown or decrease in general economic activities may result in weakness and volatility in our end markets and adversely affect our business, results of operations, financial condition, and prospects.

Our equipment operation services are highly correlated with construction and industrial activities, which are cyclical in nature and could be affected, to various extents, by the macro economy. The nature, timing and extent of changes in industry-wide conditions are unpredictable. Any economic slowdown or decrease in general economic activities may result in a decline in construction and industrial activities, which may in turn result in a downturn in activities in our industry. In the event of an industry downturn, unfavorable economic and market conditions may lead to a decline in the demand for our equipment operation services, and an increase in the possibility of our customers' default, which may, in turn, materially and adversely affect our business, financial condition, and results of operations.

The following factors during an economic downturn, among others, may result in weakness in our end markets, either temporarily or in the long term, which could in turn materially and adversely affect our results of operations:

- a decrease in the demand of our customers for our services;
- an increase in the repair and maintenance costs of our equipment, costs of construction materials or other raw materials, and labor costs;

- suspension of some of our ongoing projects;
- an increase in default risks of our customers or counterparties;
- a decrease in expected levels of infrastructure spending;
- excess fleet in equipment production in the manufacturing industry;
- a lack of availability of credit facilities to us from financial institutions;
- volatility in interest rates of our credit facilities;
- inability to effectively execute our business plans and strategies; and
- public health crises and epidemics, such as COVID-19.

In addition, our business, financial condition and results of operations are subject to the evolving macroeconomic policies in China, including monetary and industry policies. If we fail to promptly respond to such policy changes, our business, results of operations, financial condition, and prospects may be adversely affected.

Significant fluctuations in the rental prices of our equipment for lease may adversely affect our business.

During the Track Record Period, we derived a large portion of revenue from our operating lease services. For the years ended December 31, 2020, 2021 and 2022, revenue derived from operating lease services amounted to RMB2,484.6 million, RMB4,463.3 million and RMB5,189.9 million, respectively, accounting for 67.8%, 72.7% and 65.9% of our revenue for the corresponding years, respectively. Our portfolio of leased assets comprises various types of equipment. Significant fluctuations in the rental prices of such leased equipment may adversely affect our operating lease services. Rental prices of equipment used for lease are affected by, among others, overall purchase price, relevant utilization rate, and market demand of such equipment. If there are significant fluctuations in the rental prices of leased equipment, lessees' demands for such equipment may drop significantly, which could in turn lead to lower demands for our operating lease services. In addition, if the lessee defaults on its payment obligations, we may have to locate alternative customers, which could have a material adverse impact on our business, results of operations, and financial condition.

Our performance is subject to seasonality.

We experience seasonality in our business. As our operating lease services and engineering and technical services are primarily performed on construction sites, our services are affected by seasonal weather conditions. For example, in northern part of China, we cannot conduct most of our operating lease services in the first quarter of the year due to the extreme cold weather. Further, we may also experience seasonal fluctuation in our revenue and operating income in the first quarter of the year as a result of the Chinese New Year, which in turn, reduces the business activities and labor force in the market. As such, any comparisons of our operating results between different periods within a single financial year are not necessarily meaningful and cannot be relied on as indicators of our performance. Our financial condition and results of operations for future periods may continue to fluctuate, from time to time, due to seasonality.

Our operating lease services depends on whether we can maintain or increase the utilization rate of our equipment, and we may not be able to lease our equipment on favorable terms.

Our ability to maintain or increase the utilization rate of our equipment depends on the overall development trend in the equipment operation service industry, as well as competitive conditions at the time that the operating leases are entered into and expire. In addition, our ability to maintain or increase the utilization rate of our equipment will be affected by the maintenance, damage and operating history of the equipment. In the event of any fluctuations in market demand, we may not be able to avoid significant off-lease period, find interested lessees in advance, and enter into contracts on favorable terms with them.

Fierce competition of the equipment operation service industry may adversely affect our business and financial condition and we may not be able to compete successfully against existing and new competitors.

The equipment operation service industry in the PRC is highly competitive and fragmented. See "Industry Overview—Competitive Landscape of the Equipment Operation Service Market in China" in this Prospectus. Competition may intensify as our competitors expand their products or service offerings or as new competitors enter our existing or new markets. We believe that we compete with our competitors based on a number of factors, primarily including service quality, brand recognition, business scale, price and financial resources. Our competitors may have longer track records, longer operating histories, greater financial, technical, sales, marketing and other resources, greater brand recognition and larger customer bases. As a result, these competitors may be able to devote more resources to the development, promotion, sale and support of their services. In addition to competition from established companies, emerging companies may enter our existing or new markets. The emerging companies may have stronger capital resources, greater expertise in management and human resources, greater financial, technical and public relations resources, and stronger relationships with local governments than we do. Competitive pressures could adversely affect our revenues and operating results by, among other things, adversely affecting our utilization rate, depressing the prices that we can charge or increasing our costs to hire and retain employees.

We believe our current success can be partially attributed to our comprehensive service model, service quality, diversified equipment offering and nationwide service outlet network. We plan to expand our service outlet network, increase our equipment volume and enhance the quality of our equipment and enhance our one-stop solution capabilities. Our competitors may emulate our business model, and we may lose competitive advantages that distinguish ourselves from our competitors. As a result, we may fail to compete successfully against existing and new competitors, which may have a material adverse impact on our business, results of operations, and financial condition. Furthermore, as we are exploring the geographic coverage of our equipment and services and expanding our presence in overseas markets, we cannot assure you that we will be able to compete effectively in such market.

We may not be able to maintain, expand or optimize our nationwide service outlet network.

As of December 31, 2022, we have established a nationwide service outlet network consisting of 349 service outlets. Our service outlets are mainly focused on providing routine repair and maintenance services on equipment and warehousing services to our customers. If we fail to effectively compete with our competitors, our business, results of operations and financial condition may be adversely affected given the highly competitive market environment, and in turn we may not be able to maintain our service outlets. Moreover, for sustainable development, we need to continue to explore regions with potentials in the PRC for opportunities of development. Our efforts to expand our operations geographically depend on a number of factors beyond our control, including the macroeconomic conditions and policies implemented by the central and the local governments, the level of competition in the equipment operation service industry, changes in customer demand, prices of equipment and materials, and transportation costs. We may lack knowledge and experience with certain local markets, and our competitors in these new markets may have stronger financial resources, more established presence, stronger relationships with local governments and better understanding of customer requirements and preferences. As such, we may not be able to expand or optimize our nationwide service outlet network effectively, which could adversely affect our operating results.

Increases in our research and development costs may affect our financial performance.

For the years ended December 31, 2020, 2021 and 2022, our research and development expenses amounted to RMB153.6 million, RMB216.7 million and RMB270.6 million, respectively, representing 4.2%, 3.5% and 3.4% of our revenue for the same periods, respectively. We plan to increase our research and development spending in the areas of digitization and improve our services and production capabilities in the coming years. For details, please see "Future Plans and Use of Proceeds". We cannot give any assurances as to the direct benefits of our research and development efforts to be proportional to the increases in our related expenses. Thus, when our research and development efforts cannot deliver the expected outcome and generate additional revenue, our financial results will be adversely affected.

We may experience shortening of useful life and/or decline of market value arising from improper management or use of our equipment under operating lease.

We may experience shortening of useful life and/or decline of market value arising from improper management or use of our equipment due to various factors. For the years ended December 31, 2020, 2021 and 2022, our impairment losses on property, plant and equipment and inventories amounted to nil, nil and RMB19.1 million, respectively. Our impairment losses recorded in 2022 were attributable to the earlier-than-planned obsolescence of certain road equipment. Apart from the factors related to macro economy, construction industry and infrastructure industry, many other factors, including but not limited to the following, may affect the useful life and market value of our equipment:

- the history and documented records of equipment maintenance and operation;
- whether the equipment has experienced serious incidents;
- the compatibility of the specification and the configuration of the equipment; and
- the costs and availability of equipment components.

We believe that our equipment for leasing is in line with the requirements of efficiency, labor reduction, safety and environmental protection. However, we cannot guarantee that our current equipment will not be replaced or superseded by more advanced equipment or technique as a result of continuous developments in science and technology. If we are required to replace our current equipment with more advanced ones, we may experience significant depreciation of our current equipment and may not be able to dispose them at commercially acceptable prices, or at all.

The decrease in the market value of our equipment may reduce the proceeds we receive in disposing such equipment, increase pressure on our attempts to lease the equipment, or impact the lease rates of the equipment. Our business, results of operations, and financial condition may in turn be materially and adversely affected.

The cost of new equipment may increase, which may increase our cost of sales, and in some cases we may not be able to procure equipment due to supplier constraints.

In line with the market demand, we regularly add brand new equipment into our leasing fleet or replace our aging equipment to facilitate the sustainable development of our business. The cost of new equipment may increase, which may increase our cost of sales, and in some cases we may not be able to procure equipment due to supplier constraints. The cost of equipment could increase, due to factors beyond our control, such as inflation, complying with governmental regulations or increased costs of raw materials. Cost increases could materially adversely affect our business, financial condition and results of operations.

In addition, we may not be able to procure all necessary replacement equipment or add new equipment in a timely manner since our suppliers may not be able to meet our procurement schedules. If demand for new equipment increases significantly, manufacturers may not be able to meet our orders on a timely basis. As a result, we may experience long lead-times for certain types of equipment and we cannot assure you that we will be able to acquire sufficient numbers of certain types of equipment that we need to replace older equipment according to our expected schedule, which could restrict our ability to grow our business.

We rely on a number of key suppliers to supply our equipment for leasing, including aerial work platform and related parts, components, and accessories.

For the years ended December 31, 2020, 2021 and 2022, purchases from our top five suppliers, accounted for 64.7%, 53.8% and 42.2%, respectively, of our total purchases. We rely on our major suppliers to provide us with aerial work platform and related parts, components, and accessories. Loss of supply from some of our key suppliers, or a significant adverse change in the relationship with them, could cause interruptions to our equipment supply. Our failure to obtain the necessary equipment or parts and components in a timely manner could substantially limit our ability to meet our contractual obligations to deliver our equipment to our customers or to efficiently deploy our equipment fleet. Any failure to meet such obligations could have a material adverse effect on our reputation, ability to retain customers, market share, and results of operations.

The occurrence of epidemics, natural disasters, acts of war, and other disasters could significantly affect our business and the national and regional economies in the PRC.

Our business is subject to general economic and social conditions in the PRC. Natural disasters, acts of war, epidemics and other unpredictable or unforeseen events which are beyond our control may adversely affect the economy, infrastructure and livelihood of the people in China.

Any future natural disasters, public health and public security hazards may materially and adversely affect or disrupt our operations and severely restrict the level of economic activity in affected areas, which may in turn materially and adversely affect our business, results of operations and prospects. In addition, acts of war, terrorist attacks and civil unrest may cause damage or disruption to us, our employees, facilities, markets, suppliers and customers, any of which may materially and adversely affect our revenue, cost of sales, results of operation, financial condition or share price in ways that we cannot currently predict. Some regions in China, including the cities where we operate, are under the threat of flood, earthquake, sandstorm, snowstorm, fire, drought, or epidemics such as the Severe Acute Respiratory Syndrome, or SARS, the H5N1 avian flu, the human swine flu, also known as Influenza A (H1N1), or, most recently, the COVID-19 pandemic.

A global pandemic caused by COVID-19 broke out in early 2020 and has impacted the global economy ever since. The outbreak of COVID-19 in China in the first quarter of 2020 and resurgence of COVID-19 cases in certain major cities across China throughout 2022 have led to the imposition of various pandemic mitigation measures by the PRC Government, including lockdown, suspension of construction work, travel bans and strict social distancing and quarantine measures. As a result, most of our business operations were adversely affected during the relevant periods and we suspended the operations of some of our service outlets as we were unable to carry a large portion of our operating lease services and engineering and technical services as planned. Whilst the duration of the official restrictions on construction varied across cities in the PRC due to the differences in local rules and regulations, our customers from our operating leases services segment and engineering and technical services segment requested for (i) a halt in the provision of engineering services for about 45 days in the first quarter of 2020 and/or (ii) a suspension of our operating leases with them for about 45 days in the first quarter of 2020 and for an aggregate of two to three months throughout 2022 (except for our customers with aerial work platform operating leases, as most of them requested for a suspension for about one month). We agreed to give rental or service fee waivers or discounts to certain customers in consideration of the suspension of services. The aggregate contract value of such rental or service fee waivers and discounts in 2022 amounted to approximately RMB21.9 million, with a total of 89 projects affected. Despite such effects, due to the long-term nature of such construction projects undertaken by our customers, and the relatively short period of business suspension, our Directors confirm that there had not been any major termination of contracts or material delays in relation to the equipments or services provided by us. In addition, due to the pandemic mitigation measures by the PRC Government, we lost certain revenue opportunities because we suspended the operations of some of our service outlets or we encountered difficulties in delivering our equipment at the request of customers. The number of our service outlets suspended due to the outbreak of COVID-19 in 2020 and 2022 was 93 and 58, respectively. Such loss of revenue opportunities (together with the fee waivers and discounts given to customers) contributed to the steep difference in the growth rate of our revenue from operating lease services between 2021 and 2022 (i.e. 16.3%) as compared to that between 2020 and 2021 (i.e. 79.6%).

China began to modify its zero-COVID policy in late 2022, and most of the travel restrictions and quarantine requirements were lifted in December 2022. There was a rapid spread of COVID-19 in a relatively short period of time and a surge in COVID-19 confirmed cases. As of the Latest Practicable Date, over 1,200 of our employees had informed us that they were infected. However, the surge in COVID-19 infections since December 2022 has not materially impacted our business operations and financial performance as the majority of our infected employees recovered and resumed working very shortly. As far as we are aware, all of our infected employees have recovered.

The COVID-19 pandemic has had an adverse impact, and may continue to cause adverse impacts in the long term, on the economy and social conditions globally, and this may have an adverse impact on the PRC equipment operation service industry and in turn adversely affect our business operations. We are uncertain as to when the COVID-19 pandemic will be contained globally or whether it may resurge in China, and we also cannot predict whether COVID-19 pandemic will have a long-term impact on our business, results of operations, and financial condition. See "Business—Effects of the COVID-19 Pandemic".

A shortage in supply or increase in prices of raw materials may affect our business, results of operations, and financial condition.

Steel is a major raw material for our main equipment, and thus the steel price will directly affect the prices of our main equipment, namely, aerial work platforms, neo-excavation support system and neo-formwork system. According to the F&S Report, since 2016, attributable to the PRC Government's efforts to reduce excessive production capacity in steel industry, the prices of main steel products have increased with fluctuations and may further increase in the foreseeable future.

We mainly procure raw materials from third-party suppliers and have established cooperative relationship with multiple suppliers. However, we cannot assure you that our suppliers will continue to provide us with raw materials at acceptable prices, or the prices of our raw materials will remain stable in the future. We may not be able to transfer some or all of the increase in the costs of raw materials to our customers. In addition, as the production of raw materials is subject to various factors, such as trade disputes and government regulations, we may not be able to obtain sufficient raw materials from our suppliers in a timely manner, which could have a material adverse impact on our business, results of operations, and financial condition.

Failure to maintain and predict inventory levels in line with the level of demand for our products could cause us to lose sales or face excess inventory risks or obsolete inventory risks, either of which could have a material adverse effect on our business, financial condition and results of operations.

To operate our business successfully and meet our customers' demands and expectations, we must maintain a certain level of inventory for our products to ensure the timely delivery of our service when required. Our inventories primarily consist of (i) raw materials, which primarily include raw materials used for manufacturing our neo-formwork system and spare parts used for repairing our aerial work platform; (ii) work in progress, which represent our self-manufactured neo-formwork system; and (iii) finished goods held for sale in the ordinary course of business. As of December 31, 2020, 2021 and 2022, the carrying amounts of our inventories were RMB165.8 million, RMB291.4 million and RMB186.2 million, respectively. We are required to maintain an appropriate level of inventory of our raw materials for our commercial production. However, we maintain our inventory levels based on our internal forecasts which may change under different market conditions. If our forecast demand is lower than actual demand, we may not be able to maintain an adequate inventory level of our products or produce our equipment in a timely manner, and may lose sales and market share to our competitors. On the other hand, we may be exposed to increased inventory risks due to accumulated excess inventory of our equipment or raw materials. Excess inventory levels may increase our inventory holding costs, risk of obsolete inventory or write-offs. Moreover, there is no guarantee that the inventory information we collect is complete and accurate or that such information would allow us to effectively manage our inventory level. If we fail to maintain and predict inventory levels in line with the level of demand for our products, our business, financial condition and results of operations will be materially and adversely affected.

Our historical results may not be indicative of our future prospects and results of operations.

Although we experienced strong revenue and profit growth during the Track Record Period, we cannot assure you that we can sustain such growth in the future. Our profitability depends partially on our ability to control costs and operating expenses, which may increase as our business expands. In addition, we may continue to devote significant resources to increasing our equipment volume and implementing our digitalization upgrade. Such initiatives may negatively impact our short-term profitability. If our efforts in these initiatives prove ineffective, and we fail to increase revenue, or if our cost and operating expenses grow faster than our revenue growth, our business, results of operations, and financial condition may be negatively affected.

In addition, we recorded gain on disposal of items of property, plant and equipment and early termination of right-of-use assets of RMB34.5 million, RMB18.6 million and RMB22.8 million for the years ended December 31, 2020, 2021 and 2022, respectively, which imposed a positive effect on our financial performance during the Track Record Period. We cannot assure you that such gains will recur, or that we will not incur losses, in the future. Our results of operations could be materially and adversely affected as a result.

We may be unable to maintain our historical gross profit margins.

For the three years ended December 31, 2020, 2021 and 2022, our gross profit margin was 45.0%, 46.3% and 39.8%, respectively. For the years ended December 31, 2020 and 2021 and 2022, gross profit margin for our operating lease services was 52.3%, 53.1% and 44.7%, respectively. For the years ended December 31, 2020, 2021 and 2022, gross profit margin for our engineering and technical services was 28.8%, 29.1% and 30.0%, respectively. For the years ended December 31, 2020, 2021 and 2022, gross profit margin for our platform and other services was 37.2%, 19.6% and 31.5%, respectively. However, the gross profit margin we attained during the Track Record Period may not be taken as a reference to estimate our gross profit margin in the future. Our ability to maintain our historical profit margin is contingent on a variety of competitive, macroeconomic, governmental and regulatory factors and conditions which are beyond our control.

There is no assurance that we will be successful in meeting all challenges and addressing the risks and uncertainties as we may face in developing our business, and our gross profit margin can be maintained at the level similar to those in the Track Record Period. Should we fail to maintain our historical gross profit margins, our financial results may be adversely affected.

We had net current liabilities as of December 31, 2020 and 2021.

We had net current liabilities of RMB272.3 million and RMB18.0 million as of December 31, 2020 and 2021, respectively. Our future liquidity and ability to make additional capital investments necessary for our operations and business expansion will depend primarily on our ability to maintain sufficient cash generated from operating activities and to obtain external financing. Although we recorded net current assets as of December 31, 2022, there can be no assurance that our net current liabilities position will not recur in the future. In the event that we generate net current liabilities, our working capital for business operations may be constrained. If we do not generate sufficient positive operating cash flow or obtain additional financing for our expansion plans and to meet our working capital needs, financial condition, and results of operations may be materially and adversely affected.

We are exposed to credit risks in relation to our contract assets and trade receivables. We may not be able to satisfy our working capital requirements if we experience significant delays or defaults in payments from customers, or significant delays in our billing and settlement process.

As of December 31, 2020, 2021 and 2022, our contract assets amounted to RMB110.1 million, RMB276.9 million and RMB304.3 million, which represent retention receivables arising from our construction services. Contract assets are initially recognized for revenue earned from construction services as the receipt of consideration is conditional on successful completion of construction and acceptance by the customer. Upon completion of installation or construction and acceptance by the customer, the amounts recognized as contract assets are reclassified as trade receivables. However, we cannot guarantee when such construction and acceptance would take place. Our failure to recover contract assets may adversely affect our results of operations and financial condition in the future.

We usually require our customers for operating lease services to pay rentals or service fees on a regular basis. Our customers may not be able to settle their payment with us in a timely manner or at all. As of December 31, 2020, 2021 and 2022, the gross carrying amounts of our trade receivables were RMB3,103.9 million, RMB5,033.4 million and RMB5,387.3 million, respectively. In the event that our customers experience financial distress or are unable to settle their payments due to us in a timely manner or at all, our results of operations and financial condition may be materially and adversely affected.

Delays or defaults in payments from customers or delayed billing process may adversely affect our ability to satisfy working capital requirements, and in turn increase our working capital needs. We are subject to the credit risk of our customers and rely on the timelines of receipt of progress payment and retention money from our customers to meet our payment obligations to our suppliers. If there is any delay of payment from our customers, we would experience cash flow mismatch when there is a significant timing difference between making payments to our suppliers and receiving payments from our customers. If any of our customers runs into financial difficulties or we have disputes with our customers which lead to the delay of payment by our customers to us, we may not be able to receive payments in full or at all. For the years ended December 31, 2020, 2021 and 2022, our trade receivables turnover days were 252 days, 250 days and 208 days, respectively. As of December 31, 2020, 2021 and 2022, our ECLs on trade receivables were RMB574.0 million, RMB835.1 million and RMB900.4 million, respectively, representing 18.5%, 16.6% and 16.7% of our trade receivables as of the same dates, respectively. However, we cannot guarantee that the provisions will be sufficient in the future.

While we monitor material overdue payments closely, we cannot assure you that we will be able to recover all or any part of the amounts due from our customers within the agreed credit terms or at all. If we fail to collect such payments at the end of the agreed credit terms, we may take longer than our average turnover days of trade receivables to collect payments and our provisions for payments in arrears and losses may increase. Furthermore, restructuring payments for delinquent customers may result in lower profits. Any material delay in payment or non-payment by our customers may materially and adversely affect our business, results of operations, and financial condition.

We are uncertain about the recoverability of our tax recoverable, which may affect our financial conditions in the future.

As of December 31, 2020, 2021 and 2022, our tax recoverable amounted to RMB715.2 million, RMB1,664.0 million and RMB1,400.3 million, respectively, which mainly include our input VAT to be credited, mostly as a result of our procurement of property, plant and equipment. We cannot guarantee the recoverability or predict the movement of our contract assets or tax recoverable. Furthermore, the recoverability of our tax recoverable depends on the procurement plans and our future revenue generated we have made in the future, which may lead to our tax recoverable not fully used. If we fail to recover our tax recoverable, this may adversely affect our financial conditions in the future.

We may not be able to obtain adequate financing or generate sufficient cash from our operations to fund our capital expenditures.

We rely on cash generated from our operations and bank borrowings and other borrowings to fund our capital expenditures. Our ability to obtain adequate funding and generate sufficient cash from our operating activities to finance our operations and expansion plans depends on a number of factors, including but not limited to general economic and capital market conditions, credit availability from banks and other lenders, investor confidence, and the performance of our operations.

For the years ended December 31, 2020, 2021 and 2022, our interest expenses on bank and other borrowings amounted to RMB244.1 million, RMB637.5 million and RMB920.4 million, respectively. Our interest payments may reduce our amount of funds available for working capital, capital expenditure, acquisitions and other business purposes. If we are unable to service our debts, such inability could result in an event of default which, if not cured or waived, could have an adverse effect on our business, financial condition, and results of operations.

We cannot assure you that sufficient financing will be available to us. The level of our indebtedness and the amount of our interest payments could limit our ability to obtain additional financing or obtain favorable terms for the financing for future capital expenditures and working capital. Without sufficient funds, we will be forced to curtail our operations and expansion plans. Disruption, uncertainty or volatility in the capital markets or credit markets may limit our access to capital funds for our operations and expansion of our business, decrease our profitability, and significantly reduce our financial flexibility. Furthermore, our liquidity also depends on cash generated from operating activities and our cash and cash equivalents. The higher level of our indebtedness may require us to allocate more cash to repay of our debts, thereby reducing the amount of general working capital that we can use for daily operation, capital expenditure and other general corporate purposes. As a result, our business, results of operations, and financial condition may be materially and adversely affected.

Our financial results may fluctuate due to changes in the fair value of our debt investments and failure to collect our notes receivables could have a material and adverse impact on our results of operations, financial condition and liquidity.

Debt investments at fair value through other comprehensive income ("FVOCI") represent notes receivables in relation to our business operation. The fair values of our debt investment as of December 31, 2020, 2021 and 2022 were approximately RMB190.9 million, RMB480.1 million and RMB1,036.4 million, respectively. The increases were mainly due to the increase in our notes receivables as a result of our business expansion and an increased proportion of bank bills and commercial bills being accepted. For debt investments at fair value through other comprehensive income, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in profit or loss and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in other comprehensive income. The fair value of our debt investment at FVOCI was measured based on valuation techniques with key observable inputs, such as SHIBOR or yield curve of corporate bonds, by reference to instruments with similar credit characteristics and terms in the markets. The fluctuation of the observable inputs may have an adverse effect on our financial results.

We are also exposed to credit risks in connection with our notes receivables. We cannot assure you that we will be able to collect any or all of our notes receivables on time, or at all. Failure to collect our notes receivables in a timely manner or at all could have a material and adverse impact on our results of operations, financial condition and liquidity.

Preferential tax treatment and financial subsidies we have enjoyed may change or discontinue, which could adversely affect our financial condition, results of operations, cash flows, and prospects.

Shanghai Horizon Equipment & Engineering and Guangzhou Hongtu Equipment & Engineering were recognized as high and new technology enterprises and were entitled to a preferential income tax rate of 15% instead of 25% for a period of three years from 2020 to 2022. The qualification of high and new technology enterprise is subject to renewal every three years. Other than Shanghai Horizon Equipment & Engineering and Guangzhou Hongtu Equipment & Engineering, our subsidiaries in the PRC were subject to standard EIT rate of 25% under EIT law during the Track Record Period. For the years ended December 31, 2020, 2021 and 2022, our effective tax rates were 23.1%, 21.4% and 25.4%, respectively. See the section headed "Financial Information—Description of Major Components of Our Results of Operations—Income tax expense" in this Prospectus. Our eligibility to receive preferential tax treatment requires that we continue to qualify for such treatment. The qualification of high and new technology enterprise is subject to renewal every three years. However, the preferential tax treatment is provided to us at the discretion of the central government or relevant local government authorities, which could determine at any time to eliminate or reduce such preferential tax treatment, generally with prospective effect. Such government authorities may also choose to discontinue or refuse to renew such preferential tax treatment. The discontinuation of, or failure in renewing the preferential tax treatment currently available to us could have a material adverse effect on our financial condition, results of operations, cash flows, and prospects.

We have historically received unconditional financial subsidies from local government authorities. For the years ended December 31, 2020, 2021 and 2022, we recorded government grants of RMB13.9 million, RMB23.9 million and RMB68.8 million, respectively, in our consolidated statements of profit or loss. These financial subsidies have been given at the discretion of the local government authorities and are non-recurring in nature.

In 2021, certain of our subsidiaries filed applications for VAT input tax surplus deduction to offset VAT payable pursuant to the Announcement on Deepening Policies related to VAT reformation (《財政部稅務總局海關總署關於深化增值稅改革有關政策的公告》) (Announcement of Ministry of Finance, the General Administration of Taxation and the General Administration of Customs [2019] No. 39 財政部稅務總局海關總署公告[2019年]第39號) issued by the Ministry of Finance, the General Administration of Taxation and the General Administration of Customs. For the years ended December 31, 2020, 2021 and 2022, we recorded VAT super-credit of nil, RMB193.6 million and RMB42.1 million, respectively, in our consolidated statements of profit or loss.

There can be no assurances that we would continue to enjoy these preferential tax treatment or financial subsidies at the historical levels, or at all. Any change, suspension or discontinuation of these preferential tax treatment and financial subsidies to us could adversely affect our financial condition, results of operations and cash flows.

We are uncertain about the recoverability of our deferred tax assets, which may affect our financial condition in the future.

As of December 31, 2020, 2021 and 2022, our deferred tax assets amounted to RMB182.1 million, RMB263.9 million and RMB333.1 million, respectively. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. If we suffer losses in the future, we may not be able to utilize all of our deferred tax assets, which could affect our financial condition in the future.

We may be exposed to impairment loss risks associated with our prepayments, other receivables and other assets.

As of December 31, 2020, 2021 and 2022, we recorded prepayments, other receivables and other assets (excluding tax recoverable) of RMB519.9 million, RMB512.2 million and RMB878.5 million, respectively. Our prepayments primarily relate to our procurement of equipment and our rental and project deposits primarily relate to deposits for other borrowings obtained from non-bank financial institutions, deposits we paid to bid for projects, performance deposits and deposits we paid to equipment providers for the re-renting of equipment. These financial assets are unsecured, non-interest-bearing and repayable on demand. We recognized impairment losses on prepayments, other receivables and other assets of RMB2.5 million and RMB12.8 million in 2020 and 2022, respectively, while we recognized reversal of impairment losses on such prepayments, other receivables and other assets of RMB1.3 million in 2021. Although as of December 31, 2020, 2021 and 2022, the loss allowance for such balances was assessed to be minimal, we cannot assure you that there would not be any impairment charging on our prepayment, other receivables and other assets and we may record impairment losses on such amounts in the future, which may materially and adversely affect our business, results of operations and financial condition.

Our profitability may be materially and adversely affected by the potential increase in depreciation expenses.

Our business strategies and use of proceeds include purchase of new machinery and equipment such as the aerial work platforms, neo-excavation system and neo-formwork system. Please refer to the section headed “Future Plans and Use of Proceeds” in this Prospectus for the relevant details. Our Directors estimate that annual depreciation as a result of the procurement of additional machinery and equipment under such strategy funded by the net proceeds from the Global Offering to be approximately RMB37.0 million, RMB1.4 million and RMB14.1 million, for our aerial work platforms, neo-excavation systems and neo-formwork systems for the year ending December 31, 2023, and approximately RMB56.1 million, RMB28.0 million and RMB28.7 million, for the year ending December 31, 2024, respectively. Such annual depreciations will be charged to our statements of comprehensive income and affect our financial performance after the Listing. Accordingly, our results of operation and financial performance will be adversely affected.

We may not be able to successfully develop or adopt new technologies in a timely manner.

The market for our business operations may change rapidly because of changes in customer requirements, technological innovations, new service offerings, prices, industry standards and domestic and international economic factors. New service offerings and technology may render existing services or technology obsolete, excessively costly or otherwise unmarketable. If we are unable to introduce and integrate new technologies into our business operations in a timely and cost-effective manner, our competitive position will suffer and our prospects for growth will be impaired, which could have a material adverse effect on our business, financial condition, and results of operations.

Any failure to maintain an effective quality control system could have a material adverse effect on our business and operations.

The quality of the services that we provide is one of the factors critical to our success. In order to sustain such success, we need to continue to maintain an effective quality control system for our business, particularly for our operating lease services. The effectiveness of our quality control system depends significantly on a number of factors, including a timely update of the quality control system to suit ever-changing business needs, training programs as well as our ability to ensure that our quality control policies and guidelines are adhered to. Any failure or deterioration of our quality control system could result in defects in our services, which in turn may jeopardize our reputation, reduce demands for our services or even subject us to contractual liabilities and other claims. Any such claims, regardless of whether they are ultimately successful or not, may cause us to incur significant costs, harm our reputation and/or result in significant disruption to our operations. Furthermore, if any of such claims were ultimately successful, we may be required to pay for the claims, which could have a material adverse impact on our business, financial condition, and results of operations.

Failure to pay the social security funds and housing provident funds for and on behalf of our employees in accordance with the labor laws and regulations in China may have an adverse impact on our financial condition and results of operations.

During the Track Record Period, some of our subsidiaries engaged third-party human resources service providers to pay social security funds and housing provident funds for some employees. Under the agreements entered into between the third-party human resources service providers and our relevant subsidiaries, the third-party human resources service providers have the obligations to pay social security funds and housing provident funds for our relevant employees on time and in full. Such arrangements are not in strict compliance with applicable PRC laws and regulations. During the Track Record Period and as of the Latest Practicable Date, none of these subsidiaries had received any administrative fine or penalty or labor arbitration application from employees for such arrangement with third-party human resources service providers. Such third-party human resources service providers have provided us with their written confirmations that they have duly paid the social security funds and housing provident funds contributions for and on behalf of our employees according to our subsidiaries' agreements with them. However, if such human resources service providers fail to pay the social security funds or housing provident funds on time and in full for and on behalf of our employees as required by applicable PRC laws and regulations, we may be subject to additional contribution, late payment fee and/or penalties imposed by the relevant PRC authorities for failing to discharge our obligations in relation to payment of social security funds and housing provident funds as an employer or be ordered to rectify. According to our PRC Legal Advisers, there may also be a late fee for social security funds, calculated from the due date at 0.05% per day. Our Directors confirm that, to the best of their knowledge, there had been no contribution shortfalls, and as advised by our PRC Legal Advisers, our risk of being required to make up payment and administrative penalties for such non-compliance is relatively remote, no provision has been made so far in relation to this non-compliance incident. For details, see "Business—Legal Proceedings and Compliance—Non-compliance". If we were required by competent authorities to make additional contribution to social security funds and housing provident funds or receive penalties from competent authorities for such agency arrangements, our business, results of operations, and financial condition may be materially and adversely affected.

Labor shortage or increase in labor cost may affect our business growth and profitability.

Our equipment operation services rely on recruiting and retaining qualified professionals and successful training of these professionals. According to the F&S Report, the aging population in China has led to the insufficient supply of labor in some industries, which has in turn led to an increase in labor costs. With the intensification of the aging problem of workforce in the PRC, professionals with health conditions suitable for the construction industry are in short supply. As a result, we may incur more costs to hire suitable professionals. If our recruitment and retention efforts are not successful, qualified professionals may not be integrated into our workforce in a timely manner to meet our business needs.

For the years ended December 31, 2020, 2021 and 2022, the aggregate amount of our staff costs under cost of sales, sales staff costs under sales and distribution expenses, and administrative staff costs under administrative expenses was RMB664.4 million, RMB1,171.5 million and RMB1,293.4 million, respectively. As at December 31, 2022, we had a total of 4,249 employees in our workforce. It is expected that the labor cost in the PRC will continue to increase, and the PRC Government may promulgate additional laws and regulations on labor protection, such as increasing the statutory minimum wage. Such development may place a heavier burden on us as an employer and we may have to pay more benefits to employees. Any significant increase in our direct labor cost will increase our cost of sales. If we cannot transfer the increased cost to customers, our business, financial condition, and results of operations may be materially and adversely affected.

During the Track Record Period, we did not experience any labor shortage or significant increase in labor cost which had a material impact on our daily operation or profitability. However, we cannot guarantee that we will not experience shortage of skilled labor or the labor cost will not increase in the future or that our project progress or profitability will not be adversely affected.

We are subject to the risks of doing business in multiple jurisdictions.

As we plan to broaden the geographic coverage of our equipment and services, our business is subject to risks associated with doing business in multiple jurisdictions. As of the Latest Practicable Date, we had established one overseas service outlet for aerial work platform, which was located in Malaysia. We plan to establish one or two service outlets in each of the other Southeast Asian countries we select for expansion, such as Singapore. See "Business—Our Overseas Expansion Plan." Our business is therefore subject to constantly changing local economic, regulatory, social and political conditions in these countries. As we further expand our presence in overseas markets, our business and financial results in the future could be adversely affected due to a variety of factors, including:

- changes in a specific country's or region's political and cultural climate or economic condition;
- unexpected changes in laws and regulatory requirements in relevant jurisdictions;
- the occurrence of economic stagnation or downturn in certain jurisdictions,including those caused by inflation or political instability;
- the burden of complying with a variety of foreign laws, including difficulties in enforcement of contractual provisions;
- inadequate intellectual property protection in certain jurisdictions;
- enforcement of anti-corruption and anti-bribery laws;
- trade-protection measures, import or export licensing requirements and fines, penalties or suspension or revocation of export privileges;
- delays resulting from certain barriers and restrictions, potentially longer payment cycles, greater difficulty in accounts receivable collection and potentially adverse tax treatment;
- the effects of applicable local tax regimes and potentially adverse tax consequences; and
- significant adverse changes in local currency exchange rates.

There can be no assurance that our existing or potential collaboration partners will not alter their perception of us or their preferences as a result of adverse changes to the state of political relationships between China and the relevant foreign countries or regions. Tensions and political concerns between China and the relevant foreign countries or regions may therefore adversely affect our business, financial condition, results of operations and prospects.

In addition, we are subject to general geopolitical risks in foreign countries where we operate, such as political and economic instability and changes in diplomatic and trade relationships. The occurrence of any one or more of these risks of doing business internationally, individually or in the aggregate, could materially and adversely affect our business and results of operations.

Accidents in our business or in relation to our leased equipment may expose us to liability and reputational risk.

Accidents, such as work injuries, may occur during the course of our business. For example, our engineering and technical services may carry the inherent occupational risk of accidents. As a result, we are exposed to risks in relation to work safety, including but not limited to claims for injuries, fatal or otherwise, sustained by our employees or other parties involved in our business operations. To the extent that we incur additional costs, we may suffer material adverse effects on our business, results of operations, financial condition and brand value. Whilst we had not encountered any material accidents during the Track Record Period, we may still be held liable for the injuries of employees or others. In addition, accidents may also occur when our customers are using the equipment leased from us. Such accidents may occur as a result of (i) the defective equipment which we purchased from our suppliers or (ii) customers' improper use of the leased equipment. With respect to the defective equipment, although we will conduct safety and quality checks of purchased equipment to make sure they meet our operation standards, there is no guarantee that we will be able to identify any defects of such equipment. In addition, we provide training to our customers regarding the equipment they lease when the leased equipment is delivered to the requested sites. However, we cannot guarantee that our customers will properly operate our equipment afterwards. We are generally not responsible for accidents that happen in relation to our leased equipment after such equipment is delivered to our customers unless the accident is caused by the defects in the equipment. However, we may incur significant time, efforts and costs to deal with such accidents upon occurrence of such accidents even without our fault. Furthermore, if such accidents are wrongly publicized, our reputation and reliability may be harmed and our customers may end their cooperation with us.

Our insurance policies primarily include all-risk property insurance for our permanent business sites, all-risk property insurance and third party liability insurance for our vehicles and equipment, logistics and transportation insurance for our logistics and transportation services, compulsory liability insurance for our passenger vehicles and commercial vehicles, as well as social insurance and commercial insurance for our employees. We cannot guarantee that our insurance may fully cover the claims or costs arising from such accidents. See "—Our insurance coverage may not sufficiently cover the risks related to our business". We may also experience interruptions to our business and may be required to change the manner in which we operate as a result of governmental investigations or the implementation of safety measures upon occurrence of accidents. Moreover, such occurrences may also damage our reputation and brand in the equipment operation service industry. Furthermore, certain claims arising from accidents may be the result of defects of equipment purchased from third party suppliers. Such third party suppliers may not indemnify us for such defects or may only provide us with limited indemnification that is insufficient to cover our or clients' damages resulting from the product liability claim. Any of the foregoing could adversely affect our reputation, brand, business, results of operations, and financial condition.

Our current risk management and internal control system may not be sufficient to protect us against various risks.

Our business operation is exposed to various risks, primarily including credit risk, market risk, liquidity risk, operational risk and legal and compliance risk. To manage such risks, we have established, and will continue to improve, our risk management and internal control system. See "Business—Risk Management and Internal Control". However, we cannot assure you that such risk management and internal control system will be effective in identifying, monitoring and mitigating all types of risks.

Our risk management capability is limited by the information, tools and technologies available to us. As some of our risk management measures are based on our historical market data and management's judgment, they may not accurately predict the types of risks that may arise in the future. In addition, we have developed and continually updated our IT systems for risk management and internal control, but we cannot guarantee that such systems would achieve the expected results or will not experience disruptions from time to time. See "—We may experience failures in or disruptions to our information technology systems". We also rely on our employees to effectively implement our risk management and internal control system. However, we cannot guarantee that our employees will always comply with or properly implement the relevant internal policies and procedures. If we are unable to effectively improve our risk management and internal control system, or timely achieve the expected results, our business, financial condition, and results of operations may be materially and adversely affected.

Our business operates under various permits, licenses, approvals and/or qualifications and the loss of or failure to obtain or renew any or all of these permits, licenses, approvals and/or qualifications may materially and adversely affect our business, results of operations, and financial condition.

We are subject to extensive PRC laws and regulations at the national and local level, which govern various aspects of our operations. We are required to obtain and maintain certain licenses, permits, certificates and approvals in order to provide our comprehensive service offerings to customers. For further information, see "Regulatory Overview" and "Business—Certificates, Licenses and Permits" in this Prospectus. These operating permits, licenses and/or qualifications are granted, renewed and maintained upon our satisfactory compliance with, among others, the applicable criteria set by the relevant governmental departments or organizations. Such criteria may include but not limited to compliance with safety regulations and environment protection regulations. These permits, licenses, approvals and/or qualifications may only be valid for a limited period of time and may be subject to periodic review and renewal by government authorities or relevant organizations. In addition, the standards of compliance required in relation thereto may change from time to time.

Further, we cannot guarantee that our internal control measures will always be sufficient and effective. Extensive government regulation and related delays in seeking the requisite licenses, qualifications and permits can significantly delay the introduction of additional services or products, which could materially and adversely affect our competitiveness. Certain legal uncertainties in, and inconsistent interpretations and enforcement of, current PRC laws and regulations expose us to the risk of non-compliance. If deemed non-compliant, we could be subjected to administrative or regulatory fines and penalties, including the suspension or revocation of our licenses, permits or qualifications, and our operations may be hindered or halted, which could have a material and adverse effect on our business and results of operations. As the PRC legal system and construction industry continue to evolve, changes in the relevant laws and regulations or in their interpretation or enforcement may also make it difficult for us to comply with the laws and regulations.

Our business operations and reputation may be materially and adversely affected by delays in the delivery or poor handling of our equipment and materials by external logistics service providers.

During the Track Record Period, we had engaged external logistic companies to deliver our equipment and materials to designated project sites. The timely delivery of our equipment and materials depends highly on, among others, the external logistics service providers' ability to fulfil their obligations in accordance with the terms of respective service contracts, such as their responsiveness to our logistic orders and provide us the required logistic services. Any failure to provide on-time delivery may have a material adverse impact on our business operations and reputation as it may lead to our customers' project delays, as well as expose us to potential contractual claims with our external logistics service providers or our customers. In such events, we may not be able to seek full indemnity from the external logistics service providers or enforce in full any favorable judgment obtained.

Further, we may also be obligated under respective service contracts with our customers to compensate them for any loss or damages incurred due to failure to comply with the terms. Any contractual disputes for material breaches by our external logistics service providers, which may arise in the future, may severely affect our business operations and divert our management attention and resources.

We may experience failures in or disruptions to our information technology systems.

We use various online platforms and systems in our business operations. If we are unable to detect or promptly remedy any system malfunction or misconfiguration, we may experience system interruptions or delays, which could adversely affect our operating results. In addition, we may experience occasional system interruptions and delays or other technical problems that make our online services unavailable or difficult to access, and prevent us from promptly responding or providing services to our customers, which may reduce our customers' intention to use our online platforms and even incur losses to our customers who may bring legal proceedings against us. Moreover, failures in or disruptions to our information technology systems, loss or leakage of confidential information, or breach of network security could cause transaction errors, processing inefficiencies and the loss of customers and sales, and subject us to increased costs, litigation and other liabilities, which could materially and adversely affect our business, results of operations, financial condition, and our reputation.

Our insurance coverage may not sufficiently cover the risks related to our business.

We maintain insurance policies against major risks and liabilities arising from our business operations. For details, see "Business—Insurance". We cannot assure you that our insurance coverage will be sufficient or available to cover damage, liabilities or losses we may incur in the course of our business. Moreover, there are certain losses for which insurance is not available in the PRC on commercially practicable terms, such as losses suffered due to business interruptions, earthquakes, typhoons, flooding, war or civil disorder. In the event of a dispute with our insurers, we may be required to engage in protracted litigation or negotiations in order to obtain benefits for which we are legally due, and those efforts may be wholly or partly unsuccessful. If we are held responsible for any such damages, liabilities or losses and there is an insufficiency or unavailability of insurance, there could be a material adverse effect on our business, results of operations, and financial condition.

Negative publicity, including adverse information on the internet, about us, our Shareholders and affiliates, our brand and our management may have a material adverse effect on our business, reputation, and the trading price of our Shares.

Negative publicity about us, our Shareholders and affiliates, the equipment we lease out, including possible defects of the equipment, even without our fault, our service quality, our brand, our management and other aspects of our business operations may arise from time to time. They may appear in the form of comments on internet postings and other media sources. For example, in the event that we fail to meet our customers' expectations as to the quality of our services, our customers may disseminate negative comments on social media platforms. In addition, our customers or suppliers may also become the subject of negative publicity for various reasons, such as customer complaints about the quality of their services. Negative publicity about Far East Horizon, its business, results of operations and financial condition could adversely affect our reputation, business and share price. In the long term, if such negative publicity about us, our Shareholders and affiliates, our brand, our management and other aspects of our business operations damage our reputation and result in a loss of customer confidence, it would affect our future ability to attract and retain new customers and employees. As a result, our business, results of operations, financial condition, and prospects would be materially and adversely affected.

Our success largely depends on the retention of our senior management team and our ability to attract and retain qualified and experienced employees.

Our continued success depends on the efforts of our senior management team and other key employees. As they possess key connections with potential business partners and industry expertise, losing their services may have a material adverse effect on our business. Should any or all members of our senior management team join or form a competing business with their expertise, connections and knowledge of our business operations, we may not be able to estimate the extent of and mitigate such damage. If any of our key employees leaves and we are unable to promptly hire a qualified replacement, our business, results of operations, and financial condition may be materially and adversely affected. In addition, the future growth of our business will depend, in part, on our ability to attract and retain qualified personnel in all areas of our business. If we are unable to attract and retain these qualified personnel, our growth may be limited and our business, results of operations, and financial condition could be materially and adversely affected.

We are exposed to risks associated with failing to detect and prevent fraud, negligence or other misconduct committed by our employees, agents, customers, suppliers or other third parties.

We are exposed to fraud or other misconduct committed by our employees, agents, customers, suppliers or other third parties that could subject us to financial losses and sanctions imposed by governmental authorities as well as seriously harm our reputation. For example, loss caused by misconduct of our employees in the process of providing operating lease services may cause us to make compensation if we were held to be negligent or reckless and will also cause us to suffer damage to our reputation in the market.

Our management information system and internal control procedures are designed to monitor our operations and overall compliance. However, they may be unable to identify non-compliance and/or suspicious transactions in a timely manner, or at all. There will therefore continue to be the risk that fraud and other misconduct may occur, resulting in financial loss, negative publicity or other negative outcomes, which may have an adverse effect on our business, reputation, financial condition, and results of operations.

We may be involved in intellectual property disputes and claims.

We currently hold a number of patents, copyrights and trademarks in the PRC. See "Business—Intellectual Property". We rely on and expect to continue to rely on a combination of confidentiality and license agreements, as well as trademark and copyright protection laws, to protect our proprietary rights. Nevertheless, these measures offer limited protection. Policing unauthorized use of proprietary information can be difficult and expensive. If we were unable to detect unauthorized use of, or take appropriate steps to enforce, our intellectual property rights, our business, results of operations, and financial condition could be materially and adversely affected.

Moreover, we may become subject to claims from competitors or third parties alleging intellectual property infringement by us in our ordinary course of business from time to time. Any claims or legal proceedings brought against us in relation to such issues, with or without merit, could result in substantial costs and divert capital resources and management attention. In the event of an adverse administrative or judicial decision, we may be compelled to pay substantial damages or to seek licenses from third parties and pay ongoing royalties on unfavorable terms. Moreover, regardless of whether we prevail, intellectual property disputes may damage our brand value and reputation in the eyes of current and potential customers and in our industry. In addition, enforceability, scope and validity of laws governing intellectual property rights in the PRC are uncertain and still evolving, which may subject us to increased compliance costs and increased risk of non-compliance in the future.

We are subject to changing laws and regulations regarding regulatory matters that may have increased or will increase both our costs and the risk of non-compliance.

We are or will be subject to rules and regulations by various governing bodies, including, for example, once we have become a public company, Hong Kong Stock Exchange and the Securities and Futures Commission, which are charged with the protection of investors and the oversight of companies whose securities are publicly traded, as well as the various regulatory authorities in China and the Cayman Islands, and to new and evolving regulatory measures under applicable laws. Our efforts to comply with new and changing laws and regulations have resulted in, and are likely to continue to result in, increased general and administrative expenses and a diversion of management time and attention from revenue-generating activities to compliance activities.

Moreover, because these laws, regulations and standards are subject to varying interpretations, their application in practice may evolve over time as new guidance becomes available. This evolution may result in continuing uncertainty regarding compliance matters and additional costs necessitated by ongoing revisions to our disclosure and governance practices. If we fail to address and comply with these regulations and any subsequent changes, we may be subject to penalties and our business may be harmed.

Some of our property lease agreements were not filed with the relevant government authorities and may in turn subject us to administrative fines.

According to applicable PRC administrative regulations, the lessor and the lessee of a property lease agreement are required to file the property lease agreement with relevant governmental authorities within 30 days after the execution of the property lease agreement. If the filing is not made, the governmental authorities may require that the filing be made within a stated period of time, failing which, they may impose a fine ranging from RMB1,000 to RMB10,000 for each agreement that has not been properly filed.

As of the Latest Practicable Date, we had not filed 85 lease agreements for the properties we leased with the local housing administration authorities as required under PRC laws and regulations. As advised by our PRC Legal Advisor, we might be ordered to rectify this non-filing by competent authorities and if we fail to rectify within a prescribed period, a penalty of RMB1,000 to RMB10,000 per agreement may be imposed on us as a result of such non-filing. As such, the estimated maximum amount of penalty for our failure to file these property lease agreements is approximately RMB850,000.

In the event that we are required by the competent authorities to register the property lease agreements, we may be subject to fines for the failure to register the property lease agreements, which could adversely affect our financial condition and results of operations.

The potential loss of our contracts due to force majeure events or other reasons beyond our control could materially and adversely affect our business, results of operations, and financial condition.

In accordance with PRC laws, if any force majeure event or any event beyond our control happens, such as COVID-19 outbreak, lessees may terminate the lease contracts, and they may only be required to compensate the lessors after taking into consideration the depreciation of the leased assets and shall not be obliged to make lease payments in full in the event that the lease contracts have been terminated due to damage to or loss of the leased assets as a result of force majeure or other reasons that are not caused by the lessees. If the leased assets are damaged or lost due to the foregoing reasons which result in termination of the relevant lease contracts, we may be forced to assume losses to the extent our insurance coverage is inadequate. Any uninsured loss could materially and adversely affect our business, results of operations, and financial condition.

We may be liable from time to time for legal disputes and other legal proceedings arising from our operation.

We may be involved in disputes from time to time in ordinary course of business. We cannot guarantee that that we will be able to resolve each of such disputes amicably via negotiations and/or mediation. Failure to do so may lead to us being subject to lawsuits and other legal proceedings. Therefore, we may be subject to enormous expenses for our defense in the relevant legal proceedings. In case of any unfavorable ruling made against us, we may be subject to substantial damages or other legal liabilities, which may adversely affect our reputation, business, financial condition and operating results.

We face risks related to complying with applicable laws, rules and regulations relating to the collection, use, disclosure and security of personal information; moreover, complying with evolving laws and regulations regarding cybersecurity, information security, privacy and data protection and other related laws and requirements may be expensive and force us to make adverse changes to our business. Many of these laws and regulations are subject to change and uncertain interpretation, and any failure or perceived failure to comply with these laws and regulations could result in negative publicity, legal proceedings, suspension or disruption of operations, increased cost of operations, or otherwise harm our business.

We grant limited access to specified data on our online platform to certain third parties. These third parties face the same challenges and risks inherent in handling and protecting the data. Any system failure or security breach or lapse on our part or on the part of any of such third parties that results in the release of user data could harm our reputation and brand and, consequently, our business, in addition to exposing us to potential legal liability.

Moreover, laws and regulations governing cybersecurity, information security, privacy and data protection are rapidly evolving, extensive, complex, and include inconsistencies and uncertainties. On June 10, 2021, the Standing Committee of the National People's Congress of China promulgated the PRC Data Security Law, which took effect on September 1, 2021. The PRC Data Security Law provides for data security protection obligations on entities and individuals carrying out data processing activities, introduces a data classification and hierarchical protection system based on the importance of data in economic and social development, as well as the degree of harm it will cause to national security, public interests, or legitimate rights and interests of individuals or organizations when such data is tampered with, destroyed, leaked, or illegally acquired or used, and provides for a national security review procedure for those data activities which may affect national security and imposes export restrictions on certain data and information. The PRC Data Security Law provides that "data" refers to any recording of information by electronic or other means. Data processing includes the collection, storage, use, processing, transmission, provision and public disclosure of data, etc.

Furthermore, on January 4, 2022, the Cyber Administration of China, together with 12 other departments, promulgated the Cybersecurity Review Measures (《網絡安全審查辦法》), which came into effect on February 15, 2022 and repeals the previous version promulgated on April 13, 2020. According to the Cybersecurity Review Measures, critical information infrastructure operators anticipating the procurement of network products and services and online platform operators carrying out data processing activities, which affect or may affect national security, shall conduct a cybersecurity review. Online platform operators holding personal information of more than 1 million users seeking to be listed abroad must apply for a cybersecurity review as well. There remain substantial uncertainties with respect to the interpretation and applicability of the Cybersecurity Review Measures, especially the criteria for the determination of the risks that "affect or may affect national security". In addition, on November 14, 2021, the Cyberspace Administration of China issued the Regulations on Network Data Security Management (Draft for Comment) (the "**Draft Regulations**") (《網絡數據安全管理條例(徵求意見稿)》), which reiterate that a data processing operator which processes personal information of more than one million individuals seeking to be listed in foreign countries should apply for the cybersecurity review which differentiate "listing in a foreign country" with "listing in Hong Kong"; moreover, such draft regulations also specifically require that if the listing in Hong Kong by a data processing operator affects or may affect the national security, the data processing operator shall apply for cybersecurity review in accordance with the relevant provisions of the state. Due to the lack of further clarifications or detailed rules and regulations, there are uncertainties on how to determine whether or not a proposed listing by a company like us in Hong Kong affects or may affect national security, the PRC government authorities may have wide discretion in the interpretation and enforcement of these measures and regulations once enacted. The above Draft Regulations were released for public comment only and their operative provisions and the anticipated adoption or effective date may be subject to change with substantial uncertainty. It also remains uncertain whether the future regulatory changes would impose additional restrictions on companies like us. We cannot predict the impact of the draft regulations, if any, at this stage, and we will closely monitor and assess any development in the rule-making process.

If the enacted version of the draft regulations mandates clearance of cybersecurity review and other specific actions to be completed by companies like us, we face uncertainties as to whether such clearance can be timely obtained, or at all. If we are not able to comply with the cybersecurity and data privacy requirements in a timely manner, or at all, we may be subject to government enforcement actions and investigations, fines, penalties, suspension of our non-compliant operations, or removal of our online platform from the relevant application stores, among other sanctions, which could materially and adversely affect our business and results of operations.

These and other similar legal and regulatory developments could lead to legal and economic uncertainty, affect how we design our IT systems, how we operate our business, how we process and share data, and how we transfer personal data from one jurisdiction to another. We may incur substantial costs to comply with such laws and regulations, to meet the demands of our customers relating to their own compliance with applicable laws and regulations, and to establish and maintain internal compliance policies.

The approval of the CSRC or other governmental authorities may be required in connection with the Global Offering, and, if required, we cannot predict whether we will be able to obtain such approval.

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 (the "**Securities Activities Opinions**") (《關於依法從嚴打擊證券違法活動的意見》), which calls for the enhanced administration and supervision of overseas-listed China-based companies, proposes to revise the relevant regulation 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 promulgated the Trial Administrative Measures of the Overseas Securities Offering and Listing by Domestic Enterprises (《境內企業境外發行證券和上市管理試行辦法》) (the "**Overseas Listing Trial Measures**") and relevant five guidelines, which became effective on March 31, 2023. According to the Overseas Listing Trial Measures, PRC domestic enterprises that seek to offer and list securities in overseas markets, either in direct or indirect means (the "**Overseas Offering and Listing**"), are required to fulfill the filing procedure with the CSRC and submit filing reports, legal opinions and other relevant documents. Specifically, following the principle of substance over form, if an issuer meets both of the following criteria, its overseas offering and listing will be deemed as indirect Overseas Offering and Listing by a PRC domestic enterprise: (i) 50% or more of any of the issuer's operating revenue, total profit, total assets or net assets as documented in its audited consolidated financial statements for the most recent fiscal year is accounted for by domestic companies; and (ii) the main parts of the issuer's business activities are conducted in mainland China, or its main place(s) of business are located in mainland China, or the majority of senior management staff in charge of its business operations and management are PRC citizens or have their usual place(s) of residence located in mainland China. The Overseas Listing Trial Measures also requires subsequent reports to be submitted to the CSRC on material events, such as change of control or voluntary or forced delisting of the issuer(s) who have completed overseas offerings and listings. For more details, please refer to "Regulatory Overview — Overseas Offering and Listing".

According to the Notice on Arrangements for Record Filing Administration of Overseas Offering and Listing of Domestic Enterprises and the relevant replies to questions by the CSRC officials which are both promulgated with the Overseas Listing Trial Measures simultaneously, (i) where, before March 31, 2023 (i.e. the effective date of the Overseas Listing Trial Measures), the PRC domestic enterprise's application for its indirect Overseas Offering and Listing has been approved by the overseas regulatory authorities or overseas stock exchanges (for example, a listing hearing has been passed by the Stock Exchange) but has not completed indirect Overseas Offering and Listing, a six-month transition period from March 31, 2023 (the "**Transition Period**") shall be allowed: if the PRC domestic enterprise does not need to re-perform the regulatory procedures for offering and listing with the overseas regulatory authorities or overseas stock exchanges and the PRC domestic enterprise completes the Overseas Offering and Listing within the Transition Period, it can be deemed as an existing issuer and is not required to file with CSRC for this Overseas Offering and Listing; if the PRC domestic enterprise needs to re-perform the regulatory procedures for offering and listing with the overseas regulatory authorities or overseas stock exchanges (for example, a new listing hearing is required by the Stock Exchange) or fail to complete Overseas Offering and Listing within the Transition Period, they shall file with the CSRC for this Overseas Offering and Listing; (ii) the PRC domestic enterprise which has submitted a valid application for Overseas Offering and Listing but has not yet obtained the consent of the overseas regulatory authorities or the overseas stock exchange before March 31, 2023 may make a reasonable time for submitting the filing application to the CSRC and shall complete the filing prior to its Overseas Offering and Listing.

Our PRC Legal Advisers are of the view that the Listing shall be deemed as an indirect Overseas Offering and Listing. If we can pass the listing hearing of the Stock Exchange on or before March 31, 2023 while no re-hearing is required by the Stock Exchange and the Listing can be completed on or before September 30, 2023, we will not be required to file with the CSRC with respect to the Listing. If we can not pass the listing hearing of the Stock Exchange on or before March 31, 2023, or if we pass the listing hearing of the Stock Exchange on or before March 31, 2023 but a re-hearing is required afterwards or we fail to complete the Listing on or before September 30, 2023, we will make the filing with the CSRC with respect to the Listing. In any event, we will perform the reporting obligations to the CSRC in the event of occurrence of material events after the Listing as required. Based on the above and the current expected timetable of the Global Offering and Listing which means we have passed the hearing of the Stock Exchange before March 31, 2023 and the re-hearing is not required by the Stock Exchange, as advised by our PRC Legal Advisers, we do not need to perform the record-filing procedures with CSRC for the Global Offering and Listing.

If it is determined that we are subject to any CSRC approval, filing, other governmental authorization or requirements for the Listing and reporting obligations, we cannot assure you that we could obtain such approval or meet such requirements in a timely manner or at all. Under such circumstance, we and our personnel directly in charge and other personnel with direct responsibility may be warned, fined or subject to other disciplinary measures if we fail to complete the filing with the CSRC or report to the CSRC after the occurrence of the material events as required.

RISKS RELATING TO DOING BUSINESS IN THE PRC

We are subject to adverse changes in economic, political and social conditions, and government policies in the PRC.

Substantially all of our businesses, assets, operations are located in the PRC. Accordingly, our financial condition, results of operations and prospects are, to a significant degree, subject to the economic, political, social and legal conditions in the PRC. The PRC economy differs from that of most developed countries in many respects, including the extent of government involvement, level of economic development, investment control, resource allocation, growth rate and control over foreign exchange.

For recent decades, the PRC Government has implemented economic reform measures to utilize market forces in the PRC economy. Many of the reform measures are unprecedented or experimental and are expected to be modified from time to time. Other political, economic and social factors may lead to further readjustment or introduction of other reform measures. This reform process and any changes in laws and regulations or the interpretation or implementation thereof in the PRC may have a material impact on our operations or may adversely affect our financial condition and results of operations.

While the PRC economy has grown significantly in recent years, this growth has been geographically uneven among various sectors of the economy and during different periods, and is subject to unpredictable risks domestically and internationally, such as the outbreak of COVID-19. The continuous outbreak of the COVID-19 has resulted in severe disruptions in domestic demand and supply, trade, finance, and other economic activities.

We cannot assure you that the PRC economy will continue to grow, or that if there is growth, such growth will be steady and uniform. Any economic slowdown may materially and adversely affect our business. In the past, the PRC Government has periodically implemented a number of measures intended to slow down certain segments of the economy which the PRC Government believed was overheating. We cannot assure you that the various macroeconomic measures and monetary policies adopted by the PRC Government to guide economic growth and allocate resources will be effective in improving the growth rate of the PRC economy. In addition, such measures, even if they benefit the overall PRC economy in the long term, may reduce demand for our services and therefore could materially and adversely affect our business, financial condition, and results of operations.

Inflation in the PRC could negatively affect our profitability and growth.

Economic growth in the PRC has, in the past, been accompanied by periods of high inflation. In response, the PRC Government has implemented policies from time to time to control inflation, such as restricting the availability of credit by imposing tighter bank lending policies or higher interest rates. The PRC Government may take similar measures in response to future inflationary pressures. Rampant inflation without the PRC Government's mitigation policies would likely increase our costs, thereby materially reducing our profitability. For example, certain operating expenses, such as employee compensation and rental and related expenses for office may increase as a result of higher inflation. We cannot assure you that we will be able to pass any additional costs to our customers. On the other hand, such control measures may also lead to slower economic activity and we may see reduced demand for our services.

Our ability to access credit and capital markets in the future may be adversely affected by factors beyond our control.

Interest rate increases by the PBOC, or market disruptions such as those experienced in the United States, European Union and other countries or regions, may increase our cost of borrowing or adversely affect our ability to access sources of liquidity upon which we may rely to finance our operations and satisfy our obligations as they become due. We intend to continue to make investments to support our business growth and may require additional funds to respond to business challenges. There can be no assurance that the anticipated cash flow from our operations will be sufficient to meet all of our cash requirements, or that we will be able to secure external financing at competitive rates, or at all. Any such failure may adversely affect our ability to finance our operations, meet our obligations, or implement our growth strategy.

Uncertainties with respect to the PRC legal system could limit the legal protection available to you.

The legal system in the PRC has inherent uncertainties that could limit the legal protection available to our Shareholders. As we conduct all of our substantial business operations in the PRC, we are principally governed by PRC laws, rules and regulations. The PRC legal system is based on the civil law system. Unlike the common law system, the civil law system is established on the written statutes and their interpretation by the Supreme People's Court, while prior legal decisions and judgments have limited significance as precedent. The PRC Government has been developing a commercial law system, and has made significant progress in promulgating laws and regulations related to economic affairs and matters, such as corporate organization and governance, foreign investments, commerce, taxation and trade.

However, many of these laws and regulations are relatively new and there is a limited volume of published decisions. Thus, there are uncertainties involved in their implementation and interpretation, which might not be as consistent and predictable as in other jurisdictions. Furthermore, the legal protection available to you under these laws, rules and regulations may be limited. Any litigation or regulatory enforcement action in the PRC may be protracted and result in substantial costs and diversion of resources and management attention.

As is known to all, the PRC legal system is based in part on government policies and internal rules, some of which are not published on a timely basis or at all, and which may have a retroactive effect. As a result, we may not be aware of our violation of any of these policies and rules until sometime after the violation. Such uncertainties, including uncertainty over the scope and effect of our contractual, property (including intellectual property) and procedural rights, and any failure to respond to changes in the regulatory environment in China could materially and adversely affect our business and impede our ability to continue our operations.

You may experience difficulties in effecting service of process or enforcing foreign judgments against us, our Directors or senior management residing in China.

Our Company is incorporated in the Cayman Islands. Substantially all of our assets are located in China and substantially all of our executive and non-executive Directors and senior management ordinarily reside in China. Therefore, it may not be possible to effect service of process in Hong Kong or elsewhere outside of China upon us or our Directors or senior management. Moreover, China has not entered into treaties for the reciprocal recognition and enforcement of court judgments with Japan, the United Kingdom, the United States and many other countries. As a result, recognition and enforcement in China of a court judgment obtained in other jurisdictions may be difficult or impossible.

On July 14, 2006, the Supreme People's Court of the PRC and the Government of the Hong Kong Special Administrative Region signed an Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters (the "**2006 Arrangement**"). Under the 2006 Arrangement, where any designated People's Court of the PRC or Hong Kong court has made an enforceable final judgment requiring payment of money in a civil and commercial case pursuant to a choice of court agreement, any party concerned may apply to the relevant People's Court of the PRC or Hong Kong court for recognition and enforcement of the judgment. On January 18, 2019, the Supreme People's Court of the PRC and the Government of the Hong Kong Special Administrative Region signed a new Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters (the "**2019 Arrangement**"), which broadened the scope of the judgments which are considered to be of in "civil and commercial" nature under both the PRC and Hong Kong laws. Judgments in civil and commercial matters under the 2019 Arrangement cover both monetary and non-monetary relief, with certain exclusions. Although the 2006 Arrangement has become effective while the 2019 Arrangement has not, the outcome and effectiveness of any action brought under the arrangements remain uncertain.

We may be deemed a PRC resident enterprise under the EIT Law and be subject to a tax rate of 25% on our global income.

Pursuant to the EIT Law, which came into effect on January 1, 2008 and was amended on February 24, 2017 and December 29, 2018, an enterprise established outside the PRC whose "de facto management body" is located in the PRC is considered a "PRC resident enterprise" and will generally be subject to the uniform enterprise income tax rate, or EIT rate, of 25% on its global income. Under the implementation rules of the EIT Law, "de facto management body" is defined as the organizational body that effectively exercises management and control over such aspects as the business operations, personnel, accounting and properties of the enterprise.

On April 22, 2009, SAT released the Notice Regarding the Determination of Chinese-Controlled Offshore Incorporated Enterprises as PRC Tax Resident Enterprises on the Basis of De Facto Management Bodies (關於境外註冊中資控股企業依據實際管理機構標準認定為居民企業有關問題的通知) ("**Circular 82**"), as amended on December 29, 2017, which sets out the standards and procedures for determining whether the "de facto management body" of an enterprise registered outside of the PRC and controlled by PRC enterprises or PRC enterprise groups is located within the PRC. Under Circular 82, a foreign enterprise controlled by a PRC enterprise or PRC enterprise group is considered a PRC resident enterprise if all of the following apply: (i) the senior management and core management departments in charge of daily business operations are located mainly within the PRC; (ii) financial and human resources decisions are subject to determination or approval by persons or bodies in the PRC; (iii) major assets, accounting books, company seals and minutes and files of board and shareholders' meetings are located or kept within the PRC; and (iv) at least half of the enterprise's directors with voting rights or senior management reside within the PRC. In addition, Circular 82 also requires that the determination of "de facto management body" shall be based on the principle that substance is more important than form. Further to Circular 82, SAT issued the Chinese-Controlled Offshore Incorporated Resident Enterprises Income Tax Regulation (Trial Implementation) (境外註冊中資控股居民企業所得稅管理辦法(試行)) ("**Bulletin 45**"), which took effect on September 1, 2011 and was amended on June 1, 2015 and October 1, 2016 and June 15, 2018, to provide more guidance on the implementation of Circular 82 and clarify the reporting and filing obligations of such "Chinese-controlled offshore incorporated resident enterprises". Bulletin 45 provides procedures and administrative details for the determination of resident status and administration of post-determination matters. Although Circular 82 and Bulletin 45 explicitly provide that the above standards apply to enterprises which are registered outside of the PRC and controlled by PRC enterprises or PRC enterprise groups, Circular 82 may reflect SAT's criteria for determining the tax residence of foreign enterprises in general. The tax resident status of an enterprise is subject to determination by the PRC tax authorities and uncertainties remain with respect to the interpretation of the term "de facto management body". Most of our Directors and senior management are currently based in the PRC; if we are deemed a PRC resident enterprise, the EIT rate of 25% on our global taxable income may reduce capital we could otherwise divert to our business operations.

You may be subject to PRC income tax on dividends from us or on any gain realized on the transfer of our Shares under PRC law.

Under the EIT Law and its implementation rules, subject to any applicable tax treaty or similar arrangement between the PRC and your jurisdiction of residence that provides for a different income tax arrangement, PRC withholding tax at the rate of 10% is normally applicable to dividends from PRC sources payable to investors that are non-PRC resident enterprises, which do not have an establishment or place of business in the PRC, or which have such establishment or place of business if the relevant income is not effectively connected with the establishment or place of business. Any gains realized on the transfer of shares by such investors are subject to a 10% PRC income tax rate if such gains are regarded as income from sources within the PRC unless a treaty or similar arrangement provides otherwise. Under the PRC Individual Income Tax Law (中華人民共和國個人所得稅法) and its implementation rules, dividends from sources within the PRC paid to foreign individual investors who are not PRC residents are generally subject to a PRC withholding tax at a rate of 20% and gains from PRC sources realized by such investors on the transfer of shares are generally subject to a 20% PRC income tax rate, in each case, subject to any reduction or exemption set forth in applicable tax treaties and PRC laws.

Although we conduct substantially all of our business operations in the PRC, it is unclear whether dividends we pay with respect to our Shares, or the gain realized from the transfer of our Shares, would be treated as income from sources within the PRC and as a result be subject to PRC income tax if we are considered a PRC resident enterprise. If PRC income tax is imposed on gains realized from the transfer of our Shares or on dividends paid to our non-PRC resident investors, the value of your investment in our Shares may be materially and adversely affected. Furthermore, our Shareholders whose jurisdictions of residence have tax treaties or arrangements with the PRC may not qualify for benefits under such tax treaties or arrangements.

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

SAFE promulgated the Notice on Relevant Issues Concerning Foreign Exchange Administration for Domestic Residents to Engage in Overseas Investment, Financing and Round Trip Investment via Special Purpose Vehicles (《國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) (the "**Circular 37**") in July 2014, which abolished and superseded the Circular on Relevant Issues concerning Foreign Exchange Administration for PRC Residents to Engage in Financing and Round Trip Investment via Overseas Special Purpose Vehicles (關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知). Pursuant to Circular 37 and its implementation rules, PRC residents, including PRC institutions and individuals, must register with local branches of SAFE in connection with their direct or indirect offshore investments in an overseas special purpose vehicle, or SPV, directly established or indirectly controlled by PRC residents for the purposes of offshore investment and financing with their legally owned assets or interests in domestic enterprises, or their legally owned offshore assets or interests or any inbound investment through SPVs. Such PRC residents are also required to amend their registrations with SAFE when there is change to the required information of the registered SPV, such as changes to its PRC resident individual shareholder, name, operation period or other basic information, or the PRC individual resident's increase or decrease in its capital contribution in the SPV, or any share transfer or exchange, merger or division of the SPV. In accordance with the Notice on Further Simplifying and Improving the Foreign Currency Management Policy on Direct Investment (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》) (the "**SAFE Notice No. 13**"), the foreign exchange registration aforesaid has been directly reviewed and handled by banks since June 1, 2015, and SAFE and its branches perform indirect regulation over such foreign exchange registration through local banks. Under this regulation, failure to comply with the registration procedures set forth in Circular 37 may result in restrictions being imposed on the foreign exchange activities of our PRC subsidiaries, including the payment of dividends and other distributions to its offshore parent or affiliate, the capital inflow from the offshore entities and its settlement of foreign exchange capital, and may also subject the relevant onshore company or PRC residents to penalties under PRC foreign exchange administration regulations.

We cannot assure that the Chinese resident shareholders will in the future complete the registration with the SAFE in a timely manner and obey the regulations on foreign exchange. If Chinese resident shareholders contribute capital to an offshore special purpose vehicle without completing Circular 37 Registration, the Chinese resident shareholders shall be ordered by the foreign exchange control authorities to recover the foreign exchange within a stipulated period and be subject to a fine of not more than 30% of the amount of evaded foreign exchange; where the case is serious, a fine ranging from 30% of the amount of evaded foreign exchange to the equivalent value shall be imposed; where the case constitutes a criminal offence, criminal liability shall be pursued in accordance with the law. In addition, we may not at all times be fully aware or informed of the identities of all of our Shareholders who are PRC residents, and we may not always be able to timely compel our Shareholders to comply with the requirements of Circular 37. Moreover, there is no assurance that the PRC Government will not have a different interpretation of the requirements of Circular 37 in the future.

PRC laws and regulations establish more complex procedures for some acquisitions of PRC companies by foreign investors, which could make it difficult for us to pursue growth through acquisitions in the PRC.

A number of PRC laws and regulations, including the M&A Rules, the Anti-Monopoly Law (反壟斷法), and the Rules of MOFCOM on Implementation of Security Review System of Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (商務部實施外國投資者併購境內企業安全審查制度的規定) promulgated by MOFCOM on August 25, 2011 and effective from September 1, 2011 (the "**Security Review Rules**"), have established procedures and requirements that are expected to make the review of certain merger and acquisition activities by foreign investors in the PRC more time-consuming and complex. These include requirements in some instances to notify MOFCOM in advance of any transaction in which foreign investors take control of a PRC domestic enterprise, or to obtain approval from MOFCOM before overseas companies established or controlled by PRC enterprises or residents acquire affiliated domestic companies. PRC laws and regulations also require certain merger and acquisition transactions to be subject to merger control or security review.

The Security Review Rules prohibits foreign investors from bypassing the security review requirement by structuring transactions through proxies, trusts, indirect investments, leases, loans, control through contractual arrangements or offshore transactions. If we are found to be in violation of the Security Review Rules and other PRC laws and regulations with respect to merger and acquisition activities in the PRC, or fail to obtain any of the required approvals, the relevant regulatory authorities would have broad discretion in dealing with such violations, including levying fines, revoking business and operating licenses, confiscating our income and requiring us to restructure or unwind our restructuring activities. Any of these actions could cause significant disruption to our business operations and could materially and adversely affect our business, financial condition and results of operations. Furthermore, if the business of any target company we plan to acquire falls into the ambit of security review, we may not be able to successfully acquire such company either by equity or asset acquisition, capital contribution or any contractual arrangement. We may grow our business in part by acquiring other companies operating in our industry. Complying with the requirements of the relevant regulations to complete such transactions could be time-consuming, and any required approval processes, including approval from MOFCOM, may delay or inhibit our ability to complete such transactions, thus affecting our ability to expand our business or maintain our market share.

Restrictions on currency exchange under PRC laws and regulations may limit our ability to satisfy obligations denominated in foreign currencies.

Currently, the Renminbi cannot be freely converted into foreign currencies, and the conversion and remittance of foreign currencies are subject to PRC foreign exchange regulations. Substantially all of our revenue is denominated in Renminbi. Under our current corporate structure, we derive our income primarily from dividend payments made by our PRC subsidiaries. Shortages in the availability of foreign currency may restrict the ability of our PRC subsidiaries to pay dividends or other payments to us or satisfy other foreign currency-denominated obligations, if any. In addition, any limitation on the ability of our PRC subsidiaries to pay dividends or make other distributions to us could materially and adversely limit our ability to grow, make investments or acquisitions that could be beneficial to our business, pay dividends, or otherwise fund and conduct our business.

Under existing PRC foreign exchange regulations, the Renminbi is convertible without prior approval from SAFE for current account transactions so long as certain procedures are complied with. Examples of such current account transactions include profit distributions and interest payments. However, prior approval and registration with SAFE is required for capital account transactions. Examples of capital account transactions include foreign direct investment and the repayment of loan principal. There can be no assurance that the PRC Government, in seeking to regulate the economy, will not restrict access to foreign currencies for current account transactions in the future. Such restrictions may limit our ability to convert cash from our operating activities into foreign currencies to make dividend payments or satisfy any foreign currency-denominated obligations we may have. Moreover, limitations on the flow of funds between us and our PRC subsidiaries may restrict our ability to provide financing to our PRC subsidiaries and take advantage of business opportunities in response to market conditions.

Fluctuations in exchange rates may have a material adverse impact on your investment.

The value of the Renminbi against US dollars, HK dollars and other currencies may fluctuate and subject to, among others, impacts of political situation and economic policies and situation. The Renminbi is no longer pegged to the US dollar, and is based on the policy of floating exchange rate. Its value in international market is determined with reference to a basket of currency policies. It is difficult to predict how market forces and the PRC Government's policies will continue to impact Renminbi exchange rates going forward. In light of the trend towards Renminbi internationalization, the PRC Government may announce further changes to the exchange rate system, and we cannot assure you that the Renminbi will not appreciate or depreciate significantly in value against the Hong Kong dollar, U.S. dollar or other foreign currencies. For the years ended December 31, 2020, 2021 and 2022, we recognized exchange losses in our consolidated statements of profit or loss of RMB1.1 million, nil and RMB139.5 million, respectively.

Substantially all of our revenue, liabilities and assets are denominated in Renminbi, while our proceeds from the Global Offering will be denominated in Hong Kong dollars. Material fluctuations in the exchange rate of the Renminbi against the Hong Kong dollar may negatively impact the value and amount of any dividends payable on our Shares. For example, significant appreciation of the Renminbi against the Hong Kong dollar could reduce the amount of Renminbi received from converting Global Offering proceeds or proceeds from future financing efforts to fund our operations. Conversely, significant depreciation of the Renminbi may increase the cost of converting our Renminbi-denominated cash flow into Hong Kong dollars, thereby reducing the amount of cash available for paying dividends on our Shares or carrying out other business operations.

RISKS RELATING TO THE SPIN-OFF AND THE GLOBAL OFFERING

There has been no prior market for our Shares, and their liquidity and market price following the Global Offering may be volatile.

Prior to the Global Offering, there was no public market for our Shares. The indicative offer price range and the Offer Price will be determined by negotiations between us, the Overall Coordinators and the Joint Global Coordinators (on behalf of the Underwriters), and they may differ significantly from the market price of our Shares following the Global Offering.

We have applied to list and deal in our Shares on the Stock Exchange. However, even if approved, there can be no guarantee that: (i) an active or liquid trading market for our Shares will develop; or (ii) if such a trading market does develop, it will be sustained following completion of the Global Offering; or (iii) the market price of our Shares will not decline below the Offer Price. The trading volume and price of our Shares may be subject to significant volatility in response to, among others, the following factors:

- variations in our financial condition and/or results of operations;
- changes in securities analysts' estimates of our financial condition and/or results of operations, regardless of the accuracy of information on which their estimates are based;
- changes in investors' perception of us and the investment environment generally;
- loss of visibility in the markets due to lack of regular coverage of our business;
- strategic alliances or acquisitions;
- potential litigations or regulatory investigations;

- loss of key personnel;
- changes in laws and regulations that impose limitations on our industry;
- announcements made by us or our competitors;
- changes in pricing adopted by us or our competitors;
- the liquidity of the market for our Shares; and
- general economic and other factors.

Since there will be a gap of several days between pricing and trading of our Offer Shares, the price of our Offer Shares could fall below the Offer Price when the trading commences.

The Offer Price of our Shares is expected to be determined on the Price Determination Date. However, our Shares will not commence trading on the Stock Exchange until they are delivered, which is expected to be four Hong Kong business days after the pricing date. As a result, investors may not be able to sell or deal in our Shares during that period. Accordingly, holders of our Shares are subject to the risk that the price of our Shares could fall below the Offer Price when the trading commences as a result of adverse market conditions or other adverse developments, that could occur between the time of sale and the time trading begins.

The Hong Kong Public Offering period is slightly longer than normal market practice as a result of which the refund of application monies is later as compared to normal market practice.

The application for the Hong Kong Public Offer Shares will commence on Friday, May 12, 2023 through Thursday, May 18, 2023, being slightly longer than normal market practice of 3.5 days. The application monies (including the brokerages, SFC transaction levies, AFRC transaction levies and the Stock Exchange trading fees) will be held by the receiving banks on behalf of the Company longer than normal market practice as a result. Investors are reminded that, if any, the refund monies will be returned without interest on Wednesday, May 24, 2023 which is later as compared to normal market practice and may bring unexpected delay or interest loss in refund monies to investors.

Potential investors will experience immediate and substantial dilution as a result of the Global Offering and could face dilution as a result of future equity financings.

The Offer Price substantially exceeds the per Share value of our net tangible assets after subtracting our total liabilities, and therefore potential investors will experience immediate dilution when they purchase our Shares in the Global Offering. If we were to distribute our net tangible assets to our Shareholders immediately following the Global Offering, potential investors would receive less than the amount they paid for their Shares.

We will comply with Rule 10.08 of the Listing Rules, which specifies that no further Shares or other securities of our Company (subject to certain exceptions) may be issued or form the subject of any agreement to such an issue within six months from the Listing Date. However, after six months from the Listing Date we may raise additional funds to finance future acquisitions or expansions of our business operations by issuing new Shares or other securities of our Company. As a result, the percentage shareholding of the then Shareholders may be diluted and such newly issued Shares or other securities may confer rights and privileges that have priority over those of the then Shareholders.

Future or perceived sales of substantial amounts of our Shares could affect their market price.

The market price of our Shares could decline as a result of future sales of substantial amounts of our Shares or other related securities, or the perception that such sales may occur. Our ability to raise future capital at favorable times and prices may also be materially and adversely affected. Our Shares held by the Controlling Shareholders are currently subject to certain lock-up undertakings, the details of which are set out in "Underwriting—Underwriting Arrangements and Expenses—Undertakings to the Stock Exchange pursuant to the Listing Rules—Undertakings by the Controlling Shareholders" in this Prospectus. However, there is no assurance that following the expiration of the lock-up periods, these Shareholders will not dispose of any Shares. We cannot predict the effect of any future sales of the Shares by any of our Shareholders on the market price of our Shares.

We may not declare dividends on our Shares in the future.

Any declaration of dividends will be proposed by our Board of Directors, and the amount of any dividends will depend on various factors, including, without limitation, our results of operations, financial performance, profitability, business development, prospects, capital requirements, economic outlook and other factors which our Board of Directors may determine are important. For details, see "Financial Information—Dividends" in this Prospectus. We cannot guarantee when, if and in what form dividends will be paid. Our historical dividend policy should not be taken as indicative of our dividend policy in the future.

Our Controlling Shareholders has substantial influence over our Company and its interests may not be aligned with the interests of other Shareholders who subscribe for Shares in the Global Offering.

Immediately after the Global Offering, our Controlling Shareholders will directly and indirectly control the exercise of approximately 77.24% of voting rights in the general meeting of our Company. For details, see "Relationship with Controlling Shareholders" in this Prospectus. The interests of our Controlling Shareholders may differ from the interests of our other Shareholders. Our Controlling Shareholders will have significant influence on the outcome of any corporate transaction or other matters submitted to our Shareholders for approval, including mergers, consolidations, sales of all or substantially all of our assets, election of Directors and other significant corporate actions. This concentration of ownership may discourage, delay or prevent changes in control of our Company that would otherwise benefit our other Shareholders. To the extent that the interests of our Controlling Shareholders conflict with those of our other Shareholders, our other Shareholders may be deprived of opportunities to advance or protect their interests.

Certain facts, forecast and other statistics in this Prospectus obtained from publicly available sources have not been independently verified and may not be reliable.

Certain facts, forecasts and statistics in this Prospectus relating to the PRC, the PRC economy and industries relevant to us were obtained from information provided or published by PRC Government agencies, industry associations, independent research institutions or other third-party sources, and we can guarantee neither the quality nor reliability of such source materials. The information derived from official government publications has not been independently verified by us, the Joint Sponsors, the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Capital Market Intermediaries, the Underwriters, or any of their respective affiliates or advisers, or any other persons or parties involved in the Global Offering, and, therefore, we make no representation as to the accuracy of such facts and statistics. Furthermore, we cannot assure you 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 consider how much weight or importance they should attach to or place on such facts, forecasts, or statistics.

Investors should read this entire Prospectus carefully and should not consider or rely on any particular statements in this Prospectus or in published media reports without carefully considering the risks and other information in this Prospectus.

Prior or subsequent to the publication of this Prospectus, there has been or may be press and media coverage regarding us and the Global Offering, in addition to marketing materials we published in compliance with the Listing Rules. Such press and media coverage may include references to information that do not appear in this Prospectus or is inaccurate. We have not authorized the publication of any such information contained in unauthorized press and media coverage. Therefore, we make no representation as to the appropriateness, accuracy, completeness or reliability of any information disseminated in the media and do not accept any responsibility for the accuracy or completeness of any financial information or forward-looking statements contained therein. To the extent that any of the information in the media is inconsistent or conflicts with the contents of this Prospectus, we expressly disclaim it. Accordingly, prospective investors should only rely on information included in this Prospectus and not on any of the information in press articles or other media coverage in deciding whether or not to purchase the Offer Shares.

In preparation for the Global Offering, our Company has sought the following waivers from strict compliance with the relevant provisions of the Listing Rules.

MANAGEMENT PRESENCE IN HONG KONG

Rule 8.12 of the Listing Rules provides that a new applicant applying for a primary listing on the Stock Exchange must have a sufficient management presence in Hong Kong. This normally means that at least two of its executive directors must be ordinarily resident in Hong Kong.

Since our Company is headquartered in and has its principal business in the PRC, our executive Directors and senior management members spend the majority of their time supervising our Company's principal business operations in the PRC and do not ordinarily reside in Hong Kong. We consider that it would be more efficient and effective for our executive Directors and our senior management members to be based in the PRC to supervise and manage our daily business operations. Accordingly, we do not have, and for the foreseeable future will not have, sufficient management presence in Hong Kong for the purpose of satisfying the management presence requirement under Rule 8.12 of the Listing Rules.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted us, a waiver from strict compliance with Rule 8.12 of the Listing Rules, subject to the conditions that, among other things, we have the following arrangements to maintain effective communication between us and the Stock Exchange:

(a) We have appointed two authorized representatives pursuant to Rule 3.05 of the Listing Rules, who will act as our principal channel of communication with the Stock Exchange. The two appointed authorized representatives are Mr. Pan Yang (潘陽先生), an executive Director and Mr. Chiu Ming King (趙明璟先生), the company secretary of our Company, each of whom will be readily and promptly contactable at all times by the Stock Exchange and can meet with the Stock Exchange on reasonable notice upon the request of the Stock Exchange.

(b) Our Company has been registered as a non-Hong Kong company under Part 16 of the Companies Ordinance, and Mr. Chiu Ming King (趙明璟先生) has been authorized to accept service of legal process and notice in Hong Kong on behalf of our Company.

(c) Our Company has provided the contact details (including their respective office and mobile phone numbers, email addresses and facsimile numbers) of our Directors (including the independent non-executive Directors) to the authorized representatives and to the Stock Exchange. Our authorized representatives have means for contacting all Directors promptly at all times as and when the Stock Exchange wishes to contact the Directors for any matters.

(d) The Board will consist of, upon Listing, two executive Directors, five non-executive Directors and four independent non-executive Directors. Two independent non-executive Directors ordinarily reside in Hong Kong and the remaining nine Directors ordinarily reside in the PRC. Each of our Directors either possesses, or can apply for, valid travel documents to visit Hong Kong in order to meet with the Stock Exchange within a reasonable period upon the request of the Stock Exchange.

(e) Our Company has, in accordance with Rule 3A.19 of the Listing Rules, also appointed UOB Kay Hian (Hong Kong) Limited as our compliance adviser, who will act as an additional channel of communication with the Stock Exchange. The compliance adviser will advise ongoing compliance requirements and other issues arising under the Listing Rules and other applicable laws and regulations in Hong Kong for a period commencing on the Listing Date at least until the date on which our Company complies with Rule 13.46 of the Listing Rules in respect of our Company's financial results for the first full financial year after the Listing Date. Our Company will inform the Stock Exchange promptly of any changes of our compliance adviser.

(f) Our Company will appoint other professional advisers (including legal advisers and accountants) after the Listing to advise our Company on ongoing compliance requirements and other issues arising under the Listing Rules and other applicable laws and regulations in Hong Kong.

We will ensure that there are adequate and efficient means of communication among us, our authorized representatives, Directors, other officers and the compliance adviser and will keep the compliance adviser fully informed of all communications and dealings between us and the Stock Exchange.

CONTINUING CONNECTED TRANSACTIONS

We have entered into and are expected to continue after the Listing, certain continuing connected transactions, which will constitute non-exempt continuing connected transactions under the Listing Rules upon the Listing. Our Company has applied to the Stock Exchange for, and the Stock Exchange has granted us, a waiver under Rule 14A.105 of the Listing Rules from strict compliance with the announcement, circular and/or independent shareholders' approval requirements in respect of the non-exempt continuing connected transactions. For further details of the non-exempt continuing connected transactions, please refer to the section headed "Connected Transactions" of this Prospectus.

WAIVER FROM STRICT COMPLIANCE WITH RULE 10.04 OF THE LISTING RULES AND WRITTEN CONSENT UNDER PARAGRAPH 5(2) OF APPENDIX 6 TO THE LISTING RULES IN RELATION TO ALLOCATION TO EXISTING MINORITY SHAREHOLDERS

Rule 10.04 of the Listing Rules provides that a person who is an existing shareholder of the issuer may only subscribe for or purchase any securities for which listing is sought which are being marketed by or on behalf of a new applicant either in his or its own name or through nominees if the conditions in Rules 10.03(1) and (2) of the Listing Rules are fulfilled.

The conditions in Rules 10.03(l) and (2) of the Listing Rules are as follows: (i) no securities are offered to the existing shareholders on a preferential basis and no preferential treatment is given to them in the allocation of the securities; and (ii) the minimum prescribed percentage of public shareholders required by Rule 8.08(1) of the Listing Rules is achieved.

Paragraph 5(2) of Appendix 6 to the Listing Rules provides that, unless with the prior written consent of the Stock Exchange, no allocations will be permitted to directors or existing shareholders of the applicant or their close associates, whether in their own names or through nominees unless the conditions set out in Rules 10.03 and 10.04 of the Listing Rules are fulfilled.

Zhejiang Dingli Machinery Co., Ltd. ("**Zhejiang Dingli**"), LGMG International Limited ("**LGMG**") and Zoomlion International Trading (H.K.) Co., Limited ("**Zoomlion**"), which are existing minority shareholders of the Company ("**Existing Minority Shareholders**"), will participate in the Global Offering as cornerstone investors.

We have applied to the Stock Exchange for a waiver from strict compliance with Rule 10.04 of the Listing Rules and sought a written consent from the Stock Exchange under paragraph 5(2) of Appendix 6 to the Listing Rules, and the Stock Exchange has granted us such waiver and consent to permit Zhejiang Dingli, LGMG and Zoomlion to be allocated Offer Shares in the Global Offering as cornerstone investors on the following grounds which are consistent with the conditions as set out in the Stock Exchange Guidance Letter 85-16 (**HKEX-GL85-16**):

(a) **Less than 5%**: The Joint Sponsors confirm that each of the Existing Minority Shareholders must hold less than 5% of the Company's voting rights prior to the completion of the Global Offering.

(b) **Not core connected persons**: The Joint Sponsors confirm that each of the Existing Minority Shareholders is not, and will not be, a core connected person of the Company or any close associate of any such core connected person immediately prior to or following the completion of the Global Offering.

(c) **No right to appoint directors**: The Joint Sponsors confirm that the Existing Minority Shareholders have no right to appoint Directors of the Company (which, for the avoidance of doubt, does not include the director nomination right of a shareholder of the Company under the articles of association and the redemption right as disclosed in the Prospectus) and do not have other special rights upon the Listing.

(d) **No impact on public float**: The Existing Minority Shareholders and their close associates would be part of the public. The Joint Sponsors confirm that the allocation of shares to the Existing Minority Shareholders will not affect the Company's ability to satisfy the minimum public float requirement as prescribed under the waiver from strict compliance with Rule 8.08 (1)(a).

(e) the Joint Sponsors based on (i) their discussions with the Company and the Overall Coordinators; and (ii) the confirmation provided to the Stock Exchange by the Company, and to their best knowledge and belief, confirm to the Stock Exchange in writing that they have no reason to believe that the Existing Minority Shareholders received any actual and perceived preferential treatment in the allocation as cornerstone investors by virtue of their relationship with the Company other than the preferential treatment of assured entitlement under cornerstone investment agreements following the principles set out in Stock Exchange Guidance Letter HKEX-GL51-13 ("**GL51-13**") and details of the allocation will be disclosed in the prospectus and allotment results announcement.

(f) the Company will confirm to the Stock Exchange that no preferential treatment has been, nor will be, given to the Existing Minority Shareholders by virtue of their relationship with the Company, other than the preferential treatment of assured entitlement under the cornerstone investments following the principles set out in HKEX-GL51-13; and the Existing Minority Shareholders' cornerstone investment agreements do not contain any material terms which are more favourable to the Existing Minority Shareholders than those in other cornerstone investment agreements.

(g) **Disclosure**: The relevant information in respect of the allocation to such Existing Minority Shareholders will be disclosed in this prospectus and/or the allotment results announcement.

WAIVER IN RELATION TO PUBLIC FLOAT REQUIREMENTS

We have applied to the Stock Exchange to request the Stock Exchange to exercise its discretion under 8.08(1)(d), and the Stock Exchange has granted us a waiver from strict compliance with the requirements of Rule 8.08(1)(a) of the Listing Rules. Rule 8.08(1)(a) of the Listing Rules requires that there shall be an open market for the securities for which listing is sought, and that a sufficient public float of an issuer's listed securities shall be maintained. This normally means that at least 25% of the issuer's total issued shares must at all times be held by the public. Pursuant to Rule 8.08(1)(d) of the Listing Rules, the Stock Exchange may, subject to certain conditions and at its discretion, accept a lower percentage of between 15% and 25% in the case of issuers with an expected market capitalization at the time of listing of over HK$10 billion.

Based on the minimum Offer Price of HK$4.52 and assuming no exercise of the Over-allotment Option, we expect that our market capitalization will be over HK$10 billion at the time of Listing.

Accordingly, our minimum public float shall be the highest of:

(i) 21.80% of our total issued Shares; and

(ii) such percentage of Shares to be held by the public immediately after the completion of the Global Offering (as increased by the Shares to be issued upon any exercise of the Over-allotment Option),

provided that the highest of (i), (ii) and (iii) above is below the minimum public requirement of 25% under Rule 8.08(1) of the Listing Rules.

In order to support the application of this waiver, we have confirmed to the Stock Exchange that:

(i) we will have an expected market capitalization at the time of Listing of over HK$10 billion;

(ii) there will be an open market in the Shares offered, and the quantity and scale of the Shares would enable the market to operate properly with a lower percentage of public float;

(iii) we will make appropriate disclosure of the lower percentage of public float as approved by the Stock Exchange in this Prospectus;

(iv) we will confirm sufficiency of public float in our successive annual reports after the Listing; and

(v) we will implement appropriate measures and mechanisms to ensure continuous maintenance of the minimum percentage of public float.

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This Prospectus, for which our Directors (including any proposed director who is named as such in this Prospectus) collectively and individually accept full responsibility, includes particulars given in compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purpose of providing information to the public with regard to the Company. Our Directors, having made all reasonable enquiries confirm that, to the best of their knowledge and belief, the information contained in this Prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other facts the omission of which would make any statement set out in this Prospectus misleading.

THE HONG KONG PUBLIC OFFERING, THE PREFERENTIAL OFFERING AND THIS PROSPECTUS

The Global Offering consists of the Hong Kong Public Offering of initially 36,470,000 Offer Shares and the International Offering of initially 328,224,000 Offer Shares (including, for the avoidance of doubt, the Reserved Shares offered pursuant to the Preferential Offering, subject to adjustment (as applicable) and the Over-allotment Option). For applicants under the Hong Kong Public Offering and/or the Preferential Offering, this Prospectus and the Application Forms set out the terms and conditions of the Hong Kong Public Offering and the Preferential Offering.

The Hong Kong Offer Shares and the Reserved Shares are offered for subscription or sale solely on the basis of the information contained and statements made in this Prospectus and the Application Forms, and on the terms and subject to the conditions set out herein and therein. No person is authorized to give any information in connection with the Global Offering or to make any statement not contained in this Prospectus, and any information or statement not contained herein must not be relied upon as having been authorized by our Company, the Joint Sponsors, the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors, agents, employees or advisors or any other party involved in the Global Offering.

Neither the delivery of this Prospectus nor any offering, sale or delivery made in connection with the Shares should, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in our affairs since the date of this Prospectus or imply that the information contained in this Prospectus is correct as of any date subsequent to the date of this Prospectus.

OFFER SHARES FULLY UNDERWRITTEN

The Listing of our Shares on the Hong Kong Stock Exchange is sponsored by the Joint Sponsors. The Global Offering is managed by the Overall Coordinators and the Joint Global Coordinators. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters according to the terms of the Hong Kong Underwriting Agreement, and is subject to agreement on the Offer Price between us and the Overall Coordinators (for themselves and on behalf of the Underwriters) on or before the Price Determination Date. The International Underwriting Agreement in connection with the International Offering is expected to be entered into on or around the Price Determination Date, and is subject to the agreement on the Offer Price. The International Offering is expected to be fully underwritten by the International Underwriters pursuant to the terms of the International Underwriting Agreement to be entered into.

If, for any reason, the Offer Price is not agreed between us and the Overall Coordinators (for themselves and on behalf of the Underwriters) on or before Friday, May 19, 2023, the Global Offering will not proceed and will lapse. For full information about the Underwriters and the underwriting arrangements, see "Underwriting".

PROCEDURES FOR APPLICATION FOR HONG KONG OFFER SHARES AND THE RESERVED SHARES

The procedures for applying for Hong Kong Offer Shares and the Reserved Shares are set out in "How to Apply for Hong Kong Offer Shares and Reserved Shares" and on the relevant Application Forms.

STRUCTURE OF THE GLOBAL OFFERING

Details of the structure of the Global Offering, including its conditions, are set out in "Structure of the Global Offering".

OVER-ALLOTMENT OPTION AND STABILIZATION

Details of the arrangements relating to the Over-allotment Option and stabilization are set out in "Structure of the Global Offering".

RESTRICTIONS ON OFFER AND SALE OF SHARES

Each person acquiring the Hong Kong Offer Shares under the Hong Kong Public Offering will be required to, or be deemed by his/her/its acquisition of the Hong Kong Offer Shares to, confirm that he/she/it is aware of the restrictions on offers and sales of the Hong Kong Offer Shares described in this Prospectus and the Application Forms.

No action has been taken to permit a public offering of the Shares in any jurisdiction other than Hong Kong, or the distribution of this Prospectus in any jurisdiction other than Hong Kong (save for the Preferential Offering made to the Qualifying Far East Horizon Shareholders). Accordingly, this Prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction in which such an offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this Prospectus and the offering and sales of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom. In particular, the Offer Shares have not been publicly offered or sold, directly or indirectly, in the PRC or the U.S.

APPLICATION FOR LISTING OF THE SHARES ON THE HONG KONG STOCK EXCHANGE

We have applied to the Listing Committee of the Hong Kong Stock Exchange for the granting of listing of, and permission to deal in, our Shares to be issued pursuant to the Global Offering (including any additional Shares which may be issued or sold pursuant to the exercise of the Over-allotment Option).

Under section 44B(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, if the permission for the Shares to be listed on the Hong Kong Stock Exchange pursuant to this Prospectus has been refused before the expiration of three weeks from the date of the closing of the Global Offering or such longer period not exceeding six weeks as may, within the said three weeks, be notified to us by or on behalf of the Hong Kong Stock Exchange, then any allotment made on an application in pursuance of this Prospectus shall, whenever made, be void.

COMMENCEMENT OF DEALING IN THE SHARES

Dealings in the Shares on the Hong Kong Stock Exchange are expected to commence at 9:00 a.m. on Thursday, May 25, 2023. Except for our application to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the Shares, no part of our Share or loan capital is listed on or dealt in on the Hong Kong Stock Exchange or any other stock exchange and no such listing or permission to list is being or proposed to be sought in the near future.

SHARE REGISTER AND STAMP DUTY

All of the Offer Shares will be registered on the Share register of members of our Company maintained by our Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, in Hong Kong. Our register of members will also be maintained in the Cayman Islands by our principal registrar, Maples Fund Services (Cayman) Limited, in the Cayman Islands.

Dealings in the Shares registered on the share register of members of our Company in Hong Kong will be subject to Hong Kong stamp duty. For further details of Hong Kong stamp duty, please seek professional tax advice.

Unless determined otherwise by the Company, dividends payable in respect of our Shares will be paid to the Shareholders listed on the Share register of our Company in Hong Kong, by ordinary post, at the Shareholders' risk, to the registered address of each Shareholder of the Company.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of listing of, and permission to deal in, the Shares on the Hong Kong Stock Exchange and our compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date as determined by HKSCC. Settlement of transactions between the Hong Kong Stock Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second settlement day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Investors should seek the advice of their stockbroker or other professional advisor for details of the settlement arrangements as such arrangements may affect their rights and interests. All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Global Offering are recommended to consult their professional advisors as to the taxation implications of subscribing for, purchasing, holding or disposal of, and/or dealing in the Shares or exercising rights attached to them. None of us, the Joint Sponsors, the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Capital Market Intermediaries, the Underwriters, any of their respective directors, officers, employees, agents or representatives or any other person or party involved in the Global Offering accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription, purchase, holding, disposition of, or dealing in, or the exercise of any rights in relation to, the Shares.

EXCHANGE RATE CONVERSION

Unless otherwise specified, amounts denominated in RMB and US dollars have been converted, for the purpose of illustration only, into Hong Kong dollars in this Prospectus at the following rates:

- RMB6.9240 to US$1.00 (being the prevailing exchange rate on April 28, 2023 set by the PBOC)

- RMB0.88206 to HKD1.00 (being the prevailing exchange rate on April 28, 2023 set by the PBOC)

- HKD7.8498 to US$1.00 (being the exchange rate in effect on April 28, 2023 as set forth in the H.10 weekly statistical release of the Board of Governors of the Federal Reserve System of the United States)

No representation is made that any amounts in RMB, Hong Kong dollars or US dollars can be or could have been at the relevant dates converted at the above rates or any other rates or at all.

LANGUAGE

If there is any inconsistency between this Prospectus and the Chinese translation of this Prospectus, this Prospectus shall prevail. Provided, however, that translated English names of Chinese laws and regulations, governmental authorities, departments, entities (including our subsidiaries), institutions, natural persons, facilities, certificates, titles and the like included in this Prospectus and for which no official English translation exists are unofficial translations for identification purposes only. In the event of such inconsistency, the Chinese name prevails.

ROUNDING

Any discrepancies in any table or chart between totals and sums of amounts listed therein are due to rounding.

DIRECTORS

Name	Address	Nationality
Executive Directors		
Mr. PAN Yang (潘陽先生)	Room 1405, No.18 Taolin Road Pudong New District Shanghai PRC	Chinese
Mr. TANG Li (唐立先生)	Room 101, No. 142, Lane 316 Gumei West Road Minhang District Shanghai PRC	Chinese
Non-executive Directors		
Mr. KONG Fanxing (孔繁星先生)	No. 15, Lane 1298 Kangqiao Road Pudong New District Shanghai PRC	Chinese
Mr. XU Huibin (徐會斌先生)	Room 402, No. 10, Lane 1333 Haiyang Road Pudong New District Shanghai PRC	Chinese
Mr. HE Ziming (何子明先生)	No. 25, Lane 1298 Kangqiao Road Pudong New District Shanghai PRC	Chinese

Name	Address	Nationality
Mr. LI Qianjin (李前進先生)	Room 501, Unit 2, Building 39 Minxiangyuan Yunlong District Xuzhou Jiangsu Province PRC	Chinese
Ms. GUO Lina (郭麗娜女士)	No. 88, Lane 889 Jiangliu Road Minhang District Shanghai PRC	Chinese

Independent Non-executive Directors

Name	Address	Nationality
Mr. LIU Jialin (劉嘉凌先生)	House 16 Strawberry Hill 8 Plunkett's Road The Peak Hong Kong	Chinese
Mr. XU Min	Room 1502, No. 11, Lane 1399 Dingxiang Road Pudong New Area Shanghai PRC	Canadian
Ms. JIN Jinping (金錦萍女士)	Room 201, Unit 1, Building 17 Anhe Garden of Tianxiu Garden Haidian District Beijing PRC	Chinese
Mr. SUM Siu Kei (岑兆基先生)	Flat 5A, 5/F Mosbert Mansion Aberdeen Hong Kong	Chinese

For further information regarding our Directors, please refer to the section headed "Directors and Senior Management" in this Prospectus.

PARTIES INVOLVED IN THE GLOBAL OFFERING

Joint Sponsors and Sponsor-OCs	**Huatai Financial Holdings (Hong Kong) Limited** 62/F, The Center 99 Queen's Road Central Hong Kong
	Citigroup Global Markets Asia Limited 50/F, Champion Tower 3 Garden Road Central Hong Kong
	CMB International Capital Limited 45/F, Champion Tower 3 Garden Road Central Hong Kong
	DBS Asia Capital Limited 73/F, The Center 99 Queen's Road Central Hong Kong
Overall Coordinators	**Huatai Financial Holdings (Hong Kong) Limited** 62/F, The Center 99 Queen's Road Central Hong Kong
	Citigroup Global Markets Asia Limited 50/F, Champion Tower 3 Garden Road Central Hong Kong
	CMB International Capital Limited 45/F, Champion Tower 3 Garden Road Central Hong Kong
	DBS Asia Capital Limited 73/F, The Center 99 Queen's Road Central Hong Kong

Capital Market Intermediaries

Huatai Financial Holdings (Hong Kong) Limited
62/F, The Center
99 Queen's Road Central
Hong Kong

Citigroup Global Markets Asia Limited
50/F, Champion Tower
3 Garden Road
Central
Hong Kong

CMB International Capital Limited
45/F, Champion Tower
3 Garden Road
Central
Hong Kong

DBS Asia Capital Limited
73/F, The Center
99 Queen's Road Central
Hong Kong

BOCI Asia Limited
26/F, Bank of China Tower
1 Garden Road
Hong Kong

Shenwan Hongyuan Securities (H.K.) Limited
6/F, Three Pacific Place
1 Queen's Road East
Hong Kong

Guotai Junan Securities (Hong Kong) Limited
26/F-28/F, Low Block
Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

BOCOM International Securities Limited
9/F, Man Yee Building
68 Des Voeux Road Central
Hong Kong

CCB International Capital Limited
12/F, CCB Tower
3 Connaught Road Central
Central
Hong Kong

ABCI Capital Limited
11/F, Agricultural Bank of China Tower
50 Connaught Road Central
Hong Kong

ABCI Securities Company Limited
10/F, Agricultural Bank of China Tower
50 Connaught Road Central
Hong Kong

Zhongtai International Securities Limited
19/F, Li Po Chun Chambers
189 Des Voeux Road Central
Hong Kong

Futu Securities International (Hong Kong) Limited
13/F, United Centre
No. 95 Queensway
Hong Kong

Tiger Brokers (HK) Global Limited
1/F, FWD Financial Centre
308 Des Voeux Road Central
Hong Kong

Valuable Capital Limited
28/F, China Merchants Tower
Shun Tak Centre
168-200 Connaught Road Central
Hong Kong

Joint Global Coordinators

Huatai Financial Holdings (Hong Kong) Limited
62/F, The Center
99 Queen's Road Central
Hong Kong

Citigroup Global Markets Asia Limited
50/F, Champion Tower
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Central
Hong Kong

CMB International Capital Limited
45/F, Champion Tower
3 Garden Road
Central
Hong Kong

DBS Asia Capital Limited
73/F, The Center
99 Queen's Road Central
Hong Kong

Joint Bookrunners

Huatai Financial Holdings (Hong Kong) Limited
62/F, The Center
99 Queen's Road Central
Hong Kong

Citigroup Global Markets Asia Limited (in relation to the Hong Kong Public Offering)
50/F, Champion Tower
3 Garden Road
Central
Hong Kong

Citigroup Global Markets Limited (in relation to the International Offering)
33 Canada Square
Canary Wharf
London E14 5LB
United Kingdom

CMB International Capital Limited
45/F, Champion Tower
3 Garden Road
Central
Hong Kong

DBS Asia Capital Limited
73/F, The Center
99 Queen's Road Central
Hong Kong

BOCI Asia Limited
26/F, Bank of China Tower
1 Garden Road
Hong Kong

Shenwan Hongyuan Securities (H.K.) Limited
6/F, Three Pacific Place
1 Queen's Road East
Hong Kong

Guotai Junan Securities (Hong Kong) Limited
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BOCOM International Securities Limited
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68 Des Voeux Road Central
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CCB International Capital Limited
12/F, CCB Tower
3 Connaught Road Central
Central
Hong Kong

ABCI Capital Limited
11/F, Agricultural Bank of China Tower
50 Connaught Road Central
Hong Kong

Zhongtai International Securities Limited
19/F, Li Po Chun Chambers
189 Des Voeux Road Central
Hong Kong

Joint Lead Managers

Huatai Financial Holdings (Hong Kong) Limited
62/F, The Center
99 Queen's Road Central
Hong Kong

Citigroup Global Markets Asia Limited (in relation to the Hong Kong Public Offering)
50/F, Champion Tower
3 Garden Road
Central
Hong Kong

Citigroup Global Markets Limited (in relation to the International Offering)
33 Canada Square
Canary Wharf
London E14 5LB
United Kingdom

CMB International Capital Limited
45/F, Champion Tower
3 Garden Road
Central
Hong Kong

DBS Asia Capital Limited
73/F, The Center
99 Queen's Road Central
Hong Kong

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26/F, Bank of China Tower
1 Garden Road
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308 Des Voeux Road Central
Hong Kong

Valuable Capital Limited
28/F, China Merchants Tower
Shun Tak Centre
168-200 Connaught Road Central
Hong Kong

Legal Advisers to the Company

As to Hong Kong and U.S. law:
Baker & McKenzie
14/F, One Taikoo Place
979 King's Road
Quarry Bay
Hong Kong

As to PRC law:
Tian Yuan Law Firm
Suite 509, Tower A, Corporate Square
35 Financial Street
Xicheng District
Beijing
PRC

As to Cayman Islands laws:
Maples and Calder (Hong Kong) LLP
26/F, Central Plaza
18 Harbour Road
Wanchai
Hong Kong

Legal Advisers to the Joint Sponsors and the Underwriters

As to Hong Kong and U.S. law:
Clifford Chance
27/F, Jardine House
One Connaught Place
Central
Hong Kong

As to PRC law:
Fangda Partners
24/F, HKRI Centre Two
HKRI Taikoo Hui
288 Shi Men Yi Road
Shanghai
PRC

Reporting Accountants and Auditors	**Ernst & Young** *Certified Public Accountants* *Registered Public Interest Entity Auditor* 27/F, One Taikoo Place 979 King's Road Quarry Bay Hong Kong
Compliance Adviser	**UOB Kay Hian (Hong Kong) Limited** 6/F Harcourt House 39 Gloucester Road Hong Kong
Industry Consultant	**Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.** Room 1018, Block B 500 Yunjin Road Xuhui District Shanghai PRC
Receiving Banks	**Bank of China (Hong Kong) Limited** 1 Garden Road Hong Kong **CMB Wing Lung Bank Limited** Room 1207-1209 12/F, CMB Wing Lung Bank Centre 636 Nathan Road Kowloon Hong Kong **Standard Chartered Bank (Hong Kong) Limited** 18/F Standard Chartered Tower 388 Kwun Tong Road Kwun Tong Hong Kong

Registered Office	P. O. Box 31119 Grand Pavilion Hibiscus Way 802 West Bay Road Grand Cayman KY1-1205 Cayman Islands
Headquarters	No. 5, 6-610, Build 2 Minghai Center, 200 Xichang Road Pilot Free Trade Zone (Dongjiang Bonded Port Zone) Tianjin PRC
Principal Place of Business in Hong Kong	Room 1901, 19/F, Lee Garden One 33 Hysan Avenue Causeway Bay Hong Kong
Company Website	**www.hongxinjianfa.com** *(This website and the information contained on this website do not form part of this Prospectus)*
Company Secretary	Mr. CHIU Ming King (趙明璟先生) (a fellow member of the Hong Kong Chartered Governance Institute) Room 1901, 19/F, Lee Garden One 33 Hysan Avenue Causeway Bay Hong Kong
Authorized Representatives	Mr. PAN Yang (潘陽先生) No.1996 Zhangyang Road Pudong New District Shanghai PRC

	Mr. CHIU Ming King (趙明璟先生) Room 1901, 19/F, Lee Garden One 33 Hysan Avenue Causeway Bay Hong Kong
Nomination Committee	Ms. JIN Jinping (金錦萍女士) *(Chairwoman)* Mr. LIU Jialin (劉嘉凌先生) Mr. XU Huibin (徐會斌先生)
Audit Committee	Mr. XU Min *(Chairman)* Ms. JIN Jinping (金錦萍女士) Mr. SUM Siu Kei (岑兆基先生)
Remuneration Committee	Ms. JIN Jinping (金錦萍女士) *(Chairwoman)* Mr. LIU Jialin (劉嘉凌先生) Ms. GUO Lina (郭麗娜女士)
Environmental, Social and Governance Committee	Mr. SUM Siu Kei (岑兆基先生) *(Chairman)* Mr. XU Min Mr. HE Ziming (何子明先生)
Cayman Islands Principal Share Registrar and Transfer Office	Maples Fund Services (Cayman) Limited P.O. Box 1093, Boundary Hall Cricket Square Grand Cayman KY1-1102 Cayman Islands
Hong Kong Share Registrar	Computershare Hong Kong Investor Services Limited Shops 1712–1716 17th Floor, Hopewell Centre 183 Queen's Road East Wanchai Hong Kong
Compliance Adviser	UOB Kay Hian (Hong Kong) Limited

Principal Banks	China Construction Bank Corporation, Shanghai Jinmao Branch F1, Jin Mao Tower No. 88, Century Avenue Pudong New Area Shanghai PRC
	Bank of Communications, Shanghai Pilot Free Trade Zone Branch 1st Floor, Building 2 No. 759, South Yanggao Road Shanghai PRC

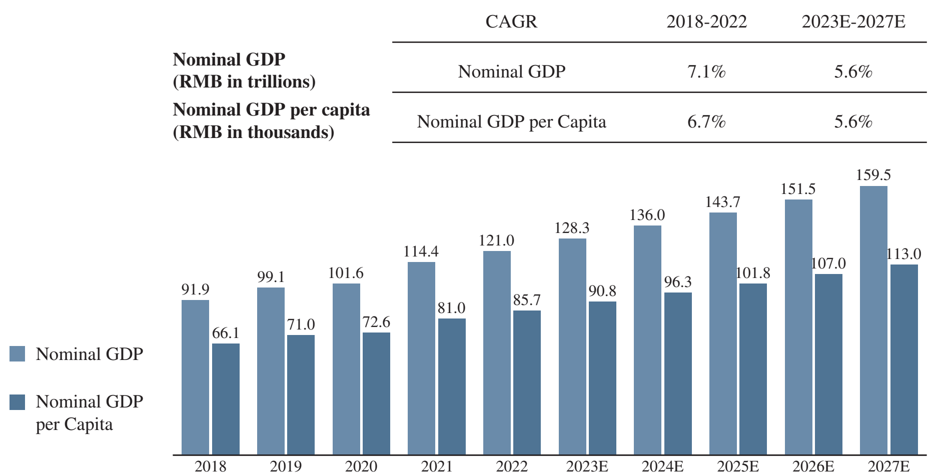
The information and statistics set out in this section and other sections of this Prospectus were extracted from the F&S Report, which was commissioned by us, and from various official government publications and other publicly available publications. We engaged Frost & Sullivan to prepare the F&S Report, an independent industry report, in connection with the Global Offering. The information from official government sources has not been independently verified by us, the Joint Sponsors, the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Capital Market Intermediaries, Underwriters, any of their respective directors and advisers, or any other persons or parties involved in the Global Offering, and no representation is given as to its accuracy.

SOURCE OF INFORMATION

The contract sum to Frost & Sullivan is RMB1,320,000 for the preparation and use of the F&S Report, and we believe that such fees are consistent with the market rate. Frost & Sullivan is an independent consulting firm founded in Hong Kong. It offers industry research and market strategies and provides growth consulting and corporate training. In compiling and preparing the F&S Report, Frost & Sullivan has adopted the following assumptions: (i) Chinese social, economic and political environment is likely to remain stable in the forecast period; (ii) the Chinese government policies on equipment operation service market will remain unchanged during the forecast period; (iii) related industry key drivers are likely to drive the market in the forecast period. Frost & Sullivan has conducted detailed primary research which involved discussing the status of the industry with leading industry participants and industry experts, as well as secondary research which involved reviewing company reports, independent research reports and data based on its own research database. Frost & Sullivan has obtained the figures for the projected total market size from historical data analysis plotted against macroeconomic data as well as specific related industry drivers. Our Directors confirm that, after making reasonable enquiries, there is no adverse change in the market information since the date of the Frost & Sullivan Report that may qualify, contradict or have a material impact on the information.

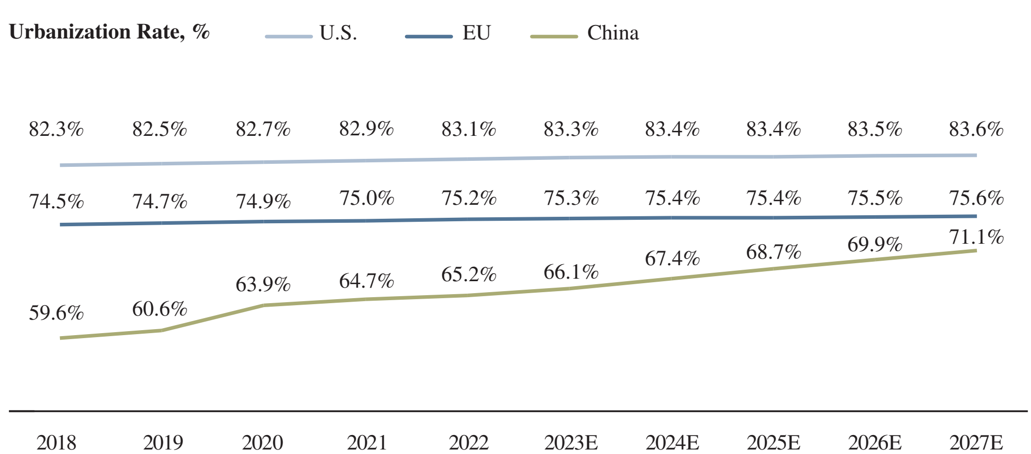
OVERVIEW OF PRC ECONOMY

Over the past five years, China's macro economy has maintained a rapid growth. China's nominal GDP increased from RMB91.9 trillion in 2018 to RMB121.0 trillion in 2022 with a CAGR of 7.1%, and is expected to further increase to RMB159.5 trillion in 2027, representing a CAGR of 5.6% from 2023 to 2027. On the other hand, China's urbanization rate increased from 59.6% in 2018 to 65.2% in 2022 with a CAGR of 2.3%, and is expected to further increase to 71.1% in 2027, representing a CAGR of 1.8% from 2023 to 2027. The following chart sets forth the historical and forecast nominal GDP and nominal GDP per capita in China for the periods indicated.



Source: National Bureau of Statistics, Frost & Sullivan

The following chart sets forth the historical and forecast urbanization rates of China and other major economies for the periods indicated.



Source: National Bureau of Statistics, World Bank, Frost & Sullivan

TRANSFORMATION AND UPGRADE OF THE CONSTRUCTION INDUSTRY

Underpinned by the ever-increasing investment in the infrastructure industry and expansion of urbanization, the construction industry has maintained a steady growth. The total output value of the construction industry in China increased from RMB23.5 trillion in 2018 to RMB31.2 trillion in 2022 with a CAGR of 7.3%, and is expected to further increase to RMB41.1 trillion in 2027, representing a CAGR of 5.6% from 2023 to 2027.

With the steady growth of the macro economy, China's construction industry has entered into a new era of technology transformation and upgrade, motivated by the following factors:

- *Challenges confronted in construction due to the complex terrain*. China has a vast territory of 9.6 million sq. km., consisting of 67% of mountain land, highland and hills and 33% of flatlands and basin. Such complex terrain brings numerous challenges for construction. Challenges confronted in construction due to the complex terrain, as well as the development of infrastructure collectively foster a high demand for advanced construction methods and customized equipment operation services.

- *Labor shortage and higher labor costs*. China's aging level has increased over the past five years, with the aging rate (calculated by the population over 65 years old divided by the total population) increasing from 12.0% in 2018 to 14.9% in 2022, and is expected to further increase to 17.3% in 2027. To address the problems associated with labor shortage and higher labor costs, the construction industry has entered into a new era of technology transformation and upgrade to meet customers' needs for higher quality and comprehensive services, as well as smart and safer manufacturing.

- *Increasingly stringent regulatory requirements.* China's laws and regulations on production and construction safety and environment protection are becoming increasingly stringent. In terms of production and construction safety, new laws and regulations have been implemented to lower the tolerance for accident work injury, raise the safety standards for construction site, and impose stricter requirements on construction safety. In terms of environment protection, requirements for energy conservation and emission reduction are more stringent as China's goal is to achieve carbon peaks by 2030 and carbon neutrality by 2060. As a result, construction methods and engineering equipment are constantly upgrading. Technologies such as low-carbon energy-saving technology, production safety technology and prefabricated tools are being increasingly applied.

Key future trend of the transformation and upgrade of construction industry mainly include the following aspects:

- *Constant upgrade of construction methods.* Fueled by technological breakthroughs, construction methods are constantly upgrading. With the development of technologies in relation to new infrastructure, such as 5G, IoT and cloud computing, innovations in construction methods, such as construction industrialization (the proportion of prefabricated construction increased, and accounted for 24.5% of China's construction industry in 2021), digitalized construction, intelligent construction technology and low-carbon construction technology are increasingly applied at a fast pace. As a result, the construction industry is gradually transforming from labor-intensive to knowledge-intensive, with more talents equipped with professional technical know-how and expertise entering this industry.

- *Appliance of advanced engineering equipment.* Engineering equipment will upgrade towards the direction of unmanned control, automation and miniaturization. Efficient, safe, cost-saving, environmentally-friendly and intelligent engineering equipment will be increasingly applied in more scenarios to replace the manpower.

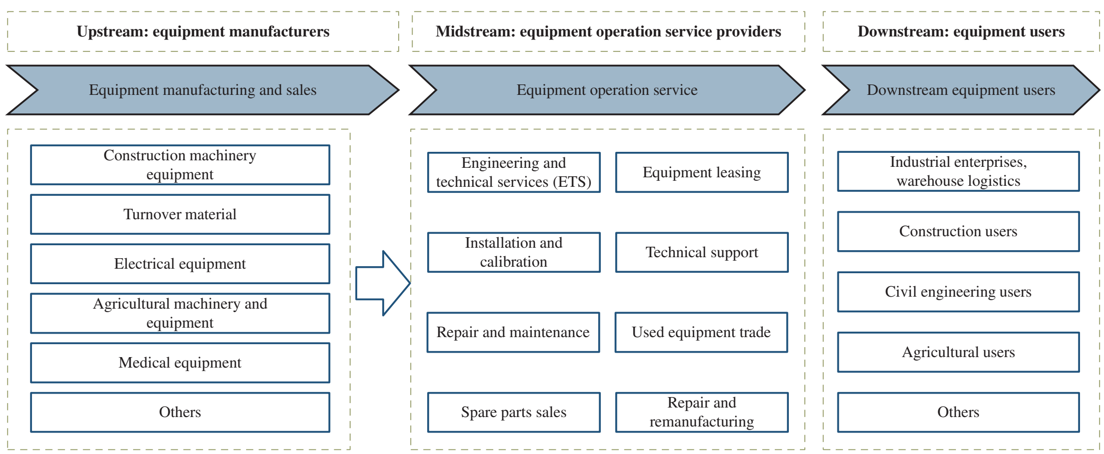
- *Highly specialized division of labor and transformation of supply chain.* Along with the transformation and upgrade of construction methods and equipment, equipment operation during the construction process is becoming more complex and specialized. Transformation and upgrade of the construction industry will facilitate the transformation of supply chain for the construction industry. According to the F&S Report, leading players in the equipment operation service industry in China are expected to benefit from transformation and upgrade of the construction industry and supply chain for the construction industry. These leading players will proactively participate in the process of, as well as take lead in, market transformation and upgrade, according to the F&S Report.

THE EQUIPMENT OPERATION SERVICE MARKET IN CHINA

Overview

Equipment operation service refers to the services provided by equipment operation service providers that cover the full-cycle of projects to the equipment users, which primarily includes (i) traditional equipment operation service, such as equipment leasing; (ii) other services driven by the increasing demand from equipment users for one-stop solutions, such as construction and instalment, repair and maintenance, agency sales, spare parts sales, used equipment disposal, and equipment remanufacturing; and (iii) other value-added services. Nowadays, end users in the equipment operation service market demand high quality and comprehensive services, which require specialized and professional services and solutions. Furthermore, with the adoption of new technologies such as IoT on equipment, as well as extensive use of Apps and WeChat applets, leading equipment operation service providers are able to provide more diversified value-added services, such as remote control, IoT-based security alarm and smart equipment management.

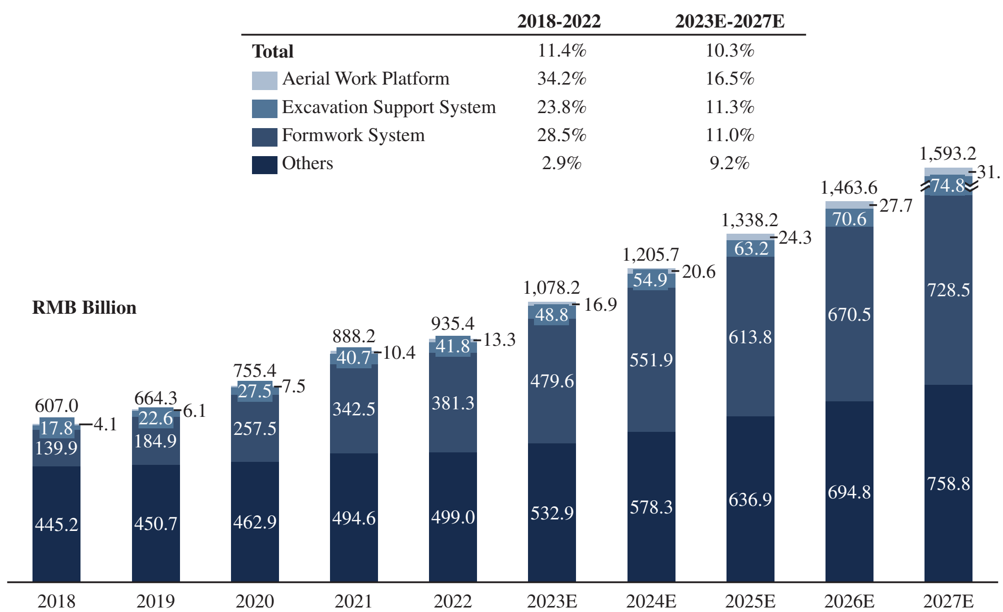
The equipment operation service market value chain can be divided into three parts: (i) the upstream equipment suppliers; (ii) the midstream equipment operation service providers; and (iii) the downstream equipment users. The upstream equipment suppliers primarily manufacture and sell equipment including, but not limited to, engineering machinery equipment, excavation support system and formwork system, electrical equipment, agricultural machinery equipment, healthcare equipment. The midstream equipment operation service providers primarily provide services such as equipment leasing, construction and instalment, and repair and maintenance. The downstream equipment users come from diversified industries, which include but are not limited to areas in relation to industrial, storage and logistics, construction, civil engineering, and agriculture. The following chart sets forth the value chain of equipment operation services.



As compared to direct procurement of equipment, equipment users do not need to bear the one-off procurement costs of equipment or be directly responsible for construction and instalment and repair and maintenance if they engage equipment operation service provider. In addition, they can further enjoy other value-added services, such as agency sales, spare parts sales, used equipment disposal, and equipment remanufacturing from equipment operation service providers. According to the F&S Report, the penetration rate of the equipment leasing industry in China continued to increase from 2018 to 2022, and is expected to further increase in the future.

Due to increasing labor costs and increasingly stringent regulations in relation to construction site safety, equipment is playing an even more pivotal role in replacing manpower, which has led to a rapid increase for specialized equipment operation service in the past five years. The size of equipment operation service market in China in terms of revenue increased from RMB607.0 billion in 2018 to RMB935.4 billion in 2022 with a CAGR of 11.4%. Keeping pace with the further optimization and integration of the market participants, improvement in service quality and specialization and increase in the equipment amount, it is expected that the size of equipment operation service market in China in terms of revenue will increase to RMB1,593.2 billion in 2027 with a CAGR of 10.3% from 2023 to 2027. The following chart sets forth the historical and forecast size of equipment operation service market in China in terms of revenue for the periods indicated.

Market size of equipment operation services in China, breakdown by equipment type, 2018-2027E



Note: Others mainly include excavator, loader, forklift and road construction equipment operation services.

Source: China Formwork and Scaffold Association, China Construction Machinery Association, Frost & Sullivan.

Aerial Work Platform

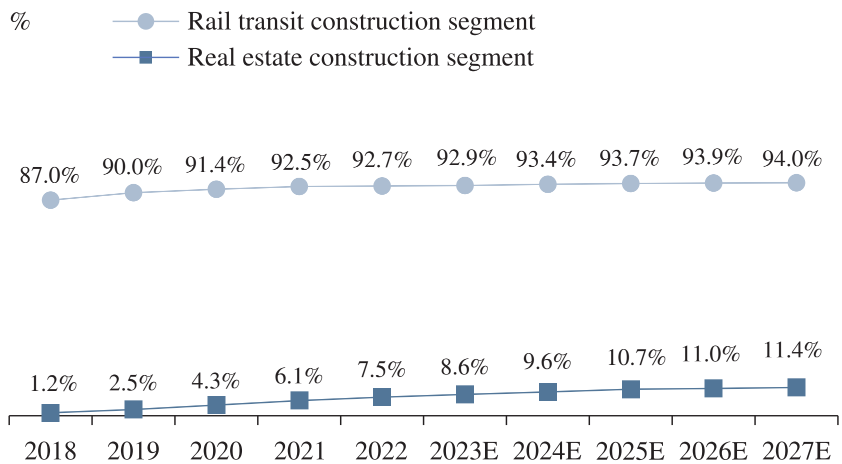
Aerial work platform refers to the movable machinery equipment used for the work carried out at certain heights. According to the National Standard of Classification of Aerial Operations, the equipment used at aerial heights of more than two meters where there is a possibility of falling is classified as aerial work platform. Compared with traditional aerial work tool, such as hanging baskets, aerial work platform nowadays is more flexible in operation and deployment, which can significantly accelerate construction progress, simplify construction process in harsh conditions, reduce labor intensity and labor costs, and ensure the safety of construction workers. Moreover, applicable scenarios of aerial work platform are expanding from traditional areas such as manufacturing and construction to more diversified areas, including, but not limited to, agricultural areas, consumer areas, cultural areas, tourism areas and recreational areas. As a result of the advantages of aerial work platform and increasing market demands, equipment volume of aerial work platform increased significantly from 113.2 thousand units in 2018 to 487.4 thousand units in 2022 with a CAGR of 44.1% and is expected to further increase to 1,194.6 thousand units in 2027 with a CAGR of 17.7% from 2023 to 2027. Among equipment volume of 487.4 thousand units of aerial work platform in China in 2022, approximately 428.9 thousand units, or approximately 88%, were held by equipment operation service providers.

Excavation Support System

Excavation support system refers to the temporary support structure applied in the pit or cofferdam to protect workers and equipment during the underground or underwater construction process. Traditionally, excavation support system is primarily manufactured with concrete or cement and is not recyclable. In 2022, the equipment volume of concrete excavation support system exceeded hundreds of millions of tons. The Guidance on Facilitating Construction Waste Reduction (《推進建築垃圾減量化的指導意見》) issued by the Ministry of Housing and Urban Rural Development in 2020 sets out that local governmental entities shall establish and gradually improve a working mechanism for construction waste reduction, control construction waste from its source, facilitate the transformation of the pattern of construction and production, effectively reduce the construction waste throughout the entire process of construction, as well as continuously facilitate the sustainable development of the construction industry and improve the urban and rural living environment as well. To address the increasing needs for more efficient, safe, cost-saving and environmentally-friendly excavation support system, the market share of neo-excavation support system is expanding rapidly. Our neo-excavation support system mainly refers to steel support system, which is environmentally-friendly, safe, intelligent and recyclable. Neo-excavation support system can help reduce consumption of materials in construction process, as well as complete tasks that cannot be undertaken by manpower or traditional excavation support system in construction process (such as water-proof), so as to accelerate the construction progress, enhance the construction method, ensure safety of construction personnel and ensure the project is carried out as scheduled. Attributable to its multiple competitive advantages over traditional excavation support system, neo-excavation support system is rapidly superseding traditional excavation support system in the market. Neo-excavation support system is extensively applied in excavation support for the construction of bridges, subways, stadiums, tunnels, transportation system, stations and buildings. The equipment volume of neo-excavation support systems in China increased from 15,549 thousand tons in 2018 to 39,679 thousand tons in 2022 with a CAGR of 26.4%, and is expected to further increase to 73,902 thousand tons in 2027 with a CAGR of 11.9% from 2023 to 2027. The size of neo-excavation support system market in terms of revenue increased from RMB17.8 billion in 2018 to RMB41.8 billion in 2022 with a CAGR of 23.7%, and is expected to further increase to RMB74.8 billion in 2027 with a CAGR of 11.3% from 2023 to 2027. Among a total equipment volume of 39,679 thousand tons of neo-excavation support systems in China in 2022, approximately 31,743 thousand tons, or approximately 80.0%, were held by equipment operation service providers.

Furthermore, the underground construction, in which excavation support system is vastly applied, has maintained rapid growth over the past few years. According to the F&S Report, since the implementation of 13th Five-Year Plan, the total increase in gross area of underground construction amounted to 1.4 billion sq.m. from 2016 to 2020. As a percentage of gross construction area in urban areas completed, the increase in gross area of underground construction increased from 15.0% in 2016 to 22.0% in 2020. The increase in gross area of underground construction is expected to reach approximately 310 million sq.m. in 2026, and such increase as a percentage of gross construction area in urban areas completed is expected to further increase to 23.0% in 2026, according to the same source.

Penetration rate of neo-excavation support system, by equipment volume, 2018-2027E

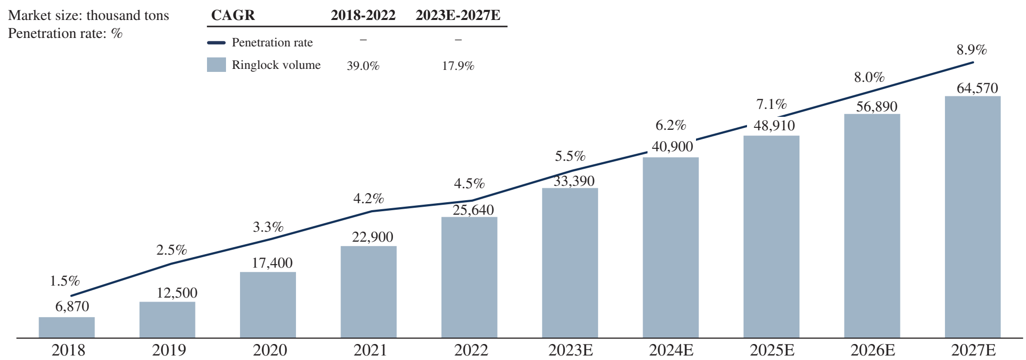


Source: Ministry of Housing and Urban Rural Development, Frost & Sullivan

Formwork System

Formwork system is the system used for support and protection when building the main structure, which mainly includes two categories, namely, formwork and scaffold. In terms of its composition materials, traditional formwork system mainly refers to wooden or bamboo scaffold, or steel pipe fastener or bowl buckle scaffold, while neo-formwork system mainly refers to steel ringlock scaffold. Ringlock scaffold surpasses traditional formwork system in terms of flexibility in assembly, safety and cost efficiency. In 2022, equipment volume of traditional scaffold amounted to approximately 571.3 million tons. Currently, some provinces and municipalities such as Jiangsu, Shanghai, and Hubei, have issued relevant policies to encourage the application of ringlock scaffold. For example, the Housing and Urban Rural Development Department of Jiangsu issued the Notice of Enhancing the Safety Management of Building Construction (《關於切實加強建築施工安全管理的通知》) in May 2020 to promote the extensive application of socket ringlock steel scaffold in urban railway transportation projects, as well as in large-scale and complex projects. With increasing customer demands for efficient, safe, cost-saving and environmentally-friendly formwork system, the market share of neo-formwork system is surging. Specifically, with the rapid development in the infrastructure construction in urban areas accompanied by the increasingly stringent requirements on energy conservation, environmental protection and construction safety, ringlock scaffold is gaining its market acceptance and is rapidly superseding traditional scaffold. Ringlock scaffold is extensively applied in numerous construction scenarios such as that for subways, railways, bridges, factories and buildings. Equipment volume of ringlock scaffold in China increased from 6,870 thousand tons in 2018 to 25,640 thousand tons in 2022 with a CAGR of 39.0%, and is expected to further increase to 64,570 thousand tons in 2027 with a CAGR of 17.9% from 2023 to 2027. Among equipment volume of 25,640 thousand tons of ringlock scaffold in China in 2022, approximately 19,230 thousand tons, or approximately 75%, were held by equipment operation service providers.

Market size of Neo-formwork system, by equipment volume, 2018-2027E



Note: Ringlock scaffold's market share equals equipment volume of ringlock scaffold divided by total equipment volume of steel scaffold.

Source: Organizing Committee of China Construction Material Rental Contractor, China Formwork And Scaffold Association, Frost & Sullivan

COMPETITIVE LANDSCAPE OF THE EQUIPMENT OPERATION SERVICE MARKET IN CHINA

The general equipment operation service market in China is extremely fragmented with the top three players collectively only accounting for 1.6% of the total market share in terms of revenue, with more than 15,000 small-to-medium scale players accounting for the remaining 98.4% in 2022. We ranked first in terms of revenue in 2022, accounting for 0.8% of the market share. Equipment volume speaks out for an equipment operation service provider's service capability to a large extent. We ranked first in terms of equipment volume as of December 31, 2022. The following table sets forth our rankings in terms of revenue among equipment operation service providers in China in 2022.

Rank	**Company**	**Company background**	**Revenue**	**Market share**
			(RMB in billions)	*(%)*
1.	**Our Group**	**We are a comprehensive equipment operation service provider dedicated to provide one-stop equipment solutions to customers.**	**7.9**	**0.8**
2.	Pangyuan Rental	Pangyuan Rental was incorporated in 2001 in Shanghai, and focuses on tower crane leasing and related services.	3.9	0.4

Rank	Company	Company background	Revenue	Market share
			(RMB in billions)	*(%)*
3.	Huatie Emergency	Huatie Emergency was incorporated in 2008, listed on the Main Board of Shanghai Stock Exchange in 2015 and mainly provides construction support equipment, building maintenance and repair equipment, construction machinery and other operation, maintenance equipment services and aerial work platform operation services.	3.3	0.4

Source: Frost & Sullivan

Aerial Work Platform

Unlike the operation service markets for excavation support system and formwork system, the aerial work platform operation service market in China is highly concentrated. As of December 31, 2022, the top three market participants collectively accounted for 58.4% of the total market size in terms of equipment volume of aerial work platforms, with around 1,600 small-to-medium scale market participants accounting for the remaining 41.6% market size. We ranked first in terms of equipment volume of aerial work platforms as of December 31, 2022. Our equipment volume of aerial work platforms amounted to approximately 131.3 thousand units as of December 31, 2022, accounting for 30.6% of the market share in terms of equipment volume in China as of the same date. The following table sets forth our ranking in terms of equipment volume of aerial work platforms among equipment operation service providers in China as of December 31, 2022.

Rank	Company	Company background	Equipment volume of aerial work platforms	Market share
			(Units in thousands)	*(%)*
1.	**Our Group**	**We are a comprehensive equipment operation service provider dedicated to provide one-stop equipment solutions to customers.**	**131.3**	**30.6**

Rank	Company	Company background	Equipment volume of aerial work platforms	Market share
			(Units in thousands)	*(%)*
2.	Huatie Emergency	Huatie Emergency was incorporated in 2008, listed on the Main Board of Shanghai Stock Exchange in 2015, and mainly provides construction support equipment, building maintenance and repair equipment, construction machinery and other operation and maintenance equipment services and aerial work platform business.	78.0	18.2
3.	Company A	Company A was incorporated in 2016, and mainly focuses on aerial work platform leasing, including straight boom lifts, curved lifts, scissor lifts and other aerial work platform.	41.0	9.6

Source: Frost & Sullivan

Note: The identity of peer company is presented in code name as the equipment volume of the private company used in the above ranking is non-public information, which was estimated based on Frost & Sullivan's primary interviews and calculations. As we have not acquired consent from the company, unauthorized disclosure may cause potential disputes.

Neo-excavation Support System

Our neo-excavation support system mainly refers to steel support system. According to the F&S report, there are approximately one thousand excavation support system operation service providers in China, and most of them have less than ten thousand tons of equipment volume. The neo-excavation support system operation service market in China is highly fragmented with the top three market participants collectively accounting for 7.9% of the total market size in terms of equipment volume, with other small-to-medium scale market participants accounting for the remaining 92.1% as of December 31, 2022. We ranked first in terms of equipment volume of neo-excavation support system as of December 31, 2022. Our equipment volume of neo-excavation support system amounted to approximately 1,576.6 thousand tons as of December 31, 2022, accounting for 5.0% of the market share in terms of equipment volume in China as of the same date. The following table sets forth our ranking in terms of equipment volume of neo-excavation support system among equipment operation service providers in China as of December 31, 2022.

Rank	Company	Company background	Equipment volume of neo-excavation support system	Market share
			(Tons in thousands)	*(%)*
1.	**Our Group**	**We are a comprehensive equipment operation service provider dedicated to provide one-stop equipment solutions to customers.**	**1,576.6**	**5.0**
2.	Huatie Emergency	Huatie Emergency was incorporated in 2008, listed on the Main Board of Shanghai Stock Exchange in 2015, and mainly provides construction support equipment, building maintenance and repair equipment, construction machinery and other operation, maintenance equipment services and aerial work platform operation services.	340.0	1.1
3.	Company B	Company B was incorporated in 2006 and specializes in integrated services such as research, development, design, manufacturing, construction, leasing, and sales of temporary steel structure, such as hanging baskets, steel bridges, steel platform, steel support and steel cofferdam.	320.0	1.0

Source: Frost & Sullivan

Note: The identity of peer company is presented in code name as the equipment volume of the private company used in the above ranking is non-public information, which was estimated based on Frost & Sullivan's primary interviews and calculations. As we have not acquired consent from the company, unauthorized disclosure may cause potential disputes.

Neo-formwork System

Our neo-formwork system mainly refers to ringlock scaffold. The neo-formwork system operation service market in China is highly fragmented. As of December 31, 2022, the top three market participants collectively accounted for 6.0% of the total market size in terms of equipment volume of neo-formwork system, with around 800 small-to-medium scale market participants accounting for the remaining 94.0% market size. We ranked first in terms of our equipment volume of neo-formwork system as of December 31, 2022. Our equipment volume of neo-formwork system amounted to approximately 623.0 thousand tons as of December 31, 2022, accounting for 3.2% of the market share in terms of equipment volume in China as of the same date. The following table sets forth our ranking in terms of equipment volume of neo-formwork system among equipment operation service providers in China as of December 31, 2022.

Rank	Company	Company Background	Equipment volume of ringlock scaffolds	Market Share
			(Tons in thousands)	*(%)*
1.	**Our Group**	**We are a comprehensive equipment operation service provider dedicated to provide one-stop equipment solutions to customers.**	**622.6**	**3.2**
2.	Company C	Company C was incorporated in 2018, and mainly engages in leasing, engineering contracting and on-site technical services of neo-formwork system and neo-excavation support system.	300.0	1.6
3.	Company D	Founded in 2019, Company D is mainly engaged in the production, sales, leasing and engineering contracting services of formwork equipment such as ringlock scaffold and aluminum alloy formwork.	230.0	1.2

Source: Frost & Sullivan

Note: The identities of peer companies are presented in code names as the equipment volume of the private companies used in the above ranking are non-public information, which were estimated based on Frost & Sullivan's primary interviews and calculations. As we have not acquired consent from these companies, unauthorized disclosure may cause potential disputes.

ENTRY BARRIERS OF THE EQUIPMENT OPERATION SERVICE MARKET IN CHINA

Capabilities in Large-Scale Asset Operation and Management

Unlike small-to-medium scale market participants with limited equipment volume available and basic and traditional equipment leasing and maintenance service capabilities, leading equipment operation service providers are generally equipped with high equipment volume with diversified equipment categories available, as well as capabilities in ensuring project efficiency and quality, maximizing the value of equipment and reducing the depreciation arising from misoperation. Capabilities in large-scale asset operation and management originate from long-term experience in continuously serving large-scale projects as well as constant investment, development, iteration and upgrade in digitalized operation.

High Technical Requirements for One-stop Equipment Operation Services

Along with the development of the infrastructure industry and continuous urbanization, construction methods, especially those applied in large-scale construction projects, have become more complex and specialized. As a result, market demand for one-stop and multi-dimensional equipment operation services is continuously increasing. While one-stop and multi-dimensional equipment operation services require proven expertise and technologies from equipment operation service providers, such services are usually provided by leading market participants, which own high-quality equipment, possess advanced construction methods and equipped with professional implementation team.

Fast Response and Resource Allocation Capabilities

China has a vast territory and construction projects conducted thereon spread all over. When the client requests for equipment operation services, the equipment operation service providers must respond promptly to address client's demand to ensure timely implementation of the project timetable. Fast response capabilities require equipment operation service providers to be equipped with an extensive service network covering numerous cities in China, as well as equipment and other types of asset available at each service outlet within the network. Further, for large-scale projects, clients generally require vast amount of equipment and supporting staff to be in place in a short period of time. In such cases, the equipment operation service providers need to timely re-allocate asset and equipment among different service outlets in surrounding areas. Such requirements form a high entry barrier for companies that are not equipped with an extensive service network and timely resource allocation capabilities.

Brand Recognition and Established Brand Reputation

A well-recognized brand name is normally the outcome of vast technical expertise and abundant project experience, which is essential for equipment operation service providers to carry out business operations. A well-recognized brand name brought by decades of proven operation results is one of the keys to success in the equipment operation service market. For example, to ensure the quality of construction project implementation, construction contractors, especially central enterprise construction contractors, usually have more stringent requirements on equipment performance, construction safety and construction techniques. In such case, construction contractors tend to cooperate with equipment operation service providers with well-recognized brand names, which sets a high entry barrier for new entrants as it is extremely difficult for them to establish a well-recognized brand name in a short time period.

MARKET DRIVERS OF THE EQUIPMENT OPERATION SERVICE IN CHINA

Urbanization and Expansion in Urban Construction

Steady growth of the PRC's economy, along with the continuous escalation of urbanization and industrialization has led to a continuously increasing demand for urban and industrial infrastructure investment. According to the F&S Report, China's urbanization rate increased from 59.6% in 2018 to 65.2% in 2022, representing a CAGR of 2.3%, and is expected to further increase to 71.1% in 2027, representing a CAGR of 1.8% from 2023 to 2027. Therefore, in order to accommodate the rapid expansion in urban construction, relevant equipment operation service is well-positioned for vast growth potential in the future.

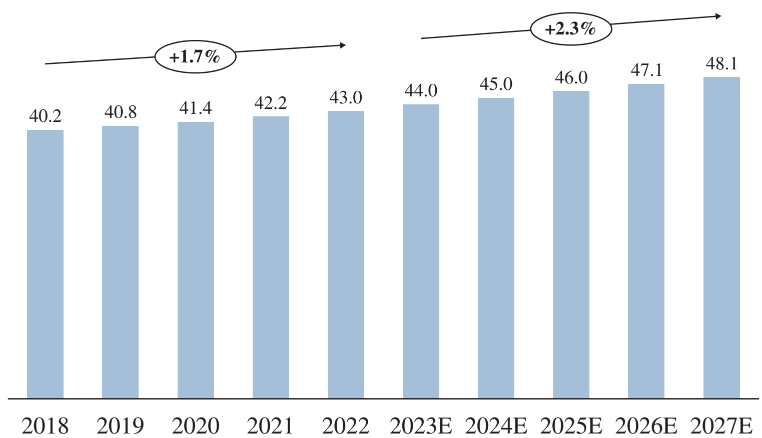
Favorable Policies

The Central Committee of the Communist Party of China and State Council have issued a series of policies to facilitate the transformation to an environmentally-friendly and low-carbon-emission economic system. For example, the *Proposals of the Central Committee of the Communist Party of China on Formulating the 14th Five-Year Plan for National Economic and Social Development and the Long-term Goals for 2035 (《中共中央關於制定國民經濟和社會發展第十四個五年規劃和二〇三五年遠景目標的建議》)* (The "***Proposals***") issued in 2020 sets out that the PRC Government plans to facilitate the environmentally-friendly transformation in key industries and areas, as well as facilitate the low-carbon, safe and efficient use of energy. The *Proposals* also emphasizes the importance of work safety. The implementation of these policies will facilitate the extensive application of efficient, safe, cost-saving and environmentally-friendly equipment used for construction, which will in turn prosper the demand of equipment operation service in the infrastructure industry. The Proposals will actively promote the principles of construction waste reduction and the recycling of engineering equipment and materials. At the same time, new equipment with higher safety and efficiency will be used to reduce the reliance on human labor and improve safety. Specifically, important ways to reduce construction waste include (i) making good use of steel support materials which can be recycled to replace the traditional disposable concrete support, and (ii) replacing the traditional wooden and bamboo scaffolds and traditional steel scaffolds with ringlock scaffolds that have longer service life. In terms of safety, compared with traditional scaffolds, the ringlock scaffolds have a higher bearing capacity. For such reasons, they are considered safer and more stable, which will significantly improve the safety of engineering construction. In addition, compared with the traditional hanging baskets, aerial work platforms also have obvious advantages such as higher efficiency and safety. These top-level policies will effectively promote the acceptance and use of the ringlock scaffolds, the steel support and the aerial work platforms in various industries, and be a driving force for our business. As a result, a supportive and orderly market environment for equipment operation service providers will be established in China.

Increasing Demand for Equipment to Replace Human Labor

China's aging population level has increased due to the improvement in people's livelihood and medical condition as well as the low birth rate in the past five years. China's aging rate (calculated by the population over 65 years old divided by the total population) increased from 12.0% in 2018 to 14.9% in 2022, and is expected to further increase to 17.3% in 2027. The aging population and the low birth rate over the past years have led to a decline in the amount of labor supply in China, which in turn led to an increase in labor costs. Meanwhile, the average age of construction workers in China increased from 40.2 in 2018 to 43.0 in 2022, and is expected to further increase to 48.1 in 2027.

The average age of construction workers in China, 2018-2027E



Source: National Bureau of Statistics, Frost & Sullivan

In addition, the average annual compensation of urban employees in China increased from RMB74.3 thousand in 2017 to RMB106.4 thousand in 2021, with a CAGR of 9.4%, and is expected to further increase to RMB161.9 thousand in 2026, representing a CAGR of 8.8% from 2021 to 2026. China's increasing aging level and increasing labor costs are expected to result in the increasing needs for equipment which can replace or reduce human labor in many scenarios, especially ones in risky conditions, such as aerial work.

In addition, the vast demand for infrastructure construction in the past five years has also resulted in a rapid growth in equipment volume. Under such circumstances, equipment operation service providers with professional service capabilities are able to provide equipment users with one-stop equipment solutions covering the full-cycle of projects so as to enhance operational efficiency, reduce labor costs and increase utilization rate of equipment.

Expansion of Applicable Scenarios and Geographic Coverage of Equipment Operation Services

Attributable to technological breakthroughs and upgrades in information technology, equipment operation service providers are able to offer diversified equipment offering portfolio and service offerings tailored to customers' needs arising from numerous scenarios, including but not limited to, subways, tunnels, integrated pipe galleries, pipe trenches, housing, large-scale entertainment events and sports events. Furthermore, continuous escalation of urbanization, industrial transformation and upgrade, as well as the implementation of 14th Five-Year Plan, which is accompanied by the ever-growing demand from China's construction market, bring opportunities for equipment operation services in tier-three cities or lower in China.

Sustainable Growth of the Infrastructure Industry

The market demand for equipment operation services is closely related to the development of infrastructure industry. China's infrastructure industry experienced steady growth in recent years. The output value of China's infrastructure industry increased from RMB23.5 trillion in 2018 to RMB31.2 trillion in 2022, representing a CAGR of 7.3%, and is expected to further increase to RMB41.1 trillion in 2027, representing a CAGR of 5.6% from 2023 to 2027. Attributable to the steady growth of China's macro economy, the national strategies of regional economic integration and new urbanization, as well as the continuous increase in new infrastructure related projects, it is expected that the investment in real estate industry and infrastructure industry will continue to increase, which will in turn fuel the development of the infrastructure industry. The emerging patterns of city cluster and metropolitan region also contribute to the high demands for infrastructure construction. Along with the sustainable growth of the infrastructure industry, demand for equipment operation services, especially for those related to construction equipment, is expected to increase continuously.

Division of Labor for Industry Specification

The supply-side structural reform focuses on more efficient allocation of resources by eliminating obsolete production capacities and enhancing specialized and professional services. An increasing amount of enterprises tend to lower their investment in fixed asset as well as asset-liability ratio, and to focus their resources on the operation of core business. Meanwhile, along with the transformation and upgrade of the construction industry, the customers are facing more complex construction scenarios, which require the application of advanced construction methods and specialized operational staff. Professional equipment operation service providers are able to provide high quality equipment with tailor-made solutions to their customers in such scenarios. As division of labor for industry specification becomes more common in the industry, an increasing number of equipment users will tend to engage professional equipment operation service providers to provide equipment related services rather than procure equipment on their own, which will lead to vast growth potential for equipment operation services.

FUTURE TRENDS OF THE EQUIPMENT OPERATION SERVICE MARKET IN CHINA AND ASEAN

CHINA

Further Increase in Penetration Rate

The penetration rate of the equipment leasing industry in China is relatively low as compared to those of the developed countries. According to the F&S Report, the penetration rate of equipment leasing industry in China in 2022 was 57.5%, while the average penetration rate in the developed countries, including countries in North America, European Union and Japan, was 66.9% in 2022. The penetration rate of the equipment leasing industry in China increased from 51.3% in 2018 to 57.5% in 2022, and is expected to further increase to 64.0% in 2027, which will in turn bring more business opportunities and broader customer base to leading equipment operation service providers in China.

Continuous Increase in Market Concentration

China's equipment operation service market is vast but fragmented, with more than 15,000 market participants in 2022, among which most of them are micro and small enterprises spreading across tier-two cities and lower tier cities, as well as rural areas. Low asset amount, low efficiency, and low gross profit margin are the main characteristics of the aforementioned market participants. According to the F&S Report, the top three market participants in equipment operation service market in China collectively only accounted for 1.6% of the total market size in terms of revenue in 2022.

In the future, equipment operation service providers with low asset amount, limited customer resources, weak service capabilities and weak profitability will not be able to compete with leading equipment operation service providers that are able to provide comprehensive and multi-dimensional equipment operation services covering the full cycle of projects. As a result, in the future, it is expected that leading equipment operation service providers will gain larger market shares and the market will further consolidate.

Transformation from Provision of Only Leasing Service to Multi-dimensional Services

Provision of equipment leasing service as the only service offering is an early form of equipment operation services, and is also the mainstream in the current equipment operation service market in China. Most of the market participants are currently only able to provide leasing service rather than multi-dimensional services.

With the rise of labor costs and the requirements of safety production, energy conservation and environmental protection, the division of labor has become more specialized. At the same time, reforms in supply chains had sped up the transformation of asset-light construction engineering companies. At present, changes in digitization and the internet of things have been increasingly adopted in the construction engineering industry, along with related economic models, industrial policies and commercial practices. Such changes in the industry resulted in the tendency among construction engineering companies to outsource their engineering and technical solutions to other service providers in order to overcome the increasingly higher technical barriers of entry. In the future, it is expected that engineering and technical services that are provided by equipment operation service providers will face greater development and expansion opportunities.

In the future, driven by the higher requirements for light-asset operation, environmentally-friendly measures and operational efficiency from the downstream customers, market demand for multi-dimensional value-added services, such as engineering and technical services, IoT based technical support and used equipment disposal, are expected to keep increasing. Therefore, the equipment operation service market in China will gradually transform from provision of only leasing service to multi-dimensional equipment operation services.

Digitalized Operation

Emerging technologies such as 5G, IoT, and artificial intelligence has facilitated the digitalization transformation of the economy. The equipment operation service market also commenced digitalization and intelligence transformation underpinned by new technologies.

The traditional equipment operation service industry also embraces the Internet to efficiently connect high quality equipment operation service providers and downstream customers through the Internet platform, industrial Internet platform and industry big data. The application of such information technologies breaks industry barriers, facilitate information sharing, reduces costs and enhances operational efficiency, which eventually achieves industrial digitization and digital industrialization, as well as facilitates the efficient development of the equipment operation service market. In addition, IoT and artificial intelligence also facilitates the upgrade of intelligent networking of the equipment. The IoT and digitalization process involve a wider range of data collection, storage, computing, and cloud services based on data, which can achieve data communication between equipment and people, equipment and equipment, and equipment and cloud. The equipment operation service providers can further analyze the data collected and enhance their service quality and efficiency. Therefore, equipment operation service providers will have the opportunity to implement innovative business models and offer abundant value-added services such as big data analysis to help clients improve their operational efficiency and project management capabilities through visualized operation data.

ASEAN

The ASEAN Comprehensive Recovery Framework (“ACRF”) adopted in 2020 includes a series of relief plans for countries in the region to stimulate investment in various fields including infrastructure construction in the region. In the past two years, relevant economic recovery plans have achieved remarkable results, and ASEAN is realizing rapid economic recovery with its high level of openness and regional integration. Going forward, investment in transportation infrastructure such as roads, railways and airports will continue to be the momentum of ASEAN’s economic growth in the future. Specifically, at the policy level of major economies in ASEAN, among the 246 national strategic projects of the Indonesian government in 2022, 97 are related to road and railway infrastructure. The “12th Malaysia Plan” (2021-2025) announced that the construction of transportation infrastructure such as airports, ports, and industrial areas will become the focus of investment. The macroeconomic outlook of the Philippines is also optimistic, which is mainly due to the “Build, Build, Build” plan issued by the Duterte administration. The Thai Ministry of Transport announced that it will invest in 36 large-scale transportation infrastructure projects, covering roads, rail transit and airports. As an important manufacturing center in the ASEAN region, Vietnam attached great importance to infrastructure construction. Vietnam’s new law on Public-Private Partnership has relaxed the requirements for the proportion of private investment and introduced a revenue sharing and compensation mechanism. Generally speaking, ASEAN infrastructure and real estate construction are expected to maintain a rapid growth trend in the coming years, which will promote the growth of demand for construction machinery and equipment including aerial work platforms. The equipment operation and service market will also face broad development opportunities.

For example, downstream sectors including infrastructure and real estate construction in ASEAN are generating increasing demand for the aerial work platforms. In 2022, market size of aerial work platform operation service reached to RMB1.68 billion, implying a CAGR of 34.7% comparing to 2018. Going forward, the market size will further grow to RMB5.55 billion in 2027 at a CAGR of 26.6% from 2023 to 2027, which is mainly attributable to the expanding scale of investment in infrastructure and real estate construction in this region.

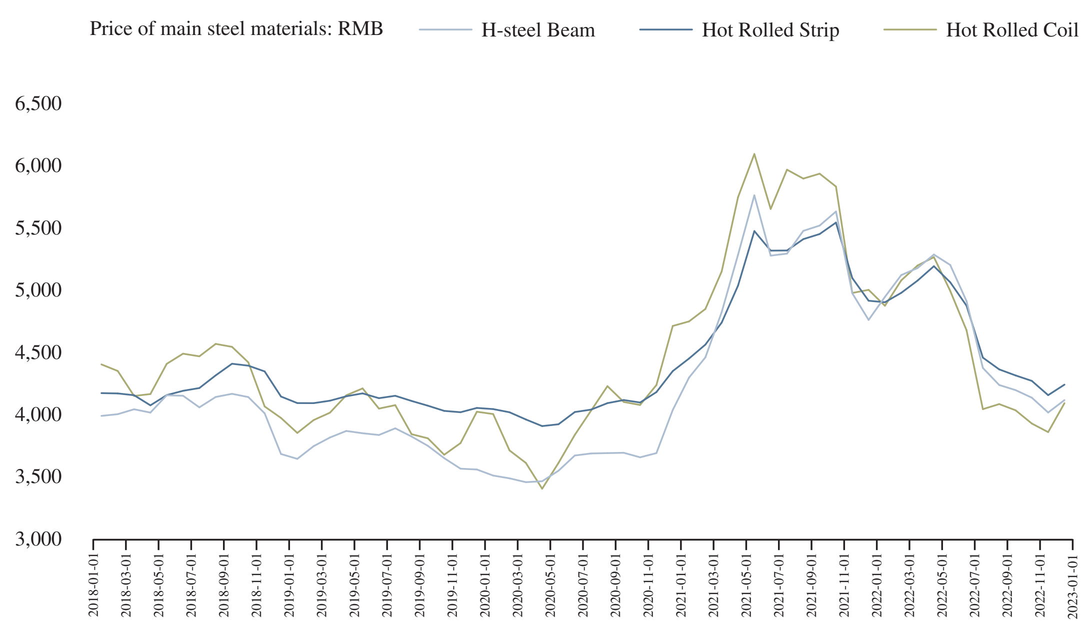
Singapore, Malaysia and Thailand are the more developed economies in ASEAN and also contribute to the major share of aerial work platform operation service market. In 2022, market size of aerial work platform operation service in Singapore, Malaysia and Thailand reached to RMB0.59 billion, RMB0.53 billion, and RMB0.24 billion, respectively, representing CAGRs of 34.6%, 37.1%, and 36.1% respectively compared to 2018. The three markets are expected to remain the major markets of aerial work platform operation, with market size reaching RMB2.02 billion, RMB1.88 billion, and RMB0.85 billion in 2027 at CAGRs of 27.7%, 28.0%, and 28.7% respectively, from 2023 to 2027, mainly attributable to higher economic development and urbanization rate.

In 2022, total sales volume of secondhand aerial work platform in ASEAN reached 15.7 thousand units, implying a CAGR of 26.1% comparing to 2018. Going forward, driven by the above mentioned positive factors, the sales volume is expected to further grow to 28.5 thousand units in 2027 at a CAGR of 10.8% from 2023 to 2027. Accordingly, size of secondhand aerial work platform operation service market in ASEAN reached RMB0.97 billion in 2022, representing a CAGR of 34.1% comparing to 2018. Similar to overall market condition, Singapore, Malaysia and Thailand are also the major markets of secondhand aerial work platform operation. In 2022, market size of secondhand aerial work platform operation service in Singapore, Malaysia and Thailand reached to RMB0.29 billion, RMB0.31 billion, and RMB0.14 billion, respectively, representing CAGRs of 34.0%, 36.2%, and 36.8% respectively comparing to 2018. Driven by the increasing volume of secondhand equipment, sizes of these three markets are expected to grow to RMB0.89 billion, RMB0.97 billion, and RMB0.44 billion in 2027 at CAGRs of 24.5%, 24.8%, and 25.0% respectively, from 2023 to 2027.

Competitive landscape of aerial work platform operation market in ASEAN is quite fragmented with no dominant players at current stage, most players are small to medium sized rental companies.

KEY RAW MATERIALS PRICE TREND OF THE EQUIPMENT OPERATION SERVICE MARKET IN CHINA

Steel is a major raw material for manufacturing of temporary steel structure and scaffold. The steel price will directly affect the prices of supporting equipment. Since 2017, due to the reduction of excessive production capacity in the steel industry promoted by the PRC Government, the prices of main steel products, such as H-Beam, hot rolled strip and hot rolled coil, have increased with fluctuations in the steel. It is expected that due to the continuous effort in reducing excessive production capacity in the steel industry and the increased downstream requirements for steel products as a result of stable growth of construction industry, which requires large amount of temporary steel structure as well as permanent steel structure, the price of main steel products will maintain a growth trend during the forecast period from 2023 to 2027. The following chart sets forth historical price of main steel materials for the periods indicated:



Source: Shanghai Futures Exchange, Frost & Sullivan

This section sets out a summary of the most significant PRC laws and regulations that affect our business and the industry in which we operate.

LAWS AND REGULATIONS RELATING TO OUR OPERATIONS IN THE PRC

Foreign Investment Law

According to the Foreign Investment Law of the PRC (《中華人民共和國外商投資法》) promulgated by the NPC on March 15, 2019 and effectuated on January 1, 2020, and the Regulations on Implementation of the Foreign Investment Law of the PRC (《中華人民共和國外商投資法實施條例》) promulgated by the State Council on December 26, 2019 and effectuated on January 1, 2020, in replacement of the existing foreign investment laws, the investment activities within the territory of China conducted by foreign investors, directly or indirectly, shall comply with and be governed by such laws and regulations on foreign investment, and specifically be subject to the industrial restrictions imposed by the Chinese regulators, with certain industrial areas within the scope of negative list prohibited from investing by foreign investors.

According to the Measures of the Reporting of Foreign Investment Information (《外商投資信息報告辦法》) promulgated by the Ministry of Commerce and the State Administration for Market Regulation on December 30, 2019 and implemented since January 1, 2020, when foreign investors directly or indirectly carry out investment activities in China, relevant investment information shall be submitted by such foreign investors or their invested enterprises to or shared with the competent commerce authorities.

Operating Lease Contract in the Civil Code

Civil Code of the PRC (《中華人民共和國民法典》) (the "**Civil Code**"), promulgated by the NPC on May 28, 2020 and effectuated on January 1, 2021, shall govern personal and property relationships among natural persons, legal persons and unincorporated associations with equal status, as the codification of separate civil laws of the PRC, including the Marriage Law, the Law of Succession, the General Principles of the Civil Law, the Adoption Law, the Guaranty Law, the Contract Law, the Property Law, the Tort Law and the General Rules of the Civil Law which shall be simultaneously repealed when the Civil Code comes into effect.

As the operating lease is not explicitly stipulated by the Civil Code while Chapter 15 "Financial Leasing Contracts" of Part III "Contracts" thereunder merely sets out mandatory rules on financial lease (融資租賃), Chapter 14 "Lease Contracts" thereof shall apply to the operating lease.

Accounting Standards Governing Operating Leases

The principal accounting standards governing operating leases in the PRC are set out in Accounting Standards for Business Enterprises No. 21 — Leases (《企業會計準則第21號 — 租賃》) (2018 Revision, the "Standard 21"), promulgated by the Ministry of Finance on December 7, 2018 and effectuated on January 1, 2019. According to the Standard 21 and its relevant interpretation, a lease refers to a contract whereby the lessor conveys to the lessee the right to use an asset for a specified period of time in exchange for a consideration, and a lessor shall classify a lease as a financial lease (a lease under which substantially all of the risks and rewards related to the ownership of the leased asset are transferred, whereas the eventual ownership may or may not transferred) or an operating lease (a lease other than a financial lease) on the lease commencement date on the basis of transactional substance over contractual form. For each period of the lease term (including the rent-free period), the lessor shall adopt an applicable method to recognize the income as rents received from the operating lease, and the initial direct expenses incurred to a lessor in relation to the operating lease shall be capitalized and apportioned on the same income recognition basis during the lease term. As to the fixed leased assets in an operating lease, the lessor shall accrue depreciation by adopting the depreciation policies for similar assets, while other operating leased assets shall be amortized by systematic and reasonable methods pursuant to the applicable accounting standards. The uncovered variable lease payment acquired by a lessor shall be included in current loss and profit at the time of actual incurrence.

In addition, the Accounting Standards for Business Enterprises No. 22 — Recognition and Measurement of Financial Instruments (《企業會計準則第22號 — 金融工具確認和計量》) (2017 Revision), promulgated by the Ministry of Finance on March 31, 2017 and effectuated on January 1, 2018, applies to the impairment and derecognition of lease receivables, derecognition of lease payables, and derivatives embedded in leases. As to lease receivables, the credit loss shall be determined by the present value of the difference between the contractual cash flow receivable and the cash flow expected to be received.

Licenses for Contracting Construction Project

The Construction Law of the PRC (《中華人民共和國建築法》), as promulgated on November 1, 1997 and most recently amended on April 23, 2019, together with the Provisions on the Administration of Qualifications of Enterprises in Construction Industry (《建築業企業資質管理規定》), the Qualification Standards of Construction Enterprises (《建築業企業資質標準》), the Implementing Measures of Premium Class Qualification Standards for General Construction Sub-Contractors (《施工總承包企業特級資質標準實施辦法》), the Construction Enterprise Qualification Management Regulations and the Implementation of Qualification Standards (《建築業企業資質管理規定和資質標準實施意見》) and other regulations, stipulate to exercise a license system on the construction enterprises on a category-divided basis, pursuant to which an enterprise may only engage in construction contracting activities upon receipt of relevant licenses and within the scope permitted by such licenses. The foregoing licenses fall into three categories, namely, general contractors that are qualified to undertake the whole construction project, professional contractors that are qualified to undertake a specialized project and labor service contractors that are qualified to undertake labor services; among the three categories, general contractors and professional contractors are further classified into underlying grades. On November 30, 2020, the Ministry of Housing and Urban-Rural Development of the PRC (the "**MOHURD**") issued the Reform Plan for the Qualification Management System of Construction Engineering Enterprises (《建設工程企業資質管理制度改革方案》) to further merge and streamline the grading categories of general contractors and professional contractors.

Work Safety in Construction Projects

According to the Work Safety Law of the PRC (《中華人民共和國安全生產法》), as promulgated on June 29, 2002 and amended from time to time, an entity engaging in production and operation activities shall meet the regulatory standard on work safety and satisfy corresponding work conditions as required by laws, administrative regulations and state or industry policies, and shall not conduct any production activities if failing to do so.

Furthermore, the Regulations on the Administration of Work Safety of Construction Projects (《建設工程安全生產管理條例》) (the "**Work Safety Regulations**"), promulgated by the State Council on November 24, 2003 and effective on February 1, 2004, provides specified requirements for work safety in construction projects on construction entities and all other entities in connection with the project safety. Pursuant to the Provisions on the Administration of Construction Enterprises' Work Safety Permits (《建築施工企業安全生產許可證管理規定》) promulgated by the Ministry of Construction (repealed and replaced by the MOHURD) on July 5, 2004 and revised on January 22, 2015, a construction enterprise shall obtain the work safety license from the competent authorities before undertaking any construction activity.

License for Repairing Special Equipment

Pursuant to the Law of the PRC on Special Equipment Safety (《中華人民共和國特種設備安全法》) promulgated by the NPC on June 29, 2013 and implemented on January 1, 2014, and the Regulations on the Safety Supervision of Special Equipment (《特種設備安全監察條例》) promulgated by the State Council on March 11, 2003 and amended from time to time, the state, under the principle of category-based administration, exercises a license system on the production (including design, manufacture, installation, refitting and repair) of special equipment. As to the repair and maintenance of special equipment, among other things, including in-plant (in-factory) special motor vehicles, the entities shall obtain the Production License of Special Equipment (《特種設備生產許可證》, the

"Production License"), engage the professional technicians and technical workers fit for the maintenance of special equipment as well as the necessary testing means, and may carry out the corresponding maintenance activities only after they are licensed by the competent authorities. The entities shall use the special equipment for which the Production License has been obtained and the inspection has been conducted, and shall, before or within thirty (30) days after the special equipment is put into use, register with competent authorities and obtain the Certificate of Special Equipment Service Registration (《特種設備使用登記證》).

LAWS AND REGULATIONS RELATING TO TAXATION

Income Tax

Pursuant to the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》) (the "**EIT Law**") promulgated by the NPC on March 16, 2007 and amended from time to time and the Implementation Rules of the EIT Law (《企業所得稅法實施條例》) promulgated by the State Council on December 6, 2007 and revised on April 23, 2019, a domestic enterprise which is legally established within the PRC or established in accordance with overseas laws but with an actual management entity within the PRC shall be regarded as a resident enterprise, which shall be subject to an income tax of 25%, generally, of any income generated within or outside the PRC.

Value-Added Tax

According to the Interim Regulations of the PRC on Value-added Tax (《中華人民共和國增值稅暫行條例》) which was promulgated by the State Council on December 13, 1993 and revised from time to time, and the Detailed Rules for the Implementation of the Interim Regulations of the PRC on Value-added Tax (《中華人民共和國增值稅暫行條例實施細則》) which was promulgated by the Ministry of Finance on December 25, 1993 and amended from time to time, entities and individuals that sell goods or labor services of processing, repair or replacement, as well as selling services, intangible assets, or immovables, and importing goods within the territory of China are taxpayers of value-added tax (the "**VAT**"), and shall pay VAT at the applicable rate based on the activities.

According to the Notice on Simplified Taxation on Operating Lease Services of Old Equipment (《關於老設備經營租賃服務簡易徵收相關問題的公告》) promulgated by Shanghai Municipal State Tax Bureau (repealed and replaced by the Shanghai Municipal Tax Service of Stage Administration of Taxation) on November 2, 2012, starting from July 1, 2012, general taxpayers among pilot taxpayers who provide operating lease services regarding the lease of tangible personal property, purchased or self-produced prior to December 31, 2011, may opt to calculate and pay VAT in the simple tax computation method during the pilot period.

LAWS AND REGULATIONS RELATING TO FOREIGN EXCHANGE

According to the Foreign Exchange Administration Regulations of the PRC (《中華人民共和國外匯管理條例》) promulgated by the State Council on January 29, 1996 and amended from time to time, and the Regulations on the Administration of Foreign Exchange Settlement, Sale and Payment (《結匯、售匯及付匯管理規定》) promulgated by the PBOC on June 20, 1996 and effective on July 1, 1996, Renminbi is generally freely convertible for payments of current account items, such as trade and service-related foreign exchange transactions and dividend payments, but relatively not freely convertible for capital account items. The SAFE further issued the Circular on Reforming and Regulating Policies on the Management of the Settlement of Foreign Exchange of Capital Accounts (《關於改革和規範資本項目結匯管理政策的通知》) on June 9, 2016, pursuant to which the settlement of foreign exchange income under the capital account (including but not limited to foreign currency capital and foreign debts) can be settled at banks at discretion based on the actual operating needs of the domestic companies, and the proportion of such discretionary settlement is temporarily set as 100%, subject to future adjustment by the SAFE based on international balance of payments.

According to the Circular of the SAFE on Reforming the Administration Measures on Conversion of Foreign Exchange Registered Capital of Foreign-invested Enterprises (《國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知》) (Hui Fa [2015] No. 19) ("SAFE Circular 19"), promulgated on March 30, 2015 and effective on June 1, 2015, a foreign-invested enterprise may, in response to its actual business needs, settle with a bank the portion of the foreign exchange capital in its capital account for which the relevant foreign exchange bureau has confirmed monetary contribution rights and interests (or for which the bank has registered the account crediting of monetary contribution), and such enterprise is allowed to tentatively settle such portion at 100% of their foreign exchange capital on a discretionary basis. Furthermore, SAFE Circular 19 stipulates that the use of capital by foreign-invested enterprises shall follow the principles of authenticity and self-use within the business scope of enterprises.

LAWS AND REGULATIONS RELATING TO LABOR AND SOCIAL SECURITY

Labor Law and Labor Contract Law

According to the Labor Law of the PRC (《中華人民共和國勞動法》), promulgated by the Standing Committee of the NPC on July 5, 1994 and amended from time to time, and the Labor Contract Law of the PRC (《中華人民共和國勞動合同法》), promulgated on June 29, 2007 and amended on December 28, 2012, written labor contracts shall be executed between an entity and its employees if an employment relationship is established. Employers are required to inform their employees about their job responsibilities, working conditions, occupational hazards, remuneration and other matters with which the employees may be concerned, and to pay remuneration to employees on time and in full in accordance with the commitments set forth in their employment contracts and the relevant PRC laws and regulations.

Social Security and Housing Provident Fund

Pursuant to the Social Security Law of the PRC (《中華人民共和國社會保險法》), promulgated on October 28, 2010 and amended on December 29, 2018, along with relevant regulations including the Interim Regulations on Collection and Payment of Social Insurance Premiums (《社會保險費徵繳暫行條例》), the Trial Measures for Enterprise Staff Maternity Insurance (《企業職工生育保險試行辦法》), the Regulations on Work-Related Injury Insurance (《工傷保險條例》), and the Regulations on Management of Housing Provident Fund (《住房公積金管理條例》), employers in the PRC shall provide their employees with welfare schemes covering basic pension insurance, basic medical insurance, unemployment insurance, maternity insurance, occupational injury insurance and housing provident fund.

For employers failing to conduct social insurance registration, the administrative department of social insurance shall order them to make corrections within a prescribed time limit. If employers fail to do so within the time limit, they shall have to pay a penalty over one time but no more than three times the amount of the social insurance premium payable to them, and their executive staffs and other directly responsible persons shall be fined RMB500 to RMB3,000. In cases where employers fail to pay social insurance premiums in full or on time, the social insurance premium collection agency shall order it to pay or make up the balance within a prescribed time limit, and shall impose a daily late fee at the rate of 0.05% of the outstanding amount from the due date. If employers fail to pay within the time limit prescribed, a fine of one time to three times the amount in default will be imposed on them by the relevant administrative department.

For employers who violate the laws and regulations and fail to apply for housing provident fund deposit registration or open housing provident fund accounts for their employees, the housing provident fund administrative center shall order the relevant employers to make corrections within a designated period. Those employers failing to process registration or open provident fund accounts for their employees within the designated period shall be subject to a fine ranging from RMB10,000 to RMB50,000. When employers violate those provisions and fail to pay the housing provident fund in full amount as due, the housing provident fund administrative center shall order such employers to pay up the amount within a prescribed period. If those employers still fail to comply with the regulations upon the expiration of the time limit, further application may be made to the People's Court for mandatory enforcement.

In addition, pursuant to the Work Safety Regulations, a construction entity must purchase accidental injury insurance for the workers engaged in dangerous work on the construction site for injuries incurred in work-related accidents, and the insurance premium shall be paid by the construction entity, or the general contractor in the case where the construction work is covered by a general contractor.

OVERSEAS OFFERING AND LISTING

On February 17, 2023, the CSRC promulgated the Trial Administrative Measures of the Overseas Securities Offering and Listing by Domestic Enterprises (《境內企業境外發行證券和上市管理試行辦法》) (the "**Overseas Listing Trial Measures**") and relevant five guidelines, which became effective on March 31, 2023. According to the Overseas Listing Trial Measures, the PRC domestic enterprises that seek to offer and list securities in overseas markets, either in direct or indirect means ("**Overseas Offering and Listing**"), are required to fulfill the filing procedure with the CSRC and submit filing reports, legal opinions and other relevant documents. Specifically, following the principle of substance over form, if an issuer both meets the following criteria, its overseas offering and listing will be deemed as indirect Overseas Offering and Listing by a PRC domestic enterprises: (i) 50% or more of any of the issuer's operating revenue, total profit, total assets or net assets as documented in its audited consolidated financial statements for the most recent fiscal year is accounted for by domestic companies; and (ii) the main parts of the issuer's business activities are conducted in mainland China, or its main place(s) of business are located in mainland China, or the majority of senior management staff in charge of its business operations and management are PRC citizens or have their usual place(s) of residence located in mainland China. In the case of indirect Overseas Offering and Listing by a PRC domestic enterprise, the issuer shall designate a major domestic operating entity as the responsible domestic party for filing with CSRC. The Overseas Listing Trial Measures also set forth the issuer's reporting obligations in the event of occurrence of material events after the Overseas Offering and Listing. In the event of the occurrence of any of the following material events, the issuer shall make a detailed report to the CSRC within 3 working days after the occurrence and public announcement of the relevant event: (i) change in controlling rights; (ii) being subject to investigation, punishment or other measures by overseas securities regulatory authorities or the relevant authorities; (iii) changing listing status or changing the listing board; (iv) voluntary or compulsory termination of listing. Besides, if any material change in the principal business and operation of the issuer after its Overseas Offering and Listing makes the issuer no longer within the scope of record-filing, the issuer shall submit a special report and a legal opinion issued by a PRC domestic law firm to the CSRC within 3 working days after the occurrence of the relevant change to provide an explanation of the relevant situation.

According to the Overseas Listing Trial Measures, the PRC domestic enterprises engaging in Overseas Offering and Listing activities shall strictly comply with the laws, administrative regulations and relevant provisions of the PRC government on foreign investment, State-owned assets, industry regulation, overseas investment, etc., shall not disrupt domestic market order, and shall not harm national interests, public interest and the legitimate rights and interests of domestic investors. The PRC domestic enterprise that conducts Overseas Offering and Listing shall (i) formulate its articles of association, improve its internal control system and standardize its corporate governance, financial affairs and accounting activities in accordance with the PRC Company Law, the PRC

Accounting Law and other PRC laws, administrative regulations and applicable provisions; (ii) abide by the legal system of the PRC on confidentiality and take necessary measures to implement the confidentiality responsibility, shall not divulge any state secret or the work secrets of state authorities, and shall also comply with laws, administrative regulations and the relevant provisions of the PRC where involved in the overseas provision of personal information and important data. In addition, the Overseas Listing Trial Measures also provides the circumstances where the Overseas Offering and Listing is explicitly prohibited, including: (i) such securities offering and listing is explicitly prohibited by provisions in laws, administrative regulations and relevant state rules; (ii) the Overseas Offering and Listing may endanger national security as reviewed and determined by competent authorities under the State Council in accordance with law; (iii) the PRC domestic enterprise, or its controlling shareholder(s) and the actual controller, have committed relevant crimes such as corruption, bribery, embezzlement, misappropriation of property or undermining the order of the socialist market economy during the latest three years; (iv) the PRC domestic enterprise is currently under investigations for suspicion of criminal offenses or major violations of laws and regulations, and no conclusion has yet been made thereof; or (v) there are material ownership disputes over equity held by the controlling shareholder(s) or by other shareholder(s) that are controlled by the controlling shareholder(s) and/or actual controller.

OVERVIEW

We are one of the leading equipment operation service providers in China, with comprehensive equipment offerings and strong service capacities. According to the F&S Report, we were the largest equipment operation service provider in China in terms of revenue in 2022.

The shares of Far East Horizon, the direct holding company of our Company, have been listed on the Main Board of the Hong Kong Stock Exchange (stock code: 3360) since March 2011. In anticipation of the Listing, our Company was incorporated in the Cayman Islands as an exempted company with limited liability on September 28, 2020. It became the holding company of our Group's operations in October 2020. After completion of the Spin-off and the Listing, our Group will continue to be principally engaged in our already established equipment operation business, providing (i) operating lease services, (ii) engineering and technical services, and (iii) platform and other services; whilst Far East Horizon Group will continue to be principally engaged in (i) financial leasing and advisory services, and (ii) industrial operation and management services, including hospital investment and operation, preschool education and school operation management, trading and brokerage services, etc..

OUR BUSINESS MILESTONES

The following sets out our major business development milestones since our inception and up to the Latest Practicable Date:

Year	Business Milestones
2011	• Shanghai Horizon Equipment & Engineering was established.
	• We commenced providing operating lease services for neo-excavation support system and road equipment.
2012	• We commenced providing operating lease services for aerial work platform.
2013	• Shanghai Hongjin Equipment & Engineering was established.
	• We commenced providing operating lease services for neo-formwork system and electrical power equipment.

Year	Business Milestones
2014	• Shanghai Horizon Equipment & Engineering and Shanghai Hongjin Equipment & Engineering were consolidated into Shanghai Horizon Construction Development.
	• We commenced providing operating lease services for forklift truck. Our four main business lines were established, including (i) neo-excavation support system, (ii) neo-formwork system, (iii) aerial work platform, and (iv) other equipment which consists of road equipment, forklift truck and electrical power equipment.
	• We commenced providing engineering and technical services to customers in the engineering equipment industry.
2016	• We ranked 38th in ACCESS 50 and were the first Chinese enterprise to rank as aerial work platform equipment service provider in the world in ACCESS 50.
	• We commenced providing platform and other services to customers in the engineering equipment industry.
2019	• We were awarded Top Five Brands in the Synthetic Leasing Industry in 2019 by T50 Summit Organization Committee of World Construction Machinery Industry.
2020	• We were awarded Top Ten Brands in the Engineering Equipment Leasing Industry in 2020 by T50 Summit Organization Committee of World Construction Machinery Industry.
	• We ranked sixth in Top 50 Aerial Work Platform Leasing Companies in the World in ACCESS 50 in 2020 which was awarded by one of the world's largest international building information providers – KHL Group.

Year	Business Milestones
2021	• Investments were made in our Company by a group of strategic and pre-IPO investors, including XCMG Construction Machinery Co., Ltd., Zoomlion Heavy Industry Science and Technology Co., Ltd., Hillhouse Capital V, Ltd., Zhejiang Dingli Machinery Co., Ltd., Linyi Lingong Machinery Group Co., Ltd., Terex Corporation and China Merchants Bank Co., Ltd.
	• We ranked fourth in Top 50 Aerial Work Platform Leasing Companies in the World in ACCESS 50 and 24th in IRN World's Top 100 Rental Companies in 2021, each of which was awarded by KHL Group.
2022	• We ranked third in Top 50 Aerial Work Platform Leasing Companies in the World in ACCESS 50 and 14th in IRN World's Top 100 Rental Companies in 2022, each of which was awarded by KHL Group.
	• We ranked first in China Top Ten Mobile Elevating Work Platform ("MEWP") Rental Company in 2022, which was awarded by T50 Summit Organization Committee of World Construction Machinery Industry.
	• Tianjin Horizon Construction Development Leasing was recognised as the Leader of Green Leasing in the China Financial Leasing "Tengfei Award" for the year of 2022, which was awarded by Global Leasing Competitiveness Forum.

OUR CORPORATE DEVELOPMENT

Our Company

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on September 28, 2020, with an initial authorized share capital of US$50,000 divided into 50,000 ordinary shares with par value of US$1.00 per Share. As of the Latest Practicable Date, our authorized share capital was US$100,000 divided into 5,000,000,000 ordinary shares with par value of US$0.00002 per Share, and is directly owned by Far East Horizon, Farsighted Wit Limited, Lanjin Limited and the other Pre-IPO Investors as to 80.95%, 6.23%, 1.07% and 11.74%, respectively. For details of further changes in share capital of our Company since its incorporation, please see "Appendix IV—Statutory and General Information—A. Further information about our Company—2. Change in share capital of our Company" to this Prospectus.

Our Principal Subsidiaries

As of the Latest Practicable Date, our Company's subsidiaries are all wholly-owned subsidiaries. Set out below is the information of our principal subsidiaries:

Tianjin Horizon Construction Development Investment

Tianjin Horizon Construction Development Investment was established in the PRC as a limited liability company on June 20, 2019. Upon establishment, Tianjin Horizon Construction Development Investment had an initial registered capital of US$400,000,000 and was wholly owned by Horizon Construction (HK). The principal business activity of Tianjin Horizon Construction Development Investment is investment holding.

Tianjin Horizon Construction Development Investment has undergone several increases in registered capital since its establishment, while its shareholding structure remained unchanged since its establishment. As of the Latest Practicable Date, Tianjin Horizon Construction Development Investment has a registered capital of US$1,000,000,000 and is a wholly-owned subsidiary of our Company.

Shanghai Horizon Equipment & Engineering

Shanghai Horizon Equipment & Engineering was established in the PRC as a limited liability company on July 13, 2011. Upon establishment, Shanghai Horizon Equipment & Engineering had an initial registered capital of RMB100,000,000 and was wholly owned by Shanghai Donghong Co., Ltd., a wholly-owned subsidiary of Far East Horizon. The principal business activity of Shanghai Horizon Equipment & Engineering is engineering and technical services, equipment operating lease, and maintenance, installation and sale of equipment.

Shanghai Horizon Equipment & Engineering has undergone several transfers of equity interests and increases in registered capital since its establishment. On June 6, 2014, Shanghai Donghong Co., Ltd. transferred its 100% equity interests in Shanghai Horizon Equipment & Engineering to Shanghai Horizon Construction Development at a consideration of RMB202,309,769, which was determined after arm's length negotiation with reference to the net asset value of Shanghai Horizon Equipment & Engineering as at December 31, 2013. As of the Latest Practicable Date, Shanghai Horizon Equipment & Engineering has a registered capital of RMB4,912,984,400 and is a wholly-owned subsidiary of our Company.

Shanghai Hongjin Equipment & Engineering

Shanghai Hongjin Equipment & Engineering was established in the PRC as a limited liability company on August 2, 2013. Upon establishment, Shanghai Hongjin Equipment & Engineering had an initial registered capital of RMB10,000,000 and was owned as to 55% by Shanghai Horizon Equipment & Engineering and 45% by Lanjin Stone. The principal business activity of Shanghai Hongjin Equipment & Engineering is engineering and technical services, equipment operating lease, and maintenance, installation and sale of equipment.

Shanghai Hongjin Equipment & Engineering has undergone several transfers of equity interests and increases in registered capital since its establishment. On May 19, 2014, Shanghai Horizon Equipment & Engineering transferred all of its 55% equity interests in Shanghai Hongjin Equipment & Engineering to Shanghai Horizon Construction Development at a consideration of RMB28,211,988, which was determined after arm's length negotiation with reference to the net asset value of Shanghai Horizon Equipment & Engineering as at December 31, 2013. On April 1, 2020, Lanjin Stone transferred all of its 45% equity interests in Shanghai Hongjin Equipment & Engineering to Shanghai Horizon Construction Development at a consideration of RMB131,000,000, which was determined after arm's length negotiation with reference to the appraised value of total shareholders' equity of Shanghai Hongjin Equipment & Engineering, i.e. RMB291,103,300, pursuant to the valuation report prepared by an independent valuer. As of the Latest Practicable Date, Shanghai Hongjin Equipment & Engineering has a registered capital of RMB600,000,000, and is a wholly-owned subsidiary of our Company.

Guangzhou Hongtu Equipment & Engineering

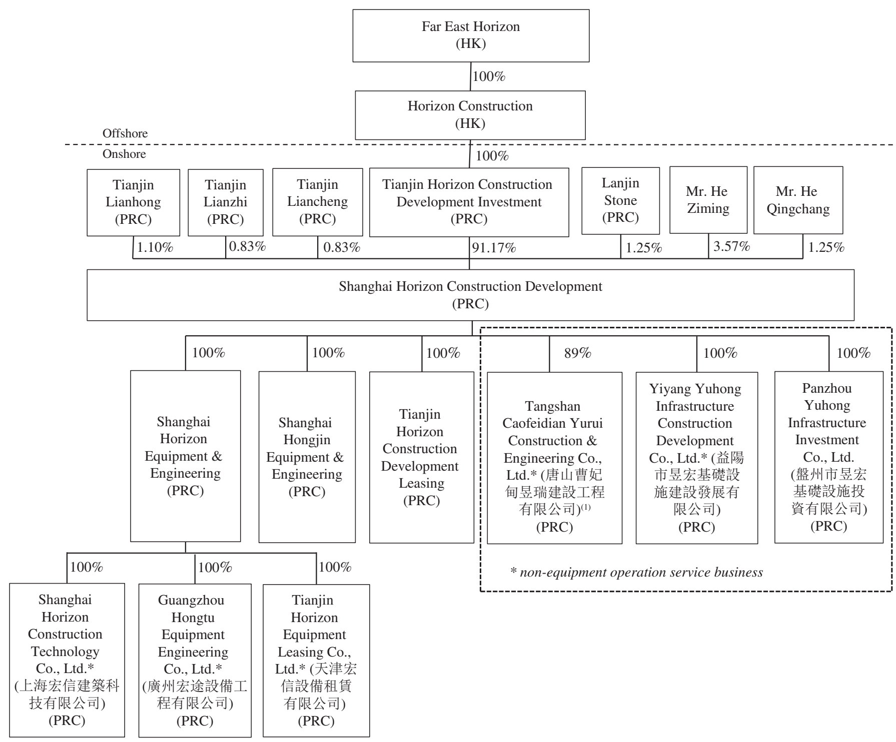
Guangzhou Hongtu Equipment & Engineering was established in the PRC as a limited liability company on March 23, 2015. Upon establishment, Guangzhou Hongtu Equipment & Engineering had an initial registered capital of RMB200,000,000 and was wholly owned by Shanghai Horizon Equipment & Engineering. The principal business activity of Guangzhou Hongtu Equipment & Engineering is engineering and technical services, equipment operating lease, and maintenance, installation and sale of equipment.

Guangzhou Hongtu Equipment & Engineering has undergone several increases in registered capital since its establishment, while its shareholding structure remained unchanged since its establishment. As of the Latest Practicable Date, Guangzhou Hongtu Equipment & Engineering has a registered capital of RMB1,133,220,000 and is a wholly-owned subsidiary of our Company.

REORGANIZATION

In anticipation of our Listing, we underwent the Reorganization pursuant to which our Company became the holding company and listing vehicle of our Group.

The following chart shows the shareholding and corporate structure of our Group before the Reorganization:



Note:

(1) The remaining 10% and 1% equity interest in Tangshan Caofeidian Yurui Construction & Engineering Co., Ltd.* (唐山曹妃甸昱瑞建設工程有限公司) was owned by Tangshan Caofeidian District Urban Construction Investment Group Co., Ltd.* (唐山市曹妃甸區城市建設投資集團有限公司) and China Railway 18th Bureau Group Fifth Engineering Co., Ltd.* (中鐵十八局集團第五工程有限公司), respectively, each of which is an Independent Third Party.

The Reorganization involved the following major steps:

1. Incorporation of our Company

On September 28, 2020, our Company was incorporated as an exempted company with limited liability in the Cayman Islands with an authorized share capital of US$50,000 divided into 50,000 Shares with par value of US$1.00 per Share. Upon incorporation, one Share of US$1.00 was allotted and issued as fully paid at par value to an Independent Third Party, and then transferred to Far East Horizon on the same day. Our Company became a direct wholly-owned subsidiary of Far East Horizon.

2. Transfers of Equity Interests in Shanghai Horizon Construction Development to Tianjin Horizon Construction Development Investment

On September 7, 2020, each of (i) Mr. He Ziming, (ii) Mr. He Qingchang, (iii) Lanjin Stone, (iv) Tianjin Lianhong, (v) Tianjin Lianzhi and (vi) Tianjin Liancheng (the "**Shanghai Horizon Construction Development Investors**") entered into an equity transfer agreement with Tianjin Horizon Construction Development Investment and Shanghai Horizon Construction Development, pursuant to which Mr. He Ziming, Mr. He Qingchang, Lanjin Stone, Tianjin Lianhong, Tianjin Lianzhi and Tianjin Liancheng agreed to transfer 3.57%, 1.25%, 1.25%, 1.10%, 0.83% and 0.83% equity interests in Shanghai Horizon Construction Development to Tianjin Horizon Construction Development Investment at the consideration of RMB142,800,000, RMB50,000,000, RMB50,000,000, RMB44,160,000, RMB33,120,000 and RMB33,120,000, respectively. The consideration was determined based on arm's length negotiations with reference to the net asset value of Shanghai Horizon Construction Development as at December 31, 2019 of RMB2,264,000,000, and the capital injections of RMB1,736,000,000 in March 2020. As of November 5, 2020, all the consideration had been settled.

Upon completion of such transfers and as of the Latest Practicable Date, Shanghai Horizon Construction Development is a direct wholly-owned subsidiary of Tianjin Horizon Construction Development Investment.

3. Exclusion of Non-equipment Operation Business

Immediately before the commencement of the Reorganization, Shanghai Horizon Construction Development controlled certain companies engaging in non-equipment operation service business within the corporate structure of our Group. These companies include Yiyang Yuhong Infrastructure Construction Development Co., Ltd.* (益陽市昱宏基礎設施建設發展有限公司) ("**Yiyang Yuhong**"), Tangshan Caofeidian Yurui Construction Engineering Co., Ltd.* (唐山曹妃甸昱瑞建設工程有限公司) ("**Tangshan Caofeidian**") and Panzhou Yuhong Infrastructure Investment Co., Ltd.* (盤州市昱宏基礎設施投資有限公司) ("**Panzhou Yuhong**", together with Yiyang Yuhong and Tangshan Caofeidian, the "**Excluded Businesses**"), which are project companies and principally engaged in the investment of infrastructure PPP projects.

In order to focus on the core business as an equipment operation service provider, Shanghai Horizon Construction Development has disposed of the Excluded Businesses, namely, (i) 100% equity interest in Yiyang Yuhong to Shanghai Hongxin Construction Investment Co., Ltd.* (上海宏信建設投資有限公司) ("**Shanghai Hongxin Construction Investment**"), a subsidiary of Far East Horizon, at a consideration of RMB38,475,217.08, which was determined based on the appraised net asset value of RMB38,475,217.08 pursuant to the valuation report prepared by Shanghai Qianyi Assets Appraisal Co., Ltd.* (上海仟一資產評估有限公司), an independent valuer, and had been fully settled as of

October 12, 2020; (ii) 100% equity interest in Panzhou Yuhong to Shanghai Hongxin Construction Investment at a consideration of RMB86,879,632.90, which was determined based on the appraised net asset value of RMB86,879,632.90 pursuant to the valuation report prepared by Shanghai Qianyi Assets Appraisal Co., Ltd.* (上海仟一資產評估有限公司), an independent valuer, and had been fully settled as of October 12, 2020; and (iii) 89% equity interest in Tangshan Caofeidian to Shanghai Hongxin Construction Investment at a consideration of RMB34,176,100.00, which was determined based on the paid-up registered capital by Shanghai Horizon Construction Development of RMB34,176,100.00, and had been fully settled as of March 29, 2021. Upon completion of such disposals and as of the Latest Practicable Date, each of Yiyang Yuhong, Tangshan Caofeidian and Panzhou Yuhong ceased to be our subsidiary and its respective financial results has been de-consolidated from that of our Group.

There was no sharing of personnel, resources or facilities between our Group and the Excluded Businesses during the Track Record Period. To the best knowledge of our Directors, the disposals of the Excluded Businesses have not had and will not have any material impact on the operation and financial position of our Group. Our Directors also confirm that each of Yiyang Yuhong, Tangshan Caofeidian and Panzhou Yuhong has not been the subject of any material non-compliance, claims, litigation or legal proceedings (whether actual or threatened) which could have a material adverse effect on our business, financial condition or results of operations during the Track Record Period and up to the Latest Practicable Date.

4. Allotment and Issue of Shares to Far East Horizon

The following transactions were effected to consolidate Tianjin Horizon Construction Development Investment and its subsidiaries into our Group.

On October 23, 2020, our Company and Far East Horizon entered into a contribution agreement, pursuant to which Far East Horizon transferred the entire issued share capital of Horizon Construction (HK) (formerly known as Jinsheng Construction (Hong Kong) Limited) to our Company for a consideration of one Share issued by our Company. The consideration was determined based on arm's length negotiations with reference to the paid-up capital of Horizon Construction (HK). As of October 23, 2020, two Shares had been allotted and issued to Far East Horizon. Upon completion of such transfer, Horizon Construction (HK) became a direct wholly-owned subsidiary of our Company.

As of December 17, 2020, Far East Horizon had provided to Horizon Construction (HK) shareholder loans in the principal sum of RMB3,746,001,000 (being converted to US$564,913,966.01 at the fixed rate of RMB6.6311=US$1.00) pursuant to the shareholder loan agreements entered into between them. On December 17, 2020, our Company, Far East Horizon and Horizon Construction (HK) entered into a novation deed, pursuant to which Far East Horizon transferred, and our Company accepted the transfer of Far East Horizon's rights and obligations under such shareholder loan agreements in consideration of a shareholder loan provided by Far East Horizon to our Company in an amount equal to US$564,913,966.01.

On December 17, 2020, our Company and Far East Horizon entered into a subscription deed, pursuant to which Far East Horizon capitalized part of the shareholder loan in the amount of RMB3,392,800,000 (being converted to US$511,649,650.92 at the fixed rate of RMB6.6311=US$1.00) and our Company allotted and issued 36,466 Shares to Far East Horizon. The consideration was determined based on arm's length negotiations with reference to the capital contribution made by Far East Horizon to Tianjin Horizon Construction Development Investment before the Reorganization and had been settled as of December 17, 2020. As of December 17, 2020, 36,468 Shares had been allotted and issued to Far East Horizon. As of the Latest Practicable Date, the outstanding shareholder loan in the amount of RMB353,201,000 has been fully repaid by our Company to Far East Horizon.

Upon completion of the allotment and issue of Shares above, our Company remained as a direct wholly-owned subsidiary of Far East Horizon.

5. Allotment and Issue of Shares to Farsighted Wit Limited

We had been in negotiations with the Shanghai Horizon Construction Development Investors, to acquire their minority interests in Shanghai Horizon Construction Development as part of the Reorganization, while also offering them the opportunity to continue their investment in our Group through an investment in our Company. The Shanghai Horizon Construction Development Investors decided to continue their investment in our Group through Farsighted Wit Limited. For more details of the shareholding of Farsighted Wit Limited, please refer to "— Shareholding and Corporate Structure".

On December 18, 2020, our Company and Farsighted Wit Limited entered into a subscription agreement, pursuant to which our Company allotted and issued 3,532 Shares to Farsighted Wit Limited with reference to the proportion of the original shareholdings of the Shanghai Horizon Construction Development Investors in Shanghai Horizon Construction Development at an aggregate subscription price of US$53,264,164.32 (equivalent to RMB353,200,000). The consideration was determined based on arm's length negotiation with reference to the net asset value of Shanghai Horizon Construction Development as at December 31, 2019 of RMB2,264,000,000, and the capital injections of RMB1,736,000,000 in March 2020 and had been settled as of December 18, 2020.

Upon completion of the allotment and issue of Shares above, our Company was owned as to 91.17% by Far East Horizon and 8.83% by Farsighted Wit Limited.

6. Capital Increase in our Company by Far East Horizon and Lanjin Limited

On December 19, 2020, our Company, Far East Horizon and Lanjin Limited, entered into a subscription agreement, pursuant to which our Company allotted and issued 9,393 Shares and 607 Shares to Far East Horizon and Lanjin Limited at an aggregate subscription price of US$141,650,706.53 and US$9,153,835.71, respectively. The consideration was determined based on arm's length negotiation with reference to the net asset value of Shanghai Horizon Construction Development for the year ended December 31, 2019 of RMB2,264,000,000, the capital injections of RMB1,736,000,000 in March 2020 and had been settled as of December 19, 2020. For details of the subscription made by Lanjin Limited, please refer to "—Pre-IPO Investments".

Upon completion of the allotment and issue of Shares above, our Company was owned as to 91.72%, 7.06% and 1.21% by Far East Horizon, Farsighted Wit Limited and Lanjin Limited, respectively.

PRC REGULATORY REQUIREMENTS

Our PRC Legal Advisers have confirmed that save for the registration with Administration for Market Regulation in Caofeidian District, Tangshan City* (唐山曹妃甸市場監督管理局) for the disposal of Tangshan Caofeidian which is ceased to be our subsidiary and its respective financial results has been de-consolidated from that of our Group, which we expect to complete in September 2023, all requisite government approvals under the PRC laws and regulations have been obtained and all the necessary filings and registrations with the governmental authorities have been effected.

PRE-IPO INVESTMENTS

1. Overview

Our Company had introduced the Pre-IPO Investors primarily through capital increase in Shanghai Horizon Construction Development and investments in our Company during the period from March 2020 to May 2021.

1.1 Capital Increase in Shanghai Horizon Construction Development in 2020

On March 27, 2020, the Shanghai Horizon Construction Development Investors entered into a capital increase agreement with Tianjin Horizon Construction Development Investment and Shanghai Horizon Construction Development, pursuant to which the Shanghai Horizon Construction Development Investors agreed to make capital contributions to Shanghai Horizon Construction Development in the aggregate amount of RMB353,200,000. Upon completion of the capital increase in June 2020, Shanghai Horizon Construction Development was owned as to 8.83% by the Shanghai Horizon Construction Development Investors. Such consideration was determined after arm' length negotiations with the Shanghai Horizon Construction Development Investors on normal commercial terms with reference to the net asset value of Shanghai Horizon Construction Development as at December 31, 2019 of RMB2,264,000,000.

Details of the capital increase are set out below:

Investors	Mr. He Ziming	Mr. He Qingchang	Lanjin Stone	Tianjin Lianhong	Tianjin Lianzhi	Tianjin Liancheng
Date of agreement	March 27, 2020					
Consideration	RMB142,800,000	RMB50,000,000	RMB50,000,000	RMB44,160,000	RMB33,120,000	RMB33,120,000
Date of settlement of consideration	June 24, 2020	June 24, 2020	June 24, 2020	June 24, 2020	June 29, 2020	June 28, 2020
Equity interest being acquired	3.57% equity interests in Shanghai Horizon Construction Development	1.25% equity interests in Shanghai Horizon Construction Development	1.25% equity interests in Shanghai Horizon Construction Development	1.10% equity interests in Shanghai Horizon Construction Development	0.83% equity interests in Shanghai Horizon Construction Development	0.83% equity interests in Shanghai Horizon Construction Development
Cost per Share[1] and discount to the Offer Price[2]	RMB2.00 (approximately HK$2.27) per Share, representing a discount of 51.3% to the Offer Price.					
Use of proceeds	All proceeds had been fully used for procurement of equipment, replenishment of working capital and repayment of loans.					
Strategic benefits to our Company	The Shanghai Horizon Construction Development Investors were ultimately its key employees, including but not limited to management team members and key business personnel. The Pre-IPO Investment enabled Shanghai Horizon Construction Development to share its interests with the key employees by providing them with opportunities to invest in it, which helped retain the key employees for continual operation and attract suitable personnel for further development of Shanghai Horizon Construction Development, so as to maintain its competitiveness in the industry in a long term.					

Notes:

1. The approximate cost per Share is calculated based on the amount of consideration paid by each Pre-IPO Investor divided by the number of Shares to be held by it upon Listing (assuming the Over-allotment Option is not exercised).

2. The discount to the Offer Price is calculated based on the assumption that the Offer Price is HK$4.66 per Share, being the mid-point of the indicative Offer Price range of HK$4.52 to HK$4.80.

As part of the Reorganization, the Shanghai Horizon Construction Development Investors transferred their minority interests in Shanghai Horizon Construction Development to Tianjin Horizon Construction Development Investment, and continued their investments in our Group through Farsighted Wit Limited with reference to the proportion of their original shareholdings in Shanghai Horizon Construction Development. For more details, please refer to "—Reorganization". Immediately upon completion of the Global Offering, the Shanghai Horizon Construction Development Investors will, through Farsighted Wit Limited, hold 5.52% of the total issued share capital of our Company (assuming the Over-allotment Option is not exercised).

1.2 Investment in our Company in 2020

On December 19, 2020, Lanjin Limited entered into a subscription agreement with our Company and Far East Horizon, pursuant to which Lanjin Limited agreed to subscribe for 607 Shares at a total consideration of US$9,153,835.71. Such consideration was determined after arm' length negotiations on normal commercial terms with reference to the net asset value of Shanghai Horizon Construction Development as at December 31, 2019 of RMB2,264,000,000 and the capital injections of RMB1,736,000,000 in March 2020.

Details of the investment are set out below:

Investor	Lanjin Limited
Date of agreement	December 19, 2020
Consideration	US$9,153,835.71
Date of settlement of consideration	December 19, 2020
Number of Shares subscribed for	607 Shares
Cost per Share[1] and discount to the Offer Price[2]	US$0.30 (approximately HK$2.35) per Share, representing a discount of 49.6% to the Offer Price.
Use of proceeds	All proceeds had been used for procurement of equipment, replenishment of working capital and repayment of loans as at the Latest Practicable Date.
Strategic benefits to our Company	Mr. He Ziming is a seasoned industry participant with more than 15 years of experience and high reputation in the operating leasing industry. Our Directors believe that we have benefited from Mr. He Ziming's relevant management experience, industry knowledge, market insights and professional advice in such industry. Going forward, we also believe we may be able to leverage his extensive experience in the engineering industry as founder of Lanjin Stone and coupled with his personal network in exploring business cooperation opportunities with real estate developers and engineering construction companies.

Shareholding in our Company upon completion of the Pre-IPO Investment	1.21%
Shareholding in our Company upon Listing (assuming the Over-allotment Option is not exercised)	0.95%

Notes:

1. The approximate cost per Share is calculated based on the amount of consideration paid by the Pre-IPO Investor divided by the number of Shares to be held by it upon Listing (assuming the Over-allotment Option is not exercised).

2. The discount to the Offer Price is calculated based on the assumption that the Offer Price is HK$4.66 per Share, being the mid-point of the indicative Offer Price range of HK$4.52 to HK$4.80.

1.3 Investments in our Company in 2021

On April 16, 2021, each of (i) Xuzhou XCMG Huijin M&A Industry Fund (L.P.), (ii) Zoomlion International Trading (H.K.) Co., Limited, (iii) GSPR Holdings Limited, (iv) Zhejiang Dingli Machinery Co., Ltd., (v) LGMG International Limited, (vi) Terex International Holdings 2 Limited and (vii) Thrive Accomplish Limited entered into a share purchase agreement with our Company and certain of our subsidiaries, respectively, pursuant to which these aforementioned Pre-IPO Investors agreed to subscribe for an aggregate of 6,651 Shares at a total consideration of US$204,910,326.45. Such consideration was determined after arm's length negotiations with the aforementioned Pre-IPO Investors on normal commercial terms having taken into account various factors, including (i) the financial performance of our Group up to December 31, 2020, i.e. we recorded net asset value of RMB5,301.7 million as at December 31, 2020; and our revenue and net profit amounted to RMB3,663.6 million and RMB493.4 million for the year ended December 31, 2020, respectively; (ii) the growth prospects of our Group, which is supported by the significant increase in equipment volume of steel support system, ringlock scaffold and aerial work platform, and the expansion of service outlets and coverage cities; (iii) the investment risks assumed by these Pre-IPO Investors of investing in a company which was yet to be listed, including but not limited to, the lack of liquidity and open market for trading in our Shares and no guarantee in receiving dividend during the period from the completion of the Pre-IPO Investment to the completion of the Global Offering; (iv) the potential contributions and strategic benefits expected to be brought about by these Pre-IPO Investors to our Company as detailed in the table below; and (v) the six-months lock-up undertaking given by these Pre-IPO Investors commencing from and inclusive of the Listing Date.

Details of the investments are set out below:

Investors	**Xuzhou XCMG Huijin M&A Industry Fund (L.P.)**	**Zoomlion International Trading (H.K.) Co., Limited**	**GSPR Holdings Limited**	**Zhejiang Dingli Machinery Co., Ltd.**	**LGMG International Limited**	**Terex International Holdings 2 Limited**	**Thrive Accomplish Limited**
Date of agreement	April 16, 2021						
Consideration	US$94,983,992.85	US$29,977,108.35	US$19,995,008.55	US$19,995,008.55	US$19,995,008.55	US$9,982,099.80	US$9,982,099.80
Date of settlement of consideration	April 29, 2021	April 26, 2021	May 10, 2021	April 29, 2021	April 29, 2021	May 3, 2021	April 28, 2021
Number of Shares subscribed for	3,083	973	649	649	649	324	324
Cost per Share[1] and premium to the Offer Price[2]	US$0.62 (approximately HK$4.87) per Share, representing a premium of 4.5% to the Offer Price.						
Use of proceeds	All proceeds had been used for procurement of equipment and replenishment of working capital as at the Latest Practicable Date.						
Strategic benefits to our Company	The Pre-IPO Investment demonstrated the Pre-IPO Investors' confidence in the operations of our Group and served as an endorsement of our Group's performance, strength and prospects, which can assist us in broadening our Shareholder base. It also replenished the capital, and improved the capital structure of our Company. Our Directors believe that our Group may benefit from the market insights and business exploration opportunities to be brought by the leading industrial enterprises leveraging their business network and industrial experience, as well as the value added to our corporate profile brought by the renowned institutional investors. We subsequently entered into a strategic cooperation agreement with CMB Financial Leasing Co., Ltd., a wholly-owned subsidiary of China Merchants Bank Co., Ltd., to deepen our cooperation in operating lease and entrusted asset operation, etc. China Merchants Bank Co., Ltd is the ultimate beneficial owner of Thrive Accomplish Limited. For more details, please refer to "—Information about the Pre-IPO Investors".						
Shareholding in our Company upon completion of the Pre-IPO Investments	5.44%	1.72%	1.15%	1.15%	1.15%	0.57%	0.57%
Shareholding in our Company for the Pre-IPO Investments upon Listing (assuming the Over-allotment Option is not exercised)	4.82%	1.52%	1.01%	1.01%	1.01%	0.51%	0.51%

Notes:

1 The approximate cost per Share is calculated based on the amount of consideration paid by each Pre-IPO Investor divided by the number of Shares to be held by it upon Listing (assuming the Over-allotment Option is not exercised).

2 The premium to the Offer Price is calculated based on the assumption that the Offer Price is HK$4.66 per Share, being the mid-point of the indicative Offer Price range of HK$4.52 to HK$4.80.

Taking into account that the Pre-IPO Investments were completed before the Offer Price and the market capitalization of our Company were determined for the purpose of Listing and such investments were considered long term investments, as well as the risks and restrictions borne by the Pre-IPO Investors, the expected market capitalization of our Group upon Listing was not factored into the determination of the considerations for the Pre-IPO Investments. Therefore, there is a difference between the valuation of our Group at the time of the Pre-IPO Investments and that upon completion of the Global Offering, which resulted in the respective discount of 49.6%, discount of 51.3% and premium of 4.5% to the mid-point of the Offer Price range. Such discounts reflect the differences in position between the Pre-IPO Investors and the investors of the Global Offering.

2. Special Rights

Certain Pre-IPO Investors had been granted the following special rights relating to our Company, none of which shall survive the Listing:

(1) Director nomination right: Xuzhou XCMG Huijin M&A Industry Fund (L.P.) has the right to nominate one Director so long as its investment amount in our Company exceeds US$94,900,000. Mr. Yang Dongsheng (楊東升先生, "**Mr. Yang**"), who was nominated by Xuzhou XCMG Huijin M&A Industry Fund (L.P.) and appointed as our non-executive Director and a member of the Audit Committee on May 28, 2021, has resigned as our non-executive Director and a member of the Audit Committee on August 4, 2022 due to other work arrangement. Each of our Company and Mr. Yang confirmed that there was no disagreement between Mr. Yang, on one hand, and our Company, our Board and the management, on the other hand, and there were no matters in relation to Mr. Yang's resignation that needed to be brought to the attention of the Stock Exchange or our Shareholders. As of the Latest Practicable Date, Xuzhou XCMG Huijin M&A Industry Fund (L.P.) has nominated and our Company has appointed Mr. Li Qianjin as our non-executive Director; and

(2) Redemption right: If the initial public offering of our Shares on the Stock Exchange or another recognized international securities exchange does not take place within 36 months after closing, each of (i) Xuzhou XCMG Huijin M&A Industry Fund (L.P.), (ii) Zoomlion International Trading (H.K.) Co., Limited, (iii) GSPR Holdings Limited, (iv) Zhejiang Dingli Machinery Co., Ltd., (v) LGMG International Limited, (vi) Terex International Holdings 2 Limited and (vii) Thrive Accomplish Limited has the right to require our Company to redeem all or part of the then outstanding Shares held by it at a specified redemption price.

3. Lock-up Period and Public Float

Subject to the terms of their Pre-IPO Investments, each of (i) Xuzhou XCMG Huijin M&A Industry Fund (L.P.), (ii) Zoomlion International Trading (H.K.) Co., Limited, (iii) GSPR Holdings Limited, (iv) Zhejiang Dingli Machinery Co., Ltd., (v) LGMG International Limited, (vi) Terex International Holdings 2 Limited and (vii) Thrive Accomplish Limited shall not dispose of any Shares held by them at any time during the period of six months commencing from and inclusive of the Listing Date. Notwithstanding that it is not required by the Listing Rules, Lanjin Limited voluntarily entered into a contractual lock-up undertaking not to dispose of any Shares held by it at any time during the period of six months commencing from and inclusive the Listing Date. Taking into account of (i) the lock-up undertakings by the abovementioned Pre-IPO Investors, (ii) the lock-up undertakings by our Controlling Shareholders as required by the Listing Rules, and (iii) the lock-up restrictions on our Cornerstone Investors' investment as set out in the section headed "Cornerstone Investors", it is expected that approximately 3.78% (calculated based on an Offer Price of HK$4.52 per Share, being the low-end of the indicative Offer Price range) or 4.23% (calculated based on an Offer Price of HK$4.80 per Share, being the high-end of the indicative Offer Price range) of the issued share capital of our Company will not be subject to any lock-up arrangement upon Listing, assuming the Over-allotment Option is not exercised.

Apart from the Shares held by Farsighted Wit Limited and Lanjin Limited, the Shares held by other Pre-IPO Investors will be counted towards the public float of our Company upon completion of the Global Offering. We have applied to the Stock Exchange to request the Stock Exchange to exercise its discretion under Rule 8.08(1)(d) of the Listing Rules and the Stock Exchange has granted our Company a waiver from strict compliance with the requirements of Rule 8.08(1)(a) of the Listing Rules, pursuant to which the public float of our Company may fall below 25% of the issued share capital of our Company. For details of the relevant waiver, please refer to the section headed "Waivers from Strict Compliance with the Listing Rules – Waiver in Relation to Public Float Requirements". It is expected that our Company will have a public float of approximately 21.80% of the Shares upon Listing (assuming the Over-allotment Option is not exercised).

4. Information about the Pre-IPO Investors

Mr. He Ziming is a non-executive Director of our Company.

Mr. He Qingchang is the son of Mr. He Ziming.

Lanjin Stone is a company established in the PRC with limited liability and is principally engaged in production and sales of stone. Lanjin Stone is wholly owned by Mr. He Ziming, a non-executive Director of our Company.

Tianjin Lianhong is a limited partnership established in the PRC and is principally engaged in enterprise management and consulting services. The general partner of Tianjin Lianhong is Tianjin Jianlian Enterprise Management Co., Ltd* (天津建聯企業管理有限公

司) ("**Tianjin Jianlian**"), which is owned as to 40%, 30% and 30% by Mr. Pan Yang (an executive Director of our Company), Mr. Tang Li (an executive Director of our Company) and Mr. Yu Guang (the chief operational officer of our Company), respectively, and owns 0.03% partnership interest in Tianjin Lianhong. The limited partners of Tianjin Lianhong consist of (i) Mr. Pan Yang, who owns approximately 21.47% partnership interest in Tianjin Lianhong as limited partner, and (ii) the other 34 employees of Shanghai Horizon Construction Development, each holding less than 10% partnership interest in Tianjin Lianhong as limited partner.

Tianjin Lianzhi is a limited partnership established in the PRC and is principally engaged in enterprise management and consulting services. The general partner of Tianjin Lianzhi is Tianjin Jianlian, which owns 0.03% partnership interest in Tianjin Lianzhi. The limited partners of Tianjin Lianzhi consist of (i) Mr. Pan Yang, who owns 15.09% partnership interest in Tianjin Lianzhi as limited partner, (ii) Mr. Tang Li, who owns 9.06% partnership interest in Tianjin Lianzhi as limited partner, (iii) Mr. He Qingchang, who owns 11.47% partnership interest in Tianjin Lianzhi as limited partner, (iv) Mr. Dong Sijun (an employee of Shanghai Horizon Construction Development), who owns 11.47% partnership interest in Tianjin Lianzhi as limited partner, and (v) the other 31 employees of Shanghai Horizon Construction Development, each holding less than 10% partnership interest in Tianjin Lianzhi as limited partner.

Tianjin Liancheng is a limited partnership established in the PRC and is principally engaged in enterprise management and consulting services. The general partner of Tianjin Liancheng is Tianjin Jianlian, which owns 0.03% partnership interest in Tianjin Liancheng. The limited partners of Tianjin Liancheng consist of (i) Mr. Pan Yang, who owns 15.09% partnership interest in Tianjin Liancheng as limited partner, (ii) Mr. Yu Guang, who owns 15.09% partnership interest in Tianjin Liancheng as limited partner, (iii) Mr. Quan Jianghui (an employee of Shanghai Horizon Construction Development), who owns 11.47% partnership interest in Tianjin Liancheng as limited partner, and (iv) the other 40 employees of Shanghai Horizon Construction Development, each holding less than 10% partnership interest in Tianjin Liancheng as limited partner.

Lanjin Limited is an investment holding company established in the BVI and is wholly owned by Ms. Liu Lifang, the spouse of Mr. He Ziming.

Xuzhou XCMG Huijin M&A Industry Fund (L.P.) is a limited partnership established in the PRC and is principally engaged in equity investment, investment management and asset management. The general partner of Xuzhou XCMG Huijin M&A Industry Fund (L.P.) is Xuzhou XCMG Rongchuang Enterprise Management Co., Ltd.. With respect to the limited partner interest, Xuzhou XCMG Huijin M&A Industry Fund (L.P.) is owned as to approximately 50.95% by XCMG Construction Machinery Co., Ltd., the A shares of which are listed on the Shenzhen Stock Exchange under stock code 000425, and approximately 46.95% by Shanghai Chixin Investment Co., Ltd. (a company ultimately controlled by Mr. Xie Zhikun). Our Company became acquainted with XCMG Construction Machinery Co., Ltd. through the business network of our Group.

Zoomlion International Trading (H.K.) Co., Limited is a company established in Hong Kong with limited liability and is principally engaged in international trade. It is an indirect wholly-owned subsidiary of Zoomlion Heavy Industry Science and Technology Co., Ltd., the H shares of which are listed on the Hong Kong Stock Exchange under stock code 1157 and the A shares of which are listed on the Shenzhen Stock Exchange under stock code 000157, which is principally engaged in the research, development, manufacturing, sales and services of engineering machineries and agricultural machineries. A subsidiary of Zoomlion Heavy Industry Science and Technology Co., Ltd. was among our top five suppliers in 2022 and primarily supplied aerial work platforms to us.

GSPR Holdings Limited is a company established in Cayman Islands with limited liability and is principally engaged in investment management. It is a wholly-owned subsidiary of Hillhouse Capital V, Ltd. Each of the shareholders holds less than 10% equity interests in Hillhouse Capital V, Ltd. Our Company became acquainted with Hillhouse Capital V, Ltd. through introduction by our Controlling Shareholder, Far East Horizon.

Zhejiang Dingli Machinery Co., Ltd. is a company established in the PRC with limited liability and is principally engaged in the research and development, manufacturing, sales and services of various intelligent aerial work platforms, the A shares of which are listed on the Shanghai Stock Exchange under stock code 603338. Zhejiang Dingli Machinery Co., Ltd. was among our top five suppliers during the Track Record Period and primarily supplied aerial work platforms to us.

LGMG International Limited is a company established in Hong Kong with limited liability and is principally engaged in investment management. It is an indirect wholly-owned subsidiary of Linyi Lingong Machinery Group Co., Ltd., which is controlled as to approximately 88.39% by Mr. Wang Zhizhong. Save for the above, each of the other shareholders controls less than 10% equity interests in Linyi Lingong Machinery Group Co., Ltd. Linyi Lingong Machinery Group Co., Ltd. was among our top five suppliers since 2020 and primarily supplied aerial work platforms to us.

Terex International Holdings 2 Limited is a company established in the United Kingdom and is principally engaged in investment management. It is an indirect wholly-owned subsidiary of Terex Corporation, the shares of which are listed on the New York Stock Exchange under stock code TEX, which is a global manufacturer of lifting and material processing products and services. Terex Corporation was among our top five suppliers during the Track Record Period and primarily supplied aerial work platforms to us.

Thrive Accomplish Limited is a company established in BVI with limited liability and is principally engaged in investment management. It is an indirect wholly-owned subsidiary of China Merchants Bank Co., Ltd., the H shares of which are listed on the Hong Kong Stock Exchange under stock code 3968 and the A shares of which are listed on the Shanghai Stock Exchange under stock code 600036. Our Company became acquainted with China Merchants Bank Co., Ltd. through introduction by our Controlling Shareholder, Far East Horizon.

Each of Mr. He Ziming, Mr. He Qingchang, Lanjin Stone, Tianjin Lianhong, Tianjin Lianzhi, Tianjin Liancheng and Lanjin Limited is our connected person upon Listing. To the best of our Directors' knowledge, information and belief having made all reasonable enquiries, all other Pre-IPO Investors are Independent Third Parties.

5. Compliance with Interim Guidance and Guidance Letters

The Joint Sponsors have confirmed that the Pre-IPO Investments are in compliance with the Interim Guidance Letter HKEx-GL29-12 issued by the Hong Kong Stock Exchange in January 2012 and updated in March 2017, the Guidance Letter HKEx-GL43-12 issued by the Hong Kong Stock Exchange in October 2012 and updated in July 2013 and March 2017, and the Guidance Letter HKEx-GL44-12 issued by the Hong Kong Stock Exchange in October 2012 and updated in March 2017.

INCREASE IN AUTHORIZED SHARE CAPITAL

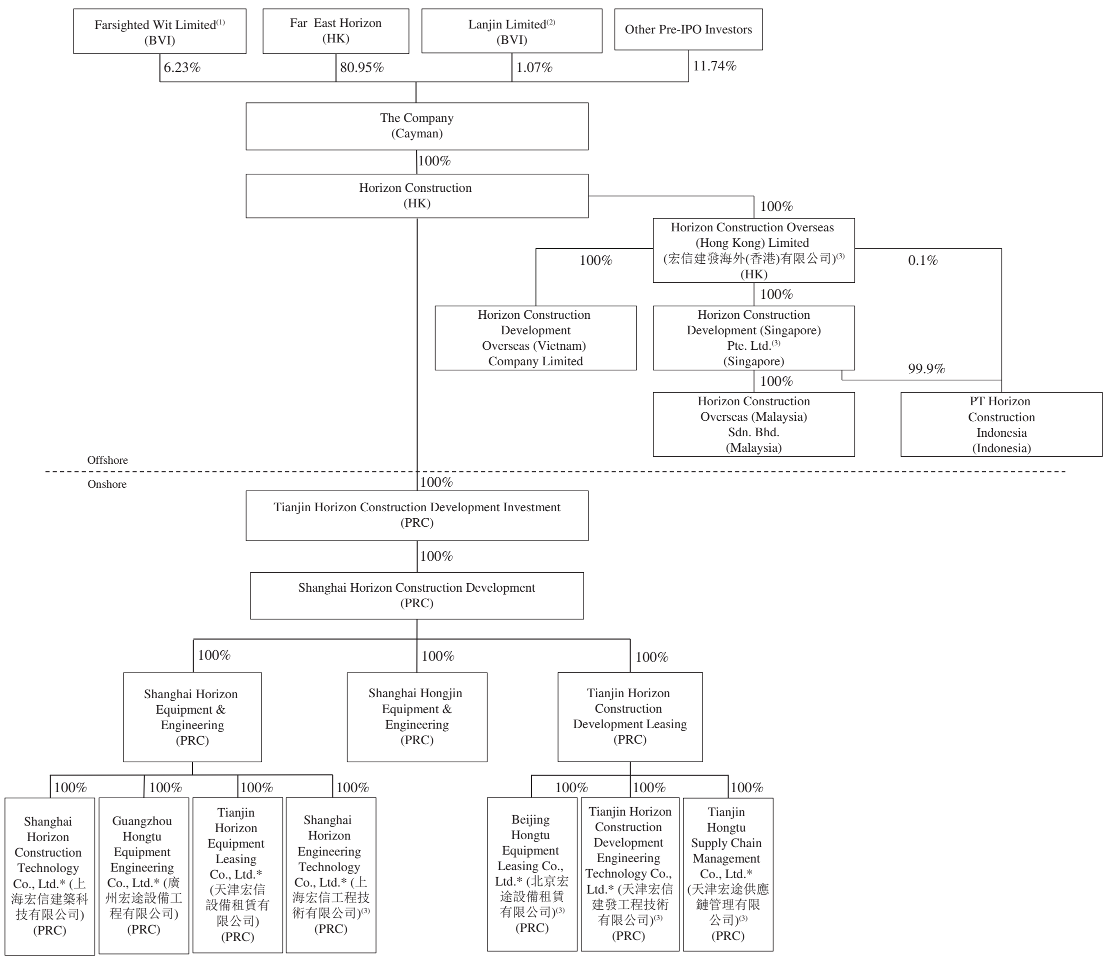
On March 11, 2021, our Company increased its authorized share capital to US$100,000.00 by the creation of 50,000 additional Shares.

SHARE SUBDIVISION

Pursuant to the written resolution of our Shareholders passed on November 12, 2021, each of our issued and unissued shares of US$1.00 each was subdivided into 50,000 Shares of US$0.00002 each.

SHAREHOLDING AND CORPORATE STRUCTURE

The following chart shows the shareholding and corporate structure of our Group after the Reorganization and the Pre-IPO Investments and immediately before the completion of the Global Offering:



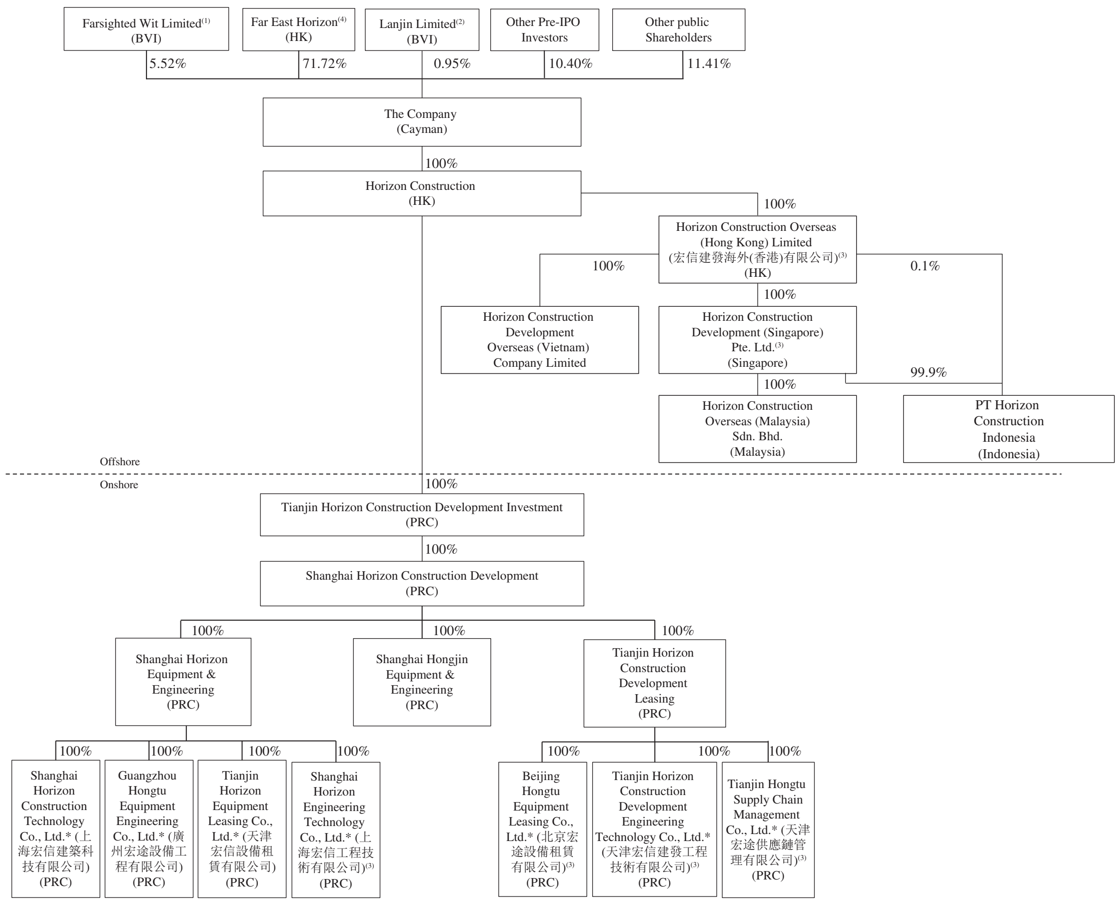
Notes:

(1) Farsighted Wit Limited was incorporated in BVI as an exempted company with limited liability on August 14, 2020, which is wholly owned by Tianjin Hongjian Enterprise Management Consulting Center (Limited Partnership)* (天津宏建企業管理諮詢中心(有限合夥)) ("**Tianjin Hongjian**"). Tianjin Hongjian is controlled by Tianjin Hongsheng Leasing Co., Ltd.* (天津宏聖租賃有限公司) ("**Tianjin Hongsheng**"), a wholly-owned subsidiary of Far East Horizon, as general partner, and owned as to 68.72%, 7.87%, 9.37%, 9.37% and 4.66% by Tianjin Lanjin Enterprise Management Consulting Center (Limited Partnership)* (天津藍金企業管理諮詢中心(有限合夥)) ("**Tianjin Lanjin**"), Tianjin Lianhong, Tianjin Lianzhi, Tianjin Liancheng and Tianjin Hongsheng, respectively. Among them, (i) Tianjin Lanjin is controlled by Tianjin Hongsheng as general partner, and owned as to approximately 58.79%, 20.58%, 20.58% and 0.04% by Mr. He Ziming, Mr. He Qingchang, Lanjin Stone and Tianjin Hongsheng, respectively; (ii) Lanjin Stone is 100% owned by Mr. He Ziming; (iii) Mr. He Qingchang is the son of Mr. He Ziming; and (iv) Mr. He Ziming is a non-executive Director of our Company.

(2) Lanjin Limited was incorporated in BVI as an exempted company with limited liability, which is 100% owned by Ms. Liu Lifang, the spouse of Mr. He Ziming.

(3) Shanghai Horizon Engineering Technology Co., Ltd.* (上海宏信工程技術有限公司), Beijing Hongtu Equipment Leasing Co., Ltd.* (北京宏途設備租賃有限公司), Tianjin Horizon Construction Development Engineering Technology Co., Ltd.* (天津宏信建發工程技術有限公司), Tianjin Hongtu Supply Chain Management Co., Ltd.* (天津宏途供應鏈管理有限公司), Horizon Construction Overseas (Hong Kong) Limited (宏信建發海外(香港)有限公司), Horizon Construction Development (Singapore) Pte. Ltd., Horizon Construction Overseas (Malaysia) Sdn. Bhd., PT Horizon Construction Indonesia and Horizon Construction Development Overseas (Vietnam) Company Limited were incorporated since the Reorganization; Hebei Hongjin Mould Base Technology Co., Ltd.* (河北宏金模架科技有限公司), which was incorporated since the Reorganization, was deregistered on December 30, 2022 due to our business development strategy adjustment.

The following chart shows the shareholding and corporate structure of our Group upon completion of the Global Offering (assuming the Over-allotment Option is not exercised):



Notes:

(1) Farsighted Wit Limited was incorporated as an exempted company with limited liability in BVI on August 14, 2020, which is wholly owned by Tianjin Hongjian. Tianjin Hongjian is controlled by Tianjin Hongsheng, a wholly-owned subsidiary of Far East Horizon, as general partner, and owned as to 68.72%, 7.87%, 9.37%, 9.37% and 4.66% by Tianjin Lanjin, Tianjin Lianhong, Tianjin Lianzhi, Tianjin Liancheng and Tianjin Hongsheng, respectively. Among them, (i) Tianjin Lanjin is controlled by Tianjin Hongsheng as general partner, and owned as to approximately 58.79%, 20.58%, 20.58% and 0.04% by Mr. He Ziming, Mr. He Qingchang, Tianjin Lanjin Stone and Tianjin Hongsheng, respectively; (ii) Lanjin Stone is 100% owned Mr. He Ziming; (iii) Mr. He Qingchang is the son of Mr. He Ziming; and (iv) Mr. He Ziming is a non-executive Director of our Company. Far East Horizon and Farsighted Wit Limited (being controlled by Tianjin Hongsheng, a wholly-owned subsidiary of Far East Horizon) will constitute a group of our Controlling Shareholders entitled to exercise voting rights of 77.24% of the total issued share capital of our Company upon Listing, assuming the Over-allotment Option is not exercised.

(2) Lanjin Limited was incorporated in BVI as an exempted company with limited liability, which is 100% owned by Ms. Liu Lifang, the spouse of Mr. He Ziming.

(3) Shanghai Horizon Engineering Technology Co., Ltd.* (上海宏信工程技術有限公司), Beijing Hongtu Equipment Leasing Co., Ltd.* (北京宏途設備租賃有限公司), Tianjin Horizon Construction Development Engineering Technology Co., Ltd.* (天津宏信建發工程技術有限公司), Tianjin Hongtu Supply Chain Management Co., Ltd.* (天津宏途供應鏈管理有限公司), Horizon Construction Overseas (Hong Kong) Limited (宏信建發海外(香港)有限公司), Horizon Construction Development (Singapore) Pte. Ltd., Horizon Construction Overseas (Malaysia) Sdn. Bhd., PT Horizon Construction Indonesia and Horizon Construction Development Overseas (Vietnam) Company Limited were incorporated since the Reorganization; Hebei Hongjin Mould Base Technology Co., Ltd.* (河北宏金模架科技有限公司), which was incorporated since the Reorganization, was deregistered on December 30, 2022 due to our business development strategy adjustment.

(4) Sinochem Group Co., Ltd.* (中國中化集團有限公司), which is wholly owned by the SASAC, is the single largest shareholder of Far East Horizon as at the Latest Practicable Date.

THE SPIN-OFF

Our Listing constitutes a spin-off of our Company from Far East Horizon under Practice Note 15 of the Listing Rules. Far East Horizon has submitted a proposal for the Spin-off to the Hong Kong Stock Exchange pursuant to Practice Note 15 to the Listing Rules and the Stock Exchange has confirmed that Far East Horizon may proceed with the Spin-off. Far East Horizon and our Company will comply with the requirements under Practice Note 15 to the Listing Rules and the applicable requirements of the Listing Rules regarding the Spin-off as and when necessary.

The board of directors of Far East Horizon believes that the Spin-off is beneficial to both Far East Horizon and our Company for the following reasons, among others:

(1) The Spin-off will allow Far East Horizon to focus on its other core businesses, enable our Company to allocate financial resources more effectively and improve capital utilization efficiency;

(2) The Spin-off is in line with Far East Horizon's strategy of "finance + industry", which reflects its capacity of industrial control and operational incubation, and will booster investors' confidence in the performance of Far East Horizon and our Company;

(3) The Spin-off will allow the management of each of Far East Horizon and our Company to focus more effectively on its businesses and improve its ability to recruit, motivate and retain key management personnel;

(4) While our Company will be able to further build on its reputation and be in a better position to negotiate and solicit more business, Far East Horizon will retain a holding of over 50% of the issued share capital of our Company and will continue to enjoy the greater shareholder value from the business prospects and results of our Company;

(5) Our profile in the international capital market will be enhanced by establishing our presence as an internationalized operation platform upon completion of the Spin-off, and providing access to international capital markets;

(6) The proceeds to be raised from the Global Offering will provide capital support for the operation of the our Company, in particular, expansion of service outlet network and product line, investment in digitalization transformation, retaining and attracting talents and other development plan which are of strategic importance; and

(7) The value of our Company is expected to be enhanced through the Listing given that:

   (a) our profile amongst customers, suppliers and other business partners and brand recognition will be enhanced, which is beneficial for our expansion to other domestic markets or overseas markets;

   (b) we will be able to have direct and independent access to both equity and debt capital markets, which will contribute to broader financing channels and reduction on financing cost; the Spin-off will provide clarity on the credit profile of our Company for rating agencies and financial institutions, which may help us secure efficient and cost effective financing for our sustainable development;

   (c) the Listing will lead to a more direct alignment of our management's responsibilities and accountability and employees' interests and benefits with the Company's operating and financial performance, optimized corporate governance structure, management efficiency as well as enhanced corporate management as a result of heightened scrutiny of the investor community. This is anticipated to enhance management focus, which should in turn lead to improved decision-making processes, faster response-time to market changes and increased operational efficiency; and

(d) after the Listing, it will be relatively easier to measure the management's performance against the stock market performance of our Company. It will also be possible to link management incentives to performance, thereby increasing management motivation and commitment.

SAFE REGISTRATION

Pursuant to Circular 37, promulgated by SAFE on July 4, 2014 with immediate effect which replaced the Circular of the SAFE on Foreign Exchange Administration of Equity Financing and Round-Trip Investments by Domestic Residents via Special Purpose Vehicles (《國家外匯管理局關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知》), (a) a PRC resident must register with the local SAFE counterpart before he or she contributes assets or equity interests in an overseas special purpose vehicle (the "**Overseas SPV**") that is directly established or indirectly controlled by the PRC resident for the purpose of conducting investment or financing; and (b) following the initial registration, the PRC resident is also required to register with the local SAFE counterpart for any major change in respect of the Overseas SPV, including, among other things, a change of Overseas SPV's PRC resident shareholder(s), the name of the Overseas SPV, terms of operation, or any increase or reduction of the Overseas SPV's capital, share transfer or swap, and merger or division. Pursuant to SAFE Circular No. 37, failure to comply with these registration procedures may result in penalties.

Pursuant to the SAFE Notice No. 13, promulgated by SAFE on February 13, 2015, which became effective on June 1, 2015 and was subsequently amended on December 30, 2019, the power of foreign exchange registration was delegated from the local SAFE counterpart to qualified local banks where the domestic entity was incorporated.

As advised by our PRC Legal Advisers, Ms. Liu Lifang has completed the registration under the SAFE Circular No. 37 on October 30, 2020 in respect of her investment in the Company through Lanjin Limited.

OVERVIEW

We are one of the leading equipment operation service providers in China, with comprehensive equipment offerings and strong service capacities. According to the F&S Report, we were the largest equipment operation service provider in China in terms of revenue in 2022. Leveraging our equipment operation service capabilities, we provide comprehensive and multi-dimensional services covering the full cycle of projects.

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

In addition, we are one of the leaders in aerial work platform equipment operation, neo-excavation support system operation and neo-formwork system operation service markets. According to the F&S Report, we ranked first in all of the three markets in terms of equipment volume owned in China as of December 31, 2022. For aerial work platforms, the equipment volume of our aerial work platforms amounted to approximately 131.3 thousand units as of December 31, 2022, accounting for 30.6% of the market share in terms of equipment volume in China as of the same date. For neo-excavation support systems, the equipment volume of our neo-excavation support systems amounted to approximately 1,576.6 thousand tons as of December 31, 2022, accounting for 5.0% of the market share in terms of equipment volume in China as of the same date. For neo-formwork systems, the equipment volume of our neo-formwork systems, amounted to approximately 622.6 thousand tons as of December 31, 2022, accounting for 3.2% of the market share in terms of equipment volume in China as of the same date. We believe that our comprehensive and multi-dimensional services covering the full cycle of projects and leveraging the synergies among our various product lines and diversified service categories enable us to enhance our market competitiveness and customer stickiness. As a result, we have fostered a diverse, blue chip, loyal and high-quality customer base to ensure our operational stability and sustainable growth. Moreover, we have established a nationwide service outlet network consisting of 349 service outlets as of December 31, 2022, covering 187 cities in China. According to the F&S Report, the number of our service outlets ranked first in China as of December 31, 2022 among all equipment operation service providers, enabling our industry-leading response time. Furthermore, our proven digitalization capabilities continuously enhance our operational efficiency and customer service capabilities.

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

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

COMPETITIVE STRENGTHS

Leading equipment operation service provider in China

We are one of the leading equipment operation service providers in China, with comprehensive equipment offerings and strong service capacities. According to the F&S Report, we were the largest equipment operation service provider in China in terms of revenue in 2022. Leveraging our equipment operation service capabilities, we provide comprehensive and multi-dimensional services covering the full cycle of projects. Our service offerings include operating lease services, engineering and technical services, and platform and other services.

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

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

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

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

Equipment operation services in aerial work platform, neo-excavation support system and neo-formwork system have been our key business focus. According to the F&S Report, we ranked first in all of the three markets in terms of equipment volume owned in China as of December 31, 2022. According to the F&S Report, the operation service markets of aerial work platform, neo-excavation support system and neo-formwork system in China are all well-positioned for rapid growth. Compared with traditional equipment and materials, aerial work platform, neo-excavation support system and neo-formwork system are more efficient, safe, cost-saving and environmentally-friendly. With the implementation of 14th Five Year Plan, the transformation and upgrade of the construction industry, as well as the increasing demand for equipment to replace human labor, the applicable scenarios of such equipment will continuously expand, and these markets are expected to flourish continuously, according to the F&S Report.

- *Aerial work platform.* Aerial work platform is the equipment used for work carried out at certain heights. Applicable scenarios of aerial work platform are continuously and extensively expanding, which in turn leads to the boom in demand for aerial work platform operation services. With the rapidly developing aerial work platform operation service market, we have built a service outlet network covering regions with booming market demand. We also adopted digital technologies to establish an online service system, and established a retail operation system integrating both online and offline operations in order to provide flexible, fast and efficient one-stop aerial work platform service solutions to end users. Through our nationwide service outlet network and our retail operation system, we have significantly improved our service quality and efficiency and shortened the response time. As of December 31, 2022, we managed approximately 131.3 thousand units of aerial work platform (for details, please see "—Our Equipment Portfolio—Utilization of Our Equipment), accounting for 30.6% of the market share in terms of equipment volume in China as of the same date, according to the F&S Report.

- *Neo-excavation support system.* Neo-excavation support system mainly refers to steel support system. Instead of the traditional excavation support system used in the industry, which our Directors believe will be soon replaced, we offer neo-excavation support systems that include steel sheet pile, steel support, H-steel and HC support (combined steel support). Such systems are most useful in addressing customers' needs for higher degree of safety, environmentally friendly construction methods, shorter construction period and reduced costs. All-steel structures and steel support system lay the foundation for our neo-excavation support system. Our neo-excavation support system operation services integrate design and construction management, which enables us to provide unique and comprehensive solutions for milestone, large-scale and high-profile projects. Our portfolio contains eight categories and 27 models of products, which are applied in numerous construction scenarios. We also customize key nodes in our neo-excavation support systems (such as trench steel support adjustable head, corner node of steel waling, H-beam strut converter, and integrated service system, which are light in weight and flexible to install), with patents registered. Equipped with our comprehensive and high-quality core products with self-owned IP rights, advanced construction methods, and leading engineering management system in the industry, we are able to cover most of underground construction scenarios and other construction scenarios with more complex conditions. From the date of our incorporation to December 31, 2022, we participated in more than 16,000 projects and served more than 7,000 customers in total with our neo-excavation support system. As of December 31, 2022, we owned approximately 1,576.6 thousand tons of neo-excavation support system, accounting for 5.0% of the market share in terms of equipment volume in China as of the same date, according to the F&S Report.

- *Neo-formwork system*. Neo-formwork system mainly refers to ringlock scaffold. Our neo-formwork system contains full-product lines with proprietary developing and manufacturing capabilities. Compared with traditional formwork system, advanced characteristics of our ringlock scaffold include large bearing capacity, simple structure and general applicability, making it easier to be installed, demolished and managed. As a result, ringlock scaffold is superseding traditional formwork system in the market. With our constant research and development efforts, we have achieved design breakthroughs with a ringlock scaffold system that reduces the proportion of steel used, saves costs and material, whilst improving safety, bearing capacity and service life. As of December 31, 2022, we owned 39 patents for our neo-formwork system. We have established a production line with self-developed and self-manufactured formwork system to enhance product quality and improve safety. Leveraging our customized solution design system and standardized on-site construction management capabilities, we are able to provide our customers with integrated and comprehensive formwork system operation services for various milestone, large-scale and high-profile projects, including design, construction solutions and management. As of December 31, 2022, we owned over 622.6 thousand tons of neo-formwork system with a complete array of specifications, accounting for 3.2% of the market share in terms of equipment volume in China as of the same date, according to the F&S Report.

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

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

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

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

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

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

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

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

- *Blue-chip and loyal customer base*. We have established long-term partnerships with the top-tier construction companies in China. During the Track Record Period, all of the top ten construction service providers in China are ranked in terms of overall strength awarded by China Construction Enterprises Management Association were our clients. In 2022, among these top ten construction services providers in China, seven of them have established business relationship with us for over five years. Moreover, for the largest construction enterprise in China, we have achieved extensive cooperation with it in 188 cities across China.

- *Diversified customer base and scenarios*. Our diversified customer base enhances our competitive edges in the market and helps us avoid overdependence on any single customer or industry. The percentage of revenue generated from our top five customers decreased from 26.3% in 2020 to 17.9% in 2022. In addition, while we continue to provide solutions for numerous traditional construction scenarios, we also serve customers in an increasingly diversified reconstruction, operation and maintenance scenarios.

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

Nationwide service outlet network with leading response time in the industry

In order to timely address customers' needs and continuously fuel the development of our comprehensive and one-stop equipment operation services, we have established a nationwide service outlet network consisting of 349 service outlets as of December 31, 2022, covering 187 cities in China. According to the F&S Report, the number of our service outlets ranked first in China as of December 31, 2022 among all equipment operation service providers.

We have been actively expanding the coverage of our service outlets. As of December 31, 2020, 2021 and 2022 and the Latest Practicable Date, the number of our service outlets in China amounted to 207, 299, 349 and 348, respectively. In particular, as of December 31, 2020, 2021 and 2022, we had 142, 215 and 250 service outlets for aerial work platform, 52, 60 and 59 service outlets for neo-excavation support system, seven, 18 and 25 service outlets for neo-formwork system, and six, six and 15 service outlets for other equipment. The table below sets forth the number of our service outlets by regions as of the dates indicated:

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

Notes:

(1) Includes Xinjiang, Gansu, Qinghai, Inner Mongolia, Ningxia, Shaanxi, Shanxi, Beijing, Hebei, Henan, Tianjin, Shandong, Liaoning, Jilin and Heilongjiang.

(2) Includes Jiangsu, Zhejiang, Shanghai, Sichuan, Chongqing, Hubei, Anhui and Tibet.

(3) Includes Yunnan, Guizhou, Guangxi, Hainan, Hunan, Guangdong, Jiangxi and Fujian.

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

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

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

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

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

- *Digitalized operation management*. In order to optimize our operations and enhance our productivity and management efficiency, we built up our ERP system back in 2015 and have been upgrading such system since then. Through our research and development efforts, we have upgraded the ERP system to an integrated online system, which enables us to achieve overall digitalized management of various aspects of our business operation, including, among others, customer service, order management, procurement, logistics, warehousing, human resources and financials. In addition, we have built our IoT system. To further enhance customer experience, we have installed intelligent hardware on our equipment to locate equipment and collect operating data. As a result, we are able to achieve remote control and real-time monitoring of our equipment and automatic order triggering, which reduces our logistics costs, optimizes equipment allocation, improves warehouse and service outlet utilization and enhances our operating efficiency. For example, our average equipment allocation capacity per employee for aerial work platform increased from approximately 1,000 units in 2021 to approximately 2,500 units in 2022 and currently approximately 65% of the orders for aerial work platform are automatically matched for equipment allocation. Our average equipment service capacity per employee for aerial work platform increased from 20 units in 2016 to 115 units in 2022, and is expected to further increase in 2023. Moreover, we utilize AI-based algorithms and big data analytics to facilitate predictive maintenance of our equipment, minimizing downtime risks and decreasing maintenance costs. We believe that our digitalized operation management lays the foundation for future development of our platform services.

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

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

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

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

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

Experienced management team supported by a unique management mode

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

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

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

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

BUSINESS STRATEGIES

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

We plan to increase our market share, further reduce the average service delivery mileage to approximately 30 kilometers, and achieve continued revenue growth by further enhancing our service capabilities and expanding our service outlet network with a prudent and disciplined approach in selecting target markets for expansion to satisfy unmet demand. We plan to, on one hand, take optimization measures to downsize or close certain service outlets with low utilization, while on the other hand increase the number of our service outlets to over 430 and 500, respectively, by the end of 2023 and 2024, respectively. As of the Latest Practicable Date, we had 348 service outlets in China and one service outlet in Malaysia. Details of our expansion plan are as follows:

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

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

We intend to apply approximately 4.0% of the net proceeds from the Global Offering to expanding our service outlet network. For details, see "Future Plans and Use of Proceeds".

Optimize our equipment portfolio

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

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

- *Neo-excavation support system.* With the increasing emphasis on high-quality and environmentally-friendly construction in China, our neo-excavation support system, which help reduce construction waste effectively, is expected to become more popular in the market. Therefore, we plan to procure additional high-quality excavation support system to meet customers' needs and market demands.

- *Neo-formwork system.* Ringlock scaffold is regarded as one of the most advanced, reliable and safe formwork system available in the market due to its higher bearing capacity. Therefore, we plan to manufacture and procure, when necessary, additional ringlock scaffolds to meet customers' needs and market demands.

We intend to apply approximately 67.0% of the net proceeds from the Global Offering to pursue this strategy. For details, see "Future Plans and Use of Proceeds".

Enhance our one-stop solution capabilities

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

- *Engineering technological upgrade.* We plan to expand the size of our research and development team dedicated to new construction methods to tailor customers' needs arising from more complex projects and scenarios. In addition, we plan to recruit more experts in the equipment operation service industry and carry out extensive and in-depth cooperation with well-known universities and research institutes, which will further enhance our capabilities in providing high-quality, safe and reliable designs tailor-made for various complex scenarios. Moreover, we will closely keep track of technological trends and introduce advanced technologies to further enhance our one-stop solution capabilities. For example, our research and development team of neo-excavation support system focused on heavy-bearing combination support and large-span combination support system. In addition, we formed a technical team consisting of staff graduating from well-known universities all around the world to conduct research on foreign equipment and technologies. Meanwhile, we work closely with top tier universities, research institutions and other construction associations and institutions in various cities in China to carry out in-depth research and development. We also plan to deepen our research and development in light excavation support system for pipe trenches and underground maintenance equipment. In addition, we will use steel support system as the foundation to promote the vast application of environmentally-friendly and intelligent pits in the equipment operation service industry, while building up our own competitive edges in products and technologies. In order to encourage positive collaboration and cooperation between parties, we would share the results of such research and development initiatives with our co-developers (only universities and research institutions from which we do not face potential competition) for each of our own commercialization efforts that may follow afterwards.

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

- *Construction service capabilities upgrade.* We plan to enhance our construction service capabilities to complement our one-stop solutions. We plan to recruit more talents capable of carrying out project management to ensure the smooth implementation of our construction. In addition, we plan to enhance our research and development efforts in safe and efficient construction.

In order to pursue this strategy, we intend to apply approximately 11.0% of the net proceeds from the Global Offering. For details, see the section headed "Future Plans and Use of Proceeds" in this Prospectus.

Enhance our operational efficiency through digitalization upgrade

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

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

In order to pursue this strategy, we will continue to build up our digitalization team and subscribe to or purchase supporting systems and platforms. We intend to apply approximately 8.0% of the net proceeds from the Global Offering to pursue this strategy. For details, see the section headed "Future Plans and Use of Proceeds" in this Prospectus.

Expand our international footprints

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

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

Enhance our competitive edges through talents

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

- attract talents with our market-competitive remuneration packages and excellent corporate culture and reputation. In addition, we will build up diversified career development channels and platforms for talents we recruit. Moreover, we plan to recruit talents from emerging industries such as engineering and technologies and high-tech equipment manufacturing, to establish differentiation advantages;

- continue to optimize employee training programs by organizing regular training provided by senior employees covering various aspects of our business, such as project management and execution and technical know-hows. In addition, we will establish a rotation mechanism to allow our employees to try out different positions, enriching their knowledge and skills;

- continue to refine incentive plans, formulate employee incentive mechanism and implement plans for long-term incentive plans to retain and motivate outstanding employees to align their benefits with our interest;

- enhance the sense of pride, mission and professionalism of our employees through the promotion of corporate culture. We will encourage our employees to actively engage in our platform and ecosystem and fully understand and embrace our business model. With these efforts, we will be able to enhance service quality and improve employee productivity and cultivate a sense of belonging.

AWARDS AND RECOGNITIONS

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

Year	Award/Recognition	Awarding entity
2022	14th In IRN World's Top 100 Rental Companies	KHL Group
2022	3rd In Top 50 Aerial Work Platform Leasing Companies In the World	ACCESS 50

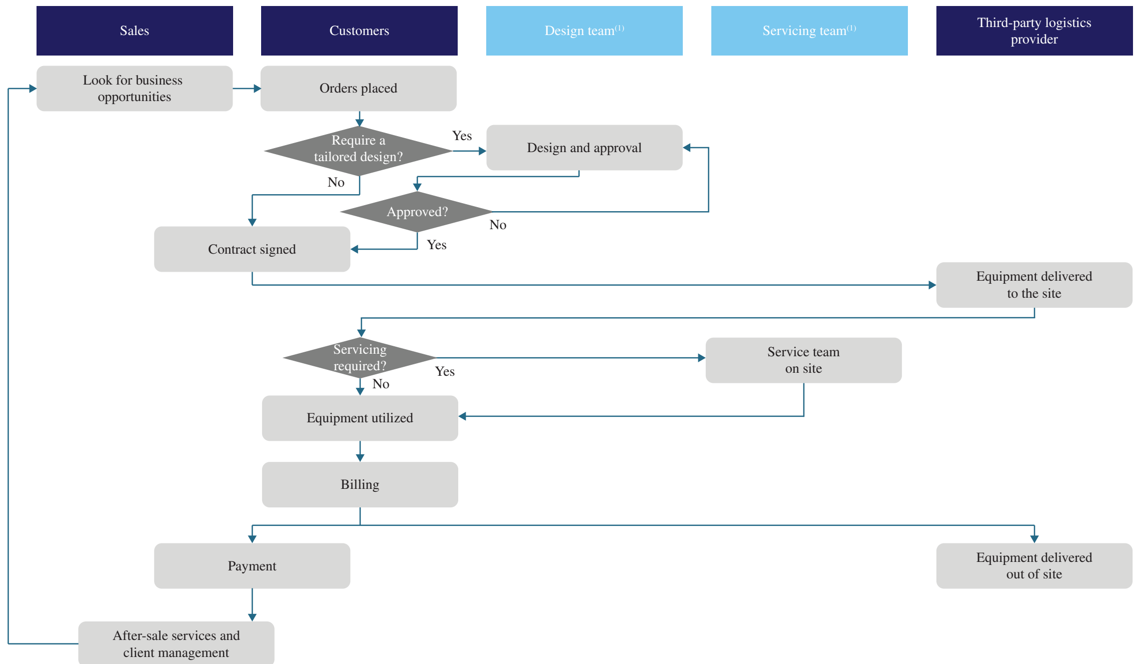
Year	Award/Recognition	Awarding entity
2022	1st In China Top Ten MEWP Rental Company	T50 Summit Organization Committee of World Construction Machinery Industry
2022	Leader of Green Leasing In the China Financial Leasing "Tengfei Award"	Global Leasing Competitiveness Forum
2021	4th In Top 50 Aerial Work Platform Leasing Companies In the World	ACCESS 50
2021	Top Ten Brands In the Aerial Work Platform Leasing Industry	T50 Summit Organization Committee of World Construction Machinery Industry
2021	Top Ten Brands In the Engineering Equipment Leasing Industry	T50 Summit Organization Committee of World Construction Machinery Industry
2021	24th In IRN World's Top 100 Rental Companies	KHL Group
2020	Top Ten Brands In the Engineering Equipment Leasing Industry	T50 Summit Organization Committee of World Construction Machinery Industry
2020	6th In Top 50 Aerial Work Platform Leasing Companies In the World	KHL Group
2020	39th In IRN World's Top 100 Rental Companies	KHL Group

Year	Award/Recognition	Awarding entity
2019	Top Five Brands In the Synthetic Leasing Industry	T50 Summit Organization Committee of World Construction Machinery Industry
2019	Top Ten Brands In the China's Leasing Industry	T50 Summit Organization Committee of World Construction Machinery Industry
2018	Most Influential Enterprise in China's Aerial Work Platform Leasing Industry	Summit of World Aerial Work Platform Equipment and the Convention for China's Leasing Service Providers
2017	China Machinery General Science and Technology Award	China Machinery Industry Federation

OUR BUSINESS

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

The following flowchart illustrates the full cycle of our projects:



Note:

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

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

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

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

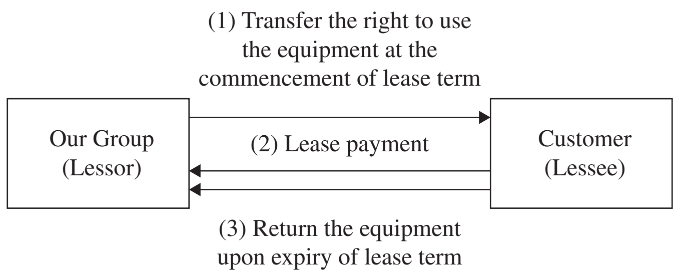
	For the year ended December 31,					
	2020		2021		2022	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Operating lease services	2,484,554	67.8	4,463,348	72.7	5,189,949	65.9
Engineering and technical services	1,062,760	29.0	1,519,288	24.7	2,136,630	27.1
Platform and other services	116,281	3.2	158,532	2.6	551,067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

Operating Lease Services

Our service portfolio for operating lease services covers various types of equipment and materials. We offer operating lease services on a daily, weekly, monthly, yearly or project-by-project basis based on our customers' needs. An operating lease is generally terminated when projects to which our equipment is relied upon is completed. Our operating leases may be renewed or supplemented if there are delays in construction plans, they may also be terminated before the original period when the construction managers release the equipment earlier than expected. Hence, the longevity of our operating leases depend on the needs of a customer and is decided on a case-by-case basis. During the Track Record Period, we derived a large portion of revenue from our operating lease services. For the years ended December 31, 2020, 2021 and 2022, revenue derived from operating lease services amounted to RMB2,484.6 million, RMB4,463.3 million and RMB5,189.9 million, respectively, accounting for 67.8%, 72.7% and 65.9%, of our revenue for the corresponding years, respectively.

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

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



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

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

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

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

	For the year ended December 31,						Subsequent to the Track Record Period until the Latest Practicable Date	
	2020		2021		2022			
		(RMB in millions)		*(RMB in millions)*		*(RMB in millions)*		*(RMB in millions)*
Operating leases at the beginning of the period	10,487	1,575.9	32,960	2,320.7	60,272	4,688.8	52,267	4,914.1
Additions of new operating leases during the period	30,663	1,474.3	68,176	3,553.9	46,437	3,450.2	36,718	1,780.5
Reductions (either by completion, termination or expiration) of operating leases during the period	8,190	729.5	40,864	1,185.8	54,442	3,228.8	26,786	805.0
Operating leases at the end of the period	32,960	2,320.7	60,272	4,688.8	52,267	4,914.1	62,199	5,889.6

Aerial Work Platform

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

The mechanical adjustment structure of our aerial work platform can ensure that the lifting process of the platform is stable and horizontal, which in turn makes the application of our aerial work platform safer in project implementation, as compared with traditional methods such as hanging baskets. In addition, our aerial work platform can make the project implementation process more efficient. For example, for a overhauling project for nine floodlights in a factory, two workers operating a scissor lift are able to complete such task in approximately 20 minutes, comparing to approximately 45 minutes taken by four workers not using our aerial work platform. Moreover, applying aerial work platform in project implementation will further save our customers' costs as labor costs are expected to continuously increase in the future. Our aerial work platform is equipped with following competitive edges:

- *High-quality and comprehensive equipment offerings with extensive product portfolio.* As of December 31, 2022, the amount of aerial work platform we managed amounted to approximately 131.3 thousand units with numerous categories of products available such as scissor lift, straight boom lift, articulated boom lift and spider lift. To ensure the high quality of our aerial work platform operation services, we constantly procure aerial work platform from top-tier suppliers.

- *Multi-scenario and multi-dimensional application.* Along with the increasingly popular trend for using equipment to replace human labor, applicable scenarios of aerial work platform are continuously expanding. Currently, applicable scenarios that our aerial work platform cover are quite broad, covering areas such as construction, logistics, municipalities, transportation, landscape, property management, cultural and sports activities.

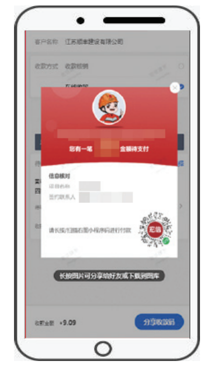
- *Retail operation service model integrating online and offline services.* We established a retail operation system integrating both online and offline services in order to provide flexible, fast and efficient one-stop aerial work platform service solutions to end users. Our nationwide service outlet network and leading response time in the industry lay the foundation for our high-quality offline services. As of December 31, 2022, we had around 1,900 employees responsible for providing offline services and selling our aerial work platform operation services. We also collaborated with numerous logistics service providers to ensure the fast delivery of our equipment and services. In addition, for our aerial work platform operation services, we developed a WeChat applet called Horizon Equipment Aerial Work Platform for external users, and an app called Xiaohongren for internal operation management. Through such platforms, we are able to achieve digitalization of the whole process of equipment operation services for aerial work platform. Currently, more than 98% of the monthly contracts are executed online, more than 98% of the equipment deliveries are confirmed by electronic billing, approximately 91% of bills are able to be checked and confirmed with our customers online, and more than 61% of the order payments are settled online. The application of such online platforms has significantly enhanced the quality and efficiency of equipment operation services. Through such platforms, customers are able to conduct a preliminary search for available services based on their needs, and then place orders, make specific service requests, track service and delivery status, settle payment and file complaints. We have a dedicated team responsible for all service requests received through these platforms on a 24/7 basis. The following images illustrate the major interfaces of Xiaohongren:

Self-service orders

Logistics delivery

Rent settlement

Online payment



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

spider lift

straight boom lift

scissor lift

articulated boom lift

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

Through our well-established service system, we can guarantee the fast delivery of equipment and high-quality service experience. For example, our average service delivery mileage for aerial work platform has been reduced from approximately 70 kilometers in

2018 to 37 kilometers in 2022. At the same time, we provide regular maintenance and inspection service for our aerial work platform every 300 hours. In addition, we have service teams deployed nationwide, responding to all repair and maintenance service requests in a timely manner. On average, each of our service personnel visits customers 124 times every month, and our service teams can arrive around 1.5 hours on average and provide on-site guidance and services.

Neo-excavation support systems

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

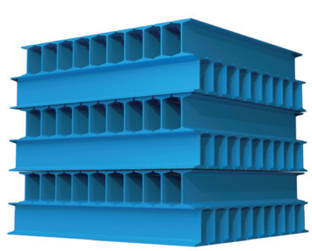
Key products offered in our neo-excavation support system include steel sheet pile, steel support, H-steel, HC support (combined steel support) and pile Lassen combined piles ("**PLC**"). We provide our customers with comprehensive services, including product design, construction method guidance, construction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

- *Comprehensive and high-quality products with self-owned IP rights.* As of December 31, 2022, we owned approximately 1,576.6 thousand tons of neo-excavation support system. Our comprehensive neo-excavation support system portfolio contains eight categories and 27 models of products, which are extensively applied in numerous construction scenarios. In addition, we customize unique key nodes of our neo-excavation support system. As a result, we have registered patents for the key nodes of our neo-excavation support system. Some of our unique key nodes, such as trench steel support adjustable head, corner node of steel waling, H-beam strut converter, and integrated servo system are light in weight and flexible in installation. Therefore, our neo-excavation support system is extensively used to address our customers' needs such as safer and more environment-friendly construction, shorter construction period, and lower construction costs.

- *Professional design and construction solutions for complex projects*. China has a diverse and complex geological mix, and thus the design and application of excavation system requires strong technical expertise. When confronting underground construction scenarios such as hard clay, gravel-soil and weathered rock layers, we help our customers install our neo-excavation support system and auxiliary equipment all together. Meanwhile, we apply advanced construction methods such as simulation algorithm and axial force synchronous loading equipment to provide customers with efficient one-stop construction design and solutions.

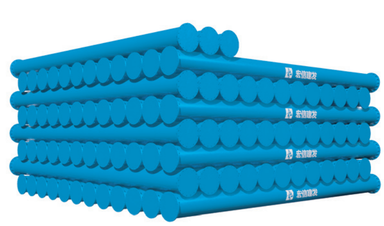
- *Professional project execution and management.* We adopt advanced intelligent building information modeling ("**BIM**") system to oversee our project designs in order to significantly improve the efficiency of both project design and project management. We have built up a professional project execution team with nationwide coverage to enforce our standardized operating manual at each stage of our projects. Throughout project execution, we have also adopted an advanced monitoring system with products such as tailor-made digitalized pit management software to monitor the safety status of the pit live.

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

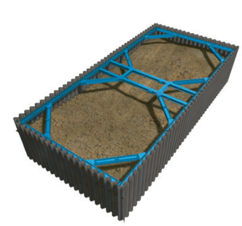


H-steel

Steel sheet pile



Steel support



H-beam

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

Neo-formwork system

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

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

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

- *Self-manufacturing capacities and comprehensive equipment offerings.* We self-manufacture all of our ringlock scaffold. As of December 31, 2022, the GFA of our production facilities amounted to approximately 180,262 sq.m. We are equipped with more than 100 sets of production equipment for our production lines for neo-formwork system and strictly adhere to national manufacturing standards in China. We have advanced production methods in place during the process of manufacturing and have established more than 30 manufacturing procedures to be strictly adhered to. We have strict quality control requirements on raw materials and key components of our neo-formwork system such as welding, galvanizing and other nodes to guarantee top-tier quality of our products with the ultimate goal of significantly extending the life of service for our products. Our self-manufactured neo-formwork systems has obtained European Conformity ("**CE**") certificate. Moreover, to constantly address our customers' needs, especially ones in relation to large-scale projects, we always maintain our equipment volume at a high level. As of December 31, 2022, we owned approximately 622.6 thousand tons of neo-formwork system, covering 12 categories and more than 3,400 specifications and models.

- *Customized project design and on-site management.* Service requests from different customers for neo-formwork system may vary due to divergent construction conditions they encounter. Therefore, tailor-made solutions for projects in relation to neo-formwork system is crucial to safe and cost-saving implementation. As of December 31, 2022, we had a professional team of 30 to 40 members designated for customized designs of neo-formwork system, which enables us to address our customers' needs arising from various construction conditions. Leveraging our extensive research and development tests and experience accumulated over the years, we have implemented a set of self-owned scientific formwork design system. In addition, our standardized on-site management capabilities ensure the smooth implementation of our customized project design. We require our employees to strictly adhere to our operational manual in relation to installation of our neo-formwork system and make sure all relevant employees are equipped with required certifications before carrying out on-site work. At each construction site, we carry out on-site inspections on a regular basis and make sure each team is equipped with a project manager, safety manager, construction crew, staff responsible for raw materials, and technician. We believe that our construction safety, high efficiency and strong service delivery capabilities have formed our competitive edges.

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

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

Other Equipment

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

- *Road equipment*. Our road equipment primarily consists of road milling machine, wheeled loader, and paver to serve different road construction scenarios, such as highways, national and provincial roads, municipal roads, airport runways and tracks. We participated in projects such as the runway overhaul of Beijing Capital International Airport and Shanghai Hongqiao International Airport, Bosch Automobile East Sea Testing Yard and Sri Lanka Airport.

- *Electrical power equipment.* We are equipped with high-quality power generating units, power distribution cabinets, electric cable, uninterruptible power supplies, inverter, load box and transformer to provide comprehensive services including professional emergency protection for electrical power equipment, and power testing and commissioning. The scenarios our electrical power equipment are able to cover mainly include large activities or sporting events, mines, factories and shipyards, and exhibitions. We participated in projects such as the China International Import Expo, Shanghai Fintech Conference, Huoshenshan Hospital and Leishenshan Hospital and Wuhan Military World Games Arenas.

Set forth below are some pictures of our other equipment.

Road equipment

Electrical power equipment

Engineering and Technical Services

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

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

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

Key steps of our one-stop solutions primarily include:

- *Designing.* We offer tailor-made designs based on our customers' needs for various complex scenarios. Details covered in our designs normally include types, specifications and quantity of equipment and materials needed, construction methods, logistics arrangements, construction management, and repair and maintenance for the full cycle of the project.

- *Equipment and material supply.* In accordance with tailor-made designs, we provide our customers with abundant equipment and material supply and guarantee the high quality of equipment and materials we provide, as well as ensure our customers' demands are met.

- *On-site construction and installation.* Our project management team and on-site construction team work closely to carry out on-site construction services in accordance with the construction plan after equipment and materials are delivered to the construction site, and timely notify our customers on the construction progress and status. Proven capabilities of our professional project management team and on-site construction team guarantee the safety, efficiency and accuracy of the construction process.

- *Repair and maintenance.* We provide repair and maintenance services to equipment that our customers rent from us to make sure all equipment and materials function properly. Leveraging our national-wide service outlet coverage, we are able to respond to all repair and maintenance service requests in a timely manner. We deploy professional service personnel to collect customer service requests as well as provide services.

- *Logistics services.* We help our customers transport equipment and materials through logistics services. As part of our comprehensive and multi-dimensional services covering the full cycle of projects, we have collaborated with numerous logistics service providers spreading across China to guarantee a smooth and efficient delivery.

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

- *Neo-excavation support system-related services*. We provide efficient and cost-saving integrated solutions for numerous pit construction scenarios, including those for subway, high-speed railway, elevated bridge, tunnel, bridge, pipe gallery, pipe trench, river, port and other scenarios for infrastructural pit construction, industrial pit construction and civil use pit construction. Leveraging our comprehensive product offering for neo-excavation support system, which includes Lassen steel sheet piles, H-steel, steel pipe support, HC support (combined steel support), bailey sheet, steel support axial force servo system, supporting axial force multi-point synchronous loading system and pit monitoring system, comprehensive solutions we are able to offer include, among others, designing, construction and installation, as well as 24/7 monitoring of construction status.

- *Neo-formwork system-related services.* We offer installation, repair and maintenance and demolition services for scaffold in various construction projects, including, but not limited to, municipal projects, industrial plant projects, housing construction projects, and bridge construction projects. Leveraging our large equipment volume and technical service capabilities, we are able to provide safe, reliable and cost-saving one-stop solutions. In addition, our professional construction team and construction safety inspection teams guarantee the efficiency and safety for installation, application and demolition of our neo-formwork system during the construction process.

- *Electrical power supply services.* Our one-stop solutions for electrical power equipment include, among others, on-site inspection, design, equipment supply, construction, operation and maintenance, and technical support services for various scenarios, such as exhibitions, sports events, mining construction and ocean engineering. For example, in outdoor events held on islands, deserts, plateaus and other areas that are not equipped with power grid supply or insufficient power supply, we can guarantee sufficient power supply through our comprehensive equipment offerings for electrical power equipment. Our electrical power equipment can stably supply electrical power with low noise and low emission. Moreover, these equipment are equipped with high mobility and flexibility in terms of equipment combination. As a result, our electrical power supply solutions can rapidly provide customers with temporary and backup electrical power supplies for large-scaled outdoor events.

- *Road construction and maintenance services*. With the assistance of our professional road construction team, we are able to provide integrated one-stop solutions for numerous road construction and maintenance scenarios, such as those for municipal roads, airstrips, test tracks and highways. For example, for highway construction work conducted on remote areas, multiple professional construction teams we arrange on-site are able to accomplish highly intensive construction tasks and offer high-quality highway construction services.

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

Case Studies

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

- *Project requirements.* Our client required us to construct a pit adjacent to residential areas for this project. Considering such limited and complex surrounding environment, the customer had stringent requirements for pit safety and stability. In addition, the construction was difficult to be carried out because the soil of the pit was mainly powder clay and fine sand, making them hard to be constructed on. The span of the pit amounted to approximately 78 meters, making it a large span.

- *Our one-stop solutions.* For this project, we designed a detailed construction plan, and provided around 1,500 tons of excavation support system, multiple pile hammers, and had a professional construction team in place. In addition, we applied our large-span steel support system technology with self-owned IP rights, axial force servo system and multi-point synchronous loading system. The large-span steel support system is a type of new pit support system that is able to support pit construction spanning over ten, or even one hundred meters, with high stability and installation accuracy. The axial force servo system can monitor the pressure state of the support system on a 24/7 basis, as well as trigger alarm and provide compensation automatically when the actual support axial force deviates from the preset number. The multi-point synchronous loading system can load prestress for multiple steel support synchronously, which significantly reduces the loss of steel support prestress, and enhances the reliability of steel support system.

- *Results.* We successfully accomplished all pit support tasks, and helped our client complete the construction project safely and efficiently.

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

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

- *Our one-stop solutions.* Based on the characteristics and requirements of this project, we conducted an urgent on-site environment inspection and study, and designed the electrical power system and a backup electrical power supply plan. In addition, we provided around 60 sets of electrical power supply equipment and arranged 13 professional technicians on-site.

- *Results.* We efficiently and safely carried out the emergency electrical power supply services for Huoshenshan Hospital and Leishenshan Hospital projects. It is notable that it only took us around two hours from customer's order placement to successfully complete the trial-transmission of power supply.

Procurement of external labor force from subcontractors

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

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

- *Qualifications*. The subcontractors should have the necessary service qualifications, such as business licenses and safety permits

- *Reputation*. The subcontractors should not have records of misbehavior, illegal activities, unethical activities occurred in previous construction projects (such as not paying migrant workers on time, or any occurrences of labor strikes)

- *Performance*. The management personnel of the subcontractors should be able to command the subcontracted labor to perform their duties and to provide quality work

- *Technical skills*. The subcontractors should have performed similar tasks in the past, and work performed should satisfy our production needs and specifications

- *Size.* The subcontractor should guarantee that there are enough staff members to be available on-site

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

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

Platform and Other Services

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

Platform Services

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

Joint mode

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

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

Notes:

1. Refers to the amount paid to such providers for the re-renting of equipment and material.

2. Others include logistics providers and loading, offloading services providers and labor dispatching services provider.

3. The number of equipment providers decreased significantly in 2022, primarily because (i) we mainly provided engineering and technical services for road equipment in 2022, and therefore experienced a decrease in re-renting of road equipment; and (ii) we increased the proportion of equipment rented from certain selected equipment providers with more diversified equipment portfolio.

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

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

Matching mode

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

Sales of Equipment, Materials and Spare Parts

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

OUR SERVICE OUTLETS

In order to timely address customers' needs and continuously fuel the development of our comprehensive and one-stop equipment operation services, we have established a nationwide service outlet network. As of December 31, 2020, 2021 and 2022 and the Latest Practicable Date, the number of our service outlets in China amounted to 207, 299, 349 and 348, respectively. In particular, as of December 31, 2020, 2021 and 2022, we had 142, 215 and 250 service outlets for aerial work platform, 52, 60 and 59 service outlets for neo-excavation support system, seven, 18 and 25 service outlets for neo-formwork system, and six, six and 15 service outlets for other equipment. The table below sets forth the number of our service outlets by regions as of the dates indicated:

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

Notes:

(1) Includes Xinjiang, Gansu, Qinghai, Inner Mongolia, Ningxia, Shaanxi, Shanxi, Beijing, Hebei, Henan, Tianjin, Shandong, Liaoning, Jilin and Heilongjiang.

(2) Includes Jiangsu, Zhejiang, Shanghai, Sichuan, Chongqing, Hubei, Anhui and Tibet.

(3) Includes Yunnan, Guizhou, Guangxi, Hainan, Hunan, Guangdong, Jiangxi and Fujian.

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

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

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

OUR EQUIPMENT PORTFOLIO

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

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

Note:

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

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

Self-manufacturing of our ringlock scaffold

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

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

Utilization of Our Equipment

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

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

Notes:

(1) As of December 31, 2021 and 2022, in addition to the 92.6 thousand units and 110.1 thousand units, respectively, of aerial work platform we owned, we managed 4,618 units and 21,163 units, respectively, of aerial work platforms which we re-rented to customers through the platform services joint mode. For details, see "—Our Business—Platform and Other Services—Platform services".

(2) Calculated as the average of total value of assets we leased out during the year divided by the average of total value of equipment we owned during the corresponding year. "Average of total value of equipment" is the total asset value of all equipment, averaged between the beginning and the end of the year. According to the F&S Report, this method of calculation is consistent with the common industry practice.

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

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

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

OUR MILESTONE PROJECTS

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

Project name	Time	Equipment and engineering and technical services provided
Hong Kong Emergency Hospital	2022	Neo-excavation support system; aerial work platform
Zhengzhou Hangkonggang Railway Station	2022	Neo-excavation support system; neo-formwork system; aerial work platform
Guangzhou Baiyun International Airport Terminal	2022	Aerial work platform
Semiconductor Manufacturing International Corporation Production Facility	2022	Neo-formwork system; aerial work platform
Baotou-Yinchuan High-speed Railway	2022	Aerial work platform; neo-formwork system
NECC Shanghai	2012-2015	Neo-excavation support system; neo-formwork system; aerial work platform; electrical power equipment; one-stop solutions
Wuhan East Lake Tunnel	2013	Neo-excavation support system; road equipment
Hong Kong-Zhuhai-Macao Bridge	2016	Aerial work platform
Beijing Daxing International Airport	2017	Neo-formwork system; aerial work platform
Xiong'an New District Civic Center	2018	Neo-excavation support system; aerial work platform
Headquarter of a well-known technology, media, telecom enterprise in Wuhan	2018	Neo-formwork system; aerial work platform
Wuhan Military World Games Arenas	2019	Neo-excavation support system; neo-formwork system; aerial work platform; electrical power equipment; one-stop solutions

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

OUR OVERSEAS EXPANSION PLAN

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

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

As of the Latest Practicable Date, we had established one overseas service outlet for aerial work platform, which was located in Malaysia. The principal activities of our subsidiary in Malaysia are import and export, sale and leasing of new and used equipment. We plan to establish one or two service outlets in Singapore, in 2023 and 2024 and will consider to establish an additional service outlet in Malaysia based on the performance of our existing Malaysian service outlet. We may penetrate into other Southeast Asian countries when appropriate opportunities arise and as our overseas service outlet network grows in the future, we will consider to establish a regional operational management and service center in Singapore.

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

FINANCING CAPABILITIES

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

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

EFFECTS OF THE COVID-19 PANDEMIC

A global pandemic caused by COVID-19 broke out in early 2020 and has impacted the global economy ever since. For details, see “Risk Factors — Risks Relating to Our Business and Industry — The occurrence of epidemics, natural disasters, acts of war, and other disasters could significantly affect our business and the national and regional economies in the PRC”.

Effects of the COVID-19 Outbreak on Our Business Operations

The outbreak of COVID-19 in China in the first quarter of 2020 and resurgence of COVID-19 cases in certain major cities across China throughout 2022 have led to the imposition of various pandemic mitigation measures by the PRC Government, including lockdown, suspension of construction work, travel bans and strict social distancing and quarantine measures. As a result, most of our business operations were adversely affected during the relevant periods and we suspended the operations of some of our service outlets as we were unable to carry a large portion of our operating lease services and engineering and technical services as planned. Whilst the duration of the official restrictions on construction varied across cities in the PRC due to the differences in local rules and regulations, our customers from our operating leases services segment and engineering and technical services segment requested for (i) a halt in the provision of engineering services for about 45 days in the first quarter of 2020 and/or (ii) a suspension of our operating leases with them for about 45 days in the first quarter of 2020 and for an aggregate of two or three months throughout 2022 (except for our customers with aerial work platform operating leases, as most of them requested for a suspension for about one month). We agreed to give rental or service fee waivers or discounts to certain customers in consideration of the suspension of our services. The aggregate contract value of such rental or service fee waivers and discounts in 2022 amounted to approximately RMB21.9 million, with a total of 89 projects affected. Despite such effects, due to the long-term nature of such construction projects undertaken by our customers, and the relatively short period of business suspension, our Directors confirm that there had not been any major termination of contracts or material delays in relation to the equipments or services provided by us. In addition, due to the pandemic mitigation measures by the PRC Government, we lost certain revenue opportunities because we suspended the operations of some of our service outlets or we encountered difficulties in delivering our equipment at the request of customers. The number of our service outlets suspended due to the outbreak of COVID-19 in 2020 and 2022 was 93 and 58, respectively. However, we benefited from government relief of social security payments for employment support relating to the COVID-19 pandemic amounted to approximately RMB27.9 million in 2020.

China began to modify its zero-COVID policy in late 2022, and most of the travel restrictions and quarantine requirements were lifted in December 2022. There was a rapid spread of COVID-19 in a relatively short period of time and a surge in COVID-19 confirmed cases. However, the surge in COVID-19 infections since December 2022 has not materially impacted our business operations and financial performance as the majority of our infected employees recovered and resumed working very shortly. As of the Latest Practicable Date, over 1,200 of our employees had informed us that they were infected. As far as we are aware, all of our infected employees have recovered. With the bounce back of China’s economy, our business operations has resumed to normal.

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

Our Contingency Plan and Response towards the COVID-19 Outbreak

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

Effects of the COVID-19 Outbreak on Our Business Strategies

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

INFORMATION TECHNOLOGY

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

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

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

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

CYBERSECURITY AND PRIVACY

We collect production and operating data during our ordinary course of daily operations. In addition, we collect personal data from users and employees through our interfaces (namely, mobile apps and WeChat applets) upon their authorization through requesting them to read and click to confirm the acceptance of user agreement and privacy policy. The data collected depends on the context of individual's interactions with the interfaces, including users' privacy settings and the services and features they use. The types of data collected by us are disclosed in the privacy policies in each interface, which may include, among others, name, mobile number, location, address and ID number. We have established appropriate and necessary control policies, mechanisms and measures in our cybersecurity, data and personal information risk management processes, which consist of network security protection measures, internal organizational and management policies, and vendor management policies:

- we have formulated and implemented "Information Security Management Measures" and "Information System Security Management Measures" to strengthen information and information system security management, as well as "System Data Security Management Specification" for data backup, data archiving and data extraction;

- we have set up a dedicated information security management team responsible for cybersecurity and data protection;

- we have formulated and implemented "Permission Policy Specification" to avoid unauthorized access and strengthen permission control and security;

- in terms of vendor management, we have formulated and implemented the "Rules for Management of Procurement Evaluation" and the "IT Procurement Management Specification" to ensure the reliability of vendors' products and services.

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

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

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

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

On November 14, 2021, the Cyberspace Administration of China (the "**CAC**") released the "Regulations on Network Data Security Management (Draft for Comment)" (the "**Draft Regulations**") (《網絡數據安全管理條例(徵求意見稿)》). The Draft Regulations, among other things, stipulates that (i) data processing operators which process personal information of more than one million individuals seeking a listing in a foreign country, and (ii) data processing operators seeking a listing in Hong Kong that affect or may affect national security, must apply for a cybersecurity review.

On January 4, 2022, the CAC, together with 12 other relevant PRC government authorities, promulgated the amended "Cybersecurity Review Measures" (《網絡安全審查辦法》), which came into effect on February 15, 2022 and repeals the previous version promulgated on April 13, 2020. The amended Cybersecurity Review Measures (the "**Measures**") provide cybersecurity review requirements on (i) critical information infrastructure operators ("**CIIOs**") anticipating the procurement of network products and services that affect or may affect national security after such products and services are put into use, (ii) online platform operators carrying out data processing activities that affect or may affect national security, and (iii) online platform operators holding personal information of more than one million users seeking a listing in a foreign country.

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

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

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

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

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

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

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

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

RESEARCH AND DEVELOPMENT

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

For the years ended December 31, 2020, 2021 and 2022, our research and development expenses amounted to RMB153.6 million, RMB216.7 million and RMB270.6 million, respectively, representing 4.2%, 3.5% and 3.4% of our revenue for the same periods, respectively. As of December 31, 2022, our research and development and IT employees amounted to 351, representing 8.3% of our total number of employees as of the same date. As a reflection of our sustained investment in technologies, we possessed numerous intellectual property rights as of the Latest Practicable Date. See "—Intellectual Property".

QUALITY CONTROL

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

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

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

SALES AND MARKETING

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

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

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

CUSTOMERS

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

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

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

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

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

For the year ended December 31, 2020

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

Note:

(1) Combined based on public information available.

For the year ended December 31, 2021

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

Note:

(1) Combined based on public information available.

For the year ended December 31, 2022

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

Note:

(1) Combined based on public information available.

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

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

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

Note:

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

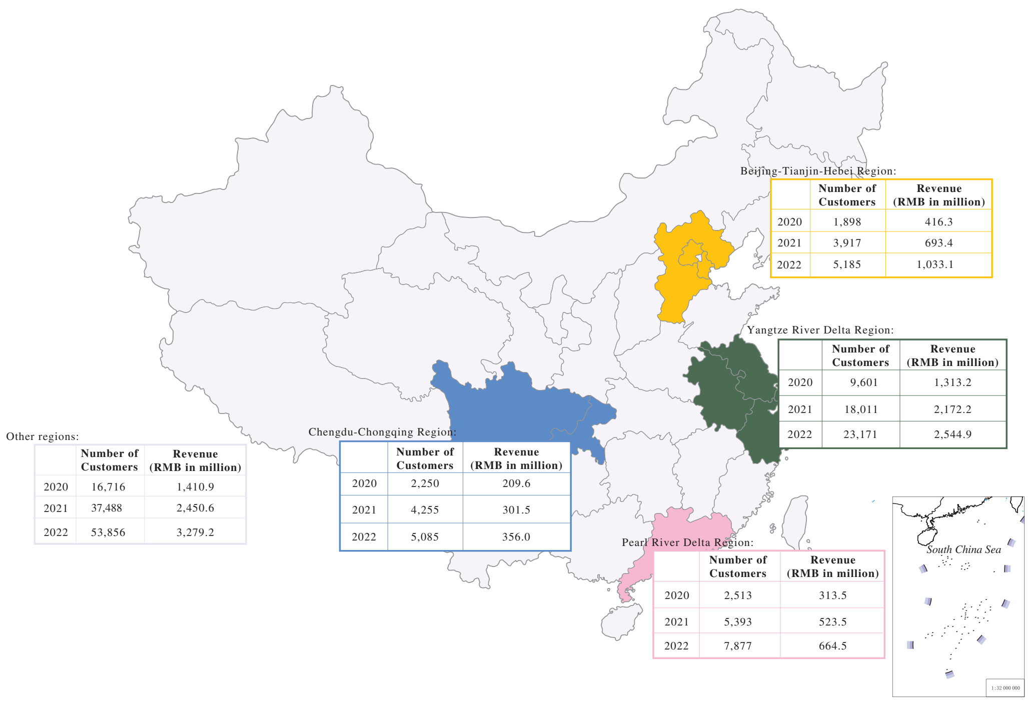
The following table sets forth an analysis of our revenue generated customers by the industry in which they operate:

	For the year ended December 31,											
	2020				2021				2022			
	Number of customers		Revenue generated		Number of customers		Revenue generated		Number of customers		Revenue generated	
		(%)	(RMB in millions)	(%)		(%)	(RMB in millions)	(%)		(%)	(RMB in millions)	(%)
Construction industry[1]	23,771	72.1	3,462.2	94.5	49,538	71.8	5,801.7	94.5	72,199	75.9	7,496.6	95.1
Non-construction industry[1]	3,421	10.4	157.0	4.3	6,368	9.2	250.7	4.1	8,494	8.9	296.7	3.8
Sole proprietors[1]	5,786	17.5	44.4	1.2	13,118	19.0	88.8	1.4	14,481	15.2	84.3	1.1
Total	**32,978**	**100.0**	**3,663.6**	**100.0**	**69,024**	**100.0**	**6,141.2**	**100.0**	**95,174**	**100.0**	**7,877.6**	**100.00**

Note:

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

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



Contracts with Customers

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

- *Term.* The contract term varies based on types of equipment and materials involved. Contract term for aerial work platform varies significantly from seven days to six months based on our customers' needs. Contract term for neo-excavation support system and neo-formwork system generally ranges from three months to one year;

- *Services*. We provide operating lease services of various types of equipment and materials to our customers. Our equipment and materials include, among others, aerial work platform, neo-excavation support system, neo-formwork system, road equipment and power supply equipment. We will be responsible for the repair and maintenance of the equipment, as well as providing equipment operation training services to the customers as requested. We may also provide logistics service and arrange on-site equipment operation staff in accordance with a predetermined cost if required by our customer;

- *Payment term*. If the term of the contract exceeds one month, the rent shall be payable by month; if the term of the contract is less than one month, the rent shall be paid within seven days after the leased equipment is returned. Sometimes, we may require a down payment or deposit from our customer; however, the credit terms granted to customers may not be strictly enforced and, according to the F&S Report, it is common practice in the industry we operate. For further details, please see "Financial Information—Description of Certain Items in the Consolidated Statement of Financial Position—Trade Receivables" and "Risk Factors—Risks Relating to Our Business and Industry—We are exposed to credit risks in relation to our contract assets and trade receivables. We may not be able to satisfy our working capital requirements if we experience significant delays or defaults in payments from customers, or significant delays in our billing and settlement process";

- *Termination.* If the lessee fails to pay the rent and other fees as stipulated in contact to us within the prescribed period in the contract, and the payment is overdue for more than 15 days, the lessee shall pay us a late fee at the rate of 0.1% of the overdue amount per day. In addition, if not all of the equipment has been fully delivered, we have the right to refuse to deliver the remaining equipment to the lessee. If the payment is overdue for more than 30 days, then we have the right to take back the leased equipment, suspend or terminate the contract in advance, and all losses arising from the overdue payment shall be borne by the lessee. After the termination of the contract, the lessee shall pay us a late fee at the rate of 0.1% of the overdue amount per day;

- *Renewal.* Upon the expiration of the contract term, the lessee shall immediately return the equipment to us. If the lessee intends to further rent the equipment upon the expiration of the contract term, it shall renew the contract within one week before the expiration of such contract.

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

- *Term.* The contract term varies, and normally ranges from one month to one year;

- *Services*. We provide engineering and technical services to our customers and the scope of work varies from contracts to contracts, but generally includes project design, planning, arranging professional staff to install and demolish the equipment and/or materials on the construction site, and logistics services;

- *Payment term.* We will invoice our customer when a project reaches certain phases or at certain point during the year, such as before Chinese New Year. The customer will pay us by the 25th of the month when the invoice is rendered, and the payment shall be no less than 80% of the settlement amount; before the project completion or demolition of the majority of equipment and/or materials, 80% of the total payment shall be settled; within one to two months after the project completion or demolition of the majority of equipment and/or materials, 95% of the total payment shall be settled; within 60 working days after the project completion, the total payment shall be settled by the customers; however, the credit terms granted to customers may not be strictly enforced and, according to the F&S Report, it is common practice in the industry we operate. For further details, please see "Financial Information—Description of Certain Items in the Consolidated Statement of Financial Position—Trade Receivables" and "Risk Factors—Risks Relating to Our Business and Industry—We are exposed to credit risks in relation to our contract assets and trade receivables. We may not be able to satisfy our working capital requirements if we experience significant delays or defaults in payments from customers, or significant delays in our billing and settlement process";

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

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

- *Term*. The re-rent contract term varies based on types of equipment and materials involved and our customers' needs;

- *Services*. We rent from other equipment providers, and enter into re-rent contract with customers. These equipment and materials include, among others, aerial work platform, neo-excavation support system, neo-formwork system, road equipment and power supply equipment. We will be responsible for the installation and demolition, daily repair and maintenance of these equipment. We will also arrange on-site equipment operation staff for the customers;

- *Contract price*. The unit price of our equipment is mainly determined by the type of the equipment, and the total price is based on the unit price and actual number of units leased;

- *Payment term*. The rent shall be payable by month. The lessee shall pay the rent within 60 days after both parties' confirmation of the monthly settlement; however, the credit terms granted to customers may not be strictly enforced and, according to the F&S Report, it is common practice in the industry we operate. For further details, please see "Financial Information—Description of Certain Items in the Consolidated Statement of Financial Position—Trade Receivables" and "Risk Factors—Risks Relating to Our Business and Industry—We are exposed to credit risks in relation to our contract assets and trade receivables. We may not be able to satisfy our working capital requirements if we experience significant delays or defaults in payments from customers, or significant delays in our billing and settlement process";

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

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

Pricing

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

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

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

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

SUPPLIERS

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

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

Contracts with Suppliers

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

- *Specification*. The purchase agreement typically sets out the specifications, models, quantities and total purchase amount of the equipment we purchased;

- *Unit purchase price*. The unit purchase price of the equipment is specified in the purchase agreement;

- *Logistics*. Unless otherwise agreed, the supplier is required to deliver the equipment we purchased to locations designated by us;

- *Payment term*. We will pay the purchase price to the supplier under the conditions that (i) we receive the original copy of VAT invoice issued by the supplier for 100% of the purchase price; (ii) all purchased equipment are properly delivered to us; and (iii) the settlement statement is signed by both parties. We may withhold a certain percentage of the total purchase price as the warranty deposit, and will refund to the supplier within 20 working days after the expiration of the warranty period of the equipment. During the Track Record Period, credit terms with our suppliers may differ from time to time based on the type of equipment or materials we procure;

- *Termination.* If the supplier breaches the contract and fails to rectify within a reasonable period of time after we have notified the supplier, we have the right to unilaterally terminate the contract without any liability.

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

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

For the year ended December 31, 2020

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

For the year ended December 31, 2021

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

For the year ended December 31, 2022

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

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

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

CUSTOMER/SUPPLIER OVERLAP

During the years ended December 31, 2020, 2021 and 2022, we had 113, 178 and 192 overlapping customers/suppliers (i.e. those who were both our customers and suppliers during the Track Record Period) calculated on a standalone basis (as opposed to a group consolidated basis). For the years ended December 31, 2020, 2021 and 2022, the aggregated revenue generated from such overlapping customers/suppliers were RMB152.9 million, RMB203.1 million and RMB205.8 million, respectively, accounting for 4.2%, 3.3% and 2.6%, respectively, of our total revenue for the same periods. For the years ended December 31, 2020, 2021 and 2022, the aggregated purchases from such overlapping customers/suppliers were RMB4,466.5 million, RMB4,649.9 million and RMB1,046.3 million, respectively, accounting for 56.2%, 39.4% and 21.8%, respectively, of our total purchases for the same periods. Transactions with overlapping customers and suppliers are seen by our Directors as commonplace primarily because of the different skill sets, capabilities and inventories owned by various parties. For instance, as we provide both operating leases services and engineering and technical services, whilst some customers from the operating lease services segment may be in need of equipment to perform in construction projects, they might be well staffed with construction labor, and their performance and skill sets would be useful for our reference when selecting a subcontractor to provide labor for our engineering and technical services segment. Similarly, when some of our suppliers of raw materials require aerial work platforms for them to conduct various constructions, renovation or repair work to their factories and facilities, they would become our customers as well. During the Track Record Period, some of our five largest customers and suppliers had also been our overlapping customers/suppliers. The following tables set forth the five largest customers (identified as an overlapping customer based firstly on a standalone basis, then consolidated into one of the five largest customers) and suppliers (calculated on a standalone basis) who had also been our overlapping customers/suppliers, for the periods indicated:

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

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

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

Top five customers	Revenue generated	% of revenue generated	Primary services/ product sold	Purchasing amount	% of purchasing amount	Primary services/ products purchased	Customer background
	(RMB in million)	*(%)*		*(RMB in million)*	*(%)*		
Customer C	301.9	3.8	Operating lease services, engineering and technical services	0.3	< 0.1	Engineering equipment and spare parts	A wholly state-owned construction enterprise, and one of the largest comprehensive construction groups in China. Main businesses include engineering contracting, integrating survey, design, investment and financing, construction, equipment installation, project supervision, and technical consultation.
Customer D	142.0	1.8	Operating lease services; engineering and technical services	0.2	< 0.1	Engineering equipment and spare parts	Company listed on the main board of the Hong Kong Stock Exchange and being a state-owned infrastructure company in China. Main businesses include infrastructure design, infrastructure construction, dredging and equipment manufacturing.

Top five suppliers	Revenue generated	% of revenue generated	Primary services/ product sold	Purchasing amount	% of purchasing amount	Primary services/ products purchased	Supplier background
	(RMB in million)	*(%)*		*(RMB in million)*	*(%)*		
For the year ended December 31, 2020							
Supplier D	9.4	0.4	Operating lease services, engineering and technical services	2,032.5	25.6	Aerial work platform	Incorporated in 2005, based in the PRC and operating in the mechanical engineering industry as a developer, manufacturer and distributor of aerial work platforms.

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

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

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

	Non-overlapping customers	**Overlapping customers/suppliers**
Term	For operating lease services: • Aerial work platform: varies significantly from seven days to six months • Neo-excavation support system and neo-formwork system: generally ranges from three months to one year	For operating lease services: • Ranges between a few days to within a year, depending on the equipment

	Non-overlapping customers	Overlapping customers/suppliers
	For engineering and technical services: • Normally ranges from one month to one year	For engineering and technical services: • Around or up to one year
Payment terms	For operating lease services: • Monthly payment if the term of the contract exceeds one month • Payable seven days after the leased equipment is returned if the term of the contract is less than one month	For operating lease services: • Monthly payment for longer leases • Payable within a week for shorter periods
	For engineering and technical services: • Payments will be made monthly • 95% payable within one to two months after the project completion or demolition of the majority of equipment and/or materials • Fully payable within 60 working days after the project completion	For engineering and technical services: • Payments will be made monthly • With a credit term of between 45 and 60 days for the majority of the total payment to be settled

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

	Non-overlapping suppliers	Overlapping customers/suppliers
Specifications and pricing	• The unit price and the specification of suppliers will be determined based on the equipment and materials to be procured by us	• The unit price and the specification of suppliers will be determined based on the equipment and materials to be procured by us
Payment terms	• May withhold a certain percentage of the total purchase price as the warranty deposit (refundable to the supplier within 20 working days after the expiration of the warranty period of the equipment) • Credit terms may differ from time to time based on the type of equipment or materials	• May withhold a certain percentage of the payment (which will be paid upon meeting similar criteria) as a warranty deposit, with a period of no more than one month

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

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

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

EMPLOYEES

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

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

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

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

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

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

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

SEASONALITY

As our operating lease services and engineering and technical services are primarily performed on construction sites, our services are affected by seasonal weather conditions. For example, in northern part of China, we cannot conduct most of our operating lease services in the first quarter of the year due to the extreme cold weather. Further, we may also experience seasonal fluctuation in our revenue and operating income in the first quarter of the year as a result of the Chinese New Year, which in turn, reduce the business activities and labor force in the market. For details, see "Financial Information—Key Factors Affecting Our Results of Operations—Our performance is subject to seasonality".

COMPETITION

According to the F&S Report, the PRC equipment operation service industry is highly competitive and fragmented, with the top three players collectively accounting for 1.6% of the total market share in terms of revenue, while approximately 15,000 small-to-medium scale players accounting for the remaining 98.4% in 2022. We distinguish ourselves from other competitors through our high-quality and large-scale asset portfolio, fast response and resource allocation capabilities and brand recognition. For details relating to the industry and markets in which we operate, see "Industry Overview" in this Prospectus.

INTELLECTUAL PROPERTY

As a comprehensive equipment operation service provider in China's construction industry, we provide construction machinery, mechanical and electrical equipment, construction materials and other products, as well as innovative technical services such as design, research and development and construction solutions to our customers. We primarily rely on the applicable laws and regulations on patents, copyrights, trademarks to protect our intellectual property rights. Meanwhile, we also sign confidentiality agreement with other parties to protect our innovations. As of the Latest Practicable Date, we owned one trademark, 58 patents, 8 domain names and 31 software copyrights in China, which we believe were material in relation to our business. In addition, as of the Latest Practicable Date, we had a series of ongoing intellectual property applications in China, including 27 patent applications, which we believe were material in relation to our business. As a result of our achievements in intellectual property right protection, we were recognized as a model enterprise for patents by the local government in Jiading County in 2018. For more information about our registered intellectual property and intellectual property applications, see "Appendix IV—Statutory and General Information—C. Further Information about Our Business—2. Intellectual property rights".

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

PROPERTIES

Owned Properties

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

Leased Properties

As of the Latest Practicable Date, we leased 100 parcels of land in various locations with a total area of approximately 486,636.9 sq.m., which are primarily used as parking lots for vehicles and warehouses for engineering machinery, equipment and materials. As of the Latest Practicable Date, we leased 85 buildings in various locations with an aggregated GFA of approximately 71,038.7 sq.m., which are primarily used as office buildings, factories and warehouses. As of the Latest Practicable Date, we had not registered the lease agreement for 85 of the buildings we leased, primarily due to non-cooperation of the relevant landlords. Moving forward, and as a remedial measure, we will proactively promote the registration of landlords, including through timely and continuous communication with and supervision over the landlords by our handling personnel, and strive to require the landlords to complete the registration. In addition, whether the landlords cooperated in registration will be one of the criteria for future selection of properties. For details, see "Risk Factors—Risks Relating to Our Business and Industry—Some of our property lease agreements were not filed with the relevant government authorities and may in turn subject us to administrative fines".

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

LEGAL PROCEEDINGS AND COMPLIANCE

Legal Proceedings

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

Non-compliance

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

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

Currently, in most cities in China, the eligibility of purchasing a house, a car and the education of children is premised on paying social security funds and housing provident funds for a certain duration of time locally. Considering the relevant abovementioned needs, it becomes practical to pay social security funds and housing provident funds for employees in their local residence across different cities. Therefore, our Company engaged the third-party human resources service providers which hold relevant qualifications and have rich industry experience to pay social securities funds and housing provident funds for employees living outside Shanghai, Guangzhou, Tianjin and Beijing in their local residence. Such arrangements, although not uncommon in China, are not in strict compliance with applicable PRC laws and regulations. Pursuant to the agreements entered into between our relevant PRC subsidiaries and such third-party human resources service providers, such human resources service providers are required to pay social security funds and housing provident funds for our relevant employees on time and in full. These third-party human resources service providers have confirmed in writing that they have paid such contributions on time and in full according to our agreements with them and in compliance with applicable PRC laws and regulations. During the Track Record Period and up to the Latest Practicable Date, none of us or our PRC subsidiaries had been subject to any administrative fine or penalty or received labor arbitration notices from any of their employees in relation to such agency arrangements. Nevertheless, we have strictly controlled the scale of the total number of employees covered by third-party payment arrangements, and in the meanwhile started to gradually reduce third-party payment arrangements from late 2021. The total number of our employees covered by third party arrangement decreased on a monthly basis from the beginning of 2022, and such number as of December 31, 2022 decreased by around 50% compared to that as of December 31, 2021. We aim to further decrease the total number of our employees covered by third party arrangement by around 10% by the end of 2023 (compared to that as of December 31, 2022).

If such human resources service providers fail to pay the social security funds or housing provident funds on time and in full for and on behalf of our employees as required by applicable PRC laws and regulations, we may be subject to additional contribution, late payment fee and/or penalties imposed by the relevant PRC authorities for failing to discharge our obligations in relation to payment of social security funds and housing provident funds as an employer or be ordered to rectify. See "Risk Factors—Risks relating to our business and industry—Failure to pay the social security funds and housing provident funds for and on behalf of our employees in accordance with the labor laws and regulations in China may have an adverse impact on our financial condition and results of operations" in this Prospectus.

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

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

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

For the years ended December 31, 2020, 2021 and 2022, the amounts of payments made by us for contributions to social security funds and housing provident funds made to such third-party human resource service providers amounted to RMB34.5 million, RMB101.3 million and RMB102.7 million, respectively. The slight increase in 2022 was mainly attributable to the increased compensation level of our employees, despite the fact that the total number of our employees covered by third-party payment arrangements as of December 31, 2022 decreased by around 50% compared to that as of December 31, 2021. Our Directors confirm that during the same period, there had not been any shortfall in contributions, as advised by our PRC Legal Advisers, our risk of being required to make up payment and administrative penalties for such non-compliance is relatively remote, no provision is to be made in relation to such amounts or any amount in relation to the potential penalties or fines. Our Directors are of the view that, in the event that the social insurance administrative department and the housing provident fund management center request us to rectify the arrangement of engaging the third-party human resources service providers to pay social security funds and housing provident funds for some employees, we may be subject to the payment of an additional social security funds late fees of approximately RMB9.3 million in respect of the aforesaid arrangement during the Track Record Period and up to the Latest Practicable Date. However, such arrangement will not have a material adverse impact on the normal operations of our Company.

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

Internal Control and Rectification Measures

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

- We undertake to take practical measures to mitigate the practice of engaging third party agencies to make of social security funds and housing provident funds contributions, as soon as requested by the competent government authorities;

- We have designated our human resources department to review and monitor the reporting and contributions of social security funds and housing provident fund for our employees on a monthly basis; and

- We will consult our PRC legal counsel on a regular basis for advice on relevant PRC laws and regulations to increase awareness and to keep us abreast of relevant regulatory developments, and to subsequently proceed with rectification and reversal of this arrangement in accordance with applicable laws and regulations.

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

CERTIFICATES, LICENSES AND PERMITS

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

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

License/permit	Granting authority	Date of grant	Expiry date
Safety production license	Shanghai Municipal Commission of Housing and Urban-rural Development	January 2023	January 2026

License/permit	Granting authority	Date of grant	Expiry date
Special equipment production license	Shanghai Municipal Administration for Market Regulation	June 2019	June 2023[(1)]
Construction enterprise qualification	Shanghai Municipal Commission of Housing and Urban-rural Development	February 2021	November 2025
Transportation operation license	Urban Transportation Management Institute of Jiading District, Shanghai	September 2020	September 2024

Note:

(1) We are in the process of renewing this license and we do not foresee any legal impediment to renew it.

SOCIAL, HEALTH, SAFETY AND ENVIRONMENTAL MATTERS

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

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

Factors considered:

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

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

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

Environmental protection

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

We have set the following specific ESG-related targets:

Strategy Theme	Targets
Greenhouse Gas Emission Reduction(1)(2)	We target to reduce the intensity of total greenhouse gas/total revenue to 0.0058 tons of carbon dioxide per RMB1,000, 0.0057 tons of carbon dioxide per RMB1,000 and 0.0056 tons of carbon dioxide per RMB1,000 for the years ending December 31, 2023, 2024 and 2025, respectively.

Strategy Theme	Targets
Electricity Consumption Reduction[1][3]	We target to reduce the intensity of total energy consumption/total revenue to 0.194 megawatt hours per RMB10,000, 0.192 megawatt hours per RMB10,000 and 0.190 megawatt hours per RMB10,000 for the years ending December 31, 2023, 2024 and 2025, respectively.
Water Consumption Reduction[4]	We target to the intensity of total water consumption/total revenue to 0.355 cubic meters per RMB10,000, 0.348 cubic meters per RMB10,000 and 0.341 cubic meters per RMB10,000 for the years ending December 31, 2023, 2024 and 2025, respectively.
Wastes Discharge	We will continue to dispose of our hazardous and non-hazardous wastes in compliance with relevant laws and regulations.

Notes:

1. The Group set out the specific ESG-related targets with reference to the carbon neutral strategy adopted by Far East Horizon in 2022.

2. By 2025, we target to reduce the intensity of total greenhouse gas/total revenue by 2% per year with reference to our discharge in 2021. For the years ended December 31, 2021 and 2022, our intensity of total greenhouse gas/total revenue was 0.0061 tons of carbon dioxide per RMB1,000 and 0.0045 tons of carbon dioxide per RMB1,000, respectively.

3. By 2025, we target to reduce the intensity of total energy consumption/total revenue by 1% per year with reference to our consumption in 2021. For the years ended December 31, 2021 and 2022, our intensity of total energy consumption/total revenue was 0.198 megawatt hours per RMB10,000 and 0.165 megawatt hours per RMB10,000, respectively.

4. By 2025, we target to reduce the intensity of total water consumption/total revenue by 2% per year with reference to our consumption in 2021. For the years ended December 31, 2021 and 2022, our intensity of total water consumption/total revenue was 0.370 cubic meters per RMB10,000 and 0.377 cubic meters per RMB10,000, respectively.

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

Exhaust and greenhouse gas emissions

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

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

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

Notes:

1. Scope 1 direct greenhouse gas emission refers to direct emissions from the consumption of natural gas, gasoline, diesel, and refrigerant, the operation of sewage treatment stations, etc.

2. Scope 2 indirect greenhouse gas emission refers to indirect emissions from purchased electricity and purchased heating power.

3. The data on our greenhouse emissions set forth above are not audited by an external advisor.

4. We only included three operation bases, namely one in Jiading District, Shanghai, one in Jinshan District, Shanghai and one in Wuqing District, Tianjin, into the calculation scope of indicators related to greenhouse gas emission in 2020.

5. In response to the increasing requirements by relevant laws and regulations on ESG-related compliance and disclosure, we established the ESG committee in 2021 and have taken all of our subsidiaries into consideration for calculation of scope of indicators related to greenhouse gas emission since the same year.

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

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

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

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

Notes:

1. For the years ended December 31, 2020, 2021 and 2022, we used approximately 1.8 million, 10.4 million and 11.3 million liters of petrol and diesel, respectively.

2. We only included three operation bases, namely one in Jiading District, Shanghai, one in Jinshan District, Shanghai and one in Wuqing District, Tianjin, into the calculation scope of indicators related to energy consumption in 2020.

3. In response to the increasing requirements by relevant laws and regulations on ESG-related compliance and disclosure, we established the ESG committee in 2021 and have taken all of our subsidiaries into consideration for calculation of scope of indicators related to energy consumption since the same year.

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

Water consumption and pollution

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

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

Treatment of waste, used equipment and scrap metal

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

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

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

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

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

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

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

Corporate governance

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

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

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

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

The Impact of Climate Risks and Opportunities

We have attached great importance to the impact brought by climate change on our financial operations and sustainable development. With reference to the list of climate-related risks recommended by the Task Force on Climate-related Financial Disclosures, we identified physical risk and transition risk as our key climate-related risks. Physical risk refers to the risk related to the frequent extreme weather events such as rainstorms and typhoons which may disturb our normal operation and cause our economic losses.

Transition risk refers to medium and long-term financial risk related to the process of adjustment towards a lower-carbon economy which can be prompted by, for example, changes in climate-related policies and regulations, technological changes, or a change in market sentiment. Our operating costs caused by climate-related policies and regulations in sustainable practice requirements may be increased.

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

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

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

Opportunities

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

Employee Rights and Benefits

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

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

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

Occupational Health and Safety

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

Supplier Management

As of December 31, 2022, we had a total number of 2,578 suppliers, which are mainly from hotspots of China's economy, including Yangtze River Delta Region, Pearl River Delta Region, Beijing-Tianjin-Hebei Region, and Chengdu-Chongqing Region. We have put in place a supplier management system to guarantee the standard supplier selection and procurement. We have set up a supplier management group and designated a department in charge of supplier management to carry out supplier management in a more professional manner and reinforce internal oversights as well as checks and balances. Meanwhile, we kept conducting supplier appraisal and made company-wide announcements of the periodic assessment and improvement results. As an advocate for sustainable development, we explicitly prefer to procurement of energy-saving and eco-friendly products from suppliers with good social and corporate governance practices. During our selection and procurement process, we strictly comply with relevant laws, regulations and rules, and require all of suppliers to obtain and maintain necessary and valid business license, qualifications and certifications, and demonstrate legal compliance with applicable laws and regulations in relation to environment, product quality, society and corporate governance. We oppose briberies of any kind. We have introduced the supplier whistle-blower mechanism, through which all employees can report to the supplier management group in respect of any conduct of fraud, kickbacks, or commercial bribery involved in the procurement process. If any of our suppliers commits misconduct or breaches applicable law and regulations that may cause or have caused material environmental, social and governance impact, we may not renew our contracts with them. During the Track Record Period and up to the Latest Practicable Date, our Directors are not aware of any record in respect of material non-compliance of applicable law and regulations or any unethical behaviours by our suppliers.

INSURANCE

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

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

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

RISK MANAGEMENT AND INTERNAL CONTROL

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

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

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

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

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

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

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

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

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

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

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

Anti-corruption and Anti-bribery Measures

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

- we provide anti-fraud and ethics training to our new employees and distribute our anti-corruption and anti-bribery policy to all employees through employee handbooks and announcements;

- our audit department is responsible for identifying improper conduct of our employees and monitoring inter-department activities, and we plan to establish a committee consisting of our management team to carry out such responsibilities in the future. The primary duties of the committee include providing anti-corruption and anti-bribery compliance advice, investigating potential corruption or fraudulent incidents, and initiating anti-fraud promotional activities with our Group; and

- we have a whistleblowing and complaint handling process through written submissions, telephone or email, and we will conduct investigations for any suspected cases of bribery, corruption or other related misconduct or fraudulent activities. In cases where misconduct is found, we may take disciplinary actions as appropriate, report to the relevant regulatory authorities and/or initiate legal actions to recover any losses suffered by us as a result of such misconduct.

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

OVERVIEW

Immediately following completion of the Spin-off (without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option), Far East Horizon will directly hold approximately 71.72% of the total issued share capital of our Company and will also be entitled to control the exercise of voting rights in respect of the Shares held by Farsighted Wit Limited (representing approximately 5.52% of the total issued share capital of our Company) at our general meetings. Therefore, Far East Horizon and Farsighted Wit Limited will constitute a group of our Controlling Shareholders upon Listing.

Farsighted Wit Limited is an investment holding company. For further details of Farsighted Wit Limited and our shareholding and corporate structure, please refer to the section headed "History, Reorganization and Corporate Structure" in this Prospectus.

DELINEATION OF BUSINESS

Business of our Group

Our Group is principally engaged in equipment operation business, covering (i) operating lease services, (ii) engineering and technical services, and (iii) platform and other services. For further details of our business, please refer to the section headed "Business" in this Prospectus.

Business of Far East Horizon Group

The principal business activities of Far East Horizon Group are (i) financial leasing and advisory services, and (ii) industrial operation and management services, including hospital investment and operation, preschool education and school operation management, trading and brokerage services, etc.

Financial leasing and advisory services

Financial leasing and advisory services are the principal business activities of Far East Horizon Group. The financial leasing services, through which Far East Horizon Group earns interest income, include direct financial leasing and sale-leaseback. The advisory services, through which Far East Horizon Group earns fee income, are normally provided in conjunction with and are complementary to the financial leasing services, which are designed to provide comprehensive business or financial solutions to the customers of Far East Horizon Group.

Industrial operation and management

The industrial operation and management business of Far East Horizon Group primarily consists of hospital investment and operation, preschool education and school operation management and, trading and brokerage services.

Business Delineation

Although both engaged in leasing business, each of our Group and Far East Horizon Group is engaged in a distinctive and separate leasing business, i.e., operating leasing and financial leasing, respectively.

Business model delineation

The following table sets forth differences in the business models of operating leasing of our Group and financial leasing of Far East Horizon Group.

Operating leasing business of our Group	Financial leasing business of Far East Horizon Group
Operating leasing normally refers to the leasing where substantially all of the risks and rewards of ownership of the assets remain with the lessor. The operating leasing services of our Group are usually contracted for a shorter term, i.e. ranging from weeks to months according to construction period for each project, during which, our Group, as the lessor, shall take care of the equipment and would need to transport, maintain and repair the equipment, and provide replacement of damaged equipment to the lessee. At the end of lease period, our customer, the lessee, is usually not given an option to purchase the equipment which has been taken on lease. Instead, our Group will retrieve the equipment and lease the same to other customers.	Financial leasing normally refers to the leasing when the terms of the leasing transfer substantially all of the risks and rewards of ownership of the assets to the lessee. The financial leasing services of Far East Horizon Group comprise direct leasing and sale-leaseback, business models of which are as follows: A direct leasing transaction involves three parties, namely the lessor, the lessee, and a third party asset supplier. Far East Horizon Group, as the lessor, provides its customer, as the lessee, with a commercial arrangement where: (i) the lessor purchases an asset from the asset supplier; and (ii) the lessor leases the asset to the lessee in return for lease payments. The lessee has the right to use the leased asset, while ownership of the leased asset remains with Far East Horizon Group during the lease term. The lessee has the option to purchase the leased asset from Far East Horizon Group at the end of the lease term.

Operating leasing business of our Group	Financial leasing business of Far East Horizon Group
	A sale-leaseback transaction involves two parties, namely the lessor and the lessee. Far East Horizon, as the lessor, provides its customer, as the lessee with a commercial arrangement where: (i) the lessee has owned the asset; (ii) the lessee sells the asset to the lessor for a negotiated price; and (iii) the lessor leases the asset back to the lessee in return for rental payments, through which the lessee could satisfy its funding needs while continuing to use the same asset during the lease term. The lessee has the option to buyback the leased asset at the end of the lease term to regain its ownership. The financial leasing services of Far East Horizon Group are usually contracted for a longer term, i.e. ranging from two to five years, during which, the lessee is responsible for transportation, maintenance and repair of the leased asset. Any damage to the leased asset will not affect its payment obligation to Far East Horizon Group. The lessee is given an option and, in most cases, chooses to exercise such option, to purchase the underlying asset at a nominal price from the lessor at the end of the lease term.

Customers and suppliers delineation

The following table sets forth customers and suppliers of operating leasing business of our Group and financial leasing business of Far East Horizon Group, respectively.

	Operating leasing business of our Group	**Financial leasing business of Far East Horizon Group**
Customers	Mainly construction companies in demand of equipment to be used in its construction operations and projects in engineering construction industry.	Mainly enterprises and institutions in demand of financing within target industries such as healthcare, culture and tourism, engineering construction, machinery, chemical and medicine, electronic information, livelihood and consumption, transportation and logistics, and urban public utility, etc.
Suppliers	Mainly equipment manufacturers.	Mainly banks.

The transactions in the operating leasing business of our Group and the financial leasing business of Far East Horizon Group are separately and independently negotiated and entered into, which are based on commercial needs of differentiated customers. The following tables set forth quantitative information on customers of the operating leasing business of our Group and the financial leasing business of Far East Horizon Group.

(i) Information on customers and revenue in terms of the operating leasing transactions of our Group for each of the three years ended December 31, 2022

	Year ended December 31,		
	2020	**2021**	**2022**
Total number of customers of our Group	31,948	67,325	92,735
Number of overlapping customers with Far East Horizon Group	74	148	188
Percentage of overlapping customers	**0.23%**	**0.22%**	**0.20%**

	Year ended December 31,		
	2020	2021	2022
Revenue from operating lease income of our Group (RMB'000)	2,484,554	4,463,348	5,189,949
Revenue from the overlapping customers (RMB'000)	14,504	35,098	56,714
Revenue contribution by overlapping customers	**0.58%**	**0.79%**	**1.09%**

(ii) Information on customers and revenue in terms of the financial leasing transactions of Far East Horizon Group for each of the three years ended December 31, 2022

	Year ended December 31,		
	2020	2021	2022
Total number of customers of Far East Horizon Group	1,084,454	835,199	497,471
Number of overlapping customers with our Group	74	148	188
Percentage of overlapping customers	**0.01%**	**0.02%**	**0.04%**
Revenue from financial lease income of Far East Horizon Group (RMB'000)	15,266,024	17,032,212	19,151,126
Revenue from the overlapping customers (RMB'000)	89,368	124,120	174,885
Revenue contribution by overlapping customers	**0.59%**	**0.73%**	**0.91%**
Total balance of financial lease receivables at the end of the year (RMB'000)	208,625,192	222,543,487	234,934,182
Balance of financial lease receivables at the end of the year from the overlapping customers (RMB'000)	1,181,700	2,241,729	2,187,147
Contribution to balance of financial lease receivables by overlapping customers	**0.57%**	**1.01%**	**0.93%**

As demonstrated in the tables above, the revenue contribution and the contribution to balance of financial lease receivables from the overlapping customers are immaterial to both of the operating leasing business of our Group and the financial leasing business of Far East Horizon Group for each of the three years ended December 31, 2022.

Underlying assets delineation

There are separate underlying assets serving different customer needs in the operating leasing business of our Group and the financial leasing business of Far East Horizon Group. Even though the underlying assets involved in the operating leasing business of our Group and the financial leasing business of Far East Horizon Group may fall within the same type or category, the Company believes that it is very unlikely for a customer in need of operating leasing from our Group to obtain the same type of assets through financial leasing from Far East Horizon Group, and vice versa, for the following reasons.

(i) Far East Horizon Group is focusing its financial leasing business involving the same types of underlying assets in our operating leasing business on sale-leaseback. The following table sets forth quantitative information on sale-leaseback transactions and direct leasing transactions of Far East Horizon Group where same types of underlying assets from the operating leasing business of our Group were involved for each of the three years ended December 31, 2022.

Projects	**Year ended December 31,**		
	2020	**2021**	**2022**
Sale-leaseback			
Number	3,949	6,223	8,253
Percentage	99.55%	99.66%	99.60%
Direct leasing			
Number	18	21	33
Percentage	0.45%	0.34%	0.40%

Financial lease receivables	**As at December 31,**		
	2020	**2021**	**2022**
Sale-leaseback			
Amount (RMB’000)	30,340,012	36,388,323	40,605,568
Percentage	99.96%	99.95%	99.96%
Direct leasing			
Amount (RMB’000)	11,605	18,973	16,195
Percentage	0.04%	0.05%	0.04%

Interest income	Year ended December 31,		
	2020	2021	2022
Sale-leaseback			
Amount (RMB'000)	1,820,969	2,765,408	3,163,450
Percentage	99.95%	99.95%	99.93%
Direct leasing			
Amount (RMB'000)	890	1,443	2,172
Percentage	0.05%	0.05%	0.07%

Given the percentage of direct leasing projects, financial lease receivables derived from direct leasing transactions and interest income derived from direct leasing transactions of Far East Horizon Group where same types of underlying assets from the operating leasing business of our Group were involved for the three years ended or as at December 31, 2022 were immaterial to the total number of projects, total financial lease receivables and interest income derived from financial leasing transactions of Far East Horizon Group, our Directors are of view that there is no material business competition between the direct leasing business of Far East Horizon Group and the operating leasing business of our Group.

As explained in the preceding paragraphs, in sale-leaseback, the customer already owns the underlying asset and sells such identified asset to Far East Horizon Group for a negotiated purchase price, and Far East Horizon Group leases the asset back to the customer in return for lease payments, so that the customer may satisfy its funding needs and continue to use the asset as a lessee. In operating leasing, our Group owns large amount of assets with diversified types and our customer chooses from such selections the asset to rent based on its own needs. Combined with the fact that sale-leaseback transactions account for substantially all of the projects involving the same type of assets, it is reasonably believed that the situation where a customer may obtain a type of assets either through financial leasing services from Far East Horizon Group or through operating leasing services from our Group seldom arises.

(ii) Unlike traditional equipment operation service providers primarily focusing on provision of equipment leasing services, our Group focuses on providing comprehensive, multi-dimensional and full-cycle equipment operation service to our customers, which is a major competitive strength of ours. Such business focus requires us to own large amount of equipment with diversified types, where (i) our customers, for example, construction contractors, normally have higher requirements on equipment performance, safety construction and construction techniques to ensure the quality of construction projects, (ii) the service provider must be equipped with quick response capability to address client's demand and ensure timely implementation of the project timetable, and (iii) the service provider is expected to have strong capability in large-scale asset operation and management which originates from long term experiences in serving large-scale projects and also continuous investment in development of digital operation tools. It is therefore very unlikely for a customer in need of operating leasing from our Group to obtain the same type of assets through financial leasing from Far East Horizon Group, and vice versa.

Undertaking from Far East Horizon

In order to effectively mitigate and manage any potential competition that may arise between operating leasing of our Group and direct (financial) leasing of Far East Horizon Group, on November 12, 2021, Far East Horizon executed an enforceable non-competition deed of undertaking (the "**Deed of Undertaking**") in favor of our Group, undertaking that at any time during the valid period of the Deed of Undertaking, it shall not, and shall within its power procure that its subsidiaries (excluding our Group) will not, directly or indirectly, engage in, enter into or participate in any direct (financial) leasing transactions or arrangements where the underlying assets are involved in the operating leasing services of our Group (i.e., all equipment (whatever category, type, model or size) under the neo-excavation support systems, neo-formwork system, aerial work platform and other equipment of our operating leasing business), provided that any such direct (financial) leasing transactions or arrangements that exist prior to the execution of the Deed of Undertaking are excluded. Far East Horizon further agrees and undertakes that it will (i) issue and provide to our Group written confirmation on the compliance with the undertakings in the Deed of Undertaking for each financial year of our Group; (ii) conduct annual review on the compliance and performance of undertakings in the Deed of Undertaking at the request of the independent non-executive Director(s) of our Company; and (iii) take all necessary and appropriate measures to eliminate actual competition or prevent any potential competition.

Far East Horizon's undertakings in the Deed of Undertaking shall become effective from the Listing Date and remain valid until whichever is the earliest of the date on which: (i) Far East Horizon and/or its associates (excluding our Group), individually or together, cease to directly or indirectly control 30% or more issued share capital of our Company (or control the exercise of voting rights thereof); (ii) Far East Horizon and/or its associates (excluding our Group), individually or together, directly or indirectly cease to be the Controlling Shareholder(s) of our Company; (iii) Far East Horizon and/or its associates (excluding our Group), individually or together, directly or indirectly cease to be the single largest Shareholder(s) of our Company; or (iv) our Shares cease to be listed on the Stock Exchange.

In December 2020, the board of directors of Far East Horizon reviewed and approved the resolutions in respect of, among others, the Spin-off and the authorization to authorized person(s) by the board of directors to handle relevant matters of the Spin-off and Listing, including the execution of the Deed of Undertaking. The Deed of Undertaking is not subject to the approval of Far East Horizon's shareholders.

Far East Horizon will adopt the following protocols to effectively implement the aforesaid undertakings. During review and approval of future direct leasing transactions through its internal core business management system (the "**Core Business Management System**"), Far East Horizon will, through the "leased assets import" (租賃物導入) process, block any transaction involving overlapping assets. Under such arrangement, our Group will provide a list of underlying assets involved in our operating leasing business (the "**List of Underlying Assets**") to Far East Horizon and update such list on a monthly basis. The List of Underlying Assets will cover all equipment (whatever category, type, model or size) under the neo-excavation support systems, neo-formwork system, aerial work platform and other equipment of our operating leasing business. Far East Horizon shall place this List of Underlying Assets in the Core Business Management System, where leased assets of any proposed direct leasing transaction, when imported, will be checked and matched against such list. When imported assets are identified to be overlapping with the List of Underlying Assets, they will be tagged as overlapping underlying assets and cannot be selected or otherwise processed in the Core Business Management System, resulting in the direct leasing transaction where the overlapping underlying assets are involved being blocked and therefore unable to proceed. Far East Horizon will designate its Operation Center to monitor the stability of the system on a continuing basis and regularly evaluate the effectiveness of such system and protocols. In case of any new overlapping assets due to business expansion of our Group, Far East Horizon will strictly follow the above protocols to identify any overlapping assets based on the List of Underlying Assets produced by our Group and will not, directly or indirectly, engage in, enter into or participate in any direct (financial) leasing transactions or arrangements where the underlying assets are involved in the operating leasing services of our Group.

In light of above, the Company is of the view that there is clear business delineation between Far East Horizon Group and our Group, and accordingly, there will be no material competition between the businesses conducted by Far East Horizon Group and our Group.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Our Directors believe that we can conduct our business independently from our Controlling Shareholders after the Global Offering.

Management Independence

Our management and operational decisions are made by our Board and our senior management. Our Board consists of eleven Directors, including two executive Directors, five non-executive Directors and four independent non-executive Directors.

Save as disclosed below, none of our Directors or members of our senior management holds a directorship or other position in our Controlling Shareholders:

Name	Directorship in our Company	Position in our Controlling Shareholders
Mr. KONG Fanxing (孔繁星先生)	Non-executive Director, chairman	Executive director, chairman and chief executive officer of Far East Horizon
Mr. XU Huibin (徐會斌先生)	Non-executive Director	General manager of strategic centre and assistant to the chief executive officer of Far East Horizon
Ms. GUO Lina (郭麗娜女士)	Non-executive Director	Senior director of human resources department of Far East Horizon
Mr. LIU Jialin (劉嘉凌先生)	Independent non-executive Director	Independent non-executive director of Far East Horizon

Notwithstanding the fact that three non-executive Directors, namely Mr. Kong Fanxing, Mr. Xu Huibin and Ms. Guo Lina, and one independent non-executive Director, namely Mr. Liu Jialin (collectively, the "**Overlapping Directors**"), hold overlapping directorship or other positions in our Controlling Shareholders, we are of the view that our Company and our Controlling Shareholders can be managed independently for the following reasons:

(i) Mr. Kong Fanxing, Mr. Xu Huibin and Ms. Guo Lina will act as non-executive Directors of our Company, who will be mainly responsible for providing guidance for the overall management and development of our Company, and will not be involved in the day-to-day operation and management of our Company. The executive Directors of our Company, namely Mr. Pan Yang and Mr. Tang Li are responsible for the overall strategic planning and operations. In addition, the day-to-day management and operations of our Company will be dealt with by, among others, a team of full-time management members who have been serving our Group for a long time and are familiar with our business.

(ii) Mr. Liu Jialin has over 30 years of experience in the finance and securities industry. His participation in the Board will bring independent judgments on issues relating to our Group's investment decision and other management matters. We believe that Mr. Liu's profound knowledge, experience and understanding of the finance and securities industry and the business of Far East Horizon Group, of which our Group forms a part, could contribute to the continued success of our Group. Although Mr. Liu concurrently holds independent non-executive directorships in both our Company and Far East Horizon, our Directors are of the view that Mr. Liu will be able to discharge his duties as an independent non-executive Director of our Company given that: (a) Mr. Liu has acquired extensive management experience and developed substantial knowledge on corporate governance through his directorships in various listed companies which is expected to facilitate the proper discharge of his duties and responsibilities as an independent non-executive Director; (b) Mr. Liu's roles in our Group and Far East Horizon are non-executive in nature and he will not be involved in the daily management of the business operations in our Company and Far East Horizon; (c) Mr. Liu will abstain from participating and voting at the board meetings of our Company involving matters and transactions between our Group and Far East Horizon Group; and (d) our corporate governance measures in place will mitigate any potential conflicts of interests. To the best knowledge of our Directors, Mr. Liu was interested in 250,000 shares of Far East Horizon as of the Latest Practicable Date.

(iii) We have adopted corporate governance measures, including but not limited to appointment of independent non-executive Directors and establishment of special Board committees, to manage potential conflicts of Director's interests after completion of the Listing, including potential conflicts of interest that may arise in respect of the Overlapping Directors, in accordance with the requirements of the Articles of Association, relevant corporate governance policies, the Listing Rules and other applicable regulations. For matters where any Director may have an actual or potential conflict of interest, such actual or potential conflict of interest will be addressed in accordance with the Articles of Association, relevant corporate governance policies and the applicable requirements of the Listing Rules. The following corporate governance measures will be in place to mitigate any actual or potential conflict of interests:

(a) in the event of any actual or potential conflict of interest between our Group and Far East Horizon Group, our Directors shall report such conflict of interest to the independent non-executive Directors as soon as practicable upon becoming aware of it, where applicable, convene a Board meeting to review and evaluate the implications and risk exposure of such conflict, and monitor any material irregular business activities;

(b) the Nomination Committee of our Company will from time to time review the independence of our Directors in terms of the performance of their duties as Directors to ensure effective management of potential conflict of interest; and

(c) our Directors, including our independent non-executive Directors, are entitled to seek independent professional advice from external parties in appropriate circumstances at our Company's expense.

According to the Articles of Association, a Director shall not vote on (nor shall be counted in the quorum in relation to) any resolution of the Board in respect of any contract or arrangement or any other proposal whatsoever in which he or any of his close associates (or, if required by the Listing Rules, his other associates) has any material interest, and if he shall do so his vote shall not be counted (nor is he to be counted in the quorum for the resolution). As of the Latest Practicable Date, Mr. Pan Yang (our executive Director and CEO) and Mr. Tang Li (our executive Director and CFO) were interested in 3,892,331 shares and 236,064 shares of Far East Horizon, respectively, which were awarded to them as eligible participants under the share incentive plan(s) of Far East Horizon, representing 0.09% and 0.01% of the total issued shares of Far East Horizon, respectively. Mr. Pan and Mr. Tang do not hold any positions in Far East Horizon Group or participate in any daily operation or management of Far East Horizon Group. Our Company reasonably believes that such interests in shares of Far East Horizon held by Mr. Pan and Mr. Tang are unlikely to cause conflict of interest in respect of the transactions between Far East Horizon Group and our Group. Upon Listing, in any case where Mr. Pan and Mr. Tang do have any material interest in any contract, arrangement or proposal, they shall report such conflict of interest to the independent non-executive Directors and shall abstain from voting on the relevant Board resolution(s) in accordance with our corporate governance requirements as mentioned above.

In circumstances where all the Overlapping Directors, Mr. Pan Yang and Mr. Tang Li have to abstain from voting, our Company still have five Directors, namely, Mr. He Ziming and Mr. Li Qianjin (our non-executive Directors), Mr. Xu Min, Ms. Jin Jinping and Mr. Sum Siu Kei (our independent non-executive Directors) with sufficient knowledge and experience to determine and vote on matters which may involve conflicts of interest between our Group and Far East Horizon Group. The above five Directors account for more than a half of the independent non-executive Director members, and also satisfy the quorum for Board meetings (i.e., two Directors) as required by the Articles of Association. Therefore, there will be sufficient Board oversight even in the case where all the Overlapping Directors, Mr. Pan Yang and Mr. Tang Li have to abstain from voting.

The Directors are of the view that the abovementioned corporate governance measures are proper and sufficient to manage any potential conflict of interests between our Group and Far East Horizon Group and therefore our Group will be able to function properly and with a sufficient level of independence.

(iv) each director of Far East Horizon is aware of his fiduciary duties as a director of a listed company on the Stock Exchange, which require, among other things, that he act for the benefit and in the best interests of Far East Horizon and do not allow any conflict between his duties as a director of Far East Horizon and his personal interests. As required by article 89(7) of the articles of association of Far East Horizon, a director shall not vote (or be counted in the quorum at a meeting) in respect of any resolution relating to any contract, transaction or arrangement or other proposal in which he is aware that he or any of his connected entities or his close associates (and if required by the Listing Rules, his other associates) have a material interest and, if he purports to do so, his vote shall not be counted. With such internal mechanism, the Company considers that it will be able to manage potential conflicts of interest that may arise in respect of overlapping directors with Far East Horizon.

Based on the above, our Directors are of the view that our Company has our own management team and that we are capable of managing our business independently from our Controlling Shareholders and/or its close associates.

Operational Independence

Our operations were established independently of that of our Controlling Shareholders and/or its close associates. We can make decisions and carry out our own business operations independently. We have our own operation facilities, management systems, and operation staff and departments, which enables us to operate our business independently from our Controlling Shareholders. We have our own operation bases which own office buildings and factories buildings in Shanghai, Tianjin and Guangzhou, and which are separate and distinct from those of our Controlling Shareholders. We have our own business operation management systems in all necessary aspects, including but not limited to, information collection, customer management, commodity management, order management, purchasing management, engineering management, logistics management, administration management, financial management, digital store and e-commerce platform. We have our own staff team for our business operation and own departments specialising in our operations, including but not limited to business operations, finance, sales and marketing, information and technology, and human resources, which are independent of our Controlling Shareholders and/or its close associates. Our Group has a large and diversified base of customers and suppliers which are independent from our Controlling Shareholders and/or its close associates. Each of our Group and Far East Horizon Group separately and independently negotiated and entered into the relevant agreements with their respective customers and suppliers.

Although we have entered into certain continuing connected transactions which will continue after the Listing, such transactions have been entered into and will continue to be entered into on normal commercial terms and in the ordinary course of business of our Company in accordance with our pricing policies. Notwithstanding that Far East Horizon Group has provided trademark licensing services, administrative services and office seats leasing services to our Group and will continue to provide such services to our Group, such arrangements will not affect the operational independence of our Group considering (i) all essential administrative functions have been and will be carried out independently by our Group; (ii) save for the trademarks licensed to us under the trademark licensing agreement, our Group has obtained necessary licenses, permits and intellectual property rights material to our business operation; (iii) certain administrative systems shared by our Group and Far East Horizon Group are the platforms owned, managed and maintained by Far East Horizon for all members within its group for centralized management purpose whilst each member has an independent account for self-management; (iv) there is clear division of the office seats and area occupied by our Group in the office building of Far East Horizon Group which will not materially affect our operational independence; and (v) such administrative services and office seats leasing services provided by Far East Horizon Group are readily substituted by suitable alternatives provided by independent third parties in the event that Far East Horizon Group ceases to provide such services to us. Please refer to the section headed "Connected Transactions—Our Continuing Connected Transactions" in this Prospectus for details of the continuing connected transactions that will continue after the Listing.

Based on the above, our Directors are of the view that our Company operates independently of our Controlling Shareholders and/or its close associates.

Financial Independence

We have an independent financial and accounting system as well as a separate finance and accounting team which is responsible for our own treasury functions. We can make financial decisions independently, and Far East Horizon does not interfere with our use of funds. In addition, we maintain and manage bank accounts independently and Far East Horizon does not share any bank accounts with us.

All intra-group loans and guarantees provided by our Controlling Shareholders have been fully settled and discharged as of the Latest Practicable Date.

In the ordinary course of our business, our Group has obtained credit facilities from a number of independent financial institutions without any financial assistance provided by Far East Horizon Group. As of December 31, 2022, the total amount of the credit facilities granted by independent financial institutions without any financial assistance provided by Far East Horizon Group was approximately RMB38,216 million, and the total unutilized amount of such credit facilities was approximately RMB10,884 million. In addition, our Group obtained an AA+ credit rating granted by an independent rating agency in September 2020, by which our Group will proactively raise funds from capital markets and expanded direct financing channels in the PRC.

CORPORATE GOVERNANCE MEASURES

We have adopted or will adopt the following corporate governance measures to manage any potential conflicts of interest and to safeguard the interests of the Shareholders:

(i) our Board has a balanced composition of executive Directors, non-executive Directors and independent non-executive Directors that can facilitate the exercise of independent judgment. With the expertise in their respective professional fields, our Directors believe that the independent non-executive Directors have the necessary calibre and expertise to form and exercise independent judgment in the event that conflicts of interest between our Company and our Controlling Shareholders arise. Details of our independent non-executive Directors are set out in the section headed "Directors and Senior Management" in this Prospectus;

(ii) no overlapping director holds any executive role concurrently in both our Company and our Controlling Shareholders. Our Company and Far East Horizon will also restrict the members of senior management of our Company from participating in the management of members of Far East Horizon Group, and vice versa;

(iii) the audit and risk management committee of Far East Horizon and the audit committee of our Company will assist the board of directors of Far East Horizon and our Company in fulfilling the responsibilities by providing an independent review and supervision of, among others, risk management, internal control systems and measures of Far East Horizon and our Company; meanwhile, the remuneration and nomination committee of Far East Horizon and the nomination committee of our Company will from time to time review the overlapping directors' independence in terms of performing their duties as the Director to ensure effective management of conflict of interest;

(iv) when considering any connected transactions and potentially competing business, the independent non-executive directors of Far East Horizon and our independent non-executive Directors will review the relevant transactions, and where needed, additional independent consultants will be engaged to provide advice to the independent non-executive directors;

(v) a Director with material interests shall make full disclosure in respect of matters that may have conflict or potentially conflict with any of our interest and abstain from the board meetings on matters in which such Director or his/her associates have a material interest, unless the attendance or participation of such Director at such meeting of the Board is specifically requested by a majority of the independent non-executive Directors;

(vi) in the event that any potential conflict of interest in connection with our Controlling Shareholders arises at the shareholders' level, our Controlling Shareholders and their close associates shall abstain from voting at the general meeting of our Company with respect to the relevant resolution(s);

(vii) our Company has adopted internal policies to manage business operation and strictly control potential business competition with Far East Horizon Group. For example, our Group will conduct a series of feasibility analysis before development of new business and entering of new transactions, among which, the head of finance department, the head of legal department and the CFO will jointly review whether there would be any competition implication or relationship with Far East Horizon Group, and if needed, external independent consultant(s), including experts of the industries in which our Group and Far East Horizon Group operate, will be engaged to opine on fairness and independence on such transactions and/or whether there is any competition implication;

(viii) we have appointed UOB Kay Hian (Hong Kong) Limited as our compliance adviser, which will provide advice and guidance to us in respect of compliance with the applicable laws and the Listing Rules including various requirements relating to Directors' duties and corporate governance; and

(ix) any transaction between (or proposed to be made between) our Group and our connected persons will be required to comply with Chapter 14A of the Listing Rules, including, where applicable, the announcement, reporting, annual review and independent shareholders' approval requirements and with those conditions imposed by the Stock Exchange for the granting of waiver from strict compliance with the relevant requirements under the Listing Rules.

Our Directors consider that the above corporate governance measures are sufficient to manage any potential conflict of interests between our Controlling Shareholders and/or its close associates and our Group, and to protect the interests of our Shareholders.

OVERVIEW

We have entered into a number of transactions with our connected persons, details of which are set out below. The transactions disclosed in this section will constitute our continuing connected transactions under Chapter 14A of the Listing Rules upon Listing.

OUR CONNECTED PERSONS

Upon Listing, the following parties with whom we have entered into transactions in our ordinary and usual course of business will become our connected persons:

Name of our connected person	Connected Relationship
Far East Horizon and its associates (excluding our Group, the "**Far East Horizon Connected Persons**")	Far East Horizon is one of our Controlling Shareholders.
Shaoxing Shangyu Boteng Metal Products Co., Ltd.* (紹興市上虞博騰金屬製品有限公司) ("**Shangyu Boteng**")	Shangyu Boteng is an associate of Mr. He Ziming (何子明先生), our non-executive Director. As of the Latest Practicable Date, Shangyu Boteng was owned as to 98% by Mr. He Mengguang (何孟光先生), a brother of Mr. He Ziming (何子明先生), and 2% by Mr. Dong Yuejin (董岳金先生). Therefore, Shangyu Boteng is an associate of Mr. He Ziming (何子明先生) and a connected person of our Company upon Listing. To the best knowledge of our Directors, Mr. Dong Yuejin (董岳金先生) is Mr. He Ziming's cousin.
Lanjin Stone	Lanjin Stone is an associate of Mr. He Ziming (何子明先生), our non-executive Director. As of the Latest Practicable Date, Lanjin Stone was wholly owned by Mr. He Ziming (何子明先生).

OUR CONTINUING CONNECTED TRANSACTIONS

(A) Continuing Connected Transactions Fully Exempt from the Reporting, Annual Review, Announcement and Independent Shareholders' Approval Requirements

1. Trademark Licensing Agreement

On April 11, 2023, our Company (for ourselves and on behalf of our subsidiaries) entered into a trademark licensing agreement (the "**Trademark Licensing Agreement**") with Far East Horizon (for itself and on behalf of its associates (excluding our Group)), pursuant to which the Far East Horizon Connected Persons agreed to grant to our Group a non-exclusive and non-transferable license to use certain trademarks (the "**Trademarks**") registered by them in the PRC and Hong Kong on a royalty-free basis for a term commencing from the date of the Trademark Licensing Agreement up to and including December 31, 2025, subject to early termination by either party giving at least three months' prior written notice to the other party. The Trademark Licensing Agreement may be renewed by mutual consent of parties thereto provided that applicable requirements of the Listing Rules are complied with. For the details of the licensed trademarks, please refer to "C. Further Information about Our Business—2. Intellectual property rights" in Appendix IV to this Prospectus.

We believe that the entering into of the Trademark Licensing Agreement can ensure the stability of our operations, and is beneficial to us and our Shareholders as a whole.

As the right to use the Trademarks is granted to our Group on a royalty-free basis, all applicable percentage ratios are less than 0.1%. Therefore, the Trademark Licensing Agreement is fully exempt from the reporting, annual review, announcement and independent Shareholders' approval requirements pursuant to Rule 14A.76 of the Listing Rules.

2. Administrative Services Agreement

Principal terms

On April 11, 2023, our Company (for ourselves and on behalf of our subsidiaries) entered into an administrative services framework agreement (the "**Administrative Services Agreement**") with Far East Horizon (for itself and on behalf of its associates (excluding our Group)), pursuant to which the Far East Horizon Connected Persons agreed to provide to our Group administrative services, such as information technology services, e.g., systems for email, domain control and management, conference room booking, and internal policies management, on a cost sharing basis. The Administrative Services Agreement has a term commencing from the Listing Date up to and including December 31, 2025, subject to early termination by either party giving at least three months' prior written notice to the other party. The Administrative Services Agreement may be renewed by mutual consent of parties thereto provided that applicable requirements of the Listing Rules are complied with.

Pricing

The total amount to be borne by and allocated to our Group under the Administrative Services Agreement shall be in line with normal commercial terms and determined on arm's length basis with reference to the expenses and costs of usage, repair and maintenance of administrative systems in the ordinary course of our operation and business.

Reasons for the transactions

We believe that the entering into of the Administrative Services Agreement can optimize the overall administrative cost structure and bring administrative convenience to our Group, and is beneficial to us and our Shareholders as a whole.

Historical transaction amounts

During the Track Record Period, the cost of such shared administrative services was borne by Far East Horizon with us being a member of its group. As such, we did not record any historical transactions amounts.

As the services contemplated under the Administrative Services Agreement constitute sharing of administrative services on a cost sharing basis, and the costs are identifiable and are allocated to our Group on a fair and equitable basis, such agreement is fully exempt from the reporting, annual review, announcement and independent Shareholders' approval requirements pursuant to Rule 14A.98 of the Listing Rules.

3. Premises Leasing Agreement I

Principal terms

On April 11, 2023, our Company (for ourselves and on behalf of our subsidiaries) entered into a premises leasing services framework agreement (the "**Premises Leasing Agreement I**") with Far East Horizon (for itself and on behalf of its associates (excluding our Group)), pursuant to which our Group agreed to lease certain premises of our workshops, warehouse and outdoor space to the Far East Horizon Connected Persons for their use of industrial production, office space and storage of inventories.

The Premises Leasing Agreement I has a term commencing from the Listing Date up to and including December 31, 2025, subject to early termination by either party giving at least three months' prior written notice to the other party. The Premises Leasing Agreement I may be renewed by mutual consent of parties thereto provided that applicable requirements of the Listing Rules are complied with.

Pricing

The rental to be paid by the Far East Horizon Connected Persons under the Premises Leasing Agreement I shall be in line with normal commercial terms and determined on arm's length basis with reference to (i) the location, type, quality, size, area and lease term of the premises; and (ii) the prevailing market rates of premises with comparable type, quality, size and area situated in the vicinity provided by the Independent Third Parties for similar premises leasing services.

Reasons for the transactions

During the Track Record Period, the Far East Horizon Connected Persons leased premises from us from time to time to support their construction projects. Since we are able to provide leasing services for those premises required by them, we expect that the Far East Horizon Connected Persons will continue to lease such premises from us.

Historical transaction amounts

During the Track Record Period, the total rental in respect of the provision of premises leasing services was set out below:

	Year ended December 31,		
	2020	**2021**	**2022**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*
Total rental	212	165	165

The historical transaction amounts of premise leasing transactions reflected business demand of Far East Horizon Connected Person during the Track Record Period.

Listing Rules implications

Since the transactions contemplated under the Premises Leasing Agreement I will be conducted on normal commercial terms or better, and the highest applicable percentage ratio is expected to be, on an annual basis, less than 0.1%, the Premises Leasing Agreement I is fully exempt from the reporting, annual review, announcement and independent Shareholders' approval requirements pursuant to Rule 14A.76 of the Listing Rules.

4. Premises Leasing Agreement II

Principal terms

On April 11, 2023, our Company (for ourselves and on behalf of our subsidiaries) entered into a premises leasing services framework agreement (the "**Premises Leasing Agreement II**") with Lanjin Stone (for itself and on behalf of its associates), pursuant to which our Group agreed to lease certain premises of our warehouse and outdoor space to Lanjin Stone for its use of production and storage of stones.

The Premises Leasing Agreement II has a term commencing from the Listing Date up to and including December 31, 2025, subject to early termination by either party giving at least three months' prior written notice to the other party. The Premises Leasing Agreement II may be renewed by mutual consent of parties thereto provided that applicable requirements of the Listing Rules are complied with.

Pricing

The rental to be paid by Lanjin Stone under the Premises Leasing Agreement II shall be in line with normal commercial terms and determined on arm's length basis with reference to (i) the location, type, quality, size, area and lease term of the premises; and (ii) the prevailing market rates of premises with comparable type, quality, size and area situated in the vicinity provided by the Independent Third Parties for similar premises leasing services.

Reasons for the transactions

For the purpose of production and storage of stones, Lanjin Stone proposed to lease certain premises of our warehouse and outdoor space located near expressway, which would be cost efficient and convenient for transportation.

Historical transaction amounts

During the Track Record Period, we did not record any transaction amounts.

Listing Rules implications

Since the transactions contemplated under the Premises Leasing Agreement II will be conducted on normal commercial terms or better, and the highest applicable percentage ratio is expected to be, on an annual basis, less than 0.1%, the Premises Leasing Agreement II is fully exempt from the reporting, annual review, announcement and independent Shareholders' approval requirements pursuant to Rule 14A.76 of the Listing Rules.

5. Service Vehicles Leasing Agreement

Principal terms

On April 11, 2023, our Company (for ourselves and on behalf of our subsidiaries) entered into a service vehicles leasing services framework agreement (the "**Service Vehicles Leasing Agreement**") with Far East Horizon (for itself and on behalf of its associates (excluding our Group)), pursuant to which our Group agreed to lease certain service vehicles such as electric pallet trucks, scissor lifts, spider lifts and multiple-purpose vehicles, etc. to the Far East Horizon Connected Persons.

The Service Vehicles Leasing Agreement has a term commencing from the Listing Date up to and including December 31, 2025, subject to early termination by either party giving at least three months' prior written notice to the other party. The Service Vehicles Leasing Agreement may be renewed by mutual consent of parties thereto provided that applicable requirements of the Listing Rules are complied with.

Pricing

The rental to be paid by the Far East Horizon Connected Persons under the Service Vehicles Leasing Agreement shall be in line with normal commercial terms and determined on arm's length basis with reference to (i) the specifications, technical requirements, model and lease term of the service vehicles; and (ii) the rates of service vehicles with similar specifications, technical requirements and model provided to the Independent Third Parties for similar service vehicles leasing services.

Reasons for the transactions

During the Track Record Period, the Far East Horizon Connected Persons leased service vehicles from us from time to time to support their business operations. Since we, as a major equipment operating leasing service provider, are able to provide the leasing services required by them in our ordinary and usual course of business, we expect that the Far East Horizon Connected Persons will continue to use such leasing services of ours.

Historical transaction amounts

During the Track Record Period, the total rental in respect of the provision of service vehicles leasing services was set out below:

	Year ended December 31,		
	2020	**2021**	**2022**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*
Total rental	1,221	35	301

The historical transaction amount for the year ended December 31, 2020 was substantially higher than the historical transaction amounts for the two years ended December 31, 2022, mainly due to Far East Horizon Group's higher business demand for leasing of service vehicles to facilitate and support certain infrastructure projects carried out during 2020.

Listing Rules implications

Since the transactions contemplated under the Service Vehicles Leasing Agreement will be conducted on normal commercial terms or better, and the highest applicable percentage ratio is expected to be, on an annual basis, less than 0.1%, the Service Vehicles Leasing Agreement is fully exempt from the reporting, annual review, announcement and independent Shareholders' approval requirements pursuant to Rule 14A.76 of the Listing Rules.

(B) Continuing Connected Transactions Subject to the Reporting, Annual Review and Announcement Requirements but Exempt from the Independent Shareholders' Approval Requirement

1. Office Seats Leasing Agreement

Principal terms

On April 11, 2023, our Company (for ourselves and on behalf of our subsidiaries) entered into an office seats leasing services framework agreement (the "**Office Seats Leasing Agreement**") with Far East Horizon (for itself and on behalf of its associates (excluding our Group)), pursuant to which the Far East Horizon Connected Persons agreed to lease certain office seats to our Group.

The Office Seats Leasing Agreement has a term commencing from the Listing Date up to and including December 31, 2025, subject to early termination by either party giving at least three months' prior written notice to the other party. The Office Seats Leasing Agreement may be renewed by mutual consent of parties thereto provided that applicable requirements of the Listing Rules are complied with.

Pricing

The rental to be paid by our Group under the Office Seats Leasing Agreement shall be in line with normal commercial terms and determined on arm's length basis with reference to (i) the number, area, location and lease term of the office seats; and (ii) the prevailing market rates of similar office seats leasing services provided by the Independent Third Parties.

Reasons for the transactions

As of the Latest Practicable Date, we have our operation bases with office buildings and factories located in Jiading District and Jinshan District of Shanghai, in Tianjin and in Guangzhou. We believe that the entering into of the Office Seats Leasing Agreement can facilitate daily commute of our employees who live nearby Far East Horizon Plaza in Shanghai and facilitate administrative management and our communication with Far East Horizon Group. It is in our Group's interest in terms of cost, efficiency and stability to lease the office seats from the Far East Horizon Connected Persons.

Historical transaction amounts

During the Track Record Period, the Far East Horizon Connected Persons had made available to us a part of office seats free of charge; therefore, we did not record any historical transaction amounts.

The table below sets out a summary of the number of office, office seats and GFA offered by the Far East Horizon Connected Persons to our Group free of charge during the Track Record Period:

	Year ended December 31,		
	2020	2021	2022
Office seats			
Number	300	394	140
GFA (sq.m.)	3,300	4,334	1,540
Offices			
Number	6	8	6
GFA (sq.m.)	108	144	108

Annual caps

Our Directors estimate that the maximum annual rental to be paid by our Group to the Far East Horizon Connected Persons in relation to the Office Seats Leasing Agreement for each of the three years ending December 31, 2025 will not exceed the annual caps set out below:

	Year ending December 31,		
	2023	2024	2025
	(RMB'000)	*(RMB'000)*	*(RMB'000)*
Total rental	9,564	9,564	9,564

In arriving at the above annual caps, our Directors have considered the following factors:

(i) the number and area of office seats and offices occupied by our Group as of the Latest Practicable Date, i.e., 140 office seats covering a GFA of approximately 1,540 sq.m. and six offices covering a GFA of approximately 108 sq.m. of Far East Horizon Plaza;

(ii) the expected number of office and office seats to be leased from the Far East Horizon Connected Persons and annual rental rates in the next three years, i.e., 140 office seats with annual rental of RMB54,341 per seat and six offices with annual rental of RMB326,046 per office. Such expected number of offices and office seats in the next three years is in line with our Group's future rental demand for offices and office seats. As of the Latest Practicable Date, we have rented offices in a new office building in Pudong District of Shanghai (the "**Rental Offices in Pudong New District of Shanghai**") according to a lease contract with an Independent Third Party and moved our certain business departments to the Rental Offices in Pudong New District of Shanghai. We intend to maintain a part of office area in Far East Horizon Plaza for our functional departments (such as, among others, investors relationship, legal, human resource departments) to facilitate administrative management and our communication with Far East Horizon Group. Therefore, our Directors do not expect a material increase in our Group's rental demand for offices and office seats in Far East Horizon Plaza for the next three years; and

(iii) the prevailing market rates for comparable office seats leasing services provided by the Independent Third Parties in the vicinity.

We have taken and will continue to implement measures on functional barriers to prevent the flow of confidential or sensitive information of our Group's operation to the Far East Horizon Connected Persons, including but not limited to (i) we have formulated Chinese walls related internal policy to regulate functional barriers upon Listing; (ii) we have separate and independent business operation management system in all necessary aspects; (iii) there is clear physical division of the office seats and area occupied by our Group in Far East Horizon Plaza to ensure independence and confinement of office area; and (iv) we have implemented IT functional barriers to control the employee's access to office area.

Listing Rules implications

As the highest applicable percentage ratio in respect of the annual caps of the Office Seats Leasing Agreement is more than 0.1% but less than 5%, the transactions contemplated under the Office Seats Leasing Agreement are subject to the reporting, announcement and annual review requirements but exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

2. *Construction and Decoration Services Agreement*

Principal terms

On April 11, 2023, our Company (for ourselves and on behalf of our subsidiaries) entered into a construction and decoration services framework agreement (the "**Construction and Decoration Services Agreement**") with Far East Horizon (for itself and on behalf of its associates (excluding our Group)), pursuant to which the Far East Horizon Connected Persons agreed to provide construction and decoration services, including but not limited to indoor and outdoor decoration such as plant decoration, water supply and drainage construction, electrical engineering, smart light current engineering system construction and maintenance, outdoor waterscape construction and secondary fire protection engineering services, to our Group.

The Construction and Decoration Services Agreement has a term commencing from the Listing Date up to and including December 31, 2025, subject to early termination by either party giving at least three months' prior written notice to the other party. The Construction and Decoration Services Agreement may be renewed by mutual agreement of the parties thereto provided that applicable requirements of the Listing Rules are complied with.

Pricing

The service fees to be paid by our Group under the Construction and Decoration Services Agreement shall be in line with normal commercial terms and determined on arm's length basis with reference to (i) the status, complexity and construction period of each project, and the type, market price and costs of construction and decoration raw materials; and (ii) the prevailing market rates of comparable construction and decoration services provided by the Independent Third Parties.

Reasons for the transactions

During the Track Record Period, the Far East Horizon Connected Persons, namely Shanghai Yijia Construction Development Co., Ltd. (上海藝佳建設發展有限公司)[1] ("**Shanghai Yijia**"), a company principally engaged in decoration of indoor space and building facade and Shanghai Qixiao Intelligent Technology Co., Ltd. (上海啓驍智能科技有限公司)[2] ("**Shanghai Qixiao**"), a company principally engaged in system installation and integration service, had provided construction and decoration services in its ordinary and usual course of business to our Group, including but not limited to the decoration, smart light current engineering system construction and maintenance, secondary renovation construction, dormitory area renovation, office area expansion of our operation base in Jiading District of Shanghai, the decoration and smart light current engineering system construction of our operation base in Jinshan District of Shanghai and the decoration and construction and smart light current engineering system construction of our operation base in Nansha District of Guangzhou.

Notes:

1 As of the Latest Practicable Date, Shanghai Yijia was owned as to 30% by Shanghai Dopont Industrial Co., Ltd. (上海德朋實業有限公司), an indirect wholly-owned subsidiary of Far East Horizon, 45.39% by Mr. Zhou Zhihong (周志鴻先生), 22.61% by Mr. Wu Keqiang (吳克強先生) and 2% by Mr. Wang Zixing (王自行先生). Therefore, Shanghai Yijia is an associate of Far East Horizon and will be a connected person of our Company upon Listing. To the best knowledge of our Directors, Mr. Zhou Zhihong (周志鴻先生), Mr. Wu Keqiang (吳克強先生) and Mr. Wang Zixing (王自行先生) are Independent Third Parties.

2 As of the Latest Practicable Date, Shanghai Qixiao was owned as to 30% by Shanghai Yijia and 70% by Mr. Luo Zhonghua (羅中華先生), an Independent Third Party. Therefore, Shanghai Qixiao is an associate of Far East Horizon and will be a connected person of our Company upon Listing.

Through years of cooperation, we believe that we have mutual understanding of each other's operation, quality control and specific requirements for construction and decoration projects. The Far East Horizon Connected Persons are capable of supplying our Group with construction and decoration services with sufficient quantity, reliable quality, favorable terms and in a timely manner, which will ensure the smooth business operation of our Group. We expect to continue to use the construction and decoration services provided by the Far East Horizon Connected Persons after Listing.

Historical transaction amounts

During the Track Record Period, the total amount of service fees in respect of the provision of construction and decoration services was set out below:

	Year ended December 31,		
	2020	**2021**	**2022**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*
Total service fees	8,595	1,947	5,668

In 2020, the renovation projects with Shanghai Yijia commenced in 2019 settled final payment and we recorded progress payment for the decoration and construction project of our operation base in Nansha District of Guangzhou. In 2021, we recorded (i) payment of construction and decoration of the equipment testing rooms and sporadic maintenance project of the operation base in Jiading District of Shanghai, (ii) payment of construction and decoration project of the operation base in Nansha District of Guangzhou, and (iii) payment of certain projects in respect of office renovation construction, system installation and integration, light current engineering system construction, renovation and regular maintenance. In 2022, we recorded (i) payment of construction and decoration of the operation base in Jiading District of Shanghai, and (ii) part of the payment of construction and decoration of the Rental Offices in Pudong New District of Shanghai.

Annual caps

Our Directors estimate that the maximum annual service fees in relation to the Construction and Decoration Services Agreement for each of the three years ending December 31, 2025 will not exceed the annual caps set out below:

	Year ending December 31,		
	2023	2024	2025
	(RMB'000)	*(RMB'000)*	*(RMB'000)*
Total service fees	10,054	376	75

In arriving at the above annual caps, our Directors have considered the following factors:

(i) the historical transaction amounts during the Track Record Period; and

(ii) the expected business cooperation needs on office decoration of our Group, taking into account our expansion plan of operation bases in the next three years.

In 2023 and 2024, we will settle payment for (i) construction and decoration project and fire-protection project of the operation base in Nansha District of Guangzhou; (ii) construction and decoration project of the rental offices in Binhai New District of Tianjin; and (iii) construction and decoration project of the Rental Offices in Pudong New District of Shanghai. In addition, we expect to enter into regular light current engineering system maintenance arrangement for our operation bases and rental offices with the Far East Horizon Connected Persons in each of the three years ending December 31, 2025.

A breakdown of the estimated maximum annual service fees in respect of the construction and decoration services with the Far East Horizon Connected Persons is set out below:

	Year ending December 31,		
	2023	2024	2025
	(RMB'000)	*(RMB'000)*	*(RMB'000)*
Construction and decoration of Nansha operation base	645	12	–
Construction and decoration of the rental offices in Binhai New District of Tianjin	5,719	177	–

	Year ending December 31,		
	2023	**2024**	**2025**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*
Construction and decoration of the Rental Offices in Pudong New District of Shanghai	3,615	112	–
Light current engineering system maintenance	75	75	75
Total	10,054	376	75

Listing Rules implications

As the highest applicable percentage ratio in respect of the annual caps of the Construction and Decoration Services Agreement is more than 0.1% but less than 5%, the transactions contemplated under the Construction and Decoration Services Agreement are subject to the reporting, announcement and annual review requirements but exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

3. *Materials Procurement Agreement*

Principal terms

On April 11, 2023, our Company (for ourselves and on behalf of our subsidiaries) entered into a materials procurement framework agreement (the "**Materials Procurement Agreement**") with Shangyu Boteng (for itself and on behalf of its associates), pursuant to which our Group agreed to purchase certain materials, including but not limited to connection accessories of ringlock scaffolds, from Shangyu Boteng and its associates.

The Materials Procurement Agreement has a term commencing from the Listing Date up to and including December 31, 2025, subject to early termination by either party giving at least three months' prior written notice to the other party. The Materials Procurement Agreement may be renewed by mutual agreement of parties thereto provided that applicable requirements of the Listing Rules are complied with.

Pricing

The amount to be paid by our Group under the Materials Procurement Agreement shall be in line with normal commercial terms and determined on arm's length basis with reference to (i) the specification, model, unit price, type and quality of the materials; and (ii) the prevailing market rates of similar materials provided by the Independent Third Parties.

To ensure that the terms offered by Shangyu Boteng are in line with normal commercial terms, for any transaction proposed with Shangyu Boteng, our Group will obtain quotations from at least two independent suppliers of similar materials. The following factors will be taken into account to determine whether the proposed transaction is on normal commercial terms: (i) the terms of the quotations received, including but not limited to price/fee, transportation arrangement, acceptance arrangement, payment terms, duration of warranty period, maintenance arrangement and response to the requirements and specifications of materials set by our Group and (ii) background and historical business relationship between our Group and participating suppliers. The responsible management team will review and consider the quotations provided by all suppliers and only enter into the relevant agreement with Shangyu Boteng and/or its associates after confirming that the terms are on normal commercial terms.

Reasons for the transactions

The quality of connection accessories of ringlock scaffolds is extremely important for the safety of engineering and construction projects. During the Track Record Period, Shangyu Boteng had provided to us with certain specialised connection accessories of ringlock scaffolds, such as crossbar bolt, disc, top and bottom supporting and joints to be used in our ordinary course of business by which our Group has acquired a deep understanding of the production technology and quality control capabilities of Shangyu Boteng. As compared to other suppliers, Shangyu Boteng is in closer proximity to our operation base in Jinshan District of Shanghai, which helps lower transportation cost. When other terms of transactions are similar or comparable, Shangyu Boteng generally offers a longer warranty period and favorable terms on payment, warranties and maintenance as compared to other independent suppliers. Having considered our long-term and stable cooperation with Shangyu Boteng in the past, our Directors believe that Shangyu Boteng is capable of providing the specialised materials in a reliable and cost-effective manner with competitive price as compared to the Independent Third Parties in respect of materials of similar specification, model, type and quality, and the pricing, payment and other major terms of the transactions under the Materials Procurement Agreement are comparable to those with independent suppliers.

Historical transaction amounts

During the Track Record Period, the total amount in respect of materials procurement was set out below:

	Year ended December 31,		
	2020	2021	2022
	(RMB'000)	*(RMB'000)*	*(RMB'000)*
Total amount	47,991	149,443	43,970

The increase of the transaction amounts from 2020 to 2021 was mainly affected by government policies implemented in certain provinces and municipalities such as Jiangsu and Shanghai to encourage the replacement of traditional scaffolds by ringlock scaffolds. For details, please refer to the section headed "Industry Overview—The Equipment Operation Service Market in China—Formwork System" in this Prospectus. As a result of such policies, our transactions with ringlock scaffolds connection accessories providers (including Shangyu Boteng and other qualified suppliers) generally increased. In 2022, the resurgence of COVID-19 cases in certain major cities across China have led to the imposition of various pandemic mitigation measures by the government, including lockdown, suspension of construction work, travel ban and quarantine measures. As a result, most of our business operations were adversely affected and our materials procurement amount throughout 2022 decreased as compared to 2021.

A breakdown of the historical transaction amounts in respect of material procurement with Shangyu Boteng and other independent suppliers was set out below:

	Year ended December 31,								
	2020			2021			2022		
	Procurement unit	Procurement amount	Unit price[2]	Procurement unit	Procurement amount	Unit price[2]	Procurement unit	Procurement amount	Unit price[2]
	('000 ton)	*(RMB'000)*	*(RMB per ton)*	*('000 ton)*	*(RMB'000)*	*(RMB per ton)*	*('000 ton)*	*(RMB'000)*	*(RMB per ton)*
– Shangyu Boteng	5.3	47,991	9,055	17.6	149,443	8,491	6.0	43,970	7,328
– Independent suppliers[1]	22.7	192,379	8,475	13.5	116,162	8,605	21.2	184,943	8,724
Total	28	240,370	8,585	31.1	265,605	8,540	27.2	228,913	8,416

Notes:

1. For the three years ended December 31, 2022, the number of independent suppliers was 5, 16 and 28, respectively.

2. The unit price varies depending on the specification, model, type and size of materials. For illustration purpose, the unit price set out in the table was calculated based on the procurement unit and amount. The average unit price for the material procurement transactions with Shangyu Boteng and independent suppliers for the Track Record Period was approximately RMB8,353 per ton and RMB8,597 per ton, respectively.

Annual caps

Our Directors estimate that the maximum annual amount under the Materials Procurement Agreement for each of the three years ending December 31, 2025 will not exceed the annual caps set out below:

	Year ending December 31,		
	2023	**2024**	**2025**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*
Total amount	165,600	165,600	165,600

In arriving at the above annual caps, our Directors have considered the following factors:

(i) the improvement of our production capability of ringlock scaffolds and our increasing demand of procurements of ringlock scaffolds connection accessories. For the three years ended December 31, 2022, our total procurement amounts of ringlock scaffolds connection accessories were approximately RMB240 million, RMB266 million and RMB235 million. We estimate our total procurement amounts of ringlock scaffolds connected accessories for the three years ending December 31, 2025 will reach approximately RMB320 million, RMB352 million and RMB387 million with reference to our procurement plan;

(ii) For the three years ended December 31, 2022, the procurement amounts from Shangyu Boteng and/or its associates represented approximately 20%, 56% and 21% of our total procurement amounts of ringlock scaffolds connection accessories. Based on the estimated annual caps for the three years ending December 31, 2025, the procurement amounts from Shangyu Boteng and/or its associates will be approximately 52%, 47% and 43% of our total procurement amounts of ringlock scaffolds connection accessories; and

(iii) the estimated materials procurement orders of our Group for the three years ending December 31, 2025 based on the estimated unit price and procurement quantity of the materials provided by Shangyu Boteng.

A breakdown of the estimated maximum annual amount in respect of material procurement with Shangyu Boteng and other independent suppliers is set out below:

	Year ending December 31,					
	2023		2024		2025	
	Procurement unit[1]	Procurement amount[2]	Procurement unit[1]	Procurement amount[2]	Procurement unit[1]	Procurement amount[2]
	('000 ton)	*(RMB'000)*	*('000 ton)*	*(RMB'000)*	*('000 ton)*	*(RMB'000)*
– Shangyu Boteng	20.7	165,600	20.7	165,600	20.7	165,600
– Independent suppliers	19.3	154,400	23.3	186,400	27.7	221,600
Total	40.0	320,000	44.0	352,000	48.4	387,200

Notes:

1. The estimated procurement unit from Shangyu Boteng represents the estimated maximum production capacity of Shangyu Boteng for the three years ending December 31, 2025. The estimated total procurement unit and its year-on-year increase for the three years ending December 31, 2025 are in line with our business strategies to increase our equipment volume of ringlock scaffolds. For details, please refer to the section headed "Business—Business Strategies—Optimize our equipment portfolio" in this Prospectus.

2. The total amount of procurement is calculated based on the estimated procurement order and the estimated average unit price (i.e., RMB8,000 per ton) with reference to the historical average unit price during the Track Record Period.

Listing Rules implications

As the highest applicable percentage ratio in respect of the annual caps of the Materials Procurement Agreement is more than 0.1% but less than 5%, the transactions contemplated under the Materials Procurement Agreement are subject to the reporting, announcement and annual review requirements but exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

(C) Continuing Connected Transactions Subject to the Reporting, Annual Review, Announcement and the Independent Shareholders' Approval Requirements

1. Financial Leasing Agreement

Principal terms

On April 11, 2023, our Company (for ourselves and on behalf of our subsidiaries) entered into a financial leasing services framework agreement (the "**Financial Leasing Agreement**") with Far East Horizon (for itself and on behalf of its associates (excluding our Group)), pursuant to which the Far East Horizon Connected Persons agreed to provide financial leasing services to our Group.

The Financial Leasing Agreement has a term commencing from the Listing Date up to and including December 31, 2025, subject to early termination by either party giving at least three months' prior written notice to the other party. The Financial Leasing Agreement may be renewed by mutual agreement of parties thereto provided that applicable requirements of the Listing Rules are complied with.

Pricing

The amounts to be paid by our Group under the Financial Leasing Agreement shall be in line with normal commercial terms and determined on arm's length basis with reference to (i) the expected financing needs of our Group; (ii) the prevailing market rates of similar financial leasing services provided by the Independent Third Parties; and (iii) the benchmark leasing rates published by PBOC from time to time or the rates charged by the major financial service providers for similar financial leasing services.

To ensure that the terms offered by the Far East Horizon Connected Persons are in line with normal commercial terms and no less favorable to our Group than those offered by Independent Third Parties, for any specific financial leasing transaction proposed with the Far East Horizon Connected Persons, our Group will obtain quotations and compare the terms from at least two independent financial leasing service providers. The following factors will be taken into account to determine whether the proposed transaction is on normal commercial terms: interest rate, credit granted, payment terms, background and financial condition of the financial leasing service providers as well as their capability to meet the requirements of our Group. The responsible management team will only approve the quotation from the Far East Horizon Connected Persons and the entering into of the agreement for the transaction upon completion of the aforesaid procedures and having confirmed that the transaction is on normal commercial terms. The financing department of our Group would conduct internal monitoring over pricing under the continuing connected transactions, including the procedures carried out, from time to time and ensure that the transactions are in line with normal commercial terms.

Reasons for the transactions

Far East Horizon Group is a leading integrated service provider in China with solid experience and substantial expertise in financial leasing. During the Track Record Period, the Far East Horizon Connected Persons had provided financial leasing services to our Group in its ordinary and usual course of business. The Directors are of the view that such transactions are beneficial to our Group for the following reasons:

(i) as compared to other independent financial leasing service providers which can only provide financial leasing service for aerial work platform, the Far East Horizon Connected Persons are capable of providing financial leasing service for a wider range of underlying assets, including neo-excavation support system, neo-formwork system and aerial work platform required by us;

(ii) during the Track Record Period, the average interest rate of the financial leasing transactions with the Far East Horizon Connected Persons was around 4.75%, which was comparable to the average interest rate (i.e., 4.82%) offered by the independent financial leasing service providers; the average term of payment of the financial leasing transactions with the Far East Horizon Connected Persons was three years, and typically the lease payment was made quarterly (with respect to sale-leaseback) or monthly (with respect to direct leasing), which was comparable to the terms offered by the independent financial leasing service providers as set out in the paragraph headed "—Financial Leasing Agreement—Historical transaction amounts" in this section. Far East Horizon has also undertaken to our Group in the Financial Leasing Agreement that the provision of financial leasing services provided by the Far East Horizon Connected Persons to our Group shall be made on terms no less favorable than those available to its independent third party customers under comparable conditions. Given that the salient terms (mainly including prices and payment terms) of the agreements in respect of the financial leasing services provided by the Far East Horizon Connected Persons to our Group are comparable to or better than those of similar transactions provided by (a) other independent third parties to our Group, and (b) Far East Horizon Connected Persons to its independent third party customers, we expect to continue to use such services provided by the Far East Horizon Connected Persons after Listing based on our own business needs from time to time; and

(iii) the Far East Horizon Connected Persons have developed a deep understanding of our business and operational requirements during the previous cooperation and therefore the continuation of financial leasing services is in the interests of our Group and our Shareholders as a whole.

Historical transaction amounts

During the Track Record Period, the transaction amounts (being the maximum principal payable plus lease interests) of financial leasing services provided by the Far East Horizon Connected Persons to our Group were set out below:

	Year ended December 31,		
	2020	**2021**	**2022**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*
Direct leasing	414,583	181,528	Nil
Sale-leaseback	1,493,084	407,705	Nil

While we endeavor to maintain our established relationship with Far East Horizon Group, our Directors recognize the importance of expanding our financing channels with independent financial institutions with a view to sustaining long term growth. Moreover, to justify the financial independence from Far East Horizon Group, we have discretionally managed our existing financial leasing transactions with the Far East Horizon Connected Persons and actively sought for business opportunities with independent financial leasing service providers to reduce potential reliance on Far East Horizon Group. As such, the historical transaction amounts of financial leasing services provided by the Far East Horizon Connected Persons to our Group decreased year-on-year during the Track Record Period.

In 2020, we had entered into sale-leaseback transactions with four independent financial leasing service providers, the terms of which ranged from two years to three years with an interest rate ranging from 3.93% to 5.50%. In 2021, we further expanded our business cooperation and entered into sale-leaseback transactions with fifteen independent financial leasing service providers, the terms of which ranged from two years to five years with an interest rate ranging from 4.85% to 5.99%, whilst we had settled all existing financial leasing transactions with the Far East Horizon Connected Persons by the end of 2021. In 2022, we had entered into sale-leaseback transactions with twelve independent financial leasing service providers, the terms of which ranged from three years to seven years with an interest rate ranging from 3.84% to 5.85%, whilst we had not entered into new financial leasing transactions with the Far East Horizon Connected Persons in 2022. For the three years ended December 31, 2022, the transaction amounts of the financial leasing services provided by the Fast East Horizon Connected Persons to our Group represented 19%, 3% and nil of the total borrowings and 61%, 10% and nil of the total lease liabilities of our Group, respectively. For the three years ended December 31, 2022, the transaction amounts of the financial leasing services provided by independent financial leasing service providers to our Group represented 12%, 31% and 33% of the total borrowings and 39%, 90% and 100% of the total lease liabilities of our Group, respectively.

Quantitative information of our Group's equipment and/or materials that were under sale-leaseback transactions and direct leasing transactions with the Far East Horizon Connected Persons during the Track Record Period was set out below:

		Year ended December 31,		
		2020	**2021**	**2022**
Total number of equipment and/or materials of our Group under sale-leaseback transactions with the Far East Horizon Connected Persons	Equipment *(unit)*	1,361	–	–
	Materials (*ton*)	228,150	96,015	–
Total number of equipment and/or materials of our Group under direct leasing transactions with the Far East Horizon Connected Persons	Equipment *(unit)*	1	–	–
	Materials *(ton)*	97,702	36,200	–
Total number of equipment and/or materials of our Group under financial leasing transactions with the Far East Horizon Connected Persons	Equipment *(unit)*	1,362	–	–
	Materials (*ton*)	325,852	132,215	–
Percentage (sale-leaseback transactions)	Equipment *(unit)*	99.93%	–	–
	Materials (*ton*)	70.02%	72.62%	–
Percentage (direct leasing transactions)	Equipment *(unit)*	0.07%	–	–
	Materials *(ton)*	29.98%	27.38%	–

During the Track Record Period, all of the equipment and/or materials under financial leasing transactions with the Far East Horizon Connected Persons have been used by our Group to provide operating leasing services to our own customers. Our Directors believe that the above arrangement is (i) in line with the business model of operating leasing and financial leasing as demonstrated in the section headed "Relationship with Controlling Shareholders - Business Delineation - Business Model Delineation" in this Prospectus, respectively; and (ii) in line with our commercial demands, where we can obtain financing, enjoy the right of use of the leased assets during the lease term, purchase and acquire ownership of the leased assets at the end of the lease term through financial leasing arrangements with financial leasing service providers. We expect that the equipment and/or materials under financial leasing transactions with the financial leasing service providers (including the Far East Horizon Connected Persons and other independent financial leasing service providers) will be used by our Group to provide operating leasing services in the next three years.

Annual caps

Our Directors estimate that the maximum transaction amounts in relation to the Financial Leasing Agreement for each of the three years ending December 31, 2025 will not exceed the annual caps set out below:

	Year ending December 31,		
	2023	**2024**	**2025**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*
Direct leasing	68,333	65,161	55,311
Sale-leaseback	937,500	931,225	906,115

In arriving at the above annual caps, our Directors have considered:

(i) the expected financing budget for financial leasing transactions, in particular, the budget for the balance from financial leasing transactions (including direct leasing and sale-leaseback) with the Far East Horizon Connected Persons in the next three years. Taking into account of our financing demand and budget for the three years ending December 31, 2025, we estimate that our interest-bearing liabilities will be RMB18,000 million, RMB19,300 million and RMB19,500 million as at the end of each corresponding year, among which, the estimated total balance from financial leasing transactions will be approximately RMB6,200 million, RMB5,900 million and RMB5,800 million, representing 34%, 31% and 30% of interest-bearing liabilities as at the end of each corresponding year. The budget for the balance from financial leasing transactions (including direct leasing and sale-leaseback) with the Far East Horizon Connected Persons is expected to be RMB800 million to RMB900 million per annum, representing 13% to 15% of the estimated total balance from financial leasing transactions as at the end of the corresponding year; and

(ii) the expected average interest rate for financial leasing transactions with the Far East Horizon Connect Persons (i.e., 4.79%), which has mainly referred to the historical average interest rate for financial leasing transactions with the Far East Horizon Connect Persons (i.e., 4.75%) and average interest rate for comparable financial leasing transactions with independent financial leasing service providers (i.e., 4.82%) during the Track Record Period.

Based on the aforesaid estimated budget for the balance from financial leasing transactions, the estimated average interest rate and normal payment schedule for financial leasing transactions with the Far East Horizon Connect Persons, our Directors estimate that the maximum transaction amount (being the maximum principal payable plus lease interests) would be approximately RMB68 million, RMB65 million and RMB55 million for direct leasing, and approximately RMB938 million, RMB931 million and RMB906 million for sale-leaseback for the three years ending December 31, 2025, respectively.

Notwithstanding that the historical transaction amounts of financial leasing services provided by the Far East Horizon Connected Persons to our Group represented a decreasing trend, and the estimated transaction amounts also indicate a decreasing trend in the next three years, after considering that (i) we have obtained credit facilities from a number of independent financial institutions without any financial assistance provided by Far East Horizon Group, which amounted to RMB16,581 million, RMB15,704 million and RMB14,100 million for the three years ended December 31, 2022, respectively. As of December 31, 2022, the total amount of the credit facilities granted by independent financial institutions without any financial assistance provided by Far East Horizon Group was approximately RMB38,216 million, and the total unutilized amount of such credit facilities was approximately RMB10,884 million; (ii) the weighted average interest rate of the above independent credit facilities were 4.45%, 4.73% and 4.38% for the three years ended December 31, 2022, respectively, which represented a general comparative advantage over the weighted average interest rate of the financial leasing transactions with the Far East Horizon Connected Persons, i.e. 4.99%, 4.75% and 4.75% for the corresponding year or period; and (iii) upon the successful listing of our Company, approximately 90% of the net proceeds from the Global Offering is expected to be used for our principal business operation, our Directors believe that our Group would not have difficulty in financing our business operation, and the continuous expansion of our financing channels and enhancement of our cost control will be beneficial to our Group's future interest expense, cost structure and profitability.

Listing Rules implications

As the highest applicable percentage ratio in respect of the annual caps of the Financial Leasing Agreement is more than 5%, the transactions contemplated under the Financial Leasing Agreement are subject to the reporting, annual review, announcement and the independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

INTERNAL CONTROL MEASURES

In order to ensure that the terms under the relevant framework agreements for the continuing connected transactions are fair and reasonable, and no less favorable than terms available from the Independent Third Parties, and the transactions are carried out on normal commercial terms, we have adopted the following internal control procedures:

(1) we have adopted and implemented a management system on connected transactions. Under such system, the Audit Committee of the Board is responsible for conducting reviews on compliance with relevant laws, regulations, our Company's internal policies and the Listing Rules in respect of the connected transactions. In addition, the Audit Committee of the Board, the Board and various other internal departments of our Company (including but not limited to the finance department and legal department) are jointly responsible for evaluating the terms under the framework agreements for continuing connected transactions, in particular, with respect to the fairness of the pricing policies and annual caps under each of the framework agreements;

(2) the Audit Committee of the Board, the Board and various other internal departments of our Company also regularly monitor the transaction amounts and annual caps under each of the framework agreements. In addition, the management of our Company also regularly reviews the pricing policies under the framework agreements through the following review procedures:

(i) if there are market prices available, they will compare the proposed price with the market price to ensure that the proposed price is equivalent to or no less favorable to us than the price offered by the Independent Third Parties providing similar services. Our Company will make enquiries from certain Independent Third Party service providers for their prices and conduct internal assessments;

(ii) if no market price is available, they will take into consideration of several factors such as regulatory requirements, actual needs of our Group and the industry position of the service provider in determining whether the pricing is fair and reasonable; and

(iii) review the proposed price to ensure it is consistent with the pricing terms under the relevant framework agreements for non-exempt continuing connected transactions, and that the terms offered by the connected persons to our Group are no less favorable than those offered by the Independent Third Parties;

(3) our independent non-executive Directors and auditors will conduct annual reviews of the continuing connected transactions under the framework agreements and provide annual confirmations to ensure that, pursuant to Rules 14A.55 and 14A.56 of the Listing Rules, the transactions are conducted in accordance with the terms of the agreements, on normal commercial terms and in accordance with the relevant pricing policies;

(4) when considering pricing for connected transactions, our Group will constantly research prevailing market conditions and practices and make reference to the pricing and terms between our Group and the Independent Third Parties for similar transactions, to ensure that the pricing and terms offered by our connected persons are fair, reasonable and no less favorable than those offered by the Independent Third Parties; and

(5) when considering any renewal or revisions to the framework agreements after Listing, the interested Directors and Shareholders shall abstain from voting on the resolutions to approve such transactions at Board meetings and general meetings (as the case may be).

WAIVERS GRANTED BY THE STOCK EXCHANGE

The transactions described under the paragraph headed "(B) Continuing Connected Transactions Subject to the Reporting, Annual Review and Announcement Requirements but Exempt from the Independent Shareholders' Approval Requirement" in this section will constitute our continuing connected transactions under the Listing Rules upon Listing, which will be subject to the reporting, annual review and announcement requirements but exempt from independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

The transaction described under the paragraph headed "(C) Continuing Connected Transactions Subject to the Reporting, Annual Review, Announcement and the Independent Shareholders' Approval Requirements" in this section will constitute our continuing connected transactions under the Listing Rules upon Listing, which will be subject to the reporting, annual review, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.105 of the Listing Rules, we have applied for, and the Stock Exchange has granted, waivers from strict compliance with the announcement requirement under Chapter 14A of the Listing Rules in respect of the continuing connected transactions described under the paragraph headed "(B) Continuing Connected Transactions Subject to the Reporting, Annual Review and Announcement Requirements but Exempt from the Independent Shareholders' Approval Requirement" in this section, and the announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the continuing connected transactions described under the paragraph headed "(C) Continuing Connected Transactions Subject to the Reporting, Annual Review, Announcement and the Independent Shareholders' Approval Requirements" in this section, subject to the condition that the aggregate amounts of the continuing connected transactions for each financial year shall not exceed the relevant amounts set forth in the respective annual caps as stated above. Apart from the above waivers sought on the strict compliance of the announcement and independent Shareholders' approval requirements, we will comply with the relevant requirements under Chapter 14A of the Listing Rules.

If any terms of the transactions contemplated under the agreements mentioned above are altered or if our Company enters into any new agreements with any connected person in the future, we will fully comply with the relevant requirements under Chapter 14A of the Listing Rules unless we apply for and obtain a separate waiver from the Stock Exchange.

OUR DIRECTORS' VIEW

Our Directors (including our independent non-executive Directors) consider that all the continuing connected transactions as disclosed under the paragraph headed "(B) Continuing Connected Transactions Subject to the Reporting, Annual Review and Announcement Requirements but Exempt from the Independent Shareholders' Approval Requirement" and "(C) Continuing Connected Transactions Subject to the Reporting, Annual Review, Announcement and the Independent Shareholders' Approval Requirements" have been and will be carried out (i) in the ordinary and usual course of our business; (ii) on normal commercial terms or better; and (iii) in accordance with the respective terms that are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

Our Directors (including our independent non-executive Directors) are also of the view that the annual caps of the continuing connected transactions as disclosed under the paragraph headed "(B) Continuing Connected Transactions Subject to the Reporting, Annual Review and Announcement Requirements but Exempt from the Independent Shareholders' Approval Requirement" and "(C) Continuing Connected Transactions Subject to the Reporting, Annual Review, Announcement and the Independent Shareholders' Approval Requirements" in this section are fair and reasonable and are in the interests of our Company and our Shareholders as a whole.

JOINT SPONSORS' VIEW

Based on the due diligence findings of the Joint Sponsors, information provided by us, confirmation by our Directors (including independent non-executive Directors) and review of the terms of the relevant framework agreements, the Joint Sponsors are of the view that (i) the continuing connected transactions described under the paragraph headed "(B) Continuing Connected Transactions Subject to the Reporting, Annual Review and Announcement Requirements but Exempt from the Independent Shareholders' Approval Requirement" and "(C) Continuing Connected Transactions Subject to the Reporting, Annual Review, Announcement and the Independent Shareholders' Approval Requirements" in this section have been and will be carried out in the ordinary and usual course of our business, on normal commercial terms or better, that are fair and reasonable and in the interests of our Company and our Shareholders as a whole, and (ii) the proposed annual caps of such continuing connected transactions are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

DIRECTORS

Our Board consists of eleven Directors, comprising two executive Directors, five non-executive Directors and four independent non-executive Directors. Our Board is responsible and has general powers for the management and conduct of our business in accordance with the Articles, and all applicable laws and regulations, including the Listing Rules. The Directors are typically appointed for a term of three years and are eligible for re-election upon expiry of their terms of office. The following table sets out certain information about our Directors as at the Latest Practicable Date:

Name	Age	Present position(s)	Date of joining our Group	Date of appointment as Director	Roles and responsibilities	Relationship with other Directors and senior management
Mr. PAN Yang (潘陽先生)	46	Executive Director, chief executive officer	April 17, 2022	April 17, 2022	Responsible for formulating and implementing business and operation strategies of our Group	None
Mr. TANG Li (唐立先生)	42	Executive Director, chief financial officer	July 1, 2019	January 20, 2021	Responsible for overseeing works related to financial management and capital operation of our Group	None
Mr. KONG Fanxing (孔繁星先生)	58	Non-executive Director, chairman of the Board	March 27, 2020	September 28, 2020	Responsible for providing strategic advice on the overall development of our Group	None
Mr. XU Huibin (徐會斌先生)	51	Non-executive Director	March 27, 2020	September 28, 2020	Responsible for providing strategic advice on the overall development of our Group	None
Mr. HE Ziming (何子明先生)	67	Non-executive Director	July 8, 2013	January 20, 2021	Responsible for providing strategic advice on the overall development of our Group	None

Name	Age	Present position(s)	Date of joining our Group	Date of appointment as Director	Roles and responsibilities	Relationship with other Directors and senior management
Mr. LI Qianjin (李前進先生)	51	Non-executive Director	August 9, 2022	August 9, 2022	Responsible for providing strategic advice on the overall development of our Group	None
Ms. GUO Lina (郭麗娜女士)	45	Non-executive Director	December 31, 2021	December 31, 2021	Responsible for providing strategic advice on the overall development of our Group	None
Mr. LIU Jialin (劉嘉凌先生)	60	Independent Non-executive Director	May 28, 2021	May 28, 2021	Responsible for providing independent advice on the operation and management of the Board	None
Mr. XU Min	59	Independent Non-executive Director	May 28, 2021	May 28, 2021	Responsible for providing independent advice on the operation and management of the Board	None
Ms. JIN Jinping (金錦萍女士)	50	Independent Non-executive Director	May 28, 2021	May 28, 2021	Responsible for providing independent advice on the operation and management of the Board	None
Mr. SUM Siu Kei (岑兆基先生)	46	Independent Non-executive Director	December 31, 2021	December 31, 2021	Responsible for providing independent advice on the operation and management of the Board	None

Executive Directors

Mr. PAN Yang (**潘陽先生**), aged 46, was appointed as our executive Director and chief executive officer on April 17, 2022, and is mainly responsible for formulating and implementing business and operational strategy of our Group. Mr. Pan has also served as a director and the general manager of Tianjin Horizon Construction Development Investment since May 2022, a director and the general manager of Shanghai Horizon Construction Development since June 2022, a director and the general manager of Shanghai Horizon Equipment & Engineering since June 2022, a director and the general manager of Shanghai Hongjin Equipment & Engineering since June 2022, the general manager of Guangzhou Hongtu Equipment & Engineering since June 2022, a director and the general manager of Shanghai Horizon Construction Technology Co., Ltd. (上海宏信建築科技有限公司) since May 2022, a director and the general manager of Shanghai Horizon Engineering Technology Co., Ltd. (上海宏信工程技術有限公司) since May 2022, a director and the general manager of Tianjin Horizon Equipment Leasing since May 2022, a director and the general manager of Tianjin Horizon Construction Development Leasing since May 2022, a director of Horizon Construction (HK) since May 2022, respectively.

Mr. Pan has over 18 years of experience in financial leasing. He joined Far East Horizon in June 2003, and successively held positions including the project manager and group leader of business division III, the quality-control manager of project management center of quality-control department, the assigned chief quality-control officer of shipping system department, the assistant general manager of shipping system department, the deputy general manager of transportation system department, the executive deputy general manager of transportation & logistics system department (in charge of routine work), the general manager of public utilities department III, the co-general manager of asset center, and a vice president of Far East Horizon. Mr. Pan served as a director of Horizon Construction Overseas (Hong Kong) Limited (宏信建發海外(香港)有限公司) from May 2022 to December 2022.

Mr. Pan obtained a bachelor's degree in marketing from Liaoning University (遼寧大學) in the PRC in July 1999, a master's degree in international financial market from University of Southampton in the United Kingdom in February 2003, and a master's degree in business administration from Fudan University (復旦大學) in the PRC in June 2015.

Mr. TANG Li (**唐立先生**), aged 42, was appointed as our executive Director on January 20, 2021 and chief financial officer on May 28, 2021, and is mainly responsible for overseeing works related to financial management and capital operation of our Group. Mr. Tang has also been the chief financial officer of Shanghai Horizon Construction Development, Tianjin Horizon Equipment Leasing, Shanghai Horizon Equipment & Engineering, Guangzhou Hongtu Equipment & Engineering, Tianjin Horizon Construction Development Investment and Shanghai Hongjin Equipment & Engineering since July 2019, the chief financial officer of Shanghai Horizon Construction Technology Co., Ltd.* (上海宏信建築科技有限公司) and Tianjin Horizon Construction Development Leasing since April 2020, the chief financial officer of Shanghai Horizon Engineering Technology Co., Ltd.* (上海宏信工程技術有限公司) since September 2020.

Mr. Tang has over 18 years of experience in auditing, accounting and financial management. Mr. Tang worked at Shanghai Shenqiang Investment Co., Ltd. (上海申強投資有限公司) and Capital Dragon City (Shanghai) Commercial Land Co., Ltd. (凱德龍城(上海)商用置業有限公司) prior to joining Far East Horizon in May 2008. From May 2008 to June 2019, Mr. Tang worked at Far East Horizon, where he was primarily responsible for the accounting and financial management and successively served as the accounting assistant of finance department from May 2008 to March 2010, the accounting manager of finance department from March 2010 to October 2010, the accounting management manager of finance department from October 2010 to March 2012, the deputy manager and the assistant to director (in charge of work) of finance department from March 2012 to February 2013, the financial director of textile system business division from February 2013 to January 2015, and the financial director of industrial and equipment business division from January 2017 to June 2019 and the senior strategic operation director of industrial and equipment business division from January 2017 to April 2019. From April 2020 to October 2020, Mr. Tang served as a director of Shanghai Horizon Construction Development. From January 2015 to March 2021, Mr. Tang also served as the chief financial officer of Guangzhou Kangda Industrial Technology Co., Ltd. (廣州康大工業科技產業有限公司). Mr. Tang served as a director of Horizon Construction Overseas (Hong Kong) Limited (宏信建發海外(香港)有限公司) from April 2021 to December 2022.

Mr. Tang obtained a college diploma with a major in accounting from Lixin Accounting College (立信會計高等專科學校) (currently known as Shanghai Lixin University of Accounting and Finance (上海立信會計金融學院)) in the PRC in July 2002, and an undergraduate diploma with a major in accounting from Tongji University (同濟大學) in the PRC in January 2007.

Non-executive Directors

Mr. KONG Fanxing (孔繁星先生), aged 58, was appointed as our Director on September 28, 2020 and redesignated as our non-executive Director and the chairman of the Board on May 28, 2021, and is mainly responsible for providing strategic advice on the overall development of our Group. Mr. Kong has been the chief executive officer of Far East Horizon since September 2009, an executive director and the chairman of the board of directors of Far East Horizon since October 2009 and December 2022, respectively, where he is mainly responsible for overseeing the overall development direction and management strategy.

Mr. Kong has over 22 years of experience in overall corporate management. Mr. Kong worked for Sinochem Group Co., Ltd. (中國中化集團公司), a group principally engaged in the integrated operation of petroleum and chemical industries, etc. for approximately 20 years, and successively served as the general manager of Sinochem International Engineering Trade Company (中化國際工程貿易公司), the deputy general manager of Sinochem International Industrial Company (中化國際實業公司), the deputy general manager and the general manager of Sinochem International Tendering Co., Ltd. (中化國際招標有限公司), the deputy director of chemical fertilizer center of Sinochem Group Co., Ltd. (中國中化集團公司) and executive deputy general manager of Sinochem Fertilizer Company (中化化肥公司), the assistant to president of Sinochem Group, etc. Mr. Kong served as a director and the chairman of Shanghai Horizon Construction Development from March 2020 to March 2021. Mr. Kong was the vice chairman of the board of directors of Far East Horizon from October 2009 to December 2022.

Mr. Kong obtained a bachelor's degree in economics with a major in foreign trade and a master's degree in economics with a major in international trade from University of International Business and Economics (對外經濟貿易大學) in the PRC in July 1986 and June 1991, respectively. Mr. Kong also obtained an executive master's degree in business administration from Peking University (北京大學) in the PRC in January 2006. Mr. Kong was offered a two-year honorary appointment to represent his institution in the executive committee of the First Lujiazui Financial City Council by Pudong New Area People's Government (浦東新區人民政府) in 2016. In 2017, Mr. Kong was awarded as the financier of the year of China Financial Innovation List by China Business News.

Mr. XU Huibin (徐會斌先生), whose former name was XU Huibing (徐會兵), aged 51, was appointed as our Director on September 28, 2020 and redesignated as our non-executive Director on May 28, 2021, and is mainly responsible for providing strategic advice on the overall development of our Group. Mr. Xu has also been the general manager of strategic center and the assistant to the chief executive officer of Far East Horizon since December 2018 and December 2021, respectively.

Mr. Xu has over 13 years of experience in risk control and operation management. From December 2007 to May 2008, Mr. Xu worked at IFEFL, where he served as the deputy general manager of the construction group and was primarily responsible for business operations and overall risk control. From May 2008 to December 2018, Mr. Xu worked at Far East Horizon, where he was primarily responsible for business operations and overall risk control and successively served as the deputy general manager of the construction group from May 2008 to June 2011, the deputy general manager of business operation center from June 2011 to April 2012, and the general manager of the business operation center from April 2012 to December 2018. Mr. Xu served as a director of Shanghai Horizon Construction Development from March 2020 to March 2021.

Mr. Xu obtained a bachelor's degree in engineering with a major in industrial electric automation from University of Science and Technology Beijing (北京科技大學) in the PRC in July 1995, an undergraduate diploma with a major in finance from Zhongnan University of Economics and Law (中南財經政法大學) in the PRC in June 2003, and a master's degree in business administration from Fudan University (復旦大學) in the PRC in June 2005. Mr. Xu was granted the qualification of mid-level economist (financial economics) by the Ministry of Personnel of the PRC (中華人民共和國人事部) in November 1999 and the qualification of financial risk manager by the Global Association of Risk Professionals in April 2008.

Mr. HE Ziming (**何子明先生**), aged 67, was appointed as our Director on September 28, 2020 and redesignated as our non-executive Director on May 28, 2021, and is mainly responsible for providing strategic advice on the overall development of our Group. Mr. He has also been the executive director and the general manager of Lanjin Stone, a company principally engaged in the production and sales of stone, since March 1998, the general manager and an executive director of Shanghai Lanjin Construction Machinery Leasing Co., Ltd. (上海藍金建築機械租賃有限公司), a company principally engaged in the machinery and leasing, since March 2004, the consultant of the strategic center of Far East Horizon since January 2020.

Mr. He has over 22 years of experience in corporate operations management. From May 2013 to December 2018, Mr. He served as the special consultant to the general manager of the construction group of Far East Horizon, where he was primarily responsible for engineering and construction operations. From December 2018 to December 2019, Mr. He served as, the deputy general manager of Shanghai Zhenjing Industrial Development Co., Ltd. (上海臻璟實業發展有限公司), a company principally engaged in property and consulting, where he was primarily responsible for engineering and construction operation. From July 2013 to December 2018, Mr. He served as the general manager of Shanghai Hongjin Equipment & Engineering. Mr. He served as a director of Shanghai Horizon Construction Development from March 2020 to March 2021.

Mr. He obtained a college diploma with a major in electronics from Shanghai Television University (上海電視大學) (currently known as Shanghai Open University (上海開放大學)) in the PRC in February 1982. Mr. He was appointed as the vice president of the association of socket-type ringlock scaffold in China (中國承插型盤扣式腳手架品質聯盟), a member of the standards committee (標準委員會) and the vice president of the green development branch concerning China building aluminum alloy formwork (中國建築鋁合金模板綠色發展分會) under China Construction Materials Rental Contractor Association (中國基建物資租賃承包協會) in March 2016, November 2016 and December 2017, respectively. In 2016 and 2017, Mr. He was awarded as the top ten influential figures in China's construction materials leasing and contracting industry.

Mr. LI Qianjin (**李前進先生**), aged 51, was appointed as our non-executive Director on August 9, 2022, and is mainly responsible for providing strategic advice on the overall development of our Group. Mr. Li has been the assistant to general manager of XCMG Group Construction Machinery Co., Ltd. (徐工集團工程機械股份有限公司) (a company listed on the main board of the Shenzhen Stock Exchange, stock code: 00425) since January 2022, the general manager and the secretary of the Party committee of XCMG Fire-Fighting Safety Equipment Co., Ltd. (徐工消防安全裝備有限公司) since January 2022.

Mr. Li has over 28 years of experience in construction machinery operations and management. From August 1994 to October 2007, Mr. Li successively served as a designer, engineer, chief, manager and director in Xuzhou Heavy Machinery Factory (徐州重型機械廠). From October 2007 to December 2009, Mr. Li successively served as the deputy director (in charge of work) and the director of technology cooperation department (工藝協作部) and director of manufacturing department of Jinshan bridge manufacturing base (金山橋製造基地) of Xuzhou Heavy Machinery Co., Ltd. (徐州重型機械有限公司). From December 2009 to July 2011, Mr. Li served as the director of construction and manufacturing department and assistant to general manager of Xuzhou Heavy Machinery Co., Ltd. From July 2011 to May 2013, Mr. Li was the deputy general manager of Xuzhou Heavy Machinery Co., Ltd. From May 2013 to December 2013, Mr. Li was the deputy general manager of Xuzhou XCMG Schwing Machinery Co., Ltd. (徐州徐工施維英機械有限公司). From December 2013 to January 2016, Mr. Li served as the general manager and deputy secretary of Party committee of XCMG Brazil Manufacturing Co., Ltd. (徐工巴西製造有限公司). From January 2016 to October 2016, Mr. Li served as the general manager and deputy secretary of Party committee of XCMG Fire-Fighting Safety Equipment Co., Ltd.

Mr. Li obtained a college diploma with a major in machinery technology and equipment from Zhengzhou Industrial College (鄭州工業高等專科學校) (currently known as Henan University of Technology) in the PRC in July 1994, an in-service bachelor's diploma with a major in management engineering from China University of Mining and Technology (中國礦業大學) in the PRC in June 2005, a master's degree in business administration from Xi'an University of Architecture and Technology (西安建築科技大學) in the PRC in June 2014. Mr. Li was granted the qualification of senior engineer (正高級工程師) by Jiangsu Mechanical Engineering Senior Professional Technique Qualification Evaluation Committee (江蘇省機械工程高級專業技術資格評審委員會) in November 2019.

Ms. GUO Lina (郭麗娜女士), aged 45, was appointed as our non-executive Director on December 31, 2021, and is mainly responsible for providing strategic advice on the overall development of our Group. Ms. Guo has been the senior director of cadre management department of human resources department of Far East Horizon since January 2020, where she is mainly responsible for management of job system, planning of talent team, framing of corporate culture and cadre management. Ms. Guo has also been a director of Hebei Asset Management Co., Ltd. (河北省資產管理有限公司) since December 2020.

Ms. Guo has over 14 years of experience in human resources management. From August 2000 to August 2004, Ms. Guo worked for Sinochem International Tendering Co., Ltd. (中化國際招標有限責任公司) (currently known as Sinochem Commerce Co., Ltd. (中化商務有限公司)) as a business manager. From July 2007 to March 2010, Ms. Guo was employed as a human resources consultant by ManpowerGroup (China) Human Resources Co., Ltd. (萬寶盛華人力資源(中國)有限公司). From October 2011 to June 2012, Ms. Guo worked for EDF (China) Investment Co., Ltd. (EDF(中國)投資有限公司) as the head of human resources department. After joining Far East Horizon in June 2012, Ms. Guo served as the human resources manager from June 2012 to January 2014, the human resources director of the education group from January 2014 to October 2019 and the director of the integrated operation management center of human resources department from October 2019 to December 2019.

Ms. Guo obtained a bachelor's degree in economics with a major in international economics and trade from Beijing Wuzi University (北京物資學院) in the PRC in July 2000, and a master's degree in applied psychology from Peking University (北京大學) in the PRC in January 2009. Ms. Guo also obtained a master's degree in human resources management from Durham University in the United Kingdom in January 2007.

Independent non-executive Directors

Mr. LIU Jialin (劉嘉凌先生), aged 60, was appointed as our independent non-executive Director on May 28, 2021, and is mainly responsible for providing independent opinions on the operation and management of our Board.

Mr. Liu has 32 years of experience in finance and securities industry. From 1992 to 2007, Mr. Liu worked at Morgan Stanley, and served as a member of each of the Corporate Management Committee and Asia Executive Committee, as well as a managing director in the fixed income division in Hong Kong. Mr. Liu has been serving as an independent non-executive director of Far East Horizon since March 2011. He has been serving as the managing director of the asset management department of Cinda International Holdings Limited (a company listed on the main board of the Stock Exchange, stock code: 0111) since February 2011, and is responsible for the operation of several funds. Since April 2017, he has been serving as an independent non-executive director of Fortunet e-Commerce Group Limited (currently named as Changyou Alliance Group Limited, a company listed on the main board of the Stock Exchange, stock code: 1039).

Mr. Liu obtained a bachelor's degree in science with a major in physics from Peking University in the PRC in July 1982 and a degree of Master of Science in physics from Massachusetts Institute of Technology in the U.S. in June 1989.

Mr. XU Min, aged 59, was appointed as our independent non-executive Director on May 28, 2021, and is mainly responsible for providing independent advice on the operation and management of the Board.

Mr. Xu has over 24 years of experience in accounting. Mr. Xu was engaged in auditing at KPMG ("**KPMG**") Shanghai from December 1997 to May 2000. Mr. Xu was engaged in the M&A financial advisory business in KPMG Shanghai, Hangzhou and Beijing successively from June 2000 to March 2015, and became a partner of KPMG China in 2005. From October 2010 to June 2015, Mr. Xu acted as the private equity fund leading partner of KPMG China, in charge of the M&A financial advisory business of KPMG's northern region. From April 2015 to September 2018, Mr. Xu led the advisory business in M&A and restructuring, strategy, risk management and other areas of KPMG's northern region of China. From April 2015 to July 2020, Mr. Xu served as the legal representative of Beijing Branch of KPMG Enterprise Consulting (China) Co., Ltd. (畢馬威企業諮詢(中國)有限公司北京分公司), where he was primarily responsible for corporate operations and management. From May 2018 to September 2020, Mr. Xu served as a managing partner of northern China region of KPMG, where he was primarily responsible for market strategy and daily operations management.

Mr. Xu obtained a bachelor's degree in science with a major in geography from East China Normal University (華東師範大學) in the PRC in July 1985 and a master's degree in arts with a major in urban geography from the University of Toronto in Canada in March 1989. Mr. Xu was certified as a chartered accountant by The Institute of Chartered Accountants of Ontario, Canada in December 1996 and a merger and acquisition dealer by the China Mergers and Acquisitions Association (中國併購公會) in February 2015.

Ms. JIN Jinping (金錦萍女士), aged 50, was appointed as our independent non-executive Director on May 28, 2021, and is mainly responsible for providing independent opinions on the operation and management of our Board. Ms. Jin has served as an associate professor of Peking University Law School and director of the Non-profit Organization Law Research Center of the Law School since September 2006. She has served as an independent director of Beijing Orient Zhongke Integration Technology Co., Ltd. (北京東方中科集成科技股份有限公司) (a company listed on the main board of the Shenzhen Stock Exchange stock, stock code: 002819) since July 2018, an independent director of Beijing UCAS Technology Co., Ltd. (北京國科環宇科技股份有限公司) since December 2018, and an independent director of China Automotive Engineering Research Institute Co., Ltd. (中國汽車工程研究院股份有限公司) (a company listed on the main board of the Shanghai Stock Exchange, stock code: 601965) since January 2020.

Ms. Jin has over 23 years of experience in law. Ms. Jin served as an independent director of Beijing WKW Automotive Parts Co., Ltd. (a company listed on the main board of the Shenzhen Stock Exchange, stock code: 002662) from January 2014 to May 2020.

Ms. Jin obtained a bachelor's degree in economic law from Peking University in the PRC in July 1995, a master's degree in civil and commercial law from Peking University in the PRC in July 2001, and a doctorate degree in civil and commercial law from Peking University in the PRC in June 2004. Ms. Jin obtained a lawyer qualification granted by the Ministry of Justice of the PRC in June 1997 and higher education teacher qualification granted by the Beijing Municipal Education Commission in December 2008. Ms. Jin has served as a director of the China Red Cross Foundation since September 2016.

Mr. SUM Siu Kei (岑兆基先生), aged 46, was appointed as our independent non-executive Director on December 31, 2021, and is mainly responsible for providing independent opinions on the operation and management of our Board. Mr. Sum has been the senior programme leader and principal lecturer of HKU Institute for China Business (香港大學中國商業學院) since September 2017, where he is mainly responsible for academic and administrative management at the Department of Finance and teaching subjects related to investment, accounting, finance and business management.

Mr. Sum has over 20 years of experience in finance, business management and education. From 2006 to 2008, Mr. Sum was a private portfolio investor. From January 2009 to August 2015, Mr. Sum acted as an investment representative of KGI Hong Kong Limited and was responsible for providing advice and arrangements for financial market transactions (securities and stocks, options, over-the-counter derivatives, etc.). From September 2012 to January 2015, Mr. Sum was a visiting lecturer of Hong Kong Community College of The Hong Kong Polytechnic University. Since September 2015, Mr. Sum has been employed by Hong Kong University (香港大學), including a programme director from September 2015 to December 2017 and a senior programme director II since January 2018, where he taught courses including operations of international financial market, derivative securities, financial options and pricing models, equity asset pricing, risk management and credit risk models, financial mathematics, behavioural finance, quantitative investment strategy, portfolio management and fund management, etc.

Mr. Sum was a director of Fivestar Education Limited (五星教育學會有限公司) from May 2013 to February 2017. Fivestar Education Limited was incorporated in Hong Kong and primarily engaged in providing extra-curricular training for primary and secondary school students in Hong Kong. In February 2017, Fivestar Education Limited was dissolved due to business development strategy adjustment.

Mr. Sum obtained a bachelor's degree of science in mathematics and a master's degree of philosophy in mathematics from Hong Kong University of Science and Technology in Hong Kong in November 1998 and November 2000, respectively. Mr. Sum also holds the professional qualification of ESG Planner from the International Council for Sustainable Development.

SENIOR MANAGEMENT

In addition to our Directors, our Company also has the following senior management members to assist in our operation. Our senior management is responsible for the day-to-day management of our business.

The following table sets out certain information relating to members of our senior management team as at the Latest Practicable Date:

Name	Age	Position(s)	Date of joining our Group	Date of appointment as senior management	Roles and responsibilities	Relationship with other Directors and senior management
Mr. PAN Yang (潘陽先生)	46	Executive Director, chief executive officer	April 17, 2022	April 17, 2022	Responsible for formulating and implementing business and operation strategies of our Group	None
Mr. TANG Li (唐立先生)	42	Executive Director, chief financial officer	July 1, 2019	May 28, 2021	Responsible for overseeing works related to financial management and capital operation of our Group	None
Mr. YU Guang (虞光先生)	36	Chief operational officer	August 22, 2011	May 28, 2021	Responsible for conducting organizational operation and technology research and development of our Group	None

Mr. PAN Yang (潘陽先生) was appointed as our chief executive officer on April 17, 2022. Please refer to the paragraph headed "—executive Directors" above for the biography of Mr. Pan.

Mr. TANG Li (唐立先生) was appointed as our chief financial officer on May 28, 2021. Please refer to the paragraph headed "—executive Directors" above for the biography of Mr. Tang.

Mr. YU Guang (虞光先生), aged 36, was appointed as our chief operational officer on May 28, 2021, and is mainly responsible for conducting daily operation and technology research and development of our Group. Mr. Yu has also been the deputy general manager of Shanghai Hongjin Equipment & Engineering since January 2017, the deputy general manager of Shanghai Horizon Construction Development, Guangzhou Hongtu Equipment & Engineering, Tianjin Horizon Equipment Leasing and Shanghai Horizon Equipment & Engineering since December 2018, the deputy general manager of Tianjin Horizon Construction Development Investment since June 2019, the deputy general manager of Shanghai Horizon Construction Technology Co., Ltd.* (上海宏信建築科技有限公司) and Tianjin Horizon Construction Development Leasing since April 2020, and the deputy general manager of Shanghai Horizon Engineering Technology Co., Ltd.* (上海宏信工程技術有限公司) since September 2020.

Mr. Yu has over 11 years of experience in operations management. From July 2009 to August 2011, Mr. Yu worked at Far East Horizon, where he was primarily responsible for business and client management and successively served as the business assistant of business operations department from July 2009 to February 2010, the business specialist of business operation department from February 2010 to March 2010, the business specialist of construction group from March 2010 to August 2010, the business manager of business operation department from August 2010 to January 2011, the business manager of transportation system business division from January 2011 to March 2011, the customer manager of construction group from March 2011 to May 2011, and the operational leasing manager of construction group from May 2011 to August 2011. From August 2011 to December 2018, Mr. Yu worked at Shanghai Horizon Equipment & Engineering, where he served as the assistant to general manager of operation management department from August 2011 to December 2012, the deputy general manager (in charge of work) of operation management department from January 2013 to December 2015, the general manager of operation management department from January 2016 to December 2016, and the assistant to general manger from January 2017 to December 2018.

Mr. Yu obtained a bachelor's degree in economics with a major in international economics and trade and a master's degree in economics with a major in international trade from Zhejiang University (浙江大學) in the PRC in June 2007 and June 2009, respectively.

MANAGEMENT CONTINUITY

Our senior management comprising the chief executive officer (the "**CEO**"), the chief financial officer (the "**CFO**") and the chief operational officer (the "**COO**") are our core management team (the "**Core Management Team**"), responsible for the business, strategy and operational management of our Group throughout the Track Record Period and upon completion of the Listing.

Due to personal family reasons, Mr. ZHANG Chunyu (章春雨先生, "**Mr. Zhang**") resigned as an executive Director and the CEO on April 15, 2022 and all other positions within our Group in June 2022. Each of our Company and Mr. Zhang confirmed that there was no disagreement between Mr. Zhang, on one hand, and our Company, our Board and the management, on the other hand, and there were no matters in relation to Mr. Zhang's resignation that needed to be brought to the attention of the Stock Exchange or our Shareholders. Upon recommendation of the Nomination Committee and consideration and approval at our Board meeting, Mr. PAN Yang (潘陽先生, "**Mr. Pan**") was appointed as an executive Director and the CEO, as well as all other positions formerly held by Mr. Zhang within our Group (the "**Change**"). Please see "—DIRECTORS—Executive Directors" for Mr. Pan's biographical details.

Save as the Change described above, there has been no other change in the Core Management Team. Mr. TANG Li (唐立先生), an executive Director and the CFO, and Mr. YU Guang (虞光先生), the COO, remained a majority of the Core Management Team throughout the Track Record Period and will continue to be, together with Mr. Pan, the senior management of our Group upon completion of the Listing.

Despite the Change, we are able to satisfy the management continuity requirements under Rule 8.05(1)(b) of the Listing Rules, and the management of our Group has not been materially changed as result of the Change, nor has the Change caused any adverse impact on our business operations, financial performance or strategic directions and development of our Group, based on the following grounds:

(i) a majority of the Core Management Team remained unchanged (i.e. two out of three members) during the Track Record Period and will continue to be a majority of our Group's management upon completion of the Listing. The Change did not involve any significant alteration in our Group's strategy, business operation or any other material aspects;

(ii) the actual management of our business has not been materially changed and our business is managed by the Core Management Team functioning as a whole unit with no single member having a casting vote or veto right;

(iii) the continuity of our strategic direction allows us to maintain our leading position in the equipment operation service industry with our revenue for the year ended December 31, 2022 increased by 28.3% as compared to the previous year. The daily operation and management of our Group has been progressing steadily under the leadership of the current Core Management Team; and

(iv) Mr. Pan, with decades of working experience with the Far East Horizon Group, is able to make joint efforts and provide necessary continuity and synergy of the management of our business as part of the current Core Management Team.

DIRECTORS' AND SENIOR MANAGEMENT'S INTERESTS

Save as disclosed in this Prospectus, each of our Directors and senior management (i) did not hold any other positions in our Company or other members of our Group as at the Latest Practicable Date; (ii) had no other relationship with any Directors, senior management or substantial or Controlling Shareholders as of the Latest Practicable Date; and (iii) did not hold any other directorships in listed public companies in the three years prior to the Latest Practicable Date. As at the Latest Practicable Date, save for the interests in the Shares of Mr. He Ziming, which are disclosed in the section headed "Appendix IV—Statutory and General Information" in this Prospectus, none of our Directors and senior management held any interest in the Shares within the meaning of Part XV of the SFO.

Save as disclosed herein, to the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, there was no other matter with respect to the appointment of our Directors and senior management that needs to be brought to the attention of the Shareholders and there was no information relating to our Directors and senior management that is required to be disclosed pursuant to Rules 13.51(2)(h) to (v) of the Listing Rules as of the Latest Practicable Date.

COMPETITION

Each of our Directors confirms that as of the Latest Practicable Date, he/she did not have any interest in a business, apart from the business of our Group, which competes or is likely to compete, either directly or indirectly, with our business, which would require disclosure under Rule 8.10 of the Listing Rules.

As disclosed in the paragraph headed "Directors" in this section, Mr. He Ziming has been the general manager and an executive director of Shanghai Lanjin Construction Machinery Leasing Co., Ltd. (上海藍金建築機械租賃有限公司) ("**Shanghai Lanjin**") since March 2004. Shanghai Lanjin was established in the PRC as a limited liability company on March 16, 2004. The principal business activity of Shanghai Lanjin was machinery and leasing of scaffolds and accessories. Since its establishment and up to the

Latest Practicable Date, Shanghai Lanjin was owned as to 10% by Mr. He and 90% by Lanjin Stone, a company wholly-owned by Mr. He. Mr. He has confirmed that since August 2013, Shanghai Lanjin has ceased to conduct business operation and disposed leasing related assets for the purpose of avoidance of business competition, when Shanghai Hongjin Equipment & Engineering, a principal subsidiary of our Company, was established by Lanjin Stone and Shanghai Horizon Equipment & Engineering. As confirmed by Mr. He, Shanghai Lanjin has proceeded with registration cancellation in September 2021. As Shanghai Lanjin has ceased to conduct business operation since August 2013 and has proceeded with registration cancellation before the Listing Date, our Directors are of the view that there is no competition between the business of Shanghai Lanjin and the business of our Group.

Having considered the view of the Directors and based on the due diligence work conducted by the Joint Sponsors, including but not limited to reviewing the internal control policies on the management of interest conflicts of directors of the Company with the assistance of an independent internal control consultant pursuant to a scope agreed among the Company, the Joint Sponsors and the internal control consultant, interviewing with the management of the Company and interviewing with the relevant Director, nothing has come to the Joint Sponsors' attention that would reasonably cause them to cast doubt on the reasonableness of the view of the Directors above.

COMPANY SECRETARY

Mr. CHIU Ming King (趙明璟先生), aged 46, was appointed as the company secretary of our Company on May 28, 2021. He also serves as the head of corporate and fund services of Vistra Corporate Services (HK) Limited. Mr. Chiu has over 10 years of experience in the company secretarial field. He is currently (1) the joint company secretary of Shanghai Haohai Biological Technology Co., Ltd., a company listed on the Main Board of the Stock Exchange (stock code: 6826); (2) the company secretary of Kunming Dianchi Water Treatment Co., Ltd., a company listed on the Main Board of the Stock Exchange (stock code: 3768); (3) the company secretary of Grace Wine Holdings Limited, a company listed on the GEM of the Stock Exchange (stock code: 8146); (4) the joint company secretary of CanSino Biologics Inc., a company listed on the Main Board of the Stock Exchange (stock code: 6185); (5) the company secretary of Sheng Yuan Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 851); (6) the company secretary of Loco Hong Kong Holdings Limited, a company listed on the GEM of the Stock Exchange (stock code: 8162); (7) the company secretary of JD Health International Inc., a company listed on the Main Board of the Stock Exchange (stock code: 6618); (8) the company secretary of JD Logistics, Inc., a company listed on the Main Board of the Stock Exchange (stock code: 2618); and (9) the joint company secretary of China Construction Bank Corporation, a company listed on the Main Board of the Stock Exchange (stock code: 939).

Mr. Chiu has been an associate member of The Chartered Governance Institute in United Kingdom and the Hong Kong Chartered Governance Institute ("**HKCGI**") since 2003 and became a fellow member of the HKCGI since September 2015. He is also a holder of the Practitioner's Endorsement Certificate issued by HKCGI. He has been a chairman of Professional Services Panel of HKCGI and a council member of HKCGI.

Mr. Chiu obtained a bachelor of arts from University of Toronto in Canada in June 1999 and received a master of arts in professional accounting and information systems from City University of Hong Kong in November 2003.

BOARD COMMITTEES

We have established four Board committees, namely the Audit Committee, the Remuneration Committee, the Nomination Committee and the Environmental, Social and Governance Committee. The committees operate in accordance with the terms of reference established by our Board.

Audit Committee

Our Company has established the Audit Committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The primary duties of the Audit Committee are to oversee the financial reporting system and internal control procedures of our Company, review the financial information of our Company and consider issues relating to the external auditors and their appointment.

The Audit Committee consists of three Directors, namely, Mr. Xu Min, Ms. Jin Jinping and Mr. Sum Siu Kei. Mr. Xu Min currently serves as the chairman of the Audit Committee, who holds the appropriate professional qualifications as required under Rules 3.10(2) and 3.21 of the Listing Rules.

Remuneration Committee

Our Company has established the Remuneration Committee with written terms of reference in compliance with Rule 3.25 of the Listing Rules and the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The primary duties of the Remuneration Committee are to make recommendations to the Board on our Company's policy and structure for all remuneration of Directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration.

The Remuneration Committee consists of three Directors, namely, Ms. Jin Jinping, Mr. Liu Jialin and Ms. Guo Lina. Ms. Jin Jinping currently serves as the chairwoman of the Remuneration Committee.

Nomination Committee

Our Company has established the Nomination Committee with written terms of reference in compliance with Rule 3.27A of the Listing Rules and the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The primary duties of the Nomination Committee are to review the structure, size and composition of the Board, assess the independence of the independent non-executive Directors and make recommendations to the Board on the appointment and re-appointment of Directors and succession planning for Directors.

The Nomination Committee consists of three Directors, namely, Ms. Jin Jinping, Mr. Liu Jialin and Mr. Xu Huibin. Ms. Jin Jinping currently serves as the chairwoman of the Nomination Committee.

Environmental, Social and Governance Committee

Our Company has established the Environmental, Social and Governance Committee (the "**ESG Committee**") with written terms of reference in compliance with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The primary duties of the ESG Committee are to investigate and make recommendations on the environmental, social and governance policies and practices of our Company.

The ESG Committee consists of three Directors, namely, Mr. Sum Siu Kei, Mr. Xu Min and Mr. He Ziming. Mr. Sum Siu Kei currently serves as the chairman of the ESG Committee.

THE PARTY COMMITTEE

According to the Constitution of the Communist Party of China ("**CPC**"), our subsidiaries, Shanghai Horizon Construction Development, Shanghai Horizon Equipment & Engineering and Shanghai Hongjin Equipment & Engineering, have established the Committee of Communist Party (the "**Party Committee**") primary organizations, including one general Party branch (黨總支部) and two Party branches (黨支部). The Party Committee mainly assumes the following duties and responsibilities:

- to study and convey the CPC's principles and policies and oversee their implementation;
- to guide and oversee the company's observance of state laws and regulations;

- to promote unity and cohesion among employees, the healthy development of the company and safeguard the legitimate right and interests of all relevant parties by leading relevant organizations such as trade unions and Communist Youth League organizations.

The above duties and responsibilities of the Party Committee have rare entanglement with our daily business or operation and do not overlap with the duties and responsibilities of our Board or general meeting.

Without assumption of any management responsibilities or participation in the implementation of any management decisions, the Party Committee will play a positive role in employee caring and ideological education, which is non-business in nature. The Party Committee has no significant influence or overriding power over our or our subsidiaries' general meeting, board of directors or senior management. According to our Articles of Association and the articles of association of our subsidiaries, in any event, the Party Committee does not have veto right or casting vote on the core matters of our business or operation, including personnel appointment of our Board members and senior management.

BOARD DIVERSITY POLICY

In order to enhance the effectiveness of our Board and to maintain the high standard of corporate governance, we have adopted the board diversity policy (the "**Board Diversity Policy**") which sets out the objective and approach to achieve and maintain diversity of our Board. Pursuant to the Board Diversity Policy, we seek to achieve Board diversity through the consideration of a number of factors when selecting the candidates to our Board, including but not limited to gender, skills, age, professional experience, knowledge, cultural, education background, ethnicity and length of service. The ultimate decision of appointment will be based on merit and the contribution which the selected candidates will bring to our Board.

Our Directors have a balanced mix of knowledge and skills, overall management and strategic development, human resources, information technology, accounting and financial management, risk management, corporate governance and evaluation of properties and assets. They obtained degrees in various majors including international trade, business administration, electronics, mechanics, physics, literature, and civil and commercial law. We have four independent non-executive Directors with different industry backgrounds, representing one-third of the Board. Furthermore, our Board has a wide range of age, ranging from 42 years old to 67 years old. Taking into account our existing business model and specific needs as well as the different background of our Directors, the composition of our Board satisfies our Board Diversity Policy.

Given that two out of eleven of our Directors are female upon Listing, we will continue to take steps to promote gender diversity of our Board. After the Listing, we will strive to achieve gender balance of our Board through the following measures to be implemented by our Nomination Committee in accordance with our Board Diversity Policy. We will actively identify female individuals suitably qualified to become our Board members. In addition, we target to achieve a gender diversity in the composition of our Board by having female representation of 20% of the members of our Board within three years upon Listing. To further ensure gender diversity of our Board in a long run, our Group will take opportunities to increase the proportion of female members of the Board, identify and select several female individuals with a diverse range of skills, experience and knowledge in different fields from time to time, and maintain a list of such female individuals who possess qualities to become our Board members, which will be reviewed by our Nomination Committee periodically in order to develop a pipeline of potential successors to our Board to promote gender diversity of our Board. We plan to offer all-rounded trainings to female employees whom we consider to have the suitable experience, skills and knowledge of our operation and business, including but not limited to, business operation, management, accounting and finance, legal and compliance and research and development. We will also disclose the biographical details of each Director and report on the implementation of the Board Diversity Policy (including whether we have achieved board diversity) in our Company's annual report.

Our Nomination Committee is responsible for ensuring the diversity of our Board members. After the Listing, our Nomination Committee will review the Board Diversity Policy from time to time to ensure its continued effectiveness and we will disclose in our corporate governance report about the implementation of the Board Diversity Policy on an annual basis.

COMPLIANCE ADVISER

We have appointed UOB Kay Hian (Hong Kong) Limited as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules. The compliance adviser will provide us with guidance and advice as to compliance with the Listing Rules and applicable Hong Kong laws. Pursuant to Rule 3A.23 of the Listing Rules, our compliance adviser will advise us in the following circumstances:

(a) before the publication of any regulatory announcement, circular or financial report;

(b) where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;

(c) where we propose to use the proceeds of the Global Offering in a manner different from that detailed in this Prospectus or where the business activities, development or results of our Group deviate from any forecast, estimate or other information in this Prospectus; and

(d) where the Stock Exchange makes an inquiry to our Company regarding unusual movements in the price or trading volume of its listed securities or any other matters in accordance with Rule 13.10 of the Listing Rules.

The term of the appointment of the compliance adviser will commence on the Listing Date and is expected to end on the date on which we distribute our annual report of our financial results for the first full financial year commencing after the Listing Date in compliance with Rule 13.46 of the Listing Rules, and such appointment may be subject to extension by mutual agreement.

COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

For details on the service contracts and appointment letters signed between our Company and our Directors, please see "Appendix IV—Statutory and General Information—D. Further information about Directors, chief executive and substantial shareholders—1. Particulars of Directors' service contracts and letters of appointment" to this Prospectus.

Our Directors and senior management receive compensation in the form of salaries, allowance, benefits in kind, performance related bonuses and pension scheme contributions. We determine the salaries of our Directors and senior management based on their performance, qualification, position and experience.

The aggregate amount of remuneration which were incurred to our Directors were approximately RMB4.57 million, RMB4.68 million and RMB4.55 million for the three years ended December 31, 2022, respectively. Saved as disclosed in the Note 8 to the section headed "Appendix I—Accountants' Report" to this Prospectus, no other amounts have been paid or are payable by any member of our Group to our Directors during the Track Record Period.

According to existing effective arrangements, our Company estimates that the total fixed remuneration (before tax, excluding any possible payment of discretionary bonus) payable to our Directors (including our independent non-executive Directors in their respective capacity as Directors) for the year ending December 31, 2023 is expected to be approximately RMB3.77 million.

The aggregate amount of remuneration which were incurred by our Group to our five highest paid individuals (including two Directors, two Directors and two Directors, respectively) were approximately RMB8.94 million, RMB9.10 million and RMB8.42 million for the three years ended December 31, 2022, respectively.

During the Track Record Period, no fees were paid to any of the Directors or the five highest paid individuals as an inducement or rewards to join our Company or as compensation for loss of office. During the Track Record Period, no remuneration was paid by us or receivable by Directors, past directors or the five highest paid individuals as compensation for leaving positions relating to management affairs in any subsidiary of our Company.

During the Track Record Period, none of our Directors has waived any remuneration or is entitled to receive other special benefits from our Company. Save as disclosed above, during the Track Record Period, no other amounts shall be paid or payable by us or any of our subsidiaries to the Directors or the five highest paid individuals.

To the best of the Directors' knowledge and information, the following persons will, immediately following completion of the Spin-off (without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option), have interests or short positions in the Shares or the underlying Shares which would be required to be disclosed to our Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at our general meetings:

Name of the Shareholder	Nature of interest	Shares held immediately prior to the completion of the Spin-off		Shares held immediately following the completion of the Spin-off	
		Number	*Approximate Percentage*	*Number*	*Approximate Percentage*
Far East Horizon	Beneficial owner	2,293,050,000	80.95%	2,293,050,000	71.72%
	Interest in controlled corporation[1]	176,600,000	6.23%	176,600,000	5.52%
	Total	2,469,650,000	87.19%	2,469,650,000	77.24%
Mr. He Ziming	Interest in controlled corporation[1]	176,600,000	6.23%	176,600,000	5.52%
	Interest of spouse[2]	30,350,000	1.07%	30,350,000	0.95%
	Total	206,950,000	7.31%	206,950,000	6.47%

Notes:

(1) Farsighted Wit Limited is wholly owned by Tianjin Hongjian. The general partner of Tianjin Hongjian is Tianjin Hongsheng, which is ultimately wholly owned by Far East Horizon. The limited partner of Tianjin Hongjian holding over one third of partnership interest in Tianjin Hongjian is Tianjin Lanjin, which is controlled by Tianjin Hongsheng as general partner and owned as to over one third of partnership interest by Mr. He Ziming as limited partner. Accordingly, each of Far East Horizon and Mr. He Ziming is deemed to be interested in the 176,600,000 Shares held by Farsighted Wit Limited for the purpose of Part XV of the SFO.

(2) Ms. Liu Lifang, the spouse of Mr. He Ziming, holds the Shares through Lanjin Limited, a company wholly owned by Ms. Liu Lifang.

Save as disclosed above, our Directors are not aware of any person who will, immediately following the completion of the Spin-off (without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option), have an interest and/or short position in the Shares or the underlying Shares of our Company which would be required to be disclosed to our Company and the Stock Exchange under Divisions 2 and 3 of Part XV of the SFO or will, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at any general meeting of our Company.

AUTHORIZED AND ISSUED SHARE CAPITAL

Our authorized share capital as at the Latest Practicable Date was US$100,000 divided into 5,000,000,000 Shares with par value of US$0.00002 per Share.

As of the Latest Practicable Date, our issued share capital consisted of 2,832,550,000 Shares with par value of US$0.00002 per Share.

Assuming the Over-allotment Option is not exercised, the share capital of our Company upon completion of the Global Offering will be as follows:

Description of Shares	Number of Shares	Aggregate nominal value of Shares (US$)	Approximate percentage of issued share capital
Shares in issue at the date of this Prospectus	2,832,550,000	56,651.00	88.59%
Shares to be issued pursuant to the Global Offering	364,694,000	7,293.88	11.41%
Total	3,197,244,000	63,944.88	100.00%

Assuming the Over-allotment Option is exercised in full, the share capital of our Company immediately following the completion of the Global Offering will be as follows:

Description of Shares	Number of Shares	Aggregate nominal value of Shares (US$)	Approximate percentage of issued share capital
Shares in issue at the date of this Prospectus	2,832,550,000	56,651.00	87.10%
Shares to be issued pursuant to the Global Offering	364,694,000	7,293.88	11.21%
Shares to be issued pursuant to the full exercise of the Over-allotment Option	54,704,000	1,094.08	1.68%
Total	3,251,948,000	65,038.96	100.00%

ASSUMPTIONS

The above tables assume that the Global Offering becomes unconditional and Shares are issued pursuant to the Global Offering. It takes no account of any Shares which may be issued or repurchased by us pursuant to the general mandates granted to our Directors to issue or repurchase Shares as described below.

RANKING

The Offer Shares are ordinary shares in the share capital of our Company and will rank equally in all respects with all the Shares in issue or to be issued, and will rank in full for all dividends and other distributions declared, made or paid by our Company following the completion of the Global Offering.

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

Pursuant to the Cayman Companies Act and the terms of the Articles of Association, our Company may by ordinary resolution of Shareholders (i) increase its share capital; (ii) consolidate and divide all or any of its share capital into Shares of larger amount than its existing Shares; (iii) sub-divide its Shares or any of them into Shares of smaller amount than is fixed by the Articles of Association of the Company; and (iv) cancel any Shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the Shares so cancelled. In addition, our Company may subject to the provisions of the Cayman Companies Act reduce its share capital or any capital redemption reserve by passing a special resolution. For details, see "Appendix III—Summary of the Constitution of our Company and Cayman Companies Law" in this Prospectus.

GENERAL MANDATE TO ISSUE SHARES

Subject to the Global Offering becoming unconditional, our Directors have been granted by the Shareholders a general and unconditional mandate to allot, issue and deal with Shares with a total nominal value of not more than the sum of:

- 20% of the aggregate number of Shares in issue and to be issued immediately following completion of the Global Offering (excluding any Shares which may be allotted and issued upon the exercise of the Over-allotment Option); and

- the aggregate number of Shares repurchased by our Company (if any) pursuant to the repurchase mandate as referred to below.

This general mandate to issue Shares will remain in effect until the earliest of:

- the conclusion of the next annual general meeting of our Company;
- the expiration of the period within which the next annual general meeting of our Company is required to be held by any applicable law or the Articles of Association; or
- the time when such mandate is revoked or varied by an ordinary resolution of the Shareholders in a general meeting.

Please refer to the section headed "Appendix IV—Statutory and General Information—A. Further information about our Company—4. Written resolutions of the Shareholders passed on April 11, 2023" in this Prospectus for details of this general mandate.

GENERAL MANDATE TO REPURCHASE SHARES

Subject to the Global Offering becoming unconditional, our Directors have been granted by the Shareholders a general mandate to exercise all the powers of our Company to repurchase not more than 10% of the aggregate number of Shares in issue immediately following completion of the Global Offering (excluding any Shares which may be allotted and issued upon the exercise of the Over-allotment Option).

The repurchase mandate only relates to repurchases made on the Stock Exchange and/or on any other stock exchange on which the Shares may be listed (and which is recognized by the SFC and the Stock Exchange for this purpose) and which are in accordance with the Listing Rules and all other applicable laws, regulations and rules.

The general mandate to repurchase Shares will remain in effect until the earliest of:

- the conclusion of the next annual general meeting of our Company;
- the expiration of the period within which the next annual general meeting of our Company is required to be held by any applicable law or the Articles of Association; or
- the time when such mandate is revoked or varied by an ordinary resolution of the Shareholders in a general meeting.

Please refer to the section headed "Appendix IV—Statutory and General Information—A. further information about our Company—4. written resolutions of the shareholders passed on April 11, 2023" in this Prospectus for details of this general mandate.

You should read the following discussion and analysis in conjunction with consolidated financial statements, including the notes thereto set out in "Appendix I—Accountants' Report" to this Prospectus and the selected historical financial information presented elsewhere in this Prospectus. Our consolidated financial statements were prepared in accordance with HKFRSs.

The following discussion and analysis contain forward-looking statements that involve risks and uncertainties. These statements are based on assumptions and analysis that we make considering our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, our actual results may differ significantly from those projected in the forward-looking statements. Factors that might cause future results to differ significantly from those projected in the forward-looking statements include, but are not limited to, those discussed in "Risk Factors", "Forward-Looking Statements" and elsewhere in this Prospectus.

OVERVIEW

We are one of the leading equipment operation service providers in China, with comprehensive equipment offerings and strong service capacities. According to the F&S Report, we were the largest equipment operation service provider in China in terms of revenue in 2022. Leveraging our equipment operation service capabilities, we provide comprehensive and multi-dimensional services covering the full cycle of projects. Our major brands include Horizon Construction Development (宏信建發), Horizon Equipment (宏信設備) and Hongjin Equipment (宏金設備).

In addition, we are one of the leaders in aerial work platform operation, neo-excavation support system operation and neo-formwork system operation service markets. According to the F&S Report, we ranked first in all of the three markets in terms of equipment volume owned in China as of December 31, 2022. We believe that our comprehensive and multi-dimensional services covering the full cycle of projects and leveraging the synergies among our various product lines and diversified service categories enable us to enhance our market competitiveness and customer stickiness. As a result, we have fostered a diverse, blue chip, loyal and high-quality customer base to ensure our operational stability and sustainable growth. Moreover, we have established a nationwide service outlet network consisting of 349 service outlets as of December 31, 2022, covering 187 cities in China. Furthermore, our proven digitalization capabilities continuously enhance our operational efficiency and customer service capabilities.

Our service portfolio consists of (i) operating lease services, (ii) engineering and technical services, and (iii) platform and other services. We generally receive lease payments under operating leases, and our price is mainly determined by type of equipment and length of rental period. For engineering and technical services, we receive payments for one-stop solutions we provided in accordance with the price as stipulated in the contracts. For platform services, we follow the same business model as that of our operating lease services and derive our profit from the pricing difference between the price we charge our customers and the price we pay to equipment and/or materials providers. For our sales of equipment, materials and spare parts, pricing is primarily benchmarked to the prevailing market rate of relevant equipment, materials or spare parts.

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

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

We believe that the following are the key factors affecting our results of operations.

Our performance is dependent on the development of the construction and infrastructure industries in the PRC, which in turn, largely depends on the general economic conditions in the PRC.

We derived a large portion of our revenue from the provision of operating lease services in the PRC during the Track Record Period. The demand for our operating lease services is closely related to the level of government spending on urbanization and infrastructure in the PRC, which in turn, largely depends on the PRC general economic conditions and governmental policies. According to the F&S Report, from 2018 to 2022, underpinned by the ever-increasing investment in the infrastructure industry and expansion of urbanization, the total output value of China's construction industry increased from RMB23.5 trillion in 2018 to RMB31.2 trillion in 2022 with a CAGR of 7.3%. As a result, the equipment operation services in the PRC demonstrated rapid growth in the past five years. The market size of the equipment operation services in China increased from RMB607.0 billion in 2018 to RMB935.4 billion in 2022 with a CAGR of 11.4%. Further, according to the F&S Report, the total output value of the construction industry in the PRC is expected to achieve continuous growth in light of the stable development of China's macro economy, the strategies of regional economic integration and new-type urbanization and the proposal in the construction of new infrastructure. The total output value of China's construction industry is expected to reach approximately RMB41.1 trillion in 2027, according to the F&S Report.

Although the current political trend seems to be in favor of the construction industry in the PRC due to the rapid urbanization progress, which in turn, benefits the PRC operating lease services market and hence, benefits us in terms of numerous project opportunities, we cannot assure you that there will not be any adverse change in the government spending or policies towards the construction industry. Thus, the PRC operating lease services market which we operate in will be affected, which in turn, will affect the number and/or value of the construction projects in the PRC and correspondingly affect the demand for our operating lease services.

Our performance may be affected by intensive competition in the aerial work platform, excavation support system and formwork system operation service markets in the PRC.

Our competition mainly comes from few major equipment operation service providers in the PRC which also target service provisions to large central enterprises, local SOEs, public entities, private companies and individuals from various industries, such as manufacturing, entertainment, agricultural, shipping, environmental, real estate, industrial, infrastructure and construction industries. Some of these competitors may have advantages over us in terms of capacity, access to capital, operational and managerial expertise, pricing or customer contacts. According to the F&S Report, new players may also enter the industry if they possess relevant expertise, advanced skills and/or technologies, relationship with customers and sufficient equipment and capital. If there is an increase in the number of competitors in the industry without a corresponding increase in projects that require our services, competition within the operating lease service industry would intensify. For details, see "Risk Factors—Risk Relating to Our Business and Industry—Fierce competition of the equipment operation service industry may adversely affect our business and financial condition and we may not be able to compete successfully against existing and new competitors".

Our performance and business expansion are subject to our financing capabilities and funding sources.

Our capabilities and sources of funding are important factors in determining the success of our business expansion. As our business operations require a significant amount of capital, we need adequate and timely sources of funding to maintain and further develop our business. Our major funding sources including cash generated from business operation and borrowings.

As of December 31, 2020, 2021 and 2022, our interest-bearing bank and other borrowings amounted to RMB7,817.5 million, RMB17,697.8 million and RMB21,212.1 million. As of December 31, 2022, we had banking facilities of RMB38,216 million in aggregate from banks and finance lease companies, among which RMB10,884 million were unutilized and unrestricted.

The level of our indebtedness and the amount of our interest payments could limit our ability to obtain the necessary additional financing or obtain favorable terms for the financing for future capital expenditures and working capital. In addition, our ability to obtain adequate funding for our operations and expansion plans depends on a number of factors, including but not limited to PRC and global macroeconomic environments, fluctuations in capital markets, credit availability from banks and other lenders, investor confidence and new requirements that affect our funding sources directly. As a result, our business, financial position and results of operations may be affected.

Our performance and future business expansion are subject to our ability to effectively manage our equipment volume and the corresponding utilization rate.

During the Track Record Period, we derived a large portion of revenue from our operating lease services. For the years ended December 31, 2020, 2021 and 2022, revenue derived from operating lease services amounted to RMB2,484.6 million, RMB4,463.3 million and RMB5,189.9 million, respectively, accounting for 67.8%, 72.7% and 65.9%, of our revenue for the corresponding years, respectively. As a result, our performance and future business expansion are subject to our ability to effectively manage our equipment volume and the corresponding utilization rate. For detailed analysis of the utilization rates for our major equipment, see "Business—Our Equipment Portfolio—Utilization of Our Equipment".

Our financial performance is subject to our ability to grow customer base, drive customer engagement and timely settlement by our customers.

Attributable to our comprehensive and multi-dimensional service model covering the full cycle of projects, we have fostered a loyal and high-quality customer base over the years, which primarily include large central enterprises, local SOEs, public entities, private companies and individuals. The number of our customers, which come from various industries, continued to increase during the Track Record Period. We believe that our financial growth is subject to our ability to continue to grow our customer base, drive customer engagement and timely settlement by our customers.

Due to the business nature of our operating lease services, we provide our services on a daily, weekly, monthly, yearly or project-by-project basis based on customers' needs. Rental income is recognized on a time proportion basis over the lease terms. Thus, our operating and financial performances are affected by the number of customers we acquired and the engagements between us and our customers.

Further, our working capital and sufficiency of cash flow will be influenced by the timely settlement of our customers. Generally, our customers shall comply with the payment schedule specified in the contracts, subject to the dynamics of each customer. They shall arrange payment in accordance with the payment amount in our issued invoice within a period of time. In the event that our customers experience financial distress or are unable to settle their respective payments due to us in a timely manner or at all, our results of operations and financial conditions may be affected.

Our performance is subject to seasonality.

As our operating lease services and engineering and technical services are primarily performed on construction sites, our services are affected by seasonal weather conditions. For example, in the northern part of China, we cannot conduct most of our operating lease services in the first quarter of the year due to the extreme cold weather. Further, we may also experience seasonal fluctuation in our revenue and operating income in the first quarter of the year as a result of the Chinese New Year, which in turn, reduce the business activities and labor force in the market. As such, any comparisons of our operating results between different periods within a single financial year are not necessarily meaningful and cannot be relied on as indicators of our performance. Our results of operations are likely to continue to fluctuate due to our business cycle, which resulted in seasonality.

EFFECTS OF THE COVID-19 OUTBREAK ON OUR BUSINESS

A global pandemic caused by COVID-19 broke out in early 2020 and has impacted the global economy ever since. The outbreak of COVID-19 in China in the first quarter of 2020 and resurgence of COVID-19 cases in certain major cities across China throughout 2022 have led to the imposition of various pandemic mitigation measures by the PRC Government, including lockdown, suspension of construction work, travel bans and strict social distancing and quarantine measures. As a result, most of our business operations were adversely affected during the relevant periods and we suspended the operations of some of our service outlets as we were unable to carry a large portion of our operating lease services and engineering and technical services as planned. Whilst the duration of the official restrictions on construction varied across cities in the PRC due to the differences in local rules and regulations, our customers from our operating leases services segment and engineering and technical services segment requested for (i) a halt in the provision of engineering services for about 45 days in the first quarter of 2020 and/or (ii) a suspension of our operating leases with them for about 45 days in the first quarter of 2020 and for an aggregate of two to three months throughout 2022 (except for our customers with aerial work platform operating leases, as most of them requested for a suspension for about one month). We agreed to give rental or service fee waivers or discounts to certain customers in consideration of the suspension of our services. The aggregate contract value of such rental or service fee waivers and discounts in 2022 amounted to approximately RMB21.9 million, with a total of 89 projects affected. Despite such effects, due to the long-term nature of such construction projects undertaken by our customers, and the relatively short period of business suspension, our Directors confirm that there had not been any major termination of contracts or material delays in relation to the equipments or services provided by us. In addition, due to the pandemic mitigation measures by the PRC Government, we lost certain revenue opportunities because we suspended the operations of some of our service outlets or we encountered difficulties in delivering our equipment at the request of customers. The number of our service outlets suspended due to the outbreak of COVID-19 in 2020 and 2022 was 93 and 58, respectively. However, we benefited from government relief of social security payments for employment support relating to the COVID-19 pandemic which amounted to approximately RMB27.9 million in 2020.

China began to modify its zero-COVID policy in late 2022, and most of the travel restrictions and quarantine requirements were lifted in December 2022. There was a rapid spread of COVID-19 in a relatively short period of time and a surge in COVID-19 confirmed cases. As of the Latest Practicable Date, over 1,200 of our employees had informed us that they were infected. However, the surge in COVID-19 infections since December 2022 has not materially impacted our business operations and financial performance as the majority of our infected employees recovered and resumed working very shortly. As far as we are aware, all of our infected employees have recovered. With the bounce back of China's economy, our business operations has resumed to normal.

We believe, and F&S concurs, that the outbreak of the COVID-19 pandemic has provided a unique opportunity for us to consider how we could deliver real value to our customers and refine our development strategies for the years ahead. We believe that the PRC Government will introduce counter-cyclical control policies that will benefit our upstream and downstream industries, such as infrastructure and construction industries. In addition, we expect that demand for equipment operation service will boom in anticipation of the strong demand from infrastructure and construction industries. As a result, we actively enhance our management and operational capabilities and continue to implement our digitalization upgrade in order to further expand our business scale. For details, see "Business—Effects of the COVID-19 Pandemic" and "Risk Factors—Risks Relating to Our Business and Industry—The occurrence of epidemics, natural disasters, acts of war, and other disasters could significantly affect our business and the national and regional economies in the PRC".

BASIS OF PRESENTATION

Pursuant to the Reorganization as described in the section headed "History, Reorganization and Corporate Structure" in this Prospectus, our Company became the holding company of the companies now comprising our Group on October 23, 2020. The companies now comprising our Group were under the common control of Far East Horizon before and after the reorganization. Accordingly, our historical financial information has been prepared on a consolidated basis by applying the principles of merger accounting as if the reorganization had been completed on the beginning of the Track Record Period.

Our historical financial information has been prepared in accordance with all applicable HKFRSs. All HKFRSs effective for the accounting period commencing from January 1, 2020, together with the relevant transitional provisions, have been early adopted by us in the preparation of the historical financial information on a consistent basis throughout the Track Record Period. For more information on the basis of presentation and preparation of the historical financial information, see note 2 to "Appendix I—Accountants' Report" in this Prospectus.

SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ESTIMATES AND JUDGMENTS

Our significant accounting policies and critical estimates and judgments, which are important for an understanding of our financial condition and result of operations, are set forth in details in note 2 and note 3 of "Appendix I—Accountants' Report" in this Prospectus.

Significant Accounting Policies

Revenue Recognition

We generate revenue from our three business segments, namely, operating lease services, engineering and technical services, and platform and other services.

Revenue from Operating Lease Income

Operating lease income, for which we provide operating lease services and re-rent services cover various types of equipment and materials on a daily, weekly, monthly, yearly or project-by-project basis based on customers' needs. Rental income is recognized on a time proportion basis over the lease terms. Variable lease payments that do not depend on an index or a rate are recognized as income in the accounting period in which they are incurred.

Revenue from Contracts with Customers

Revenue from contracts with customers is recognized when control of goods or services is transferred to the customers at an amount that reflects the consideration to which we expect to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which we will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognized will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the customer and us at contract inception. When the contract contains a financing component which provides us with a significant financial benefit for more than one year, revenue recognized under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

- Sales of goods: Revenue from the sales of goods is recognized at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods.

- Engineering and technical services: Revenue from construction services is recognized over time, using an input method to measure progress towards complete satisfaction of the service, because our performance creates or enhances an asset that the customer controls as the asset is created or enhanced. The input method recognizes revenue based on the proportion of the actual costs incurred relative to the estimated total costs for satisfaction of construction services.

Critical Judgments and Estimates

Critical accounting judgments and estimates are those that are most important to the portrayal of our financial conditions and results of operations and require our management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, the assets and liabilities and their accompanying disclosures and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

We continually evaluate these estimates based on our own historical experience, knowledge and assessment of current business and other conditions, our expectations regarding the future based on available information and our best assumptions, which together form our basis for making judgments about matters that are not readily apparent from other sources. Since the use of estimates is an integral component of the financial reporting process, our actual results could differ from those estimates and expectations. Some of our accounting policies require a higher degree of judgment than others in their application. We believe the following critical accounting policies involve the most significant judgments and estimates used in the preparation of our financial statements.

Judgments

Classification between Finance Leases and Operating Leases

A lessor shall classify each of its leases as either an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset.

Situations that would normally lead to a lease being classified as a finance lease include the following:

- the lease transfers ownership of the asset to the lessee by the end of the lease term;
- the lessee has the option to purchase the asset at a price which is expected to be sufficiently lower than the fair value at the date the option becomes exercisable and, at the inception of the lease, it is reasonably certain that the option will be exercised;
- the lease term is for the major part of the economic life of the asset, even if title is not transferred;
- at the inception of the lease, the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset; and
- the leased assets are of a specialized nature such that only the lessee can use them without major modifications being made.

If it is clear from other features that the lease does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset, the lease is classified as an operating lease. The determination of whether we have transferred substantially all the risks and rewards incidental to ownership depends on an assessment of the relevant arrangements relating to the lease and this involves critical judgments by management.

Determining the Timing of Satisfaction of Construction Services

We concluded that revenue from the construction services is recognized over time, using an input method to measure progress towards complete satisfaction of the service, because our performance creates or enhances an asset that the customer controls as the asset is created or enhanced. The fact that we are building on the customer's construction site and the customer generally controls any work in progress arising from our performance demonstrates that our performance creates or enhances an asset that the customer controls as the asset is created or enhanced.

Estimates

Provision for ECLs

The measurement of impairment losses under HKFRS 9 across debt instruments recorded at fair value through other comprehensive income ("**FVOCI**"), trade receivables, financial assets included in prepayments, other receivables and other assets, contract assets requires judgment, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

Our ECLs calculations are outputs of appropriate models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgments and estimates include:

(i) Our internal credit grading model, which assigns Probability of Defaults ("**PDs**") to the individual grades;

(ii) Our criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a lifetime ECL basis and the qualitative assessment;

(iii) Development of ECL models, including the various formulas and the choice of inputs;

(iv) Determination of associations between macroeconomic scenarios and, economic inputs, and the effect on PDs, exposure at defaults ("**EADs**") and loss given defaults ("**LGDs**").

We will regularly review the ECL model in the context of actual loss experience and adjust when necessary.

Impairment of Non-financial Assets

We assess whether there are any indicators of impairment for all non-financial assets (including the right-of-use assets) at the end of each year during the Track Record Period. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value-in-use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Deferred Tax Assets

Deferred tax assets are recognized for deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies. For details, see note 16 of "Appendix I—Accountants' Report" in this Prospectus.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

The table below sets forth a summary of our consolidated statement of profit or loss for the years indicated:

	For the year ended December 31,					
	2020		2021		2022	
	RMB'000	%	*RMB'000*	%	*RMB'000*	%
Revenue	3,663,595	100.0	6,141,168	100.0	7,877,646	100.0
Cost of sales	(2,015,234)	(55.0)	(3,295,231)	(53.7)	(4,744,640)	(60.2)
Gross profit	**1,648,361**	**45.0**	**2,845,937**	**46.3**	**3,133,006**	**39.8**
Other income and gains	79,587	2.2	260,206	4.2	157,582	2.0
Selling and distribution expenses	(273,091)	(7.5)	(451,852)	(7.4)	(340,804)	(4.3)
Administrative expenses	(411,421)	(11.2)	(745,455)	(12.1)	(863,778)	(11.0)
ECLs of financial and contract assets, net	(91,790)	(2.5)	(304,285)	(5.0)	(110,114)	(1.4)
Other expenses	(6,155)	(0.2)	(51,734)	(0.8)	(157,270)	(2.0)
Finance costs	(303,984)	(8.3)	(650,318)	(10.6)	(924,818)	(11.7)
Profit before tax	**641,507**	**17.5**	**902,499**	**14.7**	**893,804**	**11.3**
Income tax expense	(148,145)	(4.0)	(192,861)	(3.1)	(227,242)	(2.9)
Profit for the year	**493,362**	**13.5**	**709,638**	**11.6**	**666,562**	**8.5**
Profit attributable to:						
Owners of the parent	448,373	12.3	709,638	11.6	666,562	8.5
Non-controlling interests	44,989	1.2	–	–	–	–
	493,362	13.5	709,638	11.6	666,562	8.5

Non-HKFRS Measures

To supplement our consolidated results which are prepared and presented in accordance with HKFRS, we use EBITDA and adjusted net profit, each a non-HKFRS measure, as additional financial measures, which are not required by, or presented in accordance with, HKFRS. EBITDA (a non-HKFRS measure) is defined as profit for the year adjusted by deducting bank interest income and loan interest income, then adding back income tax expenses, finance costs, depreciation of property, plant and equipment, depreciation of right-of-use assets and amortization of other intangible assets. We define adjusted net profit (a non-HKFRS measure) as profit for the year adjusted for listing expenses, foreign exchange losses/gains from redemption liabilities on ordinary shares, foreign exchange losses/gains from interest payables on redemption liabilities on ordinary shares, and interest on redemption liabilities on ordinary shares. Listing expenses are expenses incurred in relation to the Global Offering. Foreign exchange losses/gains from redemption liabilities on ordinary shares, foreign exchange losses/gains from interest payables on redemption liabilities on ordinary shares, and interest on redemption liabilities on ordinary shares arose from the recipients of proceeds of our Pre-IPO Investments in 2021, which are non-cash in nature and do not result in cash outflow. Such foreign exchange losses/gains and interest expenses will not recur after the Listing as the redemption liabilities on ordinary shares will be reclassified as equity upon the Listing. We believe that such non-HKFRS measures facilitate comparisons of operating performance by eliminating the potential impact of these non-cash items. The use of such non-HKFRS measures has limitations as an analytical tool, and you should not consider them in isolation from, as a substitute for, analysis of, or superior to, our results of operations or financial conditions as reported under HKFRS. In addition, such non-HKFRS financial measures may be defined differently by other companies, and may not be comparable to other similarly titled measures used by other companies.

The table below sets forth the reconciliation of our non-HKFRS measures presented to the most directly comparable HKFRS financial measures for the years indicated:

	For the year ended December 31,					
	2020		2021		2022	
	RMB'000	%	*RMB'000*	%	*RMB'000*	%
Profit for the year	493,362	13.5	709,638	11.6	666,562	8.5
Less:						
Bank interest income	3,550	0.1	9,245	0.2	11,391	0.1
Loan interest income	13,903	0.4	–	–	–	–
Add:						
Income tax expenses	148,145	4.0	192,861	3.1	227,242	2.9
Finance costs	303,984	8.3	650,318	10.6	924,818	11.7

	For the year ended December 31,					
	2020		2021		2022	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Depreciation of property, plant and equipment	773,801	21.1	1,577,373	25.7	2,194,927	27.8
Depreciation of right-of-use assets	182,163	5.0	75,263	1.2	77,700	1.0
Amortization of other intangible assets	726	0.0	805	0.0	814	0.0
EBITDA (a non-HKFRS measure)	**1,884,728**	**51.4**	**3,197,013**	**52.1**	**4,080,672**	**51.8**
Profit for the year	493,362	13.5	709,638	11.6	666,562	8.5
Less:						
Foreign exchange gains from redemption liabilities on ordinary shares[(1)]	–	–	20,509	0.3	–	–
Foreign exchange gains from interest payables on redemption liabilities on ordinary shares[(1)]	–	–	–	–	–	–
Add:						
Listing expenses[(2)]	10,855	0.3	27,126	0.4	40,349	0.5
Foreign exchange losses from redemption liabilities on ordinary shares[(1)]	–	–	–	–	120,671	1.5
Foreign exchange losses from interest payables on redemption liabilities on ordinary shares[(1)]	–	–	–	–	9,130	0.1
Interest on redemption liabilities on ordinary shares[(1)]	–	–	63,968	1.0	108,061	1.4
Adjusted net profit (a non-HKFRS measure)	**504,217**	**13.8**	**780,223**	**12.7**	**944,773**	**12.0**

Notes:

(1) Foreign exchange losses/gains from redemption liabilities on ordinary shares, foreign exchange losses/gains from interest payables on redemption liabilities on ordinary shares, and interest on redemption liabilities on ordinary shares arose from the recipients of proceeds of our Pre-IPO Investments in 2021, which are non-cash in nature and do not result in cash outflow. Such foreign exchange losses/gains and interest expenses will not recur after the Listing as the redemption liabilities on ordinary shares will be reclassified as equity upon the Listing.

(2) Listing expenses are expenses incurred in relation to the Global Offering.

DESCRIPTION OF MAJOR COMPONENTS OF OUR RESULTS OF OPERATIONS

Revenue

Our revenue is stated net of VAT or other sales taxes and is stated after deduction of any trade discounts. During the Track Record Period, we derived revenue from (i) operating lease services; (ii) engineering and technical services; and (iii) platform and other services. Our revenue and profitability would be based on and affected by our equipment volume and the corresponding utilization rates.

The following table sets forth a breakdown of our revenue by segment for the years indicated:

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

Notes:

(1) The main product lines for our operating lease services include aerial work platform, neo-excavation support system, neo-formwork system and other equipment.

(2) Our engineering and technical services represent tailor-made one-stop solutions for different business or operation scenarios.

(3) Our platform and other services primarily include platform services and sales of equipment, materials and spare parts.

We had been strategically adjusting amount of our equipment being leased during the Track Record Period to meet our customers' needs. For our operating lease services, our revenue increase during the Track Record Period was primarily attributable to more customers we acquired. Such increase in the number of customers led to the continuous increase in equipment volume of our aerial work platform, neo-excavation system and neo-formwork system during the Track Record Period. For example, in 2020, we particularly adopted a strategy to capture a larger market share by sales campaigns and price adjustments for our aerial work platform operating leases. On the other hand, mainly attributable to the increasing market demand and our top-tier service capabilities, revenue from engineering and technical services also experienced continuous increase during the Track Record Period.

The table below sets out the key information of our operating lease services for the years indicated:

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

Notes:

(1) As of December 31, 2021 and 2022, in addition to the 92.6 thousand units and 110.1 thousand units, respectively, of aerial work platform we owned, we managed 4,618 units and 21,163 units, respectively, of aerial work platforms which we re-rented to customers through the platform services joint mode. For details, see "—Our Business—Platform and Other Services—Platform services".

(2) Calculated as the average of total value of equipment we leased out during the year divided by the average of total value of equipment we owned during the corresponding year. "Average of total value of equipment" is the total asset value of all equipment, averaged between the beginning and the end of the year. According to the F&S Report, this method of calculation is consistent with the common industry practice.

For detailed analysis of fluctuations of utilization rate of our equipment, see "Business—Our Equipment Portfolio—Utilization of Our Equipment".

For details of our revenue recognition, see "—Significant Accounting Policies and Critical Estimates and Judgments—Significant Accounting Policies—Revenue Recognition" and note 2.4 of "Appendix I—the Accountants' Report" in this Prospectus.

Cost of Sales

The table below sets forth a breakdown of our cost of sales by nature for the years indicated:

	For the year ended December 31,					
	2020		2021		2022	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Depreciation	834,228	41.4	1,500,769	45.5	2,106,292	44.4
Staff cost	400,909	19.9	590,873	17.9	857,645	18.1
Transportation cost	404,849	20.1	653,245	19.8	800,295	16.9
Cost of sale of equipments, materials and moulds	54,064	2.7	103,855	3.2	221,428	4.7
Cost of re-rent fee	44,601	2.2	58,908	1.8	181,045	3.8
Maintenance cost	188,684	9.4	297,804	9.0	490,544	10.3
Others[1]	87,899	4.4	89,777	2.7	87,391	1.8
Total	**2,015,234**	**100.0**	**3,295,231**	**100.0**	**4,744,640**	**100.0**

Note:

1. Others primarily consists of insurance premiums for equipment, accommodation reimbursements and cost of labor protection appliances.

During the Track Record Period, depreciation was a major component of our cost of sales. Our depreciation primarily includes depreciation of leased equipment and production equipment used for operating leases and engineering and technical services. The increase of such cost of sales was considered to be material, as we purchased more equipment, as a part of our expansion strategy to capture a larger share of that particular market. Staff costs, which primarily represented salary and benefits paid to our production and services staff, formed a major part of our cost of sales during the Track Record Period. It gradually increased as our team grew in size to adapt to our business expansion. We also procure external labor force and lease non-self-owned ancillary equipment to carry out certain labor-intensive components of our engineering and technical services because we believe, and F&S concurs, that is cost-efficient and is in line with industry norm. Nonetheless, such cost of sales experienced a significant increase as we adjusted our services portfolio in 2020 to provided more labor-intensive on-site construction services to customers. Transportation costs, which were incurred for transporting equipment and/or materials to our customers' sites, also constituted a major component of our cost of sales during the Track Record Period. Increase in transportation costs during the Track Record Period primarily due to our growth of business in operating leases and engineering and technical services segments, leading to higher cost incurred when transporting our equipments to sites.

The table below sets forth a breakdown of our cost of sales by segment for the years indicated:

	For the year ended December 31,					
	2020		2021		2022	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Operating lease services	1,185,393	58.8	2,091,079	63.5	2,870,719	60.5
Engineering and technical services	756,813	37.6	1,076,646	32.7	1,496,266	31.5
Platform and other services	73,028	3.6	127,506	3.9	377,655	8.0
Total	**2,015,234**	**100.0**	**3,295,231**	**100.0**	**4,744,640**	**100.0**

The following table sets forth a sensitivity analysis of our profit for the years with reference to the fluctuation of unit price of steel during the Track Record Period. The following table demonstrates the impact of the hypothetical increase and decrease in unit price of steel on our profit, with all other factors remain constant:

	Year ended December 31,		
	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*
Profit for the years	493,362	709,638	666,562
Assuming 1% increase in unit price of steel			
Impact on profit for the years[(1)]	(1,685)	(3,166)	(662)
Assuming 5% increase in unit price of steel			
Impact on profit for the years[(1)]	(8,424)	(15,828)	(3,309)
Assuming 10% increase in unit price of steel			
Impact on profit for the years[(1)]	(16,848)	(31,656)	(6,618)

	Year ended December 31,		
	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*
Assuming 1% decrease in unit price of steel			
Impact on profit for the years[1]	1,685	3,166	662
Assuming 5% decrease in unit price of steel			
Impact on profit for the years[1]	8,424	15,828	3,309
Assuming 10% decrease in unit price of steel			
Impact on profit for the years[1]	16,848	31,656	6,618

Note:

(1) Impact on profit for the year was calculated based on the effective tax rate of 23.1%, 21.4% and 25.4% for the years ended December 31, 2020, 2021 and 2022, respectively.

Gross Profit and Gross Profit Margin

The following table sets forth our gross profit and gross profit margin by segment for the years indicated:

	For the year ended December 31,					
	2020		2021		2022	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Operating lease services	1,299,161	52.3	2,372,269	53.1	2,319,230	44.7
Engineering and technical services	305,947	28.8	442,642	29.1	640,364	30.0
Platform and other services	43,253	37.2	31,026	19.6	173,412	31.5
Total gross profit/Overall gross profit margin	**1,648,361**	**45.0**	**2,845,937**	**46.3**	**3,133,006**	**39.8**

For details of the fluctuations of our gross profit margin during the Track Record Period, see "—Results of Operations" in this section.

Other Income and Gains

Our other income primarily consists of (i) loan interest income, which represent interest income from certain of our infrastructure related projects; (ii) government grants; (iii) VAT super-credit; and (iv) bank interest income, which represent interest income from our bank deposits. Our other gains primarily consist of (i) gain on disposal of items of property, plant and equipment and right-of-use assets, which primarily related to our disposal of certain raw materials such as aluminum film, ring locks and H steel; and (ii) foreign exchange gains. The following table sets forth a breakdown of our other income and gains for the years indicated:

	Year Ended December 31,					
	2020		2021		2022	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Other income						
Bank interest income	3,550	4.5	9,245	3.6	11,391	7.2
Loan interest income	13,903	17.5	–	–	–	–
Government grants	13,871	17.4	23,948	9.2	68,764	43.7
VAT super-credit	–	–	193,617	74.4	42,125	26.7
Others	7,663	9.6	1,795	0.7	494	0.3
Subtotal	38,987	49.0	228,605	87.9	122,774	77.9
Other gains						
Gain on disposal of items of property, plant and equipment and early termination of right-of-use assets	34,549	43.4	18,635	7.1	22,824	14.5
Gain on disposal of subsidiaries	365	0.5	–	–	–	–
Foreign exchange gains	–	–	11,374	4.4	–	–
Fair value gains, net: Derivative financial instruments – not for hedge accounting	–	–	–	–	9,286	5.9
Others	5,686	7.1	1,592	0.6	2,698	1.7
Subtotal	40,600	51.0	31,601	12.1	34,808	22.1
Total	**79,587**	**100.0**	**260,206**	**100.0**	**157,582**	**100.0**

Government grants mainly represent unconditional financial subsidies received from local government authorities. Our government grants increased during the Track Record Period, primarily because with the growth of our business and our increased contribution to local tax income, we were awarded such subsidies as an incentive from local government authorities to support our business expansion. However, such financial subsidies have been given at the discretion of the local government authorities and are non-recurring in nature.

VAT super-credit represents the VAT input tax surplus deduction allowed to offset VAT payable pursuant to the Announcement on Deepening Policies related to VAT reformation (《財政部稅務總局海關總署關於深化增值稅改革有關政策的公告》) (Announcement of Ministry of Finance, the General Administration of Taxation and the General Administration of Customs [2019] No. 39 財政部稅務總局海關總署公告[2019年]第39號) issued by the Ministry of Finance, the General Administration of Taxation and the General Administration of Customs. While such regulations were issued in 2019, we actively communicated with the local tax authorities in 2020 to confirm whether our subsidiaries would be eligible for VAT input tax surplus deduction and it became reasonably assured in 2021 that some of our subsidiaries would be eligible. Specifically, seven of our subsidiaries (primarily from Shanghai Horizon Equipment & Engineering and Guangzhou Hongtu Equipment & Engineering) filed applications for VAT input tax surplus deduction to, and the applications were accepted by, the relevant tax authorities in 2021. Our VAT super-credit increased from nil in 2020 to RMB193.6 million in 2021, mainly because such subsidiaries filed applications for VAT input tax surplus deduction for previously accumulated VAT payables (including those incurred in 2020 and 2021) to, and the applications were accepted by, the relevant tax authorities in 2021. Our VAT super-credit decreased from RMB193.6 million in 2021 to RMB42.1 million mainly because we only recognized VAT input tax surplus deduction for VAT payables that arose in 2022, while in 2021, we recognized VAT input tax surplus deduction for previously accumulated VAT payables (including those incurred in 2020 and 2021).

Selling and Distribution Expenses

Our selling and distribution expenses primarily consist of (i) sales staff costs and (ii) transportation expenses, which primarily relates to costs incurred for transporting equipment and materials between our service outlets. The following table sets forth a breakdown of our selling and distribution expenses for the years indicated:

	For the year ended December 31,					
	2020		2021		2022	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Sales staff costs	194,006	71.0	343,472	76.0	225,090	66.0
Transportation expenses	38,106	14.0	52,087	11.5	67,728	19.9

	For the year ended December 31,					
	2020		2021		2022	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Travelling expenses	14,221	5.2	20,360	4.5	21,852	6.4
Promotion and advertising expenses	8,602	3.1	8,491	1.9	7,929	2.3
Others [(1)]	18,156	6.7	27,442	6.1	18,205	5.3
Total	**273,091**	**100.0**	**451,852**	**100.0**	**340,804**	**100.0**

Notes:

(1) Mainly includes office expenses, meeting expenses and consulting expenses.

As a percentage of our revenue, our selling and distribution expenses was 7.5%, 7.4% and 4.3%, for the years ended December 31, 2020, 2021 and 2022, respectively. Our selling and distribution expenses as a percentage of our revenue remained relatively stable at 7.5% in 2020 and 7.4% in 2021. The decrease of our selling and distribution expenses as a percentage of our revenue in 2022 as compared to that in 2021 was primarily due to a decrease in sales staff costs mainly attributable to the decreased headcount as a result of staff restructuring.

Administrative Expenses

Our administrative expenses primarily consist of (i) research and development expenses; (ii) administrative staff costs; (iii) rental expenses; and (iv) depreciation and amortization, which represents depreciation of our self-owned property, plant and equipment, depreciation of right-of-use assets for our service outlets and amortization of land use rights and intangible assets. The following table sets forth a breakdown of our administrative expenses for the years indicated:

	For the year ended December 31,					
	2020		2021		2022	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Research and development expenses	153,595	37.3	216,676	29.1	270,612	31.3
Administrative staff costs	69,465	16.9	237,203	31.8	210,626	24.4
Rental expenses[(1)]	1,978	0.5	3,398	0.5	25,653	3.0
Depreciation and amortization[(2)]	105,462	25.6	140,064	18.8	154,413	17.9
Taxes and surcharges	16,496	4.0	30,670	4.1	35,215	4.1

	For the year ended December 31,					
	2020		2021		2022	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Listing expenses	10,855	2.6	27,126	3.6	40,349	4.7
Professional party service fees	3,498	0.9	10,040	1.3	4,458	0.5
Impairment losses on property, plant and equipment	–	–	–	–	19,063	2.2
Office expenses	8,040	2.0	19,905	2.7	24,722	2.8
Information expenses	125	0.0	629	0.1	13,412	1.6
Others[3]	41,907	10.2	59,744	8.0	65,255	7.5
Total	**411,421**	**100.0**	**745,455**	**100.0**	**863,778**	**100.0**

Notes:

(1) Refers to rental expenses in relation to leases that have a lease term of less than 12 months and leases of low-value assets.

(2) Depreciation of our self-owned property, plant and equipment, depreciation of right-of-use assets for our service outlets and amortization of land use rights and intangible assets.

(3) Mainly includes travel expenses, insurance expenses and property management fee.

As a percentage of our revenue, our administrative expenses were 11.2%, 12.1% and 11.0% for the years ended December 31, 2020, 2021 and 2022, respectively. The increase of our administrative expenses as a percentage of our revenue in 2021 as compared to that in 2020 was primarily due to an increase in administrative staff costs mainly attributable to the increased headcount and compensation level of administrative staff. Specifically, we hired additional administrative staff in 2021 to manage the expanded service outlet network and diversified services and equipment portfolio. The decrease of our administrative expenses as a percentage of our revenue in 2022 as compared to that in 2021 was primarily due to a decrease in administrative staff costs mainly attributable to the decreased headcount as a result of staff restructuring.

ECLs of Financial and Contract Assets, Net

Our net ECLs of financial and contract assets primarily relate to our trade receivables. For the years ended December 31, 2020, 2021 and 2022, our net ECLs of financial and contract assets were RMB91.8 million, RMB304.3 million and RMB110.1 million, respectively.

Other Expenses

Our other expenses primarily consist of (i) commission expenses, representing commission fees and handling fees charged by banks and non-bank financial institutions in connection with our bank and other borrowings; (ii) exchange losses, representing the exchange differences arising from the appreciation of foreign currencies against Renminbi; (iii) loss arising from fair value changes of derivative financial instruments, which was in connection with our cross-currency interest rate swap contract that we entered into to reduce the level of foreign currency exchange risks for certain US-dollar denominated borrowings; and (iv) loss attributable to our monthly check on fixed assets. The following table sets forth a breakdown of our other expenses for the years indicated:

	Year Ended December 31,					
	2020		2021		2022	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Commission expenses	3,086	50.2	25,950	50.1	9,936	6.3
Exchange losses	1,142	18.6	–	–	139,519	88.7
Loss arising from fair value changes of derivative financial instruments	–	–	6,907	13.4	–	–
Loss on disposal of a subsidiary	–	–	567	1.1	–	–
Retirement of fixed assets	21	0.3	2,772	5.4	578	0.4
Forfeiture expenses	70	1.1	609	1.2	492	0.3
Loss attributable to our monthly check on fixed assets	1,786	29.0	3,062	5.9	4,565	2.9
Donation expenses	50	0.8	–	–	–	–
Others	–	–	11,867	22.9	2,180	1.4
Total	**6,155**	**100.0**	**51,734**	**100.0**	**157,270**	**100.0**

Our exchange losses increased significantly from nil in 2021 to RMB139.5 million in 2022, primarily due to the appreciation of U.S. dollars against Renminbi in 2022, as a result of which we recognized exchange losses in connection with (i) redemption liabilities on ordinary shares, (ii) interest payables on redemption liabilities on ordinary shares and (iii) bank borrowings denominated in U.S. dollars.

Finance Costs

Our finance costs primarily consist of (i) interest on interest-bearing bank and other borrowings; and (ii) interest on lease liabilities. The following table sets forth a breakdown of our finance costs for the years indicated:

	For the year ended December 31,		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Interest on interest-bearing bank and other borrowings	244,124	637,464[(1)]	920,359[(1)]
Interest on lease liabilities	59,860	12,854	4,459
Total	**303,984**	**650,318**	**924,818**

Note:

(1) Including interest on redemption liabilities on ordinary shares, which arose from the recipients of proceeds of our Pre-IPO Investments in 2021, amounting to RMB64.0 million and RMB108.1 million, respectively, for the year ended December 31, 2021 and 2022.

Income Tax Expense

Pursuant to the rules and regulations of the Cayman Islands and British Virgin Islands, we are not subject to any income tax in the Cayman Islands and British Virgin Islands. We are subject to profit tax of 16.5% in Hong Kong. Other than Shanghai Horizon Equipment & Engineering and Guangzhou Hongtu Equipment & Engineering, our subsidiaries in PRC were subject to standard EIT rate of 25% under EIT law during the Track Record Period. Shanghai Horizon Equipment & Engineering and Guangzhou Hongtu Equipment & Engineering were recognized as high and new technology enterprises and were entitled to a preferential income tax rate of 15% instead of 25% for a period of three years from 2020 to 2022. The qualification of high and new technology enterprise is subject to renewal every three years.

For the years ended December 31, 2020, 2021 and 2022, our effective tax rates were 23.1%, 21.4%, and 25.4%, respectively, calculated based on actual tax expenses divided by profit before income tax for the same year.

During the Track Record Period and up to the Latest Practicable Date, we have discharged all our tax obligations and did not have any unresolved tax disputes.

RESULTS OF OPERATIONS

Year ended December 31, 2022 compared to the year ended December 31, 2021

Revenue

Our revenue increased by 28.3% from RMB6,141.2 million for the year ended December 31, 2021 to RMB7,877.6 million for the year ended December 31, 2022, primarily reflecting our revenue increase in operating lease services, engineering and technical services and platform and other services.

Operating lease services

Revenue from operating lease services increased by 16.3% from RMB4,463.3 million for the year ended December 31, 2021 to RMB5,189.9 million for the year ended December 31, 2022, primarily due to growing demands for our operating lease services for aerial work platforms, neo-excavation systems and neo-formwork systems. Specifically, we have further grown our equipment portfolio, with equipment volume of (i) aerial work platforms we owned increasing by 18.9% from 92.6 thousand units as of December 31, 2021 to 110.1 thousand units as of December 31, 2022; (ii) neo-excavation systems increasing by 2.5% from 1,537.9 thousand tons as of December 31, 2021 to 1,576.6 thousand tons as of December 31, 2022; and (iii) neo-formwork systems increasing by 16.5% from 534.4 thousand tons as of December 31, 2021 to 622.6 thousand tons as of December 31, 2022. As a result, our customer base grew from approximately 97,000 for the year ended December 31, 2021 to approximately 158,000 for the year ended December 31, 2022. The steep difference in the growth rate of our revenue from operating lease services between 2021 and 2022 (i.e. 16.3%) as compared to that between 2020 and 2021 (i.e. 79.6%) is also attributable to the pandemic mitigation measures by the PRC Government in 2022 which caused us to lose certain revenue opportunities because we suspended the operations of some of our service outlets or we encountered difficulties in delivering our equipment at the request of customers, together with the fee waivers and discounts we gave to customers due to suspension of our operating leases with them. See "—Effects of the COVID-19 Outbreak on Our Business."

Engineering and technical services

Revenue from engineering and technical services increased by 40.6% from RMB1,519.3 million for the year ended December 31, 2021 to RMB2,136.6 million for the year ended December 31, 2022, which is a continuation of the services portfolio diversification for providing more labor-intensive on-site construction services that led to a continued demand growth. Please see "– Year ended December 31, 2021 compared to the year ended December 31, 2020 – Revenue – Engineering and technical services."

Platform and other services

Revenue from platform and other services increased significantly from RMB158.5 million for the year ended December 31, 2021 to RMB551.1 million for the years ended December 31, 2022, primarily due to the growth of our equipment portfolio, with equipment volume of aerial work platforms we re-rented to customers through the platform services joint mode increasing from 4,618 units as of December 31,2021 to 21,163 units as of December 31, 2022, which is in line with our strategy to expand our equipment volume in an asset-light manner.

Cost of sales

Our cost of sales increased by 44.0% from RMB3,295.2 million for the year ended December 31, 2021 to RMB4,744.6 million for the year ended December 31, 2022, primarily reflecting increases in cost of sales for operating lease services and engineering and technical services.

Operating lease services

Cost of sales for our operating lease services increased by 37.3% from RMB2,091.1 million for the year ended December 31, 2021 to RMB2,870.7 million for the year ended December 31, 2022, which was an increase in depreciation resulted from the increase in the carrying value of our equipment used for providing operating lease services.

Engineering and technical services

Cost of sales for our engineering and technical services increased by 39.0% from RMB1,076.6 million for the year ended December 31, 2021 to RMB1,496.3 million for the year ended December 31, 2022, which was generally in line with the increase in our revenue generated from engineering and technical services.

Platform and other services

Cost of sales for our platform and other services increased significantly from RMB127.5 million for the year ended December 31, 2021 to RMB377.7 million for the year ended December 31, 2022, primarily due to the growth of our equipment portfolio.

Gross profit and gross profit margin

As a result of the foregoing, our gross profit increased by 10.1% from RMB2,845.9 million for the year ended December 31, 2021 to RMB3,133.0 million for the year ended December 31, 2022. Our gross profit margin decreased from 46.3% for the year ended December 31, 2021 to 39.8% for the year ended December 31, 2022, primarily due to a decrease in gross profit margin for our operating lease services.

Operating lease services

Gross profit for operating lease services decreased by 2.2% from RMB2,372.3 million for the year ended December 31, 2021 to RMB2,319.2 million for the year ended December 31, 2022. Gross profit margin for operating lease services decreased from 53.1% for the year ended December 31, 2021 to 44.7% for the year ended December 31, 2022, primarily because the increase in cost of sales for providing operating lease services outpaced the increase in our revenue generated from operating lease services, which was primarily due to a decrease in the utilization rate for our equipment mainly attributable to the suspension of our operating leases with customers and suspension of operations of our service outlets in 2022 as a result of the COVID-19 pandemic.

Engineering and technical services

Gross profit for engineering and technical services increased by 44.7% from RMB442.6 million for the year ended December 31, 2021 to RMB640.4 million for the year ended December 31, 2022. Our gross profit margin for engineering and technical services remained relatively stable at 29.1% for the year ended December 31, 2021 and 30.0% for the year ended December 31, 2022.

Platform and other services

Gross profit for platform and other services increased significantly from RMB31.0 million for the year ended December 31, 2021 to RMB173.4 million for the year ended December 31, 2022. Gross profit margin for platform and other services increased from 19.6% for the year ended December 31, 2021 to 31.5% for the year ended December 31, 2022, primarily due to a higher proportion of revenue from platform services, which had relatively higher gross profit margins than that of sales of equipment, materials and spare parts.

Other Income and Gains

Our other income and gains decreased by 39.4% from RMB260.2 million for the year ended December 31, 2021 to RMB157.6 million for the year ended December 31, 2022, primarily due to a decrease in VAT super-credit of RMB151.5 million mainly because we only recognized VAT input tax surplus deduction for VAT payables that arose in 2022, while in 2021, we recognized VAT input tax surplus deduction for previously accumulated VAT payables. Please see "—Description of Major Components of Our Results of Operations—Other Income and Gains." This decrease was partially offset by an increase in government grants of RMB44.8 million as a result of financial subsidies received from local government authorities to support our business expansion.

Selling and Distribution Expenses

Our selling and distribution expenses decreased by 24.6% from RMB451.9 million for the year ended December 31, 2021 to RMB340.8 million for the year ended December 31, 2022, primarily due to a decrease in sales staff costs of RMB118.4 million mainly attributable to the decreased headcount as a result of staff restructuring.

Administrative Expenses

Our administrative expenses increased by 15.9% from RMB745.5 million for the year ended December 31, 2021 to RMB863.8 million for the year ended December 31, 2022, primarily due to (i) an increase in research and development expenses of RMB53.9 million, reflecting our enhanced research and development efforts; (ii) an increase in information expenses of RMB12.8 million mainly attributable to increased royalties and other fees paid to information service providers in connection with our operations and supply chain management; and (iii) an increase in office expenses of RMB4.8 million mainly attributable to the growth of our business. The increase was partially offset by a decrease in administrative staff costs of RMB26.6 million mainly attributable to the decreased headcount as a result of staff restructuring.

ECLs of Financial and Contract Assets, Net

Our net ECLs of financial and contract assets decreased by 63.8% from RMB304.3 million for the year ended December 31, 2021 to RMB110.1 million for the year ended December 31, 2022, primarily due to a decrease in ECLs of trade receivables mainly attributable to our enhanced collection efforts of trade receivables.

Other Expenses

Our other expenses increased significantly from RMB51.7 million for the year ended December 31, 2021 to RMB157.3 million for the year ended December 31, 2022, primarily attributable to an increase in exchange losses of RMB139.5 million due to the appreciation of U.S. dollars against Renminbi in 2022, as a result of which we recognized exchange losses in connection with (i) redemption liabilities on ordinary shares, (ii) interest payables on redemption liabilities on ordinary shares and (iii) bank borrowings denominated in U.S. dollars.

Finance Costs

Our finance costs increased by 42.2% from RMB650.3 million for the year ended December 31, 2021 (including interest on redemption liabilities on ordinary shares of RMB64.0 million, which arose from the recipients of proceeds of our Pre-IPO Investments in 2021) to RMB924.8 million for the year ended December 31, 2022 (including interest on redemption liabilities on ordinary shares of RMB108.1 million), primarily due to an increase in our interest on interest-bearing bank and other borrowings of RMB282.9 million as a result of our increased external financing efforts.

Income Tax Expense

Our income tax expense increased by 17.8% from RMB192.9 million for the year ended December 31, 2021 to RMB227.2 million for the year ended December 31, 2022, reflecting an increase in our profit before tax recorded by our subsidiaries with taxable profit. Our effective tax rate increased from 21.4% for the year ended December 31, 2021 to 25.4% for the year ended December 31, 2022, primarily due to interest on redemption liabilities on ordinary shares, foreign exchange losses and listing expenses incurred by the Company which was loss-making and therefore were not tax deductible.

Profit for the Year

As a result of the foregoing, our profit for the year decreased by 6.1% from RMB709.6 million for the year ended December 31, 2021 to RMB666.6 million for the year ended December 31, 2022.

Year ended December 31, 2021 compared to the year ended December 31, 2020

Revenue

Our revenue increased by 67.6% from RMB3,663.6 million for the year ended December 31, 2020 to RMB6,141.2 million for the year ended December 31, 2021, primarily reflecting our revenue increase in operating lease services and engineering and technical services.

Operating lease services

Revenue from operating lease services increased by 79.6% from RMB2,484.6 million for the year ended December 31, 2020 to RMB4,463.3 million for the year ended December 31, 2021, primarily due to growing demands for our operating lease services for aerial work platforms, neo-excavation systems and neo-formwork systems. Specifically, we have further grown our equipment portfolio, with equipment volume of (i) aerial work platforms we owned increasing by 68.1% from 55.1 thousand units as of December 31, 2020 to 92.6 thousand units as of December 31, 2021; (ii) neo-excavation systems increasing by 57.9% from 973.7 thousand tons as of December 31, 2020 to 1,537.9 thousand tons as of December 31, 2021; and (iii) neo-formwork systems increasing by 58.0% from 338.3 thousand tons as of December 31, 2020 to 534.4 thousand tons as of December 31, 2021. As a result, our customer base grew from approximately 47,000 for the year ended December 31, 2020 to approximately 97,000 for the year ended December 31, 2021.

Engineering and technical services

Revenue from engineering and technical services increased by 43.0% from RMB1,062.8 million for the year ended December 31, 2020 to RMB1,519.3 million for the year ended December 31, 2021. This was due to the increase in orders received for our engineering and technical services as we gradually diversify our equipment operation services portfolio, thus achieving the strategic benefits of a comprehensive and multidimensional service and equipment offering. We adjusted our service portfolio for our engineering and technical services in 2020, in which more labor-intensive on-site construction services were provided in order to facilitate the cross-selling of our engineering and technical services and operating lease services.

Platform and other services

Revenue from platform and other services increased by 36.3% from RMB116.3 million for the year ended December 31, 2020 to RMB158.5 million for the years ended December 31, 2021, primarily due to an increase in sales of equipment, materials and spare parts.

Cost of sales

Our cost of sales increased by 63.5% from RMB2,015.2 million for the year ended December 31, 2020 to RMB3,295.2 million for the year ended December 31, 2021, which was generally in line with the increase in our revenue.

Operating lease services

Cost of sales for our operating lease services increased by 76.4% from RMB1,185.4 million for the year ended December 31, 2020 to RMB2,091.1 million for the year ended December 31, 2021, which was generally in line with the increase in our revenue generated from operating lease services.

Engineering and technical services

Cost of sales for our engineering and technical services increased by 42.3% from RMB756.8 million for the year ended December 31, 2020 to RMB1,076.6 million for the year ended December 31, 2021, primarily due to increased staff costs and external labor costs that are involved in certain of our more labor-intensive on-site construction services.

Platform and other services

Cost of sales for our platform and other services increased by 74.6% from RMB73.0 million for the year ended December 31, 2020 to RMB127.5 million for the year ended December 31, 2021, primarily due to the increase in sales.

Gross profit and gross profit margin

As a result of the foregoing, our gross profit increased by 72.7% from RMB1,648.4 million for the year ended December 31, 2020 to RMB2,845.9 million for the year ended December 31, 2021. Our gross profit margin remained relatively stable at 45.0% for the year ended December 31, 2020 and 46.3% for the year ended December 31, 2021.

Operating lease services

Gross profit for operating lease services increased by 82.6% from RMB1,299.2 million for the year ended December 31, 2020 to RMB2,372.3 million for the year ended December 31, 2021. Gross profit margin for operating lease services remained relatively stable at 52.3% for the year ended December 31, 2020 and 53.1% for the year ended December 31, 2021.

Engineering and technical services

Gross profit for engineering and technical services increased by 44.7% from RMB305.9 million for the year ended December 31, 2020 to RMB442.6 million for the year ended December 31, 2021. Our gross profit margin for engineering and technical services remained relatively stable at 28.8% for the year ended December 31, 2020 and 29.1% for the year ended December 31, 2021.

Platform and other services

Gross profit for platform and other services decreased by 28.3% from RMB43.3 million for the year ended December 31, 2020 to RMB31.0 million for the year ended December 31, 2021. Gross profit margin for platform and other services decreased from 37.2% for the year ended December 31, 2020 to 19.6% for the year ended December 31, 2021, primarily due to a higher proportion of sales of certain materials which had relatively lower gross profit margins.

Other Income and Gains

Our other income and gains increased significantly from RMB79.6 million for the year ended December 31, 2020 to RMB260.2 million for the year ended December 31, 2021, primarily due to an increase in VAT super-credit of RMB193.6 million mainly because it became reasonably assured in 2021 that seven of our subsidiaries (primarily from Shanghai Horizon Equipment & Engineering and Guangzhou Hongtu Equipment & Engineering) would be eligible for VAT input tax surplus deduction to offset VAT payable pursuant to the Announcement on Deepening Policies related to VAT reformation (《財政部稅務總局海關總署關於深化增值稅改革有關政策的公告》) (Announcement of Ministry of Finance, the General Administration of Taxation and the General Administration of Customs [2019] No. 39 財政部稅務總局海關總署公告[2019年]第39號) issued by the Ministry of Finance, the General Administration of Taxation and the General Administration of Customs. Specifically, these subsidiaries filed applications for VAT input tax surplus deduction for previously accumulated VAT payables to, and the applications were accepted by, the relevant tax authorities in 2021.

Selling and Distribution Expenses

Our selling and distribution expenses increased by 65.5% from RMB273.1 million for the year ended December 31, 2020 to RMB451.9 million for the year ended December 31, 2021, primarily due to an increase in sales staff costs of RMB149.5 million mainly attributable to the increased headcount to support our business expansion and increased compensation level of sales staff.

Administrative Expenses

Our administrative expenses increased by 81.2% from RMB411.4 million for the year ended December 31, 2020 to RMB745.5 million for the year ended December 31, 2021, primarily due to (i) an increase in administrative staff costs of RMB167.7 million mainly attributable to the increased headcount and compensation level of administrative staff; (ii) an increase in research and development expenses of RMB63.1 million, reflecting our increased efforts in research and development; and (iii) an increase in office expenses of RMB11.9 million mainly attributable to the growth of our business.

ECLs of Financial and Contract Assets, Net

Our net ECLs of financial and contract assets increased significantly from RMB91.8 million for the year ended December 31, 2020 to RMB304.3 million for the year ended December 31, 2021, primarily due to increases in our trade receivables and contract assets which were generally in line with the growth of our business.

Other Expenses

Our other expenses increased significantly from RMB6.2 million for the year ended December 31, 2020 to RMB51.7 million for the year ended December 31, 2021, primarily due to (i) an increase in commission expenses mainly attributable to an increase in the scale of our bank and other borrowings; and (ii) provisions for in-process litigation claims.

Finance Costs

Our finance costs increased significantly from RMB304.0 million for the year ended December 31, 2020 to RMB650.3 million for the year ended December 31, 2021, primarily due to an increase in our interest on interest-bearing bank and other borrowings of RMB393.3 million (including interest on redemption liabilities on ordinary shares of RMB64.0 million, which arose from the recipients of proceeds of our Pre-IPO Investments in 2021) as a result of our increased external financing efforts. This increase was offset by a decrease in our interest on lease liabilities of RMB47.0 million mainly because we concluded the finance lease from Far East Horizon.

Income Tax Expense

Our income tax expense increased by 30.2% from RMB148.1 million for the year ended December 31, 2020 to RMB192.9 million for the year ended December 31, 2021, reflecting an increase in our profit before tax as a result of our business growth. Our effective tax rate decreased from 23.1% for the year ended December 31, 2020 to 21.4% for the year ended December 31, 2021, primarily due to a higher proportion of profit before tax from Shanghai Horizon Equipment & Engineering which was entitled to a preferential income tax rate of 15%.

Profit for the Year

As a result of the foregoing, our profit for the year increased by 43.8% from RMB493.4 million for the year ended December 31, 2020 to RMB709.6 million for the year ended December 31, 2021.

DESCRIPTION OF CERTAIN ITEMS IN THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

The following table sets out our consolidated statement of financial position as of the dates indicated:

	As of December 31,		
	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*
Non-current assets			
Property, plant and equipment	10,348,017	18,278,063	19,102,390
Right-of-use assets	681,881	321,214	335,222
Other intangible assets	4,946	4,611	3,797
Derivative financial instruments	–	–	2,379
Prepayments, other receivables and other assets	–	120,683	174,980
Deferred tax assets	182,113	263,859	333,081
Restricted bank balances	642	–	–
Total non-current assets	**11,217,599**	**18,988,430**	**19,951,849**
Current assets			
Inventories	165,757	291,365	186,217
Trade receivables	2,529,852	4,198,258	4,486,990
Contract assets	110,132	276,859	304,295
Prepayments, other receivables and other assets	1,235,084	2,055,489	2,103,819
Financial assets at fair value through profit or loss	–	150,051	–
Debt investments at fair value through other comprehensive income	190,940	480,140	1,036,355
Restricted bank balances	24,009	13,023	62,944
Cash and cash equivalents	165,830	506,991	2,159,325
Total current assets	**4,421,604**	**7,972,176**	**10,339,945**
Current liabilities			
Trade and bills payables	896,440	1,435,700	1,109,794
Other payables and accruals	640,535	1,257,869	736,808
Interest-bearing bank and other borrowings	2,435,389	5,064,932	6,143,418
Lease liabilities	628,285	65,545	59,927
Tax payables	93,292	166,130	141,020
Total current liabilities	**4,693,941**	**7,990,176**	**8,190,967**
Net current (liabilities)/assets	**(272,337)**	**(18,000)**	**2,148,978**
Total assets less current liabilities	**10,945,262**	**18,970,430**	**22,100,827**

	As of December 31,		
	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*
Non-current liabilities			
Other payables and accruals	150,489	241,715	266,266
Derivative financial instruments	–	6,907	2,257
Interest-bearing bank and other borrowings	5,382,124	12,632,834	15,068,696
Lease liabilities	92,458	60,743	71,332
Deferred tax liabilities	–	–	357
Deferred revenue	18,442	17,270	16,684
Total non-current liabilities	**5,643,513**	**12,959,469**	**15,425,592**
Net assets	**5,301,749**	**6,010,961**	**6,675,235**
EQUITY			
Equity attributable to owners of the parent			
Share capital	327	370	370
Reserves	5,300,996	6,010,591	6,674,865
	5,301,323	6,010,961	6,675,235
Non-controlling interests	426	–	–
Total equity	**5,301,749**	**6,010,961**	**6,675,235**

Property, Plant and Equipment

Our property, plant and equipment primarily consists of (i) buildings; (ii) leasehold improvements, (iii) equipment, materials and molds for operating lease; (iv) equipment, materials and molds for own use; (iv) office and other equipment; (v) motor vehicles and (vi) construction in progress. The carrying value of our property, plant and equipment increased from RMB10,348.0 million as of December 31, 2020 to RMB18,278.1 million as of December 31, 2021, and further increased to RMB19,102.4 million as of December 31, 2022, primarily reflecting our addition of property, plant and equipment as a result of our procurement to support the expansion of our operating lease services.

Right-of-use Assets

As of the lease commencement date, we recognize right-of-use assets and the corresponding lease liabilities, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets. Our right-of-use assets decreased from RMB681.9 million as of December 31, 2020 to RMB321.2 million as of December 31, 2021, primarily reflecting transfer to property, plant and equipment, as repayments in relation to our financial leases were made in the year. Our right-of-use assets remained relatively stable at RMB321.2 million as of December 31, 2021 and RMB335.2 million as of December 31, 2022.

Deferred Tax Assets

Our deferred tax assets primarily relate to (i) provision for impairment losses arising from trade receivables; and (ii) salaries and benefits payable. Our deferred tax assets increased from RMB182.1 million as of December 31, 2020 to RMB263.9 million as of December 31, 2021, primarily due to increases in provision for impairment losses in relation to our trade receivables and in provision for salaries and benefits payable. Our deferred tax assets increased from RMB263.9 million as of December 31, 2021 to RMB333.1 million as of December 31, 2022, primarily due to provision for certain expenses.

Inventories

Our inventories primarily consist of (i) raw materials, which primarily include raw materials used for manufacturing our neo-formwork system and spare parts used for repairing our aerial work platform; (ii) work in progress, which represent our self-manufactured neo-formwork system; and (iii) finished goods held for sale in the ordinary course of business. Apart from intra group sales and transferring to our property, plant and equipment or serving for our own sales, some of our inventories are spare parts that serve for our operating lease services and engineering and technical services. As one of the main businesses of our Group is the production and sales of neo-formwork structures, such structures are produced for the dual purpose of sales and providing for operating leasing services. Whilst some of such neo-formwork structures can be sold within our Group and may eventually become our Group's fixed assets, they can still fulfil its purpose for external sales before being internally sold. Thus they were accounted as finished goods under inventory before internally sold. The following table sets forth a breakdown of our inventories as of the date indicated.

	As of December 31,		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Raw materials	84,358	126,256	84,697
Work in progress	14,206	77,871	18,799
Finished goods	67,193	87,238	82,721
Total	**165,757**	**291,365**	**186,217**

Our inventories increased from RMB165.8 million as of December 31, 2020 to RMB291.4 million as of December 31, 2021, primarily due to (i) an increase in work in progress of RMB63.7 million; and (ii) an increase in raw materials of RMB41.9 million mainly attributable to increased manufacturing efforts in relation to the neo-formwork system (equipment volume of which increased from 338.3 thousand tons as of December 31, 2020 to 534.4 thousand tons as of December 31, 2021). Our inventories decreased from RMB291.4 million as of December 31, 2021 to RMB186.2 million as of December 31, 2022, primarily due to (i) a decrease in work in progress of RMB59.1 million; and (ii) a decrease in raw materials of RMB41.6 million mainly attributable to decreased manufacturing efforts in relation to the neo-formwork system in response to changes in market demands (equipment volume of which increased from 534.4 thousand tons as of December 31, 2021 to 622.6 thousand tons as of December 31, 2022). We are of the view that an analysis of our inventory turnover days is not meaningful because inventory turnover days is not applicable to us due to our business nature which mainly involves operating leasing services for equipment. Our inventories, which accounted for 1.1%, 1.1% and 0.6% of our total assets as of December 31, 2020, 2021 and 2022, respectively, mainly consisted of (i) self-manufactured neo-formwork system; (ii) externally purchased raw materials; and (iii) finished goods we planned to transfer to our property, plant and equipment. Apart from transferring to our property, plant and equipment or serving for our own sales, some of our inventories are spare parts that serve for our operating lease services and engineering and technical services.

We regularly monitor our inventory and conduct stock takes in accordance with our in-house measurement methods in relation to inventory assets, and other inventory management policies, and issue inventory reports. Under such in-house manuals, the allocation of assets such as equipment/materials is dynamic. Asset inventory for rent in various areas are combined with those in newly established service outlets and bases for asset allocation, purchase or disposal based on our overall business objectives and asset mobilization rates. Our asset inspection team under the Asset Management Department inspects the assets inventory reports and the asset compliance management of each service outlet and base, and publicizes penalties for violations. We also promote the use of the warehouse management systems and personal digital assistant ("**PDA**") applications (such as barcode scanners) to ensure the standardization of our inventory assets. For such reasons, our Directors confirm that there are not any major internal control weakness in relation to our Group's inventory management. Having considered the view of the Directors and based on the due diligence work conducted by the Joint Sponsors, including but not limited to reviewing the internal control policies on inventory and property, plant and equipment management of our Company with the assistance of an independent internal control consultant pursuant to a scope agreed among our Company, the Joint Sponsors and the internal control consultant, interviewing with the management of our Company on the policies and measures on the stock-take of inventory and property, plant and equipment and the reasons for the gain on stock-take of physical assets, and discussing with the Reporting Accountants on the procedures conducted in relation to our Company's inventory and property, plant and equipment, nothing has come to the Joint Sponsors' attention that would reasonably cause them to cast doubt on the reasonableness of the view of the Directors above.

As disclosed in page I-2 of Appendix I of the Prospectus, the Reporting Accountant stated that "In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively, in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control." The Reporting Accountant had performed audit procedures to form their opinion on our Group's Historical Financial Information as a whole, during their work in performing procedures to obtain audit evidence, the Reporting Accountants were not aware of any significant internal control weakness and deficiencies which may have an adverse effect on their opinion to the Historical Financial Information.

As of March 31, 2023, RMB123.5 million or 66.3% of our inventories as of December 31, 2022, were subsequently utilized. Such subsequent utilization of inventory was calculated as the percentage of subsequent settlement utilization amount (gross amount) to net carrying amount of inventory as of December 31, 2022, respectively. Our settlement progress is relatively slow in the first quarter of a year as a result of the Chinese New Year, which in turn, reduces the business activities and labor force in the market. In addition, apart from externally purchased raw materials and neo-formwork structures transferring to our property, plant and equipment or serving for our own sales, we keep a certain amount of spare parts in inventory, which are reserved to serve for our operating lease services and engineering and technical services. As such, the Directors believe that there was no recoverability issue for inventories and sufficient provision has been made.

Trade Receivables

Our trade receivables represent outstanding amounts due from customers for our services. The following table sets forth our trade receivables as of the dates indicated.

	As of December 31,		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables	3,103,878	5,033,365	5,387,345
ECLs	(574,026)	(835,107)	(900,355)
Total	**2,529,852**	**4,198,258**	**4,486,990**

Before allowance for impairment of trade receivables, as of December 31, 2020, 2021 and 2022, our trade receivables were RMB3,103.9 million, RMB5,033.4 million and RMB5,387.3 million, respectively. The increases in our trade receivables throughout the Track Record Period were primarily due to the increases in our revenue and business scale as a result of our business expansion.

We apply the simplified approach to provide for the expected credit loss of trade receivable prescribed by HKFRS 9, under which we do not track changes in credit risk, but recognize a loss allowance based on lifetime ECLs at each reporting date instead. We have established a provision matrix that is based on our historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. For details, please see Note 18 to the Accountant's Report in Appendix I to this Prospectus.

In terms of our management of trade receivables, we take into account the characteristics and credit risks of our customers, and we evaluate their ECL based on factors such as (i) their aging analysis; (ii) their litigations or business disputes or (iii) their payments. For customers that were neither related to litigation or business disputes nor default of payment, their ECL is calculated by reference of their aging analysis. For customers related to litigation, business disputes and default of payment, due to the higher credit risks involved, their impairment provision is calculated based on historical defaults. Our total trade receivables increased yearly between the years ended December 31, 2020, 2021 and 2022, which resulted in increases in the provision for ECL of our trade receivables.

The following table sets forth the aging analysis of our trade receivables (net of ECLs) as of the date indicated based on invoice date and trade receivables turnover days for the periods indicated.

	As of December 31,*		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Within 6 months	1,294,996	2,810,217	3,362,705
6 months to 1 year	623,737	804,785	516,793
1 to 2 years	396,172	372,692	454,728
2 to 3 years	128,220	131,084	79,021
Over 3 years	86,727	79,480	73,743
Total	**2,529,852**	**4,198,258**	**4,486,990**
Trade receivables turnover days[1]	252	250	208

(1) Trade receivables turnover days for each year equals the ending balance of trade receivables (net of ECLs) for that year divided by revenue for that year and multiplied by 365.

* Net of ECL.

Our trade receivables turnover days remained relatively stable at 252 days for the year ended December 31, 2020 and 250 days for the year ended December 31, 2021. Our trade receivables turnover days decreased from 250 days for the year ended December 31, 2021 to 208 days for the year ended December 31, 2022, primarily due to our enhanced collection efforts in 2022. Specifically, we have established a designated team which is specialized in collection of receivables (a change from our previous practice of having business teams responsible for collection of receivables on their own) and responsible for promptly following up with collection of trade receivables and taking initiatives to negotiate settlement plans and timetables.

Our Directors are of the view that, the trade receivable average turnover days being well above 200 days is in line with common practice in the market. It is a common industry phenomenon for customers to significantly delay with the payment of receivables, and that industry players would have to adopt various methods to collect payment. We will continue our payment collection methods at a certain period after the expiry of our customers' credit period, as per our trade receivables collection policy. We believe that such collection efforts would still be more effective when implemented at an earlier stage instead of allowing a longer credit period to our customers. Typically, the peak of our collection efforts take place at the beginning of the year until the Chinese New Year holidays.

We have implemented systematic risk management assessment policies to evaluate the credit history and financial condition of our customers. We conduct on-site evaluations of our customers' operations as necessary. We review our trade receivables balance and follow up with our customers with overdue trade receivables on a quarterly basis. We recognize trade receivables as impaired and provision for doubtful receivables with reference to our past recoverability, the quarterly review of aging periods of such receivables and observable changes in economic conditions that correlate with default on receivables.

For trade receivables which were past due for over 180 days, we generally decide to grant non-recurring extensions of credit periods. In making such decision, we take into account (i) whether such customer has a proven record of credibility of settling the outstanding amounts due to us; (ii) the background of the customer (as in general, SOEs had better credit history and long-term deals with us); (iii) the significance of the transaction amounts in relation to this customer; (iv) such customer maintains stable business operations and is financially sound, to the best knowledge of our sales team; and (v) the balancing consideration between reducing trade receivable turnover days or to maintain a sustainable and cooperative relationship with our larger customers. Such decision is reached after careful consideration and assessment by our senior management, finance team and sales team in accordance with our internal credit control procedures. If we decide to extend their credit period, we issue payment reminders to these customers. For trade receivables which were past due for over 365 days from the date of receiving our formal invoice, we generally will consider taking debt recovery actions unless there is commercial justification not to do so.

Such trade receivable average turnover days is in line with common practice in the market. According to the F&S Report, companies that are engaged in construction in China generally have long payment cycles, as they will need to collect their payment from property developers or commissioning government bodies, thus the service providers of such customers (which fits the description of most of our customers) usually have relatively long average trade receivables turnover days being well above 140 days. Hence, it is customary for equipment services providers to extend their credit terms to their customers. Moreover, the average trade receivables turnover days in this industry in 2020 was at around 283 days. For the three years ended December 31, 2020, 2021 and 2022, revenue generated from construction industry customers represented 94.5%, 94.5% and 95.1% of our total revenue, respectively.

Moreover, according to the F&S Report, although it is an industrial norm that the payment approval process for Chinese SOEs are typically complicated and time consuming, SOEs and listed non-SOEs with sound financial positions generally have low recoverability issues. For the three years ended December 31, 2020, 2021 and 2022, revenue generated from SOEs represented 36.5%, 28.0% and 27.4% of our total revenue, respectively.

Despite being over a seemingly longer recovery period, in generally terms, we can subsequently settle most of our trade receivables. As of March 31, 2023, RMB2,591.6 million or 83.5%, RMB2,791.0 million or 55.5% and RMB1,200.9 million or 22.3% of our trade receivables as of December 31, 2020, 2021 and 2022, had been subsequently settled. Such subsequent settlement of trade receivable rate was calculated as the percentage of subsequent settlement amount (gross amount) to trade receivables (gross amount) as of December 31, 2020, 2021 and 2022, respectively. Furthermore, during the Track Record Period, we had not encountered any material bad debts being written-off or any payment default that would lead to a materially adverse impact on our financial condition. Most of our trade receivables were recovered through our collection payment mechanism and long-term relationship engaged with our core customers. Among the trade receivables as of December 31, 2022, approximately RMB340.6 million was subject to legal action. Such trade receivables that were subject to legal action were owed to us from over 420 customers, among which (i) three of them were listed companies in the PRC with trade receivables totaling at around RMB5.3 million; (ii) 9 of them were SOEs with trade receivables totaling at around RMB31.2 million; (iii) 14 of them were local SOEs with trade receivables totaling at around RMB36.6 million; (iv) 21 of them were natural persons customers with trade receivables totaling at around RMB5.0 million; and (v) over 370 ordinary commercial entities with trade receivables totaling at around RMB262.5 million. Such customers had trade receivables over 365 days, and had not responded to our debt recovery action (which mostly include frequent visits or communications with such customers to understand their financial position and their ability to settle their trade receivables) and our management has decided not to grant any further extensions on their credit period. These legal actions were the outcome of any failed attempts in debt recovery actions made in relation to our customers with trade receivables over one year. As of March 31, 2023, about 181 of such cases had been either judged at first instance, judged at second instance, concluded at the courts, or enforcements had been applied for, and RMB127.2 million had been re-allocated to our subsequent settlement of trade receivables as a result. Nevertheless, during the Track Record Period, we had not encountered any material payment default by our customers.

We also believe that our capability to recover trade receivables is built upon our customers' reliance on our services and the number of operating leases that still remain active with such customers. As of December 31, 2022, the contract value of our operating leases with an expiry date of less than one year, more than one year but less than two years, and more than two years but less than three years amounted to RMB4,361.2 million, RMB535.5 million and RMB17.3 million, respectively. In other words, many of the customers who had unpaid trade receivables, had still been engaging us with operating leases well beyond the Track Record Period. Whilst according to our trade receivables management policies, we would consider taking debt recovery actions for trade receivables which were past due for over 365 days from the date of issue of our Group's formal invoice, we believe that the end result of such debt recovery actions, i.e. legal action, should be last resort. According to our internal policies, we will first consider the credit of the customer, the relationship we have with the customer and the payment records of such customer before moving on with debt recovery actions. We would first send our sales team members to reach out to such customers to ask for payment, or at least an update on their latest situation in regards to payment. However, if such recovery actions could not reach our expectations, we will then have to consider whether or not to continue to communicate and resolve such issues with our customers, or escalate to legal action. As indicated above, out of the trade receivables of RMB340.6 million subject to legal action, only RMB127.2 million was subsequently settled through legal means as of March 31, 2023. Legal action and is also seen to be time consuming and uncertain, even after being judged at first instance, and the case can be reheard in the second instance upon appeal. Moreover, our trade receivables outstanding for over one year amounted to RMB611.1 million, RMB583.3 million and RMB607.5 million as at December 31, 2020, 2021 and 2022, respectively. For such reasons, our Directors are of the general opinion against taking excessive debt recovery action in relation to our trade receivables. Our Directors expect it the best interests of such customers to fulfil their payment obligations in order to maintain the sustained provision of our services.

Based on the aforesaid, our Directors believe that we have no recoverability issue for our trade receivables that aged over one year. Furthermore, considering that (i) we had not encountered any material bad debts being written off or any payment default that would lead to a materially adverse impact on our financial condition during the Track Record Period; (ii) as of March 31, 2023, RMB2,591.6 million or 83.5%, RMB2,791.0 million or 55.5% and RMB1,200.9 million or 22.3% of our trade receivables aged as of December 31, 2020, 2021 and 2022 had been subsequently settled; (iii) as of March 31, 2023, approximately RMB127.2 million of our trade receivables as of December 31, 2022 was subsequently settled through legal means; and (iv) we have established a provision matrix that is based on our historical credit loss experience, taking into account factors including aging analysis, defaults and legal actions (if any), adjusted for forward-looking factors specific to the debtors and the economic environment, pursuant to which our average ECL rate for trade receivables that aged over one year (defined as expected credit loss for trade receivables that aged over one year divided by gross carrying amount of such receivables) as of December 31, 2022 was 35% (while our trade receivables subject to legal actions generally had higher ECL rates); our Directors are of the view that sufficient provision has been made in relation to our trade receivables.

Prepayments, Other Receivables and Other Assets

Our prepayments, other receivables and other assets primarily consist of (i) prepayments, which primarily relate to our procurement of equipment; (ii) rental and project deposits, which primarily relate to deposits for other borrowings obtained from non-bank financial institutions, deposits we paid to bid for projects, performance deposits and deposits we paid to equipment providers for the re-renting of equipment; (iii) due from related parties, mainly comprising (a) receivables due from International Far Eastern Leasing Co., Ltd. and Shanghai Horizon Construction Investment Co., Ltd. arising from certain infrastructure projects and (b) outstanding balance of deposits we placed with International Far Eastern Leasing Co., Ltd. and Shanghai Horizon Construction Investment Co., Ltd. pursuant to certain fund pool contracts; and (iv) tax recoverable, which primarily include our input VAT to be credited. The following table sets forth a breakdown of our prepayments, other receivables and other assets as of the date indicated.

	As of December 31,		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Current			
Prepayments	211,109	249,037	304,500
Rental and project deposits	89,850	98,454	337,415
Due from related parties	194,401	1,774	159
Other receivables	41,873	57,936	90,193
Tax recoverable	715,163	1,664,016	1,400,331
Total	**1,252,396**	**2,071,217**	**2,132,598**
ECLs	(17,312)	(15,728)	(28,779)
	1,235,084	2,055,489	2,103,819

	As of December 31,		
	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*
Non-current			
Project deposits	–	121,000	144,000
Others	–	–	31,079
ECLs	–	(317)	(99)
	–	120,683	174,980

Our prepayments, other receivables and other assets increased from RMB1,235.1 million as of December 31, 2020 to RMB2,176.2 million as of December 31, 2021, primarily due to an increase in tax recoverable mainly attributable to an increase in deductible input value added tax as a result of our equipment procurement to support the expansion of our operating lease services, which was partially offset by a decrease in amount due from related parties of RMB192.6 million mainly attributable to repayment of deposits we placed with International Far Eastern Leasing Co., Ltd. and Shanghai Horizon Construction Investment Co., Ltd. as we terminated the fund pool contracts in 2021. Our prepayments, other receivables and other assets remained relatively stable at RMB2,176.2 million as of December 31, 2021 and RMB2,278.8 million as of December 31, 2022. The significant increase in our rental and project deposits from RMB98.5 million as of December 31, 2021 to RMB337.4 million was mainly due to the growth of our business and an increase in the volume of equipment we re-rented to customers.

As of March 31, 2023, RMB196.2 million or 14.0% of our tax recoverable as of December 31, 2022, were subsequently settled.

Contract Assets

Our contract assets represent retention receivables arising from our construction services. Contract assets are initially recognized for revenue earned from construction services as the receipt of consideration is conditional on successful completion of construction and acceptance by the customer, respectively. Upon completion of installation or construction and acceptance by the customer, the amounts recognized as contract assets are reclassified to trade receivables. Our contract assets increased from RMB110.1 million as of December 31, 2020 to RMB276.9 million as of December 31, 2021, and further increased to RMB304.3 million as of December 31, 2022, primarily due to our business expansion for construction services. As of March 31, 2023, RMB146.9 million or 43.8% of our contract assets as of December 31, 2022, were subsequently certified. Such subsequent certification was calculated as the percentage of subsequent settlement amount (gross amount) to contract assets (net of ECL) as of December 31, 2022.

For the years ended December 31, 2020, 2021 and 2022, our average turnover days of trade receivables and contract assets (combined), were 263, 266 and 222 days, respectively. The decrease of such turnover days during the year ended December 31, 2022 was mainly attributable to our enhanced collection efforts in 2022. Specifically, we have established a designated team which is specialized in collection of receivables (a change from our previous practice of having business teams responsible for collection of receivables on their own) and responsible for promptly following up with collection of trade receivables and taking initiatives to negotiate settlement plans and timetables.

Financial Assets at Fair Value through Profit or Loss

Our financial assets at fair value through profit or loss represent certain wealth management products purchased from a State-owned financial institution in the PRC with floating rates in 2021. As of December 31, 2021, our financial assets at fair value through profit or loss was RMB150.1 million. We redeemed such wealth management products in January 2022.

Debt Investments at Fair Value Through Other Comprehensive Income

Debt investments at FVOCI represent notes receivables in relation to our business operation. Our debt investments at FVOCI increased from RMB190.9 million as of December 31, 2020 to RMB480.1 million as of December 31, 2021, and further increased to RMB1,036.4 million as of December 31, 2022, primarily due to an increase in payments from customers through bank bills and commercial bills.

Cash and Cash Equivalents

Our cash and cash equivalents primarily represent cash we have in bank accounts. As of December 31, 2020, 2021 and 2022, our cash and cash equivalents amounted to RMB165.8 million, RMB507.0 million and RMB2,159.3 million, respectively.

Trade and Bills Payables

Our trade and bills payables primarily relate to payments due to our suppliers for procurement of equipment and raw materials. During the Track Record Period, our suppliers generally granted us a credit period of 30 to 60 days from the invoice date. The following table sets forth an aging analysis of our trade and bills payables as of the date indicated based on the invoice date and trade and bills payable turnover days for the years indicated.

	As of December 31,		
	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*
Within one year	755,532	1,367,239	1,002,327
One to two years	97,004	45,334	84,800
Two to three years	25,375	11,405	9,751
Over three years	18,529	11,722	12,916
Total	**896,440**	**1,435,700**	**1,109,794**
Trade and bills payables turnover days[(1)]	47	49	106

(1) Trade and bills payables turnover days for each year equals the ending balance of trade and bills payables for that year divided by total purchases of property, plant and equipment for that year and multiplied by 365.

Our trade and bills payables increased from RMB896.4 million as of December 31, 2020 to RMB1,435.7 million as of December 31, 2021, and then decreased to RMB1,109.8 million as of December 31, 2022, reflecting the level of procurement and amounts due to suppliers as of these dates. Our trade and bills payables turnover days remained relatively stable at 47 days and 49 days for the years ended December 31, 2020 and 2021, respectively. Our trade and bills payables turnover days increased from 49 days for the year ended December 31, 2021 to 106 days for the year ended December 31, 2022, primarily due to (i) a decrease in purchases of property, plant and equipment in line with our strategy to expand our equipment volume in an asset-light manner; and (ii) our enhanced supplier management efforts, such as using bills received from our customers to settle our payables.

As of March 31, 2023, RMB679.8 million or 61.3% of our trade and bills payables as of December 31, 2022, was subsequently settled.

Other Payables and Accruals

Our other payables and accruals primarily include (i) payables due to related parties, which mainly represent amount payables due to Shanghai Donghong Co., Ltd. and Far East Horizon; (ii) lease deposits, which represent deposits paid by our customers in relation to equipment they lease; (iii) salary and welfare payables to our employees; (iv) advanced lease payments, which mainly relate to prepayments from customers for operating lease services; (v) contract liabilities, which represent advances we received to deliver engineering and technical services; (vi) interest payable in connection with our bank and other borrowings; and (vii) other taxes payables, which primarily relate to VAT payable. The following table sets forth a breakdown of our other payables and accruals as of the date indicated.

	As of December 31,		
	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*
Current			
Lease deposits	46,040	39,002	23,454
Salary and welfare payables	129,999	245,567	214,118
Advanced lease payments	76,298	530,560	251,934
Contract liabilities	36,960	114,520	47,047
Other taxes payable	125,139	215,766	85,005
Interest payable	24,240	63,555	65,775
Other payables	46,380	48,837	49,452
Due to related parties	155,479	62	23
	640,535	1,257,869	736,808
Non-current			
Lease deposits	150,489	165,879	71,259
Interest payable	–	63,968	181,159
Provisions	–	11,868	13,848
	150,489	241,715	266,266
Total	**791,024**	**1,499,584**	**1,003,074**

Our other payables and accruals increased from RMB791.0 million as of December 31, 2020 to RMB1,499.6 million as of December 31, 2021, primarily due to an increase in advanced lease payments of RMB454.3 million. Our other payables and accruals decreased from RMB1,499.6 million as of December 31, 2021 to RMB1,003.1 million as of December 31, 2022, primarily due to (i) a decrease in advanced lease payments of RMB278.6 million, and (ii) a decrease in other taxes payables of RMB130.8 million.

Our contract liabilities increased from RMB37.0 million as of December 31, 2020 to RMB114.5 million as of December 31, 2021, primarily due to the growth of our business in engineering and technical service segment. Our contract liabilities decreased from RMB114.5 million as of December 31, 2021 to RMB47.0 million as of December 31, 2022, primarily due to our adjusted credit policy to grant credit terms (instead of requiring prepayments) to certain major customers.

Our advanced lease payments increased from RMB76.3 million as of December 31, 2020 to RMB530.6 million as of December 31, 2021, primarily due to the growth of our business in operating lease service segment. Our contract liabilities decreased from RMB530.6 million as of December 31, 2021 to RMB251.9 million as of December 31, 2022, primarily due to our adjusted credit policy to grant credit terms (instead of requiring prepayments) to certain major customers.

Our other taxes payables increased from RMB125.1 million as of December 31, 2020 to RMB215.8 million as of December 31, 2021, primarily because VAT payables we recognized in connection with certain intra-group transactions in 2021 remained unsettled as of December 31, 2021. Our other taxes payables decreased from RMB215.8 million as of December 31, 2021 to RMB85.0 million as of December 31, 2022, primarily due to our settlement of such VAT payables in 2022.

As of March 31, 2023, RMB24.9 million or 53.0% of our contract liabilities as of December 31, 2022, had been subsequently recognized as revenue.

Tax Payables

Our tax payables represent PRC EIT payables. Our tax payables amounted to RMB93.3 million, RMB166.1 million and RMB141.0 million as of December 31, 2020, 2021 and 2022, respectively.

Lease Liabilities

Lease liabilities represent our obligations under the existing leases. As of the lease commencement date, we recognize the corresponding lease liabilities for our right-of-use assets, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets. Our lease liabilities decreased from RMB720.7 million as of December 31, 2020 to RMB126.3 million as of December 31, 2021, primarily due to (i) repayments in relation to our financial leases made during the relevant years; and (ii) the conclusion of our long-term finance lease. Our lease liabilities remained relatively stable at RMB126.3 million as of December 31, 2021 and RMB131.3 million as of December 31, 2022.

NET CURRENT LIABILITIES/ASSETS

The following table sets forth details of our net current liabilities/assets as of the date indicated:

	As of December 31,			As of March 31,
	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*
Current assets				
Inventories	165,757	291,365	186,217	167,496
Trade receivables	2,529,852	4,198,258	4,486,990	4,423,796
Contract assets	110,132	276,859	304,295	355,262
Prepayments, other receivables and other assets	1,235,084	2,055,489	2,103,819	2,144,051
Financial assets at fair value through profit or loss	–	150,051	–	–
Debt investments at fair value through other comprehensive income	190,940	480,140	1,036,355	1,002,486
Restricted deposits	24,009	13,023	62,944	61,925
Cash and cash equivalents	165,830	506,991	2,159,325	2,466,898
Total current assets	**4,421,604**	**7,972,176**	**10,339,945**	**10,621,914**
Current liabilities				
Trade and bills payables	896,440	1,435,700	1,109,794	1,213,321
Other payables and accruals	640,535	1,257,869	736,808	703,873
Interest-bearing bank and other borrowings	2,435,389	5,064,932	6,143,418	7,110,084
Lease liabilities	628,285	65,545	59,927	52,980
Tax payables	93,292	166,130	141,020	18,917
Total current liabilities	**4,693,941**	**7,990,176**	**8,190,967**	**9,099,175**
Net current (liabilities)/assets	**(272,337)**	**(18,000)**	**2,148,978**	**1,522,739**

Our net current liabilities decreased from RMB272.3 million as of December 31, 2020 to RMB18.0 million as of December 31, 2021, primarily due to (i) an increase in trade receivables of RMB1,668.4 million mainly attributable to increases in our revenue and business scale as a result of our business expansion; (ii) an increase in prepayments, other receivables and other assets of RMB820.4 million mainly attributable to an increase in deductible input value added tax as a result of our equipment procurement to support the expansion of our operating lease services. This was partially offset by an increase in interest-bearing bank and other borrowings of RMB2,629.5 million to support our business expansion.

We recorded net current assets of RMB2,149.0 million as of December 31, 2022, as compared to net current liabilities of RMB18.0 million as of December 31, 2021, primarily due to (i) an increase in cash and cash equivalents of RMB1,652.3 million; (ii) an increase in debt investments at FVOCI of RMB556.2 million mainly attributable to an increase in payments from customers through bank bills and commercial bills; and (iii) a decrease in other payables and accruals of RMB521.1 million mainly attributable to a decrease in advanced lease payments primarily due to our adjusted credit policy to grant credit terms (instead of requiring prepayments) to certain major customers and a decrease in other tax payables. This was partially offset by an increase in interest-bearing bank and other borrowings of RMB1,078.5 million to support our business expansion.

Our net current assets decreased from RMB2,149.0 million as of December 31,2022 to RMB1,522.7 million as of March 31, 2023, primarily due to (i) an increase in interest-bearing bank and other borrowings of RMB966.7 million mainly attributable to our increased external financing efforts; and (ii) an increase in trade and bills payables of RMB103.5 million to support our business expansion. This was partially offset by an increase in cash and cash equivalents of RMB307.6 million.

For more discussion on our historical net current liabilities, see "—Liquidity and Capital Resources". For a discussion of relevant risks, see "Risk Factors—Risks Relating to Our Business and Industry—We had net current liabilities as of December 31, 2020 and 2021."

LIQUIDITY AND CAPITAL RESOURCES

Our primary uses of cash are for working capital. As of December 31, 2020, 2021 and 2022, we had cash and cash equivalents of RMB165.8 million, RMB507.0 million and RMB2,159.3 million, respectively. During the Track Record Period, our principal sources of liquidity and capital resources were cash flow generated from operating activities and bank and other borrowings. We monitor our cash flows and cash balance on a regular basis and strive to maintain an optimum liquidity that can meet our working capital needs.

Although we had net current liabilities as of December 31, 2020 and 2021, our Directors are of the opinion, and the Joint Sponsors concur, that we have sufficient working capital to meet our present and future cash requirements for at least the next 12 months from the date of publication of this Prospectus, taking into account our cash flow generated from operating activities, bank borrowings and available banking facilities and the net proceeds from the Global Offering, due to the following:

- *Positive cash flow generated from our business.* We had net cash flow from operating activities in the amount of RMB1,027.3 million, RMB2,449.4 million and RMB2,822.8 million for the years ended December 31, 2020, 2021 and 2022, respectively. We expect to continue to generate steady levels of cash from operating activities considering our long-term and stable flow of business from our customers and the growth of our business;

- *Bank borrowings and available banking facilities*. As of December 31, 2022, we had a total of RMB10,884 million available banking facilities that were unutilized and unrestricted;

- *Net proceeds from the Global Offering.* We expect to receive net proceeds from the Global Offering of approximately HK$1,505.9 million based on the low end of the indicative Offer Price range set out in this Prospectus.

In order to mitigate liquidity risks, we make reasonable use of financial leverage and closely monitor our asset-liability ratio to prevent potential liquidity risks. We also pay specific attention to mismatch of long-term and short-term indebtedness and managing liquidity risk through increasing the proportion of long-term debt financing. We aim to optimize our financing structure by using more interest-bearing bank loans and other long-term financing methods to replace short-term liabilities, so as to mitigate the maturity mismatches between assets and liabilities.

We will further enhance our working capital management efficiency and continue to closely monitor our cash flows and financial position on a regular basis to ensure that our cash flows remain at a healthy level and adjust the amount of our indebtedness as appropriate. Specifically, we will formulate annual and monthly budgets and cash flow projections, which will be approved by our chief financial officer, in order to plan and monitor our cash flows. Our chief financial officer will also be responsible for reviewing regularly our liquidity and cash flows and reporting to our Board, if necessary, on our working capital management. In addition, we will continue to closely monitor our liquidity position to ensure that it is in line with our business operations and expansion needs. We will also manage the level of our cash and liquid assets to ensure the availability of sufficient cash flows to meet any planned or unexpected cash requirements arising from our operations. We will continue to assess the availability of resources for financing our business needs on an ongoing basis.

Going forward, we believe our liquidity requirements will be satisfied by using funds from a combination of our cash flow from operating activities, cash and cash equivalents, bank and other borrowings and net proceeds from the Global Offering. As of March 31, 2023, the latest practicable date for determining our indebtedness, we had RMB40,634 million available banking facilities in aggregate from banks and finance lease companies, of which RMB12,427 million were unutilized and unrestricted. Other than the bank and other borrowings that we may obtain, we do not have any plans for material external debt financing.

Cash Flows

The following table sets forth selected cash flow data from our consolidated statements of cash flows for the years indicated:

	For the year ended December 31,		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Operating cash flows before movements in working capital	1,946,959	3,299,002	4,291,011
Changes in working capital	(782,132)	(647,921)	(1,146,967)
Tax paid	(137,522)	(201,707)	(321,217)
Net cash generated from operating activities	1,027,305	2,449,374	2,822,827
Net cash used in investing activities	(6,690,791)	(10,470,801)	(3,462,671)
Net cash generated from financing activities	5,807,677	8,370,277	2,285,788
Net increase/(decrease) in cash and cash equivalents	**144,191**	**348,850**	**1,645,944**
Cash and cash equivalents at the beginning of the year	22,781	165,830	506,991
Effects of foreign exchange rate changes, net	(1,142)	(7,689)	6,390
Cash and cash equivalents at the end of the year	**165,830**	**506,991**	**2,159,325**

Net Cash Generated from Operating Activities

For the year ended December 31, 2022, we had net cash generated from operating activities of RMB2,822.8 million, primarily attributable to our profit before income tax of RMB893.8 million, as adjusted for non-cash and non-operating items, which primarily include (i) depreciation for property, plant and equipment, (ii) finance costs, and (iii) exchange losses. The amount was further adjusted by negative changes in working capital and tax paid of RMB321.2 million. Changes in working capital primarily include (i) a decrease in other payables and accruals, (ii) an increase in debt investments at FVOCI, and (iii) an increase in trade receivables; partially offset by a decrease in prepayments, other receivables and other assets.

For the year ended December 31, 2021, we had net cash generated from operating activities of RMB2,449.4 million, primarily attributable to our profit before income tax of RMB902.5 million, as adjusted for non-cash and non-operating items, such as depreciation for property, plant and equipment, and finance costs. The amount was further adjusted by negative changes in working capital and tax paid of RMB201.7 million. Changes in working capital primarily include (i) an increase in trade receivables, (ii) an increase in debt investments at FVOCI, and (iii) an increase in contract assets; partially offset by (i) a decrease in prepayments, other receivables and other assets, (ii) an increase in other payables and accruals, and (iii) an increase in trade and bills payables.

For the year ended December 31, 2020, we had net cash generated from operating activities of RMB1,027.3 million, primarily attributable to our profit before income tax of RMB641.5 million, as adjusted for non-cash and non-operating items, which primarily include (i) depreciation of property, plant and equipment and (ii) finance costs. The amount was further adjusted by negative changes in working capital and tax paid of RMB137.5 million. Changes in working capital primarily include (i) increase in trade receivables, and (ii) a decrease in trade and other payables; partially offset by (i) a decrease in prepayments, other receivables and other assets, and (ii) an increase in other payables and accruals.

Net Cash Used in Investing Activities

For the year ended December 31, 2022, we had net cash used in investing activities of RMB3,462.7 million, primarily attributable to the purchases of items of property, plant and equipment, partially offset by (i) proceeds from disposal of items of property, plant and equipment and (ii) redemption of financial assets at fair value through profit or loss.

For the year ended December 31, 2021, we had net cash used in investing activities of RMB10,470.8 million, primarily attributable to (i) the purchases of items of property, plant and equipment and (ii) subscription of financial assets at fair value through profit or loss, partially offset by proceeds from disposal of items of property, plant and equipment.

For the year ended December 31, 2020, we had net cash used in investing activities of RMB6,690.8 million, which was primarily attributable to the purchases of items of property, plant and equipment, partially offset by (i) proceeds from disposal of items of property, plant and equipment and (ii) disposal of subsidiaries.

Net Cash Generated from Financing Activities

For the year ended December 31, 2022, we had net cash generated from financing activities of RMB2,285.8 million, primarily attributable to new bank and other borrowings, which was partially offset by (i) repayment of bank and other borrowings; and (ii) interest paid.

For the year ended December 31, 2021, we had net cash generated from financing activities of RMB8,370.3 million, primarily attributable to (i) new bank and other borrowings and (ii) other borrowings received from investment with redemption obligation, which was partially offset by (i) repayment of bank and other borrowings; (ii) interest paid; and (iii) principal portion of lease payments, net.

For the year ended December 31, 2020, we had net cash generated from financing activities of RMB5,807.7 million, primarily attributable to (i) new bank and other borrowings; (ii) cash received from related parties; and (iii) proceeds from issue of shares, partially offset by (i) repayment of bank and other borrowings; (ii) consideration paid for business combination under common control; and (iii) principal portion of lease payments, net.

INDEBTEDNESS

Our indebtedness primarily consisted of bank borrowings, other borrowings, due to related parties and lease liabilities. Our indebtedness as of December 31, 2020, 2021 and 2022 and March 31, 2023, being the latest practicable date for determining our indebtedness, were as follows:

	As of December 31,			**As of March 31,**
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*
Bank borrowings				
– Unsecured	6,394,138	11,086,105	13,012,661	13,114,629
Other borrowings				
– Secured	1,207,242	5,202,801	6,734,764	6,905,627
– Unsecured	216,133	102,413	37,571	37,158
Due to related parties	155,479	62	23	23
Redemption liabilities on ordinary shares	–	1,306,447	1,427,118	1,408,082
Lease liabilities	720,743	126,288	131,259	121,421
Total	**8,693,735**	**17,824,116**	**21,343,396**	**21,586,940**

Bank Borrowings

Our bank borrowings were all unsecured and denominated in RMB and USD during the Track Record Period. Our bank borrowings as of December 31, 2020, 2021 and 2022 and March 31, 2023 bore interest at rates ranging from 1.30% to 5.35% per annum. As of December 31, 2020, our bank borrowings of RMB2,206.7 million were guaranteed by Far East Horizon. As of December 31, 2021 and 2022 and March 31, 2023, we did not have any bank borrowings guaranteed by Far East Horizon.

Our bank borrowing agreements contain standard terms, conditions and covenants that were customary for commercial bank loans. Our Directors confirm that we did not experience any difficulty in obtaining bank borrowings, default in payment of bank borrowings or breach of covenants during the Track Record Period and up to the Latest Practicable Date. Given our credit history and our current credit status, we believe that we will not encounter any major difficulties in obtaining additional bank borrowings in the future.

Other Borrowings

Other borrowings mainly represented our borrowings from related parties and secured borrowings from non-bank financial institutions in China. Our borrowings from related parties as of December 31, 2020 bore interest rate at 4.19% per annum. The interest rates were determined based on loan contracts signed with related parties. For details of our borrowings from related parties, see note 26 of "Appendix I—Accountants' Report" of this Prospectus. We fully settled our borrowings from related parties in 2021.

As of December 31, 2020, 2021 and 2022 and March 31, 2023, our other borrowings of RMB1,207.2 million, RMB5,202.8 million, RMB6,734.8 million and RMB6,905.6 million, respectively, were secured by our property, plant and equipment. In 2020, we obtained borrowings of RMB1,207.2 million from four individual non-bank financial institutions among which, around RMB484.2 million, RMB583.0 million, RMB20.0 million and RMB120.0 million of our borrowings were attributable to non-banking financial institutions as of December 31, 2020. As of December 31, 2021 and 2022 and March 31, 2023, we obtained borrowings of RMB5,202.8 million and RMB6,737.4 million and RMB6,905.6 million, respectively, from 15, 24 and 19 non-bank financial institutions, respectively. All of these institutions are financing leasing associates or subsidiaries of major banks in China, and are regulated by the China Banking and Insurance Regulatory Commission. The salient terms of such secured borrowings were not comparable to those of our Group's bank borrowings during the Track Record Period. For instance, according to the salient terms of the financial leases under such an arrangement, our assets are secured under such arrangements, as opposed to those arrangements under the general salient terms with unsecured bank borrowings. With a financial lease, unlike the counterpart arrangements under the salient terms of unsecured bank borrowings, only possession is transferred without the movement regarding the ownership of the lease. As there are no material sales under the salient terms of such financial leases or relevant sales invoices, the lease is still at the disposal of the company, and there are no restrictions on possession, income rights and the rights to use.

Our Directors confirm that we did not encounter any difficulties in obtaining bank borrowings during the Track Record Period and up to the Latest Practicable Date, but this form of other borrowings was preferred in certain situations, as compared to obtaining a bank loan, mainly because such institutions provided us with diversified financing channels with more flexibility in handling the relative funds, and the institutions left our line of credit untouched and in turn secured the liquidity of our Company.

Redemption Liabilities on Ordinary Shares

Redemption liabilities on ordinary shares arose from the recipient of proceeds of our Pre-IPO Investments in 2021. As of December 31, 2021 and 2022, our redemption liabilities on ordinary shares amounted to RMB1,306.4 million and RMB1,427.1 million, respectively. Such rights of redemption liabilities on ordinary shares will be terminated upon Listing and reclassified as equity.

Lease Liabilities

Upon the application of HKFRS 16, we recognized the corresponding lease liabilities for our right-of-use assets in respect of all leases unless they are qualified for low value or short-term leases. As of December 31, 2020, 2021 and 2022, we, as a lessee, had outstanding lease liabilities of RMB720.7 million, RMB126.3 million and RMB131.3 million, respectively.

Except as disclosed above, since December 31, 2022 and up to the date of this Prospectus, there has been no material change to our indebtedness. As of March 31, 2023, being the latest practicable date for determining our indebtedness, except as disclosed above, we did not have any other loan issued and outstanding or any loan agreed to be issued, bank overdrafts, loans and other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, hire purchase commitments, guarantees or other material contingent liabilities.

CAPITAL COMMITMENTS

Our capital commitments relate to capital expenditures contracted for but not yet paid in relation to purchase of plant and equipment. Our capital commitments amounted RMB66.2 million, RMB63.0 million and RMB69.2 million, as of December 31, 2020, 2021 and 2022, respectively.

CAPITAL EXPENDITURE

For the years ended December 31, 2020, 2021 and 2022, our capital expenditure amounted to RMB5,887.0 million, RMB9,592.5 million and RMB3,220.4 million, respectively. Our capital expenditure during the Track Record Period consisted of additions to property, plant and equipment and other intangible assets. The decrease in our capital expenditure in 2022 was in line with our strategy to expand our equipment volume in an asset-light manner. We plan to finance future capital expenditure plans through cash flow from operating activities, bank and other borrowings and the net proceeds from the Global Offering.

CONTINGENT LIABILITIES

As of the Latest Practicable Date, we did not have any material contingent liabilities, guarantees or any other litigations or claims of material importance, pending or threatened against us that is likely to have a material and adverse effect on our business, financial condition or results of operations.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As of the Latest Practicable Date, we did not have any off-balance sheet commitments or arrangements.

RELATED PARTY TRANSACTIONS

During the Track Record Period, we entered into a number of transactions with related parties. For details of our related party transactions, see note 36 to the Accountants' Report in Appendix I to this Prospectus. All loans, advances, non-trade balances due to and from the related parties are expected to be settled before the Listing.

It is the view of our Directors that our transactions with related parties during the Track Record Period was conducted on an arm's length basis and with normal commercial terms between the relevant parties. Our Directors are also of the view that our related party transactions during the Track Record Period would not distort our historical results or make our historical results not reflective of our future performance.

KEY FINANCIAL RATIOS

The following table sets forth our key financial ratios as of the dates or for the years indicated.

	As of/For the year ended December 31,		
	2020	2021	2022
Return on equity(1)	17.8%	12.5%	10.5%
Return on assets(2)	4.0%	3.3%	2.3%
Gearing ratio(3)	59.1%	74.1%	74.1%
Interest coverage(4)	3.05	2.37	1.95
Gross profit margin(5)	45.0%	46.3%	39.8%
EBITDA margin (non-HKFRS measure)(6)	51.4%	52.1%	51.8%

Notes:

(1) Equals profit for the year divided by average balance of total equity at the beginning and the end of that year and multiplied by 100%.

(2) Equals profit for the year divided by the average balance of total assets at the beginning and the end of that year and multiplied by 100%.

(3) Calculated by dividing net debt by total equity as of the same date plus net debt and multiplied by 100%. Net debt includes interest-bearing bank and other borrowings less cash and cash equivalents.

(4) Equals profit before interest and tax for the year divided by the finance costs for the year.

(5) Gross profit margin is calculated based on gross profit for the year divided by revenue for the year and multiplied by 100%.

(6) EBITDA margin, a non-HKFRS measure, is calculated based on EBITDA (a non-HKFRS measure) for the year divided by revenue for the year and multiplied by 100%.

Return on Equity

Our return on equity decreased from 17.8% in 2020 to 12.5% in 2021, primarily because the increase in our average equity outpaced the increase in our net profit. Our return on equity decreased from 12.5% in 2021 to 10.5% in 2022, primarily due to a decrease in our net profit and an increase in our average equity.

Return on Assets

Our return on assets decreased from 4.0% in 2020 to 3.3% in 2021, primarily because the increase in our average total assets outpaced the increase in our net profit. Our return on assets decreased from 3.3% in 2021 to 2.3% in 2022, primarily due to a decrease in our net profit and an increase in our average total assets.

Gearing Ratio

Our gearing ratio increased from 59.1% as of December 31, 2020 to 74.1% as of December 31, 2021, primarily due to an increase in bank and other borrowings (including interest on redemption liabilities on ordinary shares, which arose from the recipients of proceeds of our Pre-IPO Investments in 2021). Our gearing ratio remained stable at 74.1% as of December 31, 2021 and 2022.

Interest Coverage

Our interest coverage decreased from 3.05 as of December 31, 2020 to 2.37 as of December 31, 2021, primarily due to our increased finance costs mainly attributable to an increase in bank and other borrowings (including interest on redemption liabilities on ordinary shares, which arose from the recipients of proceeds of our Pre-IPO Investments in 2021). Our interest coverage decreased from 2.37 as of December 31, 2021 to 1.95 as of December 31, 2022, primarily because the increase in our finance costs outpaced the increase in our profit before interest and tax.

Please see "—Results of Operations" for a discussion of the factors affecting our gross profit margin and EBITDA margin (a non-HKFRS measure) during the respective years.

QUANTITATIVE AND QUALITATIVE DISCLOSURE OF FINANCIAL RISKS

We are exposed to various types of financial risks in the ordinary course of business, including foreign currency risk, credit risk, liquidity risk and interest rate risk. Our overall risk management strategy focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on our financial performance. Our senior management is responsible for carrying out our risk management. For details, see note 39 of "Appendix I—Accountants' Report" in this Prospectus.

Foreign Currency Risk

Our monetary assets, liabilities and transactions are principally denominated in RMB. We are not significantly exposed to foreign currency risk arising from monetary assets and liabilities that are denominated in currencies other than the functional currencies of the respective group entities.

Credit Risk

We trade only with recognized and creditworthy third parties. It is our policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances and contract assets are monitored on an ongoing basis.

Liquidity Risk

Our objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing bank and other borrowings and lease liabilities. We may aim to optimize our financing structure by using more interest-bearing bank loans and other long-term financing methods to replace short-term liabilities, so as to mitigate the maturity mismatches between assets and liabilities.

Interest Rate Risk

Our exposure to risk for changes in market interest rates relates primarily to our interest-bearing bank and other borrowings and lease liabilities. We aim to mitigate such risks by reducing future variability in cash flows or fair value, while balancing the cost of such risk mitigation measure.

DIVIDENDS

No dividends have been paid or declared by our Company during the Track Record Period. Shanghai Horizon Construction Development declared dividends of RMB14.3 million to one of our non-controlling equity shareholders in 2019, which was settled in cash in 2020. Our Board may declare dividends in the future after taking into account our results of operations, financial condition, cash requirements and availability and other factors as it may deem relevant at such time. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents and Cayman Companies Law. In addition, our Directors may from time to time pay such interim dividends on shares outstanding of our Company and authorize payment of the same out of the funds of our Company lawfully available. Our future declarations of dividends may or may not reflect our historical declarations of dividends and will be at the discretion of our Board.

DISTRIBUTABLE RESERVES

As of December 31, 2022, our Company had no reserves available for distribution to our Shareholders.

UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

For details of our unaudited pro forma adjusted combined net tangible assets, see Appendix II to this Prospectus.

LISTING EXPENSES

Listing expenses to be borne by us are estimated to be approximately RMB127.1 million (including underwriting commission) and assuming the Over-allotment Option is not exercised. This constitutes around 8.5% of the gross proceeds from the Global Offering, which includes underwriting-related expenses (including but not limited to commission and fees) of RMB45.0 million and non-underwriting-related expenses of RMB82.1 million (which includes fees and expenses for legal advisors and accountants of RMB62.4 million and other expenses of RMB19.7 million). For the year ended December 31, 2020, 2021 and 2022, approximately RMB10.9 million, RMB27.1 million and RMB40.3 million, respectively, were charged to our consolidated statements of profit or loss as administrative expenses. After December 31, 2022, approximately RMB3.8 million is expected to be charged to our consolidated statements of profit or loss, and approximately RMB44.8 million is expected to be accounted for as a deduction from equity upon the Listing. The listing expenses above are the latest practicable estimate for reference only, and the actual amount may differ from this estimate.

NO MATERIAL ADVERSE CHANGE

After due and careful consideration, our Directors confirm that, up to the date of this Prospectus, there has been no material adverse change in our financial and trading position or prospects since December 31, 2022, and there is no event since December 31, 2022 which would materially affect the information shown in the Accountants' Report, the text of which is set out in Appendix I to this Prospectus.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

We confirm that, as at the Latest Practicable Date, there were no circumstances that would give rise to a disclosure requirement under Rule 13.13 to 13.19 of the Listing Rules.

FUTURE PLANS

See "Business—Business Strategies" for a detailed description of our future plans.

USE OF PROCEEDS

We estimate that we will receive net proceeds from the Global Offering of approximately HK$1,555.4 million, after deducting underwriting commissions, fees and estimated expenses payable by us in connection with the Global Offering, and assuming an Offer Price of HK$4.66 per Share, being the mid-point of the indicative Offer Price range stated in this Prospectus. If the Offer Price is set at HK$4.80 per Share, being the high end of the indicative Offer Price range, the net proceeds from the Global Offering will increase by approximately HK$49.5 million. If the Offer Price is set at HK$4.52 per Share, being the low end of the indicative Offer Price range, the net proceeds from the Global Offering will decrease by approximately HK$49.5 million.

Subject to future changes by our Directors according to market trends and/or our financial condition, we currently intend to apply these net proceeds in order to pursue our business strategies as follows:

- approximately 4.0%, or HK$62.8 million, will be used to strategically expand our service outlet network to enhance our service capabilities;

- approximately 67.0%, or HK$1,041.6 million, will be used to optimize our equipment portfolio;

- approximately 11.0%, or HK$170.9 million, will be used to enhance our one-stop solution capabilities;

- approximately 8.0%, or HK$124.6 million, will be used to enhance our operational efficiency through digitalization upgrade; and

- approximately 10.0%, or HK$155.5 million, will be used for our working capital and general corporate purposes.

Strategy	Overall goals to be met:		Implementation targets and estimated investments for the year ended December 31, 2023	2024
We will strategically expand our service outlet network to further enhance our service capabilities.	1. To establish service outlets for aerial work platforms mainly in Yangtze River Delta Region, Pearl River Delta Region, Beijing-Tianjin-Hebei Region, Chengdu-Chongqing Region, Henan, Hubei, Hunan, Fujian, Shandong and Shaanxi		Reaching between 250 and 300 service outlets	Reaching between 300 and 350 service outlets
	2. To establish service outlets for neo-formwork system mainly in Yangtze River Delta Region, Fujian and Shandong		Reaching between 30 and 35 service outlets	Reaching between 40 and 45 service outlets
	3. To establish service outlets for neo-excavation support systems mainly in Yangtze River Delta Region, Pearl River Delta Region, Henan, Hubei, Hunan, Fujian and Shandong		Reaching between 75 and 80 service outlets	Reaching between 85 and 90 service outlets
	4. To establish service outlets for other equipment services in China and establish overseas service outlets		Reaching between 20 and 30 service outlets	Reaching between 30 and 40 service outlets
	Major use of the net proceeds from the Global Offering for this strategy will include (i) initial start-up costs at the early stages of establishing a service outlet; (ii) rental expenses; (iii) maintenance fees; (iv) construction costs; and (v) miscellaneous expenses.	**Estimated investment per year**	Around RMB150 million to RMB160 million	Around RMB180 million to RMB190 million
		Total estimated investment	Around RMB330 million to RMB350 million	
		Amount of net proceeds to be used	HK$62.8 million, or 4.0% of the total net proceeds. (The remainder of the total investments to be used for this strategy shall be financed either by our internal financial resources or external loans)	

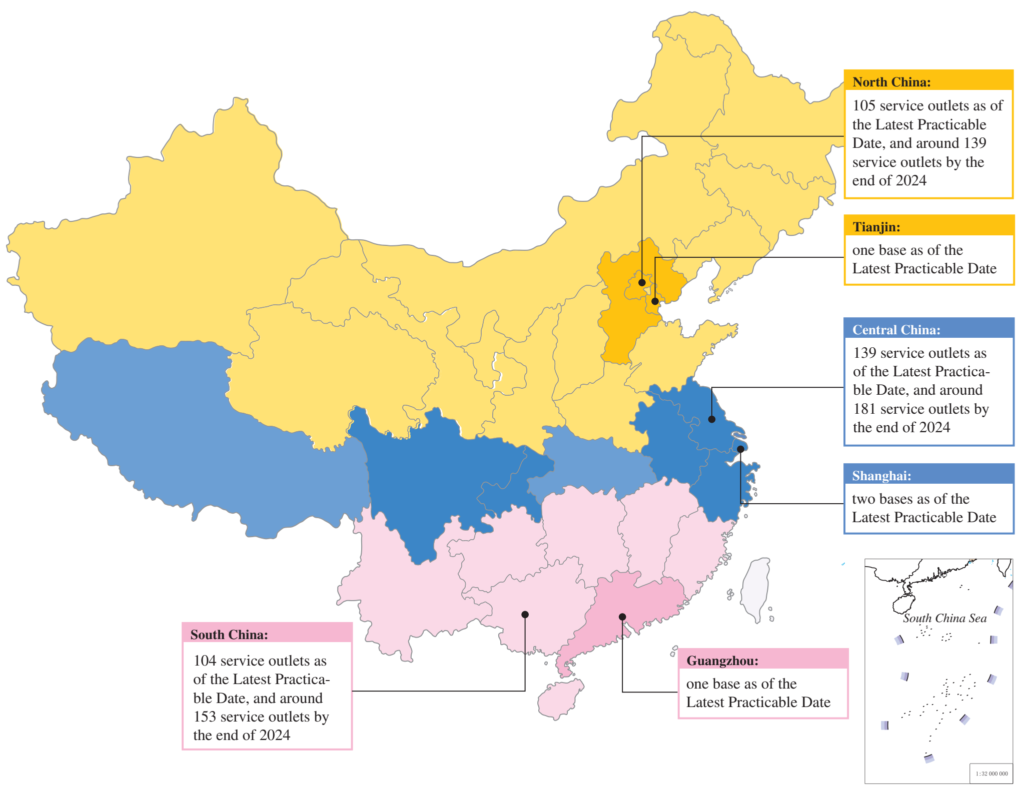
Strategy	Overall goals to be met:		Implementation targets and estimated investments for the year ended December 31, 2023	2024
We will optimize our equipment portfolio.	1. Procure more aerial work platforms. The ending balance of self-owned equipment volume for the year ending December 31, 2024 is expected to increase by approximately 45% to 65% as compared to the ending balance for the year ended December 31, 2022.		Purchasing around 20 to 30 thousand units	Purchasing around 30 to 40 thousand units
	2. Procure neo-excavation support systems which include H-steel, steel sheet pile and steel support. The ending balance of self-owned equipment volume for the year ending December 31, 2024 is expected to increase by approximately 6% to 10% as compared to the ending balance for the year ended December 31, 2022.		Purchasing around 2 to 10 thousand tons	Purchasing around 100 to 150 thousand tons
	3. Procure neo-formwork systems such as the ringlock scaffold and procure raw materials for the manufacturing of ringlock scaffold. The ending balance of self-owned equipment volume for the year ending December 31, 2024 is expected to increase by approximately 20% to 25% as compared to the ending balance for the year ended December 31, 2022.		Purchasing around 40 to 50 thousand tons	Purchasing around 90 to 100 thousand tons
		Estimated investment per year	Around RMB3,000 million to RMB5,000 million	Around RMB5,000 million to RMB7,000 million
		Total estimated investment	Around RMB8,000 million to RMB12,000 million	
		Amount of net proceeds to be used	HK$1,041.6 million, or 67.0% of the total net proceeds. (The remainder of the total investments to be used for this strategy shall be financed either by our internal financial resources or external loans)	

Strategy	Overall goals to be met:		Implementation targets and estimated investments for the year ended December 31, 2023	2024
We will enhance our one-stop solution capabilities.	1. New research and development efforts		Completion of a research project on a bridge lift equipment suitable for community homes, among others	Development and evolution of corresponding projects
	2. Recruiting additional staff for research and development team and additional technical staff for engineering team		Staff size increase to around 400 to 450, with an investment of around RMB120 million to RMB130 million, primarily on salaries and benefits	Staff size increase to around 500 to 550, representing a 45% to 65% increase from the number of research and development staff as of December 31, 2022, reaching about 460 to 480 with bachelor degrees and 5 to 10 with doctorate degrees, with an investment of RMB160 million to RMB170 million, primarily on salaries and benefits
		Estimated investment per year	Around RMB170 million to RMB200 million	Around RMB200 million to RMB230 million
		Total estimated investment	Around RMB370 million to RMB430 million	
		Amount of net proceeds to be used	HK$170.9 million, or 11.0% of the total net proceeds. (The remainder of the total investments to be used for this strategy shall be financed either by our internal financial resources or external loans)	

Strategy	Overall goals to be met:		Implementation targets and estimated investments for the year ended December 31, 2023	2024
We will enhance our operational efficiency through digitalization upgrade.	1. Recruiting additional staff for digitalization team		Staff size increase to about 270 to 290, with an investment of RMB100 million to RMB120 million, primarily on salaries and benefits	Staff size increase to about 300 to 320, with an investment of RMB120 million to RMB140 million, primarily on salaries and benefits
	2. Subscriptions to or purchases of supporting systems and platforms (e.g. information security systems, etc.)		Finished subscribing all of the planned systems and platforms by the end of the year.	Commencement of the evaluation of the systems and platforms subscribed or purchased, to finish by the end of the year.
		Estimated investment per year	Around RMB130 million to RMB150 million	Around RMB150 million to RMB170 million
		Total estimated investment	Around RMB280 million to RMB320 million	
		Amount of net proceeds to be used	HK$124.6 million, or 8.0% of the total net proceeds. (The remainder of the total investments to be used for this strategy shall be financed either by our internal financial resources or external loans)	

We will strategically expand our service outlet network to further enhance our service capabilities

We believe that reducing the distance between our service outlets and the client's sites would greatly benefit our business to support future growth. To this end, we plan to reduce such a distance to a target of 30 kilometers for most of our service outlets by reaching around 430 by the end of 2023, and then 500 by the end of 2024. The following map of China represents a geographical distribution of the number of our main bases, and existing and expected future service outlets to be established in China by the end of 2024:



Our selection of sites for our service outlets comprehends a variety of considerations, which include, among others, potential market size, timeliness of responding to customer requests, market competition, logistics costs and rental costs. Whilst we are planning the nation-wide expansion, we will be mindful of focusing our market penetration in national economic areas in China. In summary, our strategy to intensify our efforts in such economic hotspots are based on the economic outlook of such regions, the historical market demand for equipment services, and the potential of reaching more customers at a faster speed when we reduce the distance between potential customer sites and any of our service outlets in the region. For such reasons, we plan to increase our service outlet density in tier-one and tier-two cities in these areas to further increase our market shares in these cities. Even with a market-leading position in these areas, we do believe that there is still immense potential in such cities for future growth, considering the relatively small market share we occupy. Nevertheless, we have also observed a gradual, yet moderate, migration of business to tier-three and tier-four cities, which may lead to a shortage of supply of services if such cities only rely on service providers in provincial capitals. In order to future-proof our expansion, certain targeted expansions in such cities are also deemed necessary.

We will optimize our equipment portfolio

We believe that, with the up and coming equipment operation service market, we may be able to boost our growth potential by optimizing our equipment portfolio. By doing so, we further enhance the diversity and quality of our equipment and service portfolio. In addition to the promising industry growth numbers, the utilization of our equipment and material steadily maintained between 67.9% and 80.2% during the Track Record Period, despite the continuous increase in our equipment volume to support our business growth. Our operating leases segment remains the most profitable business segment. Moreover, as we have signed various long-term agreements with customers for our operating leases, combined with our promising growth potential, we believe that our strategic vision to optimize our equipment portfolio for further business growth substantiated.

Our Directors estimate that annual depreciation as a result of the procurement of additional machinery and equipment under such strategy funded by the net proceeds from the Global Offering to be approximately RMB37.0 million, RMB1.4 million and RMB14.1 million, for our aerial work platforms, neo-excavation systems and neo-formwork systems for the year ending December 31, 2023, and approximately RMB56.1 million, RMB28.0 million and RMB28.7 million, for the year ending December 31, 2024, respectively.

Procuring more aerial work platforms

As aerial work platform is increasingly applied in different construction, operation, reconstruction and maintenance scenarios, including emerging consumer scenarios such as large-scale entertainment and sports events, the demand for aerial work platform operation services in China and southeast Asia is expected to flourish. Therefore, we plan to procure additional aerial work platforms that are in high demand, while selectively entering into re-renting arrangements to further increase the scale of aerial work platforms we manage. The possibilities of applications for aerial work platforms include:

- Plant construction – automobile production plant, food and drug manufacturing facilities, electronics factory, energy and petrochemical plant, etc.;

- Municipal construction – subways, airports, stadiums, hospitals, schools and landmark buildings;

- Commercial real estate – new residential buildings, commercial complexes, restoration of old community, villas and towns;
- Operation in venues – cultural shows, exhibitions, events;
- Ship-building; and
- Warehousing, logistics, installation and maintenance.

Procure neo-excavation support systems

We believe that with the increasing market emphasis on quality execution of construction works which are also environmentally friendly, our neo-excavation support system is expected to continue to gain popularity. We also believe that a major trend in the development of the construction industry is the use and assembly of pre-fabricated foundation pits, which heavily relies on steel support systems. Considering such market trends, we should adopt high-quality steel-based neo-excavation support systems in our equipment portfolio, to capture such growth opportunities, for the future.

The neo-excavation support systems we plan to add to our portfolio would include those comprising H-steel, steel sheet pile and steel support, as composed to the conventional systems made of either section steel with cover plats, or concrete structures. It has outstanding advantages such as providing large-span excavation space, large supporting capacity, stability and reliability, standardized processing and production of components, reusability, and environmental protection. Moreover, our neo-excavation support system has a flexible structure, high bearing capacity over a large area and a high degree of safety, as compared to the conventional models. We believe that for such reasons stated above, this system would be highly preferred in the future markets in China, and it would be in our strategic benefits to expand our portfolio with this system.

Procure neo-formwork systems such as the ringlock scaffold

Recently, we have seen a progressive increase in contracts with our customers for our neo-formwork systems. We believe that we need to expand into the future and procure more advanced formwork systems such as the ringlock scaffold to meet new market demands. We expect that the "Made in China" initiative will push manufacturers to go through upgrades and in order for China to maintain a world manufacturing power. Moreover, since the implementation of the Work Safety Law of the PRC, various localities have introduced support policies for that support the use of ringlock scaffold. In some large-scale or special engineering projects, the use of such scaffolding would be stipulated in official guidance from the government.

The ringlock scaffold is technically more advanced and preferred scaffolding products in the world today, with a simple structure, large bearing capacity, stability and reliability, rapid assembly and disassembly, features that are time-saving and labor-saving, materials with strong versatility, safety and efficiency, anti-corrosion and rust prevention. As compared to the steel pipe and fastener scaffold, which is considered to be the standard model in common practice, the ringlock scaffold also has a higher mobility and flexibility while maintaining a high bearing capacity. When used in the long-term, the economic benefits of the ringlock scaffold would be more significant.

We will enhance our one-stop solution capabilities

We believe that there is a commercial need to continue in building up our capabilities in providing a one-stop shop for solutions catering to our customers' needs. Since we began the engineering and technical services segment, we had experienced substantial growth, which shows the benefits of a multi-dimensional services portfolio, especially when we diversified our portfolio to include labor-intensive on-site services. Our revenue generated from engineering and technical services increased from RMB1,062.8 million in 2020 to RMB2,136.6 million in 2022, representing a CAGR of 41.8%. Such growth figures substantiate our strategic vision to expand our solution capabilities for further business growth. In addition, our one-stop solutions will help increase the utilization rate of our equipment and materials, enhance our competitiveness in the market, and establish higher entry barriers in the industry. In particular, we will expand our investment in engineering technology research and development and recruit the related talents to further enhance our one-stop solution capabilities.

We will enhance our operational efficiency through digitalization upgrade

Historically, we have already seen the benefits of the digitization of various aspects of a business. For example, through digitizing the service process for our aerial work platform services, our average service capacity per employee for aerial work platform increased from 20 units in 2016 to 115 units in 2022. Based on such benefits from our previous digitization efforts, we will continue the expansion of our digitization strategy in order to increase our overall operational efficiency, and to prepare ourselves for further business challenges and opportunities.

We believe that a truly efficient digitization strategy should encompass both digitization and automation on a holistic level.

The following illustrates our future digitization and automation strategy:

Our business operations:

Digitization:
Expand the previous efforts in digitizing from our aerial work platform services to all product and service areas (order placement, review, rental fee calculation, customer reconciliation, invoicing and payment collection, online payment, order tracking, transaction settlement and invoicing).

Automation:
Through design of intelligent analytical software that is tailored to our business model, we will automate aspect of our operations. For example, once an order is placed, we will rely on artificial intelligence to review the orders made, calculate the rental fees and invoice our customers with instructions on payment methods. Once a deposit is made at our bank accounts, our central command system will automatically notify our digitize supply chain of the delivery of equipment to the customer. Sensors and other hardware installed on the equipment will be able to notify our maintenance and repair center should repairs be needed and to dispatch repairmen on site. Automatic reminders for payment and questionnaires for customer satisfaction will also be sent out near the conclusion of a construction project.

Such efforts will require firstly all records being digitized, and an algorithm to analyze such data, and process the commands via a digital infrastructure, with each stage of the business model installed with communicators, receivers and required software. This would require significant investment in cloud data services, IoT related software and hardware, and a sizeable team of software engineers.

Our supply chain management system:

Digitization:
Building on the ERP system that was set up in 2015 and the updated and integrated online operations and management system, SAAS Back-office Management System, the digitizing of the supply chain will also include policies in order management, procurement, logistics, warehousing, depreciation, repairs and maintenance. Such policies will be made readily available online for any staff member. The digitization and communication of such online policies will also be implemented by our current IT staff.

Automation:
The automation of our supply chain will heavily rely on the installation of IoT related hardware on each of our equipment, vehicles and warehouses. Such hardware include sensors, processors, receivers, all connected to the internet via cloud based technology, and being analyzed and managed with an algorithm designed by software engineers. The automation of our supply chain will be able to notify our suppliers when there is a pre-determined need/target to procure materials, and to make the orders automatically. Our inventory control will also be automatically notified whenever certain equipment is rented out, to where it was rented out, and it’s condition. By doing so, our online customer service platform will then be able to allow our customers to know the availability of the equipment for rent.

Our financial control system:

Digitization:
Already in place in terms of digitizing records from paper.

Automation:
We will be subscribing intelligent financial systems created by third-party service providers to automate financial tasks such as payment collection, invoicing, write-off, and journalizing, which will help reduce our labor costs.

Our human resource management system:

Digitization:
Already in place in terms of digitizing records from paper.

Automation:
We will implement a software developed by third-party service providers for our business, to implement a smarter way in managing personnel, attendance, payroll and performance.

To maximise the effects of a digitization strategy, we need further expansion in our talent pool. A new algorithm team will need to be formed, and algorithm engineering talents will be introduced to further explore the value of big data and enrich and optimize intelligent operation scenarios. As currently our IT staff are not of the highest technical standings, and none of them possess the expertise in algorithm and computational engineering that are deemed necessary for the future upgrades, our senior staff will now focus on recruiting experienced talents front the internet, supply chain and construction industries.

Considering the risks of cyberattacks and espionage in this day and age of connectivity, we believe that there is also a need to form a team of cybersecurity specialists to protect our digital infrastructure from sophisticated cyberattacks, as we continue with our digitization strategy. Such a team will consist of regional data security managers, stationed at our main bases or major service outlets, and security specialists teams to be at our digitization research center and also our main bases, to ensure the overall security of our systems. As of the Latest Practicable Date, a data security team of such expertise and scale had not been engaged to be a part of our team.

We will gradually strengthen our research and development capabilities in big data, IoT and artificial intelligence. Our Shanghai research center is used as the headquarters for our digital construction efforts. Its main development activities will include product planning, user experience design, security, big data, algorithms, and mobile research. The Tianjin sub-center is mainly responsible for the research and design of the company's logistics platform, and cooperates with the Shanghai research center to construct the company's digital supply chain system.

The above allocation of the net proceeds from the Global Offering will be adjusted on a pro rata basis in the event that the Offer Price is fixed at a higher or lower level compared to the mid-point of the indicative Offer Price range stated in this Prospectus.

If the Over-allotment Option is exercised in full, the net proceeds that we will receive will be approximately HK$1,781.5 million, assuming an Offer Price of HK$4.66 per Share (being the mid-point of the indicative Offer Price range). In the event that the Over-allotment Option is exercised in full, we intent to apply the additional net proceeds to the above purposes in the proportions stated above.

To the extent that the net proceeds are not immediately applied to the above purposes or if we are unable to effect any part of our future development plans as envisaged, we intend to hold such funds in short-term demand deposits with authorized financial institutions or licensed banks as defined under the Securities and Futures Ordinance or the applicable laws in the PRC for so long as it is deemed to be in the interests of our Company and our Shareholders as a whole.

THE CORNERSTONE PLACING

The Company has entered into separate cornerstone investment agreements with the cornerstone investors set out below (collectively "**Cornerstone Investors**", and each a "**Cornerstone Investor**"), pursuant to which the Cornerstone Investors have agreed to, subject to certain conditions, subscribe for certain number of Offer Shares at the Offer Price (the "**Cornerstone Placing**").

Assuming an Offer Price of HK$4.52 per Offer Share (being the low end of the Offer Price range set out in this Prospectus), the total number of Offer Shares to be subscribed for by the Cornerstone Investors would be 243,745,000, representing approximately 7.62% of the total Shares in issue upon completion of the Global Offering and 66.84% of the Offer Shares offered pursuant to the Global Offering (assuming that the Over-allotment Option is not exercised), and the total subscription amount by the Cornerstone Investors would be approximately HK$1,101,727,400.

Assuming an Offer Price of HK$4.66 per Offer Share (being the mid-point of the Offer Price range set out in this Prospectus), the total number of Offer Shares to be subscribed for by the Cornerstone Investors would be 236,421,000, representing approximately 7.39% of the total Shares in issue upon completion of the Global Offering and 64.83% of the Offer Shares offered pursuant to the Global Offering (assuming that the Over-allotment Option is not exercised), and the total subscription amount by the Cornerstone Investors would be approximately HK$1,101,721,860.

Assuming an Offer Price of HK$4.80 per Offer Share (being the high end of the Offer Price range set out in this Prospectus), the total number of Offer Shares to be subscribed for by the Cornerstone Investors would be 229,525,000, representing approximately 7.18% of the total Shares in issue upon completion of the Global Offering and 62.94% of the Offer Shares offered pursuant to the Global Offering (assuming that the Over-allotment Option is not exercised), and the total subscription amount by the Cornerstone Investors would be approximately HK$1,101,720,000.

Each of Zoomlion, Zhejiang Dingli and LGMG is an existing Shareholder and a Pre-IPO Investor of our Company. They have been permitted to participate in the Cornerstone Placing pursuant to paragraph 4.20 of the Stock Exchange Guidance Letter HKEX-GL85-16 under a waiver from strict compliance with Rule 10.04 of, and a written consent under paragraph 5(2) of Appendix 6 to the Listing Rules granted by the Stock Exchange. For further details, please refer to the section headed "Waivers from Strict Compliance with the Listing Rules". Other than the aforementioned, our Directors confirm that, to their best knowledge, (i) each of the Cornerstone Investors is an Independent Third Party and is not a connected person of our Company; (ii) each of the Cornerstone Investors is independent from our Group, connected persons and their respective associates, and is not an existing Shareholder or close associate of our Group; (iii) each of the Cornerstone

Investors is independent from each other; (iv) none of the subscriptions of the relevant Offer Shares by the Cornerstone Investors is financed directly or indirectly by our Company, Directors, chief executive of our Company, Controlling Shareholders, substantial Shareholders or existing Shareholders, or any of its subsidiaries or their respective close associates; and (v) none of the Cornerstone Investors is accustomed to take instructions from the Company, the Directors, chief executive of the Company, Controlling Shareholders, substantial Shareholders or existing Shareholders, or any of its subsidiaries or their respective close associates in relation to the acquisition, disposal, voting or other disposition of the Offer Shares registered in its name or otherwise held by it.

Each of the Cornerstone Investors confirms to fund its subscription under the Cornerstone Placing by its own internal resources. Each of the Cornerstone Investors has confirmed that all necessary approvals have been obtained with respect to the Cornerstone Placing and that no specific approval from any stock exchange (if relevant) or its shareholders or other regulatory authority is required for the relevant cornerstone investment as each of them has general authority to invest. No preferential treatment or right has been granted by our Company to the Cornerstone Investors other than the preferential placings to the Cornerstone Investors following the principles as set out in the Stock Exchange Guidance Letter HKEX-GL51-13. There are no side agreement or agreements between our Company and the Cornerstone Investors, or any benefit, directly or indirectly, conferred on the Cornerstone Investors by virtue of, or in relation to, the Cornerstone Placing other than our guaranteed allocation of the relevant Offer Shares at the Offer Price following the principles as set out in the Stock Exchange Guidance Letter HKEX-GL51-13.

The Offer Shares to be subscribed for by each Cornerstone Investor may be affected by any reallocation of the Offer Shares between the International Offering and the Hong Kong Public Offering in the event of oversubscription under the Hong Kong Public Offering as described in the section headed "Structure of the Global Offering – The Hong Kong Public Offering – Reallocation and clawback" in this Prospectus and the number of Offer Shares under the International Offering may be deducted to satisfy the public demands under the Hong Kong Public Offering. Each of the Cornerstone Investors has agreed that, in the event that the requirement pursuant to Rules 8.08(3) of the Listing Rules, which provides that no more than 50% of our Shares in public hands on the Listing Date can be beneficially owned by the three largest public Shareholders, cannot be satisfied, the Company and the Overall Coordinators have the right to adjust the allocation of the number of Offer Shares to be purchased by the Cornerstone Investor in their sole and absolute discretion to satisfy the requirement under Rule 8.08(3) of the Listing Rules. Details of the actual number of Offer Shares to be allocated to the Cornerstone Investors will be disclosed in the allotment results announcement to be issued by the Company on or around May 24, 2023.

The Cornerstone Placing will form part of the International Offering. We are of the view that, leveraging on the Cornerstone Investors' experience, the Cornerstone Placing will help to raise the profile of the Company and signify that such investors have confidence in our business and prospect. The Offer Shares to be subscribed for by the Cornerstone Investors will rank *pari passu* in all respects with the other fully paid Shares in issue. None of the Cornerstone Investors will subscribe for any Offer Shares under the Global Offering (other than pursuant to the respective cornerstone investment agreements). Immediately following the completion of the Global Offering, none of the Cornerstone Investors will have any Board representation in the Company, nor will any of the Cornerstone Investors become a substantial Shareholder (as defined in the Listing Rules). The Offer Shares to be subscribed for by the Cornerstone Investors will be counted towards the public float of the Company.

There will be no delayed delivery or deferred settlement of Offer Shares to be subscribed by the Cornerstone Investors and each of the Cornerstone Investors will fully settle the payment before the commencement of dealings in the Offer Shares on the Stock Exchange pursuant to their respective cornerstone investment agreements.

CORNERSTONE INVESTORS

The Company has entered into cornerstone investment agreements with (i) HK Dongbin Joint Victory Development Co. Limited (香港東濱合勝發展有限公司) ("**HK Dongbin**"), (ii) Zoomlion International Trading (H.K.) Co., Limited ("**Zoomlion**"), (iii) Zhejiang Dingli Machinery Co., Ltd. ("**Zhejiang Dingli**"), (iv) LGMG International Limited ("**LGMG**"), (v) Xinheng Holding Limited ("**Xinheng**"), (vi) Shanghai Putuo Science and Technology Investment Co., Ltd.* (上海普陀科技投資有限公司) ("**Putuo Investment**") and (vii) Shanghai Gold Ring Enterprise Group Co., Ltd. ("**Gold Ring**"), in respect of the Cornerstone Placing.

The following table sets out certain details of the Cornerstone Placing:

				Assuming the Over-allotment Option is not exercised		Assuming the Over-allotment Option is exercised in full	
	Total Investment amount[(1)]	Indicative Offer Price[(2)]	Number of Offer Shares to be subscribed for[(3)]	Percentage of the total Shares in issue immediately upon completion of the Global Offering	Percentage of the total number of Offer Shares	Percentage of the total Shares in issue immediately upon completion of the Global Offering	Percentage of the total number of Offer Shares
				(approximate)	*(approximate)*	*(approximate)*	*(approximate)*
HK Dongbin	HK$386,000,000	Low-end:HK$4.52	85,398,000	2.67%	23.42%	2.63%	20.36%
		Mid-point:HK$4.66	82,832,000	2.59%	22.71%	2.55%	19.75%
		High-end:HK$4.80	80,416,000	2.52%	22.05%	2.47%	19.17%
Zoomlion	US$30,000,000 (equivalent to approximately HK$235,494,000)	Low-end:HK$4.52	51,580,000	1.61%	14.14%	1.59%	12.30%
		Mid-point:HK$4.66	50,030,000	1.56%	13.72%	1.54%	11.93%
		High-end:HK$4.80	48,571,000	1.52%	13.32%	1.49%	11.58%
Zhejiang Dingli	US$25,000,000 (equivalent to approximately HK$196,245,000)	Low-end:HK$4.52	42,983,000	1.34%	11.79%	1.32%	10.25%
		Mid-point:HK$4.66	41,692,000	1.30%	11.43%	1.28%	9.94%
		High-end:HK$4.80	40,476,000	1.27%	11.10%	1.24%	9.65%
LGMG	US$15,000,000 (equivalent to approximately HK$117,747,000)	Low-end:HK$4.52	26,050,000	0.81%	7.14%	0.80%	6.21%
		Mid-point:HK$4.66	25,267,000	0.79%	6.93%	0.78%	6.02%
		High-end:HK$4.80	24,530,000	0.77%	6.73%	0.75%	5.85%

				Assuming the Over-allotment Option is not exercised		Assuming the Over-allotment Option is exercised in full	
	Total Investment amount[(1)]	Indicative Offer Price[(2)]	Number of Offer Shares to be subscribed for[(3)]	Percentage of the total Shares in issue immediately upon completion of the Global Offering	Percentage of the total number of Offer Shares	Percentage of the total Shares in issue immediately upon completion of the Global Offering	Percentage of the total number of Offer Shares
				(approximate)	*(approximate)*	*(approximate)*	*(approximate)*
Xinheng	US$15,000,000 (equivalent to approximately HK$117,747,000)	Low-end:HK$4.52	26,050,000	0.81%	7.14%	0.80%	6.21%
		Mid-point:HK$4.66	25,267,000	0.79%	6.93%	0.78%	6.02%
		High-end:HK$4.80	24,530,000	0.77%	6.73%	0.75%	5.85%
Putuo Investment	RMB28,000,000 (equivalent to approximately HK$31,735,237)	Low-end:HK$4.52	6,950,000	0.22%	1.91%	0.21%	1.66%
		Mid-point:HK$4.66	6,742,000	0.21%	1.85%	0.21%	1.61%
		High-end:HK$4.80	6,545,000	0.20%	1.79%	0.20%	1.56%
Gold Ring	RMB19,070,000 (equivalent to approximately HK$21,613,964)	Low-end:HK$4.52	4,734,000	0.15%	1.30%	0.15%	1.13%
		Mid-point:HK$4.66	4,591,000	0.14%	1.26%	0.14%	1.09%
		High-end:HK$4.80	4,457,000	0.14%	1.22%	0.14%	1.06%

Notes:

(1) The investment amount of each of HK Dongbin, LGMG and Xinheng excludes the brokerage fee, the SFC transaction levy, the AFRC transaction levy and the Stock Exchange trading fee, while the investment amount of each of Zoomlion, Zhejiang Dingli, Putuo Investment and Gold Ring includes the brokerage fee, the SFC transaction levy, the AFRC transaction levy and the Stock Exchange trading fee. The equivalent HK$ amount was calculated based on (a) an exchange rate of HK$7.8498 : US$1.00 as described in "Information about this Prospectus and the Global Offering – Exchange Rate Conversion" in this Prospectus, or (b) the actual exchange rate of RMB0.8823:HK$1.00 used as prescribed in certain cornerstone investment agreements.

(2) Being the low-end, mid-point and high-end of the indicative Offer Price range set out in this Prospectus, respectively.

(3) Subject to rounding down to the nearest whole board lot of 1,000 Offer Shares.

The information about our Cornerstone Investors set forth below has been provided by the Cornerstone Investors in connection with the Cornerstone Placing:

HK Dongbin

HK Dongbin is an investment holding company established in Hong Kong with limited liability. It is wholly owned by Tianjin Binjiang Construction Development Partnership (Limited Partnership) (天津濱疆建設發展合夥企業(有限合夥)) ("**Tianjin Binjiang LLP**"), which is a limited partnership established in the PRC. The limited partners of Tianjin Binjiang LLP include Tianjin Dongjiang Capital Co., Ltd.* (天津東疆資本有限公司) ("**Tianjin Dongjiang Capital**"), which holds 91.14% partnership interest in Tianjin Binjiang LLP and is in turn wholly owned by Tianjin Dongjiang Bonded Port Zone Management Committee (天津東疆保稅港區管理委員會). The general partner of Tianjin Binjiang LLP is Tianjin Binhai Dongjiang Industrial Investment Co., Ltd.* (天津濱海東疆產業投資有限公司), which owns approximately 0.29% partnership interest in Tianjin Binjiang LLP and is in turn owned as to 60% by Tianjin Dongjiang Capital. Save for the above, each of the other partners holds less than 10% partnership interests in Tianjin Binjiang LLP. Our Company became acquainted with HK Dongbin through the business network of our Group.

Zoomlion

Zoomlion is a company established in Hong Kong with limited liability and is principally engaged in international trade. It is an indirect wholly-owned subsidiary of Zoomlion Heavy Industry Science and Technology Co., Ltd., the H shares of which are listed on the Hong Kong Stock Exchange under stock code 1157 and the A shares of which are listed on the Shenzhen Stock Exchange under stock code 000157, which is principally engaged in the research, development, manufacturing, sales and services of engineering machineries and agricultural machineries. A subsidiary of Zoomlion Heavy Industry Science and Technology Co., Ltd. was among our top five suppliers in 2022 and primarily supplied aerial work platforms to us.

Zhejiang Dingli

Zhejiang Dingli is a company established in the PRC with limited liability and is principally engaged in the research and development, manufacturing, sales and services of various intelligent aerial work platforms, the A shares of which are listed on the Shanghai Stock Exchange under stock code 603338. Zhejiang Dingli was among our top five suppliers during the Track Record Period and primarily supplied aerial work platforms to us.

For the purpose of this cornerstone investment, Zhejiang Dingli has participated in the "Haitong Asset Management AnYing HaiWai No. 24 Single Asset Management Plan" (海通資管安盈海外24號單一資產管理計劃) established by Shanghai Haitong Securities Asset Management Co., Ltd.* (上海海通證券資產管理有限公司), an asset manager which is a qualified domestic institutional investor (QDII) approved by the relevant Chinese authorities, to subscribe for and hold such Offer Shares on its behalf.

LGMG

LGMG is a company established in Hong Kong with limited liability and is principally engaged in investment management. It is an indirect wholly-owned subsidiary of Linyi Lingong Machinery Group Co., Ltd., which is controlled as to approximately 88.39% by Mr. Wang Zhizhong. Save for the above, each of the other shareholders controls less than 10% equity interests in Linyi Lingong Machinery Group Co., Ltd. Linyi Lingong Machinery Group Co., Ltd. was among our top five suppliers during the Track Record Period and primarily supplied aerial work platforms to us.

Xinheng

Xinheng is a company established in BVI with limited liability and is principally engaged in investment holding. It is ultimately wholly owned by Ms. Qian Peixin and her immediate family member. They are the actual controllers of Jiangsu Hengli Hydraulic Co., Ltd., the A shares of which are listed on the Shanghai Stock Exchange under stock code 601100. Our Company became acquainted with Xinheng through the business network of our Group.

Putuo Investment

Putuo Investment is a company established in the PRC with limited liability and is principally engaged in industrial investment, asset management, investment management and property management. Putuo Investment is approved by the Putuo District Government of Shanghai and wholly owned by Putuo State-owned Assets Supervision and Administration Commission (上海市普陀區國有資產監督管理委員會). Our Company became acquainted with Putuo Investment through introduction by our Controlling Shareholder, Far East Horizon.

For the purpose of this cornerstone investment, Putuo Investment has participated in the "Haitong Asset Management AnYing HaiWai No. 25 Single Asset Management Plan" (海通資管安盈海外25號單一資產管理計劃) established by Shanghai Haitong Securities Asset Management Co., Ltd.* (上海海通證券資產管理有限公司), an asset manager which is a qualified domestic institutional investor (QDII) approved by the relevant Chinese authorities, to subscribe for and hold such Offer Shares on its behalf.

Gold Ring

Gold Ring is a company established in the PRC with limited liability and is principally engaged in investment in industrial properties and infrastructure and property management. It is owned as to 85% and 15% by Shanghai Taopu Industrial Co., Ltd.* (上海桃浦實業有限公司) ("**Taopu Industrial**") and Shanghai Chunguang Industrial Co., Ltd.* (上海春光實業有限公司) ("**Chunguang Industrial**") respectively. The People's Government of Taopu Town (桃浦鎮人民政府) holds 90% equity interest in Taopu Industrial and 10% equity interest in Chunguang Industrial respectively. The Villagers Committee of Taopu Chunguang Village (桃浦春光村民委員會) holds the other 90% equity interest in Chunguang Industrial. Our Company became acquainted with Gold Ring through introduction by our Controlling Shareholder, Far East Horizon.

For the purpose of this cornerstone investment, Gold Ring has participated in the "Haitong Asset Management AnYing HaiWai No. 26 Single Asset Management Plan" (海通資管安盈海外26號單一資產管理計劃) established by Shanghai Haitong Securities Asset Management Co., Ltd.* (上海海通證券資產管理有限公司), an asset manager which is a qualified domestic institutional investor (QDII) approved by the relevant Chinese authorities, to subscribe for and hold such Offer Shares on its behalf.

CONDITIONS PRECEDENT

The obligation of each of the Cornerstone Investors to subscribe for the Offer Shares under the respective cornerstone investment agreement is subject to, among other things, the following conditions precedent:

(a) the Underwriting Agreements being entered into and having become effective and unconditional (in accordance with their respective original terms or as subsequently waived or varied by agreement of the parties thereto) by no later than the time and date as specified in those Underwriting Agreements and the Underwriting Agreements not having been terminated;

(b) the Offer Price having been agreed upon between the Company and the Overall Coordinators (on behalf of the underwriters and the capital market intermediaries of the Global Offering);

(c) the Listing Committee of the Stock Exchange having granted the listing of, and permission to deal in, the Shares (including the Offer Shares under the Cornerstone Placing), as well as any other applicable waivers and approvals, and that such approval, permission or waiver not having been revoked prior to the commencement of dealings in the Shares on the Stock Exchange;

(d) no laws having been enacted or promulgated by any governmental authority which prohibits the consummation of the transactions contemplated in the Global Offering and there shall be no orders nor injunctions from a court of competent jurisdiction in effect precluding or prohibiting consummation of such transactions; and

(e) the respective representations, warranties, acknowledgements, undertakings, and confirmations of the relevant Cornerstone Investors under the relevant cornerstone investment agreements are accurate and true in all respects and not misleading and that there is no material breach of the relevant cornerstone investment agreements on the part of the relevant Cornerstone Investors.

RESTRICTIONS ON THE CORNERSTONE INVESTORS' INVESTMENT

Each Cornerstone Investor has agreed that it will not, whether directly or indirectly, at any time during the period of six (6) months from and inclusive of the Listing Date, (i) dispose of, in any way, any of the Shares subscribed for by it under the relevant cornerstone investment agreement (the "**Relevant Shares**") or any interest in any company or entity holding any Relevant Shares; (ii) allow itself to undergo a change of control (as defined in the Takeovers Code) at the level of its ultimate beneficial owner; or (iii) enter into any transactions directly or indirectly with the same economic effect as any aforesaid transaction.

Each Cornerstone Investor may transfer all or part of the Relevant Shares in certain limited circumstances as set out in the relevant cornerstone investment agreement, such as a transfer to a wholly-owned subsidiary of such Cornerstone Investor, provided that prior to such transfer, such wholly-owned subsidiary undertakes to be bound by such Cornerstone Investor's obligations under the relevant cornerstone investment agreement and be subject to the obligations and restrictions on disposal of the Relevant Shares imposed on such Cornerstone Investor.

HONG KONG UNDERWRITERS

Huatai Financial Holdings (Hong Kong) Limited
Citigroup Global Markets Asia Limited
CMB International Capital Limited
DBS Asia Capital Limited
BOCI Asia Limited
Shenwan Hongyuan Securities (H.K.) Limited
Guotai Junan Securities (Hong Kong) Limited
BOCOM International Securities Limited
CCB International Capital Limited
ABCI Securities Company Limited
Zhongtai International Securities Limited
Futu Securities International (Hong Kong) Limited
Tiger Brokers (HK) Global Limited
Valuable Capital Limited

UNDERWRITING

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters on a conditional basis. The International Offering is expected to be fully underwritten by the International Underwriters.

The Global Offering comprises the Hong Kong Public Offering of initially 36,470,000 Hong Kong Public Offer Shares and the International Offering of initially 328,224,000 International Offer Shares, subject, in each case, to reallocation on the basis as described in the section headed "Structure of the Global Offering" as well as to the Over-Allotment Option (in the case of the International Offering).

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, the Company is offering initially 36,470,000 Hong Kong Offer Shares for subscription by the public in Hong Kong on and subject to the terms and conditions of this Prospectus and the **GREEN** Application Form at the Offer Price. Subject to (a) the Listing Committee of the Stock Exchange granting approval for the listing of, and permission to deal in, the Shares in issue and to be offered pursuant to the Global Offering as mentioned herein and such approval not having been withdrawn and (b) certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have agreed severally and not jointly to subscribe or procure subscribers for their respective applicable proportions of the Hong Kong Public Offer Shares being offered which are not taken up under the Hong Kong Public Offering on and subject to the terms and conditions set out in this document, **GREEN** Application Form and the Hong Kong Underwriting Agreement. The Hong Kong Underwriting Agreement is conditional upon and subject to, among other things, the International Underwriting Agreement having been executed and becoming unconditional and not having been terminated in accordance with its terms.

For applicants applying under the Hong Kong Public Offering, this document and the **GREEN** Application Form contain the terms and conditions of the Hong Kong Public Offering. The International Offering is expected to be fully underwritten by the International Underwriters.

Grounds for Termination

If any of the events set out below occur at any time prior to 8:00 a.m. on the Listing Date, the Joint Sponsors and Overall Coordinators (for themselves and on behalf of the Hong Kong Underwriters) shall be entitled by written notice to the Company to terminate the Hong Kong Underwriting Agreement with immediate effect:

(a) there develops, occurs, exists or comes into force:

(i) any new law or regulation or any change or development involving a prospective change in existing law or regulation, or any change or development involving a prospective change in the interpretation or application thereof by any court or other competent authority in or affecting Hong Kong, the PRC, Singapore, the Cayman Islands, the United States, the United Kingdom, the European Union (or any member thereof) or Japan (each a "**Relevant Jurisdiction**"); or

(ii) any change or development involving a prospective change, or any event or series of events likely to result in or representing a change or development, or prospective change, in local, national, regional or international financial, political, military, industrial, economic, currency market, fiscal or regulatory or market conditions or any monetary or trading settlement system (including, without limitation, conditions in stock and bond markets, money and foreign exchange markets and inter-bank markets, a change in the system under which the value of the Hong Kong currency is linked to that of the currency of the United States or a change of the Hong Kong dollars or of the Renminbi against any foreign currencies) in or affecting any Relevant Jurisdiction; or

(iii) any event or series of events, whether in continuation, or circumstances in the nature of force majeure (including, without limitation, acts of government, labour disputes, strikes, lock-outs, fire, explosion, earthquake, flooding, tsunami, volcanic eruption, civil commotion, riots, rebellion, public disorder, acts of war (whether declared or undeclared), acts of terrorism (whether or not responsibility has been claimed), acts of God, accident or interruption in transportation, destruction of power plant, outbreak, escalation, mutation or aggravation of diseases, epidemics or pandemics including, but not limited to, SARS, swine or avian flu, H5N1, H1N1, H1N7, H7N9, Ebola virus, Middle East respiratory syndrome (MERS), COVID-19 and such related/mutated forms, economic sanction, any local, national, regional or international outbreak or escalation of hostilities (whether or not war is or has been declared) or other state of emergency or calamity or crisis in whatever form) political change, paralysis of government operations, interruption or delay in transportation, other industry action in or directly or indirectly affecting any Relevant Jurisdiction; or

(iv) any moratorium, suspension or restriction (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) in or on trading in securities of generally on the Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market, the London Stock Exchange, the Tokyo Stock Exchange, the Singapore Stock Exchange, the Shanghai Stock Exchange or the Shenzhen Stock Exchange; or

(v) any general moratorium on commercial banking activities in Hong Kong (imposed by the Financial Secretary or the Hong Kong Monetary Authority or other competent governmental authority), New York (imposed at Federal or New York State level or other competent governmental authority), London, Singapore, the PRC, the European Union (or any member thereof), Japan or any Relevant Jurisdiction or any disruption in commercial banking or foreign exchange trading or securities settlement or clearance services, procedures or matters in any Relevant Jurisdiction; or

(vi) any (A) change or prospective change in exchange controls, currency exchange rates or foreign investment regulations (including, without limitation, a change of the Hong Kong dollars or RMB against any foreign currencies, a change in the system under which the value of the Hong Kong dollars is linked to that of the United States dollars or RMB is linked to any foreign currency or currencies), or (B) any change or prospective change in Taxation in any Relevant Jurisdiction adversely affecting an investment in the Shares; or

(vii) except as otherwise approved by the Joint Sponsors and the Overall Coordinators (for themselves and on behalf of the Hong Kong Underwriters), the issue or requirement to issue by our Company of a supplemental or amendment to this Prospectus, Application Forms, preliminary offering circular or offering circular or other documents in connection with the offer and sale of the Shares pursuant to the Companies Ordinance or the Listing Rules or upon any requirement or request of the Stock Exchange or the SFC; or

(viii) any change or development involving a prospective change which has the effect of materialisation of any of the risks set out in the section headed "Risk Factors" in this Prospectus; or

(ix) any litigation or claim being threatened or instigated against any member of our Group or any Director; or

(x) any contravention by any member of our Group, any Director of the Companies Ordinance, the PRC Company Law or the Listing Rules; or

(xi) any executive Directors, the chief executive officer or the chief finance officer of our Company vacating his or her office; or

(xii) a governmental authority or a regulatory body or organisation in any Relevant Jurisdiction commencing any investigation or other action or proceedings, or announcing an intention to investigate or take other action or proceedings, against any member of our Group or any Director; or

(xiii) any litigation or claim being threatened or instigated against, or a governmental authority or a regulatory body or organisation in any Relevant Jurisdiction commencing any investigation or action or other Proceedings, or announcing an intention to investigate or take other action or Proceedings against our Company or the Director, or any of them being charged with an indictable offence or prohibited by operation of laws or otherwise disqualified from taking part in the management of a company or the commencement by any governmental, political, regulatory body of any action against any Director or any announcement by any governmental, political, regulatory body that it intends to take any such action; or

(xiv) any material adverse change or prospective material adverse change in the earnings, results of operations, business, business prospects, financial or trading position, conditions (financial or otherwise) or prospects of any member of our Group (including any litigation or claim of any third party being threatened or instigated against any member of our Group); or

(xv) any order or petition for, or any demand by creditors for repayment of indebtedness or a petition being presented for the winding-up or liquidation of any member of our Group, or any member of our Group making any composition or arrangement with its creditors or entering into a scheme of arrangement or any resolution being passed for the winding-up of any member of our Group or a provisional liquidator, receiver or manager being appointed over all or part of the assets or undertaking of any member of our Group or anything analogous thereto occurs in respect of any member of our Group; or

(xvi) a prohibition on our Company for whatever reason from allotting, issuing or selling the Shares (including the Over-allotment Option Shares (if any)) pursuant to the terms of the Global Offering; or

(xvii) the imposition of sanctions, in whatever form, directly or indirectly, by, or for, any Relevant Jurisdiction on our Company or any member of our Group; or

which, in any such case individually or in the aggregate, in the sole and absolute opinion of the Joint Sponsors and the Overall Coordinators (for themselves and on behalf of the Hong Kong Underwriters):

(1) is or will be or may be materially adverse to, or materially and prejudicially affects, the assets, liabilities, business, general affairs, management, shareholder’s equity, profit, losses, results of operations, position or condition (financial or otherwise), or prospects of our Company or our Group as a whole; or

(2) has or will have or may have a material adverse effect on the success of the Global Offering or the level of Offer Shares being applied for or accepted or subscribed for or purchased or the distribution of Offer Shares and/or has made or is likely to make or may make it impracticable or inadvisable or incapable for any material part of the Hong Kong Underwriting Agreement, the Hong Kong Public Offering or the Global Offering to be performed or implemented as envisaged; or

(3) makes or will make it or may make it impracticable or inadvisable or incapable to proceed with the Hong Kong Public Offering and/or the Global Offering or the delivery of the Offer Shares on the terms and in the manner contemplated by this Prospectus, the Application Forms, the Formal Notice, the preliminary offering circular or the offering circular; or

(4) would have or may have the effect of making a material part of the Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or which prevents the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof; or

(b) there has come to the notice of the Joint Sponsors and the Overall Coordinators (for themselves and on behalf of the Hong Kong Underwriters):

(i) that any statement contained in the offering documents, the operative documents, the preliminary offering circular and/or any notices, announcements, advertisements, communications issued or used by or on behalf of our Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) was or has become untrue, incomplete, incorrect or misleading unless such untrue, incorrect or misleading statement is immaterial in the context of the Global Offering or has been properly rectified by our Company in a timely manner or any forecasts, estimate, expressions of opinion, intention or expectation expressed in the Hong Kong Public Offering documents, the preferential differing documents and/or any notices, announcements, advertisements, communications so issued or used are not fair and honest and made on reasonable grounds or, where appropriate, based on reasonable assumptions, when taken as a whole; or

(ii) non-compliance of this Prospectus (or any other documents used in connection with the contemplated subscription and sale of the Offer Shares) or any aspect of the Global Offering with the Listing Rules or any other applicable law; or

(iii) any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this Prospectus, not having been disclosed in the offering documents, constitutes a material omission therefrom; or

(iv) either (A) there has been a material breach of any of the representations, warranties, undertakings or provisions of either the Hong Kong Underwriting Agreement or the International Underwriting Agreement by our Company and the Controlling Shareholders or (B) any of the representations, warranties and undertakings given by our Company and the Controlling Shareholders in the Hong Kong Underwriting Agreement or the International Underwriting Agreement, as applicable, is (or would when repeated be) untrue, incorrect, incomplete or misleading; or

(v) any event, act or omission which gives or is likely to give rise to any liability of the warrantors pursuant to the indemnities given by the Warrantors under the Hong Kong Underwriting Agreement; or

(vi) any material breach of any of the obligations of our Company and the Controlling Shareholders under the Hong Kong Underwriting Agreement or the International Underwriting Agreement; or

(vii) any breach of, or any event rendering any of the warranties untrue or incorrect or misleading in any material respect; or

(viii) a significant portion of the orders in the bookbuilding process at the time of the International Underwriting Agreement is entered into, or the investment commitments by any cornerstone investors after signing of agreements with such cornerstone investors, have been withdrawn, terminated or cancelled; or

(ix) any expert, whose consent is required for the issue of this Prospectus with the inclusion of its reports, letters or opinions and references to its name included in the form and context in which it respectively appears, has withdrawn its respective consent (other than the Joint Sponsors) prior to the issue of this Prospectus; or

(x) any material adverse change or prospective material adverse change or development involving a prospective adverse change in the assets, business, general affairs, management, shareholder's equity, profits, losses, properties, results of operations, in the position or condition (financial or otherwise) or prospects of our Company and its subsidiaries, as a whole; or

(xi) Admission is refused or not granted, other than subject to customary conditions, on or before the Listing Date, or if granted, the Admission is subsequently withdrawn, cancelled, qualified (other than by customary conditions), revoked or withheld; or

(xii) our Company has withdrawn the offering documents (and/or any other documents issued or used in connection with the Global Offering) or the Global Offering; or

then the Joint Sponsors and the Overall Coordinators may (for themselves and on behalf of the Hong Kong Underwriters), in their sole and absolute discretion and upon giving notice in writing to our Company, terminate the Hong Kong Underwriting Agreement with immediate effect.

Undertakings to the Stock Exchange pursuant to the Listing Rules

Undertakings by the Company

Pursuant to Rule 10.08 of the Listing Rules, the Company has undertaken to the Stock Exchange that no further Shares or securities convertible into equity securities of the Company (whether or not of a class already listed) may be issued or form the subject of any agreement to such an issue within six months from the Listing Date (whether or not such issue of shares or securities will be completed within six months from the Listing Date), except for:

(a) the issue of shares, the listing of which has been approved by the Stock Exchange, pursuant to a share scheme under Chapter 17 of the Listing Rules;

(b) any capitalization issue, capital reduction or consolidation or sub-division of shares;

(c) the issue of shares of the Company, as referred to in the Prospectus, pursuant to or in connection with the Global Offering (as defined in the Prospectus), including the exercise of the Over-allotment Option (as defined in the Prospectus); and

(d) issue of shares or securities pursuant to an agreement (if any) entered into before the Listing Date, the material terms of which have been disclosed in the Prospectus.

Undertakings by the Controlling Shareholders

Pursuant to Rule 10.07(1) of the Listing Rules, each of our Controlling Shareholders has undertaken to the Hong Kong Stock Exchange and to our Company that, except pursuant to the lending of any Shares pursuant to the Stock Borrowing Agreement (if applicable), it/he/she shall not and shall procure that the relevant registered holder(s) shall not, unless in compliance with the requirements of the Listing Rules:

(i) in the period commencing on the date by reference to which disclosure of its/his/her shareholding on the Company is made in this Prospectus and ending on the date which is six months from the Listing Date, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares in respect of which it/he/she is shown by this Prospectus to be the beneficial owner.

(ii) in the six months period commencing on the date on which the period referred to in paragraph (i) above expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests, or encumbrances in respect of, any of the securities referred to in paragraph (i) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, any of it/he/she would cease to be a Controlling Shareholder of our Company (as defined in the Listing Rules) or a member of the group of Controlling Shareholders of our Company or would together with the other Controlling Shareholder cease to be the Controlling Shareholders of our Company (as defined in the Listing Rules).

Pursuant to Note (3) to Rule 10.07(2) of the Listing Rules, each of our Controlling Shareholders has further undertaken to the Hong Kong Stock Exchange and to our Company that within the period commencing on the date by reference to which disclosure of its/his/her shareholding is made in this Prospectus and ending on the date which is 12 months from the Listing Date, it/he/she will:

(i) when it/he/she or the relevant registered holders pledge or charge any securities of the Company beneficially owned by it/him in favor of an authorized institution pursuant to Note 2 to Rule 10.07(2) of the Listing Rules, immediately inform our Company of such pledge or charge together with the number of Shares so pledged or charged; and

(ii) when it/he/she or the relevant registered holders receive indications, either verbal or written, from the pledgee or chargee that any Shares or other securities of the Company pledged or charged will be disposed of, immediately inform our Company in writing of such indications.

We will inform the Hong Kong Stock Exchange as soon as we have been informed of the matters referred to in paragraph (i) and (ii) above (if any) by our Controlling Shareholders and subject to the then requirements of the Listing Rules disclose such matters by way of an announcement which is published in accordance with Rule 2.07C of the Listing Rules as soon as possible.

Undertakings pursuant to the Hong Kong Underwriting Agreement

Undertakings by the Company

Our Company hereby undertakes to each of the Joint Sponsors, the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the CMIs, the Hong Kong Underwriters that except pursuant to the Global Offering (including pursuant to the Over-allotment Option (if any)), at any time during the period commencing from the date of the Hong Kong Underwriting Agreement and ending on, and including, the date that is six months after the Listing Date (the "**First Six-Month Period**"), we will not, and will procure that other members of our Group will not without the prior written consent of the Joint Sponsors and the Overall Coordinators (for themselves and on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules:

(i) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, assign, mortgage, charge, pledge, assign, hypothecate, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of or create an Encumbrance over, or agree to transfer or dispose of or create an Encumbrance over, either directly or indirectly, conditionally or unconditionally, or repurchase, any legal or beneficial interest in the share capital or any other equity securities of our Company, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represents the right to receive, or any warrants or other rights to purchase any share capital or other equity securities of our Company), or deposit any share capital or other equity securities of our Company, with a depositary in connection with the issue of depositary receipts; or

(ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership (legal or beneficial) of the Shares or any other equity securities of our Company, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or any other equity securities of our Company); or

(iii) enter into any transaction with the same economic effect as any transaction described in the Hong Kong Underwriting Agreement; or

(iv) offer to or agree to do any of the foregoing or announce any intention to do so,

in each case, whether any of the foregoing transactions is to be settled by delivery of share capital or such other equity securities, in cash or otherwise (whether or not the issue of such share capital or other equity securities will be completed within the First Six Month Period), expect permissible under Rule 10.08 of the Listing Rules. Our Company further agrees that, in the event our Company is allowed to enter into any of the transactions described in the Hong Kong Underwriting Agreement or offers to or agrees to or announces any intention to effect any such transaction during the period of six months commencing on the date on which the First Six-Month Period expires (the "**Second Six-Month Period**"), it will take all reasonable steps to ensure that such an issue or disposal will not, and no other act of our Company will, create a disorderly or false market for any Shares or other securities of our Company.

Undertakings by the Controlling Shareholders

Each of the Controlling Shareholders hereby undertakes to each of the Joint Sponsors, the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the CMIs and the Hong Kong Underwriters that except pursuant to the Global Offering (including pursuant to the Over-allotment Option and the Stock Borrowing Agreement) without the prior written consent of the Overall Coordinators (for themselves and on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules (including pursuant to Note (2) to Rule 10.07 of the Listing Rules):

(a) During the First Six-Month Period, each of the Controlling Shareholders will not and will procure that the relevant registered holder(s) will not:

(i) offer, accept subscription for, pledge, charge, allot, issue, sell, lend, mortgage, assign, contract to allot, issue or sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of, either directly or indirectly, conditionally or unconditionally, or repurchase any of its share capital or other securities of our Company or any interest therein (including but not limited to any securities convertible into or exercisable or exchangeable for or that represent the right to receive any such share capital or securities or any interest therein); or

(ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership (legal or beneficial) of such share capital or securities or any interest therein, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares); or

(iii) enter into any transaction with the same economic effect as any transaction specified in the Hong Kong Underwriting Agreement; or

(iv) offer to or agree to do any of the foregoing or announce any intention to do so,

in each case, whether any of the foregoing transactions is to be settled by delivery of share capital or such other securities, in cash or otherwise.

(b) During the Second Six-Month Period, each of the Controlling Shareholders will not and will procure that the relevant registered holder(s) will not enter into any of the transactions specified in the Hong Kong Underwriting Agreement or offer to or agree to do any of the foregoing or announce any intention to do so if, immediately following such transaction or action, they will cease to be controlling shareholders (as defined in the Listing Rules) of our Company; and until the expiry of the Second Six-Month Period, in the event that they enters into any such transactions specified in the Hong Kong Underwriting Agreement or offers to or agrees to or announce any intention to effect any such transaction, they will take all reasonable steps to ensure that they will not create a disorderly or false market in the Shares or other securities of our Company.

Indemnity

Each of the Company and the Controlling Shareholders has agreed to indemnify, among others, the Joint Sponsors, the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Capital Market Intermediaries and the Hong Kong Underwriters for certain losses which they may suffer, including losses arising from the performance of their obligations under the Underwriting Agreements and any breach by us of the Underwriting Agreements, as the case may be.

The International Offering

In connection with the International Offering, it is expected that our Company and our Controlling Shareholders will enter into the International Underwriting Agreement with the International Underwriters. Under the International Underwriting Agreement, the International Underwriters will, subject to certain conditions set out therein, severally and not jointly, agree to procure subscribers or purchasers for the International Offer Shares, failing which they agree to subscribe for or purchase their respective proportions of the International Offer Shares which are not taken up under the International Offering.

Our Company is expected to grant to the International Underwriters the Over-allotment Option, if any, exercisable by the Overall Coordinators and the Joint Global Coordinators on behalf of the International Underwriters at any time from the date of the International Underwriting Agreement until Saturday, June 17, 2023, being the 30th day after the last day for the lodging of applications under the Hong Kong Public Offering, to require our Company to issue and allot up to an aggregate of 54,704,000 additional Offer Shares representing approximately 15% of the initial Offer Shares, at the same price per Offer Share under the International Offering to cover, among other things, over-allocations (if any) in the International Offering.

It is expected that the International Underwriting Agreement may be terminated on similar grounds as the Hong Kong Underwriting Agreement. Potential investors should note that if the International Underwriting Agreement is not entered into, or is terminated, the Global Offering will not proceed.

Commission and Expenses

The Underwriters will receive an underwriting commission of 2.0% of the aggregate Offer Price of all the Offer Shares (including any Offer Shares to be issued pursuant to the exercise of the Over-allotment Option) (the "**Fixed Fees**"), out of which they will pay any sub-underwriting commissions and other fees. The Company may, at its sole discretion, pay to any one or more of the Underwriters a discretionary incentive fee of an aggregate of up to 1.0% of the Offer Price for each Offer Share (the "**Discretionary Fees**"). Assuming that the Discretionary Fees are paid in full, the ratio of the Fixed Fees and Discretionary Fees payable is therefore 2:1.

Assuming the Over-allotment Option, if any, is not exercised at all and based on an Offer Price of HK$4.66 per Share (being the mid-point of the indicative Offer Price range of HK$4.52 to HK$4.80 per Share), the aggregate commissions and fees, together with listing fees, SFC transaction levy, AFRC transaction levy, Stock Exchange trading fee, legal and other professional fees and printing and other expenses, payable by our Company relating to the Global Offering (collectively the "Commissions and Fees") are estimated to be approximately RMB127.1 million in total.

An aggregate amount of USD2.7 million is payable by our Company as sponsor fees to Joint Sponsors.

Each of the Company and the Controlling Shareholders has agreed to indemnify the Hong Kong Underwriters and International Underwriters for certain losses which they may suffer, including liabilities under the U.S. Securities Act, losses incurred arising from their performance of their obligations under the Underwriting Agreements and any breach by our Company of the Underwriting Agreements.

Activities by Syndicate Members

We describe below a variety of activities that underwriters of the Hong Kong Public Offering, together referred to as "Syndicate Members", may each individually undertake, and which do not form part of the underwriting or the stabilizing process. When engaging in any of these activities, it should be noted that the Syndicate Members are subject to restrictions, including the following:

> the Syndicate Members (except for Huatai Financial Holdings (Hong Kong) Limited, as the Stabilizing Manager, its affiliates or any person acting for it) must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Shares), whether in the open market or otherwise, with a view to stabilizing or maintaining the market price of any of the Offer Shares at levels other

than those which might otherwise prevail in the open market; and all of them must comply with all applicable laws, including the market misconduct provisions of the SFO, the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own account and for the account of others. In relation to the Shares, those activities could include acting as agent for buyers and sellers of the Shares, entering into transactions with those buyers and sellers in a principal capacity, proprietary trading in the Shares and entering into over the counter or listed derivative transactions or listed and unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have the Shares as their or part of their underlying assets. Those activities may require hedging activity by those entities involving, directly or indirectly, buying and selling the Shares. All such activities could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in the Shares, in baskets of securities or indices including the Shares, in units of funds that may purchase the Shares, or in derivatives related to any of the foregoing.

In relation to issues by Syndicate Members or their affiliates of any listed securities having the Shares as their or part of their underlying assets, whether on the Stock Exchange or on any other stock exchange, the rules of the relevant exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in the Shares in most cases.

All of these activities may occur both during and after the end of the stabilizing period described in the sections headed "Structure of the Global Offering—The International Offering—Over-allotment Option" and "Structure of the Global Offering—The International Offering—Stabilization". These activities may affect the market price or value of the Shares, the liquidity or trading volume in the Shares and the volatility of their share price, and the extent to which this occurs from day to day cannot be estimated.

Hong Kong Underwriters' Interests in our Company

Save for their obligations under the Hong Kong Underwriting Agreement, as of the Latest Practicable Date, none of the Hong Kong Underwriters has any shareholding interests in our Company or the right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in our Company.

Following the completion of the Global Offering, the Underwriters and their affiliated companies may hold a certain portion of the Shares as a result of fulfilling their obligations under the Underwriting Agreements.

Other Services to our Company

Certain of the Overall Coordinators, the Joint Global Coordinators, the Capital Market Intermediaries, the Hong Kong Underwriters, or their respective affiliates have, from time to time, provided and expect to provide in the future investment banking and other services to our Company and our respective affiliates, for which such Overall Coordinators, Joint Global Coordinators, Capital Market Intermediaries, Hong Kong Underwriters or their respective affiliates have received or will receive customary fees and commissions.

Other Services Provided by the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Capital Market Intermediaries and the Underwriters

The Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Capital Market Intermediaries and the Underwriters may in their ordinary course of business provide financing to investors subscribing for the Offer Shares offered by this Prospectus. Such Overall Coordinators, Joint Global Coordinators, Joint Bookrunners, Capital Market Intermediaries and Underwriters may enter into hedges and/or dispose of such Offer Shares in relation to the financing which may have a negative impact on the trading price of our Shares.

Over-Allotment and Stabilization

Details of the arrangements relating to the stabilization and Over-allotment Option, if any, are set forth in the sections headed "Structure of the Global Offering—The International Offering—Stabilization", and "Structure of the Global Offering—The International Offering—Over-allotment Option".

Joint Sponsors' Independence

The Joint Sponsors satisfy the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

THE GLOBAL OFFERING

This Prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. The Global Offering comprises:

(i) the Hong Kong Public Offering of 36,470,000 Offer Shares in Hong Kong as described below in the paragraph headed "—The Hong Kong Public Offering" below; and

(ii) the International Offering of an aggregate of initially 328,224,000 Shares (including, for the avoidance of doubt, the Reserved Shares offered pursuant to the Preferential Offering) to be offered outside the United States in reliance on Regulation S under the U.S. Securities Act. At any time from the date of the International Underwriting Agreement until Saturday, June 17, 2023, being the 30th day after the last day for the lodging of applications under the Hong Kong Public Offering, the Overall Coordinators and the Joint Global Coordinators, as representative of the International Underwriters, have an option to require us to issue and allot up to 54,704,000 additional Offer Shares, representing approximately 15% of the initial number of Offer Shares to be offered in the Global Offering, at the Offer Price to, among other things, cover over-allocations in the International Offering, if any. If the Over-allotment Option, if any, is exercised in full, the additional Offer Shares will represent approximately 1.68% of the Company's enlarged share capital immediately following the completion of the Global Offering and the fully exercise of the Over-allotment Option, if any. In the event that the Over-allotment Option, if any, is exercised, a press announcement will be made.

Investors may apply for Offer Shares under the Hong Kong Public Offering or apply for or indicate an interest for Offer Shares under the International Offering, but may not do both, except that Qualifying Far East Horizon Shareholders who are eligible to apply for the Reserved Shares in the Preferential Offering may also either (i) apply for Hong Kong Offer Shares under the Hong Kong Public Offering, if eligible; or (ii) indicate an interest for International Offer Shares under the International Offering, if qualified to do so.

The Offer Shares will represent approximately 11.41% of the enlarged issued share capital of the Company immediately after completion of the Global Offering without taking into account the exercise of the Over-allotment Option, if any. If the Over-allotment Option, if any, is exercised in full, the Offer Shares will represent approximately 12.90% of the enlarged issued share capital immediately after completion of the Global Offering and the exercise of the Over-allotment Option, if any, as set out in the paragraph headed "—The International Offering—Over-allotment Option" below.

The number of Offer Shares to be offered under the Hong Kong Public Offering and the International Offering may be subject to reallocation as described in the paragraph headed "—The Hong Kong Public Offering—Reallocation and Clawback" below.

THE HONG KONG PUBLIC OFFERING

Number of Offer Shares initially offered

Our Company is initially offering 36,470,000 Offer Shares for subscription by the public in Hong Kong at the Offer Price, representing approximately 10% of the total number of Offer Shares initially available under the Global Offering.

The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors. The Hong Kong Offer Shares will represent approximately 1.14% of the Company's enlarged share capital immediately after completion of the Global Offering, assuming that the Over-allotment Option, if any, is not exercised. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities.

Completion of the Hong Kong Public Offering is subject to the conditions as set out in the paragraph headed "—The International Offering—Conditions of the Hong Kong Public Offering" below.

Allocation

Allocation of Offer Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

The total number of Offer Shares initially available under the Hong Kong Public Offering (after taking account of any reallocation referred to below) is to be divided into two pools for allocation purposes: 18,235,000 Offer Shares for pool A initially and 18,235,000 Offer Shares for pool B initially. The Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for Offer Shares with an aggregate price of HK$5 million (excluding the brokerage, SFC transaction levy, AFRC Transaction levy and Stock Exchange trading fee payable) or less. The Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for Offer Shares with an aggregate price of more than HK$5 million (excluding the brokerage, SFC transaction levy, AFRC Transaction levy and Stock Exchange trading fee payable) and up to the total value in pool B. Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If Offer Shares in one (but not both) of the pools are undersubscribed, the surplus Offer Shares will be transferred to the other pool to satisfy demand in this other pool and be allocated accordingly. For the purpose of this paragraph only, the "price" for Offer Shares means the price payable on application therefore (without regard to the Offer Price as finally determined). Applicants can only receive an allocation of Offer Shares from either pool A or pool B but not from both pools. Multiple or suspected multiple applications and any application for more than 18,235,000 Offer Shares are liable to be rejected.

Reallocation and clawback

The allocation of Shares between the Hong Kong Public Offering and the International Offering is subject to reallocation at the sole discretion of the Overall Coordinators. The Reserved Shares which are offered under the Preferential Offering to Qualifying Far East Horizon Shareholders out of the Offer Shares being offered under the International Offering will not be subject to reallocation between the Hong Kong Public Offering and the International Offering. If there are any odd lot number of Reserved Shares left after satisfying the excess applications, such Reserved Shares will be re-allocated, at the discretion of the Overall Coordinators, to the International Offering. If the Hong Kong Offer Shares are undersubscribed and the International Offering is fully subscribed or oversubscribed, the Overall Coordinators may reallocate all or any unsubscribed Hong Kong Offer Shares to the International Offering, in such proportions as the Overall Coordinators deem appropriate. In the event that the International Offer Shares are fully subscribed or oversubscribed, if the number of Shares validly applied for in the Hong Kong Public Offering represents (i) 15 times or more but less than 50 times, (ii) 50 times or more but less than 100 times, and (iii) 100 times or more, of the number of Hong Kong Offer Shares initially available under the Hong Kong Public Offering, the total number of Hong Kong Offer Shares available under the Hong Kong Public Offering will be increased to 109,409,000, 145,878,000 and 182,347,000 Shares, respectively, representing approximately 30% (in the case of (i)), 40% (in the case of (ii)) and 50% (in the case of (iii)), respectively, of the total number of Offer Shares initially available under the Global Offering (before any exercise of the Over-allotment Option), reallocation being referred to in this Prospectus as "Mandatory Reallocation". In such cases, the number of Offer Shares allocated in the International Offering will be correspondingly reduced, in such manner as the Overall Coordinators deem appropriate, and such additional Offer Shares will be reallocated to Pool A and Pool B. In addition to any Mandatory Reallocation which may be required, the Overall Coordinators may, at their discretion, reallocate Shares initially allocated for the International Offering to the Hong Kong Public Offering to satisfy valid applications in Pool A and Pool B under the Hong Kong Public Offering. If both the Hong Kong Public Offering and the International Offering are undersubscribed, the Global

Offering will not proceed unless it is fully underwritten by the Underwriters. In the event that (i) the International Offer Shares are undersubscribed and the Hong Kong Offer Shares are fully subscribed or oversubscribed irrespective of the number of times; or (ii) the International Offer Shares are fully subscribed or oversubscribed and the Hong Kong Offer Shares are fully subscribed or oversubscribed as to less than 15 times of the number of Hong Kong Offer Shares initially available under the Hong Kong Public Offering, provided that the Offer Price would be set at HK$4.52 per Share (being the low end of the indicative Offer Price range), up to 36,470,000 Offer Shares may be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of the Shares available under the Hong Kong Public Offer will be increased to 72,940,000 Offer Shares, representing approximately 20% of the number of the Offer Shares initially available under the Global Offering (before any exercise of the Over-allotment Option) in accordance with the Guidance Letter HKEX-GL91-18 issued by the Stock Exchange.

Applications

Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the application submitted by him that he and any person(s) for whose benefit he is making the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or it has been or will be placed or allocated Offer Shares under the International Offering.

The listing of the Offer Shares on the Stock Exchange is sponsored by the Joint Sponsors. Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum price of HK$4.80 per Share in addition to any brokerage, SFC transaction levy, AFRC Transaction levy and Stock Exchange trading fee payable on each Offer Share. If the Offer Price, as finally determined in the manner described in the paragraph headed "—The International Offering—Pricing of the Global Offering" below, is less than the maximum price of HK$4.80 per Share, appropriate refund payments (including the brokerage, SFC transaction levy, AFRC Transaction levy and Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. Further details are set out below in the section headed "How to Apply for Hong Kong Offer Shares and Reserved Shares".

References in this Prospectus to applications, Application Forms, application monies or the procedure for application relate solely to the Hong Kong Public Offering.

THE PREFERENTIAL OFFERING

Basis of the Assured Entitlement

In order to enable the Qualifying Far East Horizon Shareholders to participate in the Global Offering on a preferential basis as to allocation only, subject to the Stock Exchange granting approval for the listing of, and permission to deal in, the Shares on the Main Board and such approval not having been withdrawn and the Global Offering becoming unconditional, the Qualifying Far East Horizon Shareholders are being invited to apply for an aggregate of 36,470,000 Reserved Shares in the Preferential Offering, representing approximately 11.1% and 10.0% of the Offer Shares initially available under the International Offering and the Global Offering (without taking into account the exercise of the Over-allotment Option), respectively, as an Assured Entitlement. The Reserved Shares are being offered out of the International Offer Shares under the International Offering and are not subject to reallocation as described in "—The Hong Kong Public Offering—Reallocation and clawback" above.

The basis of the Assured Entitlement is one Reserved Share for every 119 Far East Horizon Shares held by the Qualifying Far East Horizon Shareholders on the Record Date

The Qualifying Far East Horizon Shareholders should note that their Assured Entitlement to the Reserved Shares may not represent a full board lot of 1,000 Shares. No odd lot matching services will be provided and dealings in odd lots of the Shares may be at a price below the prevailing market price for full board lots.

The Assured Entitlements of the Qualifying Far East Horizon Shareholders to Reserved Shares are not transferrable. There will be no trading in nil-paid entitlements on the Stock Exchange

The Qualifying Far East Horizon Shareholders who hold less than 119 Far East Horizon Shares on the Record Date and therefore will not have an Assured Entitlement to the Reserved Shares will still be entitled to participate in the Preferential Offering by applying for excess Reserved Shares as further described below.

Basis of Allocation for Applications for Reserved Shares

The Qualifying Far East Horizon Shareholders may apply for a number of Reserved Shares which is greater than, less than or equal to their Assured Entitlement or may apply only for excess Reserved Shares under the Preferential Offering.

A valid application for a number of Reserved Shares which is less than or equal to a Qualifying Far East Horizon Shareholder's Assured Entitlement under the Preferential Offering will be accepted in full, subject to the terms and conditions set out in the **BLUE** Application Forms and assuming the conditions of the Preferential Offering are satisfied.

Where a Qualifying Far East Horizon Shareholder applies for a number of Reserved Shares which is greater than the Qualifying Far East Horizon Shareholder's Assured Entitlement under the Preferential Offering, the relevant Assured Entitlement will be satisfied in full, subject as mentioned above, but the excess portion of such application will only be satisfied to the extent that there are sufficient Available Reserved Shares as described below.

Where a Qualifying Far East Horizon Shareholder applies for excess Reserved Shares only under the Preferential Offering, such application will only be satisfied to the extent that there are sufficient Available Reserved Shares as described below.

The Qualifying Far East Horizon Shareholders (other than HKSCC Nominees) who intend to apply for less than their Assured Entitlement using the **BLUE** Application Forms for Assured Entitlement or who intend to apply for excess Reserved Shares using the **BLUE** Application Forms, should apply for a number which is one of the numbers set out in the table of numbers and payments in the **BLUE** Application Form and make a payment of the corresponding amount. If you are a Qualifying Far East Horizon Shareholder and wish to apply for excess Reserved Shares in addition to your Assured Entitlement, you should complete and sign the **BLUE** Application Form for excess Reserved Shares and lodge it, together with a separate remittance for the full amount payable on application in respect of the excess Reserved Shares applied for.

To the extent that excess applications for the Reserved Shares are:

(a) less than the Assured Entitlement not taken up by the Qualifying Far East Horizon Shareholders (the "**Available Reserved Shares**"), the Available Reserved Shares will first be allocated to satisfy such excess applications for the Reserved Shares in full and thereafter will be allocated, at the discretion of the Overall Coordinators and the Joint Global Coordinators, to the International Offering;

(b) equal to the Available Reserved Shares, the Available Reserved Shares will be allocated to satisfy such excess applications for the Reserved Shares in full; or

(c) more than the Available Reserved Shares, the Available Reserved Shares will be allocated on an allocation basis which will be consistent with the allocation basis commonly used in the case of oversubscriptions in public offerings in Hong Kong, where a higher allocation percentage will be applied in respect of smaller applications. If there are any odd lot number of Reserved Shares remaining after satisfying the excess applications, such Reserved Shares will be reallocated, at the discretion of the Overall Coordinators and the Joint Global Coordinators, to the International Offering. No preference will be given to any excess applications made to top up odd lot holdings to whole lot holdings of Shares.

The Preferential Offering will not be subject to the clawback arrangement between the International Offering and the Hong Kong Public Offering.

Beneficial Far East Horizon Shareholders (not being Non-Qualifying Far East Horizon Shareholders) whose Far East Horizon Shares are held by a nominee company should note that the Company will regard the nominee company as a single Far East Horizon Shareholder according to the register of members of Far East Horizon. Accordingly, such Beneficial Far East Horizon Shareholders whose Far East Horizon Shares are held by a nominee company should note that the arrangement under paragraph (c) above will not apply to them individually. Any Beneficial Far East Horizon Shareholders (not being Non-Qualifying Far East Horizon Shareholders) whose Far East Horizon Shares are registered in the name of a nominee, trustee or registered holder in any other capacity should make arrangements with such nominee, trustee or registered holder in relation to applications for Reserved Shares under the Preferential Offering. Any such person is advised to consider whether it wishes to arrange for the registration of the relevant Far East Horizon Shares in the name of the beneficial owner prior to the Record Date.

Applications by the Qualifying Far East Horizon Shareholders for Hong Kong Offer Shares

In addition to any application for Reserved Shares made on the **BLUE** Application Form, the Qualifying Far East Horizon Shareholders will be entitled to make one application for Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC via CCASS or by applying through the **White Form eIPO** service. The Qualifying Far East Horizon Shareholders will receive no preference as to entitlement or allocation in respect of applications for Hong Kong Offer Shares made by giving **electronic application instructions** to HKSCC or through the **White Form eIPO** service under the Hong Kong Public Offering.

The Qualifying Far East Horizon Shareholders and the Non-Qualifying Far East Horizon Shareholders

Only Far East Horizon Shareholders whose names appeared on the register of members of Far East Horizon on the Record Date and who are not Non-Qualifying Far East Horizon Shareholders are entitled to subscribe for the Reserved Shares under the Preferential Offering.

Non-Qualifying Far East Horizon Shareholders are those Far East Horizon Shareholders with registered addresses in, or who are otherwise known by Far East Horizon to be residents of, jurisdictions outside Hong Kong on the Record Date, in respect of whom the directors of Far East Horizon and the Company, based on the enquiries made by them, consider it necessary or expedient to exclude from the Preferential Offering on account either of the legal restrictions under the laws of the relevant jurisdiction in which the relevant Far East Horizon Shareholder is resident or the requirements of the relevant regulatory body or stock exchange in that jurisdiction.

The directors of Far East Horizon and the Company have made enquiries regarding the legal restrictions under the applicable securities legislation of the Specified Territories and the requirements of the relevant regulatory bodies or stock exchanges with respect to the offer of the Reserved Shares to the Far East Horizon Shareholders in the Specified Territories. Having considered the circumstances, the directors of Far East Horizon and the Company have formed the view that it is necessary or expedient to restrict the ability of Far East Horizon Shareholders in the Specified Territories to take up their Assured Entitlement to the Reserved Shares under the Preferential Offering due to the time and costs involved in the registration or filing of this Prospectus and/or approval required by the relevant authorities in those territories and/or additional steps which the Company and the Far East Horizon Shareholders would need to take to comply with the local legal and/or other requirements which would need to be satisfied in order to comply with the relevant local or regulatory requirements in those territories.

Accordingly, for the purposes of the Preferential Offering, the Non-Qualifying Far East Horizon Shareholders are:

(a) Far East Horizon Shareholders whose names appeared in the register of members of Far East Horizon on the Record Date and whose addresses as shown in such register are in any of the Specified Territories; and

(b) Far East Horizon Shareholders or Beneficial Far East Horizon Shareholders on the Record Date who are otherwise known by Far East Horizon to be resident in any of the Specified Territories.

Notwithstanding any other provision in this Prospectus or the **BLUE** Application Forms, the Company reserves the right to permit any Far East Horizon Shareholder to take up his/her/its Assured Entitlement to the Reserved Shares if the Company, in its absolute discretion, is satisfied that the transaction in question is exempt from or not subject to the legislation or regulations giving rise to the restrictions described above.

Beneficial Far East Horizon Shareholders who hold Far East Horizon Shares through Shanghai-Hong Kong Stock Connect or Shenzhen-Hong Kong Stock Connect

The Company has been advised by the Company's PRC legal advisor that pursuant to Article 23 of the Implementation Rules for Registration, Depository and Clearing Services under the Mainland – Hong Kong Stock Markets Connect Program (《內地與香港股票市場交易互聯互通機制登記、存管、結算業務實施細則》), China Securities Depositary and Clearing Corporation Limited (中國證券登記結算有限責任公司) ("**CSDCC**") does not provide services relating to the subscription of newly issued shares. Accordingly, Beneficial Far East Horizon Shareholders who hold Far East Horizon Shares through Shanghai-Hong Kong Stock Connect or Shenzhen-Hong Kong Stock Connect cannot participate in the Preferential Offering and will not be able to take up their respective Assured Entitlement to the Reserved Shares under the Preferential Offering through the trading mechanism of Shanghai-Hong Kong Stock Connect or Shenzhen-Hong Kong Stock Connect.

Distribution of this Prospectus and the BLUE Application Forms

BLUE Application Forms have been despatched to all Qualifying Far East Horizon Shareholders. In addition, a printed copy of this Prospectus will be despatched to all Qualifying Far East Horizon Shareholders to their address recorded on the register of members of Far East Horizon on the Record Date. For further details, see "How to Apply for Hong Kong Offer Shares and Reserved Shares".

Application Procedures

The procedures for application under and the terms and conditions of the Preferential Offering are set out in "How to Apply for Hong Kong Offer Shares and Reserved Shares" and on the **BLUE** Application Forms.

THE INTERNATIONAL OFFERING

Number of Offer Shares offered

Subject to reallocation as described above, the International Offering will consist of an initial offering of 328,224,000 International Offer Shares (including, for the avoidance of doubt, the Reserved Shares offered pursuant to the Preferential Offering), representing approximately 90% of the Offer Shares under the Global Offering and approximately 10.27% of the enlarged share capital of the Company immediately after the completion of the Global Offering, assuming that the Over-allotment Option is not exercised.

Allocation

The International Offering will include the Preferential Offering and the selective marketing of Offer Shares to institutional and professional investors and other investors anticipated to have a sizeable demand for such Offer Shares. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Allocation of Offer Shares pursuant to the International Offering will be effected in accordance with the "book-building" process described in the paragraph headed "—The International Offering—Pricing of the Global Offering" below and based on a number of factors, including the level and timing of demand, the total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Offer Shares, and/or hold or sell its Offer Shares, after the listing of the Offer Shares on the Stock Exchange. Such allocation is intended to result in a distribution of the Offer Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of our Company and our Shareholders as a whole.

The Overall Coordinators and the Joint Global Coordinators (on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the International Offering, and who has made an application under the Hong Kong Public Offering to provide sufficient information to the Overall Coordinators and the Joint Global Coordinators so as to allow them to identify the relevant application under the Hong Kong Public Offering and to ensure that it is excluded from any application of Offer Shares under the Hong Kong Public Offering.

Over-allotment Option

In connection with the Global Offering, we are expected to grant an Over-allotment Option, if any to the International Underwriters exercisable by the Overall Coordinators and the Joint Global Coordinators on behalf of the International Underwriters.

Pursuant to the Over-allotment Option, if any, the Overall Coordinators and the Joint Global Coordinators have the right, exercisable at any time from the date of the International Underwriting Agreement until Saturday, June 17, 2023, being the 30th day after the last day for the lodging of applications under the Hong Kong Public Offering, to require our Company to issue and allot up to 54,704,000 additional Offer Shares, representing approximately 15% of the initial Offer Shares, at the same price per Offer Share under the International Offering to cover, among other things, over-allocation in the International Offering, if any. If the Over-allotment Option is exercised in full, the additional Offer Shares will represent approximately 1.68% of the Company's enlarged share capital immediately following the completion of the Global Offering and the exercise of the Over-allotment Option. In the event that the Over-allotment Option, if any, is exercised, an announcement will be made.

Stabilization

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, the underwriters may bid for, or purchase, the securities in the secondary market, during a specified period of time, to retard and, if possible, prevent, any decline in the market price of the securities below the Offer Price. In Hong Kong and certain other jurisdictions, the price at which stabilization is effected is not permitted to exceed the Offer Price.

In connection with the Global Offering, the Stabilizing Manager or any person acting for them, on behalf of the Underwriters, may over-allocate or effect short sales or any other stabilizing transactions with a view to stabilizing or maintaining the market price of the Shares at a level higher than that which might otherwise prevail in the open market. Short sales involve the sale by the Stabilizing Manager of a greater number of Shares than the Underwriters are required to purchase in the Global Offering. "Covered" short sales are sales made in an amount not greater than the Over-allotment Option, if any. The Stabilizing Manager may close out the covered short position by either exercising the Over-allotment Option, if any, to purchase additional Shares or purchasing Shares in the open market. In determining the source of the Shares to close out the covered short position, the Stabilizing Manager will consider, among others, the price of Shares in the open market as compared to the price at which they may purchase additional Shares pursuant to the Over-allotment Option, if any. Stabilizing transactions consist of certain bids or purchases made for the purpose of preventing or retarding a decline in the market price of the Shares while the Global Offering is in progress. Any market purchases of the Shares may be effected on any stock exchange, including the Stock Exchange, any over-the-counter market or otherwise, provided that they are made in compliance with all applicable laws and regulatory requirements. However, there is no obligation on the Stabilizing Manager or any person acting for it to conduct any such stabilizing activity, which if commenced, will be done at the absolute discretion of the Stabilizing Manager and may be discontinued at any time. Any such stabilizing activity is required to be brought to an end on Saturday, June 17, 2023, being the 30th day after the last day for the lodging of applications under the Hong Kong Public Offering. The number of the Shares that may be over-allocated will not exceed the number of the Shares that may be sold under the Over-allotment Option, if any, namely, 54,704,000 Shares, which is approximately 15% of the number of Offer Shares initially available under the Global Offering, in the event that the whole or part of the Over-allotment Option, if any is exercised.

In Hong Kong, stabilizing activities must be carried out in accordance with the Securities and Futures (Price Stabilizing) Rules. Stabilizing actions permitted pursuant to the Securities and Futures (Price Stabilizing) Ordinance include:

(a) over-allocation for the purpose of preventing or minimizing any reduction in the market price;

(b) selling or agreeing to sell the Shares so as to establish a short position in them for the purpose of preventing or minimizing any deduction in the market price;

(c) subscribing, or agreeing to subscribe, for the Shares pursuant to the Over-allotment Option, if any, in order to close out any position established under (a) or (b) above;

(d) purchasing, or agreeing to purchase, the Shares for the sole purpose of preventing or minimizing any reduction in the market price;

(e) selling the Shares to liquidate a long position held as a result of those purchases; and

(f) offering or attempting to do anything described in (b), (c), (d) and (e) above.

Stabilizing actions by the Stabilizing Manager, or any person acting for it, will be entered into in accordance with the laws, rules and regulations in place in Hong Kong on stabilization.

As a result of effecting transactions to stabilize or maintain the market price of the Shares, the Stabilizing Manager, or any person acting for it, may maintain a long position in the Shares. The size of the long position, and the period for which the Stabilizing Manager, or any person acting for it, will maintain the long position is at the discretion of the Stabilizing Manager and is uncertain. In the event that the Stabilizing Manager liquidates this long position by making sales in the open market, this may lead to a decline in the market price of the Shares.

Stabilizing action by the Stabilizing Manager, or any person acting for it, is not permitted to support the price of the Shares for longer than the stabilizing period, which begins on the day on which trading of the Shares commences on the Stock Exchange and ends on the thirtieth day after the last day for the lodging of applications under the Hong Kong Public Offering. The stabilizing period is expected to end on Saturday, June 17, 2023. As a result, demand for the Shares, and their market price, may fall after the end of the stabilizing period. These activities by the Stabilizing Manager may stabilize, maintain or otherwise affect the market price of the Shares. As a result, the price of the Shares may be higher than the price that otherwise may exist in the open market. Any stabilizing action taken by the Stabilizing Manager, or any person acting for it, may not necessarily result in the market price of the Shares staying at or above the Offer Price either during or after the stabilizing period. Bids for or market purchases of the Shares by the Stabilizing Manager, or any person acting for it, may be made at a price at or below the Offer Price and therefore at or below the price paid for the Shares by purchasers. A public announcement in compliance with the Securities and Futures (Price Stabilizing) Ordinance will be made within seven days of the expiration of the stabilizing period.

Stock Borrowing Arrangement

In order to facilitate the settlement of over-allocations in connection with the Global Offering, the Stabilizing Manager, its affiliates or any person acting for it may choose to borrow up to 54,704,000 Shares, representing approximately 15% of the Offer Shares, from Far East Horizon to cover over-allocations (being the maximum number of additional Shares which may be allotted and issued upon exercise of the Over-allotment Option, if any), or acquire Shares from other sources, including the exercising of the Over-allotment Option, if any.

If such stock borrowing arrangement is entered into, the borrowing Shares will only be effected by the Stabilizing Manager, its affiliates or any person acting for it for settlement of over-allocations in the International Offering and such arrangement is not subject to the restrictions of Rule 10.07(1)(a) of the Listing Rules provided that the requirements set out in Rule 10.07(3) of the Listing Rules are complied with, being that (a) the Stock Borrowing Agreement will be for the sole purpose of covering any short position prior to the exercise of the Over-allotment Option; (b) the maximum number of Shares to be borrowed from Far East Horizon pursuant to the Stock Borrowing Agreement is the maximum number of Shares that may be sold upon full exercise of the Over-allotment Option; (c) the same number of Shares so borrowed must be returned to Far East Horizon or its nominees (as the case may be) within three Business Days after the last day on which the Over-allotment Option may be exercised or, if earlier, the date on which the Over-allotment Option is exercised in full; (d) the borrowing of Shares pursuant to the Stock Borrowing Agreement will be effected in compliance with applicable Listing Rules, laws and other regulatory requirements; and (e) no payments will be made to Far East Horizon by the Stabilizing Manager in relation to the Stock Borrowing Agreement.

Pricing of the Global Offering

The International Underwriters will be soliciting from prospective investors indications of interest in acquiring Offer Shares in the International Offering. Prospective professional and institutional investors will be required to specify the number of Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price. This process, known as "book-building", is expected to continue up to, and to cease on or around, the last day for lodging applications under the Hong Kong Public Offering.

Pricing for the Offer Shares for the purpose of the various offerings under the Global Offering will be fixed on the Price Determination Date, which is expected to be on or around Thursday, May 18, 2023 and in any event on or before Friday, May 19, 2023, by agreement between the Overall Coordinators (on behalf of the Underwriters) and the Company and the number of Offer Shares to be allocated under various offerings will be determined shortly thereafter.

The Offer Price will not be more than HK$4.80 per Share and is expected to be not less than HK$4.52 per Share unless otherwise announced, as further explained below, not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. **Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this Prospectus.**

The Overall Coordinators, on behalf of the Underwriters, may, where considered appropriate, based on the level of interest expressed by prospective professional and institutional investors during the book-building process, and with the consent of our Company, reduce the number of Offer Shares offered in the Global Offering and/or the indicative Offer Price range below that stated in this Prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, our Company will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering, cause there to be posted on the website of the Stock Exchange (**www.hkexnews.hk**) and on the website of our Company (**www.hongxinjianfa.com**) notices of the reduction. Upon issue of such a notice, the number of Offer Shares offered in the Global Offering and/or the revised offer price range will be final and conclusive and the offer price, if agreed upon by the Overall Coordinators, on behalf of the Underwriters, and our Company, will be fixed within such revised Offer Price range. Applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offering. Such notice will also include confirmation or revision, as appropriate, of the Global Offering statistics as currently set out in this Prospectus, and any other financial information which may change as a result of such reduction. In the absence of any such notice so published, the Offer Price, if agreed upon with our Company and the Overall Coordinators, will under no circumstances be set outside the Offer Price range as stated in this Prospectus.

In the event of a reduction in the number of Offer Shares being offered under the Global Offering, the Overall Coordinators may at its discretion reallocate the number of Offer Shares to be offered under the Hong Kong Public Offering and the International Offering, provided that the number of Shares comprised in the Hong Kong Public Offering shall not be less than 10% of the total number of Offer Shares in the Global Offering. The Offer Shares to be offered in the International Offering and the Offer Shares to be offered in the Hong Kong Public Offering may, in certain circumstances, be reallocated as between these offerings at the discretion of the Overall Coordinators.

The net proceeds of the Global Offering accruing to our Company (after deduction of underwriting commissions and other expenses payable by our Company in relation to the Global Offering, assuming the Over-allotment Option, if any, is not exercised) are estimated to be approximately HK$1,505.9 million, assuming an Offer Price per Share of HK$4.52, or approximately HK$1,604.9 million, assuming an Offer Price per Share of HK$4.80 (or if the Over-allotment Option, if any, is exercised in full, approximately HK$1,724.6 million, assuming an Offer Price per Share of HK$4.52, or approximately HK$1,838.4 million, assuming an Offer Price per Share of HK$4.80).

The Offer Price for Shares under the Global Offering is expected to be announced on Wednesday, May 24, 2023. The indications of interest in the Global Offering, the results of applications and the basis of allotment of Offer Shares available under the Hong Kong Public Offering, are expected to be announced on Wednesday, May 24, 2023 on the website of the Stock Exchange (**www.hkexnews.hk**) and on the website of our Company (**www.hongxinjianfa.com**). If the number of Offer Shares and/or the indicative Offer Price range is reduced, applicants who have submitted an application under the Hong Kong Public Offering will be entitled to withdraw their applications unless positive confirmations from the applicants to proceed are received.

Hong Kong Underwriting Agreement

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement and is conditional upon the International Underwriting Agreement being signed and becoming unconditional.

Our Company expects to enter into the International Underwriting Agreement relating to the International Offering on or around the Price Determination Date.

These underwriting arrangements, and the respective Underwriting Agreements, are summarized in the section headed “Underwriting”.

Shares will be eligible for CCASS

All necessary arrangements have been made enabling the Shares to be admitted into CCASS. If the Stock Exchange grants the listing of, and permission to deal in, the Shares and our Company complies with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second settlement day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Conditions of the Hong Kong Public Offering

Acceptance of all applications for Offer Shares pursuant to the Hong Kong Public Offering will be conditional on:

(i) the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the Offer Shares being offered pursuant to the Global Offering (including the additional Offer Shares which may be made available pursuant to the exercise of the Over-allotment Option, if any) (subject only to allotment);

(ii) the Offer Price having been fixed on or around the Price Determination Date;

(iii) the execution and delivery of the International Underwriting Agreement on or around the Price Determination Date; and

(iv) the obligations of the Underwriters under each of the respective Underwriting Agreements becoming and remaining unconditional and not having been terminated in accordance with the terms of the respective agreements.

If, for any reason, the Offer Price is not agreed between our Company and the Overall Coordinators (on behalf of the Underwriters), the Global Offering will not proceed and will lapse.

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offering will be published by our Company on the website of the Stock Exchange (**www.hkexnews.hk**) and on the website of our Company (**www.hongxinjianfa.com**) on the next day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set out in the section headed "How to Apply for Hong Kong Offer Shares and Reserved Shares". In the meantime, all application monies will be held in (a) separate bank account(s) with the receiving banks or other licensed bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

Share certificates for the Offer Shares are expected to be issued on Wednesday, May 24, 2023 but will only become valid evidence of title at 8:00 a.m. on Thursday, May 25, 2023 provided that (i) the Global Offering has become unconditional in all respects and (ii) the right of termination as described in the section headed "Underwriting—Underwriting Arrangements and Expenses—Hong Kong Public Offering—Grounds for Termination" has not been exercised.

Dealings in the Shares

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Thursday, May 25, 2023, it is expected that dealings in the Shares on the Stock Exchange will commence at 9:00 a.m. on Thursday, May 25, 2023.

The Shares will be traded in board lots of 1,000 Shares each and the stock code of the Shares will be 9930.

IMPORTANT NOTICE TO INVESTORS:

FULLY ELECTRONIC APPLICATION PROCESS

We have adopted a fully electronic application process for the Hong Kong Public Offering. We will not provide any printed copies of this document or any printed copies of any application forms for use by the public.

This document is available at the website of the Hong Kong Stock Exchange at **www.hkexnews.hk** under the "HKEXnews > New Listings > New Listing Information" section, and our website at **www.hongxinjianfa.com**. If you require a printed copy of this document, you may download and print from the website addresses above.

The contents of the electronic version of the document are identical to the printed Prospectus as registered with the Registrar of Companies in Hong Kong pursuant to Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

Set out below are procedures through which you can apply for the Hong Kong Offer Shares electronically. We will not provide any physical channels to accept any application for the Hong Kong Offer Shares by the public.

If you are an intermediary, broker or agent, please remind your customers, clients or principals, as applicable, that this document is available online at the website addresses above.

The application for the Hong Kong Public Offer Shares will commence on Friday, May 12, 2023 through Thursday, May 18, 2023, being slightly longer than normal market practice of 3.5 days. The application monies (including the brokerages, SFC transaction levies, AFRC transaction levies and Hong Kong Stock Exchange trading fees) will be held by the receiving banks on behalf of the Company and the refund monies, if any, will be returned to the applicants without interest on Wednesday, May 24, 2023. Investors should be aware that the dealings in the Shares on the Stock Exchange are expected to commence on Thursday, May 25, 2023.

A. APPLICATIONS FOR THE HONG KONG OFFER SHARES

1. How to Apply

We will not provide any printed application forms for use by the public.

To apply for the Hong Kong Offer Shares, you may:

(1) apply online through the **White Form eIPO** service at **www.eipo.com.hk**;

(2) apply through **CCASS EIPO** service to electronically cause HKSCC Nominees to apply on your behalf, including by:

(i) instructing your **broker** or **custodian** who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

(ii) (if you are an existing **CCASS Investor Participant**) giving **electronic application instructions** through the CCASS Internet System **(https://ip.ccass.com)** or through the CCASS Phone System by calling +852 2979 7888 (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time). HKSCC can also input **electronic application instructions** for CCASS Investor Participants through HKSCC's Customer Service Center at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong by completing an input request.

If you apply through channel (1) above, the Hong Kong Offer Shares successfully applied for will be issued in your own name.

If you apply through channels (2)(i) or (2)(ii) above, the Hong Kong Offer Shares successfully applied for will be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

We, the Overall Coordinators and the Joint Global Coordinators, the **White Form eIPO** Service Provider and our and their respective agents may reject or accept any application, in full or in part, for any reason at our or their discretion.

2. Who Can Apply

Eligibility for the Application

You can apply for the Hong Kong Offer Shares if you or any person(s) for whose benefit you are applying:

(a) are 18 years of age or older; and

(b) have a Hong Kong address.

If an application is made by a person under a power of attorney, we and the Overall Coordinators and the Joint Global Coordinators may accept it at our or their discretion, and on any conditions we or they think fit, including requiring evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of the **White Form eIPO** service for the Hong Kong Offer Shares.

Unless permitted by the Hong Kong Listing Rules or any relevant waivers that have been granted by the Hong Kong Stock Exchange (details of the relevant waivers are set out in "WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES"), you cannot apply for any Hong Kong Offer Shares if:

(a) you are an existing beneficial owner of Shares and/or a substantial shareholder of any of our subsidiaries;

(b) you are our director or chief executive officer and/or a director or chief executive officer of our subsidiaries;

(c) you are a close associate of any of the above persons; or

(d) you have been allocated or have applied for any International Offer Shares or otherwise participate in the International Offering (except in respect of Reserved Shares applied for pursuant to the Preferential Offering).

Items Required for the Application

If you apply for the Hong Kong Offer Shares online through the **White Form eIPO** service, you must:

(a) have a valid Hong Kong identity card number; and

(b) provide a valid e-mail address and a contact telephone number.

If you are applying for the Hong Kong Offer Shares online by instructing your **broker** or **custodian** who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals, please contact them for the items required for the application.

3. Terms and Conditions of an Application

By applying through the application channels specified in this document you:

(a) undertake to execute all relevant documents and instruct and authorize us and/or the Overall Coordinators and the Joint Global Coordinators (or their agents or nominees), as our agents, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;

(b) agree to comply with our Memorandum and Articles of Association, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Cayman Companies Act;

(c) confirm that you have read the terms and conditions and application procedures set out in this document and agree to be bound by them;

(d) confirm that you have received and read this document and have relied only on the information and representations in this document in making your application and will not rely on any other information or representations, except those in any supplement to this document;

(e) confirm that you are aware of the restrictions on the Global Offering set out in this document;

(f) agree that none of us, the Joint Sponsors, the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Capital Market Intermediaries, the Underwriters, their respective directors, officers, employees, partners, agents, advisors and any other parties involved in the Global Offering (the "**Relevant Persons**") and the **White Form eIPO** Service Provider is or will be liable for any information and representations not in this document (and any supplement to this document);

(g) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any International Offer Shares nor participated in the International Offering (except in respect of Reserved Shares applied for pursuant to the Preferential Offering);

(h) agree to disclose to us, the Hong Kong Share Registrar, the receiving banks and the Relevant Persons any personal data which we or any of them may require about you and the person(s) for whose benefit you have made the application;

(i) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and neither we nor the Relevant Persons will breach any laws outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions in this document;

(j) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;

(k) agree that your application, any acceptance of it and the resulting contract will be governed by, and construed in accordance with the laws of Hong Kong;

(l) warrant that the information you have provided is true and accurate;

(m) agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated to you under the application;

(n) authorize (i) us to place your name(s) or the name of HKSCC Nominees on our register of members as the holder(s) of any Hong Kong Offer Shares allocated to you and such other registers as required under our Memorandum and Articles of Association and (ii) us and/or our agents to send any share certificate(s) and/or any e-Refund payment instructions and/or any refund check(s) to you or the first-named applicant for joint applications by ordinary post at your own risk to the address stated on the application, unless you have fulfilled the criteria mentioned in the paragraph headed "—Personal Collection" below to collect the share certificate(s) and/or refund check(s) in person;

(o) declare and represent that except for the application made by a Qualifying Far East Horizon Shareholder under the Preferential Offering this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;

(p) understand that we, our directors and the Overall Coordinators and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to allocate any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;

(q) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit by giving **electronic application instructions** to HKSCC directly or indirectly or through the **White Form eIPO** service or by any one as your agent or by any other person; and

(r) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person by giving **electronic application instructions** to HKSCC and (ii) you have due authority to give **electronic application instructions** on behalf of that other person as its agent.

For the avoidance of doubt, we and all other parties involved in the preparation of this document acknowledge that each applicant and CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

4. Minimum Application Amount and Permitted Numbers

Your application through the **White Form eIPO** service or the **CCASS EIPO** service must be for a minimum of 1,000 Hong Kong Offer Shares and in one of the numbers set out in the table. You are required to pay the amount next to the number you select.

No. of Hong Kong Offer Shares applied for	Amount payable on application	No. of Hong Kong Offer Shares applied for	Amount payable on application	No. of Hong Kong Offer Shares applied for	Amount payable on application	No. of Hong Kong Offer Shares applied for	Amount payable on application
	HK$		*HK$*		*HK$*		*HK$*
1,000	4,848.41	20,000	96,968.15	100,000	484,840.80	3,000,000	14,545,224.00
2,000	9,696.81	25,000	121,210.20	200,000	969,681.60	4,000,000	19,393,632.00
3,000	14,545.22	30,000	145,452.25	300,000	1,454,522.40	5,000,000	24,242,040.00
4,000	19,393.63	35,000	169,694.28	400,000	1,939,363.20	6,000,000	29,090,448.00
5,000	24,242.05	40,000	193,936.32	500,000	2,424,204.00	7,000,000	33,938,856.00
6,000	29,090.45	45,000	218,178.35	600,000	2,909,044.80	8,000,000	38,787,264.00
7,000	33,938.86	50,000	242,420.40	700,000	3,393,885.60	9,000,000	43,635,672.00
8,000	38,787.27	60,000	290,904.48	800,000	3,878,726.40	10,000,000	48,484,080.00
9,000	43,635.67	70,000	339,388.55	900,000	4,363,567.20	15,000,000	72,726,120.00
10,000	48,484.08	80,000	387,872.65	1,000,000	4,848,408.00	18,235,000[1]	88,410,719.88
15,000	72,726.12	90,000	436,356.72	2,000,000	9,696,816.00		

Note:

(1) Maximum number of Hong Kong Offer Shares you may apply for.

No application for any other number of the Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

5. Applying Through the White Form eIPO Service

General

Individuals who meet the criteria in the paragraph headed "—Who Can Apply" above may apply through the **White Form eIPO** service for the Offer Shares to be allocated and registered in their own names through the designated website at **www.eipo.com.hk**.

Detailed instructions for application through the **White Form eIPO** service are set out on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to us. If you apply through the designated website, you authorize the **White Form eIPO** Service Provider to apply on the terms and conditions in this document, as supplemented and amended by the terms and conditions of the **White Form eIPO** Service Provider.

Time for Submitting Applications under the White Form eIPO Service

You may submit your application through the **White Form eIPO** service through the designated website at **www.eipo.com.hk** (24 hours daily, except on the last day for applications) from 9:00 a.m. on Friday, May 12, 2023 until 11:30 a.m. on Thursday, May 18, 2023 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Thursday, May 18, 2023, the last day for applications, or such later time as described in the paragraph headed "D. Effect of Bad Weather and Extreme Conditions on the Opening and Closing of the Application Lists" below.

No Multiple Applications

If you apply by means of **White Form eIPO**, once you complete payment in respect of any **electronic application instruction** given by you or for your benefit through the **White Form eIPO** service to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under **White Form eIPO** service more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **White Form eIPO** service or by any other means, all of your applications are liable to be rejected.

Commitment to sustainability

The obvious advantage of **White Form eIPO** is to save the use of papers via the self-serviced and electronic application process. Computershare Hong Kong Investor Services Limited, being the designated **White Form eIPO** Service Provider, will contribute HK$2 per each "Horizon Construction Development Limited" **White Form eIPO** application submitted via **www.eipo.com.hk** to support sustainability.

6. Applying Through CCASS EIPO Service

General

You may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf. CCASS Participants may give **electronic application instructions** to apply for the Hong Kong Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these **electronic application instructions** through the CCASS Internet System (**https://ip.ccass.com**) or through the CCASS Phone System by calling +852 2979 7888 (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time). HKSCC can also input **electronic application instructions** for CCASS Investor Participants through HKSCC's Customer Service Center at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong by completing an input request.

You will be deemed to have authorized HKSCC and/or HKSCC Nominees to transfer the details of your application to us, the Joint Sponsors, the Overall Coordinators and the Joint Global Coordinators and the Hong Kong Share Registrar.

Applying through CCASS EIPO Service

Where you have applied through **CCASS EIPO** service (either indirectly through a **broker** or **custodian** or directly) and an application is made by HKSCC Nominees on your behalf:

(a) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of this document; and

(b) HKSCC Nominees will do the following things on your behalf:

- agree that the Hong Kong Offer Shares to be allocated shall be registered in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;

- agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated;

- undertake and confirm that you have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any International Offer Shares nor participated in the International Offering (except in respect of Reserved Shares applied for pursuant to the Preferential Offering);

- *(if the electronic application instructions are given for your benefit)* declare that only one set of electronic application instructions has been given for your benefit;

- (if you are an agent for another person) declare that you have only given one set of electronic application instructions for the other person's benefit and are duly authorized to give those instructions as its agent;

- confirm that you understand that we, our directors and the Overall Coordinators and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to allocate any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;

- authorize us to place HKSCC Nominees' name on our register of members as the holder of the Hong Kong Offer Shares allocated to you, and dispatch Share certificate(s) and/or refund monies in accordance with the arrangements separately agreed between us and HKSCC;

- confirm that you have read the terms and conditions and application procedures set out in this document and agree to be bound by them;

- confirm that you have received and read this document and have relied only on the information and representations in this document in causing the application to be made and will not rely on any other information or representations, except those in any supplement to this document;

- agree that neither we nor any of the Relevant Persons is or will be liable for any information and representations not in this document (and any supplement to this document);

- agree to disclose to us, the Hong Kong Share Registrar, the receiving banks and the Relevant Persons any personal data which we or they may require about you;

- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;

- agree that any application made by HKSCC Nominees on your behalf is irrevocable on or before the fifth day after the time of opening of the application lists (excluding any days which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us, and to become binding when you give the instructions and such collateral contract to be in consideration of our agreeing that we will not offer any Hong Kong Offer Shares to any person on or before the fifth day after the time of opening of the application lists (excluding any days which is Saturday, Sunday or public holiday in Hong Kong) except by means of one of the procedures referred to in this document. However, HKSCC Nominees may revoke the application on or before the fifth day after the time of opening of the application lists (excluding any days which is Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this document under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section on or before the fifth day after the time of the opening of the application lists (excluding any day which is a Saturday, Sunday or public holiday in Hong Kong) which excludes or limits that person's responsibility for this document;

- agree that once HKSCC Nominees' application is accepted, neither that application nor your electronic application instructions can be revoked, and that acceptance of that application will be evidenced by the announcement of the results of the Hong Kong Public Offering by us;

- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for giving electronic application instructions to apply for the Hong Kong Offer Shares;

- agree with us, for ourselves and for the benefit of each shareholder (and so that we will be deemed by our acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for us and on behalf of each shareholder, with each CCASS Participant giving electronic application instructions) to observe and comply with our Memorandum and Articles of Association, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Cayman Companies Act; and

- agree that your application, any acceptance of it and the resulting contract will be governed by, and construed in accordance with the laws of Hong Kong.

Effect of Applying through CCASS EIPO Service

By applying through **CCASS EIPO** service, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees will be liable to us or any other person in respect of the things mentioned below:

(a) instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;

(b) instructed and authorized HKSCC to arrange payment of the maximum Hong Kong Offer Price, brokerage, SFC transaction levy, AFRC Transaction levy and Hong Kong Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Hong Kong Offer Price is less than the maximum Hong Kong Offer Price initially paid on application, refund of the application monies (including brokerage, SFC transaction levy, AFRC Transaction levy and Hong Kong Stock Exchange trading fee) by crediting your designated bank account; and

(c) instructed and authorized HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in this document.

Time for Inputting Electronic Application Instructions [Note]

CCASS Clearing/Custodian Participants can input electronic application instructions at the following times on the following dates:

Friday, May 12, 2023 — 9:00 a.m. to 8:30 p.m.
Monday, May 15, 2023 — 8:00 a.m. to 8:30 p.m.
Tuesday, May 16, 2023 — 8:00 a.m. to 8:30 p.m.
Wednesday, May 17, 2023 — 8:00 a.m. to 8:30 p.m.
Thursday, May 18, 2023 — 8:00 a.m. to 12:00 noon

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Friday, May 12, 2023 until 12:00 noon on Thursday, May 18, 2023 (24 hours daily, except on Thursday, May 18, 2023, the last day for applications).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Thursday, May 18, 2023, the last day for applications, or such later time as described in the paragraph headed "D. Effect of Bad Weather and Extreme Conditions on the Opening and Closing of the Application Lists" below.

If you are instructing your **broker** or **custodian** who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf, you are advised to contact your **broker** or **custodian** for the latest time for giving such instructions which may be different from the latest time as stated above.

Note: The times in this sub-section are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing Participants, CCASS Custodian Participants and/or CCASS Investor Participants.

Personal Data

The following Personal Information Collection Statement applies to any personal data held by us, the Hong Kong Share Registrar, the receiving banks and the Relevant Persons about you in the same way as it applies to personal data about applicants other than HKSCC Nominees. By applying through **CCASS EIPO** service, you agree to all of the terms of the Personal Information Collection Statement below.

Personal Information Collection Statement

This Personal Information Collection Statement informs applicant for, and holder of, the Hong Kong Offer Shares, of the policies and practices of us and our Hong Kong Share Registrar in relation to personal data and the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong).

Reasons for the collection of your personal data

It is necessary for applicants and registered holders of the Hong Kong Offer Shares to supply correct personal data to us or our agents and the Hong Kong Share Registrar when applying for the Hong Kong Offer Shares or transferring the Hong Kong Offer Shares into or out of their names or in procuring the services of the Hong Kong Share Registrar.

Failure to supply the requested data may result in your application for the Hong Kong Offer Shares being rejected, or in delay or the inability of us or our Hong Kong Share Registrar to effect transfers or otherwise render their services. It may also prevent or delay registration or transfers of the Hong Kong Offer Shares which you have successfully applied for and/or the dispatch of share certificate(s) to which you are entitled.

It is important that the holders of the Hong Kong Offer Shares inform us and the Hong Kong Share Registrar immediately of any inaccuracies in the personal data supplied.

Purposes

Your personal data may be used, held, processed, and/or stored (by whatever means) for the following purposes:

(a) processing your application and refund check, where applicable, verification of compliance with the terms and application procedures set out in this document and announcing results of allocation of the Hong Kong Offer Shares;

(b) compliance with applicable laws and regulations in Hong Kong and elsewhere;

(c) registering new issues or transfers into or out of the names of the holders of our Shares including, where applicable, HKSCC Nominees;

(d) maintaining or updating our Register of Members;

(e) verifying identities of the holders of our Shares;

(f) establishing benefit entitlements of holders of our Shares, such as dividends, rights issues, bonus issues, etc.;

(g) distributing communications from us and our subsidiaries;

(h) compiling statistical information and profiles of the holder of our Shares;

(i) disclosing relevant information to facilitate claims on entitlements; and

(j) any other incidental or associated purposes relating to the above and/or to enable us and the Hong Kong Share Registrar to discharge our or their obligations to holders of our Shares and/or regulators and/or any other purposes to which the securities' holders may from time to time agree.

Transfer of personal data

Personal data held by us and our Hong Kong Share Registrar relating to the holders of the Hong Kong Offer Shares will be kept confidential but we and our Hong Kong Share Registrar may, to the extent necessary for achieving any of the above purposes, disclose, obtain or transfer (whether within or outside Hong Kong) the personal data to, from or with any of the following:

(a) our appointed agents such as financial advisers, receiving bankers and overseas principal share registrar;

(b) where applicants for the Hong Kong Offer Shares request a deposit into CCASS, HKSCC or HKSCC Nominees, who will use the personal data for the purposes of operating CCASS;

(c) any agents, contractors or third-party service providers who offer administrative, telecommunications, computer, payment or other services to us or the Hong Kong Share Registrar in connection with their respective business operation;

(d) the Hong Kong Stock Exchange, the SFC and any other statutory regulatory or governmental bodies or otherwise as required by laws, rules or regulations; and

(e) any persons or institutions with which the holders of the Hong Kong Offer Shares have or propose to have dealings, such as their bankers, solicitors, accountants or stockbrokers etc.

Retention of personal data

We and our Hong Kong Share Registrar will keep the personal data of the applicants and holders of the Hong Kong Offer Shares for as long as necessary to fulfill the purposes for which the personal data were collected. Personal data which is no longer required will be destroyed or dealt with in accordance with the Personal Data (Privacy) Ordinance.

Access to and correction of personal data

Holders of the Hong Kong Offer Shares have the right to ascertain whether we or the Hong Kong Share Registrar hold their personal data, to obtain a copy of that data, and to correct any data that is inaccurate. We and the Hong Kong Share Registrar have the right to charge a reasonable fee for the processing of such requests. All requests for access to data or correction of data should be addressed to us, at our registered address disclosed in "Corporate Information" or as notified from time to time, for the attention of the secretary, or our Hong Kong Share Registrar for the attention of the privacy compliance officer.

7. Warning for Electronic Applications

The application for the Hong Kong Offer Shares by **CCASS EIPO** service (directly or indirectly through your **broker** or **custodian**) is only a facility provided to CCASS Participants.

Similarly, the application for the Hong Kong Offer Shares through the **White Form eIPO** service is only a facility provided by the **White Form eIPO** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last day for applications to make your electronic application. We, the Relevant Persons, the **White Form eIPO** Service Provider take no responsibility for such applications and provide no assurance that any CCASS Participant applying through **CCASS EIPO** service or person applying through the **White Form eIPO** service will be allocated any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems.

In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should go to HKSCC's Customer Service Center at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong to complete an input request form for **electronic application instructions** before 12:00 noon on Thursday, May 18, 2023.

8. How Many Applications Can You Make

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees.

If you are a Qualifying Far East Horizon Shareholder applying for Reserved Shares under the Preferential Offering on the **BLUE** Application Form, you may also make one application for Hong Kong Offer Shares electronically through CCASS (if you are a CCASS Investor Participant or act through a CCASS Clearing or Custodian Participant) or submit an application through the **White Form eIPO** service through the designated website at **www.eipo.com.hk**. However, in respect of any application for Hong Kong Offer Shares using the above methods, you will not enjoy the preferential treatment accorded to you under the Preferential Offering as described in "Structure of the Global Offering — The Preferential Offering."

All of your applications will be rejected if more than one application through the **CCASS EIPO** service (directly or indirectly through your **broker** or **custodian**) or through the **White Form eIPO** service is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**), and the number of Hong Kong Offer Shares applied by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your behalf.

For the avoidance of doubt, giving an **electronic application instruction** under the **White Form eIPO** service more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application. However, any **electronic application instructions** to make an application for the Hong Kong Offer Shares given by you or for your behalf to HKSCC will be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

If an unlisted company makes an application and:

(a) the principal business of that company is dealing in securities; and

(b) you exercise statutory control over that company, then the application will be treated as being made for your benefit.

"**Unlisted company**" means a company with no equity securities listed on the Hong Kong Stock Exchange.

"**Statutory control**" means you:

(a) control the composition of the board of directors of the company;

(b) control more than half of the voting power of the company; or

(c) hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

B. APPLICATIONS FOR THE RESERVED SHARES

1. Who Can Apply

Only Far East Horizon Shareholders whose names appeared on the register of members of Far East Horizon on the Record Date and who are not Non-Qualifying Far East Horizon Shareholders are entitled to subscribe for the Reserved Shares under the Preferential Offering.

Non-Qualifying Far East Horizon Shareholders are those Far East Horizon Shareholders with registered addresses in, or who are otherwise known by Far East Horizon to be residents of, jurisdictions outside Hong Kong on the Record Date, in respect of whom the directors of Far East Horizon and the Company, based on the enquiries made by them, consider it necessary or expedient to exclude them from the Preferential Offering on account either of the legal restrictions under the laws of the relevant jurisdiction in which the relevant Far East Horizon Shareholder is resident or the requirements of the relevant regulatory body or stock exchange in that jurisdiction.

The directors of Far East Horizon and the Company have made enquiries regarding the legal restrictions under the applicable securities legislation of the relevant countries and the requirements of the regulatory bodies or stock exchanges with respect to the offer of the Reserved Shares to the Far East Horizon Shareholders in the relevant countries. Having considered the circumstances, the directors of Far East Horizon and the Company are of the view that it is necessary or expedient to restrict the ability of Far East Horizon Shareholders in the relevant countries to take up their Assured Entitlement of Reserved Shares under the Preferential Offering due to the time and costs involved in the registration or filing of this Prospectus and/or approval required by the relevant authorities in those countries and/or additional procedures which the Company and the Far East Horizon Shareholders would need to take to comply with the local legal and/or other requirements which would need to be satisfied in order to comply with the local or regulatory requirements in those countries.

Accordingly, for the purposes of the Preferential Offering, the Non-Qualifying Far East Horizon Shareholders are:

(a) Far East Horizon Shareholders whose names appeared in the register of members of Far East Horizon on the Record Date and whose addresses as shown in such register are in any of the Specified Territories; and

(b) Far East Horizon Shareholders or Beneficial Far East Horizon Shareholders on the Record Date who are otherwise known by Far East Horizon to be resident in any of the Specified Territories.

Notwithstanding any other provision in this Prospectus or the **BLUE** Application Forms, the Company reserves the right to permit any Far East Horizon Shareholder to take up his/her/its Assured Entitlement of Reserved Shares if the Company, in its absolute discretion, is satisfied that the transaction in question is exempt from or not subject to the legislation or regulations giving rise to the restrictions described above.

With respect to the relevant countries, Far East Horizon has sent a letter to CCASS Participants (other than CCASS Investor Participants) notifying them that in light of applicable laws and regulations of the relevant countries, for the Far East Horizon Shares being held on behalf of the Non-Qualifying Far East Horizon Shareholders, they are not allowed to participate in the Preferential Offering.

The Qualifying Far East Horizon Shareholders are entitled to apply for Assured Entitlement on the basis of one Reserved Share for every 119 Far East Horizon Shares being held on the Record Date.

The Qualifying Far East Horizon Shareholders who hold less than 119 Far East Horizon Shares on the Record Date will not have Assured Entitlement of Reserved Shares but will still be entitled to participate in the Preferential Offering by applying for excess Reserved Shares.

If the applicant is a firm, the application must be made in the name of an individual member and not the firm. If the applicant is a body corporate, the **BLUE** Application Form must be signed by a duly authorized officer, who must state his representative capacity, and stamped with the corporation's chop.

If application is made by a duly authorized person under a valid power of attorney, the Company and the Overall Coordinators and the Joint Global Coordinators, as the Company's agents, may accept it at their discretion and on conditions they may think fit, including the evidence of the attorney's authority. The Company and the Overall Coordinators and the Joint Global Coordinators, as the Company's agents, shall have absolute discretion to reject or accept any application, in full or in part, without giving any reason.

Unless permitted by the Listing Rules, you cannot apply for any Reserved Shares if you are:

- an existing beneficial owner of Shares in the Company and/or any of its subsidiaries;

- a Director or chief executive of the Company and/or any of the Company's subsidiaries;

- a close associate of any of the above persons; or

- a Non-Qualifying Far East Horizon Shareholder (as defined in the section headed "Definitions" of this Prospectus).

2. How to Apply

Application for Reserved Shares under the Preferential Offering shall only be made by the Qualifying Far East Horizon Shareholders using **BLUE** Application Forms dispatched to the Qualifying Far East Horizon Shareholders by the Company.

The Qualifying Far East Horizon Shareholders may apply for a number of Reserved Shares which is greater than, less than or equal to their Assured Entitlement or may apply only for excess Reserved Shares under the Preferential Offering.

A valid application for a number of Reserved Shares which is less than or equal to a Qualifying Far East Horizon Shareholder's Assured Entitlement under the Preferential Offering will be accepted in full, subject to the terms and conditions set out in the **BLUE** Application Forms and assuming the conditions of the Preferential Offering are satisfied.

Where a Qualifying Far East Horizon Shareholder applies for a number of Reserved Shares which is greater than the Qualifying Far East Horizon Shareholder's Assured Entitlement under the Preferential Offering, the Assured Entitlement will be satisfied full, subject as mentioned above, but the excess portion of such application will only be satisfied to the extent that there are sufficient Available Reserved Shares as described below.

Where a Qualifying Far East Horizon Shareholder only applies for excess Reserved Shares under the Preferential Offering, the application will be satisfied to the extent that there are sufficient Available Reserved Shares as described below.

The Qualifying Far East Horizon Shareholders (other than HKSCC Nominees) who intend to apply for less than their Assured Entitlement using the **BLUE** Application Forms or who intend to apply for excess Reserved Shares using the **BLUE** Application Forms, should apply for Reserved Shares of one of the numbers set out in the table of "number of shares that may be applied for and payments" in the **BLUE** Application Form and make payment accordingly. If you are a Qualifying Far East Horizon Shareholder and wish to apply for excess Reserved Shares in addition to your Assured Entitlement, you should complete and sign the **BLUE** Application Form for excess Reserved Shares and lodge it, together with a separate remittance for the full amount payable on application in respect of the excess Reserved Shares applied for.

To the extent that excess applications for the Reserved Shares are:

(a) less than the Available Reserved Shares, the Available Reserved Shares will first be allocated to satisfy such excess applications in full and thereafter will be allocated, at the discretion of the Overall Coordinators and the Joint Global Coordinators, to the International Offering;

(b) equal to the Available Reserved Shares, the Available Reserved Shares will be allocated to satisfy such excess applications for the Reserved Shares in full; or

(c) more than the Available Reserved Shares, the Available Reserved Shares will be allocated on the basis commonly used for oversubscription in public offerings in Hong Kong, where smaller applications will have higher allocation percentage. If there are any odd lot number of Reserved Shares remaining after satisfying the excess applications, such Shares will be reallocated, at the discretion of the Overall Coordinators and the Joint Global Coordinators, to the International Offering. No preference will be given to any excess applications made to top up odd lot of Shares.

Save for the above, the Preferential Offering will not be subject to the clawback arrangement between the International Offering and the Hong Kong Public Offering.

The Qualifying Far East Horizon Shareholders who have applied for Reserved Shares under the Preferential Offering on the **BLUE** Application Form, may also make one application by giving **electronic application instructions** to HKSCC via CCASS (if you are a CCASS Investor Participant or act through a CCASS Clearing or Custodian Participant) or through the **White Form eIPO** service for the Hong Kong Offer Shares in the Hong Kong Public Offering. However, Qualifying Far East Horizon Shareholders will receive no preference as to entitlement or allocation in respect of applications for Hong Kong Offer Shares made by giving **electronic application instructions** to HKSCC or through the **White Form eIPO** service under the Hong Kong Public Offering.

Persons who held their Far East Horizon Shares on the Record Date in CCASS indirectly through a broker/custodian, and wish to participate in the Preferential Offering, should instruct their broker or custodian to apply for the Reserved Shares on their behalf by no later than the deadline set by HKSCC or HKSCC Nominees. In order to meet the deadline set by HKSCC, such persons should check with their broker/custodian for the timing on the processing of their instructions, and submit their instructions to their broker/custodian as required. Persons who held their Far East Horizon Shares on the Record Date in CCASS directly as a CCASS Investor Participant, and wish to participate in the Preferential Offering, should give their instruction to HKSCC via the CCASS Phone System or CCASS Internet System by no later than the deadline set by HKSCC or HKSCC Nominees.

3. Distribution of this Prospectus and the BLUE Application Forms

BLUE Application Forms have been despatched to all Qualifying Far East Horizon Shareholders. In addition, a printed copy of this Prospectus will be despatched to all Qualifying Far East Horizon Shareholders to their address recorded on the register of members of Far East Horizon on the Record Date.

An electronic version of this Prospectus (identical to the printed Prospectus) can be accessed and downloaded from the websites of the Company at **www.hongxinjianfa.com** and the Stock Exchange at **www.hkexnews.hk**. The Qualifying Far East Horizon Shareholders who require a replacement **BLUE** Application Form should contact 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong or on its hotline +852 2862 8555.

Distribution of this Prospectus and/or the **BLUE** Application Forms into any jurisdiction other than Hong Kong may be restricted by law. Persons who come into possession of this Prospectus and/or the **BLUE** Application Forms (including, without limitation, agents, custodians, nominees and trustees) should inform themselves of, and observe, any such restrictions. Any failure to comply with such restrictions may constitute a violation of the securities laws of any such jurisdiction. In particular, this Prospectus should not be distributed, forwarded or transmitted in, into or from any of the relevant countries with or without the **BLUE** Application Forms, except to the Qualifying Far East Horizon Shareholders as specified in this Prospectus.

Receipt of this Prospectus and/or the **BLUE** Application Forms does not and will not constitute an offer in those jurisdictions in which it would be illegal to make an offer and, in those circumstances, this Prospectus and/or the **BLUE** Application Forms must be treated as sent for information only and should not be copied or redistributed. Persons (including, without limitation, agents, custodians, nominees and trustees) who receive a copy of this Prospectus and/or the **BLUE** Application Forms should not, in connection with the Preferential Offering, distribute or send the same in, into or from, any of the relevant countries. If the **BLUE** Application Form is received by any person in any such countries, or by his/her/its agent or nominee, he/she/it should not apply for any Reserved Shares unless the directors of Far East and the Company determine that such actions would not violate the applicable legal or regulatory requirements. Any person (including, without limitation, agents, custodians, nominees and trustees) who forwards this Prospectus and/or the **BLUE** Application Form(s) in, into or from any relevant countries (whether under a contractual or legal obligation or otherwise) should draw the recipient's attention to the contents of this section.

4. Applying by Using BLUE Application Forms

(a) The **BLUE** Application Form will be rejected by the Company if:

- the **BLUE** Application Form is not completed in accordance with the instructions as stated therein;

- the **BLUE** Application Form has not been duly signed (only written signatures are acceptable) (or in the case of a joint application, not all applicants have signed);

- in respect of applicants who are corporate entities, the **BLUE** Application Form has not been duly signed (only written signature is acceptable) by an authorized officer or affixed with a company chop;

- the cheque/banker's cashier order/**BLUE** Application Form is defective;

- the **BLUE** Application Form for either Reserved Shares of Assured Entitlement or excess Reserved Shares is not accompanied with a cheque/banker's cashier order or is accompanied by more than one cheque/banker's cashier order for each of the application for Assured Entitlement and excess application for Reserved Shares;

- the account name on the cheque/banker's cashier order is not pre-printed or certified by the issuing bank;

- the cheque/banker's cashier order is not drawn on a Hong Kong dollar bank account in Hong Kong;

- the name of the payee indicated on the cheque/banker's cashier order is not "BANK OF CHINA (HONG KONG) NOMINEES LIMITED—HORIZON CONSTRUCTION DEV PREFERENTIAL OFFER";

- the cheque has not been crossed "Account Payee Only";

- the cheque was post-dated;

- the applicant's payment is not made correctly or if the applicant pays by cheque or banker's cashier order the cheque or banker's cashier order is dishonored on its first presentation;

- the applicant's name/the first applicant's name on the joint application is not the same as the name pre-printed or certified/endorsed by the drawee bank on the cheque/banker's cashier order;

- any alteration(s) to the application details on the **BLUE** Application Form has or have not been initialed by the applicant(s);

- the application is completed by pencil;

- the Company believes that by accepting the application, the Company would violate the applicable securities or other laws, rules or regulations of the jurisdiction where the **BLUE** Application Form is received or where the applicant's address is located; or

- the Company and the Overall Coordinators and the Joint Global Coordinators, and their respective agents or nominees, exercise their discretion to reject or accept any application, or to accept only part of any application without giving any reason.

(b) If you are applying by using the **BLUE** Application Form for Assured Entitlement, you may apply for a number of Reserved Shares under your Assured Entitlement that is equal to or less than the number stated in Box B of the **BLUE** Application Form. If you intend to apply for a number of Reserved Shares that is less than your Assured Entitlement, you MUST apply for Reserved Shares of a number set out in the table in the **BLUE** Application Form and make a payment of the corresponding amount (other than HKSCC Nominees). You need to complete and sign the **BLUE** Application Form for Assured Entitlement and submit one cheque (or banker's cashier order) for the exact amount of remittance printed in Box B or the corresponding amount payable as set out in the table in the **BLUE** Application Form.

(c) If you are applying by using the **BLUE** Application Form for excess Reserved Shares, you MUST apply for Reserved Shares of one of the numbers set out in the table in the **BLUE** Application Form and make a payment of the corresponding amount (other than HKSCC Nominees). You need to complete and sign the **BLUE** Application Form for excess Reserved Shares and submit one separate cheque (or banker's cashier order) for the exact amount of remittance.

(d) If you intend to apply for both Reserved Shares pursuant to your Assured Entitlement and excess Reserved Shares, you must submit both the **BLUE** Application Form for Assured Entitlement and the **BLUE** Application Form for excess Reserved Shares. Each **BLUE** Application Form must be accompanied by a separate cheque (or banker's cashier order) for the exact amount of remittance.

5. When may Applications be Made

(a) Applications on BLUE Application Form(s)

Your completed **BLUE** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "BANK OF CHINA (HONG KONG) NOMINEES LIMITED – HORIZON CONSTRUCTION DEV PREFERENTIAL OFFER" for the payment, should be deposited in the special collection boxes provided at Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong at the following times:

Friday, May 12, 2023	—	9:00 a.m. to 4:30 p.m.
Monday, May 15, 2023	—	9:00 a.m. to 4:30 p.m.
Tuesday, May 16, 2023	—	9:00 a.m. to 4:30 p.m.
Wednesday, May 17, 2023	—	9:00 a.m. to 4:30 p.m.
Thursday, May 18, 2023	—	9:00 a.m. to 12:00 noon

Completed **BLUE** Application Forms, together with payment attached, must be lodged by 12:00 noon on Thursday, May 18, 2023, the last day for applications, or such later time as described in "—D. Effect of Bad Weather and Extreme Conditions on the Opening and Closing of the Application Lists" below.

(b) Application Lists

The application lists will be open from 11:45 a.m. to 12:00 noon on Thursday, May 18, 2023, the last day for applications, or such later time as described in "—D. Effect of Bad Weather and Extreme Conditions on the Opening and Closing of the Application Lists" below.

6. How Many Applications May Be Made

You should refer to "—A. Applications for Hong Kong Offer Shares—8. How Many Applications Can You Make" above for the situations where you may make an application for Hong Kong Offer Shares under the Hong Kong Public Offering in addition to application(s) for Reserved Shares under the Preferential Offering.

7. Additional Terms and Conditions and Instructions

You should refer to the **BLUE** Application Form for details of the additional terms, conditions and instructions which apply to applications for Reserved Shares.

C. HOW MUCH ARE THE HONG KONG OFFER SHARES AND THE RESERVED SHARES

The maximum Hong Kong Offer Price is HK$4.80 per Hong Kong Offer Share. You must also pay brokerage of 1.0%, SFC transaction levy of 0.0027%, AFRC transaction levy of 0.00015% and Hong Kong Stock Exchange trading fee of 0.00565% in full upon application for the Hong Kong Offer Shares or Reserved shares under the terms set out in the Application Forms. This means that for one board lot of 1,000 Hong Kong Offer Shares or one board lot of 1,000 Reserved Shares, you will pay HK$4,848.41.

The **BLUE** Application Forms have table showing the exact amount payable for the number of Reserved Shares that may be applied for.

You must pay the maximum Hong Kong Offer Price, together with brokerage, SFC transaction levy, AFRC transaction levy and Hong Kong Stock Exchange trading fee, in full upon application for the Hong Kong Offer Shares or the Reserved Shares.

You may submit an application through the **White Form eIPO** service or the **CCASS EIPO** service in respect of a minimum of 1,000 Hong Kong Offer Shares. If you make an **electronic application instruction** for more than 1,000 Hong Kong Offer Shares, the number of Hong Kong Offer Shares you apply for must be in one of the specified numbers set out in the paragraph headed "—4. Minimum Application Amount and Permitted Numbers."

If your application is successful, brokerage will be paid to the Exchange Participants (as defined in the Hong Kong Listing Rules), the SFC transaction levy, the AFRC transaction levy and the Hong Kong Stock Exchange trading fee will be paid to the Hong Kong Stock Exchange (in the case of the SFC transaction levy, the AFRC transaction levy, collected by the Hong Kong Stock Exchange on behalf of the SFC and AFRC respectively).

For further details on the Hong Kong Offer Price, please refer to "Structure of the Global Offering".

D. EFFECT OF BAD WEATHER AND EXTREME CONDITIONS ON THE OPENING AND CLOSING OF THE APPLICATION LISTS

The application lists will not open or close if there is/are:

(a) a tropical cyclone warning signal number 8 or above;

(b) a "black" rainstorm warning; and/or

(c) Extreme Conditions,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, May 18, 2023. Instead, they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have any of those warnings or Extreme Conditions in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Thursday, May 18, 2023 or if there is/are a tropical cyclone warning signal number 8 or above, a "black" rainstorm warning signal and/or Extreme Conditions in force in Hong Kong that may affect the dates mentioned in the section headed "Expected Timetable" in this Prospectus, we will make an announcement on our websites at **www.hongxinjianfa.com** and the website of the Hong Kong Stock Exchange at **www.hkexnews.hk**.

E. PUBLICATION OF RESULTS

We expect to announce the pricing of the Offer Shares on Wednesday, May 24, 2023 on our website at **www.hongxinjianfa.com** and the website of the Hong Kong Stock Exchange at **www.hkexnews.hk**.

We expect to announce the level of indications of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the Preferential Offering and the basis of allocations of the Hong Kong Offer Shares and the Reserved Shares on Wednesday, May 24, 2023 on our website at **www.hongxinjianfa.com** and the website of the Hong Kong Stock Exchange at **www.hkexnews.hk**.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering and the Preferential Offering will be available at the times and dates and in the manner set out below:

(a) in the announcement to be posted on our website and the website of the Hong Kong Stock Exchange at **www.hongxinjianfa.com** and **www.hkexnews.hk**, respectively, by no later than 9:00 a.m. on Wednesday, May 24, 2023;

(b) from the designated results of allocations website at **www.iporesults.com.hk** (alternatively: English **https://www.eipo.com.hk/en/Allotment**; Chinese **https://www.eipo.com.hk/zh-hk/Allotment**) with a "search by ID" function on a 24 hour basis from 8:00 a.m. on Wednesday, May 24, 2023 to 12:00 midnight on Tuesday, May 30, 2023; and

(c) from the allocation results telephone enquiry line by calling +852 2862 8555 between 9:00 a.m. and 6:00 p.m. on Wednesday, May 24, 2023, Thursday, May 25, 2023, Monday, May 29, 2023 and Tuesday, May 30, 2023.

If we accept your offer to purchase (in whole or in part), which we may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares and/or the Reserved Shares (as the case may be) if all the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are set out in "Structure of the Global Offering."

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

F. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOCATED THE HONG KONG OFFER SHARES AND/OR THE RESERVED SHARES

You should note the following situations in which the Hong Kong Offer Shares will not be allocated to you:

(i) If your application is revoked:

By applying through the **CCASS EIPO** service or through the **White Form eIPO** service, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of opening of the application lists (excluding any days which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with us.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before the fifth day after the time of opening of the application lists (excluding any days which is Saturday, Sunday or public holiday in Hong Kong) in the following circumstances:

(a) if a person responsible for this document under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section on or before the fifth day after the time of the opening of the application lists (excluding any day which is a Saturday, Sunday or public holiday in Hong Kong) which excludes or limits that person's responsibility for this document; or

(b) if any supplement to this document is issued, in which case we will notify applicants who have already submitted an application that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot, respectively.

(ii) If we or our agents exercise discretion to reject your application:

We, the Overall Coordinators and the Joint Global Coordinators, the **White Form eIPO** Service Provider and our and their respective agents or nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(iii) If the allotment of Hong Kong Offer Shares and/or Reserved Shares is void:

The allotment of Hong Kong Offer Shares and/or Reserved Shares will be void if the Listing Committee of the Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies the Company of that longer period within three weeks of the closing date of the application lists.

(iv) If:

(a) you make multiple applications or are suspected of making multiple applications (other than an application (if any) made on the **BLUE** Application Form in your capacity as a Qualifying Far East Horizon Shareholder);

(b) you or the person for whose benefit you apply for, have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) the Hong Kong Offer Shares and the International Offer Shares (except in respect of Reserved Shares applied for pursuant to the Preferential Offering);

(c) your payment is not made correctly;

(d) your **electronic application instructions** through the **White Form eIPO** service are not completed in accordance with the instructions, terms and conditions on the designated website at **www.eipo.com.hk**;

(e) you apply for more than 50% of the Hong Kong Offer Shares initially available under the Hong Kong Public Offering;

(f) we or the Overall Coordinators and the Joint Global Coordinators believe that by accepting your application, a violation of applicable securities or other laws, rules or regulations would result; or

(g) the Underwriting Agreements do not become unconditional or are terminated.

G. Refund of Application Monies

If an application is rejected, not accepted or accepted in part only, or if the Hong Kong Offer Price as finally determined is less than the maximum Hong Kong Offer Price per Offer Share (excluding brokerage, SFC transaction levy, AFRC transaction levy and Hong Kong Stock Exchange trading fee payable thereon) paid on application, or if the conditions of the Global Offering as set out in "Structure of the Global Offering—Conditions of the Hong Kong Public Offering" are not satisfied or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy, AFRC transaction levy and Hong Kong Stock Exchange trading fee, will be refunded, without interest.

Any refund of your application monies will be made on or before Wednesday, May 24, 2023.

H. DISPATCH/COLLECTION OF SHARE CERTIFICATES/e-REFUND PAYMENT INSTRUCTIONS/REFUND CHECKS

You will receive one share certificate for all Hong Kong Offer Shares allocated to you under the Hong Kong Public Offering (except pursuant to applications made through the **CCASS EIPO** service where the share certificates will be deposited into CCASS as described below) and one share certificate for all Reserved Shares allocated to you under the Preferential Offering.

The Company will not issue temporary document of title in respect of the Offer Shares. The Company will not issue receipt for sums paid on application.

Subject to arrangement on dispatch/collection of share certificates and refund checks as mentioned below, any refund checks and share certificate(s) are expected to be posted on or before Wednesday, May 24, 2023. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of check(s) or banker's cashier order(s).

Share certificates will only become valid evidence of title at 8:00 a.m. on Thursday, May 25, 2023, provided that the Global Offering has become unconditional in all respects at or before that time.

Investors who trade Shares on the basis of publicly available allocation details or prior to the receipt of the share certificates or prior to the share certificates becoming valid do so entirely at their own risk.

Personal Collection

If you apply through White Form eIPO service or BLUE Application Form:

(a) If you apply for (i) 1,000,000 Hong Kong Offer Shares or more through the **White Form eIPO** service or (ii) 1,000,000 Reserved Shares or more on a **BLUE** Application Form and have provided all information required by your Application Form, you may collect your share certificate(s) and/or refund cheque(s) (where applicable) in person from the Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Wednesday, May 24, 2023, or any other place or date notified by us.

(b) If you are an individual who is eligible for personal collection, you must not authorize any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorized representative must bear a letter of authorization from your corporation stamped with your corporation's chop. Both individuals and authorized representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Share Registrar. If you do not personally collect your share certificate(s) within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post and at your own risk.

(c) If you apply for less than 1,000,000 Hong Kong Offer Shares through the **White Form eIPO** service or less than 1,000,000 Reserved Shares on a **BLUE** Application Form, your share certificate(s) and/or refund cheque(s) (where applicable) will be sent to the address specified in your application instructions on or before Wednesday, May 24, 2023 by ordinary post and at your own risk.

(d) If you apply through the **White Form eIPO** service and pay the application monies from a single bank account, any refund monies will be dispatched to that bank account in the form of e-Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be dispatched to the address specified in your application instructions in the form of refund check(s) by ordinary post and at your own risk.

If you apply through CCASS EIPO service:

Allocation of the Hong Kong Offer Shares

For the purposes of allocating the Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of Share Certificates into CCASS and Refund of Application Monies

(a) If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Wednesday, May 24, 2023 or on any other date determined by HKSCC or HKSCC Nominees.

(b) We expect to publish the application results of CCASS Participants (and where the CCASS Participant is a **broker** or **custodian**, we will include information relating to the relevant beneficial owner), your Hong Kong identity card/passport/Hong Kong business registration number or other identification code (Hong Kong business registration number for corporations) and the basis of allocations of the Hong Kong Offer Shares in the manner as described in the paragraph headed "—Publication of Results" above on Wednesday, May 24, 2023. You should check the announcement published by us and report any discrepancies to HKSCC before 5:00 p.m. on Wednesday, May 24, 2023 or such other date as determined by HKSCC or HKSCC Nominees.

(c) If you have instructed your **broker** or **custodian** who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf, you can also check the number of the Hong Kong Offer Shares allocated to you and the amount of refund monies (if any) payable to you with that broker or custodian.

(d) If you have applied as a CCASS Investor Participant, you can also check the number of the Hong Kong Offer Shares allocated to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Wednesday, May 24, 2023. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of the refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of the Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

(e) Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Hong Kong Offer Price and the maximum Hong Kong Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy, AFRC transaction levy and Hong Kong Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your **broker** or **custodian** on Wednesday, May 24, 2023.

I. ADMISSION OF THE SHARES INTO CCASS

If the Hong Kong Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Hong Kong Stock Exchange or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Hong Kong Listing Rules) is required to take place in CCASS on the second settlement day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangements as such arrangements may affect their rights and interests.

We have made all necessary arrangements to enable the Shares to be admitted into CCASS.

The following is the text of a report, prepared for inclusion in this document, received from the independent reporting accountants of the Company, Ernst & Young, Certified Public Accountants, Hong Kong.

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ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF HORIZON CONSTRUCTION DEVELOPMENT LIMITED, HUATAI FINANCIAL HOLDINGS (HONG KONG) LIMITED, CITIGROUP GLOBAL MARKETS ASIA LIMITED, CMB INTERNATIONAL CAPITAL LIMITED AND DBS ASIA CAPITAL LIMITED

Introduction

We report on the historical financial information of Horizon Construction Development Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages I-3 to I-89, which comprises the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Group for each of the years ended 31 December 2020, 2021 and 2022 (the "Relevant Periods"), and the consolidated statements of financial position of the Group as at 31 December 2020, 2021 and 2022 and the statements of financial position of the Company as at 31 December 2020, 2021 and 2022 and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-3 to I-89 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 12 May 2023 (the "Prospectus") in connection with the initial listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively, and for such internal control as the directors determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively, in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the financial position of the Group as at 31 December 2020, 2021 and 2022 and of the Company as at 31 December 2020, 2021 and 2022 and of the financial performance and cash flows of the Group for each of the Relevant Periods in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively.

Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-3 have been made.

Dividends

The Historical Financial Information states that no dividends have been paid by the Company in respect of the Relevant Periods.

No historical financial statements for the Company

As at the date of this report, no statutory financial statements have been prepared for the Company since its date of incorporation.

Certified Public Accountants
Hong Kong
12 May 2023

I. HISTORICAL FINANCIAL INFORMATION

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The financial statements of the Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by Ernst & Young in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") (the "Underlying Financial Statements").

The Historical Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

Consolidated Statements of Profit or Loss and Other Comprehensive Income

	Notes	Year ended 31 December 2020	2021	2022
		RMB'000	*RMB'000*	*RMB'000*
REVENUE	5	3,663,595	6,141,168	7,877,646
Cost of sales	7	(2,015,234)	(3,295,231)	(4,744,640)
Gross profit		1,648,361	2,845,937	3,133,006
Other income and gains	6	79,587	260,206	157,582
Selling and distribution expenses	7	(273,091)	(451,852)	(340,804)
Administrative expenses	7	(411,421)	(745,455)	(863,778)
Expected credit losses ("ECLs") of financial and contract assets, net	7	(91,790)	(304,285)	(110,114)
Other expenses	7	(6,155)	(51,734)	(157,270)
Finance costs	10	(303,984)	(650,318)	(924,818)
PROFIT BEFORE TAX	7	641,507	902,499	893,804
Income tax expense	11	(148,145)	(192,861)	(227,242)
PROFIT FOR THE YEAR		493,362	709,638	666,562
Profit attributable to:				
Owners of the parent		448,373	709,638	666,562
Non-controlling interests		44,989	–	–
		493,362	709,638	666,562
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:				
Cash flow hedges:				
Effective portion of changes in fair value of hedging instruments arising during the year	27	–	–	(2,257)
Exchange differences on translation of foreign operations		–	–	(31)
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods		–	–	(2,288)
Other comprehensive income for the year, net of tax		–	–	(2,288)
Total comprehensive income for the year		493,362	709,638	664,274
Total comprehensive income attributable to:				
Owners of the parent		448,373	709,638	664,274
Non-controlling interests		44,989	–	–
		493,362	709,638	664,274

Consolidated Statements of Financial Position

		As at 31 December		
		2020	**2021**	**2022**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*
NON-CURRENT ASSETS				
Property, plant and equipment	*13*	10,348,017	18,278,063	19,102,390
Right-of-use assets	*14(a)*	681,881	321,214	335,222
Other intangible assets	*15*	4,946	4,611	3,797
Prepayments, other receivables and other assets	*19*	–	120,683	174,980
Deferred tax assets	*16*	182,113	263,859	333,081
Derivative financial instruments	*27*	–	–	2,379
Restricted bank balances	*23*	642	–	–
Total non-current assets		11,217,599	18,988,430	19,951,849
CURRENT ASSETS				
Inventories	*17*	165,757	291,365	186,217
Trade receivables	*18*	2,529,852	4,198,258	4,486,990
Contract assets	*20*	110,132	276,859	304,295
Prepayments, other receivables and other assets	*19*	1,235,084	2,055,489	2,103,819
Financial assets at fair value through profit or loss	*21*	–	150,051	–
Debt investments at fair value through other comprehensive income	*22*	190,940	480,140	1,036,355
Restricted bank balances	*23*	24,009	13,023	62,944
Cash and cash equivalents	*23*	165,830	506,991	2,159,325
Total current assets		4,421,604	7,972,176	10,339,945

		As at 31 December		
		2020	**2021**	**2022**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*
CURRENT LIABILITIES				
Trade and bills payables	*24*	896,440	1,435,700	1,109,794
Other payables and accruals	*25*	640,535	1,257,869	736,808
Interest-bearing bank and other borrowings	*26*	2,435,389	5,064,932	6,143,418
Lease liabilities	*14(b)*	628,285	65,545	59,927
Tax payables		93,292	166,130	141,020
Total current liabilities		4,693,941	7,990,176	8,190,967
NET CURRENT ASSETS/(LIABILITIES)		(272,337)	(18,000)	2,148,978
TOTAL ASSETS LESS CURRENT LIABILITIES		10,945,262	18,970,430	22,100,827
NON-CURRENT LIABILITIES				
Other payables and accruals	*25*	150,489	241,715	266,266
Derivative financial instruments	*27*	–	6,907	2,257
Interest-bearing bank and other borrowings	*26*	5,382,124	12,632,834	15,068,696
Lease liabilities	*14(b)*	92,458	60,743	71,332
Deferred tax liabilities	*16*	–	–	357
Deferred revenue	*28*	18,442	17,270	16,684
Total non-current liabilities		5,643,513	12,959,469	15,425,592
Net assets		5,301,749	6,010,961	6,675,235
EQUITY				
Equity attributable to owners of the parent				
Share capital	*29*	327	370	370
Reserves	*30*	5,300,996	6,010,591	6,674,865
		5,301,323	6,010,961	6,675,235
Non-controlling interests		426	–	–
Total equity		5,301,749	6,010,961	6,675,235

Consolidated Statements of Changes in Equity

	Attributable to owners of the parent									
	Share capital	Share premium*	Merger reserve*	Capital reserve*	Special reserve*	Statutory surplus reserve	Retained profits*	Total	Non-controlling interests	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(note 29)	*(note 30)*	*(note 30)*	*(note 30)*	*(note 30)*	*(note 30)*				
At 1 January 2020	–	–	(29,862)	–	10,257	–	86,915	67,310	179,337	246,647
Profit for the year	–	–	–	–	–	–	448,373	448,373	44,989	493,362
Total comprehensive income for the year	–	–	–	–	–	–	448,373	448,373	44,989	493,362
Issue of shares	327	4,740,553	–	–	–	–	–	4,740,880	–	4,740,880
Capital contribution by non-controlling equity holders of subsidiaries	–	–	–	–	–	–	–	–	364,649	364,649
Acquisition of non-controlling interests *(note 30(c) 2)*	–	–	–	44,365	395	–	–	44,760	(588,549)	(543,789)
Special reserve – safety fund appropriation	–	–	–	–	18,063	–	(18,063)	–	–	–
At 31 December 2020	327	4,740,553	(29,862)	44,365	28,715	–	517,225	5,301,323	426	5,301,749

	Attributable to owners of the parent									
	Share capital *RMB'000* *(note 29)*	**Share premium*** *RMB'000* *(note 30)*	**Merger reserve*** *RMB'000* *(note 30)*	**Capital reserve*** *RMB'000* *(note 30)*	**Special reserve*** *RMB'000* *(note 30)*	**Statutory surplus reserve** *RMB'000* *(note 30)*	**Retained profits*** *RMB'000*	**Total** *RMB'000*	**Non-controlling interests** *RMB'000*	**Total equity** *RMB'000*
At 1 January 2021	327	4,740,553	(29,862)	44,365	28,715	–	517,225	5,301,323	426	5,301,749
Profit for the year	–	–	–	–	–	–	709,638	709,638	–	709,638
Total comprehensive income for the year	–	–	–	–	–	–	709,638	709,638	–	709,638
Issue of ordinary shares with a redemption obligation *(note 29)*	43	1,326,142	–	–	–	–	–	1,326,185	–	1,326,185
Disposal of a subsidiary	–	–	–	–	–	–	–	–	(426)	(426)
Recognition of a redemption obligation *(note 30(c)1)*	–	–	–	(1,326,185)	–	–	–	(1,326,185)	–	(1,326,185)
Special reserve – safety fund appropriation	–	–	–	–	26,261	–	(26,261)	–	–	–
At 31 December 2021	370	6,066,695	(29,862)	(1,281,820)	54,976	–	1,200,602	6,010,961	–	6,010,961

	Attributable to owners of the parent								
	Share capital RMB'000 (note 29)	Share premium* RMB'000 (note 30)	Merger reserve* RMB'000 (note 30)	Capital reserve* RMB'000 (note 30)	Special reserve* RMB'000 (note 30)	Statutory surplus reserve RMB'000 (note 30)	Other comprehensive income* RMB'000	Retained profits* RMB'000	Total equity RMB'000
At 1 January 2022	370	6,066,695	(29,862)	(1,281,820)	54,976	–	–	1,200,602	6,010,961
Profit for the year	–	–	–	–	–	–	–	666,562	666,562
Other comprehensive income	–	–	–	–	–	–	(2,288)	–	(2,288)
Total comprehensive income for the year	–	–	–	–	–	–	(2,288)	666,562	664,274
Special reserve – safety fund appropriation	–	–	–	–	37,175	–	–	(37,175)	–
At 31 December 2022	370	6,066,695	(29,862)	(1,281,820)	92,151	–	(2,288)	1,829,989	6,675,235

* These reserve accounts comprise the consolidated reserves of RMB5,300,996,000, RMB6,010,591,000 and RMB6,674,865,000 in the consolidated statements of financial position as at 31 December 2020, 2021 and 2022, respectively.

Consolidated Statements of Cash Flows

	Notes	Year ended 31 December 2020 RMB'000	2021 RMB'000	2022 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax		641,507	902,499	893,804
Adjustments for:				
Finance costs	*10*	303,984	650,318	924,818
Loan interest income	*6*	(13,903)	–	–
Fair value gains, net:				
Financial assets at fair value through profit or loss		–	(51)	(69)
Derivative instrument – not for hedge accounting	*27*	–	6,907	(9,286)
Gain on disposal of items of property, plant and equipment and early termination of right-of-use assets	*6*	(34,549)	(18,635)	(22,824)
(Gain)/loss on disposal of subsidiaries	*31*	(365)	567	–
Loss on scrapped and physical items of property, plant and equipment	*7*	1,808	5,834	5,142
Impairment of inventories	*7*	–	–	19,063
ECLs of financial and contract assets, net	*7*	91,790	304,285	110,114
Depreciation of property, plant and equipment	*13*	773,801	1,577,373	2,194,927
Depreciation of right-of-use assets	*14(a)*	182,163	75,263	77,700
Amortization of other intangible assets	*15*	726	805	814
Deferred revenue	*28*	(1,145)	(1,172)	(586)
VAT super-credit	*6*	–	(193,617)	(42,125)
Exchange loss/(gain)		1,142	(11,374)	139,519
		1,946,959	3,299,002	4,291,011
(Increase)/decrease in inventories		(22,268)	(125,608)	86,085
Increase in trade receivables		(1,018,316)	(1,929,487)	(385,059)
Increase in debt investments at fair value through other comprehensive income		(89,577)	(316,438)	(588,472)
Decrease in prepayments, other receivables and other assets		362,952	839,379	496,523
Increase in contract assets		(36,690)	(183,960)	(27,212)
(Decrease)/increase in trade and bills payables		(104,552)	307,460	(112,909)
Increase/(decrease) in other payables and accruals		126,319	760,733	(615,923)
Cash generated from operations		1,164,827	2,651,081	3,144,044
Tax paid		(137,522)	(201,707)	(321,217)
Net cash flows from operating activities		1,027,305	2,449,374	2,822,827

	Notes	Year ended 31 December 2020 RMB'000	2021 RMB'000	2022 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES				
Loan interest received		13,903	–	–
Purchases of items of property, plant and equipment		(6,909,590)	(10,744,704)	(3,834,548)
Proceeds from disposal of items of property, plant and equipment		100,609	425,425	221,757
Disposal of subsidiaries	*31*	125,346	(1,052)	–
Purchase of other intangible assets	*15*	(1,029)	(470)	–
(Subscription)/redemption of financial assets at fair value through profit or loss		–	(150,000)	150,120
Loans to third parties		(20,030)	–	–
Net cash flows used in investing activities		(6,690,791)	(10,470,801)	(3,462,671)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from issue of shares		1,348,080	–	–
Capital contribution by non-controlling shareholders		364,649	–	–
Cash received from related parties		3,392,800	–	–
Consideration paid for a business combination under common control		(1,629,862)	–	–
Cash payment to related parties		(373,544)	–	–
New bank and other borrowings	*32*	9,617,550	13,580,357	10,115,342
Issue of ordinary shares with a redemption obligation	*32*	–	1,326,185	–
Interest paid	*32*	(375,932)	(689,809)	(810,078)
Dividends paid		(14,309)	–	–
Finance lease deposits paid		–	(121,000)	(53,000)
Repayment of bank and other borrowings	*32*	(4,670,601)	(5,095,061)	(6,822,422)
Acquisition of non-controlling interests		(543,789)	–	–
Principal portion of lease payments, net	*32*	(1,293,075)	(642,023)	(94,133)
(Increase)/decrease in restricted deposits		(14,290)	11,628	(49,921)
Net cash flows generated from financing activities		5,807,677	8,370,277	2,285,788
NET INCREASE IN CASH AND CASH EQUIVALENTS		144,191	348,850	1,645,944
Cash and cash equivalents at beginning of year		22,781	165,830	506,991
Effect of foreign exchange rate changes, net		(1,142)	(7,689)	6,390
CASH AND CASH EQUIVALENTS AT END OF YEAR	*23*	165,830	506,991	2,159,325

Statements of Financial Position of the Company

Information about the statements of financial position of the Company at the end of the Relevant Periods is as follows:

	Notes	As at 31 December 2020	2021	2022
		RMB'000	*RMB'000*	*RMB'000*
NON-CURRENT ASSETS				
Investment in a subsidiary		55	55	55
Total non-current assets		55	55	55
CURRENT ASSETS				
Prepayments, other receivables and other assets	*40*	4,674,526	5,976,340	5,990,540
Cash and cash equivalents	*40*	54,411	44,233	22,438
Total current assets		4,728,937	6,020,573	6,012,978
CURRENT LIABILITIES				
Other payables and accruals	*40*	10,855	12,372	40,505
Total current liabilities		10,855	12,372	40,505
NET CURRENT ASSETS		4,718,082	6,008,201	5,972,473
TOTAL ASSETS LESS CURRENT LIABILITIES		4,718,137	6,008,256	5,972,528
NON-CURRENT LIABILITIES				
Other payables and accruals	*40*	–	63,968	181,159
Other borrowings	*40*	–	1,306,447	1,427,118
Total non-current liabilities		–	1,370,415	1,608,277
Net assets		4,718,137	4,637,841	4,364,251
EQUITY				
Equity attributable to owners of the parent				
Share capital	*29*	327	370	370
Reserves		4,717,810	4,637,471	4,363,881
Total equity		4,718,137	4,637,841	4,364,251

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. CORPORATE AND GROUP INFORMATION

The Company was incorporated in the Cayman Islands on 28 September 2020 as an exempted company with limited liability under the Companies Law Chapter 22 of the Cayman Islands. The registered office of the Company is at the offices of Vistra (Cayman) Limited, P.O Box 31119 Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1-1205 Cayman Islands.

The Company is an investment holding company. During the Relevant Periods, the Company's subsidiaries were involved in the following principal activities:

(i) Operating lease services, including operational leasing of aerial work platform, turnover materials and mould bases;

(ii) Engineering and technical services, including construction and related services, electric power supply services, equipment repair and maintenance services and logistics services;

(iii) Platform and other services, including platform services (mainly referring to sub-leasing services and related maintenance services) and sales services (mainly referring to sale of new equipment, second-hand equipment and materials).

The immediate holding company and the controlling shareholder of the Company is Far East Horizon Limited ("Controlling Shareholder").

The Company and its subsidiaries now comprising the Group underwent the Reorganization as set out in the paragraph headed "Reorganization" in the section headed "History, Reorganization and Corporate Structure" in the Prospectus. Apart from the Reorganization, the Company has not commenced any business or operation since its incorporation.

As at the date of this report, the Company has direct and indirect interests in its subsidiaries, all of which are private limited liability companies (or, if incorporated outside Hong Kong, have substantially similar characteristics to a private company incorporated in Hong Kong), the particulars of which are set out below:

Name		Place of incorporation/ registration and place of operations	Date of incorporation	Registered share capital	Percentage of equity attributable to the Company		Principal activities
					Direct	*Indirect*	
Horizon Construction (Hong Kong) Limited (formerly named "Jinsheng Construction (Hong Kong) Limited")	*(a)*	Hong Kong	19-Dec-14	HKD1.00	100	–	Investment holding
Tianjin Horizon Construction Development Investment Co., Ltd. (formerly named "Tianjin Jinsheng Industry Investment Co., Ltd.") (天津宏信建發投資有限公司)	*(b)*	PRC/Mainland China	20-Jun-19	United States dollar ("USD") 1,000,000,000	–	100	Investment holding

Name		Place of incorporation/ registration and place of operations	Date of incorporation	Registered share capital	Percentage of equity attributable to the Company: *Direct*	*Indirect*	Principal activities
Shanghai Horizon Construction Development Co., Ltd. (上海宏信建設發展有限公司)	*(b)*	PRC/Mainland China	14-Apr-14	RMB4,400,000,000	–	100	Engineering and technical services, and sale of equipment and spare parts
Shanghai Hongjin Equipment & Engineering Co., Ltd. (上海宏金設備工程有限公司)	*(b)*	PRC/Mainland China	2-Aug-13	RMB600,000,000	–	100	Engineering and technical services, operating lease services, and maintenance, installation and sale of equipment
Shanghai Horizon Equipment & Engineering Co., Ltd. (上海宏信設備工程有限公司)	*(b)*	PRC/Mainland China	13-Jul-11	RMB4,912,984,400	–	100	Engineering and technical services, operating lease services, and maintenance, installation and sale of equipment
Tianjin Horizon Equipment Leasing Co., Ltd. (天津宏信設備租賃有限公司)	*(b)*	PRC/Mainland China	27-Jul-12	RMB100,000,000	–	100	Engineering and technical services, operating lease services, and maintenance, installation and sale of equipment
Guangzhou Hongtu Equipment & Engineering Co., Ltd. (廣州宏途設備工程有限公司)	*(b)*	PRC/Mainland China	23-Mar-15	RMB1,133,220,000	–	100	Engineering and technical services, operating lease services, and maintenance, installation and sale of equipment
Shanghai Horizon Engineering Technology Co., Ltd. (上海宏信工程技術有限公司)	*(c)*	PRC/Mainland China	11-Sep-20	RMB200,000,000	–	100	Engineering and technical services, operating lease services, and sale of equipment and spare parts
Shanghai Horizon Construction Technology Co., Ltd. (上海宏信建築科技有限公司)	*(c)*	PRC/Mainland China	20-Apr-20	RMB200,000,000	–	100	Engineering and technical services, and operating lease services
Tianjin Horizon Construction Development Leasing Co., Ltd. (天津宏信建發租賃有限公司)	*(d)*	PRC/Mainland China	16-Apr-20	RMB705,000,000	–	100	Operating lease services, and sale of equipment and spare parts

Name		Place of incorporation/ registration and place of operations	Date of incorporation	Registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Beijing Hongtu Equipment Leasing Co., Ltd. (北京宏途設備租賃有限公司)	*(e)*	PRC/Mainland China	2-Dec-20	RMB1,000,000	–	100	Engineering and technical services, operating lease services, and sale of equipment and spare parts
Tianjin Horizon Construction Development Engineering Technology Co., Ltd. (天津宏信建發工程技術有限公司)	*(e)*	PRC/Mainland China	23-Nov-20	RMB10,000,000	–	100	Engineering and technical services, operating lease services, and sale of equipment and spare parts
Tianjin Hongtu Supply Chain Management Co., Ltd. (天津宏途供應鏈管理有限公司)	*(e)*	PRC/Mainland China	19-Nov-20	RMB10,000,000	–	100	Supply chain management services
Horizon Construction overseas (Hong Kong) Limited	*(f)*	Hong Kong	29-Apr-21	HKD10,000,000	–	100	Investment holding
Horizon Construction Development (Singapore) Pte. Ltd.	*(g)*	Singapore	21-Jul-21	SGD1,000,000	–	100	Wholesale trade of a variety of goods without a dominant-product
Horizon Construction Overseas (Malaysia) Sdn. Bhd.	*(g)*	Malaysia	8-Nov-21	MYR1,000,000	–	100	Import and export, sale and leasing of new and used equipment

* The English names of all group companies registered in the PRC represent the best efforts made by the management of the Company to translate the Chinese names of these companies as they do not have official English names.

(a) The statutory financial statements of this entity for the year ended 31 December 2021 prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") were audited by W. H. Shum & Co (英福會計師事務所). The statutory financial statements of this entity for the year ended 31 December 2020 prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") were audited by C K Yau & Partners CPA Limited (邱在光合夥會計師行有限公司).

(b) The statutory financial statements of these entities for the years ended 31 December 2021 and 31 December 2020 prepared in accordance with generally accepted accounting principles in the People's Republic of China ("PRC GAAP") and regulations were audited by Ernst & Young Hua Ming LLP Shanghai Branch (安永華明會計師事務所(特殊普通合夥)上海分所), a certified public accounting firm registered in the PRC.

(c) The statutory financial statements of these entities for the year ended 31 December 2021 prepared in accordance with generally accepted accounting principles in the People's Republic of China ("PRC GAAP") and regulations were audited by Zhongxingcai Guanghua Certified Public Accountants LLP (中興財光華會計師事務所(特殊普通合夥)上海分所), a certified public accounting firm registered in the PRC. The statutory financial statements of these entities for the year ended 31 December 2020 prepared in accordance with generally accepted accounting principles in the People's Republic of China ("PRC GAAP") and regulations were audited by Shanghai Qianyi Certified Public Accountants Co., Ltd. (上海仟一會計師事務所有限公司), a certified public accounting firm registered in the PRC.

(d) The statutory financial statements of this entity for the year ended 31 December 2021 prepared in accordance with generally accepted accounting principles in the People's Republic of China ("PRC GAAP") and regulations were audited by Ernst & Young Hua Ming LLP Shanghai Branch (安永華明會計師事務所(特殊普通合夥)上海分所), a certified public accounting firm registered in the PRC. The statutory financial statements of this entity for the year ended 31 December 2020 prepared in accordance with generally accepted accounting principles in the People's Republic of China ("PRC GAAP") and regulations were audited by Shanghai Qianyi Certified Public Accountants Co., Ltd. (上海仟一會計師事務所有限公司), a certified public accounting firm registered in the PRC.

(e) The statutory financial statements of these entities for the year ended 31 December 2021 prepared in accordance with generally accepted accounting principles in the People's Republic of China ("PRC GAAP") and regulations were audited by Zhongxingcai Guanghua Certified Public Accountants LLP (中興財光華會計師事務所(特殊普通合夥)上海分所), a certified public accounting firm registered in the PRC.

(f) The statutory financial statements of this entity for the year ended 31 December 2021 prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") were audited by Clayton Concept & Co. (機靈會計師事務所).

(g) No audited financial statements have been audited for these entities, as these entities are newly established in 2021.

(h) Yiyang Yuhong Infrastructure Construction & Development Co., Ltd. (益陽市昱宏基礎設施建設發展有限公司) and Pan Xian Yuhong Infrastructure Investment Co., Ltd. (盤州市昱宏基礎設施投資有限公司) have been disposed of in 2020. Tangshan Caofeidian Yurui Construction and Engineering Co., Ltd. (唐山曹妃甸昱瑞建設工程有限公司) has been disposed of in 2021. Further details of the disposal of the subsidiaries are disclosed in note 31 to the Historical Financial Information.

(i) Hebei Hongjin Mould Base Technology Co., Ltd. (河北宏金模架科技有限公司) has been deregistered in 2022.

2.1 BASIS OF PRESENTATION

Pursuant to the Reorganization, as more fully explained in the paragraph headed "Reorganization" in the section headed "History, Reorganization and Corporate Structure" in the Prospectus, the Company became the holding company of the companies now comprising the Group on 23 October 2020. The companies now comprising the Group were under the common control of the Controlling Shareholder before and after the Reorganization. Accordingly, for the purpose of this report, the Historical Financial Information has been prepared on a consolidated basis by applying the principles of merger accounting as if the Reorganization had been completed at the beginning of the Relevant Periods.

The consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Group for the Relevant Periods include the results and cash flows of all companies now comprising the Group from the earliest date presented or since the date when the subsidiaries and/or businesses first came under the common control of the Controlling Shareholder, where this is a shorter period. The consolidated statements of financial position of the Group as at 31 December 2020, 2021 and 2022 have been prepared to present the assets and liabilities of the subsidiaries using the existing book values from the Controlling Shareholder's perspective. No adjustments are made to reflect fair values, or to recognize any new assets or liabilities as a result of the Reorganization.

Equity interests in subsidiaries held by parties other than the Controlling Shareholder, and changes therein, prior to the Reorganization are presented as non-controlling interests in equity in applying the principles of merger accounting.

Profit or loss is attributed to the owners of the parent and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

All intra-group transactions and balances have been eliminated on consolidation in full.

2.2 BASIS OF PREPARATION

The Historical Financial Information has been prepared in accordance with HKFRSs (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the HKICPA and accounting principles generally accepted in Hong Kong. All HKFRSs effective for the accounting period commencing from 1 January 2022, together with the relevant transitional provisions, have been early adopted by the Group in the preparation of the Historical Financial Information on a consistent basis throughout the Relevant Periods.

The Historical Financial Information has been prepared under the historical cost convention, except for financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income ("FVOCI") and derivative financial instrument which have been measured at fair value.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in this Historical Financial Information.

Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendments to HKFRS 16	*Lease Liability in a Sale and Leaseback*[2]
HKFRS 17	*Insurance Contracts*[1]
Amendments to HKFRS 17	*Insurance Contracts*[1, 5]
Amendment to HKFRS 17	*Initial Application of HKFRS 17 and HKFRS 9—Comparative Information*[6]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current* (the "2020 Amendments")[2, 4]
Amendments to HKAS 1	*Non-current Liabilities with Covenants* (the "2022 Amendments")[2]
Amendments to HKAS 1 and HKFRS Practice Statement 2	*Disclosure of Accounting Policies*[1]
Amendments to HKAS 8	*Definition of Accounting Estimates*[1]
Amendments to HKAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[1]

1 Effective for annual periods beginning on or after 1 January 2023

2 Effective for annual periods beginning on or after 1 January 2024

3 No mandatory effective date yet determined but available for adoption

4 As a consequence of the 2022 Amendments, the effective date of the 2020 Amendments was deferred to annual periods beginning on or after 1 January 2024. In addition, as a consequence of the 2020 Amendments and 2022 Amendments, Hong Kong Interpretation 5 *Presentation of Financial Statements—Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised to align the corresponding wording with no change in conclusion

5 As a consequence of the amendments to HKFRS 17 issued in October 2020, HKFRS 4 was amended to extend the temporary exemption that permits insurers to apply HKAS 39 rather than HKFRS 9 for annual periods beginning before 1 January 2023

6 An entity that chooses to apply the transition option relating to the classification overlay set out in this amendment shall apply it on initial application of HKFRS 17

The Group is in the process of making assessment of the impact of these new and revised HKFRSs upon initial applications. So far, the Group considers that, these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business combinations other than common control

Business combinations other than those under common control are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognized in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognized at fair value at the acquisition date contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognized in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognized for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognized in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December each year. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognized. An impairment loss recognized for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Business combination under common control

Business combinations of entities under common control are accounted for using the pooling of interests method. The results of subsidiaries are combined from the beginning of the Relevant Periods or the date on which a subsidiary first came under the common control of the Controlling Shareholder, whichever is later, and continue to be consolidated until the date that the Company's control ceases. The assets and liabilities of the combining entities are reflected at their existing carrying values at the date of combination. No amount is recognized in respect of goodwill or excess of the acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, which, instead, is recorded as part of equity.

Fair value measurement

The Group measures its financial instruments at fair value at the end of each of the Relevant Periods. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the Historical Financial Information are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each of the Relevant Periods.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, contract assets, deferred tax assets, financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognized only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each of the Relevant Periods as to whether there is an indication that previously recognized impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognized impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortization) had no impairment loss been recognized for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalized in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognizes such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold improvements	Shorter of the remaining period of the lease and the useful life of the assets
Buildings	2.38% to 19.40%
Equipment, materials and moulds	9.00% to 32.33%
Office and other equipment	9.00% to 32.33%
Motor vehicles	9.00% to 24.25%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognized in profit or loss in the year the asset is derecognized is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents a building under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalized borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortized. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Software

Software is stated at historical cost less any impairment loss and is amortized on the straight-line basis over its estimated useful life of 5-10 years.

The software mainly comprises Enterprise Resource Planning system (the "ERP system") and Systems Applications and Products in Data Processing system ("SAP financial system"). The management estimates the useful life of ERP system and SAP financial system as 10 years based on historical experience and estimated lifecycle of the software according to their business plan.

Research and development costs

All research costs are charged to the statement of profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalized and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Deferred development costs are stated at cost less any impairment losses and are amortized using the straight-line basis over the commercial lives of the underlying products, commencing from the date when the products are put into commercial production.

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

Right-of-use assets are recognized at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Leasehold land	40 to 50 years
Offices	1 to 6 years
Equipment, materials and moulds	3 to 7 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

(b) Lease liabilities

Lease liabilities are recognized at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognized as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

(c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery, equipment and office (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets.

Lease payments on short-term leases and leases of low-value assets are recognized as an expense on a straight-line basis over the lease term.

Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee are accounted for as finance leases.

At the commencement date, the cost of the leased asset is capitalized at the present value of the lease payments and related payments (including the initial direct costs), and presented as a receivable at an amount equal to the net investment in the lease. The finance income on the net investment in the lease is recognized in profit or loss so as to provide a constant periodic rate of return over the lease terms.

When the Group is an intermediate lessor, a sublease is classified as a finance lease or an operating lease with reference to the right-of-use asset are arising from the head lease. If the head lease is a short-term lease to which the Group applies the on-balance sheet recognition exemption, the Group classifies the sublease as an operating lease.

Sale and leaseback transactions

The Group acts as a seller-lessee transfers an asset to another entity (the buyer-lessor) and leases that asset back from the buyer-lessor. The Group applies the requirements for determining when a performance obligation is satisfied in HKFRS 15 to determine whether the transfer of an asset is accounted for as a sale of that asset.

When the transfer of an asset by the seller-lessee does not satisfy the requirements of HKFRS 15 to be accounted for as a sale of the asset, the Group, as the seller-lessee, continues to recognize the transferred asset and recognizes a financial liability equal to the transfer proceeds.

When the transfer of an asset by the seller-lessee satisfies the requirements of HKFRS 15 to be accounted for as a sale of the asset, the Group, as the seller-lessee measures the right-of-use asset arising from the leaseback at the proportion of the previous carrying amount of the asset that relates to the right of use retained by the seller-lessee. Accordingly, the Group recognizes only the amount of any gain or loss that relates to the rights transferred to the buyer-lessor.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortized cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortized cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognized on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortized cost (debt instruments)

Financial assets at amortized cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

Financial assets at fair value through other comprehensive income (debt instruments)

For debt investments at fair value through other comprehensive income, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in profit or loss and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in other comprehensive income. Upon derecognition, the cumulative fair value change recognized in other comprehensive income is recycled to profit or loss.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognized in the statement of profit or loss.

This category includes derivative instruments which the Group had not irrevocably elected to classify at fair value through other comprehensive income and wealth management products with floating interest rates of which the cash flows are not for the SPPI. Dividends on equity investments classified as financial assets at fair value through profit or loss are also recognized as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognizes an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At the end of each of the Relevant Periods, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information. The Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Debt investments at fair value through other comprehensive income and financial assets at amortized cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables and contract assets that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For lease receivables, the Group chooses as its accounting policy to adopt the simplified approach in calculating ECLs with policies as described above.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and bills payables, other payables and accruals, derivative financial instruments, interest-bearing bank and other borrowings, other borrowings on ordinary shares with redemption obligation and lease liabilities.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognized in the statement of profit or loss. The net fair value gain or loss recognized in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in HKFRS 9 are satisfied. Gains or losses on liabilities designated at fair value through profit or loss are recognized in the statement of profit or loss, except for the gains or losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to the statement of profit or loss. The net fair value gain or loss recognized in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities at amortized cost (borrowings)

After initial recognition, interest-bearing borrowings are subsequently measured at amortized cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the effective interest rate amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortization is included in finance costs in profit or loss.

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognized in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as interest rate swaps, to hedge its foreign currency risk and interest rate risk, respectively. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are taken directly to the statement of profit or loss, except for the effective portion of cash flow hedges, which is recognized in other comprehensive income and later reclassified to profit or loss when the hedged item affects profit or loss.

For the purpose of hedge accounting, hedges are classified as:

- fair value hedges when hedging the exposure to changes in the fair value of a recognized asset or liability or an unrecognized firm commitment; or
- cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction, or a foreign currency risk in an unrecognized firm commitment; or
- hedges of a net investment in a foreign operation.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting, the risk management objective and its strategy for undertaking the hedge.

The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is "an economic relationship" between the hedged item and the hedging instrument.
- The effect of credit risk does not "dominate the value changes" that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

Hedges which meet all the qualifying criteria for hedge accounting are accounted for as follows:

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognized directly in other comprehensive income in the cash flow hedge reserve, while any ineffective portion is recognized immediately in the statement of profit or loss. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

The amounts accumulated in other comprehensive income are accounted for, depending on the nature of the underlying hedged transaction. If the hedged transaction subsequently results in the recognition of a non-financial item, the amount accumulated in equity is removed from the separate component of equity and included in the initial cost or other carrying amount of the hedged asset or liability. This is not a reclassification adjustment and will not be recognized in other comprehensive income for the period. This also applies where the hedged forecast transaction of a non-financial asset or non-financial liability subsequently becomes a firm commitment to which fair value hedge accounting is applied.

For any other cash flow hedges, the amount accumulated in other comprehensive income is reclassified to the statement of profit or loss as a reclassification adjustment in the same period or periods during which the hedged cash flows affect the statement of profit or loss.

If cash flow hedge accounting is discontinued, the amount that has been accumulated in other comprehensive income must remain in accumulated other comprehensive income if the hedged future cash flows are still expected to occur. Otherwise, the amount will be immediately reclassified to the statement of profit or loss as a reclassification adjustment. After the discontinuation, once the hedged cash flow occurs, any amount remaining in accumulated other comprehensive income is accounted for depending on the nature of the underlying transaction as described above.

Current versus non-current classification

Derivative instruments that are not designated as effective hedging instruments are classified as current or non current or separated into current and non-current portions based on an assessment of the facts and circumstances (i.e., the underlying contracted cash flows).

- Where the Group expects to hold a derivative as an economic hedge (and does not apply hedge accounting) for a period beyond 12 months after the end of the reporting period, the derivative is classified as non-current (or separated into current and non-current portions) consistently with the classification of the underlying item.

- Embedded derivatives that are not closely related to the host contract are classified consistently with the cash flows of the host contract.

- Derivative instruments that are designated as, and are effective hedging instruments, are classified consistently with the classification of the underlying hedged item. The derivative instruments are separated into current portions and non-current portions only if a reliable allocation can be made.

Other borrowings on ordinary shares with redemption obligation

For the redeemable ordinary shares issued by the Company as detailed in note 28, financial liabilities are recognized based on the net present value of the redemption amount and debited to equity. Changes of net present value during the relevant periods are recognized in profit or loss. When the redemption rights related to the redeemable ordinary shares are terminated, redemption liabilities on ordinary shares are extinguished and credited to equity.

Inventories

Inventories are goods valued at the lower of cost and net realizable value at the end of each of the Relevant Periods. The cost of inventories issued is determined on the weighted-average basis and specific identification basis, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. The difference between the cost and the lower net realizable value is stated as a provision. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs to be incurred to completion and estimated expenses and related taxes necessary to make the sale.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short-term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits with original maturity of less than three months, and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognized when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognized for a provision is the present value at the end of each of the Relevant Periods of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognized outside profit or loss is recognized outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each of the Relevant Periods, taking into consideration interpretations and practices prevailing in the countries or areas in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of each of Relevant Periods between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, and the carryforward of unused tax credits and unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilized, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognized to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at the end of each of the Relevant Periods and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at the end of each of the Relevant Periods and are recognized to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each of the Relevant Periods.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred taxes assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grants

Government grants are recognized at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognized as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to profit or loss by way of a reduced depreciation charge.

Revenue recognition

The Group principally engaged in the leasing of equipment and materials, operating lease services, engineering and technical services and sales of goods.

Revenue from operating lease income

Operating lease income, for which the Group provides operating lease services and subleasing services cover various types of equipment and materials on a daily, weekly, monthly, yearly or project-by-project basis based on customers' needs. Rental income is recognized on a time proportion basis over the lease terms. Variable lease payments that do not depend on an index or a rate are recognized as income in the accounting period in which they are incurred.

Revenue from contracts with customers

Revenue from contracts with customers is recognized when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognized will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognized under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

(a) Sale of goods

Revenue from the sale of goods is recognized at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods.

(b) Engineering and technical services

Revenue from construction services is recognized over time, using an input method to measure progress towards complete satisfaction of the service, because the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced. The input method recognizes revenue based on the proportion of the actual costs incurred relative to the estimated total costs for satisfaction of construction services.

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognized for the earned consideration that is conditional. Contract assets are subject to impairment assessment, details of which are included in the accounting policies for impairment of financial assets.

Contract liabilities

A contract liability is recognized when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognized as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Contract costs

Other than the costs which are capitalized as inventories, property, plant and equipment and intangible assets, costs incurred to fulfil a contract with a customer are capitalized as an asset if all of the following criteria are met:

(a) The costs relate directly to a contract or to an anticipated contract that the entity can specifically identify.

(b) The costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future.

(c) The costs are expected to be recovered.

The capitalized contract costs are amortized and charged to profit or loss on a systematic basis that is consistent with the pattern of the revenue to which the asset related is recognized. Other contract costs are expensed as incurred.

Employee benefits

Salaries and bonuses, social security contributions and other short-term employee benefits are accrued in which services have been rendered by the employees of the Group.

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of these payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

Contributions to these plans are recognized in profit or loss as incurred.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalized as part of the cost of those assets. The capitalization of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalized. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends are recognized as a liability when they are approved by the shareholders in a general meeting.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognized immediately as a liability when they are proposed and declared.

Foreign currencies

This Historical Financial Information is presented in Renminbi ("RMB"). Each entity in the Group determines its own functional currency and items included in the Historical Financial Information of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of each of the Relevant Periods. Differences arising on settlement or translation of monetary items are recognized in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognized in other comprehensive income or profit or loss is also recognized in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognizes the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain overseas subsidiaries are currencies other than the RMB. As at the end of each of the Relevant Periods, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of each of the Relevant Periods and their statements of profit or loss are translated into RMB at the exchange rates that approximate to those prevailing at the dates of the transactions. The functional currency of the Company is RMB.

The resulting exchange differences are recognized in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognized in profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's Historical Financial Information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which has the most significant effect on the amounts recognized in the financial statements:

Significant judgement in determining the lease term of contracts with renewal options

The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate the lease (e.g., construction of significant leasehold improvements or significant customisation to the leased asset).

The Group includes the renewal period as part of the lease term for leases of machinery due to the significance of these assets to its operations. These leases have a short non-cancellable period (i.e., three to five years) and there will be a significant negative effect on production if a replacement is not readily available.

Classification between finance leases and operating leases

A lessor shall classify each of its leases as either an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset.

Situations that would normally lead to a lease being classified as a finance lease include the following:

- the lease transfers ownership of the asset to the lessee by the end of the lease term;
- the lessee has the option to purchase the asset at a price which is expected to be sufficiently lower than the fair value at the date the option becomes exercisable and, at the inception of the lease, it is reasonably certain that the option will be exercised;
- the lease term is for the major part of the economic life of the asset, even if title is not transferred;
- at the inception of the lease, the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset; and
- the leased assets are of a specialized nature such that only the lessee can use them without major modifications being made.

If it is clear from other features that the lease does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset, the lease is classified as an operating lease. The determination of whether the Group has transferred substantially all the risks and rewards incidental to ownership depends on an assessment of the relevant arrangements relating to the lease and this involves critical judgements by management.

Determining the timing of satisfaction of construction services

The Group concluded that revenue from the construction services is recognized over time, using an input method to measure progress towards complete satisfaction of the service, because the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced. The fact that the Group is building on the customer's construction site and the customer generally controls any work in progress arising from the Group's performance demonstrates that the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced.

Classification of transactions which contain a financing element

Transactions for the purchase of materials and equipment contains financing elements such as extended payment terms. Under such arrangement, the banks as the paying party upon delivery of product by the supplier and the Group will subsequently settle the liability directly with banks. Management considers the underlying economic substance of the transaction and the significance of the financing element to the transaction. Judgement is required to determine the most appropriate classification and presentation of these transactions within the statements of cash flows and financial position. The economic substance of the transaction is determined to be financing in nature as the financing element is significant and the time frame in which the arrangement is extended by over 9 months within original supply terms. As a result, the entire cash flow is presented as operating and financing in the statement of cash flow. Therefore, the supplier finance arrangement is significantly different from the original invoices and presentation of the liabilities is included in interest-bearing bank and other borrowings, with total amounts of nil, RMB87,837,000, and RMB84,649,000, respectively as at the end of the Relevant Period. There are non-cash changes showed in the consolidated statements of cashflows.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each of the Relevant Periods, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below:

Provision for expected credit losses ("ECLs")

The measurement of impairment losses under HKFRS 9 across debt instruments recorded at FVOCI, trade receivables, financial assets included in prepayments, other receivables and other assets, contract assets require judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The Group's ECLs calculations are outputs of appropriate models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

(i) The Group's internal credit grading model, which assigns the probability of defaults (PDs) to the individual grades

(ii) The Group's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a lifetime ECL basis and the qualitative assessment

(iii) Development of ECL models, including the various formulas and the choice of inputs

(iv) Determination of associations between macroeconomic scenarios and economic inputs, and the effect on PDs, the exposure at defaults (EADs) and the loss given defaults (LGDs)

The Group will regularly review the expected credit loss model in the context of actual loss experience and adjust when necessary.

Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets (including the right-of-use assets) at the end of each of the Relevant Periods. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value-in-use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Deferred tax assets

Deferred tax assets are recognized for deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized. Significant management judgement is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Further details are contained in note 16 to the Historical Financial Information.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has three reportable operating segments as follows:

(i) Operating lease services: leasing of equipment and materials to customers and generating revenue mainly from rental fees payable by customers. The equipment and materials remain property of the Group and are leased out to different customers with same or similar requirements;

(ii) Engineering and technical services: provision of construction services, electric power supply services, equipment repair and maintenance services and logistics services, and related value-added services, and generating revenue mainly from service fees charged to customers; and

(iii) Platform and other services: sub-leasing and sale of equipment and materials.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted profit before tax from continuing operations. The adjusted profit before tax from continuing operations is measured consistently with the Group's profit before tax from continuing operations except other income and gain (other than loans interest income, gain on disposal of items of property, plant and equipment and gain on stock-take of physical assets), non-financial lease-related finance costs, ECLs of other receivables, as well as other expenses (other than loss on scrapped and physical items of property, plant and equipment).

Segment assets exclude deferred tax assets, financial assets at fair value through profit or loss, derivative financial instruments, restricted bank balances, cash and cash equivalents as well as other receivables and other assets.

Segment liabilities exclude other payables and accruals (other than lease deposits, salary and welfare payables, advanced lease payments and contract liabilities), interest-bearing bank and other borrowings, tax payables, derivative financial instruments, deferred tax liabilities and deferred revenue.

Year ended 31 December 2020

	Operating lease services *RMB'000*	Engineering and technical services *RMB'000*	Platform and other services *RMB'000*	Total *RMB'000*
Segment revenue *(note 5)*				
Sales to external customers	2,484,554	1,062,760	116,281	3,663,595
Intersegment sales	–	–	–	–
Revenue from continuing operations	2,484,554	1,062,760	116,281	3,663,595
Segment results	750,703	79,028	35,024	864,755
Reconciliation:				
Unallocated other income and gains				27,754
Unallocated other expenses				(4,348)
Unallocated finance costs				(244,124)
Unallocated ECLs				(2,530)
Profit before tax				641,507
Segment assets	11,358,938	2,795,030	88,666	14,242,634
Reconciliation:				
Corporate and other unallocated assets				1,396,569
Total assets				15,639,203
Segment liabilities	1,594,628	455,794	6,547	2,056,969
Reconciliation:				
Corporate and other unallocated liabilities				8,280,485
Total liabilities				10,337,454
Other segment information				
Impairment losses recognized in profit or loss, net	64,903	23,949	408	89,260
Unallocated impairment losses				2,530
Total impairment losses recognized in profit or loss, net				91,790
Depreciation and amortization	779,151	177,539	–	956,690
Capital expenditure*	4,794,478	1,092,476	–	5,886,954

Year ended 31 December 2021

	Operating lease services *RMB'000*	Engineering and technical services *RMB'000*	Platform and other services *RMB'000*	Total *RMB'000*
Segment revenue *(note 5)*				
Sales to external customers	4,463,348	1,519,288	158,532	6,141,168
Intersegment sales	–	–	–	–
Revenue from continuing operations	4,463,348	1,519,288	158,532	6,141,168
Segment results	1,289,957	52,796	273	1,343,026
Reconciliation:				
Unallocated other income and gains				241,571
Unallocated other expenses				(45,901)
Unallocated finance costs				(637,464)
Unallocated ECLs				1,267
Profit before tax				902,499
Segment assets	20,018,475	3,975,548	105,524	24,099,547
Reconciliation:				
Corporate and other unallocated assets				2,861,059
Total assets				26,960,606
Segment liabilities	2,070,327	567,153	20,036	2,657,516
Reconciliation:				
Corporate and other unallocated liabilities				18,292,129
Total liabilities				20,949,645
Other segment information				
Impairment losses recognized in profit or loss, net	208,545	96,579	428	305,552
Unallocated impairment losses				(1,267)
Total impairment losses recognized in profit or loss, net				304,285
Depreciation and amortization	1,406,897	246,544	–	1,653,441
Capital expenditure*	8,311,514	1,281,032	–	9,592,546

Year ended 31 December 2022

	Operating lease services	Engineering and technical services	Platform and other services	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Segment revenue *(note 5)*				
Sales to external customers	5,189,949	2,136,630	551,067	7,877,646
Intersegment sales	–	–	–	–
Revenue from continuing operations	5,189,949	2,136,630	551,067	7,877,646
Segment results	1,475,689	284,227	89,015	1,848,931
Reconciliation:				
Unallocated other income and gains				134,758
Unallocated other expenses				(156,693)
Unallocated finance costs				(920,359)
Unallocated ECLs				(12,833)
Profit before tax				893,804
Segment assets	20,719,199	4,912,949	127,777	25,759,925
Reconciliation:				
Corporate and other unallocated assets				4,531,869
Total assets				30,291,794
Segment liabilities	1,431,522	384,741	32,602	1,848,865
Reconciliation:				
Corporate and other unallocated liabilities				21,767,694
Total liabilities				23,616,559
Other segment information				
Impairment losses recognized in profit or loss, net	65,008	32,140	133	97,281
Unallocated impairment losses				12,833
Total impairment losses recognized in profit or loss, net				110,114
Depreciation and amortization	1,936,988	336,453	–	2,273,441
Capital expenditure*	2,743,797	476,594	–	3,220,391

* Capital expenditure consists of additions to property, plant and equipment, and other intangible assets during the Relevant Periods.

Geographical information

No further geographical information is presented as the Group's revenue from the external customers is derived mostly from its operation in Mainland China and no significant non-current assets of the Group are located outside Mainland China.

Information about major customers

Total revenue from sales to the five largest customers accounted for 26%, 19% and 18% of the Group's revenue for the years ended 31 December 2020, 2021 and 2022, respectively.

5. REVENUE

An analysis of the revenue is as follows:

	Year ended 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Revenue from operating lease income			
Operating lease income – equipment	2,484,554	4,463,348	5,189,949
Operating lease income – others	35,138	38,528	250,319
Revenue from contracts with customers	1,143,903	1,639,292	2,437,378
	3,663,595	6,141,168	7,877,646

Revenue from contracts with customers

(a) Disaggregated revenue information:

	Year ended 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Type of goods or services			
Sale of goods	81,143	120,004	300,748
Engineering and technical services	1,062,760	1,519,288	2,136,630
Total revenue from contracts with customers	1,143,903	1,639,292	2,437,378
Timing of revenue recognition			
Goods transferred at a point in time	81,143	120,004	300,748
Services transferred over time	1,062,760	1,519,288	2,136,630
Total revenue from contracts with customers	1,143,903	1,639,292	2,437,378

The following table shows the amounts of revenue recognized in the Relevant Periods that were included in the contract liabilities at the beginning of the respective periods:

	Year ended 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Revenue recognized that was included in contract liabilities at the beginning of the year			
Sale of goods	26,956	23,662	25,904
Engineering and technical services	5,809	13,298	88,616
	32,765	36,960	114,520

(b) Performance obligations

Information about the Group's performance obligations is summarized below:

Sale of goods

The performance obligation is satisfied upon delivery of the goods and payment is generally due within 180 days from delivery.

Engineering and technical services

The performance obligation is satisfied over time as services are rendered. A certain percentage of payment is retained by customers until the end of the retention period as the Group's entitlement to the final payment is conditional on the satisfaction of the service quality by the customers over a certain period as stipulated in the contracts.

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at the end of each of the Relevant Periods are as follows:

	Year ended 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Amounts expected to be recognized as revenue:			
Within one year	186,580	365,305	442,298
After one year	79,963	156,559	189,556
	266,543	521,864	631,854

The amounts of transaction prices allocated to the remaining performance obligations which are expected to be recognized as revenue after one year are related to engineering and technical services, of which the performance obligations are to be satisfied within three years. All the other amounts of transaction prices allocated to the remaining performance obligations are expected to be recognized as revenue within one year. The amounts disclosed above do not include variable consideration which is constrained.

6. OTHER INCOME AND GAINS

	Year ended 31 December		
	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*
Other income			
Bank interest income	3,550	9,245	11,391
Loan interest income	13,903	–	–
Government grants*	13,871	23,948	68,764
VAT super-credit	–	193,617	42,125
Others	7,663	1,795	494
	38,987	228,605	122,774
Other gains			
Gain on disposal of items of property, plant and equipment and early termination of right-of-use assets	34,549	18,635	22,824
Gain on disposal of subsidiaries *(note 31)*	365	–	–
Foreign exchange gain	–	11,374	–
Fair value gains, net:			
Derivative instruments – not for hedge accounting	–	–	9,286
Others	5,686	1,592	2,698
	40,600	31,601	34,808
	79,587	260,206	157,582

* Government grants have been received from local government authorities as subsidies to the Group. In the opinion of management, there were no unfulfilled conditions or contingencies relating to these grants.

7. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

		Year ended 31 December		
	Notes	**2020**	**2021**	**2022**
		RMB'000	*RMB'000*	*RMB'000*
Cost of operating lease services		1,185,393	2,091,079	2,870,719
Cost of engineering and technical services provided		756,813	1,076,646	1,496,266
Cost of platform and other services provided		73,028	127,506	377,655
Depreciation of property, plant and equipment*	*13*	773,801	1,577,373	2,194,927
Depreciation of right-of-use assets*	*14(a)*	182,163	75,263	77,700
Amortization of intangible assets	*15*	726	805	814
Rental expenses	*14(c)*	1,978	3,398	25,653
Auditor's remuneration		405	940	1,313
Employee benefit expense (including directors' and chief executive's remuneration *(note 8)*)				
Wages and salaries		212,800	479,984	341,439
Pension scheme contributions		2,362	35,661	36,590
Other employee benefits		48,309	65,030	57,687
Impairment of inventories		–	–	19,063
ECLs of financial and contract assets:				
ECLs of trade receivables	*18*	83,431	261,081	65,248
ECLs of contract assets	*20*	2,526	17,233	(224)
ECLs/(reversal) of financial assets included in prepayments, other receivables and other assets	*19*	2,530	(1,267)	12,833
ECLs of debt investments at fair value through other comprehensive income	*22*	3,303	27,238	32,257
Research and development cost:				
Current year expenditure*		153,595	216,676	270,612
Property management services cost		10,424	17,639	16,119
Business travelling expenses		18,460	25,777	26,953
Consultancy fees		5,525	9,919	3,049
Transportation expenses		46,792	65,229	95,999
Communication expenses		10,664	16,658	28,983
Litigation expenses		533	2,346	2,202
Listing expenses		10,855	27,126	40,349
Fair value loss on derivative instrument		–	6,907	–
Exchange loss****		1,142	–	139,519
Loss on scrapped and physical items of property, plant and equipment		1,808	5,834	5,142
Commission expenses**		3,085	25,950	9,936
Provisions for claims arising from the ligation in progress***		–	11,868	2,080

* The depreciation of property, plant and equipment and right-of-use assets aggregated to RMB851,228,000, RMB1,513,377,000, and RMB2,119,028,000 for the years ended 31 December 2020, 2021 and 2022, respectively, are included in the cost of operating leases, cost of engineering and technical services and research and development cost provided disclosed above.

** Commission expenses consisted of bank commission fees and handling fees.

*** As at 31 December 2022, the Group was involved in lawsuits and other proceedings arising from the ordinary course of business. Provisions of RMB11,868,000 and RMB2,080,000 were provided in 2021 and 2022, respectively, of which RMB100,000 was paid in 2022. The management of the Group believes that at the current stage these legal proceedings and arbitrations will not have a material impact on the financial position or operations of the Group.

**** The exchange loss mainly includes the foreign exchange losses from the redemption liabilities on ordinary shares of RMB120,671,000 and its interest payables of RMB9,130,000 in 2022 (2021: foreign exchange gain of RMB20,509,000 and nil, 2020: nil).

8. DIRECTORS' REMUNERATION

The Company did not have any chief executive, executive directors, non-executive directors and independent non-executive directors at any time during the Relevant Periods until the Company was incorporated on 28 September 2020.

Mr. Kong Fanxing and Mr. Xu Huibin were appointed as non-executive directors of the Company on 28 September 2020. Mr. Zhang Chunyu and Mr. Tang Li were appointed as executive directors of the Company on 20 January 2021. Mr. Zhang Chunyu has resigned as a director of the Company, and Mr. Pan Yang was appointed as a director of the Company on 15 April 2022. Mr. He Ziming was appointed as a non-executive director of the Company on 20 January 2021. Mr. Yang Dongsheng was appointed as a non-executive director of the Company on 28 May 2021. Ms. Guo Lina was appointed as a non-executive director of the Company on 31 December 2021. Resignation as a non-executive director of the Company was received from Mr. Yang Dongsheng on 4 August 2022. Mr. Li Qianjin was appointed as a non-executive director of the Company on 9 August 2022.

Certain of the directors received remuneration from the subsidiaries now comprising the Group for their appointment as directors of these subsidiaries. The remuneration of these directors as recorded in the financial statements of the subsidiaries is set out below:

	Year ended 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Other emoluments:			
Salaries, allowances and benefits in kind	1,907	1,907	2,315
Performance related bonuses	2,600	2,600	2,058
Pension scheme contributions	58	170	178
	4,565	4,677	4,551

(a) Independent non-executive directors

Mr. Liu Jialin, Mr. Xu Min and Ms. Jin Jinping were appointed as independent non-executive directors of the Company on 28 May 2021. Mr. SUM Siu Kei was appointed as an independent non-executive director of the Company on 31 December 2021. There was no emolument payable to independent non-executive directors during the Relevant Periods.

(b) Executive directors and non-executive directors

Year ended 31 December 2020

	Salaries, allowances and benefits in kind	**Performance related bonuses**	**Pension scheme contributions**	**Total remuneration**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors:				
Mr. Zhang Chunyu (章春雨)*	1,148	1,900	29	3,077
Mr. Tang Li (唐立)	759	700	29	1,488
	1,907	2,600	58	4,565
Non-executive directors:				
Mr. He Ziming (何子明)	–	–	–	–
Mr. Kong Fanxing (孔繁星)	–	–	–	–
Mr. Xu Huibin (徐會斌)	–	–	–	–
Mr. Yang Dongsheng (楊東升)*	–	–	–	–
Ms. Guo Lina (郭麗娜)	–	–	–	–
	1,907	2,600	58	4,565

Year ended 31 December 2021

	Salaries, allowances and benefits in kind *RMB'000*	**Performance related bonuses** *RMB'000*	**Pension scheme contributions** *RMB'000*	**Total remuneration** *RMB'000*
Executive directors:				
Mr. Zhang Chunyu (章春雨)*	1,148	1,900	85	3,133
Mr. Tang Li (唐立)	759	700	85	1,544
	1,907	2,600	170	4,677
Non-executive directors:				
Mr. He Ziming (何子明)	–	–	–	–
Mr. Kong Fanxing (孔繁星)	–	–	–	–
Mr. Xu Huibin (徐會斌)	–	–	–	–
Mr. Yang Dongsheng (楊東升)*	–	–	–	–
Ms. Guo Lina (郭麗娜)	–	–	–	–
	1,907	2,600	170	4,677

Year ended 31 December 2022

	Salaries, allowances and benefits in kind *RMB'000*	**Performance related bonuses** *RMB'000*	**Pension scheme contributions** *RMB'000*	**Total remuneration** *RMB'000*
Executive directors:				
Mr. Pan Yang (潘陽)*	919	1,320	64	2,303
Mr. Tang Li (唐立)	795	738	94	1,627
Mr. Zhang Chunyu (章春雨)*	601	–	20	621
Non-executive directors:				
Mr. He Ziming (何子明)	–	–	–	–
Mr. Kong Fanxing (孔繁星)	–	–	–	–
Mr. Xu Huibin (徐會斌)	–	–	–	–
Mr. Li Qianjin (李前進)*	–	–	–	–
Ms. Guo Lina (郭麗娜)	–	–	–	–
	2,315	2,058	178	4,551

* Mr. Zhang Chunyu has resigned as an executive director of the Company on 15 April 2022. Mr. Pan Yang was appointed as an executive director of the Company on 15 April 2022. The appointment of Mr. Li Qianjin as a non-executive director of the Company was approved on 9 August 2022.

There was no arrangement under which a director waived or agreed to waive any remuneration during the Relevant Periods.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees for the years ended 31 December 2020, 2021 and 2022 included two executive directors, respectively, and details of whose remuneration are set out in note 8 above. Details of the remuneration for the years ended 31 December 2020, 2021 and 2022 of the remaining three highest paid employees who are neither a director nor chief executive of the Company are as follows:

	Year ended 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Salaries, allowances and benefits in kind	1,984	1,967	2,025
Performance related bonuses	2,300	2,200	2,187
Pension scheme contributions	88	255	282
	4,372	4,422	4,494

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands are as follows:

	Year ended 31 December		
	2020	**2021**	**2022**
RMB nil to RMB1,000,000	–	–	–
RMB1,000,001 to RMB1,500,000	2	1	1
RMB1,500,001 to RMB2,000,000	1	2	2

During the Relevant Periods, no highest paid employees waived or agree to waive any remuneration and no remuneration was paid by the Group to any of the five highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office.

10. FINANCE COSTS

An analysis of finance costs is as follows:

	Year ended 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Interest on interest-bearing bank and other borrowings	244,124	637,464	920,359
Interest on lease liabilities *(note 14(b))*	59,860	12,854	4,459
	303,984	650,318	924,818

11. INCOME TAX EXPENSE

The Group is subject to income tax on an entity basis on profit arising in or derived from the jurisdictions in which members of the Group are domiciled and operate. Pursuant to the rules and regulations of the Cayman Islands, the Company and the Group's subsidiaries incorporated in the Cayman Islands are not subject to any income tax. The Group's subsidiary incorporated in Hong Kong is not liable for income tax as it did not have any assessable profits arising in Hong Kong during the Relevant Periods.

The provision for Mainland China current income tax was based on a statutory rate of 25% of the taxable profits for the Relevant Periods as determined in accordance with the PRC Income Tax Law and the respective regulations.

Subsidiaries of the Group operating in Mainland China were subject to the PRC corporate income tax with a tax rate of 25% for the Relevant Periods except for the following subsidiaries:

Company name	Corporate income tax rate
Shanghai Horizon Equipment & Engineering Co., Ltd.	15%
Guangzhou Hongtu Equipment & Engineering Co., Ltd.	15%

Shanghai Horizon Equipment & Engineering Co., Ltd. and Guangzhou Hongtu Equipment & Engineering Co., Ltd. were accredited as High and New-technology Enterprises (the "HNTE") in 2015 and 2020 and were entitled to a preferential PRC Corporate Income Tax rate of 15% thereafter. The HNTE certificates need to be renewed every three years so as to enable Shanghai Horizon Equipment & Engineering Co., Ltd. and Guangzhou Hongtu Equipment & Engineering Co., Ltd. to enjoy the reduced tax rate of 15%. Shanghai Horizon Equipment & Engineering Co., Ltd. was entitled to a tax rate of 15% in the Relevant Periods and will continue to enjoy the tax rate of 15% for an additional year to 2023. Guangzhou Hongtu Equipment & Engineering Co., Ltd. is entitled to a tax rate of 15% from 2020 to 2022 and will continue to enjoy the tax rate of 15% for another three years from 2023 to 2025.

	Year ended 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Current – Mainland China			
Charge for the year	148,591	274,607	296,107
Deferred tax *(note 16)*	(446)	(81,746)	(68,865)
Total tax charge for the year	148,145	192,861	227,242

A reconciliation of the tax expense applicable to profit before tax at the statutory tax rates for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rates for each of the Relevant Periods are as follows:

	Year ended 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Profit before tax	641,507	902,499	893,804
Tax at the statutory income tax rates	160,377	225,625	223,451
Lower tax rates for specific jurisdictions or enacted by local authority	(35,559)	(42,247)	(17,449)
Effect on opening deferred tax of changing in tax rate	11,382	–	–
Expenses not deductible for tax	7,998	3,136	1,699
Adjustment on current income tax in respect of prior years	4,559	3,030	(1,964)
Utilization of previously unrecognized tax losses and temporary differences	(3,773)	(2,505)	–
Unrecognized tax losses and temporary differences	3,161	5,822	21,505
Tax charge at the Group's effective rate	148,145	192,861	227,242

12. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

Earnings per share information is not presented as its inclusion, for the purpose of this report, is not considered meaningful due to the Reorganization and the basis of presentation of the results of the Group for the Relevant Periods as disclosed in note 2.1 to the Historical Financial Information.

13. PROPERTY, PLANT AND EQUIPMENT

31 December 2020

	Buildings	Leasehold improvements	Equipment, materials and moulds for leasing and services	Equipment, materials and moulds for own use	Office and other equipment	Motor vehicles	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2020:								
Cost	565,724	23,389	5,286,426	32,297	24,115	17,228	39,954	5,989,133
Accumulated depreciation and impairment	(42,597)	(8,552)	(1,165,468)	(6,706)	(10,555)	(9,906)	–	(1,243,784)
Net carrying amount	523,127	14,837	4,120,958	25,591	13,560	7,322	39,954	4,745,349
At 1 January 2020, net of accumulated depreciation and impairment	523,127	14,837	4,120,958	25,591	13,560	7,322	39,954	4,745,349
Additions	–	22,561	5,726,832	11,088	15,579	39,051	70,814	5,885,925
Disposals	–	–	(26,351)	(2,373)	(142)	(181)	–	(29,047)
Depreciation provided during the year	(28,691)	(10,248)	(716,448)	(4,187)	(6,791)	(7,436)	–	(773,801)
Transfer from right-of-use assets *(note 14(a))*	–	–	509,890	9,701	–	–	–	519,591
Transfer from construction in progress	5,266	–	11,445	–	–	–	(16,711)	–
At 31 December 2020, net of accumulated depreciation and impairment	499,702	27,150	9,626,326	39,820	22,206	38,756	94,057	10,348,017
At 31 December 2020:								
Cost	570,990	45,950	11,892,431	58,659	39,387	54,517	94,057	12,755,991
Accumulated depreciation and impairment	(71,288)	(18,800)	(2,266,105)	(18,839)	(17,181)	(15,761)	–	(2,407,974)
Net carrying amount	499,702	27,150	9,626,326	39,820	22,206	38,756	94,057	10,348,017

31 December 2021

	Buildings	Leasehold improvements	Equipment, materials and moulds for leasing and services	Equipment, materials and moulds for own use	Office and other equipment	Motor vehicles	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2021:								
Cost	570,990	45,950	11,892,431	58,659	39,387	54,517	94,057	12,755,991
Accumulated depreciation and impairment	(71,288)	(18,800)	(2,266,105)	(18,839)	(17,181)	(15,761)	–	(2,407,974)
Net carrying amount	499,702	27,150	9,626,326	39,820	22,206	38,756	94,057	10,348,017
At 1 January 2021, net of accumulated depreciation and impairment	499,702	27,150	9,626,326	39,820	22,206	38,756	94,057	10,348,017
Additions	–	14,050	9,466,576	9,220	20,801	19,621	61,808	9,592,076
Disposals	–	–	(402,791)	(1,918)	(141)	(95)	–	(404,945)
Depreciation provided during the year	(34,306)	(14,899)	(1,494,908)	(7,701)	(11,103)	(14,456)	–	(1,577,373)
Transfer from right-of-use assets *(note 14(a))*	–	–	320,281	7	–	–	–	320,288
Transfer from construction in progress	148,294	–	6,895	–	–	–	(155,189)	–
At 31 December 2021, net of accumulated depreciation and impairment	613,690	26,301	17,522,379	39,428	31,763	43,826	676	18,278,063
At 31 December 2021:								
Cost	719,284	60,000	21,374,014	64,680	57,874	72,705	676	22,349,233
Accumulated depreciation and impairment	(105,594)	(33,699)	(3,851,635)	(25,252)	(26,111)	(28,879)	–	(4,071,170)
Net carrying amount	613,690	26,301	17,522,379	39,428	31,763	43,826	676	18,278,063

31 December 2022

	Buildings	Leasehold improvements	Equipment, materials and moulds for leasing and services	Equipment, materials and moulds for own use	Office and other equipment	Motor vehicles	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2022:								
Cost	719,284	60,000	21,374,014	64,680	57,874	72,705	676	22,349,233
Accumulated depreciation and impairment	(105,594)	(33,699)	(3,851,635)	(25,252)	(26,111)	(28,879)	–	(4,071,170)
Net carrying amount	613,690	26,301	17,522,379	39,428	31,763	43,826	676	18,278,063
At 1 January 2022, net of accumulated depreciation and impairment	613,690	26,301	17,522,379	39,428	31,763	43,826	676	18,278,063
Additions	27	20,979	3,164,519	14,922	7,812	10,962	1,170	3,220,391
Disposals	–	–	(184,750)	(479)	(222)	(14,221)	(1,465)	(201,137)
Depreciation provided during the year	(35,461)	(18,856)	(2,101,720)	(10,071)	(13,007)	(15,812)	–	(2,194,927)
Transfer from construction in progress	381	–	–	–	–	–	(381)	–
At 31 December 2022, net of accumulated depreciation and impairment	578,637	28,424	18,400,428	43,800	26,346	24,755	–	19,102,390
At 31 December 2022:								
Cost	719,692	80,979	24,156,638	78,282	63,261	63,065	–	25,161,917
Accumulated depreciation and impairment	(141,055)	(52,555)	(5,756,210)	(34,482)	(36,915)	(38,310)	–	(6,059,527)
Net carrying amount	578,637	28,424	18,400,428	43,800	26,346	24,755	–	19,102,390

Equipment, material and moulds previously accounted for in right-of-use assets have been transferred to be accounted for as property, plant and equipment when the relative lease payment obligations were settled and the Group obtained their legal titles.

Certain of the Group's property, plant and equipment with net carrying amounts of RMB1,281,741,000, RMB5,321,456,000 and RMB6,837,583,000 as at 31 December 2020, 2021 and 2022, respectively, were pledged to secure bank and other borrowings granted to the Group.

Movements in provision for impairment of property, plant and equipment in the Relevant Periods are as follows:

	Equipment, materials and moulds for leasing and services
	RMB'000
At 1 January 2020	126,767
Transferred from right-of-use assets	23,312
Disposals	(3,269)
At 31 December 2020 and 1 January 2021	146,810
Transferred from right-of-use assets	12,919
Disposals	(4,120)
At 31 December 2021 and 1 January 2022	155,609
Disposals	(2,115)
At 31 December 2022	153,494

Measurement basis and major assumptions for determining the recoverable amount of the above asset groups are as follows:

The recoverable amount is determined based on the higher of the net amount of fair value of the cash generating unit ("CGU") less costs to sell and the present value of the estimated future cash flows of the CGUs ("VIU").

The VIUs were calculated by discounting the estimated future cash flows based on the forecast rentals earned from the CGUs with a forecast period ranging from 3.5 to 5 years, which is determined based on management's best estimate of the average remaining useful life and economic conditions of the assets of the respective CGUs. The cash flows over the forecast period had been determined based on historical rental arrangements such as rental income, occupancy rate, etc. The estimated future cash flows were discounted to their present value using pre-tax rates of 12%~14%, 11%~16% and 11%~16% as at 31 December 2020, 2021 and 2022, respectively, which reflected the market assessments of the time value of money and the risks specific to the CGUs.

The calculation of the fair value less costs to sell was based on observable market prices for the equipment with similar conditions and incremental costs for disposing of the asset.

14. LEASES

The Group as a lessee

The Group has lease contracts for various items of land, offices and equipment materials and moulds used in its operations. Lump sum payments were made upfront to acquire the leased land from the owners with lease periods of 40 to 50 years, and no ongoing payments will be made under the terms of these land leases. Leases of offices generally have lease terms between 1 and 6 years, while equipment generally has lease terms between 3 and 7 years or of 12 months or less and/or is individually of low value.

In 2021, the Group entered into a sale and leaseback transaction with an independent finance institution in order to improve the utilization of certain idle equipment, with a total net carrying amount of RMB263,000,000. The transfer of equipment by the Group is accounted for as a sale of asset when the control of the equipment had been transferred to the finance institution according to the contractual terms. The payments in connection with the lease back transaction is not included in lease liabilities given the lease back transaction satisfied the short-term lease requirements.

(a) ***Right-of-use assets***

The carrying amounts of right-of-use assets and the movements during the Relevant Periods are as follows:

	Leasehold land	Offices	Equipment, materials and moulds	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at 1 January 2020	200,218	93,164	1,016,130	1,309,512
Additions	–	112,944	–	112,944
Depreciation charge	(4,705)	(47,707)	(129,751)	(182,163)
Transfer to property, plant and equipment	–	–	(519,591)	(519,591)
Disposal	–	–	(38,821)	(38,821)
As at 31 December 2020	195,513	158,401	327,967	681,881
Additions	–	34,884	–	34,884
Depreciation charge	(4,705)	(62,879)	(7,679)	(75,263)
Transfer to property, plant and equipment	–	–	(320,288)	(320,288)
As at 31 December 2021	190,808	130,406	–	321,214
Additions	–	119,177	–	119,177
Depreciation charge	(4,705)	(72,995)	–	(77,700)
Disposal	–	(27,469)	–	(27,469)
As at 31 December 2022	186,103	149,119	–	335,222

As at 31 December 2020, 2021 and 2022, the Group has obtained all the land ownership certificates.

At the end of each of the Relevant Periods, no leasehold land of the Group was pledged as security for the Group's bank borrowings.

Measurement basis and major assumptions for determining the recoverable amount of the above equipment, materials and moulds categorized in right-of-use assets of the Group are disclosed in note 13 to the Historical Financial Information.

(b) Lease liabilities:

The carrying amounts of lease liabilities and the movements during the Relevant Periods are as follows:

	As at 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Carrying amount at beginning of year	2,022,465	720,743	126,288
New leases	112,944	34,884	119,177
Accretion of interest recognized during the year *(note 10)*	59,860	12,854	4,459
Payments	(1,474,526)	(642,193)	(94,133)
Disposal	–	–	(24,532)
Carrying amount at end of year	720,743	126,288	131,259
Analyzed into:			
Current portion	628,285	65,545	59,927
Non-current portion	92,458	60,743	71,332

The maturity analysis of lease liabilities is disclosed in note 39 to the Historical Financial Information.

(c) The amounts recognized in profit or loss in relation to leases are as follows:

	Year ended 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Interest on lease liabilities	59,860	12,854	4,459
Depreciation charge on right-of-use assets	182,163	75,263	77,700
Expense relating to leases of low-value assets and short-term leases (included in administrative expenses) *(note 7)*	1,978	3,398	25,653
Cost relating to leases of low-value assets and short-term leases (included in cost of sales)	16,565	18,907	156,227
Total amount recognized in profit or loss	260,566	110,422	264,039

(d) The total cash outflow for leases is disclosed in note 32 to the Historical Financial Information.

The Group as a lessor

The Group mainly leases its equipment, materials and moulds in Mainland China under operating lease arrangements. The terms of the leases generally require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions. Rental income recognized by the Group during the Relevant Periods amounted to RMB2,519,692,000, RMB4,501,876,000 and RMB5,440,268,000 for the years ended 31 December 2020, 2021 and 2022, respectively, details of which are included in note 5 to the Historical Financial Information.

At the end of each of the Relevant Periods, the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	As at 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Within one year	2,007,328	4,035,657	4,361,282
After one year but within two years	302,645	634,465	535,532
After two years but within three years	10,781	18,771	17,292
	2,320,754	4,688,893	4,914,106

15. OTHER INTANGIBLE ASSETS

	As at 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Software			
At beginning of year:			
Cost	6,710	7,739	8,209
Accumulated amortization	(2,067)	(2,793)	(3,598)
Net carrying amount	4,643	4,946	4,611

	As at 31 December		
	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*
Carrying amount at beginning of year:	4,643	4,946	4,611
Additions	1,029	470	–
Amortization provided during the year *(note 7)*	(726)	(805)	(814)
Carrying amount at end of year	4,946	4,611	3,797
At end of year:			
Cost	7,739	8,209	8,209
Accumulated amortization	(2,793)	(3,598)	(4,412)
Net carrying amount	4,946	4,611	3,797

16. DEFERRED TAX

The movements in deferred tax assets and liabilities during each of the Relevant Periods are as follows:

Deferred tax assets

	Government special subsidy	Provision for impairment losses	Salaries and benefits payable	Deductible tax loss	Accrued interest expenses	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
1 January 2020	1,505	157,696	20,216	7	–	2,243	181,667
Deferred tax credited/(charged) to profit or loss during the year *(note 11)*	–	(80)	2,776	(7)	–	(2,243)	446
Gross deferred tax assets at 31 December 2020	1,505	157,616	22,992	–	–	–	182,113
Deferred tax credited/(charged) to profit or loss during the year *(note 11)*	–	47,762	31,027	–	–	2,957	81,746
Gross deferred tax assets at 31 December 2021	1,505	205,378	54,019	–	–	2,957	263,859
Deferred tax credited/(charged) to profit or loss during the year *(note 11)*	–	16,379	(18,131)	–	70,469	505	69,222
Gross deferred tax assets at 31 December 2022	1,505	221,757	35,888	–	70,469	3,462	333,081

Deferred tax liabilities

	Others
	RMB'000
At 1 January 2020	4,480
Disposal of subsidiaries	(4,480)
Gross deferred tax liabilities at 31 December 2020 and 1 January 2021	–
Deferred tax charged to profit or loss during the year *(note 11)*	–
Gross deferred tax liabilities at 31 December 2021 and 1 January 2022	–
Deferred tax charged to profit or loss during the year *(note 11)*	357
Gross deferred tax liabilities at 31 December 2022	357

The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	As at 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Net deferred tax assets recognized in the consolidated statement of financial position	182,113	263,859	333,081
Net deferred tax liabilities recognized in the consolidated statement of financial position	–	–	357

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 10%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

At 31 December 2020, 2021 and 2022, no deferred tax liability has been recognized for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Company and the Group's subsidiaries established in Mainland China. In the opinion of the directors of the Company, the Group's fund will be retained in Mainland China for the expansion of the Group's operation, so it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. As at 31 December 2020, 2021 and 2022, the aggregate amounts of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognized were approximately RMB599,818,000, RMB1,364,623,000 and RMB2,322,520,000, respectively.

Tax losses arising in Mainland China will expire in five years for offsetting against future taxable profits. As at 31 December 2020, 2021 and 2022, the Group had tax losses of RMB65,545,000, RMB76,823,000 and RMB144,540,000, respectively, that will expire in one to five years. Tax losses arising in locations other than Mainland China will be available indefinitely for offsetting against future taxable profits. As at 31 December 2020, 2021 and 2022, the Group had tax losses of nil, RMB1,441,000 and RMB1,881,000, respectively with no expire date. Deferred tax assets have not been recognized in respect of these losses as it is not considered probable that taxable profits will be available against which the tax losses can be utilized.

17. INVENTORIES

	As at 31 December		
	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*
Raw materials	84,358	126,256	84,697
Work in progress	14,206	77,871	18,799
Finished goods	67,193	87,238	82,721
	165,757	291,365	186,217

For the year ended 31 December 2022, an impairment loss on inventories of RMB19,063,000 (2021 and 2020: nil) was recognized as an expense.

At the end of each of the Relevant Periods, no inventories of the Group were pledged as security for the Group's bank borrowings.

18. TRADE RECEIVABLES

	As at 31 December		
	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables	3,103,878	5,033,365	5,387,345
ECLs	(574,026)	(835,107)	(900,355)
	2,529,852	4,198,258	4,486,990

Trade receivables mainly represent rentals and services receivables from tenants and engineering services. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified individual customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

An aging analysis of trade receivables as at the end of each of the Relevant Periods, net of ECLs, are as follows:

	As at 31 December		
	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*
Within 6 months	1,294,996	2,810,217	3,362,705
6 months to 1 year	623,737	804,785	516,793
1 to 2 years	396,172	372,692	454,728
2 to 3 years	128,220	131,084	79,021
Over 3 years	86,727	79,480	73,743
	2,529,852	4,198,258	4,486,990

The movements in the credit loss for trade receivables are as follows:

	As at 31 December		
	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*
At beginning of year	491,164	574,026	835,107
ECLs *(note 7)*	83,431	261,081	65,248
Amounts written off as uncollectible	(569)	–	–
At end of year	574,026	835,107	900,355

A credit loss analysis was performed at the end of each of the Relevant Periods using the simplified approach. Under the simplified approach, the Group did not track changes in credit risk, but instead recognized a credit loss based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

As at 31 December 2020

			Aging			
	Less than 6 months	**6 months to 1 year**	**1 to 2 years**	**2 to 3 years**	**Over 3 years**	**Total**
Gross carrying amount (RMB'000)	1,476,452	727,114	515,568	193,998	190,746	3,103,878
Expected credit loss (RMB'000)	181,456	103,377	119,396	65,778	104,019	574,026
Expected credit loss rate	12.29%	14.22%	23.16%	33.91%	54.53%	18.49%

As at 31 December 2021

			Aging			
	Less than 6 months	**6 months to 1 year**	**1 to 2 years**	**2 to 3 years**	**Over 3 years**	**Total**
Gross carrying amount (RMB'000)	3,197,216	928,094	528,138	216,627	163,290	5,033,365
Expected credit loss (RMB'000)	386,999	123,309	155,447	85,542	83,810	835,107
Expected credit loss rate	12.10%	13.29%	29.43%	39.49%	51.33%	16.59%

As at 31 December 2022

			Aging			
	Less than 6 months	**6 months to 1 year**	**1 to 2 years**	**2 to 3 years**	**Over 3 years**	**Total**
Gross carrying amount (RMB'000)	3,836,536	617,821	664,177	126,479	142,332	5,387,345
Expected credit loss (RMB'000)	473,831	101,028	209,449	47,458	68,589	900,355
Expected credit loss rate	12.35%	16.35%	31.54%	37.52%	48.19%	16.71%

At the end of each of the Relevant Periods, no trade receivables of the Group were pledged as security for the Group's bank borrowings.

19. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	As at 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Current			
Prepayments	211,109	249,037	304,500
Deposits	89,850	98,454	337,415
Due from related parties *(note 36(c))*	194,401	1,774	159
Other receivables	41,873	57,936	90,193
Tax recoverable	715,163	1,664,016	1,400,331
	1,252,396	2,071,217	2,132,598
ECLs	(17,312)	(15,728)	(28,779)
	1,235,084	2,055,489	2,103,819
Non-current			
Deposits	–	121,000	144,000
Others	–	–	31,079
ECLs	–	(317)	(99)
	–	120,683	174,980
	1,235,084	2,176,172	2,278,799

A credit loss analysis was performed at the end of each of the Relevant Periods by considering the probability of default of comparable companies with published credit ratings. At the end of each of the Relevant Periods, the ECLs of the financial assets included in prepayments, other receivables and other assets were measured based on the 12-month expected credit loss if they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, they were measured based on the lifetime expected credit loss.

Movements in the credit loss for amounts due from related parties, other receivables, and rental and project deposits are as follows:

	As at 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
At beginning of year	15,074	17,312	16,045
ECLs *(note 7)*	2,530	(1,267)	12,833
Disposal of subsidiaries	(292)	–	–
At end of year	17,312	16,045	28,878

20. CONTRACT ASSETS

	As at 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Contract assets arising from:			
Construction and related services	123,932	307,892	335,104
ECLs	(13,800)	(31,033)	(30,809)
	110,132	276,859	304,295

Contract assets are initially recognized for revenue earned from construction and related services as the receipt of consideration depends on the milestone achieved and accepted by the customer. Included in contract assets for construction and related services are retention receivables. Upon completion of installation or construction and acceptance by the customer, the amounts recognized as contract assets are reclassified to trade receivables. The increase in contract assets during the Relevant Periods was the result of the increase in construction and related services provided at the end of each of the Relevant Periods.

The Group's credit policy with customers is disclosed in note 18 to the Historical Financial Information.

The expected timing of recovery or settlement for contract assets as at the end of each of the Relevant Periods are as follows:

	As at 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Within one year	110,132	276,859	263,583
1 to 2 years	–	–	40,712
	110,132	276,859	304,295

The movements of the credit loss of contract assets are as follows:

	As at 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
At beginning of year	11,274	13,800	31,033
ECLs *(note 7)*	2,526	17,233	(224)
At end of year	13,800	31,033	30,809

A credit loss analysis was performed at the end of each of the Relevant Periods using the simplified approach. Under the simplified approach, the Group did not track changes in credit risk, but instead recognized a credit loss based on lifetime ECLs at the end of each of the Relevant Periods. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. The provision rates for the measurement of the expected credit losses of the contract assets are based on those of the trade receivables as the contract assets and the trade receivables are from the same customer bases.

Set out below is the information about the credit risk exposure on the Group's contract assets using a provision matrix:

	As at 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Gross carrying amount	123,932	307,892	335,104
Expected credit losses	13,800	31,033	30,809
Expected credit loss rate	11.14%	10.08%	9.19%

21. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Other unlisted investment, at fair value	–	150,051	–
	–	150,051	–

The above unlisted investment was wealth management product issued by Bank of Communications International Trust Co., Ltd. in Mainland China. It was classified as financial assets at fair value through profit or loss as its contractual cash flows are not solely payments of principal and interest. The unlisted investment was redeemed in 2022.

22. DEBT INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	As at 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Measured at fair values:			
Notes receivable	199,601	516,039	1,104,511
ECLs	(8,661)	(35,899)	(68,156)
	190,940	480,140	1,036,355

The above debt investments were classified as financial assets at fair value through other comprehensive income as the business model for the notes receivables was for both collecting contractual cash flows and discounting.

As at 31 December 2022, no notes receivable were pledged for other borrowings (2021: RMB100,000, 2020: nil).

A credit loss analysis was performed at the end of each of the Relevant Periods by considering the probability of default of comparable companies with published credit ratings. At the end of each of the Relevant Periods, the ECLs of the notes receivables were measured based on the 12-month expected credit loss if they were not past due and if there was no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, they were measured based on the lifetime expected credit loss.

Movements in the credit loss for debt investments at fair value through other comprehensive income are as follows:

	As at 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
At beginning of year	5,358	8,661	35,899
ECLs *(note 7)*	3,303	27,238	32,257
At end of year	8,661	35,899	68,156

Transferred financial assets that are not derecognized in their entirety:

During the Relevant Periods, the Group endorsed certain bills receivable accepted by banks in Mainland China to certain of its suppliers in order to settle the trade payables due to such suppliers (the "Endorsement"). In the opinion of the directors, the Group has retained the substantial risks and rewards, which include default risks relating to such Endorsed Bills, and accordingly, it continued to recognize the full carrying amounts of the Endorsed Bills and the associated trade payables settled. Subsequent to the Endorsement, the Group did not retain any rights on the use of the Endorsed Bills, including the sale, transfer or pledge of the Endorsed Bills to any other third parties. The carrying amounts of the trade payables settled by the Endorsed Bills during each of the year of 2020, 2021 and 2022 were RMB2,641,000, RMB9,037,000 and RMB119,338,000, respectively.

During each of the years of 2020, 2021 and 2022, the Group discounted certain bills receivable to banks in exchange for cash (the "Discounted Bills") with carrying amounts of the bills receivable of RMB10,221,000, RMB6,797,000 and RMB34,979,000 respectively. In the opinion of the directors, the Group has retained the substantial risks and rewards, which include default risks relating to such Discounted Bills, and accordingly, it continued to recognise the full carrying amounts of the Discounted Bills and the associated interest-bearing bank borrowings.

Transferred financial assets that are derecognized in their entirety:

During each of the years of 2020, 2021 and 2022, the Group endorsed/discounted certain bills receivable accepted by banks in Mainland China to certain of its suppliers or in exchange for cash (the "Derecognised Bills") with carrying amounts of RMB30,361,000, RMB523,618,000 and RMB137,006,000, respectively. In the opinion of the directors, the Group had transferred substantially all risk and rewards relating to the Derecognized Bills. Accordingly, it had derecognized the full carrying amount of the Derecognized Bills. The maximum exposure to loss from the Group's Continuing Involvement in the Derecognized Bills and the undiscounted cash flows to repurchase these Derecognized Bills is equal to their carrying amounts. In the opinion of the directors, the fair values of the Group's Continuing Involvement in the Derecognized Bills are not significant.

23. CASH AND CASH EQUIVALENTS AND RESTRICTED BANK BALANCES

	As at 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Cash and bank balances	190,481	520,014	2,222,269
Less: Pledged deposits	(24,651)	(13,023)	(62,944)
Cash and cash equivalents	165,830	506,991	2,159,325

As at 31 December 2020, 2021 and 2022, the cash and bank balances of the Group denominated in RMB amounted to RMB136,069,000, RMB477,955,000 and RMB2,169,289,000, respectively. The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorized to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

As at 31 December 2020, 2021 and 2022, cash at banks of RMB24,651,000, RMB13,023,000 and RMB62,944,000 was respectively pledged for bank acceptances, letters of credit and others.

As at 31 December 2020, 2021 and 2022, cash at banks of RMB2,434,000, RMB2,693,000 and RMB2,259,000 was respectively deposited with Sinochem Finance Co., Ltd., a subsidiary of a group which has significant influence over the Company (note 36(c)).

24. TRADE AND BILLS PAYABLES

An aging analysis of the trade and bills payables as at the end of each of the Relevant Periods are as follows:

	As at 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	755,532	1,367,239	1,002,327
1 to 2 years	97,004	45,334	84,800
2 to 3 years	25,375	11,405	9,751
Over 3 years	18,529	11,722	12,916
	896,440	1,435,700	1,109,794

The trade and bills payables are non-interest-bearing.

25. OTHER PAYABLES AND ACCRUALS

		As at 31 December		
	Notes	**2020**	**2021**	**2022**
		RMB'000	*RMB'000*	*RMB'000*
Current				
Lease deposits		46,040	39,002	23,454
Salary and welfare payables		129,999	245,567	214,118
Advanced lease payments		76,298	530,560	251,934
Contract liabilities	*(a)*	36,960	114,520	47,047
Other taxes payable		125,139	215,766	85,005
Interest payable		24,240	63,555	65,775
Other payables	*(b)*	46,380	48,837	49,452
Due to related parties *(note 36(c))*		155,479	62	23
		640,535	1,257,869	736,808
Non-current				
Lease deposits		150,489	165,879	71,259
Interest payable		–	63,968	181,159
Provisions		–	11,868	13,848
		150,489	241,715	266,266
		791,024	1,499,584	1,003,074

Notes:

(a) Details of contract liabilities are as follows:

	As at 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Short-term advances received from customers			
Sale of goods	23,662	25,904	25,070
Engineering and technical services	13,298	88,616	21,977
Total contract liabilities	36,960	114,520	47,047

Contract liabilities include short-term advances received to deliver goods and engineering and technical services. The change in contract liabilities in the Relevant Periods was mainly due to the change in short-term advances received from customers in relation to the delivery of goods and provision of engineering and technical services at the end of each of the Relevant Periods.

(b) Other payables are non-interest-bearing and repayable on demand.

26. INTEREST-BEARING BANK AND OTHER BORROWINGS

	At 31 December 2020			At 31 December 2021			At 31 December 2022		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current									
Bank borrowings – unsecured *(c)*	2.05-4.05	2021	912,826	3.35-5.10	2022	703,287	3.50-4.35	2023	435,350
Current portion of long-term bank borrowings – unsecured	3.95-4.28	2021	1,060,378	1.30-5.35	2022	2,064,898	1.30-4.98	2023	3,051,294
Other borrowings from related parties *(note 36(c))*	4.19	2021	10,000	–	–	–	–	–	–
Other borrowings – unsecured	–	2021	12,863	0.00-5.10	2022	102,413	0.49-2.57	2023	37,571
Other borrowings – secured	3.95-5.16	2021	439,322	2.97-5.75	2022	2,194,334	2.97-5.75	2023	2,619,203
			2,435,389			5,064,932			6,143,418
Non-current									
Bank borrowings – unsecured	3.82-4.75	2022-2025	4,420,934	1.30-5.35	2023-2027	8,317,920	1.30-4.98	2024-2028	9,526,017
Other borrowings from related parties *(note 36(c))*	4.19	2022-2023	193,270	–	–	–	–	–	–
Other borrowings on ordinary shares with a redemption obligation *(d)*	–	–	–	8.00	2024	1,306,447	8.00	2024	1,427,118
Other borrowings – secured	3.93-5.16	2022-2023	767,920	2.97-5.75	2023-2025	3,008,467	2.97-5.68	2024-2029	4,115,561
			5,382,124			12,632,834			15,068,696
			7,817,513			17,697,766			21,212,114

Analysed into:

	As at 31 December		
	2020 RMB'000	2021 RMB'000	2022 RMB'000
Bank borrowings repayable:			
Within one year	1,973,204	2,768,185	3,486,645
In the second year	1,448,951	2,575,314	4,614,215
In the third to fifth years, inclusive	2,964,045	5,738,078	4,907,628
Beyond five years	7,938	4,528	4,173
	6,394,138	11,086,105	13,012,661
Other borrowings from related parties repayable:			
Within one year	10,000	–	–
In the second year	10,000	–	–
In the third to fifth years, inclusive	183,270	–	–
	203,270	–	–
Other borrowings repayable:			
Within one year	452,185	2,296,747	2,656,774
In the second year	421,898	1,567,255	3,137,285
In the third to fifth years, inclusive	346,022	2,747,659	2,222,440
Beyond five years	–	–	182,954
	1,220,105	6,611,661	8,199,453
	7,817,513	17,697,766	21,212,114

Notes:

(a) As at 31 December 2020, 2021 and 2022, the Group's other borrowings includes financial liabilities recognized in accordance with certain of leaseback transaction arrangements of the Group, which amounted to RMB1,207,242,000, RMB5,202,705,000 and RMB6,734,104,000, respectively, and were secured by the Group's property, plant and equipment. In addition, none of the Group's other borrowings were secured by notes receivable at 31 December 2022 (2021: RMB96,000 2020: nil). and the Group's other borrowings amounted to RMB660,000 were secured by deposits at 31 December 2022 (2021 and 2020: nil).

(b) As at 31 December 2020, 2021 and 2022, the companies controlled by the Controlling Shareholder have guaranteed certain the Group's bank borrowings up to RMB2,206,678,000, nil and nil (note 39), respectively.

(c) As at 31 December 2022, bank borrowings of RMB84,649,000 (2021: RMB87,837,000, 2020: nil) arose from supplier financing arrangements.

(d) Other borrowings on ordinary shares with a redemption obligation:

Redemption right:

Pursuant to the Share Purchase Agreement signed by and among the pre-IPO investors of the Group on 16 April 2021, shares shall be redeemed by the Company upon the occurrence of certain contingent events which cannot be controlled by the Company including a public offering of the Company on the Stock Exchange or another recognized international securities exchange not being completed within 36 months. The price of investors' shares to be redeemed shall be an amount that would give holders a fixed rate of 8% per annum for its investment in the Company plus all accrued but unpaid dividends.

Presentation and classification:

The redemption obligation gives rise to financial liabilities, which are measured at net present value of the redemption amount. These investors subscribed for an aggregate of 6,651 shares of the Company at a total consideration of USD204,910,000, initially equivalent to RMB1,326,185,000, with certain conditional terms. As at 31 December 2022, the balance of other borrowings on ordinary shares with a redemption obligation was RMB1,427,118,000 (2021: RMB1,306,447,000, 2020: nil).

(e) All bank and other borrowings are denominated in RMB at the end of each of the Relevant Periods, except for other borrowings on ordinary shares with a redemption obligation of RMB1,427,118,000 (2021: RMB1,306,447,000, 2020: nil) equivalent and bank borrowings of RMB185,431,793 equivalent as at 31 December 2022, which are denominated in United States dollars.

27. DERIVATIVE FINANCIAL INSTRUMENTS

	As at 31 December					
	2020		2021		2022	
	Asset	Liability	Asset	Liability	Asset	Liability
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cross-currency interest rate swap	–	–	–	(6,907)	2,379	–
Interest rate swap	–	–	–	–	–	(2,257)
	–	–	–	(6,907)	2,379	(2,257)
Portion classified as non-current:						
Cross-currency interest rate swap	–	–	–	(6,907)	2,379	–
Interest rate swap	–	–	–	–	–	(2,257)

As at 31 December 2022, the Group held one cross-currency interest rate swap with Bank of Ping An (2021: one cross-currency interest rate swap, 2020: nil). The contract was not designated as hedge relationship, but was, nevertheless, intended to reduce the level of foreign currency exchange risks for the borrowings denominated in USD. Changes in the fair value of the non-hedging interest rate swap amounting to RMB9,286,000 (2021: RMB-6,907,000, 2020: nil) were charged to profit or loss during the year 2022.

As at 31 December 2022, the Group held one interest rate swap with China Construction Bank (2021: nil, 2020: nil). The contract was designated in hedge relationships, intended to reduce the risk of cash flow changes due to interest rate risk related to the borrowings denominated in RMB. Loss in the fair value of the hedging interest rate swap amounting to RMB2,257,000 (2021 and 2020: nil) were charged to other comprehensive income during the year 2022.

Cash flow hedge under HKFRS 9

There is an economic relationship between the hedged items and the hedging instruments as the terms of the foreign exchange forward and swap contracts match the terms of the expected highly probable forecast transactions and the secured bank loans (i.e., notional amounts and expected payment dates). The Group has established a hedge ratio of 1:1 for the hedging relationships as the underlying risks of the foreign exchange forward and swap contracts are identical to the hedged risk components. To measure the hedge effectiveness, the Group uses the hypothetical derivative method and compares the changes in the fair value of the hedging instruments against the changes in fair value of the hedged items attributable to the hedged risks.

Hedge ineffectiveness can arise from:

- Differences in the timing of the cash flows of the forecasted sales and purchases and the hedging instruments
- Different interest rate curves applied to discount the hedged items and hedging instruments
- The counterparties' credit risks differently impacting the fair value movements of the hedging instruments and hedged items
- Changes to the forecasted amounts of cash flows of hedged items and hedging instruments

The Group holds the following interest rate swap:

As at 31 December 2022

	Maturity					
	Less than 3 months	**3 to 6 months**	**6 to 9 months**	**9 to 12 months**	**1 to 3 years**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Interest rate swap – Notional amount	–	–	–	–	267,522	267,522
Hedge rate	1	1	1	1	1	

The impacts of the hedging instruments on the statement of financial position is as follows:

As at 31 December 2022

	Notional amount	**Carrying amount**	**Line item in the statement of financial position**	**Change in fair value used for measuring hedge ineffectiveness for the year**
	RMB'000	*RMB'000*		*RMB'000*
Interest rate swap – Notional amount	267,522	2,257	Derivative financial instruments (liabilities)	–

The impacts of the hedged items on the statement of financial position are as follows:

As at 31 December 2022

	Change in fair value used for measuring hedge ineffectiveness for the year	**Cash flow hedge reserve**
	RMB'000	*RMB'000*
Interest rate swap	–	(2,257)
	–	(2,257)

The effects of the cash flow hedge on the statement of profit or loss and the statement of comprehensive income are as follows:

As at 31 December 2022

	Total hedging loss recognized in other comprehensive income			**Hedge ineffectiveness recognized in profit or loss**	**Line item in the statement of profit or loss**
	Gross amount	**Tax effect**	**Total**		
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	
Interest rate swap – Notional amount	(2,257)	–	(2,257)	–	N/A
Hedge rate	1	1	1	1	1

28. DEFERRED REVENUE

	As at 31 December		
	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*
At beginning of year	19,587	18,442	17,270
Amortized to profit or loss	(1,145)	(1,172)	(586)
At end of year	18,442	17,270	16,684

29. SHARE CAPITAL

	As at 31 December		
Shares	2020	2021	2022
Authorized			
50,000 shares of a par value of USD1.00 each	50,000	—	—
5,000,000,000 shares of a par value of USD0.00002 each**	—	100,000*	100,000

	As at 31 December		
Shares	2020	2021	2022
Issue and paid:			
50,0000 shares of a par value of USD1.00 each	50,000	—	—
2,832,550,000 shares of a par value of USD0.00002 each**	—	56,651	56,651
Equivalent to RMB	327,000	370,000	370,000

* On March 11, 2021, the Company increased its authorized share capital to US$100,000.00 by the creation of 50,000 additional Shares.

** On November 12, 2021, pursuant to the written resolution of the shareholders of the Company, each of the issued and unissued shares of US$1.00 was subdivided into 50,000 Shares of US$0.00002 each.

2020 share capital movement:

Pursuant to a new share subscription agreement signed between the Controlling Shareholder and the Company on 17 December 2020, an amount of RMB3,392,800,000 due to the Controlling Shareholder were converted into 36,466 new shares of the Company. Accordingly, the amount due to the Controlling Shareholder were derecognized and correspondingly new share capital of RMB238,000 and share premium of RMB3,392,562,000 were recorded respectively.

In addition, 13,534 new shares were issued for a total consideration of RMB1,348,080,000, of which RMB89,000 were recorded as share capital and RMB1,347,991,000 were recorded as share premium during the year.

2021 share capital movement:

On 16 April 2021, the pre-IPO investors (a) Xuzhou XCMG Huijin M&A Industry Fund (L.P.), (b) Zoomlion International Trading (H.K.) Co., Limited, (c) GSPR Holdings Limited, (d) Zhejiang Dingli Machinery Co., Ltd., (e) LGMG International Limited, (f) Terex International Holdings 2 Limited and (g) Thrive Accomplish Limited entered into a Share Purchase Agreement with the Company and certain of its subsidiaries. These pre-IPO investors subscribed for an aggregate of 6,651 shares of the Company at a total consideration of USD204,910,000, initially equivalent to RMB1,326,185,000, with certain conditional terms, among which shares shall be redeemable by the Company upon the occurrence of certain contingent events which cannot be controlled by the Company including a public offering of the Company on the Stock Exchange or another recognized international securities exchange not being completed within 36 months. The total consideration of RMB1,326,185,000 were recorded as new share capital of RMB43,000 and share premium of RMB1,326,142,000 respectively. Meanwhile, the redemption obligation gives rise to financial liabilities of RMB1,326,185,000 and debit to capital reserve accordingly.

30. RESERVES

The amounts of the Group's reserves and the movements therein for the years ended 31 December 2020, 2021 and 2022 are presented in the consolidated statements of changes in equity.

(a) Share premium

The share premium represents the difference between the par value of the shares issued and the consideration received.

(b) Merger reserve

The merger reserve of the Group represents the difference between the changes of the contribution from the then holding company before the completion of the Reorganization and the consideration paid by the Group for the business combination under common control.

The Company acquired several companies now comprising the Group from the Controlling Shareholder on 23 October 2020 for a total consideration of RMB1,629,862,000. These acquisitions were accounted for using the merger method as under common control. The merger reserve of RMB600,000,000 and RMB1,600,000,000 as of 31 December 2018, and as of the date before the completion of the Reorganization, represents the accumulated equity contribution made by the then holding company at the respective periods end. Upon the completion of the Reorganization, the merger reserve represents the net balances between the contribution from the then holding company and the deemed distribution of consideration of RMB1,629,862,000 paid to the then equity holder.

(c) Capital reserve

(1) Ordinary shares with a redemption obligation

Pursuant to the Share Purchase Agreement signed by and among the pre-IPO investors of the Group on 16 April 2021, an aggregate of 6,651 ordinary shares with a redemption obligation were issued and allocated to the Pre-IPO investors at a consideration of USD204,910,000 (equivalent to RMB1,326,185,000) (note 26(d)). The redemption obligation was reclassified from the capital reserve to financial liabilities with an amount of RMB1,326,185,000, initially.

(2) Other capital reserve

Other capital reserve represents any difference between the carrying amount of net assets attributable to the non-controlling shareholders and the fair value of the consideration paid.

On 23 March 2020, Shanghai Horizon Construction Development Co., Ltd., a subsidiary of the Group, acquired 45% equity interests in Shanghai Hongjin Equipment & Engineering Co., Ltd. from the non-controlling equity holder, Shanghai Lanjin Stone Decoration Co., Ltd. (上海藍金石材裝飾有限公司), for a consideration of RMB131,000,000.

On 2 June 2020, Shanghai Horizon Construction Development Co., Ltd., a subsidiary of the Group, acquired 3.19% equity interests in Shanghai Horizon Equipment & Engineering Co., Ltd. from the non-controlling equity holder, Tianjin Hongliantianzhou Enterprise Management Consulting Center (Limited Partnership) (天津宏連天洲企業管理諮詢中心(有限合夥)), for a consideration of RMB59,589,000.

On 7 September 2020, as part of the Reorganization, Tianjin Horizon Construction Development Investment Co., Ltd., a subsidiary of the Group, acquired a total 8.83% equity interests in Shanghai Horizon Construction Development Co., Ltd. from each of the non-controlling equity holders for a total consideration of RMB353,200,000.

The difference between the total consideration of RMB543,789,000, as mentioned above, and the carrying amount of net assets attributable to the non-controlling shareholders as at each of the acquisition dates with a total amount of RMB588,549,000 and after a special reserve adjustment of RMB395,000, was recorded in the capital reserve of RMB44,365,000.

(d) Special reserve

Special reserve mainly represents funds set aside for the purpose of certain safety production activities. Pursuant to certain regulations issued by the State Administration of Work Safety of the PRC and other relevant regulatory bodies, the subsidiary, Shanghai Horizon Equipment & Engineering Co., Ltd. set aside funds mainly for construction service activities at prescribed rates. These funds can be used for maintenance and/or improvements of safety of these activities, and are not available for distribution to shareholders. The amounts are generally expenses in nature and charged to profit or loss as incurred, and at the same time, the corresponding amounts of safety reserve fund were utilized and transferred back to retained profits until such special reserve was fully utilized.

(e) Statutory surplus reserve

In accordance with the PRC Company Law and the articles of association of the subsidiaries established in the PRC, the subsidiaries are required to appropriate 10% of its net profit after tax, as determined under PRC GAAP, to the statutory surplus reserve until the reserve balance reaches 50% of its registered capital. Subject to certain restrictions set out in the relevant PRC regulations and in the articles of association of the subsidiaries, the statutory surplus reserve may be used either to offset losses, or to be converted to increase share capital provided that the balance after such conversion is not less than 25% of the registered capital of the Group. The reserve cannot be used for purposes other than those for which it is created and is not distributable as cash dividends. As at 31 December 2020, 2021 and 2022, the amounts of the statutory surplus reserve were RMB125,353,000, RMB203,217,000 and RMB302,318,000, respectively. Such reserve was eliminated in the preparation of the Historical Financial Information.

31. DISPOSAL OF SUBSIDIARIES

(a) Yiyang Yuhong Infrastructure Construction & Development Co., Ltd. and Pan Xian Yuhong Infrastructure Investment Co., Ltd.

Pursuant to the share transfer agreement dated 7 December 2020, the Group disposed of its 100% equity interests in Yiyang Yuhong Infrastructure Construction & Development Co., Ltd. and Panzhou Yuhong Infrastructure Investment Co., Ltd. to a company controlled by the Controlling Shareholder, Shanghai Horizon Construction Investment Co., Ltd. (上海宏信建設投資有限公司), for a consideration of RMB125,355,000 in total. The consideration was determined by reference to the corresponding value of the equity interests disposed of on the date of disposal.

	2020
	RMB'000
Net assets disposed of:	
Cash and bank balances	9
Prepayments, other receivables and other assets	113,783
Loans receivable	65,058
Trade and bills payables	(47,334)
Other payables and accruals	(89)
Tax payables	(1,957)
Deferred tax liabilities	(4,480)
	124,990
Gain on disposal of subsidiaries *(note 6)*	365
Satisfied by cash	125,355

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	2020
	RMB'000
Cash consideration *(note 36(b))*	125,355
Cash and bank balances disposed of	(9)
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	125,346

(b) Tangshan Caofeidian Yurui Construction and Engineering Co., Ltd.

Pursuant to the share transfer agreement dated 24 February 2021, the Group disposed of all its equity interests, which accounted for 89% of the shareholdings in Tangshan Caofeidian Yurui Construction and Engineering Co., Ltd. to a company controlled by the Controlling Shareholder, Shanghai Horizon Construction Investment Co., Ltd. for a consideration of RMB34,176,000 in total. The consideration was determined by reference to the corresponding value of the equity interests disposed of on the date of disposal.

	2021
	RMB'000
Net assets disposed of:	
Cash and bank balances	35,228
Prepayments, other receivables and other assets	1
Tax payables	(60)
Non-controlling interests	(426)
	34,743
Gain on disposal of a subsidiary	(567)
Satisfied by cash	34,176

An analysis of the net outflow of cash and cash equivalents in respect of the disposal of the subsidiary is as follows:

	2021
	RMB'000
Cash consideration *(note 36(b))*	34,176
Cash and bank balances disposed of	(35,228)
Net outflow of cash and cash equivalents in respect of the disposal of the subsidiary	(1,052)

32. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Major non-cash transactions

For the years ended 31 December 2020, 2021 and 2022, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB112,944,000, RMB34,884,000, and RMB119,177,000, respectively, in respect of lease arrangements for offices.

On 17 December 2020, the Company and the Controlling Shareholder entered into a capital subscription agreement, pursuant to which the Company has issued and the Controlling Shareholder has subscribed 36,466 shares for a total consideration of RMB3,392,800,000, of which RMB238,000 was recorded as share capital and RMB3,392,562,000 was recorded as share premium. Pursuant to the instruction note from the Controlling Shareholder, the consideration was offset by the balance due to the Controlling Shareholder.

For the years ended 31 December 2020, 2021 and 2022, the Group had entered certain supplier financing arrangements with the banks, under such arrangement, the banks as the paying party upon delivery of product by the supplier and the Group will subsequently settle the liability directly with banks. No cashflow are involved, and no cashflow are presented to the consolidated financial statement of cash flows. The derecognition of the payables to the bank and other borrowings was amounted to nil, RMB87,837,000, and RMB84,649,000 respectively.

For the year ended 31 December 2022, certain account receivables of the Group had been settled by several customers through transferring some properties to the Group with an initial recognition amount of RMB31,079,000.

(b) Changes in liabilities arising from financing activities

Year ended 31 December 2020

	Interest payable	Bank and other borrowings	Lease liabilities	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2020	130,055	2,870,564	2,022,465	5,023,084
Changes in principal from financing cash flows	–	4,946,949	(1,293,075)	3,653,874
New leases	–	–	112,944	112,944
Interest accrued	244,124	–	59,860	303,984
Interest paid	(194,481)	–	(181,451)	(375,932)
At 31 December 2020	179,698	7,817,513	720,743	8,717,954

Year ended 31 December 2021

	Interest payable	Bank and other borrowings	Lease liabilities	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2021	179,698	7,817,513	720,743	8,717,954
Changes in principal from financing cash flows	–	9,811,481	(642,023)	9,169,458
Supplier financing arrangement	–	87,837	–	87,837
New leases	–	–	34,884	34,884
Foreign exchange movement	–	(19,065)	–	(19,065)
Interest accrued	637,464	–	12,854	650,318
Interest paid	(689,639)	–	(170)	(689,809)
At 31 December 2021	127,523	17,697,766	126,288	17,951,577

Year ended 31 December 2022

	Interest payable	Bank and other borrowings	Lease liabilities	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2022	127,523	17,697,766	126,288	17,951,577
Changes in principal from financing cash flows	–	3,292,920	(94,133)	3,198,787
Supplier financing arrangements	–	84,649	–	84,649
New leases	–	–	119,177	119,177
Disposal	–	–	(24,532)	(24,532)
Foreign exchange movements	9,130	136,779	–	145,909
Interest accrued	920,359	–	4,459	924,818
Interest paid	(810,078)	–	–	(810,078)
At 31 December 2022	246,934	21,212,114	131,259	21,590,307

(c) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

	Year ended 31 December		
	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*
Within operating activities	(18,543)	(22,305)	(181,880)
Within financing activities	(1,474,526)	(642,193)	(94,133)
	(1,493,069)	(664,498)	(276,013)

33. CONTINGENT LIABILITIES

Contingent liabilities were not material at the end of 31 December 2022 (2021 and 2020: nil).

34. PLEDGE OF ASSETS

Details of the Group's assets pledged under bank and other borrowings and restricted bank balances are contained in notes 13, 14, 22, 23 and 26 of the Historical Financial Information, respectively.

35. COMMITMENTS

The Group had the following capital commitments at the end of each of the Relevant Periods are as follows:

	As at 31 December		
	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*
Contracted, but not provided for:			
Purchase of plant and machinery	66,209	62,983	69,234

36. RELATED PARTY TRANSACTIONS

(a) Name and relationship

Name of related party	Relationship with the Group
Far East Horizon Limited (遠東宏信有限公司)	Controlling Shareholder
Shanghai Donghong Industrial Development Co., Ltd. (上海東泓實業發展有限公司)	Company controlled by the Controlling Shareholder
International Far Eastern Leasing Co., Ltd. (遠東國際租賃有限公司)	Company controlled by the Controlling Shareholder
Far East Horizon Financial Leasing Co., Ltd. (遠東宏信融資租賃有限公司)	Company controlled by the Controlling Shareholder
Far East Horizon (Tianjin) Financial Leasing Co., Ltd. (遠東宏信(天津)融資租賃有限公司)	Company controlled by the Controlling Shareholder
Shanghai Horizon Construction Investment Co., Ltd. (上海宏信建設投資有限公司)	Company controlled by the Controlling Shareholder
Shanghai Team Joy Management Limited (上海周濟同悦資產管理有限公司)	Company controlled by the Controlling Shareholder
Jinyun Hongye Traffic Investment Co., Ltd. (縉雲縣宏冶交通投資有限公司)	Company controlled by the Controlling Shareholder
Nanchang Hongdi Construction Co., Ltd. (南昌市宏迪建設有限公司)	Company controlled by the Controlling Shareholder
Yanan Yanyan Expressway Link Line Infrastructure Construction & Investment Co., Ltd. (延安市延延連接線建設投資有限公司)	Company controlled by the Controlling Shareholder
Yanan Yuhua Infrastructure Construction & Investment Co., Ltd. (延安昱華建設投資有限公司)	Company controlled by the Controlling Shareholder
Yangzhou Jianglin Construction & Investment Co., Ltd. (揚州江臨投資建設有限公司)	Company controlled by the Controlling Shareholder
Yushan Yusheng Construction & Engineering Investment Co., Ltd. (玉山縣玉昇建設工程投資有限公司)	Company controlled by the Controlling Shareholder
Zhongxiang Hongrui Infrastructure Construction & Investment Co., Ltd. (鐘祥宏瑞建設投資有限公司)	Company controlled by the Controlling Shareholder
Shanghai Baiyue Property Service Co., Ltd. (上海柏悦物業服務有限公司)	Company controlled by the Controlling Shareholder
Shanghai Gaozexiang Garden Eco Agriculture Co., Ltd. (上海高澤祥園生態農業有限責任公司)	Company controlled by the Controlling Shareholder
Shanghai Dopont Industrial Co., Ltd. (上海德朋實業有限公司)	Company controlled by the Controlling Shareholder
Shanghai Lanjin Stone Decoration Co., Ltd. (上海藍金石材裝飾有限公司)	Company controlled by key management personnel
Shanghai Lanjin Construction Machinery Leasing Co., Ltd. (上海藍金建築機械租賃有限公司)	Company controlled by key management personnel
Tianjin Lianhong Enterprise Management Consulting Center (Limited Partnership) (天津聯宏企業管理諮詢中心(有限合夥))	Company controlled by key management personnel
Tianjin Lianzhi Enterprise Management Consulting Center (Limited Partnership) (天津聯智企業管理諮詢中心(有限合夥))	Company controlled by key management personnel
Tianjin Liancheng Enterprise Management Consulting Center (Limited Partnership) (天津聯程企業管理諮詢中心(有限合夥))	Company controlled by key management personnel
Shaoxing Shangyu Boteng Metal Products Co., Ltd. (紹興市上虞博騰金屬製品有限公司)	Company controlled by a close family member of key management personnel

Name of related party	Relationship with the Group
Shaoxing Shangyu Xinlongteng Metal Products Co., Ltd. (紹興市上虞鑫隆騰金屬製品有限公司)	Company controlled by a close family member of key management personnel
Sinochem Finance Co., Ltd. (中化集團財務有限責任公司)	Subsidiary of a group which has a significant influence over the Company
Sinochem International Tendering Co.,Ltd. (中化國際招標有限責任公司)	Subsidiary of a group which has a significant influence over the Company
Shanghai Jinmao Construction & Decoration Co., Ltd. (上海金茂建築裝飾有限公司)	Subsidiary of a group which has a significant influence over the Company
Sinochem Fuling Chongqing Chemical Industry Co., Ltd. (中化重慶涪陵化工有限公司)	Subsidiary of a group which has a significant influence over the Company
Bluestar Engineering Co., Ltd. (藍星工程有限公司)	Subsidiary of a group which has a significant influence over the Company
Shanghai Yijia Construction Development Co., Ltd. (上海藝佳建設發展有限公司)	Associate of the Controlling Shareholder
Guixi Hongyu Infrastructure Investment Co., Ltd. (貴溪市宏宇基礎設施投資有限公司)	Joint venture of the Controlling Shareholder

(b) The Group had the following transactions with related parties during the Relevant Periods:

	Notes	Year ended 31 December 2020	2021	2022
		RMB'000	*RMB'000*	*RMB'000*
(1) Interest expenses	*(i)*			
International Far Eastern Leasing Co., Ltd.		60,657	3,947	–
Far East Horizon (Tianjin) Financial Leasing Co., Ltd.		2,823	–	–
Far East Horizon Financial Leasing Co., Ltd.		2,635	–	–
Sinochem Finance Co., Ltd.		35,365	3,504	–
		101,480	7,451	–
(2) Interest income	*(ii)*			
International Far Eastern Leasing Co., Ltd.		7,313	699	–
Shanghai Horizon Construction Investment Co., Ltd.		350	–	–
Sinochem Finance Co., Ltd.		15	10	–
		7,678	709	–
(3) Operating lease income				
Bluestar Engineering Co., Ltd.	*(iii)*	–	–	5
Shanghai Jinmao Construction & Decoration Co., Ltd.	*(iii)*	–	–	83
Yangzhou Jianglin Construction & Investment Co., Ltd.	*(iii)*	271	–	–
Zhongxiang Hongrui Infrastructure Construction & Investment Co., Ltd.	*(iii)*	96	–	-
Yushan Yusheng Construction & Engineering Investment Co., Ltd.	*(iii)*	94	–	–
Yanan Yuhua Infrastructure Construction & Investment Co., Ltd.	*(iii)*	94	–	–

	Notes	Year ended 31 December 2020 RMB'000	2021 RMB'000	2022 RMB'000
Yanan Yanyan Expressway Link Line Infrastructure Construction & Investment Co., Ltd.	*(iii)*	111	–	–
Guixi Hongyu Infrastructure Investment Co., Ltd.	*(iii)*	121	–	–
Jinyun Hongye Traffic Investment Co., Ltd.	*(iii)*	235	–	–
Nanchang Hongdi Construction Co., Ltd.	*(iii)*	117	–	–
Shanghai Baiyue Property Service Co., Ltd.	*(iii)*	82	35	213
Shanghai Team Joy Management Limited	*(iv)*	54	–	–
International Far Eastern Leasing Co., Ltd.	*(iv)*	158	165	165
		1,433	200	466
(4) Sale of goods	*(v)*			
Sinochem Fuling Chongqing Chemical Industry Co., Ltd.		–	–	248
		–	–	248
(5) Decoration fee	*(vi)*			
Shanghai Yijia Construction Development Co., Ltd.		7,951	1,284	5,668
(6) Guarantee provided by related parties	*(vii)*			
International Far Eastern Leasing Co., Ltd.		2,236,678	–	–
		2,236,678	–	–
(7) Financial service fee				
Sinochem Finance Co., Ltd.		300	–	–
(8) Consideration from disposal of subsidiaries	*(viii)*			
Shanghai Horizon Construction Investment Co., Ltd.		125,355	34,176	–
(9) Purchases of goods	*(ix)*			
Shaoxing Shangyu Xinlongteng Metal Products Co., Ltd.		21	–	–
Shaoxing Shangyu Boteng Metal Products Co., Ltd.		47,991	149,443	43,970
		48,012	149,443	43,970

Notes:

(i) The interest expenses were charged at rates ranging from 4.19% to 8% per annum. The interest rates were determined based on loan contracts signed with related parties.

(ii) The interest income was earned at a rate of 1.485% per annum. The interest rates were determined based on the fund pool contracts.

(iii) The operating lease income from related parties arose from the operating lease of vehicles. The prices were determined on arm's length basis with reference to (a) the specifications, technical requirements, model and lease term of the service vehicles; and (b) the rates of service vehicles with similar specifications, technical requirements and model provided to the independent third parties for similar service vehicle leasing services.

(iv) The operating lease income from related parties arose from the operating lease of premises. The prices were determined on arm's length basis with reference to (a) the location, type, quality, size, area and lease term of the premises; and (b) the prevailing market rates of premises with comparable type, quality, size and area situated in the vicinity provided by the independent third parties for similar premises leasing services.

(v) The goods sold to the related parties were steel pipes. The transaction prices were determined on arm's length basis with reference to the prevailing market rates of steel pipes provided by the independent third parties.

(vi) The decoration fee was determined on arm's length basis with reference to (a) the status, complexity and construction and decoration raw materials; and (b) the prevailing market rates of comparable construction and decoration services provided by the independent third parties.

(vii) Except for a performance guarantee of RMB30,000,000 provided to the Group in the year ended 31 December 2020, all the guarantees represent the outstanding balance of the bank borrowings which were guaranteed by the subsidiaries of the Controlling Shareholder at the end of each of the Relevant Periods.

(viii) Pursuant to the share transfer agreement dated 7 December 2020, the Group disposed of its 100% equity interests in Yiyang Yuhong Infrastructure Construction & Development Co., Ltd. and Panzhou Yuhong Infrastructure Investment Co., Ltd. to a company controlled by the Controlling Shareholder, Shanghai Horizon Construction Investment Co., Ltd., for a consideration of RMB125,355,000 in total (note 31).

Pursuant to the share transfer agreement dated 24 February 2021, the Group disposed of all its equity interests, which accounted for 89% shareholdings in Tangshan Caofeidian Yurui Construction and Engineering Co., Ltd. to a company controlled by the Controlling Shareholder, Shanghai Horizon Construction Investment Co., Ltd., for a consideration of RMB34,176,000 in total (note 31).

(ix) The transaction prices were determined on arm's length basis with reference to (a) the specification, model, unit price type and quality of the materials; and (b) the prevailing market rates of similar materials provided by the independent third parties.

(c) Outstanding balances with related parties:

	As at 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
(1) Due from related companies			
Prepayments, other receivables and other assets:			
Shaoxing Shangyu Boteng Metal Products Co., Ltd.	–	–	159
International Far Eastern Leasing Co., Ltd.	194,304	869	–
Shanghai Dopont Industrial Co., Ltd.	95	–	–
Shanghai Baiyue Property Service Co., Ltd.	2	–	–
Tianjin Lianhong Enterprise Management Consulting Center (Limited Partnership)	–	11	–
Tianjin Lianzhi Enterprise Management Consulting Center (Limited Partnership)	–	8	–
Tianjin Liancheng Enterprise Management Consulting Center (Limited Partnership)	–	8	–
Shanghai Yijia Construction Development Co., Ltd.	–	878	–
	194,401	1,774	159
Trade Receivables:			
Shanghai Baiyue Property Service Co., Ltd.	–	–	32
Shanghai Jinmao Construction & Decoration Co., Ltd.	–	–	28
	–	–	60
(2) Due to related companies			
Other payables and accruals			
Interest payables:			
International Far Eastern Leasing Co., Ltd.	155,458	40	–
	155,458	40	–
Other payables:			
Far East Horizon Limited	21	22	23
	21	22	23
Trade and bills payables:			
Shaoxing Shangyu Boteng Metal Products Co., Ltd.	12,214	3,515	–
Shanghai Yijia Construction Development Co., Ltd.	–	–	922
	12,214	3,515	922

At the end of each of the Relevant Periods, the balances due from/to related parties were unsecured, interest-free and repayable on demand, except for the balances due from International Far Eastern Leasing Co., Ltd. and Shanghai Horizon Construction Investment Co., Ltd. through the fund pool and the fund pool borrowings (Interest rate: 1.485%) in other receivables.

At the end of each of the Relevant Periods, except for the trade and bills payables to Shaoxing Shangyu Boteng Metal Products Co., Ltd, the balances due from/to related parties were non-trade in nature. The directors of the Company expected that the non-trade amounts due from/to related entities will be fully settled before the initial listing of the shares of the Company on the Stock Exchange or on demand, whichever is earlier.

	As at 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
(3) Cash and cash equivalents deposited with a related company			
Sinochem Finance Co., Ltd. *(note 23)*	2,434	2,693	2,259
(4) Lease and borrowing balances			
Lease liabilities			
International Far Eastern Leasing Co., Ltd.	511,963	–	–
Far East Horizon (Tianjin) Financial Leasing Co., Ltd.	57,245	–	–
	569,208	–	–
Interest-bearing bank and other borrowings			
Sinochem Finance Co., Ltd.	203,270	–	–
	203,270	–	–

(d) Compensation of key management personnel of the Group:

	Year ended 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Short-term employee benefits	5,963	5,957	5,858
Post-employment benefits	92	266	282
	6,055	6,223	6,140

Further details of directors' emoluments are included in note 8 to the Historical Financial Information.

37. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of each of the Relevant Periods are as follows:

At 31 December 2020

Financial assets

	Financial assets at amortized cost *RMB'000*	Financial assets at fair value through other comprehensive income *RMB'000*	Total *RMB'000*
Trade receivables	2,529,852	–	2,529,852
Financial assets included in prepayments, other receivables and other assets	308,812	–	308,812
Debt investments at fair value through other comprehensive income	–	190,940	190,940
Restricted bank balances	24,651	–	24,651
Cash and cash equivalents	165,830	–	165,830
	3,029,145	190,940	3,220,085

Financial liabilities

	Financial liabilities at amortized cost *RMB'000*
Trade and bills payables	896,440
Financial liabilities included in other payables and accruals	422,628
Interest-bearing bank and other borrowings	7,817,513
Lease liabilities	720,743
	9,857,324

At 31 December 2021

Financial assets

	Financial assets at amortized cost *RMB'000*	Financial assets at fair value through other comprehensive income *RMB'000*	Financial assets at fair value through profit or loss *RMB'000*	Total *RMB'000*
Trade receivables	4,198,258	–	–	4,198,258
Financial assets included in prepayments, other receivables and other assets	263,119	–	–	263,119
Debt investments at fair value through other comprehensive income	–	480,140	–	480,140
Financial assets at fair value through profit or loss	–	–	150,051	150,051
Restricted bank balances	13,023	–	–	13,023
Cash and bank balances	506,991	–	–	506,991
	4,981,391	480,140	150,051	5,611,582

Financial liabilities

	Financial liabilities at amortized cost *RMB'000*	Financial liabilities at fair value through profit or loss *RMB'000*	Total *RMB'000*
Trade and bills payables	1,435,700	–	1,435,700
Financial liabilities included in other payables and accruals	381,303	–	381,303
Interest-bearing bank and other borrowings	17,697,766	–	17,697,766
Derivative financial instruments	–	6,907	6,907
Lease liabilities	126,288	–	126,288
	19,641,057	6,907	19,647,964

At 31 December 2022

Financial assets

	Financial assets at amortized cost *RMB'000*	Financial assets at fair value through other comprehensive income *RMB'000*	Financial assets at fair value through profit or loss *RMB'000*	Total *RMB'000*
Trade receivables	4,486,990	–	–	4,486,990
Financial assets included in prepayments, other receivables and other assets	542,730	–	–	542,730
Debt investments at fair value through other comprehensive income	–	1,036,355	–	1,036,355
Derivative financial instruments	–	–	2,379	2,379
Restricted bank balances	62,944	–	–	62,944
Cash and bank balances	2,159,325	–	–	2,159,325
	7,251,989	1,036,355	2,379	8,290,723

Financial liabilities

	Financial liabilities at amortized cost *RMB'000*	Financial liabilities at fair value through profit or loss *RMB'000*	Total *RMB'000*
Trade and bills payables	1,109,794	–	1,109,794
Financial liabilities included in other payables and accruals	391,122	–	391,122
Interest-bearing bank and other borrowings	21,212,114	–	21,212,114
Derivative financial instruments	–	2,257	2,257
Lease liabilities	131,259	–	131,259
	22,844,289	2,257	22,846,546

38. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Financial instruments not measured at fair value

Management has assessed that the fair values of cash and cash equivalents, restricted bank balances, trade receivables, financial assets included in prepayments, other receivables and other assets, trade and bills payables, and financial liabilities included in other payables and accruals approximate to their carrying amounts largely due to the short-term maturities of these instruments. Interest-bearing bank and other borrowings and lease liabilities are mostly on floating rate terms and bear interest at prevailing market interest rates and their carrying values approximate to their fair values.

As at 31 December 2022, 2021 and 2020, the fair values of the other borrowings on ordinary shares with a redemption obligation were RMB1,346,221,000, RMB1,293,162,000 and nil, which were measured at amortized costs of RMB1,427,118,000, RMB1,306,447,000 and nil. The fair values of the redemption obligation have been calculated by discounting the expected future cash flows using a rate of 11.7203%, 7.9059% and nil, which was currently available for instruments with the same currency and similar terms and remaining maturities, taking into consideration the Group's own non-performance risk (Level 3).

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair values of financial instruments:

Level 1: fair values measured based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: fair values measured based on valuation techniques for which any inputs which have a significant effect on the recorded fair value are not based on observable market data (unobservable inputs)

Assets and liabilities measured at fair value:

As at 31 December 2020

Financial assets

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Debt investments at fair value through other comprehensive income	–	190,940	–	190,940

As at 31 December 2021

Financial assets and liabilities

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets at fair value through profit or loss	–	150,051	–	150,051
Debt investments at fair value through other comprehensive income	–	480,140	–	480,140
Cross-currency interest rate swap – liabilities	–	(6,907)	–	(6,907)

As at 31 December 2022

Financial assets and liabilities

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Debt investments at fair value through other comprehensive income	–	1,036,355	–	1,036,355
Cross-currency interest rate swap – assets	–	2,379	–	2,379
Interest rate swap – liabilities	–	(2,257)	–	(2,257)

For the financial assets at fair value through profit or loss, fair value was determined by the quoted price of the net asset value by financial institutions as at the end of the reporting period.

The fair values of debt investments at fair value through other comprehensive income have been calculated by discounting the future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities.

Derivative financial instruments are the cross-currency interest rate swap and interest rate swap, whose fair value were calculated by discounting the future cash flows using the forward exchange rate and RMB risk-free rate that are observable market inputs.

The changes in fair values as a result of the Group for debt investments at fair value through other comprehensive income as at 31 December 2020, 2021 and 2022 were assessed to be insignificant.

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing bank and other borrowings, lease liabilities, and cash and cash equivalents. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables, trade and bills payables, debt investments at fair value through other comprehensive income, restricted bank balances, financial assets included in prepayments, other receivables, and other assets, and financial liabilities included in other payables and accruals, which mainly arise directly from its operations.

It is, and has been throughout the Relevant Periods under review, the Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are foreign currency risk, credit risk, liquidity risk, and interest rate risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarized below.

(a) Foreign currency risk

The Group's monetary assets, liabilities and transactions are principally denominated in RMB. The Group has transactional currency exposures. Such exposures mainly arise from the Group's interest-bearing bank and other borrowings that are denominated in USD. As at 31 December 2022, the Group held one cross-currency interest rate swap with Bank of Ping An (2021: one cross-currency interest rate swap, 2020: nil). The following table demonstrates the sensitivity at the end of each of the Relevant Periods to a reasonably possible change in the USD exchange rate (without considering the cross-currency interest rate swap with Bank of Ping An), with all other variables held constant, of the Group's profit before tax.

Year ended 31 December 2020

	Increase/(decrease) in foreign currency rate *%*	Increase/(decrease) in profit before tax *RMB'000*
If RMB weakens against USD	1	544
If RMB strengthens against USD	(1)	(544)

Year ended 31 December 2021

	Increase/(decrease) in foreign currency rate *%*	Increase/(decrease) in profit before tax *RMB'000*
If RMB weakens against USD	1	(14,555)
If RMB strengthens against USD	(1)	14,555

Year ended 31 December 2022

	Increase/(decrease) in foreign currency rate *%*	Increase/(decrease) in profit before tax *RMB'000*
If RMB weakens against USD	1	(15,865)
If RMB strengthens against USD	(1)	15,865

(b) Credit risk

The Group trades only with recognized and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances and contract assets are monitored on an ongoing basis.

Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and period-end staging classification as at 31 December 2020, 2021 and 2022.

As at 31 December 2020

	12-month ECLs	Lifetime ECLs			
	Stage 1 *RMB'000*	Stage 2 *RMB'000*	Stage 3 *RMB'000*	Simplified approach *RMB'000*	Total *RMB'000*
Contract assets*	–	–	–	110,132	110,132
Trade receivables*	–	–	–	2,529,852	2,529,852
Financial assets included in prepayments, other receivables and other assets**	308,812	–	–	–	308,812
Debt investments at fair value through other comprehensive income	190,940	–	–	–	190,940
Restricted bank balances – Not yet past due	24,651	–	–	–	24,651
Cash and cash equivalents – Not yet past due	165,830	–	–	–	165,830
	690,233	–	–	2,639,984	3,330,217

As at 31 December 2021

	12-month ECLs	Lifetime ECLs			
	Stage 1	**Stage 2**	**Stage 3**	**Simplified approach**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Contract assets*	–	–	–	276,859	276,859
Trade receivables*	–	–	–	4,198,258	4,198,258
Financial assets included in prepayments, other receivables and other assets**	263,119	–	–	–	263,119
Debt investments at fair value through other comprehensive income	480,140	–	–	–	480,140
Restricted bank balances – Not yet past due	13,023	–	–	–	13,023
Cash and cash equivalents – Not yet past due	506,991	–	–	–	506,991
	1,263,273	–	–	4,475,117	5,738,390

As at 31 December 2022

	12-month ECLs	Lifetime ECLs			
	Stage 1	**Stage 2**	**Stage 3**	**Simplified approach**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Contract assets*	–	–	–	304,295	304,295
Trade receivables*	–	–	–	4,486,990	4,486,990
Financial assets included in prepayments, other receivables and other assets**	542,730	–	–	–	542,730
Debt investments at fair value through other comprehensive income	1,036,355	–	–	–	1,036,355
Derivative financial instruments	2,379	–	–	–	2,379
Restricted bank balances – Not yet past due	62,944	–	–	–	62,944
Cash and cash equivalents – Not yet past due	2,159,325	–	–	–	2,159,325
	3,803,733	–	–	4,791,285	8,595,018

* For trade receivables and contract assets to which the Group applies the simplified approach for impairment, information based on the credit risk exposure is disclosed in notes 18 and 20 to the Historical Financial Information, respectively.

** The credit quality of the financial assets included in prepayments, other receivables and other assets and notes receivable classified as FVOCI is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 18 to the Historical Financial Information.

(c) Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing bank and other borrowings and lease liabilities.

The maturity profile of the Group's financial liabilities as at the end of each of the Relevant Periods, based on the contractual undiscounted payments, are as follows:

At 31 December 2020

	On demand	Less than 1 year	1 to 5 years	More than 5 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade and bills payables	43,904	852,536	–	–	896,440
Financial liabilities included in other payables and accruals	–	272,139	150,489	–	422,628
Interest-bearing bank and other borrowings	–	2,741,309	5,751,153	8,036	8,500,498
Lease liabilities	–	666,574	89,619	5,100	761,293
	43,904	4,532,558	5,991,261	13,136	10,580,859

At 31 December 2021

	On demand	Less than 1 year	1 to 5 years	More than 5 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade and bills payables	23,127	1,412,573	–	–	1,435,700
Financial liabilities included in other payables and accruals	–	151,456	229,847	–	381,303
Interest-bearing bank and other borrowings	–	6,123,364	13,496,186	203,675	19,823,225
Derivative financial instruments	–	–	6,907	–	6,907
Lease liabilities	–	67,683	63,994	3,400	135,077
	23,127	7,755,076	13,796,934	207,075	21,782,212

At 31 December 2022

	On demand	Less than 1 year	1 to 5 years	More than 5 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade and bills payables	22,666	1,087,128	–	–	1,109,794
Financial liabilities included in other payables and accruals	–	138,704	252,418	–	391,122
Interest-bearing bank and other borrowings	1,752	6,882,726	16,079,613	160,267	23,124,358
Derivative financial instruments	–	–	2,257	–	2,257
Lease liabilities	–	64,116	74,303	333	138,752
	24,418	8,172,674	16,408,591	160,600	24,766,283

(d) Interest rate risk

The Group's exposure to risk for changes in market interest rates relates primarily to the Group's interest-bearing bank and other borrowings and lease liabilities. As at 31 December 2022, the Group held one cross-currency interest rate swap with Bank of Ping An (2021: one cross-currency interest rate swap, 2020: nil). As at 31 December 2022, the Group held one interest rate swap with China Construction Bank (2021: nil, 2020: nil). The Group aims to mitigate such risks by reducing future variability in cash flows or fair value, while balancing the cost of such risk mitigation measure.

At 31 December 2020

	Interest-free *RMB'000*	**Less than 1 year** *RMB'000*	**1 to 5 years** *RMB'000*	**More than 5 years** *RMB'000*	**Total** *RMB'000*
Financial assets:					
Restricted bank balances	–	24,009	642	–	24,651
Cash and cash equivalents	–	165,830	–	–	165,830
Trade receivables	2,529,852	–	–	–	2,529,852
Financial assets included in prepayments, other receivables and other assets	308,812	–	–	–	308,812
Debt investments at fair value through other comprehensive income	190,940	–	–	–	190,940
Total financial assets	3,029,604	189,839	642	–	3,220,085
Financial liabilities:					
Trade and bills payables	896,440	–	–	–	896,440
Financial liabilities included in other payables and accruals	422,628	–	–	–	422,628
Interest-bearing bank and other borrowings	–	7,234,820	578,251	4,442	7,817,513
Lease liabilities	–	720,743	–	–	720,743
Total financial liabilities	1,319,068	7,955,563	578,251	4,442	9,857,324

At 31 December 2021

	Interest-free *RMB'000*	**Less than 1 year** *RMB'000*	**1 to 5 years** *RMB'000*	**More than 5 years** *RMB'000*	**Total** *RMB'000*
Financial assets:					
Restricted bank balances	–	13,023	–	–	13,023
Cash and cash equivalents	–	506,991	–	–	506,991
Trade receivables	4,198,258	–	–	–	4,198,258
Financial assets included in prepayments, other receivables and other assets	263,119	–	–	–	263,119
Debt investments at fair value through other comprehensive income	480,140	–	–	–	480,140
Financial assets at fair value through profit or loss	150,051	–	–	–	150,051
Total financial assets	5,091,568	520,014	–	–	5,611,582

	Interest-free *RMB'000*	Less than 1 year *RMB'000*	1 to 5 years *RMB'000*	More than 5 years *RMB'000*	Total *RMB'000*
Financial liabilities:					
Trade and bills payables	1,435,700	–	–	–	1,435,700
Financial liabilities included in other payables and accruals	381,303	–	–	–	381,303
Interest-bearing bank and other borrowings	–	13,736,293	3,961,473	–	17,697,766
Derivative financial instruments	6,907	–	–	–	6,907
Lease liabilities	–	126,288	–	–	126,288
Total financial liabilities	1,823,910	13,862,581	3,961,473	–	19,647,964

At 31 December 2022

	Interest-free *RMB'000*	Less than 1 year *RMB'000*	1 to 5 years *RMB'000*	More than 5 years *RMB'000*	Total *RMB'000*
Financial assets:					
Restricted bank balances	–	62,944	–	–	62,944
Cash and cash equivalents	–	2,159,325	–	–	2,159,325
Trade receivables	4,486,990	–	–	–	4,486,990
Financial assets included in prepayments, other receivables and other assets	542,730	–	–	–	542,730
Debt investments at fair value through other comprehensive income	1,036,355	–	–	–	1,036,355
Derivative financial instruments	2,379	–	–	–	2,379
Total financial assets	6,068,454	2,222,269	–	–	8,290,723
Financial liabilities:					
Trade and bills payables	1,109,794	–	–	–	1,109,794
Financial liabilities included in other payables and accruals	391,122	–	–	–	391,122
Interest-bearing bank and other borrowings	1,752	17,209,018	3,731,344	270,000	21,212,114
Derivative financial instruments	2,257	–	–	–	2,257
Lease liabilities	–	131,259	–	–	131,259
Total financial liabilities	1,504,925	17,340,277	3,731,344	270,000	22,846,546

The following table demonstrates the sensitivity to a reasonably possible change in interest rate (without considering the cross-currency interest rate swap with Bank of Ping An and the interest rate swap with China Construction Bank), with all other variables held constant, of the Group's profit before tax.

	Increase/(decrease) in profit before tax		
	As at 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Change in basis points			
+100 basis points	(62,783)	(82,621)	(104,765)
- 100 basis points	62,783	82,621	104,765

(e) Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximize shareholders' value.

The Group manages its capital structure and makes adjustment to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders, raise new debt, or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the Relevant Periods.

The Group monitors capital using a gearing ratio, which is net debt divided by total equity plus net debt. Net debt includes interest-bearing bank and other borrowings, lease liabilities, less cash and cash equivalents. Total equity includes equity attributable to equity holders of the parent and non-controlling interests.

The gearing ratios as at the end of each of the Relevant Periods are as follows:

	As at 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Interest-bearing bank and other borrowings	7,817,513	17,697,766	21,212,114
Lease liabilities	720,743	126,288	131,259
Less: Cash and cash equivalents	(165,830)	(506,991)	(2,159,325)
Net debt	8,372,426	17,317,063	19,184,048
Total equity	5,301,749	6,010,961	6,675,235
Total equity and net debt	13,674,175	23,328,024	25,859,283
Gearing ratio	61%	74%	74%

40. NOTES TO THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY

(i) Prepayments, other receivables and other assets

	As at 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Due from Horizon Construction (Hong Kong) Limited	4,674,526	5,976,340	5,979,900
Due from Horizon Construction overseas (Hong Kong) Limited	–	–	1,908
Others	–	–	8,732
	4,674,526	5,976,340	5,990,540

The amount due from related parties are unsecured, non-interest-bearing and repayable on demand.

(ii) Cash and cash equivalents

	As at 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Cash and bank balances	54,411	44,233	22,438

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

(iii) Other payables and accruals

	As at 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Current			
Accrued listing expenses	10,855	12,372	40,505
Non-current			
Interest payable	–	63,968	181,159
	10,855	76,340	221,664

Other payables and accruals are unsecured, non-interest-bearing and repayable on demand.

(iv) Other borrowings

	As at 31 December		
	2020	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
Other borrowings on ordinary shares with a redemption obligation *(note 26(d))*	–	1,306,447	1,427,118

41. EVENTS AFTER THE RELEVANT PERIODS

There have been no significant events since the end of the Relevant Periods.

42. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company, the Group or any of the companies now comprising the Group in respect of any period subsequent to 31 December 2022.

The following information does not form part of the Accountants' Report from Ernst & Young, Certified Public Accountants, Hong Kong, the Company's reporting accountants, as set out in Appendix I to this prospectus, and is included herein for information purposes only. The unaudited pro forma financial information should be read in conjunction with "Financial Information" and the Accountants' Report set out in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following unaudited pro forma adjusted consolidated net tangible assets attributable to the owners of the Company has been prepared in accordance with Rule 4.29 of the Listing Rules and with reference to Accounting Guideline 7 *"Preparation of Pro Forma Financial Information for inclusion in Investment Circulars"* issued by the HKICPA for illustration purposes only, and is set out here to illustrate the effect of the Global Offering on our consolidated net tangible assets attributable to the owners of the Company as of 31 December 2022 as if it had taken place on that date.

The unaudited pro forma adjusted consolidated net tangible assets attributable to the owners of the Company has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the financial position of the Group had the Global Offering been completed as of 31 December 2022 or any future date. It is prepared based on our consolidated net tangible assets attributable to the owners of the Company as of 31 December 2022 as set out in the Accountants' Report as set out in Appendix I to this prospectus and adjusted as described below. The unaudited pro forma adjusted consolidated net tangible assets attributable to the owners of the Company does not form part of the Accountants' Report as set out in Appendix I to this prospectus.

	Consolidated net tangible assets attributable to owners of the Company as of 31 December 2022	**Estimated net proceeds from the Global Offering**	**Estimated impact on the termination of the redemption rights of the redeemable ordinary shares upon the Global Offering**	**Unaudited pro forma adjusted consolidated net tangible assets**	**Unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the Company per Share**	
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB*	*(HK$)*
	(Note 1)	*(Note 2)*	*(Note 3)*		*(Note 4)*	*(Note 5)*
Based on an Offer Price of HK$4.52 per Share	6,671,438	1,410,495	1,608,277	9,690,210	3.03	3.44
Based on an Offer Price of HK$4.80 per Share	6,671,438	1,497,856	1,608,277	9,777,571	3.06	3.47

Notes:

(1) The consolidated net tangible assets attributable to owners of the Company as of 31 December 2022 is extracted from the Accountants' Report, which is based on the audited consolidated equity attributable to owners of the Company as of 31 December 2022 of approximately RMB6,675,235 thousand less the Group's intangible assets as at 31 December 2022 of approximately RMB3,797 thousand.

(2) The estimated net proceeds from the Global Offering are based on the Offer Price of HK$4.52 per Share and HK$4.80 per Share, being the low and high ends of the stated offer price range, after deduction of the underwriting fees and other related expenses payable by the Company and do not take into account any Shares which may be issued upon the exercise of the Over-allotment Option. The estimated net proceeds from the Global Offering are converted from Hong Kong dollars into Renminbi at an exchange rate of HK$1.0 to RMB0.8821.

(3) Upon the listing and the completion of the Global Offering, the redemption rights of the redeemable ordinary shares will be automatically terminated. The redeemable ordinary shares were accounted for as liabilities of the Group, and will be extinguished and credited to equity upon the completion of the Global Offering. Accordingly, the adjustment represents the impact of the termination of the redemption rights. The estimated impact of RMB1,608,277,000 comprises the principal amount of other borrowings on ordinary shares with redemption obligation of RMB1,427,118,000 and the accrued interest of RMB181,159,000 as if the redemption rights had been terminated on 31 December 2022.

(4) The unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the Company per Share is calculated based on 3,197,244,000 Shares to be in issue immediately following the completion of the Global Offering and does not take into account any Shares which may be issued upon the exercise of the Over-allotment Option.

(5) The unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the Company per Share is converted into Hong Kong dollars at an exchange rate of HK$1.0 to RMB0.8821.

* No adjustment has been made to reflect any trading results or other transactions entered into subsequent to 31 December 2022.

B. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from the Company's reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong, for the purpose of inclusion in this Prospectus.

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To the Directors of Horizon Construction Development Limited

We have completed our assurance engagement to report on the compilation of pro forma financial information of Horizon Construction Development Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The pro forma financial information consists of the pro forma consolidated net tangible assets as at 31 December 2022 and related notes as set out on pages II-1 to II-2 of the prospectus dated 12 May 2023 issued by the Company (the "Pro Forma Financial Information"). The applicable criteria on the basis of which the Directors have compiled the Pro Forma Financial Information are described in Appendix II to the Prospectus.

The Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the global offering of shares of the Company on the Group's financial position as at 31 December 2022 as if the transaction had taken place at 31 December 2022. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's financial statements for the period ended 31 December 2022, on which an accountants' report has been published.

Directors' responsibility for the Pro Forma Financial Information

The Directors are responsible for compiling the Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline ("AG") 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Our independence and quality management

We have complied with the independence and other ethical requirements of *the Code of Ethics for Professional Accountants* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Management 1 *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements* which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting accountants' responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus* issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Pro Forma Financial Information.

The purpose of the Pro Forma Financial Information included in the Prospectus is solely to illustrate the impact of the global offering of shares of the Company on unadjusted financial information of the Group as if the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the transaction would have been as presented.

A reasonable assurance engagement to report on whether the Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the transaction in respect of which the Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the Pro Forma Financial Information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purpose of the Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Certified Public Accountants
Hong Kong

12 May 2023

SUMMARY OF THE CONSTITUTION OF THE COMPANY

1 Memorandum of Association

The Memorandum of Association of the Company was conditionally adopted on April 11, 2023 and states, inter alia, that the liability of the members of the Company is limited, that the objects for which the Company is established are unrestricted and the Company shall have full power and authority to carry out any object not prohibited by the Companies Act or any other law of the Cayman Islands.

The Memorandum of Association is on display on the websites of the Stock Exchange and the Company as specified in Appendix V in the section headed "Documents Delivered to the Registrar of Companies and Available on Display" to this Prospectus.

2 Articles of Association

The Articles of Association of the Company were conditionally adopted on April 11, 2023 and include provisions to the following effect:

2.1 Classes of Shares

The share capital of the Company consists of ordinary shares. The capital of the Company at the date of adoption of the Articles is US$100,000 divided into 5,000,000,000 shares of US$0.00002 each.

2.2 Directors

(a) Power to allot and issue Shares

Subject to the provisions of the Companies Act and the Memorandum and Articles of Association, the unissued shares in the Company (whether forming part of its original or any increased capital) shall be at the disposal of the Directors, who may offer, allot, grant options over or otherwise dispose of them to such persons, at such times and for such consideration, and upon such terms, as the Directors shall determine.

Subject to the provisions of the Articles of Association and to any direction that may be given by the Company in general meeting and without prejudice to any special rights conferred on the holders of any existing shares or attaching to any class of shares, any share may be issued with or have attached thereto such preferred, deferred, qualified or other special rights or restrictions, whether in regard to dividend, voting, return of capital or otherwise, and to such persons at such times and for such consideration as the Directors may determine. Subject to the Companies Act and to any special rights conferred on any shareholders or attaching to any class of shares, any share may, with the sanction of a special resolution, be issued on terms that it is, or at the option of the Company or the holder thereof, liable to be redeemed.

(b) Power to dispose of the assets of the Company or any subsidiary

The management of the business of the Company shall be vested in the Directors who, in addition to the powers and authorities by the Articles of Association expressly conferred upon them, may exercise all such powers and do all such acts and things as may be exercised or done or approved by the Company and are not by the Articles of Association or the Companies Act expressly directed or required to be exercised or done by the Company in general meeting, but subject nevertheless to the provisions of the Companies Act and of the Articles of Association and to any regulation from time to time made by the Company in general meeting not being inconsistent with such provisions or the Articles of Association, provided that no regulation so made shall invalidate any prior act of the Directors which would have been valid if such regulation had not been made.

(c) Compensation or payment for loss of office

Payment to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must first be approved by the Company in general meeting.

(d) Loans to Directors

There are provisions in the Articles of Association prohibiting the making of loans to Directors or their respective close associates which are equivalent to the restrictions imposed by the Companies Ordinance.

(e) Financial assistance to purchase Shares

Subject to all applicable laws, the Company may give financial assistance to Directors and employees of the Company, its subsidiaries or any holding company or any subsidiary of such holding company in order that they may buy shares in the Company or any such subsidiary or holding company. Further, subject to all applicable laws, the Company may give financial assistance to a trustee for the acquisition of shares in the Company or shares in any such subsidiary or holding company to be held for the benefit of employees of the Company, its subsidiaries, any holding company of the Company or any subsidiary of any such holding company (including salaried Directors).

(f) Disclosure of interest in contracts with the Company or any of its subsidiaries

No Director or proposed Director shall be disqualified by his office from contracting with the Company either as vendor, purchaser or otherwise nor shall any such contract or any contract or arrangement entered into by or on behalf of the Company with any person, company or partnership of or in which any Director shall be a member or otherwise interested be capable on that account of being avoided, nor shall any Director so contracting or being any member or so interested be liable to account to the Company for any profit so realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship thereby established, provided that such Director shall, if his interest in such contract or arrangement is material, declare the nature of his interest at the earliest meeting of the board of Directors at which it is practicable for him to do so, either specifically or by way of a general notice stating that, by reason of the facts specified in the notice, he is to be regarded as interested in any contracts of a specified description which may be made by the Company.

A Director shall not be entitled to vote on (nor shall be counted in the quorum in relation to) any resolution of the Directors in respect of any contract or arrangement or any other proposal in which the Director or any of his close associates (or, if required by the Listing Rules, his other associates) has any material interest, and if he shall do so his vote shall not be counted (nor is he to be counted in the quorum for the resolution), but this prohibition shall not apply to any of the following matters, namely:

(i) the giving to such Director or any of his close associates of any security or indemnity in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;

(ii) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or any of his close associates has himself/themselves assumed responsibility in whole or in part and whether alone or jointly under a guarantee or indemnity or by the giving of security;

(iii) any proposal concerning an offer of shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase where the Director or any of his close associates is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

(iv) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries including:

(A) the adoption, modification or operation of any employees' share scheme or any share incentive scheme or share option scheme under which the Director or any of his close associates may benefit; or

(B) the adoption, modification or operation of a pension or provident fund or retirement, death or disability benefits scheme which relates both to Directors, their close associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or any of his close associates, as such any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and

(v) any contract or arrangement in which the Director or any of his close associates is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company.

(g) Remuneration

The Directors shall be entitled to receive by way of remuneration for their services such sum as shall from time to time be determined by the Directors, or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided amongst the

Directors in such proportions and in such manner as they may agree, or failing agreement, equally, except that in such event any Director holding office for less than the whole of the relevant period in respect of which the remuneration is paid shall only rank in such division in proportion to the time during such period for which he has held office. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

The Directors shall also be entitled to be paid all expenses, including travel expenses, reasonably incurred by them in or in connection with the performance of their duties as Directors including their expenses of travelling to and from board meetings, committee meetings or general meetings or otherwise incurred whilst engaged on the business of the Company or in the discharge of their duties as Directors.

The Directors may grant special remuneration to any Director who shall perform any special or extra services at the request of the Company. Such special remuneration may be made payable to such Director in addition to or in substitution for his ordinary remuneration as a Director, and may be made payable by way of salary, commission or participation in profits or otherwise as may be agreed.

The remuneration of an executive Director or a Director appointed to any other office in the management of the Company shall from time to time be fixed by the Directors and may be by way of salary, commission or participation in profits or otherwise or by all or any of those modes and with such other benefits (including share option and/or pension and/or gratuity and/or other benefits on retirement) and allowances as the Directors may from time to time decide. Such remuneration shall be in addition to such remuneration as the recipient may be entitled to receive as a Director.

(h) Retirement, appointment and removal

The Directors shall have power at any time and from time to time to appoint any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until the first annual general meeting of the Company after his appointment and shall then be eligible for re-election at that meeting, but shall not be taken into account in determining the number of Directors and which Directors are to retire by rotation at such meeting.

The Company may by ordinary resolution remove any Director (including a Managing Director or other executive Director) before the expiration of his term of office notwithstanding anything in the Articles of Association or in any agreement between the Company and such Director (but without prejudice to any claim for compensation or damages payable to him in respect of the termination of his appointment as Director or of any other appointment of office as a result of the termination of this appointment as Director). The Company may also by ordinary resolution appoint another person in his place. Any Director so appointed shall hold office during such time only as the Director in whose place he is appointed would have held the same if he had not been removed.

The Company may also by ordinary resolution elect any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election.

There is no shareholding qualification for Directors nor is there any specified age limit for Directors.

The office of a Director shall be vacated:

(i) if he resigns his office by notice in writing to the Company at its registered office or its principal office in Hong Kong;

(ii) if an order is made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs and the Directors resolve that his office be vacated;

(iii) if, without leave, he is absent from meetings of the Directors (unless an alternate Director appointed by him attends) for 12 consecutive months, and the Directors resolve that his office be vacated;

(iv) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;

(v) if he ceases to be or is prohibited from being a Director by law or by virtue of any provision in the Articles of Association;

(vi) if he is removed from office by notice in writing served upon him signed by not less than three-fourths in number (or, if that is not a round number, the nearest lower round number) of the Directors (including himself) for the time being then in office; or

(vii) if he shall be removed from office by an ordinary resolution of the members of the Company under the Articles of Association.

At every annual general meeting of the Company one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third, shall retire from office by rotation, provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall retain office until the close of the meeting at which he retires and shall be eligible for re-election thereat. The Company at any annual general meeting at which any Directors retire may fill the vacated office by electing a like number of persons to be Directors.

(i) Borrowing powers

The Directors may from time to time at their discretion exercise all the powers of the Company to raise or borrow or to secure the payment of any sum or sums of money for the purposes of the Company and to mortgage or charge its undertaking, property and assets (present and future) and uncalled capital or any part thereof.

(j) Proceedings of the Board

The Directors may meet together for the despatch of business, adjourn and otherwise regulate their meetings and proceedings as they think fit in any part of the world. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

2.3 Alteration to constitutional documents

No alteration or amendment to the Memorandum or Articles of Association may be made except by special resolution.

2.4 Variation of rights of existing shares or classes of shares

If at any time the share capital of the Company is divided into different classes of shares, all or any of the rights attached to any class of shares for the time being issued (unless otherwise provided for in the terms of issue of the shares of that class) may, subject to the provisions of the Companies Act, be varied or abrogated either with the consent in writing of the holders of not less than three-fourths of the voting rights of the issued shares of that class or with the sanction of a special resolution passed at a separate meeting of the holders of the shares of that class. To every such separate meeting all the provisions of the Articles of Association relating to general meetings shall *mutatis mutandis* apply, but so that the quorum for the purposes of any such separate meeting and of any adjournment thereof shall be a person or persons together holding (or representing by proxy or duly authorised representative) at the date of the relevant meeting not less than one-third of the voting rights of the issued shares of that class.

The special rights conferred upon the holders of shares of any class shall not, unless otherwise expressly provided in the rights attaching to or the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

2.5 Alteration of capital

The Company may, from time to time, whether or not all the shares for the time being authorised shall have been issued and whether or not all the shares for the time being issued shall have been fully paid up, by ordinary resolution, increase its share capital by the creation of new shares, such new capital to be of such amount and to be divided into shares of such respective amounts as the resolution shall prescribe.

The Company may from time to time by ordinary resolution:

(a) consolidate and divide all or any of its share capital into shares of a larger amount than its existing shares. On any consolidation of fully paid shares and division into shares of larger amount, the Directors may settle any difficulty which may arise as they think expedient and in particular (but without prejudice to the generality of the foregoing) may as between the holders of shares to be consolidated determine which particular shares are to be consolidated into each consolidated share, and if it shall happen that any person shall become entitled to fractions of a consolidated share or shares, such fractions may be sold by some person appointed by the Directors for that purpose and the person so appointed may transfer the shares so sold to the purchaser thereof and the validity of such transfer shall not be questioned, and so that the net proceeds of such sale (after deduction of the expenses of such sale) may either be distributed among the persons who would otherwise be entitled to a fraction or fractions of a consolidated share or shares rateably in accordance with their rights and interests or may be paid to the Company for the Company's benefit;

(b) cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the shares so cancelled subject to the provisions of the Companies Act; and

(c) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum of Association, subject nevertheless to the provisions of the Companies Act, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights, over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new shares.

The Company may by special resolution reduce its share capital or any capital redemption reserve in any manner authorised and subject to any conditions prescribed by the Companies Act.

2.6 Special resolution – majority required

A "special resolution" is defined in the Articles of Association to have the meaning ascribed thereto in the Companies Act, for which purpose, the requisite majority shall be not less than three-fourths of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given and includes a special resolution approved in writing by all of the members of the Company entitled to vote at a general meeting of the Company in one or more instruments each signed by one or more of such members, and the effective date of the special resolution so adopted shall be the date on which the instrument or the last of such instruments (if more than one) is executed.

In contrast, an "ordinary resolution" is defined in the Articles of Association to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles of Association and includes an ordinary resolution approved in writing by all the members of the Company aforesaid.

2.7 Voting rights

Subject to any special rights, privileges or restrictions as to voting for the time being attached to any class or classes of shares, at any general meeting (a) every member present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have the right to speak, (b) on a show of hands, every member present in such manner shall have one vote, and (c) on a poll, every member present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have vote for each share registered in his name in the register of members of the Company.

Where any member is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

In the case of joint registered holders of any share, any one of such persons may vote at any meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint holders be present at any meeting personally or by proxy, that one of the said persons so present being the most or, as the case may be, the more senior shall alone be entitled to vote in respect of the relevant joint holding and, for this purpose, seniority shall be determined by reference to the order in which the names of the joint holders stand on the register in respect of the relevant joint holding.

A member of the Company in respect of whom an order has been made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs may vote by any person authorised in such circumstances to do so and such person may vote by proxy.

Save as expressly provided in the Articles of Association or as otherwise determined by the Directors, no person other than a member of the Company duly registered and who shall have paid all sums for the time being due from him payable to the Company in respect of his shares shall be entitled to be present or to vote (save as proxy for another member of the Company), or to be reckoned in a quorum, either personally or by proxy at any general meeting.

At any general meeting a resolution put to the vote of the meeting shall be decided by way of a poll save that the chairman of the meeting may allow a resolution which relates purely to a procedural or administrative matter as prescribed under the Listing Rules to be voted on by a show of hands.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its proxy(ies) or representative(s) at any general meeting of the Company or at any general meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be entitled to exercise the same rights and powers on behalf of the recognised clearing house (or its nominee(s)) which he represents as that recognised clearing house (or its nominee(s)) could exercise as if it were an individual member of the Company holding the number and class of shares specified in such authorisation, including, where a show of hands is allowed, the right to vote individually on a show of hands.

2.8 Annual general meetings and extraordinary general meetings

The Company shall hold a general meeting as its annual general meeting for each financial year to be held within six months (or such other period as may be permitted by the Listing Rules or the Stock Exchange) after the end of such financial year. The annual general meeting shall be specified as such in the notices calling it.

The board of Directors may, whenever it thinks fit, convene an extraordinary general meeting. General meetings shall also be convened on the written requisition of any one or more members of the Company deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office, specifying the objects of the meeting and the resolutions to be added to the meeting agenda, and signed by the requisitionist(s), provided that such requisitionists held as at the date of deposit of the requisition not less than one-tenth of the voting rights, on a one vote per share basis, of the issued shares of the Company which as at the date carries the right to vote at general meetings of the Company. If the Directors do not within 21 days from the date of deposit of the requisition proceed duly to convene the meeting to be held within a further 21 days, the requisitionist(s) themselves or any of them representing more than one-half of the total voting rights of all of them, may convene the general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Directors provided that any meeting so convened shall not be held after the expiration of three months from the date of deposit of the requisition, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Directors shall be reimbursed to them by the Company.

2.9 Accounts and audit

The Directors shall cause to be kept such books of account as are necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions and otherwise in accordance with the Companies Act.

The Directors shall from time to time determine whether, and to what extent, and at what times and places and under what conditions or regulations, the accounts and books of the Company, or any of them, shall be open to inspection by members of the Company (other than officers of the Company) and no such member shall have any right of inspecting any accounts or books or documents of the Company except as conferred by the Companies Act or any other relevant law or regulation or as authorised by the Directors or by the Company in general meeting.

The Directors shall, commencing with the first annual general meeting, cause to be prepared and to be laid before the members of the Company at every annual general meeting a profit and loss account for the period, in the case of the first account, since the incorporation of the Company and, in any other case, since the preceding account, together with a balance sheet as at the date to which the profit and loss account is made up and a Director's report with respect to the profit or loss of the Company for the period covered by the profit and loss account and the state of the Company's affairs as at the end of such period, an auditor's report on such accounts and such other reports and accounts as may be required by law. Copies of those documents to be laid before the members of the Company at an annual general meeting shall not less than 21 days before the date of the meeting, be sent in the manner in which notices may be served by the Company as provided in the Articles of Association to every member of the Company and every holder of debentures of the Company provided that the Company shall not be required to send copies of those documents to any person of whose address the Company is not aware or to more than one of the joint holders of any shares or debentures.

2.10 Auditors

The Company shall at every annual general meeting by ordinary resolution appoint an auditor or auditors of the Company who shall hold office until the next annual general meeting. The removal of an auditor before the expiration of his period of office shall require the approval of an ordinary resolution of the members in general meeting. The remuneration of the auditors shall be fixed by the Company at the annual general meeting at which they are appointed by ordinary resolution, provided that in respect of any particular year the Company in general meeting may delegate the fixing of such remuneration to the Directors.

2.11 Notice of meetings and business to be conducted thereat

An annual general meeting shall be called by not less than 21 days' notice in writing and any extraordinary general meeting shall be called by not less than 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and shall specify the time, place and agenda of the meeting, particulars of the resolutions and the general nature of the business to be considered at the meeting. The notice convening an annual general meeting shall specify the meeting as such, and the notice convening a meeting to pass a special resolution shall specify the intention to propose the resolution as a special resolution. Notice of every general meeting shall be given to the auditors and all members of the Company (other than those who, under the provisions of the Articles of Association or the terms of issue of the shares they hold, are not entitled to receive such notice from the Company).

Notwithstanding that a meeting of the Company is called by shorter notice than that mentioned above, it shall be deemed to have been duly called if it is so agreed:

(a) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat or their proxies; and

(b) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than 95% in nominal value of the shares giving that right.

If, after the notice of a general meeting has been sent but before the meeting is held, or after the adjournment of a general meeting but before the adjourned meeting is held (whether or not notice of the adjourned meeting is required), the Directors, in their absolute discretion, consider that it is impractical or unreasonable for any reason to hold a general meeting on the date or at the time and place specified in the notice calling such meeting, it may change or postpone the meeting to another date, time and place.

The Directors also have the power to provide in every notice calling a general meeting that in the event of a gale warning or a black rainstorm warning is in force at any time on the day of the general meeting (unless such warning is cancelled at least a minimum period of time prior to the general meeting as the Directors may specify in the relevant notice), the meeting shall be postponed without further notice to be reconvened on a later date.

Where a general meeting is postponed:

(c) the Company shall endeavour to cause a notice of such postponement, which shall set out the reason for the postponement in accordance with the Listing Rules, to be placed on the Company's website and published on the Stock Exchange's website as soon as practicable, but failure to place or publish such notice shall not affect the automatic postponement of a general meeting due to a gale warning or black rainstorm warning being in force on the day of the general meeting;

(d) the Directors shall fix the date, time and place for the reconvened meeting and at least seven clear days' notice shall be given for the reconvened meeting; and such notice shall specify the date, time and place at which the postponed meeting will be reconvened and the date and time by which proxies shall be submitted in order to be valid at such reconvened meeting (provided that any proxy submitted for the original meeting shall continue to be valid for the reconvened meeting unless revoked or replaced by a new proxy); and

(e) only the business set out in the notice of the original meeting shall be transacted at the reconvened meeting, and notice given for the reconvened meeting does not need to specify the business to be transacted at the reconvened meeting, nor shall any accompanying documents be required to be recirculated. Where new business is to be transacted at such reconvened meeting, the Company shall give a fresh notice for such reconvened meeting in accordance with the Articles of Association.

2.12 Transfer of shares

Transfers of shares may be effected by an instrument of transfer in the usual common form or in any standard form of transfer as prescribed by the Stock Exchange or in such other form as the Directors may approve which is consistent with the standard form of transfer as prescribed by the Stock Exchange.

The instrument of transfer shall be executed by or on behalf of the transferor and, unless the Directors otherwise determine, the transferee, and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members of the Company in respect thereof. All instruments of transfer shall be retained by the Company.

The Directors may refuse to register any transfer of any share which is not fully paid up or on which the Company has a lien. The Directors may also decline to register any transfer of any shares unless:

(a) the instrument of transfer is lodged with the Company accompanied by the certificate for the shares to which it relates (which shall upon the registration of the transfer be cancelled) and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer;

(b) the instrument of transfer is in respect of only one class of shares;

(c) the instrument of transfer is properly stamped (in circumstances where stamping is required);

(d) in the case of a transfer to joint holders, the number of joint holders to whom the share is to be transferred does not exceed four;

(e) the shares concerned are free of any lien in favour of the Company; and

(f) a fee of such amount not exceeding the maximum amount as the Stock Exchange may from time to time determine to be payable (or such lesser sum as the Directors may from time to time require) is paid to the Company in respect thereof.

If the Directors refuse to register a transfer of any share they shall, within two months after the date on which the transfer was lodged with the Company, send to each of the transferor and the transferee notice of such refusal.

The registration of transfers may, on 10 business days' notice (or on 6 business days' notice in the case of a rights issue) being given by advertisement published on the Stock Exchange's website, or, subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association or by advertisement published in the newspapers, be suspended and the register of members of the Company closed at such times for such periods as the Directors may from time to time determine, provided that the registration of transfers shall not be suspended or the register closed for more than 30 days in any year (or such longer period as the members of the Company may by ordinary resolution determine provided that such period shall not be extended beyond 60 days in any year).

2.13 Power of the Company to purchase its own shares

The Company is empowered by the Companies Act and the Articles of Association to purchase its own shares subject to certain restrictions and the Directors may only exercise this power on behalf of the Company subject to the authority of its members in general meeting as to the manner in which they do so and to any applicable requirements imposed from time to time by the Stock Exchange and the Securities and Futures Commission of Hong Kong. Shares which have been repurchased will be treated as cancelled upon the repurchase.

2.14 Power of any subsidiary of the Company to own shares

There are no provisions in the Articles of Association relating to the ownership of shares by a subsidiary.

2.15 Dividends and other methods of distribution

Subject to the Companies Act and the Articles of Association, the Company in general meeting may declare dividends in any currency but no dividends shall exceed the amount recommended by the Directors. No dividend may be declared or paid other than out of profits and reserves of the Company lawfully available for distribution, including share premium.

Unless and to the extent that the rights attached to any shares or the terms of issue thereof otherwise provide, all dividends shall (as regards any shares not fully paid throughout the period in respect of which the dividend is paid) be apportioned and paid pro rata according to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. For these purposes no amount paid up on a share in advance of calls shall be treated as paid up on the share.

The Directors may from time to time pay to the members of the Company such interim dividends as appear to the Directors to be justified by the profits of the Company. The Directors may also pay half-yearly or at other intervals to be selected by them any dividend which may be payable at a fixed rate if they are of the opinion that the profits available for distribution justify the payment.

The Directors may retain any dividends or other monies payable on or in respect of a share upon which the Company has a lien, and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists. The Directors may also deduct from any dividend or other monies payable to any member of the Company all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

No dividend shall carry interest against the Company.

Whenever the Directors or the Company in general meeting have resolved that a dividend be paid or declared on the share capital of the Company, the Directors may further resolve: (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up on the basis that the shares so allotted are to be of the same class as the class already held by the allottee, provided that the members of the Company entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or (b) that the members of the Company entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Directors may think fit on the basis that the shares so allotted are to be of the same class as the class already held by the allottee. The Company may upon the recommendation of the Directors by ordinary resolution resolve in respect of any one particular dividend of the Company that notwithstanding the foregoing a dividend may be satisfied wholly in the form of an allotment of shares credited as fully paid without offering any right to members of the Company to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to a holder of shares may be paid by cheque or warrant sent through the post addressed to the registered address of the member of the Company entitled, or in the case of joint holders, to the registered address of the person whose name stands first in the register of members of the Company in respect of the joint holding or to such person and to such address as the holder or joint holders may in writing direct. Every cheque or warrant so sent shall be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register of members of the Company in respect of such shares, and shall be sent at his or their risk and the payment of any such cheque or warrant by the bank on which it is drawn shall operate as a good discharge to the Company in respect of the dividend and/or bonus represented thereby, notwithstanding that it may subsequently appear that the same has been stolen or that any endorsement thereon has been forged. The Company may cease sending such cheques for dividend entitlements or dividend warrants by post if such cheques or warrants have been left uncashed on two consecutive occasions. However, the Company may exercise its power to cease sending cheques for dividend entitlements or dividend warrants after the first occasion on which such a cheque or warrant is returned undelivered. Any one of two or more joint holders may give effectual receipts for any dividends or other monies payable or property distributable in respect of the shares held by such joint holders.

Any dividend unclaimed for six years from the date of declaration of such dividend may be forfeited by the Directors and shall revert to the Company.

The Directors may, with the sanction of the members of the Company in general meeting, direct that any dividend be satisfied wholly or in part by the distribution of specific assets of any kind, and in particular of paid up shares, debentures or warrants to subscribe securities of any other company, and where any difficulty arises in regard to such distribution the Directors may settle it as they think expedient, and in particular may disregard fractional entitlements, round the same up or down or provide that the same shall accrue to the benefit of the Company, and may fix the value for distribution of such specific assets and may determine that cash payments shall be made to any members of the Company upon the footing of the value so fixed in order to adjust the rights of all parties, and may vest any such specific assets in trustees as may seem expedient to the Directors.

2.16 Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company shall be entitled to appoint another person who must be an individual as his proxy to attend and vote instead of him and a proxy so appointed shall have the same right as the member to speak at the meeting. A proxy need not be a member of the Company.

Instruments of proxy shall be in common form or in such other form as the Directors may from time to time approve provided that it shall enable a member to instruct his proxy to vote in favour of or against (or in default of instructions or in the event of conflicting instructions, to exercise his discretion in respect of) each resolution to be proposed at the meeting to which the form of proxy relates. The instrument of proxy shall be deemed to confer authority to vote on any amendment of a resolution put to the meeting for which it is given as the proxy thinks fit. The instrument of proxy shall, unless the contrary is stated therein, be valid as well for any adjournment of the meeting as for the meeting to which it relates provided that the meeting was originally held within 12 months from such date.

The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney authorised in writing or if the appointor is a corporation either under its seal or under the hand of an officer, attorney or other person authorised to sign the same.

The instrument appointing a proxy and (if required by the Directors) the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, shall be delivered at the registered office of the Company (or at such other place as may be specified in the notice convening the meeting or in any notice of any adjournment or, in either case, in any document sent therewith) not less than 48 hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote or, in the case of a poll taken subsequently to the date of a meeting or adjourned meeting, not less than 48 hours before the time appointed for the taking of the poll and in default the instrument of proxy shall not be treated as valid. No instrument appointing a proxy shall be valid after the expiration of 12 months from the date named in it as the date of its execution. Delivery of any instrument appointing a proxy shall not preclude a member of the Company from attending and voting in person at the meeting or poll concerned and, in such event, the instrument appointing a proxy shall be deemed to be revoked.

2.17 Calls on shares and forfeiture of shares

The Directors may from time to time make calls upon the members of the Company in respect of any monies unpaid on their shares (whether on account of the nominal amount of the shares or by way of premium or otherwise) and not by the conditions of allotment thereof made payable at fixed times and each member of the Company shall (subject to the Company serving upon him at least 14 days' notice specifying the time and place of payment and to whom such payment shall be made) pay to the person at the time and place so specified the amount called on his shares. A call may be revoked or postponed as the Directors may determine. A person upon whom a call is made shall remain liable on such call notwithstanding the subsequent transfer of the shares in respect of which the call was made.

A call may be made payable either in one sum or by instalments and shall be deemed to have been made at the time when the resolution of the Directors authorising the call was passed. The joint holders of a share shall be jointly and severally liable to pay all calls and instalments due in respect of such share or other monies due in respect thereof.

If a sum called in respect of a share shall not be paid before or on the day appointed for payment thereof, the person from whom the sum is due shall pay interest on the sum from the day appointed for payment thereof to the time of actual payment at such rate, not exceeding 15% per annum, as the Directors may determine, but the Directors shall be at liberty to waive payment of such interest wholly or in part.

If any call or instalment of a call remains unpaid on any share after the day appointed for payment thereof, the Directors may at any time during such time as any part thereof remains unpaid serve a notice on the holder of such shares requiring payment of so much of the call or instalment as is unpaid together with any interest which may be accrued and which may still accrue up to the date of actual payment.

The notice shall name a further day (not being less than 14 days from the date of service of the notice) on or before which, and the place where, the payment required by the notice is to be made, and shall state that in the event of non-payment at or before the time and at the place appointed, the shares in respect of which such call was made or instalment is unpaid will be liable to be forfeited.

If the requirements of such notice are not complied with, any share in respect of which such notice has been given may at any time thereafter, before payment of all calls or instalments and interest due in respect thereof has been made, be forfeited by a resolution of the Directors to that effect. Such forfeiture shall include all dividends and bonuses declared in respect of the forfeited shares and not actually paid before the forfeiture. A forfeited share shall be deemed to be the property of the Company and may be re-allotted, sold or otherwise disposed of.

A person whose shares have been forfeited shall cease to be a member of the Company in respect of the forfeited shares but shall, notwithstanding the forfeiture, remain liable to pay to the Company all monies which at the date of forfeiture were payable by him to the Company in respect of the shares, together with (if the Directors shall in their discretion so require) interest thereon at such rate not exceeding 15% per annum as the Directors may prescribe from the date of forfeiture until payment, and the Directors may enforce payment thereof without being under any obligation to make any allowance for the value of the shares forfeited, at the date of forfeiture.

2.18 Inspection of register of members

The register of members of the Company shall be kept in such manner as to show at all times the members of the Company for the time being and the shares respectively held by them. The register may, on 10 business days' notice (or on 6 business days' notice in the case of a rights issue) being given by advertisement published on the Stock Exchange's website, or, subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association or by advertisement published in the newspapers, be closed at such times and for such periods as the Directors may from time to time determine either generally or in respect of any class of shares, provided that the register shall not be closed for more than 30 days in any year (or such longer period as the members of the Company may by ordinary resolution determine provided that such period shall not be extended beyond 60 days in any year).

Any register of members kept in Hong Kong shall during normal business hours (subject to such reasonable restrictions as the Directors may impose) be open to inspection by any member of the Company without charge and by any other person on payment of a fee of such amount not exceeding the maximum amount as may from time to time be permitted under the Listing Rules as the Directors may determine for each inspection.

2.19 Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment, choice or election of a chairman which shall not be treated as part of the business of the meeting.

Two members of the Company present in person or by proxy shall be a quorum provided always that if the Company has only one member of record the quorum shall be that one member present in person or by proxy.

A corporation being a member of the Company shall be deemed for the purpose of the Articles of Association to be present in person if represented by its duly authorised representative being the person appointed by resolution of the directors or other governing body of such corporation or by power of attorney to act as its representative at the relevant general meeting of the Company or at any relevant general meeting of any class of members of the Company.

The quorum for a separate general meeting of the holders of a separate class of shares of the Company is described in paragraph 2.4 above.

2.20 Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles of Association concerning the rights of minority shareholders in relation to fraud or oppression.

2.21 Procedure on liquidation

Subject to the Companies Act, the Company may by special resolution resolve that the Company be wound up voluntarily.

If the Company shall be wound up, and the assets available for distribution amongst the members of the Company as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members of the Company in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively. If in a winding up the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed amongst the members of the Company in proportion to the capital paid up at the commencement of the winding up on the shares held by them respectively. The foregoing is without prejudice to the rights of the holders of shares issued upon special terms and conditions.

If the Company shall be wound up, the liquidator may with the sanction of a special resolution of the Company and any other sanction required by the Companies Act, divide amongst the members of the Company in specie or kind the whole or any part of the assets of the Company (whether they shall consist of property of the same kind or not) and may, for such purpose, set such value as he deems fair upon any property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members of the Company. The liquidator may, with the like sanction, vest the whole or any part of such assets in trustees upon such trusts for the benefit of the members of the Company as the liquidator, with the like sanction and subject to the Companies Act, shall think fit, but so that no member of the Company shall be compelled to accept any assets, shares or other securities in respect of which there is a liability.

2.22 Untraceable members

The Company shall be entitled to sell any shares of a member of the Company or the shares to which a person is entitled by virtue of transmission on death or bankruptcy or operation of law if: (a) all cheques or warrants, not being less than three in number, for any sums payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (b) the Company has not during that time or before the expiry of the three month period referred to in (d) below received any indication of the whereabouts or existence of the member; (c) during the 12 year period, at least three dividends in respect of the shares in question have become payable and no dividend during that period has been claimed by the member; and (d) upon expiry of the 12-year period, the Company has caused an advertisement to be published in the newspapers or, subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association, given notice of its intention to sell such shares and a period of three months has elapsed since such advertisement and the Stock Exchange has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds it shall become indebted to the former member for an amount equal to such net proceeds.

SUMMARY OF CAYMAN ISLANDS COMPANY LAW AND TAXATION

1 Introduction

The Companies Act is derived, to a large extent, from the older Companies Acts of England, although there are significant differences between the Companies Act and the current Companies Act of England. Set out below is a summary of certain provisions of the Companies Act, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of corporate law and taxation which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

2 Incorporation

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on September 28, 2020 under the Companies Act. As such, its operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the size of its authorised share capital.

3 Share Capital

The Companies Act permits a company to issue ordinary shares, preference shares, redeemable shares or any combination thereof.

The Companies Act provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premia on those shares shall be transferred to an account called the "share premium account". At the option of a company, these provisions may not apply to premia on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Companies Act provides that the share premium account may be applied by a company, subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation:

(a) paying distributions or dividends to members;

(b) paying up unissued shares of the company to be issued to members as fully paid bonus shares;

(c) in the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Act);

(d) writing-off the preliminary expenses of the company;

(e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company; and

(f) providing for the premium payable on redemption or purchase of any shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid the company will be able to pay its debts as they fall due in the ordinary course of business.

The Companies Act provides that, subject to confirmation by the Grand Court of the Cayman Islands, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

Subject to the detailed provisions of the Companies Act, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. The manner of such a purchase must be authorised either by the articles of association or by an ordinary resolution of the company. The articles of association may provide that the manner of purchase may be determined by the directors of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any member of the company holding shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and to act in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

4 Dividends and Distributions

With the exception of section 34 of the Companies Act, there are no statutory provisions relating to the payment of dividends. Based upon English case law which is likely to be persuasive in the Cayman Islands in this area, dividends may be paid only out of profits. In addition, section 34 of the Companies Act permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see paragraph 3 above for details).

5 Shareholders' Suits

The Cayman Islands courts can be expected to follow English case law precedents. The rule in *Foss v. Harbottle* (and the exceptions thereto which permit a minority shareholder to commence a class action against or derivative actions in the name of the company to challenge (a) an act which is *ultra vires* the company or illegal, (b) an act which constitutes a fraud against the minority where the wrongdoers are themselves in control of the company, and (c) an action which requires a resolution with a qualified (or special) majority which has not been obtained) has been applied and followed by the courts in the Cayman Islands.

6 Protection of Minorities

In the case of a company (not being a bank) having a share capital divided into shares, the Grand Court of the Cayman Islands may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Grand Court shall direct.

Any shareholder of a company may petition the Grand Court of the Cayman Islands which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

Claims against a company by its shareholders must, as a general rule, be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

The English common law rule that the majority will not be permitted to commit a fraud on the minority has been applied and followed by the courts of the Cayman Islands.

7 Disposal of Assets

The Companies Act contains no specific restrictions on the powers of directors to dispose of assets of a company. As a matter of general law, in the exercise of those powers, the directors must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the company.

8 Accounting and Auditing Requirements

The Companies Act requires that a company shall cause to be kept proper books of account with respect to:

(a) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place;

(b) all sales and purchases of goods by the company; and

(c) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

9 Register of Members

An exempted company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as its directors may from time to time think fit. There is no requirement under the Companies Act for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection.

10 Inspection of Books and Records

Members of a company will have no general right under the Companies Act to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

11 Special Resolutions

The Companies Act provides that a resolution is a special resolution when it has been passed by a majority of at least two-thirds of such members as, being entitled to do so, vote in person or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given, except that a company may in its articles of association specify that the required majority shall be a number greater than two-thirds, and may additionally so provide that such majority (being not less than two-thirds) may differ as between matters required to be approved by a special resolution. Written resolutions signed by all the members entitled to vote for the time being of the company may take effect as special resolutions if this is authorised by the articles of association of the company.

12 Subsidiary Owning Shares in Parent

The Companies Act does not prohibit a Cayman Islands company acquiring and holding shares in its parent company provided its objects so permit. The directors of any subsidiary making such acquisition must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the subsidiary.

13 Mergers and Consolidations

The Companies Act permits mergers and consolidations between Cayman Islands companies and between Cayman Islands companies and non-Cayman Islands companies. For these purposes, (a) "merger" means the merging of two or more constituent companies and the vesting of their undertaking, property and liabilities in one of such companies as the surviving company, and (b) "consolidation" means the combination of two or more constituent companies into a consolidated company and the vesting of the undertaking, property and liabilities of such companies to the consolidated company. In order to effect such a merger or consolidation, the directors of each constituent company must approve a written plan of merger or consolidation, which must then be authorised by (a) a special resolution of each constituent company and (b) such other authorisation, if any, as may be specified in such constituent company's articles of association. The written plan of merger or consolidation must be filed with the Registrar of Companies of the Cayman Islands together with a declaration as to the solvency of the consolidated or surviving company, a list of the assets and liabilities of each constituent company and an undertaking that a copy of the certificate of merger or consolidation will be given to the members and creditors of each constituent company and that notification of the merger or consolidation will be published in the Cayman Islands Gazette. Dissenting shareholders have the right to be paid the fair value of their shares (which, if not agreed between the parties, will be determined by the Cayman Islands court) if they follow the required procedures, subject to certain exceptions. Court approval is not required for a merger or consolidation which is effected in compliance with these statutory procedures.

14 Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by (a) 75% in value of shareholders, or (b) a majority in number representing 75% in value of creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the Grand Court of the Cayman Islands. Whilst a dissenting shareholder would have the right to express to the Grand Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Grand Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management and if the transaction were approved and consummated the dissenting shareholder would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of his shares) ordinarily available, for example, to dissenting shareholders of United States corporations.

15 Take-overs

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may at any time within two months after the expiration of the said four months, by notice require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Grand Court of the Cayman Islands within one month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Grand Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

16 Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Cayman Islands courts to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

17 Restructuring

A company may present a petition to the Grand Court of the Cayman Islands for the appointment of a restructuring officer on the grounds that the company:

(a) is or is likely to become unable to pay its debts; and

(b) intends to present a compromise or arrangement to its creditors (or classes thereof) either pursuant to the Companies Act, the law of a foreign country or by way of a consensual restructuring.

The Grand Court may, among other things, make an order appointing a restructuring officer upon hearing of such petition, with such powers and to carry out such functions as the court may order. At any time (i) after the presentation of a petition for the appointment of a restructuring officer but before an order for the appointment of a restructuring officer has been made, and (ii) when an order for the appointment of a restructuring officer is made, until such order has been discharged, no suit, action or other proceedings (other than criminal proceedings) shall be proceeded with or commenced against the company, no resolution to wind up the company shall be passed, and no winding up petition may be presented against the company, except with the leave of the court. However, notwithstanding the presentation of a petition for the appointment of a restructuring officer or the appointment of a restructuring officer, a creditor who has security over the whole or part of the assets of the company is entitled to enforce the security without the leave of the court and without reference to the restructuring officer appointed.

18 Liquidation

A company may be placed in liquidation compulsorily by an order of the court, or voluntarily (a) by a special resolution of its members if the company is solvent, or (b) by an ordinary resolution of its members if the company is insolvent. The liquidator's duties are to collect the assets of the company (including the amount (if any) due from the contributories (shareholders)), settle the list of creditors and discharge the company's liability to them, rateably if insufficient assets exist to discharge the liabilities in full, and to settle the list of contributories and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

19 Stamp Duty on Transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

20 Taxation

Pursuant to section 6 of the Tax Concessions Act (As Revised) of the Cayman Islands, the Company may obtain an undertaking from the Financial Secretary of the Cayman Islands:

(a) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciations shall apply to the Company or its operations; and

(b) in addition, that no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable:

(i) on or in respect of the shares, debentures or other obligations of the Company; or

(ii) by way of the withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Act (As Revised).

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties that are applicable to any payments made by or to the Company.

21 Exchange Control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

22 General

Maples and Calder (Hong Kong) LLP, the Company's legal advisers on Cayman Islands law, have sent to the Company a letter of advice summarising aspects of Cayman Islands company law. This letter, together with a copy of the Companies Act, is on display on the websites as referred to in the section headed "2. DOCUMENTS AVAILABLE ON DISPLAY" in Appendix V. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he/she is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR COMPANY

1. Incorporation of our Company

Our Company was incorporated on September 28, 2020 in the Cayman Islands as an exempted company with limited liability. Our registered office is at P. O. Box 31119 Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1-1205 Cayman Islands. As at the date of this Prospectus, our Company's headquarters is located at No. 5, 6-610, Build 2, Minghai Center, 200 Xichang Road, Pilot Free Trade Zone (Dongjiang Bonded Port Zone), Tianjin, the PRC.

Our principal place of business in Hong Kong is at Room 1901, 19/F, Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong. Our Company has been registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on April 16, 2021. Mr. Chiu Ming King (趙明璟先生) has been appointed as the authorized representative of our Company for the acceptance of service of process and notices in Hong Kong. The address for service of process on our Company in Hong Kong is the same as its principal place of business in Hong Kong set out above.

As we are incorporated in the Cayman Islands, our corporate structure is subject to relevant laws of the Cayman Islands and to our constitution, which comprises of the Articles of Association. A summary of our Articles of Association and a summary of Cayman Islands Companies Law is set out in Appendix III to this Prospectus.

2. Change in share capital of our Company

As at the date of incorporation, our initial authorized share capital was US$50,000.00 divided into 50,000 ordinary Shares with par value of US$1.00 per Share. On September 28, 2020, immediately after the incorporation, one Share of US$1.00 was allotted and issued as fully paid at par value to an independent third party, and then transferred to Far East Horizon on the same day.

Pursuant to the written resolution of our Shareholders passed on March 11, 2021, the authorized share capital of our Company was increased from US$50,000.00 divided into 50,000 Shares of a par value of US$1.00 per Share to US$100,000.00 divided into 100,000 Shares of a par value of US$1.00 per Share by the creation of additional 50,000 Shares.

Pursuant to the written resolution of our Shareholders passed on November 12, 2021, each of our issued and unissued shares of US$1.00 each was subdivided into 50,000 Shares of US$0.00002 each.

Immediately following the completion of the Global Offering, without taking into account of any Shares which may be issued upon the exercise of the Over-allotment Option, the issued share capital of our Company will be US$63,944.88 divided into 3,197,244,000 Shares, all fully paid or credited as fully paid, and 1,802,756,000 Shares will remain unissued.

Save as disclosed above, there has been no alteration in the share capital of our Company since the date of our incorporation.

3. Change in share capital of our subsidiaries

The list of our subsidiaries is set out in the Accountants' Report, the text of which is set out in Appendix I to this Prospectus. Save for the subsidiaries mentioned in the Accountants' Report and the section headed "History, Reorganization and Corporate Structure" of this Prospectus, our Company has no other subsidiaries.

The following sets out the changes in the share capital of our subsidiaries within the two years immediately preceding the date of this Prospectus:

Tianjin Horizon Construction Development Investment

On June 20, 2019, Tianjin Horizon Construction Development Investment was established with a registered capital of US$400,000,000. The registered capital of Tianjin Horizon Construction Development Investment was increased from US$400,000,000 to US$500,000,000, from US$500,000,000 to US$600,000,000 and from US$600,000,000 to US$1,000,000,000 on July 1, 2020, October 5, 2020 and December 8, 2020, respectively.

Shanghai Horizon Construction Development

The registered capital of Shanghai Horizon Construction Development was increased from RMB1,600,000,000 to RMB1,973,543,000, from RMB1,973,543,000 to RMB2,400,000,000, from RMB2,400,000,000 to RMB3,000,000,000 and from RMB3,000,000,000 to RMB4,400,000,000 on March 6, 2020, April 26, 2020, December 14, 2020, and May 13, 2021.

Shanghai Horizon Equipment & Engineering

The registered capital of Shanghai Horizon Equipment & Engineering was increased from RMB1,067,889,293 to RMB1,341,274,400, from RMB1,341,274,400 to RMB2,841,274,400, from RMB2,841,274,400 to RMB3,712,984,400 and from RMB3,712,984,400 to RMB4,912,984,400 on January 8, 2020, August 26, 2020, January 20, 2021 and July 23, 2021.

Shanghai Hongjin Equipment & Engineering

The registered capital of Shanghai Hongjin Equipment & Engineering was increased from RMB380,000,000 to RMB600,000,000 on January 19, 2021.

Guangzhou Hongtu Equipment & Engineering

The registered capital of Guangzhou Hongtu Equipment & Engineering was increased from RMB700,000,000 to RMB833,220,000 and from RMB833,220,000 to RMB1,133,220,000 on March 13, 2020 and September 23, 2020, respectively.

Tianjin Horizon Construction Development Leasing

On April 16, 2020, Tianjin Horizon Construction Development Leasing was established with a registered capital of RMB5,000,000. On June 9, 2021, the registered capital of Tianjin Horizon Construction Development Leasing was increased to RMB705,000,000.

Shanghai Horizon Construction Technology Co., Ltd.* (上海宏信建築科技有限公司)

On April 20, 2020, Shanghai Horizon Construction Technology Co., Ltd.* (上海宏信建築科技有限公司) was established with a registered capital of RMB200,000,000.

Shanghai Horizon Engineering Technology Co., Ltd.* (上海宏信工程技術有限公司)

On September 11, 2020, Shanghai Horizon Engineering Technology Co., Ltd.*(上海宏信工程技術有限公司) was established with a registered capital of RMB200,000,000.

Tianjin Hongtu Supply Chain Management Co., Ltd.* (天津宏途供應鏈管理有限公司)

On November 19, 2020, Tianjin Hongtu Supply Chain Management Co., Ltd.* (天津宏途供應鏈管理有限公司) was established with a registered capital of RMB10,000,000.

Tianjin Horizon Construction Development Engineering Technology Co., Ltd.* (天津宏信建發工程技術有限公司)

On November 23, 2020, Tianjin Horizon Construction Development Engineering Technology Co., Ltd.* (天津宏信建發工程技術有限公司) was established with a registered capital of RMB10,000,000. The registered capital of Tianjin Horizon Construction Development Engineering Technology Co., Ltd.* (天津宏信建發工程技術有限公司) was increased from RMB10,000,000 to RMB20,000,000 on March 24, 2023.

Beijing Hongtu Equipment Leasing Co., Ltd.* (北京宏途設備租賃有限公司)

On December 2, 2020, Beijing Hongtu Equipment Leasing Co., Ltd.* (北京宏途設備租賃有限公司) was established with a registered capital of RMB1,000,000.

Horizon Construction Overseas (Hong Kong) Limited (宏信建發海外(香港)有限公司)

On April 29, 2021, Horizon Construction Overseas (Hong Kong) Limited (宏信建發海外(香港)有限公司) was established with the issued share capital of HK$10,000,000.

Horizon Construction Development (Singapore) Pte. Ltd.

On July 21, 2021, Horizon Construction Development (Singapore) Pte. Ltd. was established with the issued share capital of S$1,000,000.

Horizon Construction Overseas (Malaysia) Sdn. Bhd.

On November 8, 2021, Horizon Construction Overseas (Malaysia) Sdn. Bhd. was established with the issued share capital of M.$1. The registered capital of Horizon Construction Overseas (Malaysia) Sdn. Bhd. was increased from M.$1 to M.$466,378 on October 21, 2022 and was further increased to M.$1,000,000 on November 21, 2022.

PT Horizon Construction Indonesia

On January 5, 2023, PT Horizon Construction Indonesia was established with the issued share capital of Rp.10,931,200,000.

Horizon Construction Development Overseas (Vietnam) Company Limited

On March 16, 2023, Horizon Construction Development Overseas (Vietnam) Company Limited was established with the issued share capital of US$200,000.

Save as disclosed above and in the section headed "History, Reorganization and Corporate Structure" of this Prospectus, there has been no alteration in the share capital of our subsidiaries within the two years immediately preceding the date of this Prospectus.

4. Written resolutions of the Shareholders passed on April 11, 2023

On April 11, 2023, written resolutions of the Shareholders were passed pursuant to which, among others:

(a) the Articles of Association be conditionally approved and adopted which will come into effect on the Listing Date;

(b) Conditional upon (i) the Listing Committee granting listing of, and permission to deal in, the Shares in issue and to be issued as to be stated in this Prospectus and such listing and permission not subsequently having been revoked prior to the commencement of dealing in the Shares on the Stock Exchange; (ii) the Offer Price having been determined; (iii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and not being terminated in accordance with the terms of the Underwriting Agreements or otherwise, in each case on or before such dates as may be specified in the Underwriting Agreements; and (iv) the International Underwriting Agreement having been duly executed and delivered on or around the Price Determination Date:

(i) the Global Offering, subject to such adjustment and/or reallocation and the Over-allotment Option, on and subject to the terms and conditions of the Prospectus and the related Application Forms and the proposed allotment and issue of the Offer Shares under the Proposed Global Offering, be and are hereby approved and the Directors (or any committee thereof) be and are hereby authorised to approve any appropriate adjustments and to finalise the structure of the Proposed Global Offering and the allotment and issue of new Shares (such Shares to be allotted and issued pursuant to this Resolution shall rank pari passu in all respects with the existing issued Shares) pursuant thereto;

(ii) the Over-allotment Option and the proposed allotment and issue of the Shares pursuant to the exercise of the Over-allotment Option be approved;

(iii) a general unconditional mandate was given to the Directors to exercise all powers of our Company to allot, issue and deal with Shares or securities convertible into Shares, and to make or grant offers, agreements or options (including any warrants, bonds, notes and debentures conferring any rights to subscribe for or otherwise receive Shares) which might require such Shares to be allotted and issued or dealt with subject to the requirement that the number of the Shares so allotted and issued or agreed conditionally or unconditionally to be allotted and issued, otherwise than by way of the Global Offering, rights issue or pursuant to the exercise of any subscription or conversion rights attaching to any warrants or any securities which are convertible into the Shares, any scrip dividend schemes or similar arrangements providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles of Association or, a specific authority granted by our Shareholders in general meeting, shall not exceed 20% of the aggregate number of the Shares in issue immediately following the completion of the Global Offering, excluding any Shares which may fall to be issued pursuant to the exercise of the Over-allotment Option;

(iv) a general unconditional mandate (the "**Repurchase Mandate**") was given to our Directors to exercise all powers of our Company to repurchase on the Stock Exchange or on any other stock exchange on which the securities of our Company may be listed and which is recognized by the SFC and the Stock Exchange for this purpose, such number of Shares as will represent up to 10% of the aggregate nominal value of the Shares in issue immediately following the completion of the Global Offering, excluding any Shares which may fall to be issued pursuant to the exercise of the Over-allotment Option;

(v) subject to the availability of unissued share capital and conditional upon the resolutions in paragraphs (iii) and (iv) above being passed, the number of Shares which are repurchased by the Company pursuant to and in accordance with the general unconditional mandate as mentioned in paragraph (iv) above shall be added to the number of Shares that may be allotted or agreed conditionally or unconditionally to be allotted by the Directors pursuant to and in accordance with the general unconditional mandate as mentioned in paragraph (iii) above;

Each of the general mandates referred to in paragraphs (b)(iii) and (b)(iv) above will remain in effect until whichever is the earliest of:

(i) the conclusion of the next annual general meeting of our Company;

(ii) the expiration of the period within which the next annual general meeting of our Company is required to be held by any applicable law or the Articles of Association; or

(iii) the time when such mandate is revoked, varied or renewed by an ordinary resolution of the Shareholders in a general meeting.

5. Restriction on Share repurchases

This section sets out information required by the Stock Exchange to be included in this Prospectus concerning the repurchase by our Company of its own securities.

(a) Provisions of the Listing Rules

The Listing Rules permit companies with a primary listing on the Stock Exchange to repurchase their own securities on the Stock Exchange subject to certain restrictions, the more important of which are summarized below:

(i) Shareholders' approval

All proposed repurchase of securities (which must be fully paid up in the case of shares) by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of the Shareholders, either by way of general mandate or by specific approval of a particular transaction.

Pursuant to a resolution passed by our Shareholders on April 11, 2023, the Repurchase Mandate was given to our Directors authorizing them to exercise all powers of our Company to repurchase Shares on the Stock Exchange, or on any other stock exchange on which the securities of our Company may be listed and which is recognized by the SFC and the Stock Exchange for this purpose, with a total nominal value up to 10% of the aggregate number of our Shares in issue immediately following the completion of the Global Offering (excluding any Shares which may be issued under the Over-allotment Option), with such mandate to expire at the earliest of (i) the conclusion of the next annual general meeting of our Company (unless otherwise renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions), (ii) the expiration of the period within our Company's next annual general meeting is required by our Articles of Association or any other applicable laws to be held, and (iii) the date when it is varied or revoked by an ordinary resolution of our Shareholders in general meeting.

(ii) Source of funds

Repurchases must be funded out of funds legally available for the purpose in accordance with the Articles of Association and the Listing Rules and the applicable laws of Cayman Islands and other applicable laws and regulations. A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange in effect from time to time.

Subject to the foregoing, any repurchases by us the par value may be made out of profits of our Company or out of the proceeds of a new issue of shares made for the purpose of the repurchase or (subject to the Cayman Islands Companies Act and in particular, that our Company can, immediately following such repurchase, pay its debts as they fall due in the ordinary course of business) out of capital. Any amount of premium payable on the purchase over the par value of the shares to be repurchased may be out of profits of our Company, out of share premium, or (subject to the Cayman Islands Companies Act and in particular, that our Company can, immediately following such repurchase, pay its debts as they fall due in the ordinary course of business and the requirements under) out of capital.

(iii) Connected parties

The Listing Rules prohibit our Company from knowingly repurchasing the Shares on the Stock Exchange from a "core connected person", which includes a Director, chief executive or substantial Shareholder of our Company or any of the subsidiaries or a close associate of any of them and a core connected person shall not knowingly sell Shares to our Company.

(b) Reasons for repurchase

Our Directors believe that it is in the best interest of our Company and our Shareholders as a whole for our Directors to have general authority from our Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of our Company's net asset value per Share and/or earnings per Share and will only be made where our Directors believe that such repurchases will benefit our Company and our Shareholders.

(c) Funding of repurchases

In repurchasing Shares, our Company may only apply funds legally available for such purpose in accordance with the Articles of Association, the Listing Rules, the Cayman Islands Companies Act and the applicable laws of the Cayman Islands.

On the basis of our current financial condition as disclosed in this Prospectus and taking into account our current working capital position, our Directors consider that, if the Repurchase Mandate were to be exercised in full, it might have a material adverse effect on our working capital and/or our gearing position as compared with the position disclosed in this Prospectus. However, our Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on our working capital requirements or the gearing levels which in the opinion of our Directors are from time to time appropriate for us.

(d) General

The exercise in full of the Repurchase Mandate, on the basis of 3,197,244,000 Shares in issue after completion of the Global Offering, would accordingly result in up to 319,724,400 Shares being repurchased by our Company during the period in which the Repurchase Mandate remains in force.

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their close associates (as defined in the Listing Rules) currently intends to sell any Share(s) to our Company or our subsidiaries. Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules, the Articles of Association, the Cayman Islands Companies Act or any other applicable laws of Cayman Islands.

If, as a result of a repurchase of Shares pursuant to the Repurchase Mandate, a Shareholder's proportionate interest in the voting rights of our Company is increased, such increase will be treated as an acquisition for the purpose of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert, depending on the level of increase of the Shareholders' interest, could obtain or consolidate control of our Company and may become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code as a result of such increase. Save as disclosed above, our Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate.

Our Directors will not exercise the Repurchase Mandate if the repurchase would result in the number of Shares which are in the hands of the public falling below 25% of the total number of Shares in issue (or such other percentage as many be prescribed as the minimum public shareholding under the Listing Rules).

No core connected person of our Company has notified us that he/she/it has a present intention to sell Shares to our Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

B. CORPORATE REORGANIZATION

Please refer to the section headed "History, Reorganization and Corporate Structure" of this Prospectus.

C. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of material contracts

The following contracts (not being contracts in the ordinary course of business) were entered into by members of our Group within the two years preceding the date of this Prospectus and are or may be material, and a copy of each has been delivered to the Registrar of Companies in Hong Kong for registration:

(a) a non-competition deed of undertaking dated November 12, 2021 entered into between Far East Horizon Limited and our Company, details of which are set out in the section headed "Relationship with Controlling Shareholders—Undertaking from Far East Horizon";

(b) a cornerstone investment agreement dated May 10, 2023, entered into among our Company, HK Dongbin Joint Victory Development Co. Limited (香港東濱合勝發展有限公司) ("**HK Dongbin**"), Huatai Financial Holdings (Hong Kong) Limited, Citigroup Global Markets Asia Limited, CMB International Capital Limited and DBS Asia Capital Limited, pursuant to which, HK Dongbin shall subscribe for such number of Shares, which shall be equal to HK$386,000,000 (excluding brokerage fee, SFC transaction levy, AFRC transaction levy and Stock Exchange trading fee) divided by the Offer Price, rounded down to the nearest whole board lot of 1,000 Shares, at the Offer Price;

(c) a cornerstone investment agreement dated May 10, 2023, entered into among our Company, Zoomlion International Trading (H.K.) Co., Limited ("**Zoomlion**"), Huatai Financial Holdings (Hong Kong) Limited, Citigroup Global Markets Asia Limited, CMB International Capital Limited and DBS Asia Capital Limited, pursuant to which, Zoomlion shall subscribe for such number of Shares, which shall be equal to Hong Kong dollar equivalent of US$30,000,000 (including brokerage fee, SFC transaction levy, AFRC transaction levy and Stock Exchange trading fee) divided by the Offer Price, rounded down to the nearest whole board lot of 1,000 Shares, at the Offer Price;

(d) a cornerstone investment agreement dated May 10, 2023, entered into among our Company, Zhejiang Dingli Machinery Co., Ltd. ("**Zhejiang Dingli**"), Huatai Financial Holdings (Hong Kong) Limited, Citigroup Global Markets Asia Limited, CMB International Capital Limited and DBS Asia Capital Limited, pursuant to which, Zhejiang Dingli shall subscribe for such number of Shares, which shall be equal to Hong Kong dollar equivalent of US$25,000,000 (including brokerage fee, SFC transaction levy, AFRC transaction levy and Stock Exchange trading fee) divided by the Offer Price, rounded down to the nearest whole board lot of 1,000 Shares, at the Offer Price;

(e) a cornerstone investment agreement dated May 10, 2023, entered into among our Company, LGMG International Limited ("**LGMG**"), Huatai Financial Holdings (Hong Kong) Limited, Citigroup Global Markets Asia Limited, CMB International Capital Limited and DBS Asia Capital Limited, pursuant to which, LGMG shall subscribe for such number of Shares, which shall be equal to Hong Kong dollar equivalent of US$15,000,000 (excluding brokerage fee, SFC transaction levy, AFRC transaction levy and Stock Exchange trading fee) divided by the Offer Price, rounded down to the nearest whole board lot of 1,000 Shares, at the Offer Price;

(f) a cornerstone investment agreement dated May 10, 2023, entered into among our Company, Xinheng Holding Limited ("**Xinheng**"), Huatai Financial Holdings (Hong Kong) Limited, Citigroup Global Markets Asia Limited, CMB International Capital Limited and DBS Asia Capital Limited, pursuant to which, Xinheng shall subscribe for such number of Shares, which shall be equal to Hong Kong dollar equivalent of US$15,000,000 (excluding brokerage fee, SFC transaction levy, AFRC transaction levy and Stock Exchange trading fee) divided by the Offer Price, rounded down to the nearest whole board lot of 1,000 Shares, at the Offer Price;

(g) a cornerstone investment agreement dated May 10, 2023, entered into among our Company, Shanghai Putuo Science and Technology Investment Co., Ltd.* (上海普陀科技投資有限公司) ("**Putuo Investment**"), Huatai Financial Holdings (Hong Kong) Limited, Citigroup Global Markets Asia Limited, CMB International Capital Limited and DBS Asia Capital Limited, pursuant to which, Putuo Investment shall subscribe for such number of Shares, which shall be equal to Hong Kong dollar equivalent of RMB28,000,000 (including brokerage fee, SFC transaction levy, AFRC transaction levy and Stock Exchange trading fee) divided by the Offer Price, rounded down to the nearest whole board lot of 1,000 Shares, at the Offer Price;

(h) a cornerstone investment agreement dated May 10, 2023, entered into among our Company, Shanghai Gold Ring Enterprise Group Co., Ltd. ("**Gold Ring**"), Huatai Financial Holdings (Hong Kong) Limited, Citigroup Global Markets Asia Limited, CMB International Capital Limited and DBS Asia Capital Limited, pursuant to which, Gold Ring shall subscribe for such number of Shares, which shall be equal to Hong Kong dollar equivalent of RMB19,070,000 (including brokerage fee, SFC transaction levy, AFRC transaction levy and Stock Exchange trading fee) divided by the Offer Price, rounded down to the nearest whole board lot of 1,000 Shares, at the Offer Price; and

(i) the Hong Kong Underwriting Agreement, details of which are set out in the section headed "Underwriting".

2. Intellectual property rights

(a) Trademarks

As at the Latest Practicable Date, our Group has been licensed to use the following trademarks which we consider to be or may be material to our business:

No.	Trademark	Class	Register owner	Place of registration	Registration number	Valid period
1	A. C. B. D.	14, 16, 35, 36, 37, 39, 41, 42	IFEFL	Hong Kong	301892476	April 18, 2011 to April 17, 2031
2	A. B. C. D.	43, 44	IFEFL	Hong Kong	304636837	August 16, 2018 to August 15, 2028
3	A. 远东宏信 B. 远东宏信 C. 远东宏信 D. 遠東宏信	43, 44	IFEFL	Hong Kong	304636846	August 16, 2018 to August 15, 2028
4	A. 远东宏信 B. 远东宏信 C. 远东宏信 D. 遠東宏信	14, 16, 35, 36, 37, 39, 41, 42	IFEFL	Hong Kong	301892467	April 18, 2011 to April 17, 2031
5		37	IFEFL	PRC	9370778	May 21, 2012 to May 20, 2032
6		42	IFEFL	PRC	9376714	May 7, 2012 to May 6, 2032
7		35	IFEFL	PRC	9366184	May 7, 2012 to May 6, 2032
8		39	IFEFL	PRC	9370987	May 21, 2012 to May 20, 2032

No.	Trademark	Class	Register owner	Place of registration	Registration number	Valid period
9	遠東宏信 FAR EAST HORIZON	36	IFEFL	PRC	9366316	May 7, 2012 to May 6, 2032
10	宏信建发	06	IFEFL	PRC	36186736	October 21, 2019 to October 20, 2029
11	宏信建发	07	IFEFL	PRC	36186735	October 21, 2019 to October 20, 2029
12	宏信建发	12	IFEFL	PRC	36186734	October 21, 2019 to October 20, 2029
13	宏信建发	35	IFEFL	PRC	36186738	January 28, 2020 to January 27, 2030
14	宏信建发	37	IFEFL	PRC	36186739	October 21, 2019 to October 20, 2029
15	宏信建发	42	IFEFL	PRC	36186737	October 21, 2019 to October 20, 2029
16	宏信设备	06	IFEFL	PRC	17542767	March 28, 2018 to March 27, 2028
17	宏信设备	07	IFEFL	PRC	17542818	October 28, 2017 to October 27, 2027
18	宏信设备	39	IFEFL	PRC	17543078	September 28, 2017 to September 27, 2027
19	宏金设备	06	IFEFL	PRC	17543069	November 21, 2016 to November 20, 2026
20	宏金设备	37	IFEFL	PRC	17543135	November 21, 2017 to November 20, 2027

(b) Domain names

As at the Latest Practicable Date, we have registered the following domain names which we consider to be material to our business:

No.	Domain name	Register owner	Expiry date
1	hongxinjianfa.com	Shanghai Horizon Construction Development	December 21, 2028
2	horizon-greenmat.com	Shanghai Horizon Construction Development	September 30, 2027
3	horizon-equipment.com	Shanghai Horizon Construction Development	February 23, 2026
4	horizon-formworks.com	Shanghai Horizon Construction Development	April 26, 2029
5	horizon-road.com	Shanghai Horizon Construction Development	September 30, 2027
6	horizon-power.com	Shanghai Horizon Construction Development	September 30, 2027
7	horizon-awp.com	Shanghai Horizon Construction Development	September 30, 2027
8	hongxinshop.com	Shanghai Horizon Construction Development	March 16, 2028

(c) Software Copyrights

As at the Latest Practicable Date, we have registered the following software copyrights which we consider to be material to our business:

No.	Software name	Copyright owner	Registration number	Application date
1	Integrated Management System for Diversified Goods such as Equipment, Materials, Spare Parts and services in the Construction Field v1.0 (設備材料備件服務等建設領域多類型商品綜合管理系統v1.0)	Shanghai Horizon Construction Development	2020SR1922687	September 30, 2020
2	SAAS Back-office Management System v1.0 (SAAS後台管理系統v1.0)	Shanghai Horizon Construction Development	2020SR1905820	August 25, 2020
3	Horizon Xiaohongren App (Android) Software v1.0 (宏信小宏人App (Android)軟件v1.0)	Shanghai Horizon Construction Development	2020SR1860038	November 3, 2020
4	Horizon Xiaohongren App (iOS) Software v1.0 (宏信小宏人App(iOS)軟件v1.0)	Shanghai Horizon Construction Development	2020SR1860039	November 3, 2020
5	Big Data and Internet of Things Information Collection Platform v1.0 (大數據物聯網信息採集平台v1.0)	Shanghai Horizon Construction Development	2020SR1812112	February 6, 2020

No.	Software name	Copyright owner	Registration number	Application date
6	Real- time Service Personnel Task Processing Platform v1.0 (實時服務人員任務處理平台v1.0)	Shanghai Horizon Construction Development	2020SR1766130	September 30, 2020
7	Intelligent Crawler-based Engineering Information Processing System v1.0 (基於智能爬蟲的工程信息處理系統v1.0)	Shanghai Horizon Construction Development	2020SR1704358	March 18, 2020
8	Information Assets Management Platform v1.0 (信息資產管理平台v1.0)	Shanghai Horizon Construction Development	2020SR1704359	April 25, 2020
9	Intelligent Crawler-based Business Leads Processing System v1.0 (基於智能爬蟲的商業線索處理系統v1.0)	Shanghai Horizon Construction Development	2020SR1704357	August 1, 2019
10	Engineering Industry Customer Big Data Credit & Management Platform v.10 (工程行業客戶大數據授信和管理平台v.10)	Shanghai Horizon Construction Development	2020SR1704306	October 12, 2019
11	Work Process System v1.0 (工作過程系統v1.0)	Shanghai Horizon Construction Development	2020SR1704142	October 31, 2019
12	Equipment Leasing Industry Digital Outlet Mini Program System v1.0 (設備租賃行業數字門店小程序系統v1.0)	Shanghai Horizon Construction Development	2020SR1704150	January 18, 2020
13	Online Equipment Leasing Transaction Process Management System v1.0 (在線設備租賃交易過程管理系統v1.0)	Shanghai Horizon Construction Development	2020SR1704080	September 1, 2020
14	Leasing Industry Online Payment System v1.0 (租賃行業在線支付系統v1.0)	Shanghai Horizon Construction Development	2020SR1704078	September 15, 2020
15	Unattended Financial Robot v1.0 (無人值守財務機器人v1.0)	Shanghai Horizon Construction Development	2020SR1704082	February 28, 2020
16	Self-service Invoicing Application Management Platform v1.0 (自助開票申請管理平台v1.0)	Shanghai Horizon Construction Development	2020SR1704079	July 7, 2020
17	Operation & Maintenance Monitoring Platform v1.0 (運維安全監控平台v1.0)	Shanghai Horizon Construction Development	2020SR1704081	August 25, 2020

No.	Software name	Copyright owner	Registration number	Application date
18	Multi-channel fund collection and write-off management platform (多渠道資金收款及核銷管理平台)	Shanghai Horizon Construction Development	2020SR1704070	May 29, 2020
19	Equipment and Materials Comprehensive Scheduling Management System (設備材料綜合調度管理系統)	Shanghai Horizon Construction Development	2021SR0084953	September 30, 2020
20	High-performance leasing business turnover calculation and statistics system (高性能租賃業務營業額計算和統計系統)	Shanghai Horizon Construction Development	2020SR1704298	August 8, 2020
21	Shaft Force Compensation System Monitoring Software V1.0 (軸力補償系統監控軟件V1.0)	Shanghai Horizon Equipment & Engineering	2016SR035155	October 30, 2015
22	Shaft Force Compensation System Back-office Management System V1.0 (軸力補償系統後台管理系統V1.0)	Shanghai Horizon Equipment & Engineering	2016SR129405	October 30, 2015
23	Horizon Spare Part Management System Software V1.0 (宏信備件管理系統軟件V1.0)	Shanghai Horizon Equipment & Engineering	2016SR356513	January 1, 2015
24	Horizon Leasing Management System Software V1.0 (宏信租賃管理系統軟件V1.0)	Shanghai Horizon Equipment & Engineering	2016SR356518	January 1, 2015
25	Horizon Mall System V1.0 (宏信商城系統V1.0)	Shanghai Horizon Equipment & Engineering	2018SR438632	May 30, 2018
26	Horizon Equipment Intelligent Management System Software V1.0 (宏信設備智能管理系統軟件V1.0)	Shanghai Horizon Equipment & Engineering	2019SR0329265	October 30, 2018
27	Engineering Assistant V1.0 (工程小助手V1.0)	Shanghai Horizon Construction Technology Co., Ltd.*(上海宏信建築科技有限公司)	2020SR1704356	August 21, 2020
28	Horizon Insurance Management System Based on Equipment (宏信基於設備投保管理系統)	Shanghai Horizon Equipment & Engineering	2021SR1304204	September 1, 2021

No.	Software name	Copyright owner	Registration number	Application date
29	Horizon Unmanned Code Scanning Robot Software (宏信無人值守代碼掃描機器人軟件)	Shanghai Horizon Construction Development	2021SR1319995	September 3, 2021
30	Horizon Customer Collections Management Software (宏信客戶催收管理平台軟件)	Shanghai Horizon Construction Development	2021SR1695705	November 11, 2021
31	Horizon Equipment Leasing Industry Financial Budget Management Software (宏信設備租賃行業財務預算經營管理平台軟件)	Shanghai Horizon Construction Development	2021SR1695706	November 11, 2021

(d) Patents

As at the Latest Practicable Date, we have registered the following patents which we consider to be material to our business:

No.	Patent name	Type	Patent owner	Place of registration	Registration number	Application date	Validity period (from the application date)
1	The screw thread self-locking profile shaft force compensating system of power supply and hydraulic redundancy (電源及液壓冗餘的螺紋自鎖型軸力補償系統)	Invention	Shanghai Horizon Equipment & Engineering	PRC	ZL201410316618.9	July 6, 2014	20 years
2	Combined-type self-locking-ratchet hydraulic redundancy steel supporting shaft force compensation system (組合式棘爪自鎖的液壓冗餘鋼支撐軸力補償系統)	Invention	Shanghai Horizon Equipment & Engineering	PRC	ZL201410316616.X	July 6, 2014	20 years

No.	Patent name	Type	Patent owner	Place of registration	Registration number	Application date	Validity period (from the application date)
3	The ratchet self-locking profile shaft force compensating system of power supply and hydraulic redundancy (電源及液壓冗餘的棘爪自鎖型軸力補償系統)	Invention	Shanghai Horizon Equipment & Engineering	PRC	ZL201410316617.4	July 6, 2014	20 years
4	Composite-type self-locking-ratchet hydraulic redundancy steel supporting shaft force compensation system (複合式棘爪自鎖的液壓冗餘鋼支撐軸力補償系統)	Invention	Shanghai Horizon Equipment & Engineering	PRC	ZL201410316628.2	July 6, 2014	20 years
5	Combined-type screw thread self-locking hydraulic redundancy steel supporting shaft force compensation system (組合式螺紋自鎖的液壓冗餘鋼支撐軸力補償系統)	Invention	Shanghai Horizon Equipment & Engineering	PRC	ZL201410316619.3	July 6, 2014	20 years
6	Combined-type oblique cone self-locking hydraulic redundancy steel supporting shaft force compensation system (組合式斜錐自鎖的液壓冗餘鋼支撐軸力補償系統)	Invention	Shanghai Horizon Equipment & Engineering	PRC	ZL201410316620.6	July 6, 2014	20 years
7	A novel generator fuel oil automatic filling device (一種新型發電機燃油自動補油裝置)	Utility model	Shanghai Horizon Equipment & Engineering	PRC	ZL201420760786.2	December 4, 2014	10 years

No.	Patent name	Type	Patent owner	Place of registration	Registration number	Application date	Validity period (from the application date)
8	A novel generating unit low-temperature start-up auxiliary device (一種新型發電機組低溫啟動輔助裝置)	Utility model	Shanghai Horizon Equipment & Engineering	PRC	ZL201420762073.X	December 4, 2014	10 years
9	An aerial work platform bumper (一種高空作業平台防碰撞裝置)	Utility model	Shanghai Horizon Equipment & Engineering	PRC	ZL201520213584.0	April 9, 2015	10 years
10	A tool pipe for steel pipe supporting (一種鋼管支撐用工具管)	Utility model	Shanghai Horizon Equipment & Engineering	PRC	ZL201520953673.9	November 25, 2015	10 years
11	A steel pipe intersection joint suitable for foundation pit support structure (一種適用於基坑圍護結構的鋼管交叉節點)	Utility model	Shanghai Horizon Equipment & Engineering	PRC	ZL201620213401.X	March 18, 2016	10 years
12	A device for applying force to multiple points of steel supporting shaft synchronously (一種鋼支撐軸力多點同步施加裝置)	Invention	Shanghai Horizon Equipment & Engineering	PRC	ZL201610284786.3	April 29, 2016	20 years
13	A method and system for monitoring horizontal deformation of foundation pit in real time (一種實時監測基坑水平變形的方法及系統)	Invention	Shanghai Horizon Equipment & Engineering	PRC	ZL201610416076.1	June 14, 2016	20 years

No.	Patent name	Type	Patent owner	Place of registration	Registration number	Application date	Validity period (from the application date)
14	A protective device of data interface (一種數據接口的防護裝置)	Utility model	Shanghai Horizon Equipment & Engineering	PRC	ZL201820510277.2	April 11, 2018	10 years
15	A Larssen piling steel plate Sweeper (一種拉森樁鋼板清掃器)	Utility model	Shanghai Horizon Equipment & Engineering	PRC	ZL201822202758.X	December 26, 2018	10 years
16	A seamless switching circuit between a diesel generating unit and the mains electricity (一種柴油發電機組與市電無縫切換的電路)	Utility model	Shanghai Horizon Equipment & Engineering	PRC	ZL201922199690.9	December 10, 2019	10 years
17	A support frame telescopic rod connecting hook (一種支撐架伸縮桿件連接勾)	Invention	Shanghai Hongjin Equipment & Engineering	PRC	ZL201410579753.2	October 27, 2014	20 years
18	A pole connection plate for scaffolds (一種用於腳手架的立桿連接盤)	Utility model	Shanghai Hongjin Equipment & Engineering	PRC	ZL201420859299.1	December 25, 2014	10 years
19	A casing for scaffolds (一種用於腳手架的套管)	Utility model	Shanghai Hongjin Equipment & Engineering	PRC	ZL201520962254.1	November 26, 2015	10 years
20	A pressure testing mechanism (一種壓力測試機構)	Invention	Shanghai Hongjin Equipment & Engineering	PRC	ZL201610032053.0	January 18, 2016	20 years
21	A lower support cantilever beam for ringlock scaffolds (一種用於盤扣腳手架的下撐式懸挑樑)	Utility model	Shanghai Hongjin Equipment & Engineering	PRC	ZL201620188888.0	March 11, 2016	10 years

No.	Patent name	Type	Patent owner	Place of registration	Registration number	Application date	Validity period (from the application date)
22	A pull-up type I-beam cantilever beam structure for ringlock scaffolds (一種用於盤扣腳手架的上拉式工字鋼懸挑樑結構)	Utility model	Shanghai Hongjin Equipment & Engineering	PRC	ZL201620251855.6	March 29, 2016	10 years
23	A pressing device (一種沖壓裝置)	Utility model	Shanghai Hongjin Equipment & Engineering	PRC	ZL201620306292.6	April 13, 2016	10 years
24	A fixing device for the external safety net of ringlock scaffolds (一種用於盤扣式腳手架外掛安全網的固定裝置)	Utility model	Shanghai Hongjin Equipment & Engineering	PRC	ZL201620413038.6	May 9, 2016	10 years
25	A main keel for ringlock scaffolds (一種用於盤扣腳手架的主龍骨)	Utility model	Shanghai Hongjin Equipment & Engineering	PRC	ZL201620466215.7	May 20, 2016	10 years
26	A pole connection assembly for ringlock scaffolds (一種用於盤扣式腳手架的立桿連接組件)	Utility model	Shanghai Hongjin Equipment & Engineering	PRC	ZL201620730279.3	July 12, 2016	10 years
27	A secondary keel for ringlock scaffolds (一種用於盤扣腳手架的次龍骨)	Utility model	Shanghai Hongjin Equipment & Engineering	PRC	ZL201620840562.1	August 4, 2016	10 years
28	A component for fastening scaffolds on walls (一種對拉連牆件)	Utility model	Shanghai Hongjin Equipment & Engineering	PRC	ZL201621108465.X	October 9, 2016	10 years

No.	Patent name	Type	Patent owner	Place of registration	Registration number	Application date	Validity period (from the application date)
29	A lower support corner I-beam cantilever beam structure for ringlock scaffolds (一種用於盤扣腳手架的下撐式工字鋼的轉角懸挑樑結構)	Utility model	Shanghai Hongjin Equipment & Engineering	PRC	ZL201621337071.1	December 7, 2016	10 years
30	A protective device for scaffolds (一種用於腳手架的防護裝置)	Utility model	Shanghai Hongjin Equipment & Engineering	PRC	ZL201720295768.5	March 24, 2017	10 years
31	A pressing mold (一種沖壓模具)	Utility model	Shanghai Hongjin Equipment & Engineering	PRC	ZL201820992425.9	June 26, 2018	10 years
32	An universal beam lifting machine (H型鋼起拔機)	Invention	Guangzhou Hongtu Equipment & Engineering	PRC	ZL201310252073.5	June 24, 2013	20 years
33	Composite-type screw thread self-locking hydraulic redundancy steel supporting shaft force compensation system (複合式螺紋自鎖的液壓冗餘鋼支撐軸力補償系統)	Invention	Guangzhou Hongtu Equipment & Engineering	PRC	ZL201410316622.5	July 6, 2014	20 years
34	A connection structure for a tie rod and a bearing steel pipe (一種繫桿與鋼管支撐的連接結構)	Utility model	Guangzhou Hongtu Equipment & Engineering	PRC	ZL201720087645.2	January 19, 2017	10 years
35	A bearing steel pipe tie rod (一種鋼管支撐繫桿)	Utility model	Guangzhou Hongtu Equipment & Engineering	PRC	ZL201720082362.9	January 19, 2017	10 years

No.	Patent name	Type	Patent owner	Place of registration	Registration number	Application date	Validity period (from the application date)
36	A connection structure for a bearing steel pipe and a column (一種鋼管支撐與立柱的連接結構)	Utility model	Guangzhou Hongtu Equipment & Engineering	PRC	ZL201720087509.3	January 19, 2017	10 years
37	A variable frequency controlled bearing steel prestress hierarchical application system (一種變頻控制的鋼支撐預應力分級施加系統)	Utility model	Guangzhou Hongtu Equipment & Engineering	PRC	ZL201721117298.X	September 1, 2017	10 years
38	A variable frequency controlled servo bearing steel prestress hierarchical application system (一種變頻控制的伺服鋼支撐預應力分級施加系統)	Utility model	Guangzhou Hongtu Equipment & Engineering	PRC	ZL201721126119.9	September 1, 2017	10 years
39	A tool-like large-span bearing steel pipe structure (一種工具式大跨度鋼管支撐結構)	Utility model	Guangzhou Hongtu Equipment & Engineering	PRC	ZL201721131907.7	September 5, 2017	10 years
40	A dismounting-free bearing steel pipe structure (一種免拆撐的鋼管支撐結構)	Utility model	Guangzhou Hongtu Equipment & Engineering	PRC	ZL201721116951.0	September 1, 2017	10 years
41	A structure that changes supports through a separation wall (一種穿分隔牆換撐結構)	Utility model	Guangzhou Hongtu Equipment & Engineering	PRC	ZL201721089380.6	August 29, 2017	10 years
42	A connector for bearing steel pipe and steel connection (一種鋼管支撐與型鋼連接用的接頭)	Utility model	Guangzhou Hongtu Equipment & Engineering	PRC	ZL201821498378.9	September 13, 2018	10 years

No.	Patent name	Type	Patent owner	Place of registration	Registration number	Application date	Validity period (from the application date)
43	A bearing steel novel adjustable head (一種鋼支撐新型活絡頭)	Utility model	Guangzhou Hongtu Equipment & Engineering	PRC	ZL201821849565.7	November 9, 2018	10 years
44	A device for bridge deck and distribution beam connection (一種用於連接橋面板和分配樑的裝置)	Utility model	Guangzhou Hongtu Equipment & Engineering	PRC	ZL201921563077.4	September 19, 2019	10 years
45	A connection device (一種連接裝置)	Utility model	Guangzhou Hongtu Equipment & Engineering	PRC	ZL201921446905.6	August 29, 2019	10 years
46	A device for rapid bridge deck and distribution beam connection (一種快速連接橋面板和分配樑的裝置)	Utility model	Guangzhou Hongtu Equipment & Engineering	PRC	ZL201921433162.9	August 30, 2019	10 years
47	A prefabricated railing (一種裝配式欄桿)	Utility model	Guangzhou Hongtu Equipment & Engineering	PRC	ZL201921846948.3	October 30, 2019	10 years
48	A novel bearing and resistant adjustable head (一種新型支撐可抗拉的活絡頭)	Utility model	Guangzhou Hongtu Equipment & Engineering	PRC	ZL201921563038.4	September 19, 2019	10 years
49	A large-span temporary support system for foundation pit soil (一種大跨度的基坑土層臨時支撐系統)	Utility model	Guangzhou Hongtu Equipment & Engineering	PRC	ZL202020364249.1	March 20, 2020	10 years
50	A corner pile structure of locking steel pipe pile (一種鎖扣式鋼管樁的角樁結構)	Utility model	Guangzhou Hongtu Equipment & Engineering	PRC	ZL202020434272.3	March 30, 2020	10 years

No.	Patent name	Type	Patent owner	Place of registration	Registration number	Application date	Validity period (from the application date)
51	Quick lifting device of crane (起重機快速提升裝置)	Invention	Tianjin Horizon Equipment Leasing	PRC	ZL201310316468.7	July 26, 2013	20 years
52	An universal beam straightening device (一種H型鋼矯正裝置)	Utility model	Tianjin Horizon Equipment Leasing	PRC	ZL201621018831.2	August 31, 2016	10 years
53	A mobile paver supporting device (一種移動式攤鋪機支撐裝置)	Utility model	Tianjin Horizon Equipment Leasing	PRC	ZL201621018830.8	August 31, 2016	10 years
54	A warning structure of milling machine (一種銑刨機警示結構)	Utility model	Tianjin Horizon Equipment Leasing	PRC	ZL201621018832.7	August 31, 2016	10 years
55	A mobile refueling device for road building and maintenance machinery (一種築養路機械移動加油裝置)	Utility model	Tianjin Horizon Equipment Leasing	PRC	ZL201621018833.1	August 31, 2016	10 years
56	An oil-water separation device for diesel (一種柴油油水分離裝置)	Utility model	Tianjin Horizon Equipment Leasing	PRC	ZL201720301329.0	March 27, 2017	10 years
57	A combined safety device of road roller (一種壓路機組合安全裝置)	Utility model	Tianjin Horizon Equipment Leasing	PRC	ZL201921113428.1	July 16, 2019	10 years
58	A high temperature and high pressure automatic heating and cleaning system for industrial equipment (一種工業設備的高溫高壓自動加熱清洗系統)	Utility model	Tianjin Horizon Equipment Leasing	PRC	ZL201822042892.8	December 6, 2018	10 years

As at the Latest Practicable Date, we have applied for the following patents which we consider to be material to our business:

No.	Patent name	Type	Applicant	Place of application	Application Number	Application date
1	A device and its use methods for automatically measuring and adjusting axial force (一種自動測量軸力、調整軸力的裝置及其方法)	Invention	Shanghai Horizon Equipment & Engineering	PRC	CN201910305419.0	April 16, 2019
2	A seamless switching circuit between a diesel generating unit and the mains electricity (一種柴油發電機組與市電無縫切換的電路)	Invention	Shanghai Horizon Equipment & Engineering	PRC	CN201911260283.2	December 10, 2019
3	A vibrating and rotating crusher (一種震動旋轉破碎設備)	Invention	Shanghai Hongjin Equipment & Engineering	PRC	202010631833.3	July 3, 2020
4	A device for rapid bridge deck and distribution beam connection (一種快速連接橋面板和分配樑的裝置)	Invention	Guangzhou Hongtu Equipment & Engineering	PRC	201910817365.6	August 30, 2019
5	A novel bearing and resistant adjustable head (一種新型支撐可抗拉的活絡頭)	Invention	Guangzhou Hongtu Equipment & Engineering	PRC	201910889195.2	September 19, 2019
6	A connection device and method (一種連接裝置及方法)	Invention	Guangzhou Hongtu Equipment & Engineering	PRC	201910820973.2	August 29, 2019
7	A device for bridge deck and distribution beam connection (一種用於連接橋面板和分配樑的裝置)	Invention	Guangzhou Hongtu Equipment & Engineering	PRC	201910888369.3	September 19, 2019
8	A large-span temporary support system for foundation pit soil (一種大跨度的基坑土層臨時支撐系統)	Invention	Guangzhou Hongtu Equipment & Engineering	PRC	202010203567.4	March 20, 2020
9	A precisely controlled bearing steel prestress hierarchical application system (一種精確控制的鋼支撐預應力分級施加系統)	Invention	Guangzhou Hongtu Equipment & Engineering	PRC	2017107808554	September 1, 2017

No.	Patent name	Type	Applicant	Place of application	Application Number	Application date
10	A dismounting-free bearing steel pipe structure (一種免拆撐的鋼管支撐結構)	Invention	Guangzhou Hongtu Equipment & Engineering	PRC	2017107813196	September 1, 2017
11	A bearing steel novel adjustable head (一種鋼支撐新型活絡頭)	Invention	Guangzhou Hongtu Equipment & Engineering	PRC	2018113297796	November 9, 2018
12	A connector for bearing steel pipe and steel connection (一種鋼管支撐與型鋼連接用的接頭)	Invention	Guangzhou Hongtu Equipment & Engineering	PRC	2018110700624	September 13, 2018
13	A tool-like large-span bearing steel pipe structure (一種工具式大跨度鋼管支撐結構)	Invention	Guangzhou Hongtu Equipment & Engineering	PRC	2017107923957	September 5, 2017
14	A high temperature and high pressure automatic heating and cleaning system for industrial equipment (工業設備的高溫高壓自動加熱清洗系統)	Invention	Tianjin Horizon Equipment Leasing	PRC	201811488717X	December 6, 2018
15	An oil-water separation device for diesel (一種柴油油水分離裝置)	Invention	Tianjin Horizon Equipment Leasing	PRC	2017101866289	March 27, 2017
16	A scaffolding inspection and sorting system and method (一種腳手架檢測分揀系統及方法)	Invention	Shanghai Hongjin Equipment & Engineering	PRC	CN202110699681.5	June 23, 2021
17	A multifunctional tire and platform controller inspection equipment (一種多功能輪胎及平台控制器檢測設備)	Invention	Shanghai Horizon Equipment & Engineering	PRC	CN202111122958.4	September 24, 2021
18	An adjustable beam formwork fixture (一種可調式樑模板夾具)	Utility model	Shanghai Horizon Equipment & Engineering	PRC	CN202223176019.0	November 29, 2022
19	A square steel pipe main keel and ringlock steel pipe support frame and their construction methods (一種方鋼管主龍骨及盤扣式鋼管支撐架及搭建方法)	Invention	Shanghai Hongjin Equipment & Engineering	PRC	CN202211578643.5	December 7, 2022

No.	Patent name	Type	Applicant	Place of application	Application Number	Application date
20	A G-shaped double joist for building support formwork system (一種建築支模體系用G形雙托樑)	Utility model	Shanghai Hongjin Equipment & Engineering	PRC	CN202221998474.6	July 29, 2022
21	A ringlock support frame system using a long bracket (一種採用長托座的盤扣支撐架系統)	Utility model	Shanghai Hongjin Equipment & Engineering	PRC	CN202221681187.2	July 1, 2022
22	A corner piece for container-type prefabricated houses (一種箱式板房轉角件)	Utility model	Guangzhou Hongtu Equipment & Engineering	PRC	2023201148176	January 13, 2023
23	A foundation pit truss type steel support system (一種基坑桁架式型鋼支撐系統)	Invention	Guangzhou Hongtu Equipment & Engineering	PRC	202310062720X	January 13, 2023
24	A kind of one-piece soft rock composite drilling tool (一種一體式軟岩複合鑽具)	Utility Model	Shanghai Horizon Equipment & Engineering	PRC	CN202320854020.X	April 17, 2023
25	A kind of one-piece hard rock composite drilling tool (一種一體式硬岩複合鑽具)	Utility Model	Shanghai Horizon Equipment & Engineering	PRC	CN202320854019.7	April 17, 2023
26	A one-way throttle valve and lifting cylinder structure (一種單向節流閥及舉升油缸結構)	Invention	Shanghai Horizon Equipment & Engineering	PRC	CN202310263314.X	March 17, 2023
27	A coil buckle type scaffolding riser with observation hole sleeve (一種有觀察孔套筒的盤扣式腳手架立桿)	Utility Model	Shanghai Horizon Equipment & Engineering	PRC	CN202320547399.X	March 20, 2023

Save as disclosed above, as at the Latest Practicable Date, there were no other intellectual property rights which were material in relation to our Group's business.

D. FURTHER INFORMATION ABOUT DIRECTORS, CHIEF EXECUTIVE AND SUBSTANTIAL SHAREHOLDERS

1. Particulars of Directors' service contracts and letters of appointment

Each of our executive Directors and non-executive Director has entered into a service contract with our Company for a term of three years commencing from the date thereof, which may be terminated by not less than three months' notice in writing served by either party on the other. The appointments of our executive Directors and non-executive Directors are subject to the provisions of appointment of Directors under the Articles of Association.

Each of our independent non-executive Directors has entered into a letter of appointment with our Company for a term of three years commencing from the Listing Date, which may be terminated by not less than three months' notice in writing served by either party on the other. The appointments of the independent non-executive Directors are subject to the provisions of appointment of Directors under the Articles of Association.

Save as disclosed above, none of our Directors has or is proposed to have a service contract with our Company or any members of our Group (other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation)).

2. Remuneration of Directors

The aggregate remuneration (including salaries, allowance, benefits in kind, performance related bonuses and pension scheme contributions) paid to our Directors for the three years ended December 31, 2022 were approximately RMB4.57 million, RMB4.68 million and RMB4.55 million, respectively.

Save as the disclosed in this Prospectus, no other amounts have been paid or are payable by any member of our Group to our Directors for the three years ended December 31, 2022.

According to existing effective arrangements, our Company estimates that the total fixed remuneration (before tax, excluding any possible payment of discretionary bonus) payable to our Directors (including our independent non-executive Directors in their respective capacity as Directors) for the year ending December 31, 2023 is expected to be approximately RMB3.77 million.

During the Track Record Period, no fees were paid to any of the Directors as an inducement or rewards to join our Company or as compensation for loss of office. During the Track Record Period, no remuneration was paid by us or receivable by Directors or past Directors as compensation for leaving positions relating to management affairs in any subsidiary of our Company.

3. Agency fees or commissions received

Save in connection with the Underwriting Agreement, none of our Directors nor any of the parties listed in the paragraph headed "—qualification of experts" in this Appendix had received any commissions, discounts, agency fees, brokerages or other special terms in connection with the issue or sale of any capital of our Company or any member of our Group within the two years preceding the date of this Prospectus.

4. Disclosure of interests of Directors and the chief executives

Immediately following the completion of the Spin-off (without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option), save as disclosed in the following table, no Director or chief executive will have any interest and/or short position in the Shares, underlying Shares and debentures of our Company or our associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest or short position which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of Part XV of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules, to be notified to our Company and the Stock Exchange, once the Shares are listed:

Interest in our Company

Name of the Director or chief executive	Nature of interest	Number of Shares interested	Approximate percentage of interest
Mr. He Ziming	Interest in controlled corporation[(1)]	176,600,000	5.52%
	Interest of spouse[(2)]	30,350,000	0.95%
	Total	206,950,000	6.47%

Notes:

(1) Farsighted Wit Limited is wholly owned by Tianjin Hongjian. The limited partner of Tianjin Hongjian holding over one third of partnership interest in Tianjin Hongjian is Tianjin Lanjin, which is controlled by Tianjin Hongsheng as general partner and owned as to over one third of partnership interest by Mr. He Ziming as limited partner. Accordingly, Mr. He Ziming is deemed to be interested in the 176,600,000 Shares held by Farsighted Wit Limited for the purpose of Part XV of the SFO.

(2) Ms. Liu Lifang, the spouse of Mr. He Ziming, holds the Shares through Lanjin Limited, a company wholly owned by Ms. Liu Lifang.

Interest in associated corporation of our Company

Name of the Director or chief executive	**Name of associated corporation**	**Nature of interest**	**Number of Shares interested**	**Approximate percentage of interest**
Mr. Kong Fanxing	Far East Horizon	Beneficial owner	74,304,976	1.72%
		Interest of controlled corporation	868,947,897	20.13%
		Total	943,252,873	21.85%
Mr. Xu Huibin	Far East Horizon	Beneficial owner	4,129,422	0.10%
Mr. Pan Yang	Far East Horizon	Beneficial owner	3,892,331	0.09%
Ms. Guo Lina	Far East Horizon	Beneficial owner	1,083,851	0.03%
Mr. Tang Li	Far East Horizon	Beneficial owner	236,064	0.01%
Mr. Liu Jialin	Far East Horizon	Beneficial owner	125,000	0.00%
		Interest of spouse	125,000	0.00%
		Total	250,000	0.01%

5. Disclosure of interests of substantial Shareholders

Save as disclosed in "Substantial Shareholders" in this Prospectus, to the best of the Directors' knowledge and information, immediately following completion of the Spin-off (without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option), no person (other than our Directors and chief executive of our Company) will have interests or short positions in the Shares or underlying Shares which would be required to be disclosed to our Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at our general meetings.

6. Disclaimers

Save as disclosed in this Prospectus:

(a) none of our Directors or chief executive of our Company has any interest or short position in the Shares, underlying Shares and debentures of our Company or our associated incorporation (within the meaning of Part XV of the SFO) which will have to be notified to us and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or will be required, pursuant to the Model Code for Securities Transactions by Directors and Listed Companies to be notified to us and the Stock Exchange, in each case once our Shares are listed on the Stock Exchange;

(b) so far as is known to our Directors or chief executive of our Company, no person has an interest or short position in the Shares and underlying Shares which would fall to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or is, directly or indirectly, interest in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group;

(c) none of our Directors nor any of the parties listed in the paragraph headed "—qualification of experts" in this Appendix is interested in our promotion, or in any assets which have, within the two years immediately preceding the date of this Prospectus, been acquired or disposed by or leased to our Company or any member of our Group, or are proposed to be acquired or disposed of by or leased to our Company or any member of our Group;

(d) save in connection with the Underwriting Agreements, none of our Directors nor any of the parties listed in the paragraph headed "—qualification of experts" in this Appendix is materially interested in any contract or arrangement subsisting at the date of this Prospectus which is significant in relation to the business of our Group;

(e) save in connection with the Underwriting Agreements, none of the parties listed in the paragraph headed "—qualification of experts" in this Appendix: (i) is interested legally or beneficially in any of our Shares or any shares in any member of our Group; or (ii) has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group; and

(f) none of our Directors or their close associates (as defined under the Listing Rules) or any of our Shareholders (who to the knowledge of our Directors owns more than 5% of our issued share capital) has any interest in our five largest suppliers or our five largest customers.

E. OTHER INFORMATION

1. Estate Duty

Our Directors have been advised that no material liability for estate duty under the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong) that is likely to be imposed on our Company.

2. Litigation

Save as disclosed in this Prospectus, no member of our Group was engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance is known to our Directors to be pending or threatened against any member of our Company as of the Latest Practicable Date.

3. Joint Sponsors

The Joint Sponsors satisfy the criteria of independence applicable to a sponsor set out in Rule 3A.07 of the Listing Rules. Our Company has agreed to pay the Joint Sponsors a fee of US$2.7 million to act as Joint Sponsors in connection with the Listing.

The Joint Sponsors have made an application on our behalf to the Listing Committee of the Stock Exchange for a listing of, and permission to deal in, the Shares to be issued as mentioned in this Prospectus (including any Shares which may be issued pursuant to the exercise of the Over-allotment Option). All necessary arrangements have been made for the Shares to be admitted into CCASS.

4. Promoters

Our Company has no promoter for the purpose of the Listing Rules. Within the two years immediately preceding the date of this Prospectus, no cash, securities or other benefits have been paid, allotted or given to the promoters in connection with the Global Offering or the related transactions described in this Prospectus.

5. Registration procedures

The principal register of members of our Company will be maintained in the Cayman Islands by Maples Fund Services (Cayman) Limited and a Hong Kong branch register of members of our Company will be maintained in Hong Kong by the Hong Kong Share Registrar. Save where the Directors otherwise agree, all transfers and other documents of title to Shares must be lodged for registration with, and registered by, our Company's branch share register in Hong Kong and may not be lodged in the Cayman Islands.

6. Preliminary expenses

The estimated preliminary expenses are approximately US$92,403 and have been paid by us.

7. Qualification of experts

The qualifications of the experts, as defined under the Listing Rules, who have given opinions or advice in this Prospectus, are as follows:

Name	Qualification
Huatai Financial Holdings (Hong Kong) Limited	Licensed under the SFO to conduct type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities as defined under the SFO
Citigroup Global Markets Asia Limited	Licensed under the SFO to conduct type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 5 (advising on futures contracts), type 6 (advising on corporate finance) and type 7 (providing automated trading services) regulated activities as defined under the SFO
CMB International Capital Limited	Licensed under the SFO to conduct type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities as defined under the SFO

Name	Qualification
DBS Asia Capital Limited	Licensed under the SFO to conduct type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities as defined under the SFO
Maples and Calder (Hong Kong) LLP	Cayman Islands legal advisers
Tian Yuan Law Firm	PRC legal advisers
Ernst & Young	Certified Public Accountants and Registered Public Interest Entity Auditor
Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.	Industry consultant

8. Consents of experts

Each of the experts as referred to in the paragraph headed "—7. qualification of experts" in this Appendix has given and has not withdrawn their respective written consents to the issue of this Prospectus with the inclusion of their reports and/or letters and the references to its name included herein in the form and context in which it is respectively included.

None of the experts named above has any shareholding interests in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

9. Binding effect

This Prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of Sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32) so far as applicable.

10. No material adverse change

Saved as disclosed in the section headed "Financial Information" in this Prospectus, our Directors confirm that there has been no material adverse change in the financial or trading position or prospects of the Group since December 31, 2022 (being the date to which the latest audited consolidated financial statements of our Group were prepared).

11. Taxation of holders of Shares

(a) Hong Kong

The sale, purchase and transfer of Shares registered with our Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty, the current rate charged on each of the purchaser and seller is 0.13% of the consideration or, if higher, the fair value of the Shares being sold or transferred. Profits from dealings in the Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

(b) Cayman Islands

Under the present Cayman Islands law, there is no stamp duty payable in the Cayman Islands on transfer of Shares unless such instrument of transfer is executed in the Cayman Islands or be brought into the Cayman Islands.

(c) Consultation with professional advisors

Intending holders of the Shares are recommended to consult their professional advisors if they are in doubt as to the taxation implications of holding or disposing of or dealing in the Shares. It is emphasized that none of our Company, our Directors or the other parties involved in the Global Offering can accept responsibility for any tax effect on, or liabilities of, holders of Shares resulting from their holding or disposal of or dealing in Shares or exercise of any rights attaching to them.

12. Miscellaneous

Save as disclosed in this Prospectus:

(a) within the two years immediately preceding the date of this Prospectus:

(i) no share or loan capital of our Company or any of our subsidiaries has been issued or agreed to be issued or is proposed to be fully or partly paid either for cash or a consideration other than cash;

(ii) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;

(iii) no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share of our Company or any of our subsidiaries; and

(iv) no commission has been paid or is payable for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription for any share in or debentures of our Company or any of our subsidiaries;

(b) there are no founder, management or deferred Shares or any debentures in our Company or any of our subsidiaries;

(c) there has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 12 months preceding the date of this Prospectus;

(d) our Company has no outstanding convertible debt securities or debentures;

(e) there is no arrangement under which future dividends are waived or agreed to be waived;

(f) our Directors have been advised that under Cayman Islands Companies Act the use of a Chinese name by our Company is conjunction with our English name does not contravene the Cayman Islands Companies Act;

(g) there are no restrictions affecting the remittance of profits or repatriation of capital by us into Hong Kong from outside Hong Kong;

(h) no part of the equity or debt securities of our Group, if any, is currently listed on or dealt in on any stock exchange or trading system, and no such listing or permission to list on any stock exchange other than the Stock Exchange is currently being or agreed to be sought; and

(i) all necessary arrangements have been made by our Company to enable the Shares to be admitted into CCASS for clearing and settlement.

13. Bilingual prospectus

The English language and Chinese language versions of this Prospectus are being published separately in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong). In case of any discrepancies between the English language version and Chinese language version of this Prospectus, the English language version shall prevail.

1. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to the copy of this Prospectus delivered to the Registrar of Companies in Hong Kong for registration were:

(a) a copy of each of the **GREEN** and **BLUE** Application Forms;

(b) a copy of each of the material contracts referred to in "Appendix IV—Statutory and General Information—C. Further information about our business—1. Summary of material contracts" to this Prospectus; and

(c) the written consents referred to in "Appendix IV—Statutory and General Information—E. Other information—8. Consents of experts" to this Prospectus.

2. DOCUMENTS AVAILABLE ON DISPLAY

Copies of the following documents will be available on display on the website of our Company at **www.hongxinjianfa.com** and on the website of the Hong Kong Stock Exchange at **www.hkexnews.hk** up to and including the date which is 14 days from the date of this Prospectus:

(a) the Articles of Association;

(b) the Accountant's Report prepared by Ernst & Young, the text of which is set out in "Appendix I—Accountants' Report" to this Prospectus;

(c) the report from Ernst & Young relating to the unaudited pro forma financial information, the text of which is set out in "Appendix II—Unaudited Pro Forma Financial Information" to this Prospectus;

(d) the consolidated audited financial statements of our Group for the three financial years ended December 31, 2022;

(e) the material contracts referred to in "Appendix IV—Statutory and General Information—C. Further information about our business—1. Summary of material contracts" to this Prospectus;

(f) the written consents referred to in "Appendix IV—Statutory and General Information—E. Other information—8. Consents of experts" to this Prospectus;

(g) the PRC legal opinions issued by Tian Yuan Law Firm, our PRC legal advisers as to PRC laws, in respect of certain general corporate matters and property interests in the PRC of our Group;

(h) the letter of advice issued by Maples and Calder (Hong Kong) LLP, our legal advisers as to Cayman Islands laws, summarising certain aspects of the Cayman Islands Companies Law as referred to in "Appendix III—Summary of the Constitution of our Company and Cayman Companies Law";

(i) the Cayman Islands Companies Act;

(j) the service contracts or letters of appointment entered into between our Company and each of Directors (as applicable); and

(k) the industry report prepared by Frost & Sullivan.

宏信建設發展有限公司

Horizon Construction Development Limited