Prospective investors should consider carefully all the information set forth in this document and, in particular, should consider the following risks and special considerations in connection with an investment in the Company before making any investment decision in relation to the **[REDACTED]**. The occurrence of any of the following risks may have an adverse effect on the business, results of operations, financial conditions and prospects of the Group.

This document contains certain forward-looking statements regarding plans, objectives, expectations and intentions of the Group which involve risks and uncertainties. The Group's actual results could differ materially from those discussed in this document. Factors that could cause or contribute to such differences include those discussed below as well as those discussed elsewhere in this document. The trading price of the **[REDACTED]** could decline due to any of these risks, and you may lose all or part of your investment.

There are certain risks relating to an investment in the Shares. These risks can be broadly categorised into: (i) risks relating to the Group's business; (ii) risks relating to the industry in which the Group operates; (iii) risks relating to the PRC; (iv) risks relating to the **[REDACTED]** and the Shares; and (v) risks relating to statements made in this document and from other sources.

RISKS RELATING TO THE GROUP'S BUSINESS

The Group's projects are concentrated in the Central Region of the PRC, in particular Jiangxi Province, and any material change pertaining to Jiangxi Province may materially and adversely affect the Group's business, results of operations and profitability

The Group was founded and is based in Jiangxi Province where it ranked third amongst all telecommunications network infrastructure construction and maintenance services providers in terms of revenue in 2023, and as such, during the Track Record Period, the majority of its revenue was derived from its projects located in the Central Region of the PRC. In particular, revenue derived from projects located in Jiangxi Province amounted to approximately RMB300.0 million, RMB188.6 million and RMB312.0 million, accounting for approximately 62.6%, 45.7% and 51.2% of the Group's total revenue for the years ended 31 December 2021, 2022 and 2023, respectively. Given the Group's concentration in revenue from Jiangxi Province, the Group's business is highly subject to the economic conditions and government policies which affect Jiangxi Province as well as the resources and budgets which the Group's customers devote to Jiangxi Province. Accordingly, where there is any material change in respect of any of the above factors, the availability of tenders as well as their size and scale may be affected, which may in turn materially and adversely affect the Group's business, results of operations and profitability.

During the Track Record Period, the Group's tender success rate for Telecommunications Infrastructure Services projects outside of Jiangxi Province was approximately 18.9%, 16.6% and 18.3%, respectively, which was comparatively lower than its tender success rate for projects within Jiangxi Province. Furthermore, almost all of the Group's revenues from its Digitalisation Solution Services projects during the Track Record Period were for projects located in Jiangxi Province. Therefore, it is expected that the Group will continue to derive a substantial portion of its revenue from its projects located in Jiangxi Province where it maintains a competitive edge and possesses broad local knowledge, and there is no guarantee that the Group will be able to reduce its reliance on projects within Jiangxi Province. In the event that the Group is unable to reduce its reliance on projects within Jiangxi Province, the Group will continue to be subject to the various factors mentioned which affect Jiangxi Province.

The Group had a concentration of customers during the Track Record Period, and any decrease or loss of business from the Group's major customers could adversely and substantially affect the Group's operations and financial conditions

During the Track Record Period, the Group's revenue was relatively concentrated and largely attributable to Customer A, Customer B, Customer C and Customer D, which in aggregate amounted to approximately RMB465.1 million, RMB403.5 million and RMB578.4 million, representing approximately 97.1%, 97.7% and 94.9% of its total revenue, respectively.

In light of the above, the Group faces the risks associated with having customer concentration in the future. There is no assurance that any of the Group's major customers will continue to engage us as they do currently, or the revenue generated from the businesses with them can be maintained or increased in the future. If there is a reduction of successful tenders by the Group, or cessation of business relationships between the Group and its major customers for whatever reasons, or if the Group fails to diversify or expand its customer base, the business, financial conditions, results of operations and gross profit of the Group may be materially and adversely affected.

The Group's business operates on a non-recurring and project-by-project basis and failure to obtain new projects could materially affect the Group's business and results of operations

The Group's business operates on a project-by-project basis, as such they are non-recurring in nature. In order for the Group to undertake new projects, the Group must either participate in open tendering to compete for projects made available by potential customers or await customers to approach the Group to solicit its services. During the Track Record Period, the Group's Telecommunications Infrastructure Services projects were generally awarded by way of open tender and the Group's tender success rate was approximately 20.6%, 22.5% and 21.3%, respectively. For Digitalisation Solution Services projects, the Group's customers would typically approach the Group via single-source procurement method and/or by way of invitation to quote to directly solicit its Digitalisation Solution Services as opposed to open tendering process, and the Group had secured 11, 22 and 32 Digitalisation Solution Services projects during the Track Record Period. As such, given the non-recurring nature of the Group's projects, the Directors believe that the Group's future growth and success will depend on the Group's ability to continue to secure projects. The Group cannot assure you that it will be able to secure projects from the Group's existing or potential customers. In the event that there is a significant decrease in the number of projects or scale in terms of contract value of the projects awarded by the Group's customers, the Group's business and results of operations may be materially and adversely affected.

The Group may not be able to transfer its contract assets to trade receivables and ensure the settlement of its trade receivables in a timely manner or at all due to reasons beyond the Group's control and as a result, the Group's liquidity may be materially and adversely affected

The Group's contract assets amounted to approximately RMB513.5 million, RMB539.6 million and RMB726.8 million as at 31 December 2021, 2022 and 2023, respectively, which primarily arose when the Group made efforts or input towards the satisfaction of performance obligation under its Telecommunications Infrastructure Service projects, however, the right to receive payment from its customers is subject to the Group satisfying certain pre-agreed conditions. Upon satisfying such conditions, the contract assets will then be transferred to trade receivables. Based on the contracts between the Group and the relevant customers, in order to receive payment from its customers, the Group must have completed the relevant works required and passed the customer's inspection and acceptance procedures for progress payment and the settlement audit procedures for final payment. Thus, the transfer of the Group's contract assets to trade receivables will depend on the timing of the completion of certain procedures by the customers, which may vary among different customers based on their own internal procedural requirements and other considerations.

In addition, the Group's trade receivables amounted to approximately RMB229.8 million, RMB272.8 million and RMB275.6 million as at 31 December 2021, 2022 and 2023, respectively, which arose when the Group issued invoices to its customers. However, the timing of issuance of invoices will again depend on the completion of internal procedures of the customers, which may vary among different customers based on their own internal procedural requirements and other considerations.

The Group cannot assure you that the Group will be able to transfer its contract assets to trade receivables, and ensure the settlement of its trade receivables, on time or at all. In such circumstances, the Group may be required to recognise significant amount of loss allowances for trade receivables and contract assets, which may have a material adverse effect on the Group's financial condition and results of operations. Furthermore, the Group's liquidity pressure arising from the uncertainty and delay in timing of completion of internal procedures by its customers may intensify if the number of sizeable projects increases in the future. If the Group is unable to transfer its contract assets to trade receivables and ensure the settlement of its trade receivables in a timely manner, the Group's liquidity may be materially and adversely affected.

The Group experienced high level of turnover days for trade and bills receivables and contract assets during the Track Record Period, and its cash flows may further deteriorate due to potential mismatches in the time between receipt of payments from the Group's customers and payments to the Group's suppliers, both of which may impact its operating cash flow position

The Group relies on its suppliers to provide the necessary labour and materials for its projects, and relies upon the cash inflow from its customers to meet the payment obligations towards its suppliers. The Group's cash inflows are dependent upon a variety of factors including certification by its customers or their agents and the prompt settlement of its invoices. If such payment is delayed, the Group may be required to fund the cost of works for a lengthy period of time until the Group's payment application is approved and paid for. As at 31 December 2021, 2022 and 2023, the Group's trade and other payables amounted to approximately RMB443.5 million, RMB437.6 million and RMB677.5 million, respectively. Whereas for the corresponding dates, the Group's current portion of trade and other receivables amounted to approximately RMB219.8 million, RMB305.0 million and RMB244.6 million, while its contract assets amounted to approximately RMB513.5 million, RMB539.6 million and RMB726.8 million.

During the Track Record Period, the Group experienced high level of turnover days for trade and bills receivables and contract assets of approximately 503.6, 689.6 days and 545.3 days, respectively. Such prolonged turnover period was primarily due to (i) the lengthy inspection and acceptance and settlement audit processes of its customers for Infrastructure Construction Services projects; and (ii) extension of payment terms in relation to five Integrated Solution Services projects. The Group recognised revenue and corresponding contract assets for its Infrastructure Construction Services projects based on the work progress. However, the Group was entitled to (i) receive progress payment and issue interim VAT invoice only after the completion of inspection and acceptance procedures carried out by its customers and/or their agents and (ii) receive final payment (less retention money (if any)) and issue final VAT invoice only after completion of settlement audit procedures, which were typically arranged by its customers in stages. Such processes generally take a considerable amount of time after the recognition of revenue and the corresponding contract assets, resulting in a substantial balance of contract assets, which would be transferred to trade receivables after the completion of the inspection and acceptance and settlement audit. Following the completion of inspection and acceptance and settlement audit, the Group could receive progress payment and final payment, respectively, from customers after a credit period of up to 90 days. This resulted in a significant balance of trade receivables and contract assets on the Group's balance sheet, contributing to the extended turnover period for trade and bills receivables and contract assets.

Additionally, customers in Digitalisation Solution Services tend to settle payments in stages after a relatively substantial period of time subsequent to delivery and acceptance of work. In particular, for some of the Group's large-scale Digitalisation Solution Services projects, the Group may only receive payment after the end users have made the corresponding payment to the Group's customers, and the Group had extended the payment terms in relation to the five Integrated Solution Services projects in view of the temporary liquidity constraints faced by the end users, which include regulatory authorities and public institution, due to the COVID-19 pandemic. For details, please refer to the paragraphs headed "Financial Information – Analysis of major components of the consolidated statement of financial position – Trade and bills receivables – Trade and other receivables – Turnover days for trade and bills receivables and contract assets" in this document.

Furthermore, even if the Group's customers settle such payments on time and in full, there can be no assurance that the Group would not experience any significant cash flow mismatch which would affect the Group's operating cash flow position as the Group may be required to provide prepayments pursuant to the arrangement with its suppliers. During the Track Record Period, the Group would in certain circumstances, depending on the scale of works required, provide its labour suppliers with an advance payment of approximately 50% of the contract value as stipulated in the work order within 15 days after the commencement of work. Similarly, the Group's hardware and software suppliers would typically require a portion of the contract value as prepayment with the balance to be paid after the delivery of the materials.

The abovementioned cash flow mismatches and high turnover days for trade and bills receivables and contract assets recorded during the Track Record Period can potentially lead to material adverse impact on the Group's operating cash flow position as well as its ability to fund future capital expenditure. For example, it may negatively affect the Group's liquidity and operating cash flow position, leading to less readily available cash and delays in cash inflow to fund its day-to-day operations, such as meeting payroll, settlement of trade debts suppliers, and payment for other expenses, etc. If the Group undertakes a large number of large-scale projects, it may also pose significant pressure on its cash flow and the Group may record net operating cash outflow. Indeed for the years ended 31 December 2021 and 2022, the Group recorded net cash used in operating activities of approximately RMB12.2 million and RMB36.7 million, respectively, which was mainly attributable to the increase in contract assets and increase in trade and other receivables. Moreover, the Group's ability to fund future capital expenditure may also be negatively impacted. Without adequate operating cash flow, the Group may need to rely on external financing sources, such as borrowing from banks or issuing debt, to fund its future capital expenditure. This can increase the Group's debt burden and associated financing costs, potentially impacting its financial stability and profitability and restricting its long-term growth and competitiveness.

In light of the operating cash outflow position and the high level of turnover days for trade and bills receivables and contract assets, the Group has adopted certain cash flow management measures. For details, please refer to the paragraphs headed "Financial Information – Working capital – Measures to manage the Group's liquidity and improve its working capital position" and "Financial Information – Analysis of major components of the consolidated statement of financial position – Trade and bills receivables – Trade and other receivables" in this document. However, there can be no assurance that the Group's cash flow management measures could function properly or at all. If there is any significant and substantial cash flow mismatch, the Group may need to raise funds by resorting to internal resources and/or external financial resources in order to meet its payment obligations in full and on time.

The Group's high level of indebtedness may persist or increase in the future

During the Track Record Period, the Group relied on bank borrowings to fund its operations which resulted in the Group incurring a substantially high level of indebtedness. As at 31 December 2021, 2022 and 2023, the Group's bank borrowings amounted to approximately RMB311.5 million, RMB375.2 million and RMB347.5 million, respectively, while the Group's cash and cash equivalents merely amounted to RMB39.9 million, RMB68.6 million and RMB81.5 million, respectively. Further, the Group's gearing ratio (which is calculated by dividing the Group's total debts, which included interest-bearing bank overdrafts and bank borrowings, by its total equity) as at 31 December 2021, 2022 and 2023 was approximately 2.5, 2.0 and 2.7 times as at the respective year end. Given the Group's high level of indebtedness, there may be certain ramifications to which the Group is exposed, including:

- increasing the Group's vulnerability to adverse general economic and industry conditions;
- requiring the Group to dedicate a substantial portion of its cash flow from operating activities for payment of its interest and capital on its debt, thereby reducing available cash flow for its business expansion, working capital and other general corporate purposes;
- limiting the Group's flexibility in planning for or reacting to changes in its businesses and the industry in which the Group operates;
- placing the Group at a competitive disadvantage as compared to its competitors that have lower levels of indebtedness;
- limiting the Group's ability to borrow additional funds; and
- increasing the Group's cost of additional financing.

As the Group relies on bank borrowings to fund its operations, the Group may incur additional indebtedness in the future. However, the Group's ability to generate sufficient cash to satisfy its existing and future debt obligations will depend upon its ability to transfer its contract assets to trade receivables, and the timeliness of settlement of its trade receivables by its customers, which are both subject to factors beyond the control of the Group, as well as its future operating performance, which will be affected by, among other things, prevailing economic conditions, PRC governmental regulation, demand for the services offered by the Group and other factors, many of which are beyond the Group's control. Accordingly the Group may not generate sufficient cash flow to pay its anticipated operating expenses and to service its debt, in which case the Group will be forced to adopt alternative strategies that may include actions such as disposing of assets, restructuring or refinancing indebtedness, or seeking equity capital. These strategies may not be implemented on satisfactory terms, or at all, and, even when implemented, may result in an adverse effect on the Group business, results of operations and financial condition.

As at 31 December 2021, 2022 and 2023, the agreements with respect to the Group's borrowings with one of its principal banks which amounted to approximately RMB155.2 million, RMB155.1 million and RMB127.2 million, were subject to loan covenants relating to certain financial ratios based on the borrower's balance sheet that are commonly found in lending arrangements with financial institutions. As advised by the PRC Legal Advisers, the Group was unable to fulfill certain requirements relating to financial ratios during the Track Record Period. According to the terms of the loan agreements, if the Company were to breach such covenants, the relevant bank borrowings may become repayable on demand.

There is also no assurance that the Group will always be able to obtain the required debt financing in the future, or that it would be able to arrange for restructuring or refinancing when its bank borrowings become due. If the Group is unable to obtain or renew its loan facilities, its results of operations and financial condition may be materially and adversely affected.

The Group may not be able to adequately protect its intellectually property rights, and the Group may also be exposed to intellectual property infringement or misappropriation claims

The Group relies primarily on a combination of patent, trademark and copyright registrations as well as confidentiality agreements, to safeguard its intellectual property rights. As at the Latest Practicable Date, the Group has registered 25 trademarks and over 120 software copyrights and obtained 14 patents in the PRC which are or may be material to the Group's business. For further details as to the Group's intellect property rights, please refer to the paragraphs headed Statutory and General Information – "B. Further Information about the Group's business – 2. Intellectual property rights of the Group" in Appendix V to this document.

Despite the Group's measures and efforts, unauthorised parties may attempt to copy or otherwise obtain and use its intellectual property rights, and it is difficult to monitor unauthorised use of such intellectual property rights. In addition, the Group's competitors may independently develop technology and/or know-how similar to the Group's. The measures taken by the Group may not be sufficiently adequate to prevent misappropriation or unauthorised use of the Group's intellectual property rights. Furthermore, there is also no assurance that infringement of the Group's intellectual property rights does not exist now or that it will not occur in the future. The Group may, from time to time, be required to initiate litigation to protect and enforce its intellectual property rights if necessary. Such litigation could incur substantial costs and lead to a diversion of resources, which could negatively affect the operational results, profitability and business prospects of the Group. Even if such litigation is resolved in favour of the Group, it may not be able to successfully enforce the judgment and remedies awarded by the court, and such remedies may not be adequate to compensate the Group for its actual or anticipated related losses, whether tangible or intangible. Any negative publicity and complaints regarding any infringing party's unauthorised uses of the Group's intellectual property rights could confuse, dilute or tarnish, directly or indirectly, the Group's appeal and reputation, which could in turn materially and adversely affect the business of the Group.

In addition, the Group's projects will often involve certain intellectual property rights of its own or of third parties. There is no guarantee that these intellectual property rights do not or will not infringe those of others, as the relevant laws and regulations relating to intellectual property rights are often highly complex. In the event that there are claims against the Group for infringement of intellectual property rights, the Group would need to divert resources to defend such claims, whether such claims are valid or not. The Group may also be required to compensate the claimant for damages suffered as a result of any infringement. There is no assurance that the Group will not face such claims in future. In such event, the business, financial condition and results of operations of the Group may be materially and adversely affected.

The Group relies on the performance, quality and the continued supply of labour, ancillary construction materials, hardware and third-party software systems and technical support services etc. by its suppliers, and in particular labour suppliers, to complete certain parts of the Group's projects

The Group is dependent on the performance, quality and the continued supply of labour, ancillary construction materials, hardware and third-party software and technical support services by its suppliers to maintain the provision of the Group's services to its customers. The Group's five largest suppliers in each year during the Track Record Period accounted for approximately 58.3%, 71.7% and 61.8% of the Group's total purchases in aggregate, and the Group's largest supplier in each year during the Track Record Period accounted for approximately 32.6%, 32.3% and 19.2% of its total purchases. Amongst the Group's five largest suppliers in each year during the Track Record Period, the majority were labour suppliers. In general, the Group does not enter into long term contracts with its labour suppliers, as such, there is no assurance that they will be able to continue to provide stable and quality services to the Group at prices acceptable to the Group, or that it can maintain its relationships with them in the future. If any of the Group's five largest suppliers in each year during the Track Record Period are unable to provide the required services to the Group, and the Group is unable to find alternative suppliers on similar or better quality and pricing terms, the Group's business, results of operations and profitability may be adversely affected.

In addition, when the Group engages labour suppliers to perform certain parts of the works in the Group's projects, the Group is ultimately responsible to its customers for the works completed by its labour suppliers, the Group is exposed to risks in relation to the non-performance, delayed performance, sub-standard performance or non-compliance of its labour suppliers. Although the Group has implemented certain measures to monitor the quality and progress of works completed by its labour suppliers, there is no assurance that the Group is able to monitor the performance of these labour suppliers as efficiently and effectively as with its own employees. The Group may as a result experience issues relating to the quality of work or delay in delivery of its services, and may incur additional costs arising from managing its labour suppliers, remedying defects or delays caused by its labour suppliers. These may materially and adversely affect the Group's profitability, results of operations and reputation, and result in litigation and damages claims. If the Group's labour suppliers violate any laws, rules or regulations, the Group may expose itself to prosecutions by relevant authorities and may become liable to claims for losses and damages, which may also materially and adversely affect the Group's operations and financial position. Any poor performance or non-compliance of the Group's labour suppliers may also affect the Group's reputation, and in turn may materially and adversely affect its business and results of operations.

Failure to properly estimate the risks, time and costs involved in a project or delays in completion may lead to cost overruns and affect the Group's financial conditions and profitability

When determining the offer price for its projects, the Group generally adopts a cost-plus pricing model after taking into account factors including, the nature, scale, complexity and location of the relevant project, as well as the estimated material, labour and equipment cost. As such, whether the Group is able to achieve its target profitability in any project is significantly dependent on its ability to accurately estimate and control these costs. The actual time taken and cost involved in implementing the Group's project may be adversely affected by a number of factors, such as shortage or cost escalation of materials and labour, adverse weather conditions, accidents, and any other unforeseen problems and circumstances. Any of the aforesaid factors may give rise to delays in completion of works or cost overruns, which in turn may result in a lower profit margin or even a loss for a project, thereby materially and adversely affecting the Group's financial condition, profitability or liquidity.

In addition, the Group's projects are typically subject to specific completion schedule requirements and the Group may be liable to pay liquidated damages for delay in completion of works if extension of time is not granted by its customers, or where extension of time is not provided for under the relevant contract, and the Group is required to comply with the agreed schedule regardless of occurrence of any event that is beyond the Group's control. Liquidated damages are typically calculated by the number of days delayed times a pre-determined fixed amount per day. Despite the fact that the Group did not incur any liquidated damages during the Track Record Period, there is no assurance that it will not incur such damages in the future. Any failure to meet the pre-agreed time schedule requirements may result in the Group being liable to pay significant liquidated damages, and if it is unable to hold the relevant labour supplier liable or obtain compensation for the liquidated damages, Group's business, financial condition, results of operations, reputation and prospect may be materially and adversely affected.

The Group's project backlog is not indicative of the Group's future earnings and operation results

The Group's project backlog represents the total outstanding contract value of its On-going Projects and Pre-revenue Projects as at certain year-end dates, which is calculated by aggregating the maximum or estimated contract value of the Group's On-going and Pre-revenue Projects, minus the actual amount of revenue recognised (VAT inclusive) and the remaining contract value of the completed project during the relevant year. For the years ended 31 December 2021, 2022 and 2023, the ending balance of the Group's backlog was approximately RMB584.4 million, RMB1,135.6 million and RMB876.7 million, respectively. For details, please refer to the paragraphs headed "Business – Projects – Project backlog" in this document. Backlog is not a measurement defined by generally accepted accounting principles and may not be indicative of future results of operations. In calculating its backlog, the Group had adopted the contract value as set out in the relevant contracts and assumed that the entire value of works under the contracts would be required to be carried out. However, while the framework agreement in respect of its Telecommunications Infrastructure Services projects entered into between the Group and its customer would typically set out the maximum or estimated contract value, the customer is generally not obligated to place work orders up to the maximum or estimated contract value and may reduce the work scope at its liberty by not placing additional work orders. It is therefore beyond the control of the Group to ascertain the actual amount of contract value, which will be recognised as revenue or contract assets, prior to the completion or termination of a project. Accordingly, the contract value used in calculating the Group's project backlog has not taken into account factors that could potentially lead to a reduction in work scope at the customers' discretion. On the other hand, for certain Telecommunications Infrastructure Services projects, the contract value would not be specified in the relevant agreement, thus, the Group would only be able to assess the estimated contract value when the customer placed the work order(s) with the Group. In addition, the framework agreements or task specific agreements entered into between the Group and its customers may also be terminated or varied under certain circumstances in accordance with the relevant agreements. Accordingly, any termination or modification to any one or more Major Projects may have a substantial and immediate effect on the Group's backlog. Hence, there can be no assurance that the amount estimated in the Group's backlog will be realised in full, in a timely manner, or at all, or even if it is realised, such recognised backlog will result in revenue, and no reliance should be placed on the Group's backlog values during the Track Record Period as indicators of its future performance and operating results.

The Group requires various approvals, licences and permits to operate its business, and the loss of or failure to obtain or renew any or all of these approvals, licences and permits could materially and adversely affect the Group's business

In accordance with the laws and regulations of the PRC, the Group is required to maintain various approvals, licences and permits in order to operate its business. Please refer to the paragraphs headed "Business – Licences and qualifications" for a summary of the Group's approvals, licences or permits and the section headed "Regulatory Overview" in this document for a summary of the licences the Group is required to obtain. The approvals, licences and permits are typically valid for a limited period of time and may be renewed upon being reviewed by the relevant government authorities or organisations. Further, the Group may also be subject to periodic inspections, examinations and inquiries by the relevant government authorities or organisations in respect of its approvals, licenses and permits. The Group cannot guarantee that it will be able to maintain or renew the requisite approvals, licences and permits or to comply with the new requirements for maintaining those approvals, licences and permits, if new laws and regulations are promulgated or the existing laws and regulations are amended. Failure to comply with the relevant laws and regulations, or the loss of or failure to renew its licences and permits or any change in the government policies may prevent the Group from undertaking certain types of project or works, or lead to imposition of penalties on the Group and as a result, the Group's business, results of operations and financial conditions may be adversely affected.

Further, as the approvals, licences and permits are granted, renewed and maintained based upon the Group's satisfactory compliance with, among others, the applicable criteria set by the relevant government authorities or organisations. Such criteria may include, but are not limited to, the maintenance of a sufficient project track record, maintenance of a sufficient number of qualified personnel and compliance with safety regulations and environment protection regulations. The criteria and standards of compliance may, from time to time, be subject to changes without substantial advance notice. Any changes or alterations in the licensing requirements or standards of compliance may require the Group to make necessary corresponding adjustments to meet the new requirements and/or standards, thus requiring the Group to incur extra costs which may affect its profitability and financial results.

The Group's customers or their agents may not certify the works completed by the Group, or acknowledge the completion of the various stages of the projects, or make payment or release the Group's retention money in a timely manner

If stipulated under the relevant contracts, the Group would be entitled to receive progress payments from its customers, after the customers or their agents have inspected and thereafter confirmed that the completed works have passed inspection and acceptance procedures, or acknowledge the completion of the various stages of the projects, by issuing an inspection report. The Group would then issue an interim VAT invoice and the interim payment would become payable by the customer. Subsequently, such portion of the completed works would be presented for settlement audit, and upon the completion of such process, a settlement audit report would be issued. The Group would then be entitled to issue the final VAT invoice and the final payment representing the balance less any retention money (if any) would become payable by the customer. For further details, please refer to the paragraphs headed "Business – Operation flow" in this document. There is no guarantee that the Group's customers or those certifying the Group's works will certify the works completed by the Group, or acknowledge the completion of the various stages of the projects at all or on a timely basis. Further, according to the Ipsos Report, the inspection and acceptance schedule and certification timeframe are largely driven by the customers or their agents and it is not uncommon in the telecommunications industry that there may be a substantial lapse of time between the completion of the works and the issuance of invoice after the inspection and acceptance and settlement audit procedures. Any failure or significant delay in the inspection and certification process may have an adverse effect on the Group's cash flow and financial condition. Even if the Group's customers or their agents certify the works completed or acknowledge the completion of the various stages of the projects, the Group also cannot assure you that it will be able to collect trade receivables from its customers on a timely basis, or that there will not be any future dispute with its customers which may result in significant delay in receivables collection.

In line with industry practice, there is generally a contract term for the Group's customers to secure due performance by the Group by retaining a portion of the money from the interim payment. The retention money for the Group's projects is in general 3% to 10% of the final settlement amount. The retention money may be withheld from each interim payment, or all at once from the final payment to be settled pursuant to the final accounts. The Group's customers will usually release the retention money after the expiry of the defect liability period or after-sales period. There can be no assurance that the Group's customers will not deduct any amount from the retention money as a result of the Group's defects, and even if no defects are found at the end of the defect liability period or after-sales period, there can be no assurance that the Group's customers will release the retention money to the Group in a timely manner. Should the Group's customers fail to release the retention money to the Group in full, or at all, or in a timely manner, the Group's cash flow and financial condition may also be adversely affected.

The Group may face challenges in developing its Digitalisation Solution Services business segment

Leveraging its in-depth knowledge in the telecommunications industry, in 2018, the Group began providing Digitalisation Solution Services to its customers. From the provision of Digitalisation Solution Services, the Group generated revenue of approximately RMB109.3 million, RMB70.6 million and RMB107.9 million, representing approximately 22.8% and 17.1% and 17.7% of its total revenue, and recorded gross profit of approximately RMB44.9 million, RMB60.8 million and RMB75.2 million, respectively, for the years ended 31 December 2021, 2022 and 2023. The Group intends to undertake additional Digitalisation Solution Services projects and to further strengthen its capabilities in respect of its provision of Digitalisation Solution Services through (i) pursuing strategic acquisitions of companies specialising in the provision of digitalisation solution services in Guangdong Province and Anhui Province; (ii) enhancing its liquidity position and financial capabilities in securing new large-scale Digitalisation Solution Services projects; and (iii) strengthening the Group's research and development capabilities. For details, please refer to the paragraphs headed "Business – Business strategies" and the section headed "Future Plans and **[REDACTED]**" in this document. There is no assurance that the Group will be able to successfully manage or grow its Digitalisation Solution Services business segment successfully as anticipated after deploying the Group's management and financial resources and adopting the relevant business strategies. Any failure in maintaining the Group's market position or implementing its plans may materially and adversely affect its business, financial condition and results of operations.

The Group's failure to anticipate and respond to changes in technologies or needs could adversely affect its business and results of operations

The Group's Digitalisation Solution Services business segment is subject to rapidly-changing technological advancements in the telecommunications industry, such as the introduction of new network and telecommunications standards, systems, software and methodologies. For instance, 5G technology is in the process of wider commercialisation and application, and the IoT, will connect every object, appliance, sensor, device, and application to the Internet. Given the rapidly-changing technological landscape, the Group's competitiveness therefore depends on its technical know-how regarding the latest technologies, its ability to keep abreast of and adapt quickly to technological changes and to understand the changing needs, preferences and requirements of its customers. While the Group's business strategies include strengthening its research and development capabilities and acquiring companies specialising in provision of services relating to Digitalisation Solution Services, there is no assurance that the Group will be able to offer new solutions or enhancements to existing technologies that will address the changing needs of its customers in an effective and timely manner.

The Group may also experience unanticipated delays in the development of new solutions and enhancements. If the Group fails to develop any upgraded solutions and offer services and solutions with advanced capabilities and technologies, its competitive position, profitability and business prospects may be adversely affected. Even if the Group is able to upgrade its existing services and solutions through strengthening its research and development capabilities and acquiring companies specialising in digitalisation solution services, there is no assurance that the resulting know-how will achieve widespread market acceptance or meet the customers' expectations as anticipated, and failure to achieve the foregoing may also adversely affect the Group's competitive position, profitability and business prospects.

Further, the Group's competitors may also strengthen their research and development capabilities and provide more advanced services or solutions. If the competition intensifies, the Group's solutions or services may lose their competitiveness and the Group may not be able to achieve the growth as expected and its business, results of operations may be adversely affected.

The Group's past performance may not be indicative of the Group's future performance

The Group operates on a project-by-project basis and its projects during the Track Record Period were generally non-recurring and obtained by way of open tender or via single-source procurement. Accordingly, the level of the Group's revenue is highly dependent upon its ability to secure new projects. When tendering for new projects or negotiating with customers for its offer price, the Group may from time to time adopt different strategies in order to remain competitive, which may in turn affect the Group's revenue, gross profit and gross profit margins. For example, factors such as increased market competition or deteriorating market conditions may lead the Group to lower its offer price and margins in order to obtain the relevant project.

The Group cannot assure you that it will continue to be able to secure new projects at its historical rates or that its projects will be at a comparable scale and margins. Accordingly, the Group's historical growth rate, revenue and gross profit margin may not be indicative of its future performance. During the Track Record Period, the Group's revenue was approximately RMB479.1 million, RMB413.1 million and RMB609.3 million, respectively. During the corresponding periods, its gross profit was approximately RMB91.2 million, RMB103.6 million and RMB149.3 million, while its gross profit margin was approximately 19.0%, 25.1% and 24.5%, respectively.

Aside from the above, the Group's performance is also subject to various other factors, including but not limited to the costs of labour, performance of its labour suppliers and other unforeseen factors such as adverse weather, geological conditions and pandemics, which may delay the completion of the Group's projects. There is also no assurance that the demand for the services provided by the Group will not decrease in the future. An economic downturn in the PRC or changes in government initiatives or policies may cause the Group's customers to reduce their capital expenditures, and thus the level and scale of available projects, which may materially and adversely affect the Group's business, financial condition and results of operations. Investors should not solely rely on the Group's historical financial information as an indication of its future financial and operating performance.

The Group's business is subject to seasonality

The Group's business under its Telecommunications Infrastructure Services and Digitalisation Solution Services business segments are generally subject to seasonality. During the Track Record Period, the Group's major customers for its Telecommunications Infrastructure Services included the Big Three telecommunications network operators in the PRC and the world's largest telecommunications tower infrastructure service provider, who would undertake various telecommunications infrastructure projects in support of the government's initiatives and planning. Based on past experience of the Group, these customers would generally place more work orders with the Group during the second half of the year and require that the actual works to be completed by the end of the year. Similarly, for the Digitalisation Solution Services projects, the Group's major customers would generally approach the Group for new projects, particularly for large-scale projects, during the second half of the year as these customers generally tend to invest more in capital expenditure later in the year, and require the actual works to be completed by the end of the year. Revenue for the Infrastructure Construction Services is recognised when the Group made efforts or input towards the satisfaction of performance obligations, i.e., based on the work progress of the relevant work orders under the projects, while revenue for the Digitalisation Solution Services is recognised based on the work progress and/or when the software solution is delivered to the customers. As a result, the Group would typically record a higher portion of revenue during the second half of the year, which accounted for approximately 47.1%, 62.4% and 58.9% of the total revenue in respect of its Telecommunications Infrastructure Services business segment and approximately 89.6%, 93.3% and 64.9% of the total revenue in respect of its Digitalisation Solution Services business segment during the years ended 31 December 2021, 2022 and 2023, respectively.

Accordingly, various aspects of the Group's business, including sales, working capital and operating cashflows may be exposed to the seasonality factors, and the Group's half year results may not be indicative of its full year results going forward.

The Group's pipeline for Infrastructure Construction Services projects may dry up in the event of the slowdown or completion of the expansion and upgrading of the 5G network infrastructure in the PRC

The Group's business operations and financial performance, particularly for the Infrastructure Construction Services business sub-segment, are substantially premised on the continuous growth and development of the telecommunications infrastructure construction services industry in the PRC. During the years ended 31 December 2021, 2022 and 2023, the Group had secured 64, 77 and 88 additional Infrastructure Construction Services projects, respectively, and the Group had 103 Infrastructure Construction Services projects on hand as at the Latest Practicable Date. The Group's backlog for its Infrastructure Construction Services projects as at 31 December 2021, 2022 and 2023 and the Latest Practicable Date amounted to approximately RMB537.2 million, RMB1,014.3 million, RMB811.0 million and RMB762.9 million, respectively. The Group cannot assurance you that there will be sufficient demand for the Group's Infrastructure Construction Services as in the past in future, which ultimately rely on the development and expansion progress of the telecommunications network infrastructure, including the construction and upgrading of 5G network infrastructure across various provinces and municipalities of the PRC. In the event that the expansion and upgrading of the nationwide 5G network infrastructure slow down, or approach the completion stage, or that the 5G network technology gives way to newer technologies, such as 6G (i.e. the newer generation of wireless network technology), it may inevitably reduce the demand for telecommunications infrastructure construction services in relation to 5G technology, and the number of Infrastructure Construction Services projects to be secured by the Group in its project pipeline may gradually dry up. If the Group is unable to diversity its business focuses, or to capture the new market demand for the construction and upgrading of telecommunications infrastructure in relation to newer generation of wireless network technology by timely responding to the industry trends and market needs, its results of operations, prospects and financial condition may be materially and adversely affected.

The government grants received by the Group were non-recurring in nature

The Group received government grants from the government authorities of Jiangxi Province which amounted to approximately RMB3.3 million, RMB0.9 million and RMB3.2 million for the years ended 31 December 2021, 2022 and 2023, accounting for approximately 55.6%, 18.3% and 64.7% of the Group's other net income during the respective year. These government grants were all non-recurring in nature. Whether or not the Group will receive the same amount of government grants, if at all, in future largely depends on (i) the Group's eligibility for the government grant through an internal verification process conducted by the government authorities; and (ii) the government policies at that time which may aim at granting subsidies to companies in specific industries. The granting of the government grants is therefore determined by the relevant government authorities at their discretion based on the Group's application.

Given the non-recurring nature of the government grants, there is no assurance that the Group will continue to receive the same amount of government grants as in the past in future. In the event that there is a modification of the selection criteria for receiving the grants, or a change in the government policies, the amount of government grants the Group will receive may decrease, if at all. Any loss or reduction in government grants could adversely affect the Group's financial result and financial position.

Increase in wages and shortage of labour may affect the Group's ability to implement its projects and its performance

Generally, the provision of Telecommunications Infrastructure Services is labour intensive and for any given project a large number of workers with different skills and in particular qualified technical personnel may be required. Accordingly, the Group's business is dependent upon the continued supply of labour and is susceptible to labour shortage. If there is a significant increase in the costs of labour, the Group's profitability may be materially affected. According to the Ipsos Report, the average annual wage of workers in the telecommunications infrastructure services industry in the PRC grew from RMB65,063.9 in 2019 to RMB81,478.3 in 2023 at a CAGR of approximately 5.8%, which is expected to further increase from RMB85,767.7 in 2024 to RMB108,577.5 in 2028 at a CAGR of approximately 6.1% due to the continuous demand for skilled and experienced workers for construction of telecommunications infrastructure. On the other hand, if the Group or its labour suppliers fail to retain the existing labour and/or recruit sufficient labour in a timely manner to cope with the Group's existing or future projects, the Group may not be able to timely complete its projects, and this may result in liquidated damages and/or financial loss. There is no assurance that the supply of labour, especially experienced and skilled labour, will be sufficient going forward.

The Group's success significantly depends on the key management of the Group and its ability to attract and retain technical and management staff, in particular, for the Group's licences and/or registrations maintained with the relevant government authorities

The Group's success and growth is, to a significant extent, attributable to the expertise and experience of the Group's management team, in particular Mr. Liu Haoqiong, a co-founder of the Group and also an executive Director and the chairman of the Board, who has more than 20 years of experience in the Telecommunications Infrastructure Services industry. The remainder of the Group's management team comprises Mr. Peng Shengqian, Ms. Xie Xiaolan, Mr. Liu Dingli, Mr. Liu Dingyi, Mr. Zhou Zhiqiang, Mr. Tseung Yat Ming and the Group's senior management, each of whom is well experienced and possesses diverse expertise and skills that cover areas such as management, finance, business development and sales and marketing. Please refer to the section headed "Directors and Senior Management" in this document for further information of the Group's management team. If any of the executive Directors or members of the senior management cease to be involved in the management of the Group and the Group is unable to find suitable replacements in a timely manner, it may materially and adversely impact upon the business, results of operations and profitability of the Group.

In addition, the Group is required to obtain certain licences and registrations for its business operations, and to maintain such licences and registrations, the Group must comply with the relevant requirements in regards to the number of and the qualifications and experiences of technical personnel as set out in the relevant ordinances. For further details, please refer to the section headed "Regulatory Overview" in this document. Departure or disqualification of these technical personnel may result in suspension of the Group's registrations if no replacement is identified and applied for. In the event that the technical personnel depart the Group and the Group is unable to fulfill the requirements of the relevant laws and regulations in a timely manner, its ability to obtain new projects may be impaired, thereby adversely affecting its business operations and financial performance.

Failure to maintain safe construction sites and/or implement safety management measures may lead to property damage, personal injuries or fatal accidents. The Group's financial performance and business prospect may be adversely affected by such injury claims and litigations

Although the Group has established an occupational health and safety related internal controls in order to provide a safe and healthy working environment to its employees and the employees of its labour suppliers and to comply with the relevant laws and regulations, the Group cannot assure you that its employees and the employees of its labour suppliers will strictly implement all of the Group's safety management measures and procedures during the execution of the Group's projects, or that its measures are effective at all. In the event that the Group fails to maintain safe work sites and/or implement safety management measures resulting in the occurrence of serious personal injuries or fatal accidents, the reputation of the Group may be adversely affected, and may result in the suspension or non-renewal of the Group's relevant licences. The Group may also be prosecuted by the relevant government authorities and subject to extensive fines and penalties.

The Group's employees who suffer from bodily injuries or death as a result of accidents occurred and diseases contracted during the course of their employment may also claim against the Group for damages and/or compensation under the Administrative Regulations on Work Injury Insurance (《工傷保險條例》). During the Track Record Period and up to the Latest Practicable Date, there was one fatal accident involving an employee of the Group. For details, please refer to the paragraphs headed "Business – Employees – Work safety" in this document. Further, the Group may also face claims from third parties, who suffer personal injuries at premises where the Group provides its services, which may or may not be meritorious. Regardless of the merits of such claims, the Group may need to divert management resources and incur costs to handle these claims, which may affect its corporate image and reputation especially if they become public, and may adversely affect its revenue, results of operations and financial conditions. Additionally, the outcome of any claim is subject to the relevant parties' negotiation or the decision of the court or the relevant arbitration authorities, and the results may be unfavourable to the Group. In such case, the Group may be required to pay damages, compensations or fines and the Group's financial conditions may be adversely affected.

Legal and arbitration proceedings may arise and affect the Group's business, operations and financial results

The Group may be subject to claims in respect of various matters from its customers, suppliers, workers and other parties concerned with the Group's projects from time to time. Such claims may include claims for compensation for late completion of works and delivery of substandard works or, claims in respect of personal injuries and labour compensation in relation to the works, for which the Group may have to incur costs to defend itself in legal and arbitration proceedings. If the Group is not successful in defending itself in any proceedings, it may be liable to pay damages. Such payments may be significant, and if fall outside the scope and/or limit of the Group's insurance coverage or monies retained from its labour suppliers, the Group's business operations and financial position may be adversely affected.

Legal proceedings can be time-consuming, expensive, and may divert the Group's management's attention away from the operation of the Group's business. Any claims or legal proceedings to which the Group may become a party in the future may have a material and adverse impact on the Group's business. The Group also need to divert resources and incur extra costs to handle the aforementioned outstanding and potential claims, which could affect the Group's corporate image and reputation in the telecommunications industry if they were published by the press. If the aforementioned claims were successfully made against the Group, it would result in legal costs and damages to be paid to the claimants, which in turn could materially and adversely affect the Group's revenue, results of operations and financial position.

The Group is exposed to claims arising from latent defects that may be caused by itself or its suppliers in the past, the discovery of which may have material negative impact on the Group's reputation, business and results of operations

The Group may face claims arising from latent defects that might be existing but not yet discovered or developed. Such possible latent defects may be caused by the Group itself or its suppliers in the past. If there are claims against the Group for such latent defects when they are discovered, the Group may be held primarily liable even if the defects are caused by its suppliers without the Group's fault. Further, due to the passage of time, the Group may be unable to locate the relevant suppliers to hold them accountable, or to procure them to rectify the defect (if it is rectifiable at all), or obtain compensation for any loss or damages caused by such defects. Latent defects may include use of materials not meeting the specifications as stipulated in the relevant contracts, which may not be discovered despite the inspection and acceptance by the customers of the works prior to completion, and remain undiscovered for years after the completion of the relevant project.

In the event that there are any significant claims against the Group by its customers or other party for any latent defects, the Group's results of operations and financial position may be materially and adversely affected. Even if such latent defects do not involve any non-compliance with laws or regulations, or breach of any contractual obligations on the Group's part, it may be required to rectify such defects or take preventive or remedial measures, such as conducting reviews, tests or examinations on the works in the past, because of the negative publicity or to prevent the reputation of the Group from being negatively affected. As a result, the Group's operation, business and results of operations may be materially and adversely affected.

The Group's insurance coverage may not be sufficient to cover all losses or potential claims which would affect the Group's business, financial condition and results of operations

During the Track Record Period, the Group had purchased and maintained insurance covering its property, motor vehicle and workers compensation. For details, please refer to the paragraphs headed "Business – Insurance" in this document. It cannot be guaranteed that the insurance policies taken out by the Group are sufficient to cover all potential risks and losses. Certain types of risks, such as the risks in relation to business interruption or litigation, the collectability of the Group's trade and other receivables, and liabilities arising from events such as epidemics, natural disasters, adverse weather conditions, political unrest and terrorist attacks, are generally not covered by insurance because they are either uninsurable or it is not cost justifiable to insure against such risks. As a result, the Group may have to pay out of its own resources for any uninsured financial or other losses, damages and liabilities, litigation or business disruption. If the Group's business operations are disrupted or interrupted for a substantial period of time, it could incur costs and losses that may materially and adversely affect its business, financial conditions and results of operations.

Any failure to maintain an effective quality control system could have a material adverse effect on the Group's business and operations

With its operating history tracing to 2002, the Group believes that the reputation and brand name that it has built play a significant role in enabling itself to attract customers and secure projects. The promotion and enhancement of the Group's reputation and brand name depend largely on its ability to provide reliable, quality and timely services to its customers. If the Group fails to do so, or its customers no longer perceive the Group's services to be of high quality, the Group's brand name and reputation will be adversely affected, which will in turn materially and adversely affect the Group's business, financial conditions and results of operations.

To uphold its ability in delivering quality services, the Group needs to continue to maintain an effective quality control system for project implementation, which will involve timely update of the system and provision of training to its employees in accordance to changing business needs. Any failure or deterioration of the Group's quality control system could result in defects in its works, which in turn may jeopardise its reputation, reduce demand for its services, or even subject it to contractual liabilities and other claims. Any such claims, regardless of whether they are ultimately valid, could cause the Group to incur significant costs, harm its reputation and/or result in significant disruption to its operations. Furthermore, if any of such claims ultimately prove to be valid, the Group could be required to pay substantial monetary damages or penalties, which could have a material adverse impact on its business, financial conditions and results of operations.

Breaches, hacking, failures, or disruptions of the information technology system of the Group could interrupt its business operations and harm its business and results of operations

The Group relies on its information technology systems to operate and manage its business and to process, maintain, and safeguard information, including information belonging to the Group, its customers and employees. The computer systems may fail of their own accord, and are subject to interruption or damage from power outages, human error or abuse, new system installations, computer viruses, security breaches (including through cyber-attack and data theft), catastrophic events such as natural disasters and other events beyond the Group's control (such as acts of war or terrorism). Moreover, hacking and data theft techniques are continuously evolving, and the anti-virus systems and security measures adopted by the Group may not be able to adjust to these changes in a timely manner. Although the Group is continuously working to maintain secure and reliable systems, there is no assurance that the Group's efforts will be effective and adequate. If the Group's information technology systems are compromised, degraded, damaged, or breached, or otherwise cease to function properly, the Group could suffer interruptions in operations or unintentionally allow misappropriation of proprietary or confidential information, which could damage its reputation and result in significant expenses and legal claims. Similarly, information technology system breaches, or failures of the systems of the Group's customers and suppliers may also result in similar consequences. Any of these events could materially and adversely affect the Group's reputation, business and results of operations.

RISKS RELATING TO THE INDUSTRY IN WHICH THE GROUP OPERATES

The Group's performance depends on prevailing market conditions and trends in the Telecommunications Infrastructure Services industry, and Digitalisation Solution Services industry and in the overall state of economy in the PRC

All of the Group's operations are based in, and all of the Group's revenue was derived from the PRC during the Track Record Period, and the Directors expect the Group's business will continue to be based in the PRC. Accordingly, the Group's future performance depends on the prevailing market conditions and trends in the telecommunications industry in the PRC. The future growth and level of profitability is likely to depend primarily upon the continued availability of large scale projects, which will be determined by the interplay of various factors. These factors include, in particular, the PRC government's policies and initiatives, the spending budgets and patterns of the Group's customers, and the general conditions and prospects of the PRC economy. If the government authorities adopt regulations that place additional restrictions or burdens on the telecommunications industry, the Group's customers may be more conservative in their spending budgets, and the demand for Telecommunications Infrastructure Services and Digitalisation Solution Services in the PRC may deteriorate, which in turn materially and adversely affect the Group's operations and profitability. In addition, the Group's performance and financial condition also depend on the state of the economy in the PRC. If there is a downturn in the economy of the PRC, the Group's results of operations and financial position may be adversely affected. In addition to economic factors, social unrest or civil movements may also affect the state of the economy in the PRC, and in such cases, the Group's operations and financial position may also be adversely affected.

An occurrence of a natural disaster, widespread health epidemic or other outbreaks, such as COVID-19, could have a material adverse effect on the Group's business, financial condition and results of operations

The Group's business could be materially and adversely affected by natural disasters or the outbreak of a widespread health epidemic, such as swine flu, avian influenza, severe acute respiratory syndrome (SARS) or COVID-19. The occurrence of a natural disaster or a prolonged outbreak of an epidemic illness, or other adverse public health developments in the PRC could materially disrupt the Group's business and operations. In particular, the outbreak of COVID-19 which was first reported in late 2019 and spread within the PRC and globally, has caused significant disruption in the economic activities. As the Group's operations, customers and suppliers are located in the PRC, the outbreak of COVID-19 in the PRC may affect the telecommunications industry, and cause temporary suspension of projects and shortage of labour, materials and equipment and other services, which would severely disrupt the Group's operations and have a material adverse effect on the Group's business, financial condition and results of operations. The Group's operations could also be disrupted if any of its employees or employees of the Group's labour suppliers were suspected of contacting, or contacted an epidemic disease, since this could require the Group and its labour suppliers to quarantine some, or all of these employees, and disinfect the works sites and facilities used for the Group's operations. In addition, the Group's revenue and profitability could also be reduced to the extent if any natural disaster, health epidemic or other virus outbreak harms the overall economy in the PRC. These adverse impacts, if materialise and persist for a substantial period, may significantly and adversely affect the Group's business operation and financial performance.

Competition in the Telecommunications Infrastructure Services industry and Digitalisation Solution Services industry may put downward pricing pressures on the Group which could materially and adversely affecting the Group's profitability

The Group holds various licences that enable it to tender for, and carry out different types of projects, and it competes directly with other service providers actively operating in the PRC that possess the same licences and offer similar services as the Group. Some of the Group's competitors may have stronger brand names, bigger capital base, longer operating histories, longer and more established relationship with their customers, and better marketing and other resources. Furthermore, due to the open nature of the markets in which the Group operates, any new participants may enter the industry if they attain the required technical skills and experience, and are granted the requisite licences by the relevant regulatory bodies, and thereby intensifies the competition. These competitors may be able to reduce the Group's market share by adopting more aggressive pricing policies than the Group, or by providing services that can gain wider market acceptance than what the Group can offer. Existing and potential competitors may also develop relationships with the Group's customers, and competition from these competitors could significantly harm the Group's ability to secure projects. Thus, if the Group fails to compete effectively, or maintain or improve its competitiveness in the market, its business, financial condition and results of operations will be adversely affected.

RISKS RELATING TO THE PRC

The Group may be adversely affected by changes in political, social and economic policies, as well as governmental policies, in the PRC

During the Track Record Period, all of the Group's revenue was derived from the provision of services to the Group's customers in the PRC, and substantially all of the Group's assets and business operations are also currently located in the PRC. Accordingly, the Group's business, financial condition and results of operations are subject to political, economic and legal developments in the PRC to a significant degree. The PRC's economy differs from the economies of most developed countries in many aspects, including the extent of government involvement, growth rate, control of foreign exchange, allocation of resources and capital investment. Any significant changes in the PRC's political, economic and governmental policies and measures could have a material adverse effect on the PRC's overall economic growth, and the Group cannot assure you that such changes will not occur. Where such changes have a material adverse effect on the PRC's overall economic growth, it may impact the industry in which the Group operates, which in turn may diminish the demand for its services.

The Group may be deemed a PRC resident enterprise under the EIT Law and be subject to PRC taxation on the Group's worldwide income

The Company is a holding company incorporated under the laws of the Cayman Islands, and under the EIT Law and its implementation rules, if an enterprise incorporated outside the PRC has its "de facto management bodies" located within the PRC, such enterprise may be recognised as a PRC tax resident enterprise, and be subject to the unified income tax at a rate of 25% on its worldwide income. The implementation rules to the EIT Law define the term "de facto management body" as a body that has a material and overall management control over the business, personnel, accounts and properties of the enterprise. In April 2009, SAT issued the Circular on Issues Concerning the Identification of Chinese – Controlled Overseas Registered Enterprises as Resident Enterprises in Accordance with the Actual Standards of Organisational Management, which was partially revised by SAT in December 2017, setting out certain criteria for specifying what constitutes a "de facto management body" in respect of enterprises that are established offshore by PRC enterprises. However, no such criteria are provided in these, or other publications of SAT in respect of enterprises established offshore by private individuals or foreign enterprises like the Group, it is therefore unclear whether the Group will be deemed to be a "PRC tax resident enterprise" for the purposes of the EIT Law even though substantially all of the Group's operations and management are currently based in the PRC. The Group is currently not treated as a PRC tax resident enterprise by the relevant tax authorities, nevertheless, there can be no assurance that the Group will not be treated as a PRC tax resident enterprise under the EIT Law in the future, and be subject to the unified income tax. In the event that the Group is subject to the unified income tax, its income tax expenses may increase significantly and have a material adverse effect on its net profit and profit margins.

If the Group's preferential tax treatments become unavailable or if the calculation of the Group's tax liability is successfully challenged by the PRC tax authorities, its results of operations would be materially and adversely affected

During the Track Record Period, the Group enjoyed a number of preferential tax treatments. Zhonggan Communication qualified as a High and New Technology Enterprise in 2015, and the qualification was subsequently renewed in 2018 and 2021, and the valid period was extended to 2024. GLP Technology qualified as a High and New Technology Enterprise in 2020, and the qualification was subsequently renewed in 2023, and the valid period was extended to 2026. Furthermore, GLP Software qualified as a "Double-soft Enterprise" in 2023, which is valid for five years until 2028. As advised by the PRC Legal Advisers, pursuant to the PRC EIT Laws, as a High and New Technology Enterprise, each of Zhonggan Communication and GLP Technology enjoys a preferential corporate income tax treatment at a reduced rate of 15%, and as a Double-soft Enterprise, GLP Software enjoys full exemption from and 50% reduction of statutory corporate income tax for the first two years and the subsequent three years respectively. For further details on the tax regime the Group was subject to, please refer to the paragraphs headed "Regulatory Overview – Regulations relating to tax" in this document. It is the relevant PRC government authorities' discretion to decide when, under what conditions, or whether the preferential tax treatment should be granted to the Group. There is no assurance that the laws or regulations, or governmental policies in relation to the Group's preferential tax treatments will not change, or that its current eligibility to enjoy preferential tax treatment will not be cancelled. If there is any reduction, suspension, discontinuation or cancellation of the Group's preferential tax treatments, which may adversely affect the recoverability of the Group's tax recoverable, its business, financial condition and profitability would be materially and adversely affected.

The Company is a holding company and the Group's ability to pay dividends is primarily dependent upon the earnings of, and distributions by, the Company's subsidiaries in the PRC

The Company is a holding company incorporated under the laws of the Cayman Islands with limited liability. The majority of the Group's business operations are conducted through the Company's subsidiaries in the PRC and hence, the Group's turnover and profit are derived from these subsidiaries, as such the Group's ability to pay dividends to the Shareholders is primarily dependent upon the earnings of the Company's subsidiaries in the PRC and their distribution of funds to the Group, primarily in the form of dividends. The ability of the Company's subsidiaries in the PRC to make distributions to the Group depends upon, amongst others, their distributable earnings. Under the PRC law, payment of dividends is only permitted out of accumulated profits according to PRC accounting standards and regulations, and the Company's subsidiaries in the PRC are also required to set aside part of their after-tax profits to fund certain reserve funds that are not distributable as cash dividends. Other possible factors such as financial condition, restrictions on distributions contained in the Company's PRC subsidiaries' articles of associations, restrictions contained in debt instruments, withholding tax and other arrangements will also affect the ability of the Company's subsidiaries in the PRC to make distributions to the Group. These restrictions could reduce the amount of distributions that the Group receives from the Company's subsidiaries in the PRC, which in turn would restrict its ability to pay dividends on the Shares. The amounts of distributions that any of the subsidiaries of the Company has declared and made in the past are not indicative of the dividends that the Group may pay in the future. There is no assurance that the Group will be able to declare or distribute any dividends in the future.

Dividends payable by the Group to its foreign investors and gains on the sale of the Shares may be subject to withholding taxes under the PRC tax laws

Under the EIT Law and its implementation rules, enterprise income tax at the rate of 10.0% is applicable to dividends payable to investors that are "non-resident enterprises" (being investors which have not set up institutions or premises in the PRC, or where the institutions or premises are set up but its subsidiary's after tax income has no actual relationship with such institutions of premises) to the extent such dividends are sourced within the PRC. Similarly, any gain realised on the transfer of the shares of a PRC enterprise by such investors is also subject to 10.0% PRC enterprise income tax if such gain is regarded as income derived from sources within the PRC. If the Group is considered as a PRC "resident enterprise", it is unclear whether the dividends the Group pays with respect to the Shares, or the gain you may realise from the transfer of the Shares, would be treated as income derived from sources within the PRC and be subject to PRC tax. If the Group is required under the EIT Law to withhold PRC enterprise income tax on the Group's dividends payable to its foreign Shareholders, or if you are required to pay PRC enterprise income tax on the transfer of the Shares, the value of your investment or return on your investment in the Shares may be materially adversely affected.

Government control on currency conversion and changes in the exchange rate between RMB and other currencies could negatively affect the Group's financial condition, results of operations and its ability to pay dividends

RMB is not currently a freely convertible currency and the Group needs to convert RMB into foreign currencies for the payment of dividends, if any, to Shareholders, which is subject to the PRC rules and regulations on currency conversion. In the PRC, SAFE regulates the conversion of RMB into foreign currencies. Foreign invested enterprises are required to apply to SAFE or its local branches for Foreign Exchange Registration Certificates. Under the relevant PRC foreign exchange laws and regulations, payment of regular items, including profit distributions and interest payments, are permitted to be made in foreign currencies without prior government approval, but are subject to certain procedural requirements. Strict foreign exchange control continues to apply to capital account transactions, which must be approved by and/or registered with SAFE. The Group cannot assure you that the PRC regulatory authorities will not impose further restrictions on foreign exchange transactions for regular items, including payment of dividends.

Furthermore, in 2005, the PRC revalued the exchange rate of the RMB to the USD and abolished the pegging of the RMB solely to the USD as applied in the past. Instead, it is pegged against a basket of currencies. The Group cannot assure you that in the future the PRC will not revalue RMB or permit its substantial appreciation. Any increase in the value of RMB may adversely affect the growth of the PRC economy and competitiveness of various industries in the PRC, including the industry in which the Group operates, which could in turn affect the financial condition and results of operations of the Group. Fluctuations in exchange rates for USD may also adversely affect the value, translated or converted into RMB, of the Group's net assets, earnings and any declared dividends. The Group may incur new debt financings which may include foreign currency denominated borrowings. Any adverse fluctuations in exchange rates among these foreign currencies may materially and adversely affect the Group's results of operations.

PRC regulations on direct investments and loans by offshore holding companies to PRC entities may delay or limit the Group from making additional capital contributions or loans to the Company's major PRC subsidiaries

In utilising the **[REDACTED]** of the **[REDACTED]** in the manner described in the section headed "Future Plans and **[REDACTED]**" in this document, the Company, as the offshore holding company of the Company's operating subsidiaries in the PRC, may make loans and additional capital contributions to the Company's PRC subsidiaries or a combination thereof. Any loans to the Company's PRC subsidiaries are subject to PRC regulations and approvals. For example, loans by the Company to its subsidiaries in the PRC, which are foreign-invested enterprises, to finance their activities cannot exceed statutory limits, and must be registered with SAFE or its local counterpart. In addition, any capital contributions to the Company's PRC subsidiaries must be approved by MOFCOM or its local counterpart. The Group cannot assure that the Group will be able to obtain these government registrations or approvals on a timely basis, if at all, with respect to future loans or capital contributions by the Group to the Company's PRC subsidiaries. If the Group fails to obtain such registrations or approvals, its ability to use the **[REDACTED]** of the **[REDACTED]** may be negatively affected, which could materially and adversely affect its liquidity and its ability to fund and expand its business.

You may experience difficulties in effecting service of legal process and enforcing judgments against the Group and its officers

The Company was incorporated under the laws of the Cayman Islands and a substantial part of the Group's businesses, assets and operations are located in the PRC. In addition, most of the Directors and officers are residents of the PRC. As a result, it may not be possible to effect service of legal process upon the Group, or the Directors and the Group's officers in the PRC. Moreover, a judgment of a court of another jurisdiction may be reciprocally recognised or enforced if the jurisdiction has a treaty with the PRC, or if judgements of the PRC courts have been recognised before in that jurisdiction (subject to the satisfaction of other requirements). The PRC does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts of the United States, the United Kingdom, Japan and most other western countries. Therefore, it may be difficult for you to enforce against the Group, or the Directors and the Group's officers in the PRC any judgments obtained from non-PRC courts.

Under the current arrangement for reciprocal enforcement of arbitral awards between the PRC and Hong Kong, awards made by the PRC arbitral authorities that are recognised under the Arbitration Ordinance can be enforced in Hong Kong. Hong Kong arbitration awards are also enforceable in the PRC. On 14 July 2006, the Supreme People's Court of the PRC and the government of Hong Kong signed the Arrangement on Reciprocal Recognition and Enforcement of Judgements 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. Although the 2006 Arrangement became effective on 1 August 2008, the outcome and effectiveness of any application brought under the 2006 Arrangement remains uncertain.

In January 2019, the Supreme People's Court of the PRC and the government of Hong Kong signed the Arrangement on Reciprocal Recognition and Enforcement of Judgements in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region (the "**2019 Arrangement**"). The 2019 Arrangement stipulates, among others, the scope and particulars of judgements, the procedures and ways of application for recognition or enforcement, the review of the jurisdiction of the court that issues the original judgement, the circumstances where the recognition and enforcement of a judgement shall be refused, and the approaches towards remedies. The 2019 Arrangement shall apply to any judgement made on or after its effective date by the courts of both sides. The 2006 Arrangement shall be terminated on the same day when the 2019 Arrangement comes into effect. If a "written choice of court agreement" has been signed by parties according to the 2006 Arrangement prior to the effective date of the 2019 Arrangement, the 2006 Arrangement shall still apply. Although the 2019 Arrangement has been signed, its effective date has yet to be announced. Therefore, there are still uncertainties about the outcome and effectiveness of enforcement or recognition of judgements under the 2019 Arrangement.

In addition, Hong Kong has not entered into multilateral conventions or bilateral treaties regarding recognition and enforcement of judgments made by courts of any other jurisdictions. Hong Kong courts are also subject to certain limiting concerns when being used as an avenue for aggrieved investors, including enforcement of a Hong Kong judgment against the overseas assets, operations and/or directors, and enforcement of an overseas judgment in Hong Kong courts. As a result, it may be difficult or impossible for investors to effect service of process, enforce foreign judgments, or bring original actions against the Group's assets, or the Directors in China or Hong Kong in order to seek recognition and enforcement of foreign judgments in China.

Although the Group will be subject to the Listing Rules and the Takeovers Code upon **[REDACTED]**, the Shareholders will not be able to bring actions on the basis of violation of the Listing Rules or the Takeovers Code, which do not have the force of law in Hong Kong, and must rely on the Stock Exchange and SFC to enforce their rules.

There are uncertainties regarding the interpretation and enforcement of PRC laws and regulations

The Company's operating subsidiaries are principally based in the PRC and are subject to the laws and regulations of the PRC. The PRC legal system is based on statutory laws. Under this system, prior court decisions may be cited for reference but do not have binding precedential effect. Since 1979, the PRC government has been developing a comprehensive legal system and considerable progress has been made in the promulgation of laws and regulations dealing with economic matters, such as corporate organisation and governance, property title, foreign investment, commerce, taxation and trade. As these laws and regulations are relatively new and evolving, and because of the limited volume of published cases and judicial interpretations, and the non-binding nature of prior court decisions, the interpretation and enforcement of these laws and regulations involves some uncertainties. Such uncertainties may lead to difficulties in enforcing the Group's rights and in resolving disputes with any persons, and could result in unanticipated costs and liabilities.

RISKS RELATING TO THE [REDACTED] AND THE SHARES

There may be limited liquidity in the Shares and volatility in the price of the Shares on the Stock Exchange, which could result in substantial loss for investors purchasing the Shares under the [REDACTED]

The Shares have not been traded in an open market prior to the completion of the **[REDACTED]** and the **[REDACTED]** may not serve as an indicator of the price of the Shares as traded on the Stock Exchange in the future.

The **[REDACTED]** is the result of negotiations between the Group, the **[REDACTED]** and the **[REDACTED]** (for itself and on behalf of the **[REDACTED]**), and may be different from the market prices for the Shares after the **[REDACTED]**. The Group has applied for the listing of and permission to deal in the Shares on the Stock Exchange. However, there is no assurance that an active and liquid public trading market of the Shares will develop upon the **[REDACTED]**, or if it does develop, that it may be sustained for any period of time after the **[REDACTED]**. The market price and trading volume of the Shares may fluctuate significantly and rapidly as a result of the following factors, among other things, some of which are beyond the Group's control:

- variation in the Group's results of operations;
- the Group's inability to compete effectively in the market;
- changes in securities analysts' analysis of the Group's financial performance;
- the Group's announcement of significant acquisitions, dispositions, strategic alliances or joint ventures;
- addition or departure of the Group's key personnel;
- fluctuations in market prices and trading volume of the Shares;
- the Group's involvement in litigation;
- penalties from the relevant authorities in respect of any possible non-compliance in the Group's operations; and
- general economic and stock market conditions in Hong Kong.

All such factors may result in significant fluctuations in the market price and/or transaction volume of the Shares. There is no assurance that such changes will not occur.

Purchasers of the Shares will experience immediate dilution and may experience further dilution if the Group issue additional Shares in the future

The **[REDACTED]** of the Shares is higher than the net tangible asset value per Share immediately prior to the **[REDACTED]** and the **[REDACTED]**. Therefore, purchasers of the Shares in the **[REDACTED]** will experience an immediate dilution. In order to expand its business, the Group may consider offering and issuing additional Shares to new and/or existing Shareholders in the future after the **[REDACTED]**. Purchasers of the Shares may experience further dilution in their holdings in the future.

Sale or perceived sale of substantial amounts of the Shares in the public market after the [REDACTED] could materially and adversely affect the prevailing market price of the Shares

The Shares beneficially owned by the Controlling Shareholders are subject to certain lock-up periods under the Listing Rules and further undertakings in favour of the Group, however, there is no assurance that the Controlling Shareholders (whose interests may differ from those of other Shareholders) will not dispose of their Shares following the expiration of the lock-up periods. Sale of substantial amounts of the Shares in the public market, or the perception that such sale may occur, could adversely affect the prevailing market price of the Shares.

Upon completion of the **[REDACTED]** and the **[REDACTED]** (assuming that the **[REDACTED]** is not exercised, and without taking into account of any shares which may be granted upon the exercise of any options which may be granted under the Share Option Scheme), the Controlling Shareholders will own **[REDACTED]** of the Shares in issue (without taking into account of the Shares which may be issued upon the exercise of the **[REDACTED]**, and issued upon the exercise of options under the Share Option Scheme) and will therefore have significant influence over the operations and business strategies of the Group. Accordingly, the Controlling Shareholders will have the ability to require the Group to effect corporate actions according to their own desires. The interests of the Controlling Shareholders may not always coincide with the best interests of other Shareholders. If the interests of any of the Controlling Shareholders conflict with the interests of other Shareholders, or if any of the Controlling Shareholders choose to cause the Group's business to pursue strategic objectives that conflict with the interests of other Shareholders, the Company or those other Shareholders may be materially and adversely affected as a result.

The Group may require additional funding for future growth. Issue of new Shares under the Share Option Scheme or any future equity fund raising exercise will have a dilution effect and may affect the Group's profitability

The Group may be presented with opportunities to expand the Group's business through acquisitions in the future. Under such circumstances, secondary issue(s) of securities after the **[REDACTED]** may be necessary to raise the required capital to capture these growth opportunities. If additional funds are raised by means of issuing new equity securities in the future to new and/or existing Shareholders after the **[REDACTED]**, such new Shares may be priced at a discount to the then prevailing market price. Inevitably, if existing Shareholders are not offered an opportunity to participate, their shareholding interests in the Company will be diluted. Also, if the Group fails to utilise the additional funds to generate expected earnings, this could adversely affect the Group's financial results and in turn exert pressure on the market price of the Shares. Even if additional funds are raised by means of debt financing, any additional debt financing may, apart from increasing interest expense and gearing, contain restrictive covenants with respect to dividends, future fund raising exercises and other financial and operational matters.

Further, the Group has conditionally adopted the Share Option Scheme but no option has been, or will be granted thereunder prior to the **[REDACTED]**. Any exercise of the options to be granted under the Share Option Scheme in the future will result in a dilution in the shareholding of the Shareholders in the Company, and may result in a dilution in the earnings per Share and net asset value per Share. The fair value of the share options at the date on which they are granted with reference to the valuer's valuation will be charged as share-based expense, which may adversely affect the Group's results of operations.

RISKS RELATING TO STATEMENTS MADE IN THIS DOCUMENT AND FROM OTHER SOURCES

Certain statistics and facts in this document are derived from various official government sources and publications or other sources and have not been independently verified

This document includes certain statistics and facts that are derived from various official government sources, public market research, the Ipsos Report and other independent third-party sources. The statistics and facts from official government sources have not been independently verified by the Company, the Directors, the Sole Sponsor, the **[REDACTED]**, the **[REDACTED]**, the **[REDACTED]**, or any of their respective directors, affiliates or advisers or any other party involved in the **[REDACTED]**, and no representation is given as to its accuracy.

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

This document contains certain statements and information that are "forward-looking" and uses forward-looking terminologies such as "anticipate", "believe", "could", "expect", "estimate", "intend", "may", "plan", "seek", "should", "will", "would" or similar terms. Those statements include, among other things, the discussion of the Group's growth strategy, expectations concerning the Group's future operations and liquidity and capital resources. Investors of the Shares are cautioned that reliance on any forward-looking statements involves risks and uncertainties, and that, although the Group believes the assumptions on which the forward-looking statements based on are reasonable, any or all of those assumptions could prove to be inaccurate, and as a result, the forward-looking statements based on those assumptions could also be incorrect. The uncertainties in this regard include, but are not limited to, those identified in this section, many of which are not within the Group's control. In light of these and other uncertainties, the inclusion of forward-looking statements in this document should not be regarded as representations that the Group's plans or objectives will be achieved, and investors should not place undue reliance on such forward-looking statements. The Group does not undertake any obligation to update publicly or release any revisions of any forward-looking statements, whether as a result of new information, future events or otherwise. Please refer to the section headed "Forward-looking Statements" in this document for further details.

The Group strongly cautions you not to place any reliance on any information contained in press articles, media coverage and/or research analyst reports regarding the Group, the industry in which the Group operates, or the [REDACTED]

There may be press articles, media coverage and/or research analyst reports regarding the Group, the industry in which the Group operates, or the **[REDACTED]**, which may include certain financial information, financial projections and other information about the Group that do not appear in this document. The Group has not authorised the disclosure of any such information in the press, media or research analyst reports. The Group does not accept any responsibility for any such press articles, media coverage or research analyst reports, or the accuracy or completeness or reliability of any such information or publication. To the extent that any such information appearing in publications other than this document is inconsistent or conflicts with the information contained in this document, the Group disclaims it. Accordingly, prospective investors should not rely on any such information. In making your decision as to whether to purchase the Shares, you should rely only on the financial, operational and other information included in this document.