An **[REDACTED]** *in our H Shares involves a high degree of risk. You should consider carefully all the information set out in this document and, in particular, should evaluate the following risks associated with the* **[REDACTED]** *in our H Shares. You should pay particular attention to the fact that we conduct our operations in China, and we sell our products to other jurisdictions in Southeast Asia, South Asia and South America, the legal and regulatory environment of which in some respects may differ from that in Hong Kong and other jurisdictions. Any of the risks and uncertainties described below could have a material adverse effect on our business, results of operations, financial condition or on the* **[REDACTED]** *of our H Shares, and could cause you to lose all or part of your* **[REDACTED]**.

These factors are contingencies that may or may not occur, and we are not in a position to express a view on the likelihood of any such contingency occurring. The information given is as of the Latest Practicable Date, unless otherwise stated, will not be updated after the date hereof, and is subject to the cautionary statements in "Forward-looking Statements" in this document.

We believe that there are certain risks involved in our operations, some of which are beyond our control. We have categorized these risks and uncertainties into: (i) risks relating to our business and industry; (ii) risks relating to doing business in the geographic markets in which we operate; and (iii) risks relating to the **[REDACTED]**. There may be additional risks and uncertainties presently not known to us or not expressed or implied below or those we currently deem immaterial could also harm our business, financial condition and results of operations. You should consider our business and prospects in light of the challenges we face, including the risks discussed in this section.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

We are subject to market risks arising from fluctuations in the selling prices of our ammonium phosphate products in China and overseas.

Our ammonium phosphate products consist of monoammonium phosphate (MAP), diammonium phosphate (DAP), technical-grade MAP and other water-soluble products. In recent years, prices of ammonium phosphate products have been volatile. For example, the average selling prices of technical-grade MAP increased from RMB4,589 per tonne in 2021 to RMB6,740 per tonne in 2022, then decreased to RMB5,464 per tonne in 2023. The average selling prices of technical-grade MAP further increased to RMB5,824 per tonne in 2024 and RMB5,966 per tonne in 2025. The selling prices of our ammonium phosphate products may fluctuate unpredictably due to changes in industry supply and market demand conditions. Various factors may influence the supply and demand balance and the selling prices for our products, including general economic conditions in China and globally, cyclical trends in end-user markets, technological developments in the chemical industry, the seasonal nature of the agricultural industry which affects the application of our fertilizer products, climate changes, and competitors' pricing strategies. As a result, the selling prices of our ammonium phosphate products may continue to be subject to volatility in the future, and any negative changes may have a material and adverse impact on our business, financial condition and results of operations.

Decline in market demand for our products may have a material and adverse impact on us.

During the Track Record Period, we derived a majority of our revenue from sales of products to customers in the PRC, and the remainder from sales to overseas markets primarily including Southeast Asia, South Asia and South America. The demand for our products is influenced by various factors, in particular the overall performance of the PRC economy and the developments of our downstream industries in which our customers operate, including the agricultural industry and various other industrial sectors in the PRC.

Economic conditions in the PRC, including interest rate levels, inflation, unemployment rates, demographic trends, GDP growth, and consumer confidence, among other factors, affect the development of industries where our products are commonly used. Consequently, any downturn in these industries or in the broader economy could negatively impact our sales, exerting pressure on prices, volumes, and margins currently achieved or achievable in the future. A decline in demand for our products caused by deteriorating economic conditions could materially and adversely affect our business, financial position, operating results, and future prospects.

During the Track Record Period, our traditional ammonium phosphate products and specialty ammonium phosphate products were primarily sold as fertilizers and together accounted for 73.4%, 83.8% and 94.4% of our total revenue for the years ended December 31, 2023, 2024 and 2025, respectively. If for any reason ammonium phosphate products are perceived negatively in the agricultural industry or deemed less advantageous or effective than other products, demand for our ammonium phosphate products may decrease, and our revenue and profit may decrease as a result.

Demand for our ammonium phosphate products in different geographical markets is correlated with agricultural development in those markets. In recent years, we have benefited from growth of the agriculture industry in Southeast Asia, South Asia and South America, and our sales to those regions increased significantly during the Track Record Period. For the years ended December 31, 2023, 2024 and 2025, our sales to overseas markets amounted to RMB204.3 million, RMB425.7 million and RMB633.8 million, respectively, representing 13.6%, 26.2% and 34.1% of our total revenue for the relevant years. If there is negative economic development or local policy changes in our overseas markets, demand for our products may decrease and our results of operations and financial condition may be adversely affected.

We recorded net liabilities and net current liabilities during the Track Record Period. If we continue to incur net liabilities or net current liabilities in the future, we may face liquidity risks and our business, financial condition and results of operations will be materially and adversely affected.

During the Track Record Period, our net liabilities primarily resulted from accumulated losses as of the beginning of the Track Record Period, as partially offset each year by our net profit, and our net current liability position was primarily because we used short-term borrowings to finance long-term assets including production facilities and mining structure. As of December 31, 2023, 2024 and 2025, we recorded net liabilities of RMB458.9 million, RMB323.7 million and RMB131.8 million, and net current liabilities of RMB1,610.4 million, RMB1,779.7 million and RMB1,347.6 million, respectively. As of April 30, 2026, we recorded net current liabilities of RMB869.3 million.

We cannot assure you that our net liabilities or net current liabilities position will not continue in the future. If our net liabilities remain, we may be perceived to have an insolvency risk, which may increase our cost of capital and hurt our customer and supplier relationships. In addition, we may have no distributable reserves due to net liabilities, which in turn may prevent us from declaring and paying dividends to our shareholders. If we continue to have a net current liabilities position, we may encounter liquidity risks, and our ability to meet our working capital requirements may be restricted. In summary, if either our net liabilities or net current liabilities position continues in the future, our business, financial condition and results of operations may be materially and adversely affected as a result.

We face significant risks relating to geopolitical developments and international trade policies and the national policies of the relevant countries where our products are sold.

According to Frost & Sullivan, phosphate ore resource is one of the 24 strategic resources for China, and the development and utilization of phosphorus resources in the ammonium phosphate products industry are of strategic importance in ensuring food security, supporting industrial development and facilitating energy transition. As such, the export of ammonium phosphate products is often affected by geopolitical changes and international trade policies of China and overseas countries. As one of the major ammonium phosphate product manufacturers in China, we are expected to prioritize the fulfillment of domestic fertilizer supply and use remaining output for export. Our ability to sell to overseas markets could be limited and is subject to geopolitical changes as well as international trade policies and practices.

During the Track Record Period, we derived 13.6%, 26.2% and 34.1%, respectively, of our revenue from overseas sales for the years ended December 31, 2023, 2024 and 2025. In light of the turbulences in geopolitical developments, we have not made any export sales since the beginning of 2026 and up to the Latest Practicable Date. During the Track Record Period, the averages selling prices of our traditional ammonium phosphate products and specialty ammonium phosphate products were higher in the overseas markets compared to Chinese mainland. If we do not resume export sales, even though we will be able to sell our products in the Chinese domestic market, our business, financial condition and results of operations may still be negatively affected. In addition, China Phosphate & Compound Fertilizer Industry Association issues guidance opinions from time to time, which among other things provides pricing frameworks for relevant products under its supervision. Any changes in the guidance opinions, in particular the pricing range, would have a material impact on the pricing of our traditional ammonium phosphate products which are covered by the pricing frameworks, and our profitability and our results of operations in general would be affected.

In addition, changes to trade policies, treaties and restrictions, or the perception that these changes could trigger an adverse change in the economic conditions in the countries or territories where our products are sold, could have a negative impact on our sales. Complying with changes in trade policies or regulatory requirements, as well as responding to any related inquiries, investigations or other government actions, may be difficult and costly. These developments could, among other consequences, delay or hinder our business development and result in a material adverse effect on our business, financial condition and results of operations.

Moreover, significant political, trade or regulatory developments, such as those arising from the current U.S. government, or changes in U.S. policies implemented by the U.S. Congress, the Trump administration or any future administration, could create circumstances outside our control that harm our business operations. Such harm may stem from factors including economic downturns or geopolitical events triggered by these developments.

Our mining activities depend on obtaining and maintaining relevant governmental permits, licenses, and approvals. These authorizations are subject to fixed terms and renewal requirements, and there is a risk that we may not be able to secure, extend, or renew them as needed.

Our mining activities are regulated by the laws and regulations of the jurisdictions where our mining properties are situated. In the principal geographical region where we conduct our operations, the development, implementation, or modification of governmental policies, as well as the exercise of legislative discretion by authorities on certain matters, may be unpredictable. Such actions may involve amendments to laws concerning mineral rights, ownership of mining assets, and rights to explore and extract minerals.

Under the relevant PRC mineral laws and regulations, all mineral resources in China are owned by the state. Mining companies are required to obtain a mining license and the Safety Production Permit prior to undertaking any mining activities. We obtained our Safety Production Permit for the Yuxinlin Phosphate Mine in November 2025, which has a term of three years. We need to apply to the appropriate authorities for a renewal before the permit expires. If we fail to renew the Safety Production Permit, we will not be able to conduct our mining operations and our business, financial condition and results of operations may be materially and adversely affected.

Even if we comply with all substantive and procedural requirements prescribed under applicable laws and regulations, there can be no assurance that we will successfully obtain or renew the necessary permits; adhere to all conditions imposed by governmental authorities for maintaining such permits; or secure other approvals, licenses, and permits essential for our business operations, whether in respect of our existing mines or any future mining projects. Furthermore, despite meeting all applicable requirements, the review and approval process may be subject to delays or extensions. In addition, the granting of such approvals, licenses, or permits may require ratification or further authorization by governmental authorities, political bodies, local legislatures, or other legislative institutions, which could also result in prolonged timelines.

Our mining operations are currently and will continue to be concentrated in the Yulinxi Phosphate Mine and we are exposed to uncertainties relating to this mine.

As of the Latest Practicable Date, we owned one phosphate mine, namely, our Yulinxi Phosphate Mine in Xihe Village, Leizu Town, Yuan'an County, Yichang City, Hubei Province, China. Our mining operations depend on the Yulinxi Phosphate Mine, which is subject to various risks and uncertainties.

The Competent Person has identified a number of risks in estimating our Mineral Resources, Ore Reserves and operations related to our Yulinxi Phosphate Mine. See "Appendix III — Competent Person's Report — 18 Risk Assessment." The key risks identified by the Competent Person included the following:

- Potential overestimate of mineral resource
- Unexpected groundwater ingress
- Unforeseen significant fault/structure
- Lower-than-anticipated processing recovery

- Higher-than-expected mineral processing and production costs
- Adverse impacts on local ecology due to land disturbance
- Dust impacts from the haul roads and waste rock dump area
- Water contamination arising from mining activities

There is no assurance that we can mitigate the relevant risks. In the event that the occurrence of any of the above events causes us to operate at a less-than-expected capacity, our business, financial condition and results of operations could be materially and adversely affected.

Our ability to sustain our operations and achieve future growth depends on whether we can upgrade existing mineral resources and successfully convert them into ore reserves.

A considerable portion of the resources of our Yulinxi Phosphate Mine is currently classified as "Inferred Resources." Inferred resources are subject to a lower level of geological confidence, and we cannot assure you that further exploration or infill drilling will upgrade these resources to the "Measured" or "Indicated" categories. More intensive drilling or underground development may reveal that the geological continuity or grade of these resources is lower than initially estimated. Moreover, even "Measured" or "Indicated" resources cannot be guaranteed to ultimately convert into economically mineable ore reserves. Such conversion requires the successful application of a range of modifying factors, including mining, metallurgical, economic, marketing, legal, environmental, and governmental considerations.

Our ability to convert resources into reserves may be materially impaired by adverse circumstances such as unforeseen geological structures (including faults, folds, and karst features) or disturbed zones that disrupt ore body continuity or stability; complex geotechnical or hydrogeological conditions that render mining technically infeasible or prohibitively costly; metallurgical recovery rates lower than anticipated; escalating capital or operating costs that erode project economics; and downward fluctuations in phosphate product prices that reduce profitability.

As a result, some of the mineral resources we have reported may ultimately not be converted into ore reserves. If future infill drilling and feasibility studies fail to demonstrate the economic viability of mining our existing resources, the mine life may be significantly shorter than expected. Failure to continually add to ore reserves would materially and adversely affect our business continuity, financial condition, operating results, and future growth prospects.

Our phosphate resources may not ultimately be extracted at a cost that would make internal use of extracted phosphate economically feasible.

Although we have identified phosphate resources, the economic feasibility of extracting these resources remains uncertain due to various factors. Fluctuations in phosphate prices could affect revenue projections, while extraction costs and technical challenges in mining and beneficiation may hinder profitability or economic feasibility of using extracted phosphate as raw material in our production of ammonium phosphate products.

In addition, unforeseen environmental or regulatory changes could increase operational expenses or restrict access to resources, further complicating extraction efforts. The complexity of developing suitable beneficiation processes and constructing economically viable production facilities adds to this uncertainty. If the costs associated with extraction exceed the market price of phosphate rock, or if operational challenges prevent efficient mining and processing, we may incur financial losses, which could materially and adversely affect our business, financial condition, and future growth prospects.

Our estimates of Mineral Resources and Ore Reserves are based on various assumptions. There can be no assurance that these assumptions will remain unchanged, and any revisions to such assumptions may necessitate a downward adjustment of our estimates.

Our estimates of Mineral Resources and Ore Reserves are based on numerous assumptions applicable as of an effective date of March 31, 2026. Neither Mineral Resource estimates nor Ore Reserve estimates represent precise calculations. Ore Reserve estimates rely on available assumptions and considerations regarding the extraction of Measured and Indicated Mineral Resources, while Mineral Resource estimates depend on interpreting limited information concerning the location, shape, and continuity of the mineralized zones, as well as available sampling results. The accuracy of these estimates is influenced by the quantity and quality of data, the assumptions applied, and the judgments exercised in engineering and geological interpretation, each of which is subject to inherent uncertainty.

The Ore Reserve estimates presented in this Document represent the tonnage and grade of phosphate ore that we believe can be economically mined and processed. These estimates are based on a range of economic and technical assumptions, including, among other factors, commodity prices, operating costs, dilution rates, metallurgical recovery, and mining recovery assumptions, many of which are beyond our control. Ore Reserve estimation is inherently time-sensitive, and the figures disclosed in this Document reflect the assumptions and considerations deemed valid as of the effective date of the estimates presented in the Competent Person's Report. There can be no assurance that these estimates will be precisely realized or that the estimated Ore Reserves can be mined or processed profitably. For further details, please refer to "Appendix III — Competent Person's Report."

In addition, Inferred Mineral Resources, as compared to Measured or Indicated Mineral Resources, carry a significantly higher degree of uncertainty regarding their existence and potential economic viability. Inferred Mineral Resources are estimated based on limited geological evidence and sampling, rather than densely spaced data. There can be no assurance that any or all of the Inferred Mineral Resources will ultimately be upgraded to an Indicated or Measured category. Furthermore, no Inferred Mineral Resources have been included in the LoM plan presented in this Document.

The inclusion of Mineral Resource estimates in this Document should not be construed as a representation that all such quantities can be economically mined or processed. Furthermore, nothing contained herein should be interpreted as an assurance of the economic viability of the mines for which we hold mining licenses or exploration permits, or of the profitability of our future operations. Any reduction in our Mineral Resources or Ore Reserves, whether for the reasons stated above or otherwise, could materially and adversely affect our business, financial condition, and results of operations.

Furthermore, our ability to achieve the estimated phosphate ore production volume is subject to various risks and uncertainties that could materially and adversely affect our operations. These include, but are not limited to, operational challenges such as equipment failures, labor disputes, and adverse weather conditions, as well as other risks and hazards described elsewhere in this Document, which may disrupt our mining and beneficiation activities. Geological uncertainties, including unexpected variations in ore grade and ore reserves, could result in discrepancies between projected and actual production levels. Compliance with environmental regulations and obtaining necessary permits may also impact our production capabilities, as delays or changes in regulatory requirements could hinder operations. Furthermore, fluctuations in phosphate prices and market demand may require adjustments to our production plans, potentially leading to lower output than anticipated. Additional factors such as supply chain disruptions, technical and engineering risks, and financial constraints could further affect our ability to meet production targets. Consequently, there can be no assurance that we will achieve the estimated phosphate ore production volume, which could materially and adversely impact our future cash flow, business, financial condition, and results of operations.

Our mining operations involve numerous operational risks and hazards, which could lead to higher costs or losses, personal injury or fatalities, reputational damage, operational disruptions, and other penalties.

Our mining operations involve numerous operational risks and hazards inherent to the mining industry, many of which are beyond our control and cannot be entirely mitigated through preventive measures. Mining, processing, and exploration activities are exposed to significant risks, including, but not limited to: (i) mining-related risks; (ii) occupational hazards; (iii) legal and regulatory compliance risks; (iv) infrastructure and equipment-related risks; and (v) environmental, social, health, and safety risks.

Mining-related Risks. Mining operations are subject to numerous risks and hazards, including unexpected equipment maintenance or technical failures; operational disruptions caused by severe weather or natural disasters such as floods, landslides, and earthquakes; interruptions in electricity or fuel supply; and critical equipment breakdowns during mining, processing, or production. Additional risks include handling and storing hazardous substances, operating heavy machinery, and encountering unusual or unpredictable geological conditions such as slope instability and ground subsidence. Other hazards involve seismic activity; exposure to health risks such as dust inhalation, silicosis, and excessive noise; surface or underground fires and explosions, including those triggered by flammable gases or blasting; cave-ins, blockages, roof falls, and gravity-induced falls; release of toxic gases; electrocution; falls from height; and accidents involving mobile machinery, underground trains, and shaft conveyances.

Industrial accidents may also occur during drilling, blasting, and material processing, which can lead to dust inhalation and noise-induced hearing loss. Further risks include human error, environmental degradation such as soil and water pollution, and operational disruptions caused by adverse weather conditions. Accidents related to blasting, transportation, storage, and handling of hazardous materials may also pose significant threats.

Occupational Risks. Our operations involve handling and storing explosives and other hazardous materials, which inherently carry significant safety risks. Accidents cannot be entirely ruled out, and any such incidents may lead to operational disruptions, fines, and potential criminal liabilities for employees. Geographic factors, such as steep terrain and high elevation differences, increase the likelihood of localized mud-rock flows during rainy seasons and slope instability or ground subsidence. Furthermore, as our mining processes require the use of explosives, improper storage or handling of these materials could result in severe injuries, fatalities, or other damages.

These risks and hazards may cause personal injury, property or facility damage, environmental harm, business interruptions, and reputational loss. Additionally, dust emissions from our production activities may negatively impact the health of on-site employees and, in extreme cases, lead to pneumoconiosis or other occupational diseases.

Legal and Regulatory Risks. Phosphate mining constitutes part of our business operations, encompassing activities from ore extraction to beneficiation, and as such, we are subject to extensive laws, regulations, and licensing requirements imposed by governmental authorities in the jurisdictions where we operate.

Infrastructure and Equipment related Risks. Our infrastructure and facilities may be subject to design deficiencies, and successful commissioning and trial runs may not ensure uninterrupted commercial production in the future. Any breakdowns or modifications to these facilities could result in production delays and significant additional costs. In addition, we may incur increased production expenses over time due to compliance with applicable safety laws and regulations.

Environmental, Social, Health, and Safety Risks. Mining operations are inherently exposed to work-related injuries as well as industrial and mining accidents. Such incidents could lead to violations of conditions attached to our mining and exploration licenses or other regulatory approvals, which may result in fines, penalties, or suspension or revocation of these authorizations. We cannot assure that accidents will not occur at our sites in the future. Any failure to comply with applicable laws, regulations, or policies, or the occurrence of an accident, could materially and adversely affect our reputation, business, financial position, and operating results, and may subject us to civil, criminal, or regulatory liabilities. In addition, accidents involving third parties could disrupt our operations. Beyond operational impacts, safety incidents within the region could also negatively affect our reputation.

Our mining operations are also subject to health and safety and production safety regulations, which impose obligations on employers to maintain a safe and healthy working environment to the extent reasonably practicable. Under these laws, non-compliance may result in substantial penalties or administrative fines. In certain circumstances, civil or criminal litigation may be initiated against the employer in connection with accidents, hazardous incidents, or health-threatening events, including those resulting in fatalities of employees or contractors. Failure to comply with production safety regulations may require us to suspend operations, rectify issues within a specified timeframe, and/or pay fines. Unresolved problems could lead to further suspension and additional penalties. Accidents may also occur due to factors such as mishandling of hazardous materials. Changes to health and safety laws that increase compliance requirements or impose higher penalties for non-compliance could significantly raise our costs.

Competition in the ammonium phosphate products business could significantly impact our market position and may materially and adversely affect our business, financial condition, and results of operations.

We face increasingly intense competition in the markets where we operate. As of December 31, 2025, there were approximately 200 major ammonium phosphate products producers in the PRC, which included SOEs, private-owned enterprises and foreign-invested enterprises. Leading ammonium phosphate companies in the industry are continuously strengthening their integrated development model and constantly improving resource utilization efficiency and value chain synergy through upstream-downstream coordination and the recycling of by-products. Some of our competitors may have greater financial, sales and marketing, research and development, personnel, or other resources than we do. Our competitors may also respond more quickly to changes in technology or customer requirements or offer similar products at lower prices than we did. All of the foregoing factors would intensify market competition, which may result in price reductions, reduced profit margins and a loss of market share. Any adverse or unforeseen change in our competitive environment or if we fail to compete effectively may have a material and adverse effect on our business, results of operations and financial condition.

We made significant sales to our major customers. The loss of any of them or any adverse change to our existing business relationships with them could adversely affect our business, financial condition, results of operations and cash flows.

Our ability to maintain close relationships with our major customers is essential to our strategy and to the stability of our business. For the years ended December 31, 2023, 2024 and 2025, sales to our five largest customers accounted for 23.1%, 29.3% and 36.0%, respectively, of our total revenue and sales to our largest customer accounted for 5.1%, 10.6%, and 12.2%, respectively, of our total revenue.

During the Track Record Period, our major customers purchased from us on a case-by-case basis via purchase orders. As a result, there was no binding purchase commitment from the top five customers. There is no guarantee that any of these major customers will continue placing orders as they have in the past, or that they will do so in similar quantities or on similar pricing terms. Because there is no purchase commitment, purchases by these customers may fluctuate, making it difficult for us to accurately forecast future orders and the resulting revenue could vary significantly between periods. There is no assurance that existing customer relationships can be maintained, and any of these customers could terminate their business relationships at any time. If sales to major customers cannot be sustained, or if new customers cannot be acquired in a timely manner, our business, results of operations, and financial condition could be materially and adversely affected.

Moreover, we cannot guarantee that our major customers will not change their business scope or business model, will continue to maintain their market position and reputation, will not cease to operate or will not experience operational or financial difficulties. Any material adverse change to the operation, financial performance or financial condition of our major customers may have a significant adverse impact on us. If we are unable to find new customers on comparable commercial terms or, in the case of customers, with similar revenue contribution, within a reasonable period of time, or at all, our business, financial condition, results of operations and profitability may be adversely affected.

We procure raw materials from a limited number of key suppliers, which increases our reliance on certain suppliers and reduces our flexibility.

We procure raw materials from a limited number of suppliers. The main raw materials required for the manufacture of our products are phosphate rock, synthetic ammonia and sulfur. Purchases from our five largest suppliers in aggregate amounted to RMB496.9 million, RMB567.4 million and RMB472.1 million, representing 35.8%, 33.7% and 27.0% of our total purchases for the years ended December 31, 2023, 2024 and 2025. See "Business — Suppliers and Contractors — Our Top Five Suppliers" in this document for further information.

From time to time, we enter into framework procurement agreements with certain suppliers. For bulk procurement of synthetic ammonia, we generally enter into annual framework procurement agreements with a term of one year. However, we cannot assure you that any of our top five suppliers will renew these framework procurement agreements or continue to supply phosphate rock, synthetic ammonia and sulfur to us in the quantities we require. If any supplier ceases to supply these raw materials, we may not be able to secure alternative sources promptly, at acceptable prices, or on reasonable commercial terms, if at all. Any inability to obtain these raw materials in the required quantities and at acceptable prices could materially and adversely affect our business, prospects and financial condition.

We may encounter cost increases or disruptions in the supply of raw materials used in our production.

Cost of raw materials is the largest component of our cost of sales, accounting for 59.7%, 64.7%, and 74.8% of our total cost of sales for the years ended December 31, 2023, 2024 and 2025, respectively. The primary raw materials used in the production of our products are phosphate rock, synthetic ammonia and sulfur. In addition to internally generated phosphate rock from our Yulinxi Phosphate Mine, we procure phosphate rock from external suppliers to supplement our production needs. We mainly procure synthetic ammonia and sulfur from domestic suppliers and traders of imported sulfur. During the Track Record Period, our gross profit margin decreased from 36.9% for 2023 to 21.8% for 2025 primarily as a result of the increase in average cost of raw materials. The prices of such raw materials used to produce our products are subject to fluctuations and influenced by factors beyond our control, including market conditions, inflation, supply chain shortages and global demand for them, all of which could adversely affect our business and operating results.

Our operations are dependent on a stable supply of key raw materials. We cannot assure you that such raw materials will always be obtainable in the amounts we require or that the prices of such materials will not fluctuate or become less favorable to us in the future. Any substantial increase in our cost of purchase would impact on our cost structure and we cannot assure you that we will be able to pass all or a portion of such additional costs to our customers which could potentially reduce our profit margins.

Any disruption in the operations of our production facilities could lead to decreased production and sales volumes and may have a material adverse effect on us.

Any disruption in the operation of production facilities could result in reduced output and sales volumes, which may materially and adversely affect our business and financial performance. As of the Latest Practicable Date, we operated one phosphate mine and one ammonium phosphate production base. Our ability to meet customer demand and support business growth depends on the efficient and uninterrupted functioning of these facilities. However, manufacturing operations may be subject to significant interruptions caused by closures, prolonged suspensions, or damage to facilities arising from unforeseen events such as natural disasters, fires, floods, or other similar incidents. Operational breakdowns may occur despite adherence to high technical and safety standards. In addition, machinery and equipment require periodic maintenance and repairs, which could lead to temporary suspension of certain production lines. If we are unable to promptly repair or restore operations, our business, operations, and financial results could be materially impacted.

Any disruption in the operations of our production facilities may result in delays in producing and delivering products to our customers or failure to fulfill customer obligations, which may require sourcing products from third-party suppliers, resulting in lower profitability for us. Furthermore, failure to meet customer demand may harm ongoing relationships and influence future purchasing decisions.

Unexpected adverse weather conditions may have material and adverse impact on us.

As our business is closely related to the agricultural industry, large-scale natural disasters or prolonged adverse weather conditions in the PRC could disrupt plantation activities, leading to changes in demand for our ammonium phosphate products. For instance, events such as floods, droughts, earthquakes, or frost may cause crop failures, which in turn may reduce demand for our products. In addition, unexpected adverse weather conditions may also result in disruptions to our production or transportation of our products. Accordingly, the occurrence of natural disasters or adverse weather conditions could materially and adversely impact our business, prospects, financial condition, and results of operations.

We may fail to derive benefits from our research and development efforts and our investments in developing new products, keep pace with and respond to technological changes and evolving industry standards in an efficient and timely manner.

The success of our business is dependent upon our ability to continue to develop, in a timely and cost-effectively manner, new products, and improve our production and processing technologies through research and development to cater to changing customer requirements and industry trends. Our businesses are subject to the relevant industry standards and specific requirements of our customers. However, we cannot assure you that our existing or future products will always meet the evolving industry standards or our customers' requirements, or that we will not incur significant costs in ensuring our compliance with such standards or requirements. New products or technologies may render our existing products or technologies less competitive. We may incur additional costs to change our product compositions or to improve our production processes and upgrade our production or processing technologies in order to align with the industry standards and customer demand, any of which would adversely affect our business and results of operations. If we fail to derive desired benefits from our product research and development efforts, or respond to technological changes and evolving industry standards in an efficient and timely manner, we may not be able to continue to effectively serve our customers' demands, and our business, financial condition and results of operations may be materially and adversely affected.

The development of new products is time consuming and costly. We cannot assure you that our research and development efforts will lead to any breakthroughs or that the results of such efforts will result in commercialization that could be accepted by our customers. If we are unsuccessful in our research and development of new products, new applications and new technology or if we are unable to commercialize our research and development efforts, our research and development expenditures will not achieve returns and our competitiveness could be adversely affected.

Even if such research and development efforts have successful outcomes, we may not be able to integrate the results of our research to our business operations in a timely manner to take advantage of the market opportunities available to us. Market demand that we anticipated at the initial stages of our research and development cycle may not materialize by the end of the cycle and that the benefits which may be reaped from such newly-developed technologies and/or products may be affected by replication of such technological and/or products by our competitors. Technologies and/or products developed may also be rendered obsolete by new products, newer models of existing products, or new technologies developed by our competitors.

Our future success is dependent on our ability to effectively manage our growth.

During the Track Record Period, our revenue increased from RMB1,506.1 million in 2023 to RMB1,622.8 million in 2024, and further increased to RMB1,858.6 million in 2025, representing a CAGR of 11.1%. The expansion of our business will impose significant responsibilities on our senior management and require significant commitment of our resources, including financial resources and human resources. Our expansion will also expose us to greater overhead and support costs and other risks associated with developing new products applications. Difficulties in effectively managing the budgeting, financing, forecasting and other process control issues presented by such expansion could negatively affect our business, prospects, results of operations and financial condition. Such expansion is also required to obtain various approvals, permits, licenses and certificates and complete relevant inspections by competent government authorities.

There can be no assurance that our expansion plan will be successfully implemented in a timely manner or will be commercially successful. Any delay or failure to obtain relevant approvals, permits, licenses and certificates may materially delay our expansion. If we fail to achieve our business expansion, we may not be able to address growing customer demand, which may result in an adverse impact on our reputation, results of operations, business prospects and financial condition.

Our operations may be materially and adversely affected if we fail to comply with the laws and regulations that are applicable to our operations.

Our business operations in China and product sales in overseas markets are regulated by a number of national and local authorities, which jointly regulate major aspects of our industries in the jurisdictions in which we operate. See "Regulatory Overview" and "Business — Licenses and Permits" for details.

As the interpretation and implementation of existing and future legislation, regulations and policies governing our business activities are evolving, we cannot assure you that we will not be found in violation of any current or future legislation, regulations or policies. If we fail to comply with the laws and regulations applicable to us in a timely manner or at all, we may be subject to various penalties, including fines, discontinuation or restriction of our business operations. Any such penalties may damage our reputation, disrupt our business operations and even terminate our business operations. As such, our results of operations, financial conditions and business prospects could be materially and adversely affected.

Our production and operations are subject to various safety regulations, and any incident resulting in personal injury could lead to claims that may negatively affect our business reputation or expose us to civil and criminal liabilities.

We are required to comply with applicable production safety standards and undergo regular inspections by regulatory authorities under the Production Safety Law of the PRC (《中華人民共和國安全生產法》), the PRC Labour Law (《中華人民共和國勞動法》), and the PRC Law on the Prevention and Treatment of Occupational Diseases (《中華人民共和國職業病防治法》). These laws mandate that our facilities meet occupational safety and health requirements for employees. Failure to comply may result in warnings, orders to rectify non-compliance within a specified timeframe, fines, or even suspension or permanent closure of operations. Such actions could materially and adversely impact our reputation, business, financial condition, and operating results.

In the event of a safety incident at any production facility, we may be required to suspend operations for inspection, which could disrupt business activities and adversely affect financial performance. Despite implementing safety measures, risks such as explosions, fires, accidents, and geological hazards remain. These hazards may cause personal injury, property damage, or equipment loss, which may have a material and adverse effect on our reputation, business and results of operations.

We are required to comply with environmental protection laws and regulations, and changes in social trends or government policies relating to ESG may materially and adversely affect us.

Our operations are subject to various PRC environmental laws and regulations governing pollution control, waste treatment, transportation, storage, and the handling of hazardous substances. Failure to comply with these requirements may result in enforcement actions by regulatory authorities, including suspension or revocation of licenses or permits, imposition of fines, and exposure to civil or criminal liability.

In addition, our facilities are subject to ongoing inspections by local environmental authorities. If our operations cause environmental pollution or otherwise fail to meet applicable standards, we may be required to undertake corrective measures and compensate affected parties for losses arising from such non-compliance. The costs associated with compliance, remediation, and potential liabilities could be significant and may materially impact our business, prospects, financial condition, and operating results. Moreover, we engage construction contractors to provide engineering, procurement and construction services. We require our construction contractors to comply with all applicable laws and regulations in respect of safety and environmental protection. However, there can be no assurance on the compliance of our contractors in this regards. If our contractors violate applicable laws and regulations, we may also be subject to fines and may have to pay out compensations.

Further, growing public awareness and regulatory emphasis on environmental sustainability may lead customers to favor products that are more environmentally friendly. If we are unable to adapt our production processes to meet these evolving expectations, we may experience reduced demand for our products, resulting in a loss of sales and adverse effects on our business and financial performance.

Moreover, any failure to comply with relevant environmental laws and regulations could expose us to litigation, penalties, or other sanctions imposed by judicial or governmental authorities. Non-compliance may also harm our reputation, making customers less inclined to purchase from us, which could further negatively affect our operations and financial results.

Additional financing may be required to support our development plans or adapt to changes in business conditions. However, there cannot be assurance that such financing will be available on acceptable terms, or at all.

Additional funding may be required if we incur operating losses or seek to expand and develop our business, including through investments or acquisitions. However, obtaining external financing in the future is subject to numerous uncertainties, such as our financial condition, operating results, cash flows, share price performance, fluctuations in international capital and lending markets, and regulatory requirements governing investment and the phosphate chemical industry.

Moreover, taking on debt would increase our repayment obligations and could impose restrictive covenants that limit our operations and growth. There is no guarantee that financing will be available in a timely manner, in sufficient amounts, or on favorable terms. Failure to raise funds when needed, or on acceptable terms, could severely impact our liquidity and have a material adverse effect on our business, financial condition, and results of operations. In addition, issuing equity or equity-linked securities could lead to significant dilution of existing shareholders and may grant rights or privileges that rank ahead of those attached to our current shares.

Changes in taxation policies applicable to ammonium phosphate products may materially and adversely affect our financial performance.

Historically, in 2015, the value-added tax (VAT) rate for companies engaged in the sale and import of ammonium phosphate products was 13%. This rate was subsequently reduced, and on March 20, 2019, the Ministry of Finance, the State Administration of Taxation, and the General Administration of Customs jointly issued the Announcement on Policies Concerning Deepening the Value-Added Tax Reform (《關於深化增值稅改革有關政策的公告》), which further lowered the VAT rate to 9%. In addition, the State Administration of Taxation released the Announcement on Specifying the Implementation Standards for Organic Fertilizer Products (《關於明確有機肥產品執行標準的公告》), exempting organic fertilizers and organic-inorganic compound fertilizers from VAT.

Looking ahead, the PRC government may introduce further changes to VAT policies applicable to the ammonium phosphate industry, including policies governing the import and export of ammonium phosphate products. If any such changes result in increases in the VAT we are required to pay, it could materially and adversely affect our business, financial condition, and results of operations.

The discontinuation of the preferential tax treatment for high technology enterprises or government grants currently available to us in the PRC or other unfavorable changes in tax law or government grant policy may materially and adversely affect our financial performance.

Our results of operations and profitability are affected by changes in tax rates in the PRC. We enjoy certain preferential income tax treatment. For example, our Company was certified by the PRC government authorities as a High-tech Enterprise, and therefore enjoyed preferential enterprise income tax rates of 15% during the Track Record Period. Our effective tax rates may change from year to year due to the availability or expiration of any preferential tax treatments. We cannot assure you that the policies on preferential tax treatment will not change or that any preferential tax treatment we enjoy or will be entitled to enjoy will not be terminated.

We also receive grants from local governments, which are discretionary and vary from year to year. In 2023, 2024 and 2025, we recorded government grants as other income amounting to RMB1.4 million, RMB5.8 million and RMB10.6 million, respectively. Local governments may decide to adjust such grants in the future. We cannot assure you of the continued availability of the government grants currently enjoyed by some of our PRC subsidiaries. Any reduction, cancelation, or repayment of government grants could adversely affect our business, financial condition and results of operations.

We may experience material adverse effects if there is any significant disruption to the warehouses where our products and raw materials are stored.

Our products are kept mainly in warehouses located at or near our production facilities and ports as well as a warehouse in Xinjiang serving the local customer base. We also store raw materials in warehouses at our production facilities. Any major and unexpected downtime, repairs, or servicing of these warehouses that lead to substantial operational disruptions could prevent us from storing products or raw materials for an extended period. Such circumstances may require us to incur significant, unanticipated costs and could delay our production or delivery schedules.

In addition, the warehouses where we store our products and raw materials face numerous hazards, including fires, floods, explosions, natural disasters, third-party interference, power supply or power outage disruptions, war, terrorism, and civil unrest. These events could cause severe operational disruptions or significant damage to our warehouses and inventories. Additionally, such hazards may result in personal injury, wrongful death claims, and other liabilities related to warehouse damage. These risks and disruptions could materially and adversely affect our business, financial condition, and operating results.

We may be unable to maintain our quality assurance systems effectively and any failure to maintain our quality standards may affect our market reputation and results of operations.

The quality of our products depends on the effectiveness of our quality control and quality assurance. We have established a comprehensive quality management system to ensure product quality and safety. This system includes quality control measures at key stages of production, such as raw material inspection and product testing, to maintain compliance with standards. For different product types, we have corresponding quality control processes in place. While these measures aim to prevent deviations, we cannot guarantee that all risks will be eliminated. Any significant failure could affect product suitability, safety, and our business reputation.

We may be unable to protect our intellectual property rights and may be subject to infringement claims from third parties, either of which could harm our reputation, reduce our brand value, and negatively affect our business and competitive market position.

We rely primarily on trademarks, patents and proprietary technologies to protect our technological know-how, which includes designs and technologies for our products and production methods. Furthermore, certain know-how cannot be registered, and we rely on our employees, customers, suppliers and other stakeholders observing confidentiality and trade secrets protection obligations established under the relevant contracts and mandated under the relevant laws to protect such know-how. We are also applying for the registration of certain patents. We cannot assure you that these measures will be sufficient to prevent any infringement of our intellectual property rights or that our competitors will not independently develop alternative technologies that are equivalent or superior to our technologies. Furthermore, we cannot assure you that all our registration or extension applications will be successful, or our registered intellectual property rights will not be subject to any objection. In the event that the steps we have taken and the protection afforded by law do not adequately safeguard our intellectual property rights, or we are not able to register or extend or defend our intellectual property rights, our competitors may exploit our intellectual property in the manufacturing and sale of competing products, which could materially and adversely affect our business, results of operations and financial condition.

In addition, third parties may assert exclusive rights to trademark, patent and other intellectual property against us. We could also face claims or infringement or misappropriation claims by third parties in other aspects of our day-to-day operations. If we are not able to protect ourselves against infringement on our intellectual property rights, our competitive edge in the industries where we operate may be negatively affected. We may not be able to defend the intellectual property rights in these disputes.

Any litigation arising from these claims could result in substantial costs to us and divert our management attention and financial and human resources. For example, in 2023, Meisheng Agricultural Materials (Beijing) Co., Ltd. (美盛農資(北京)有限公司) commenced civil litigation before the Shanghai Intellectual Property Court against five defendants including our Company, seeking, among other things, orders that the defendants cease infringement of its exclusive right to use its well-known trademark, cease the production, sale and promotion of products infringing such exclusive right, and compensate it for economic losses (the "**Meisheng Litigation**"). See "Business — Legal Proceedings and Compliance Matters" for details. If any intellectual property claims against us, including those under the Meisheng Litigation, are successful, we may not have a legal right to continue to sell products that are adjudicated to have infringed third parties' intellectual property rights. We may be legally required to expend significant resources to replace the existing technologies so that they do not infringe on third parties' intellectual property rights or we may be required to obtain relevant licenses to avoid further infringements. As a result, our reputation, business, financial condition and results of operations could be materially and adversely affected.

We may be involved in legal proceedings and commercial or contractual disputes, which could have a material adverse effect on our business, results of operations and financial condition.

We may become involved in legal proceedings and ordinary commercial or contractual disputes as part of normal business operations. It cannot be guaranteed that future disputes or lawsuits will not arise, which could expose us to additional risks and losses. In such cases, legal costs may be incurred, including fees for appraisal, auction, enforcement, and legal advisory services. Litigation and other disputes could trigger inquiries, investigations, and proceedings by regulatory authorities and other government agencies, potentially harming our reputation, increasing operating costs, and diverting resources and management attention from core activities. Disruptions from judgments, arbitrations, and legal actions against us or adverse rulings affecting our Directors, senior management or key employees could have a material negative impact on reputation, financial condition, results of operations, and future prospects.

Our reputation is important to our business and success. Negative publicity or damage to our reputation may adversely affect our business and results of operations.

We place high value on our reputation, which supports and helps us to grow our business. Negative publicity related to operations could lead to lost business, divert management attention and other resources, and increase litigation costs. We engage with numerous counterparties, including customers and suppliers. If any counterparty, or a former employee, expresses dissatisfaction, whether or not the complaints are justified, and raises allegations about operations or about the Directors, senior management, or employees, it could harm our business. Adverse publicity across any media channel following such complaints or allegations, even if legal outcomes are favorable, may damage our reputation and influence customers' perceptions of our brand, potentially resulting in material adverse effect on our business and results of operations.

Failure to make adequate contributions to various employee benefits plans according to the procedures under the relevant PRC laws and regulations and the laws and regulations of other jurisdictions in which we operate may subject us to penalties or other consequences.

PRC laws and regulations require us to pay several statutory social welfare benefits for our employees, including social insurance and housing provident funds. The amounts of our contributions for our employees under such schemes are calculated based on certain percentage of salaries, including bonuses and allowances, up to a maximum amount specified by the local government from time to time at locations where we operate. For details relating to the relevant laws and regulations, see "Regulatory Overview." During the Track Record Period, we did not make adequate contributions to the social insurance and housing provident funds with respect to certain of our employees as required by the relevant PRC laws and regulations. The total unpaid amount of the social insurance and housing provident funds calculated based on the minimum contribution base of social insurance and housing provident funds is RMB5.8 million, RMB12.0 million and RMB12.1 million, respectively, for the years ended December 31, 2023, 2024 and 2025.

According to the Social Insurance Law of the People's Republic of China, if we fail to make contribution to our employee's social insurance timely and sufficiently in accordance with the requirements under the relevant PRC laws and regulations, we may be ordered to pay the shortfall amount and a late payment fee of up to 0.05% of the shortfall amount each day of delay within a prescribed time limit, and if we fail to pay up the shortfall amount and the late payment fee within the newly prescribed time limit, we may be imposed fines in an aggregate amount ranging from one to three times of the shortfall amount. Our PRC Legal Advisors advised that, based on their consultation with the relevant local authorities regarding social insurance and housing provident fund, and the premises that (1) there is no material change in the existing PRC laws and regulations and the practices of the local government in respect of policy enforcement and inspection, (2) we have not received any material complaints or reports from employees, the likelihood that we would be required to make lump-sum payments or subject to administrative penalties for the shortfall of social insurance is remote. Our PRC Legal Advisors have also advised us that, in the event that we fail to pay the housing provident fund in full, the housing provident fund management center may order us to pay the shortfall amount within a prescribed time limit. If we fail to do so upon the expiration of the abovementioned time limit, further application may be made to the People's Court for compulsory enforcement. We cannot assure you that we will not be subject to any order to rectify this non-compliance incident in the future, nor can we assure you that there are no, or will not be any, relevant employee complaints against us. Any such order may adversely and materially affect our business, financial condition, results of operations and prospects.

Any misconduct by our employees or by business partners and/or their employees, could potentially expose us to significant legal liabilities, reputational harm, and other damages that may adversely affect our business.

We rely on our employees to maintain and operate our business and have implemented an internal code of conduct to guide the actions of our employees. However, we do not have control over the actions of our employees, and any misconduct of our employees could materially and adversely affect our reputation and business. We also rely on our business partners, including, among others, customers, suppliers for raw materials, components and equipment, and contractors for construction for our business operations. Although we have implemented measures to select business partners, we may not be able to successfully monitor, maintain and improve the quality of the raw materials, equipment, components and services they provide. For example, in October 2020, we manufactured and packaged

DAP products as an OEM for Meisheng Jiaji using Meisheng Jiaji's packaging, and duly checked its trademark authorizations in this process. In February 2022, unbeknownst to us, the relevant trademark Meisheng Jiaji gave us to use in the packaging was invalidated upon application by Meisheng Agricultural Materials (Beijing) Co., Ltd., who sued Meisheng Jiaji and us for trademark infringement and unfair competition. The court ordered the defendants, including us, to stop the infringing acts and to jointly compensate the plaintiff. For details, see "Business — Legal proceedings and Compliance Matters — Legal Proceedings" in this document. We cannot assure you that similar incidents will not occur in the future. In the event of any misconduct or violations of laws and regulations by our business partners and/or their employees, we may be implicated and our reputation as well as our business, financial condition, results of operations and prospects may be materially and adversely affected.

We may face fines in relation to our leased property or may not be able to continue to use the building on the leased property or use the land we leased.

Under PRC laws and regulations, commercial housing lease contract must be filed with the local housing authorities. As at the Latest Practicable Date, we had two leased properties that were subject to such filing requirements, one of which has completed the relevant filing procedures, while the other is in the process of completing the filing procedures. If we fail to complete the filing procedures for, or to maintain the effectiveness of, such filings, the relevant authorities may impose administrative measures and/or penalties, require rectification within a prescribed period. Any of the foregoing may disrupt our operations at the relevant premises, result in additional compliance costs and management time, and adversely affect our business, financial condition and results of operations.

We may not have adequate insurance coverage for losses and liabilities arising from various operational risks and hazards that we are subject to.

We generally do not maintain any business interruption insurance. Our insurance coverage may not be sufficient to cover all losses we experience. We face various operational risks in connection with our business, including among others, (i) operating limitations imposed by environmental or other regulatory requirements; (ii) social, political and labor unrest; (iii) environmental or industrial accidents; and (iv) catastrophic events such as the outbreak of fires, earthquakes, explosions, floods or other natural disasters. These risks can result in, among others, damage to, and destruction of, properties, personal injury or loss of life, environmental damage, monetary losses and legal liability. The occurrence of any of these events may result in the interruption of our operations and subject us to significant losses or liabilities. It is also uncertain whether policies can be renewed or renewed on similar or acceptable terms. In the event that we incur substantial losses or liabilities and our insurance is unavailable or inadequate to cover such losses or liabilities, our business, financial condition and results of operations could be materially and adversely affected.

Our production may be materially and adversely affected by increases in the cost of utilities and energy or by energy shortages.

Our production process depends on a stable and sufficient supply of utilities, primarily electricity, coal, and water. We source electricity from regional power grids and obtain coal from local public utility companies, with fees generally aligned with market rates. However, any significant increase in energy prices could raise our production costs.

Moreover, energy shortages and supply disruptions may occur due to factors beyond our control. For example, in early 2024, Hubei Province experienced electricity supply pressure caused by extreme weather. In addition, temporary shortages may arise from adverse weather conditions or natural disasters. These circumstances could negatively impact the operation of our production facilities.

Natural disasters, epidemics, acts of war or terrorism or other factors beyond our control in the future could materially and adversely affect our business, financial condition and results of operations.

Natural disasters, epidemics, acts of war or terrorism or other factors beyond our control may adversely affect the economy, infrastructure and livelihood of the people in the regions we conduct our business. These regions may be under the threat of typhoons, tornados, snowstorms, earthquakes, floods, droughts, power shortages or failures, or are susceptible to epidemics, such as COVID-19, Severe Acute Respiratory Syndrome, avian influenza, H1N1 influenza, H5N1 influenza, H7N9 influenza, Middle East respiratory syndrome, potential wars or terrorist attacks, riots, disturbances or strikes. Serious natural disasters may result in a tremendous loss of lives and injury and destruction of assets and disrupt our business and operations. Severe communicable disease outbreaks could result in a widespread health crisis that could materially and adversely affect business activities in the affected regions, which could materially and adversely affect our operations. Acts of war or terrorism, riots or disturbances may also injure or cause deaths to our employees and disrupt our business network and operations. Any of these factors and other factors beyond our control could have an adverse effect on the overall business environment, cause uncertainties in the regions where we conduct business, cause our business to suffer in ways that we cannot predict and materially and adversely affect our business, financial condition and results of operations.

Our historical performance during the Track Record Period may not be indicative of our future prospects.

We have experienced growth during the Track Record Period. Our revenue increased from RMB1,506.1 million in 2023 to RMB1,622.8 million in 2024 and to RMB1,858.6 million in 2025. While our business realized growth in the past, we cannot guarantee that we will be able to sustain our historical growth rate for various reasons, including intensified competition within the industries in which we operate, and potential unforeseen changes in laws and regulations in the geographies in which operate. Our revenue, expenses and operating results may vary from period to period due to factors beyond our control. We cannot assure you that our future revenue will increase or that we will be profitable. Accordingly, **[REDACTED]** should not rely on our historical results as an indication of our future financial or operating performance. In addition, unanticipated expenses, operational setbacks, or other unknown factors could arise, which may negatively influence our financial performance. As a result, our business, prospects, financial condition, and operating results could suffer material and adverse effects.

We may face inventory obsolescence risks.

As of 31 December 2023, 2024 and 2025, our inventories amounted to RMB198.7 million, RMB360.2 million and RMB350.6 million, respectively. For the same periods, our average inventory turnover days were 80.9 days, 77.6 days and 89.6 days, respectively. As our business expands, the scale of our inventories is expected to increase, which may heighten the risk of inventory obsolescence. We cannot assure **[REDACTED]** that we will be able to maintain optimal inventory levels for our raw materials, work-in-progress and finished goods. Our inventory management relies on internal forecasts of customer demand, and any inaccuracies in these forecasts could expose us to significant risks. If our forecasted demand exceeds actual demand, we may accumulate excess inventory, leading to elevated holding costs, increased exposure to obsolescence or the need for write-offs. Conversely, if our forecasted demand falls short of actual demand, we may experience stock shortages, resulting in lost sales opportunities and potential erosion of market share to competitors. As such, any failure to effectively manage our inventories could have a material adverse effect on our business, financial condition and results of operations.

The failure to attract, recruit and retain qualified personnel could hinder our ability to successfully execute our business strategy, which could have a material adverse effect on our financial position and operating results.

We believe that our continued success and growth depends, to a large extent, on our ability to attract and retain the services of our senior management team as well as experienced and qualified technical personnel, who possess the technical knowledge and are familiar with the industries that our products and/or services serve. For details, please refer to the section headed "Directors and Senior Management" in this document. We cannot assure that we would be able to retain the services of our senior management and/or key technical personnel, or attract and retain high-quality personnel, in the future. If any member of our senior management and/or key technical personnel were to leave our Group, we may not be able to recruit a suitable replacement with comparable experience and qualifications on a timely basis, which may adversely affect our business operations, financial condition and growth prospects. In addition, we may lose business to our competitors if any member of our management team were to join them after terminating employment with us. We also cannot assure you that our departed technical personnel will not disclose our patented technologies to our competitors. We may lose competitiveness as a result.

The adjustment of rental fees, the termination of lease contracts or other relevant disputes relating to our leased land and properties could have an adverse impact on our business operations.

We leased certain land and properties for use, consisting of (i) land with collective ownership located at our Yulinxi Phosphate Mine that we leased for facilities serving our mine operations, (ii) a leased property near our production facility used as staff dormitory and another leased property in Shanghai as our sales office. We face potential risks arising from the adjustment of rental fees, the termination of lease contracts, or other relevant disputes relating to leased properties, which may have an adverse impact on our business, financial condition, and results of operations.

The rental fees of our leased properties are generally determined based on market supply and demand, regional economic conditions, property location, and the terms of the lease contracts. In the event of changes in market conditions, the lessors may request an increase in rental fees upon the renewal of lease contracts. If we are unable to negotiate favorable rental terms with the lessors, we may have to accept higher rental costs, which will directly increase our operating expenses and reduce our profit margins.

In addition, our lease contracts may be terminated early due to various reasons, including the lessor's exercise of early termination right, our breach of leasing terms, expropriation of the leased land or property. If a lease contract is terminated early, we may face the risk of business interruption during the period of finding and relocating to alternative properties. The process of searching for suitable replacement properties, negotiating lease terms, renovating and equipping the new premises, and transferring personnel and equipment may take a long time and incur substantial additional costs. In addition, the relocation may lead to disruption of production schedules or delays in delivery commitments, which will further adversely affect our business performance and brand reputation.

RISKS RELATING TO DOING BUSINESS IN THE GEOGRAPHIC MARKETS IN WHICH WE OPERATE

Changes in economic, political and social conditions, as well as government policies in jurisdictions where we have material business operations and globally, could have a material adverse effect on our business and prospects.

Our business, prospects, financial condition, results of operations and prospects are, to a material extent, subject to economic, political, and legal developments in the jurisdictions where we operate. Factors that may affect us include economic slowdowns in the places where we operate, inaccurate assessments of market conditions of the markets where we operate, government-led economic policies and initiatives, changes in prevailing market interest rates, higher rates of bankruptcy, and changes to applicable laws, regulations and other regulatory policies. In addition, government regulations on capital investments or changes in tax regulations.

Any slowdown in the economic growth of the jurisdictions where we operate may reduce the demand for the products we promote and sell and could materially and adversely affect our business, financial condition, results of operations and prospect.

Economic and social conditions in the PRC may affect our business, results of operations, financial condition and prospects.

During the Track Record Period, a substantial majority of our revenue was derived from our business operations in the PRC. As a result, our business, financial condition, results of operations and prospects are, to a large extent, affected by economic, political and legal developments in the PRC. In particular, factors such as consumer, corporate and government spending, commercial investment, the level of economic development and resource allocation may affect the growth of our business.

Since the implementation of the reform and opening-up policies in the PRC, the PRC economy has experienced significant growth over the past decades. In recent years, the PRC government has implemented various measures emphasizing the use of market forces to promote economic reform and the establishment of sound corporate governance mechanisms in business enterprises. These economic reform measures may be adjusted from time to time for different industries or in different regions of the PRC. If the business environment in the PRC changes, our business operations in the PRC may also be adversely affected.

The evolving legal systems in the jurisdictions in which we operate may affect our business, financial condition and results of operations, and our [REDACTED] may be adversely affected as a result.

We are based in the PRC, and our operations in the PRC are governed by PRC laws and regulations. The PRC legal system is a civil law system based on written statutes. As the PRC legal system continues to develop, such laws and regulations may continue to evolve and may be subject to interpretation. As these laws and regulations continue to develop in response to changing economic and other conditions, we cannot predict how such laws, rules and regulations will be interpreted and enforced. This may affect the legal protections and remedies available to us and our **[REDACTED]**.

Fluctuations in exchange rates could result in foreign currency exchange losses.

The value of the RMB against the Hong Kong dollar, US dollars and other currencies fluctuates and depends, to a large extent, on domestic and international economic and political developments, as well as supply and demand in the local market. It is difficult to predict how market forces or government policies may impact the exchange rate between the RMB and the Hong Kong dollar or other currencies in the future.

In addition, the **[REDACTED]** from the **[REDACTED]** will be received in Hong Kong dollars. As a result, any appreciation of the Renminbi against the Hong Kong dollar may result in a decrease in the value of our **[REDACTED]** from the **[REDACTED]**. Conversely, any depreciation of the Renminbi may adversely affect the value of, and any dividends payable on, our Shares in a foreign currency.

The CSRC or other PRC governmental authorities carry out regulations in connection with overseas [REDACTED] and future capital raisings or securities activities, which we must abide by.

On July 6, 2021, the General Office of the Central Committee of the Communist Party of the PRC and the General Office of the State Council jointly issued the Opinions on Strictly Cracking Down on Illegal Securities Activities (《關於依法從嚴打擊證券違法活動的意見》) (the "**July 6 Opinions**"), which called for enhanced regulation of PRC companies listed overseas, and proposed revisions to the relevant regulations governing the overseas issuance and listing of shares by such companies and clarification of the responsibilities of domestic industry regulators and governmental authorities. The July 6 Opinions were intended to achieve these objectives through the establishment of a regulatory framework and the revision of the existing regulations relating to overseas listings by PRC entities and their affiliated parties, including the potential extraterritorial application of PRC securities laws.

On February 17, 2023, with the approval of the State Council, the CSRC released the Trial Administrative Measures of the Overseas Securities **[REDACTED]** and **[REDACTED]** by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) and five supporting guidelines (the "**Overseas [REDACTED] and [REDACTED] Trial Measures**"), which came into effect on March 31, 2023. The Overseas **[REDACTED]** and **[REDACTED]** Trial Measures comprehensively reformed the regulatory regime for overseas securities offerings and listings by China-based companies, conducted either in direct or indirect manners, by adopting a filing-based regulatory mechanism. See "Regulatory Overview — Laws and Regulations Relating to Overseas **[REDACTED]**" for details. According to the Overseas **[REDACTED]** and **[REDACTED]** Trial Measures, this **[REDACTED]** shall be deemed as an direct offering by PRC domestic enterprise, and we are required to submit filings with the CSRC within three business days after we submit application for this **[REDACTED]**. Furthermore, the filing procedure with the CSRC under the Overseas **[REDACTED]** and **[REDACTED]** Trial Measures may be required for any future offerings, listing or any other capital raising activities. It is uncertain whether we could complete the procedure in relation to any further capital raising activities in a timely manner, or at all. Any failure to complete the filing procedure in a timely manner may adversely affect our ability to finance the development of our business and may have a material adverse effect on our business, results of operations and financial conditions. Furthermore, on February 24, 2023, the CSRC and other relevant government departments released the Provisions on Strengthening the Confidentiality and Archives Administration Related to the Overseas Securities **[REDACTED]** and **[REDACTED]** by Domestic Enterprises (《關於加強境內企業境外發行證券和上市相關保密和檔案管理工作的規定》), which came into effect on March 31, 2023. The Provisions aims to expand the applicable scope of the regulation to indirect overseas offerings and listings by PRC domestic companies and emphasize the confidentiality and archive management duties of PRC domestic companies during the process of overseas offerings and listings.

The CSRC or other PRC regulatory authorities may also take actions requiring us, or making it advisable for us, to halt this **[REDACTED]** or future capital raising or securities activities before settlement and delivery of the Shares we are **[REDACTED]** hereby. Consequently, if you engage in market **[REDACTED]** or other activities in anticipation of and prior to settlement and delivery, you do so at the risk that settlement and delivery may not occur. In addition, if the CSRC or other regulatory authorities later promulgate new rules or explanations requiring that we obtain their approvals or accomplish the required filing or other regulatory procedures in addition to those prescribed under the Overseas **[REDACTED]** and **[REDACTED]** Trial Measures for this **[REDACTED]** or future capital raising or securities activities, we may be unable to obtain a waiver of such approval requirements, if and when procedures are established to obtain such a waiver. Such procedures for obtaining the waiver remain unclear. Any uncertainties or negative publicity regarding such approval, filing or other requirements could materially and adversely affect our business, prospects, financial condition, reputation, and **[REDACTED]** price of the Shares.

There might be uncertainties in effecting services of legal process, enforcing foreign judgments or arbitration awards against us or our Directors and senior management personnel in the PRC.

We are a joint stock limited company incorporated in Chinese Mainland and almost all of our assets are located in China and most of our operations are conducted in China as well. Accordingly, the service of process, investigation, taking of evidence, recognition and enforcement of legal proceedings within the PRC are subject to the rules set out in the Civil Procedure Law of the People's Republic of China (《中華人民共和國民事訴訟法》) and other applicable laws, regulations and judicial interpretations. This may require you to incur additional time and costs.

On July 14, 2006, the Supreme People's Court of the PRC and Hong Kong entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements between Parties Concerned (關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排) (the "**2006 Arrangement**"). Pursuant to the 2006 Arrangement, where there is a written jurisdiction agreement, a party may apply in the PRC for recognition and enforcement of a final monetary judgment rendered by a Hong Kong court in a civil and commercial matter, and vice versa, provided that the parties to the dispute have agreed in writing to enter into a jurisdiction agreement pursuant to the 2006 Arrangement.

On January 18, 2019, the Supreme People's Court of the PRC and Hong Kong entered into an agreement regarding the scope of judgments which may be enforced between China and Hong Kong《關於內地與香港特別行政(區法院相互認可和執行民商事案件判決的安排》) (the "**2019 Arrangement**"). The 2019 Arrangement was promulgated on January 25, 2024 and came into effect on January 29, 2024. The 2019 Arrangement will replace the 2006 Arrangement and provide greater clarity and certainty in relation to the reciprocal recognition and enforcement of judgments in civil and commercial matters. The 2006 Arrangement will continue to apply to "written jurisdiction agreements" entered into before the 2019 Arrangement came into effect.

Holders of H Shares may be subject to PRC taxation.

Non-PRC resident individuals and non-PRC resident enterprises are subject to different tax obligations with respect to dividends received from us or gains realized upon the sale or other disposition of our H Shares in accordance with applicable PRC tax laws, rules and regulations.

Pursuant to the PRC Individual Income Tax Law (《中華人民共和國個人所得稅法》), non-PRC resident individuals are subject to a 20% PRC individual income tax on their dividend income derived from China and we are required to withhold such tax from our dividend payments. If there is an applicable tax treaty to avoid double taxation and taxation evasion between China and the jurisdiction where the foreign individual resides, the applicable tax rate shall be determined in accordance with such tax treaty. Considering that the applicable tax rate on dividends is usually 10% according to tax treaties or tax agreements and that the number of stockholders is large for a listed company, to simplify the tax administration, generally a domestic non-foreign-investment enterprise with shares listed in Hong Kong can withhold dividend income tax at a rate of 10%. There remains uncertainty as to whether gains realized by non-PRC resident individuals on disposition of H Shares are subject to PRC individual income tax.

Pursuant to the PRC Enterprise Income Tax Law and other applicable PRC tax rules and regulations, non-PRC resident enterprises that do not have establishments or premises in the PRC, or have establishments or premises in the PRC but their income is not related to such establishments or premises are subject to a 10% PRC enterprise income tax rate on dividend income received from a PRC company and gains realized upon the sale or other dispositions of equity interest in a PRC company. The 10% tax rate is subject to reduction under any special arrangements or applicable treaties between China and the jurisdiction where the non-resident enterprise domiciles.

The interpretation and implementation of the PRC Enterprise Income Tax Law and other applicable PRC tax rules and regulations by the PRC tax authorities are evolving, including whether and how non-PRC resident H shareholders are subject to personal income tax or enterprise income tax on gains realized upon the sale or other dispositions of their H shares. In addition, the value of your investment in our H Shares may be materially affected by unfavorable changes in the applicable tax rates currently stipulated by the PRC tax authorities.

RISKS RELATING TO THE [REDACTED]

There has been no prior [REDACTED] market in Hong Kong for our H Shares and the liquidity and market price of Shares may be volatile.

Prior to the completion of the **[REDACTED]**, there was no public market for our H Shares. We cannot assure you that a public market for our H Shares with adequate liquidity will develop and be sustained following the completion of the **[REDACTED]**. The initial **[REDACTED]** for our H Shares to the public will be the result of negotiations between us and the **[REDACTED]** (for themselves and on behalf of the **[REDACTED]**), and the **[REDACTED]** may differ significantly from the market price of the H Shares following the **[REDACTED]**.

The price at which our H Shares will **[REDACTED]** after the **[REDACTED]** will be determined by the marketplace, which may be influenced by many factors, some of which are beyond our control, including:

- our financial results;
- changes in securities analysts' estimates, if any, of our financial performance;
- the history of, and the prospects for, us and the industry in which we compete;
- an assessment of our management, our past and present operations, and the prospects for, and timing of, our future revenues and cost structures such as the views of independent research analysts, if any;
- the present state of our development;
- the valuation of publicly traded companies that are engaged in business activities similar to ours;
- changes in laws and regulations in the PRC;
- our inability to compete effectively in the market; and
- political, economic, financial and social developments in China and worldwide.

In addition, the Stock Exchange has, from time to time, experienced significant price and volume fluctuations that have affected the market prices for the securities of companies quoted on the Stock Exchange. As a result, **[REDACTED]** in our H Shares may experience volatility in the market price of their H Shares and a decrease in the value of their H Shares regardless of our operating performance or prospects.

Furthermore, if additional funds are raised through our issuance of new equity or equity-linked securities other than on a pro-rata basis to existing Shareholders, the percentage ownership for such Shareholders may be reduced. Such new securities may also confer rights and privileges that take priority over those conferred by the H Shares.

Any possible conversion of our [REDACTED] Shares into H Shares in the future could increase the supply of our H Shares in the market and negatively impact the market price of our H Shares.

Subject to the approval of the State Council securities regulatory authority, all of our **[REDACTED]** Shares may be converted into H Shares, and such converted Shares may be **[REDACTED]** or **[REDACTED]** on an overseas **[REDACTED]**. Any **[REDACTED]** or **[REDACTED]** of the converted Shares on an overseas **[REDACTED]** shall also comply with the regulatory procedures, rules and requirements of such **[REDACTED]**. However, the PRC Company Law provides that in relation to the public offering of a company, the shares of that company which are issued prior to the public offering shall not be transferred within one year from the date of the listing. Therefore, upon obtaining the requisite approval, our **[REDACTED]** Shares may be **[REDACTED]**, after the conversion, in the form of H Shares on the **[REDACTED]** after one year of the **[REDACTED]**, which could further increase the supply of our H Shares in the market and could negatively impact the market price of our H Shares.

The sale, or even the perception of potential sales, of a substantial number of our H Shares in the public market in the future could materially and adversely affect the [REDACTED] price of our H Shares and hinder our ability to raise additional capital in the future.

A decline in the market price of our H Shares may occur if significant volumes of H Shares or related securities are sold publicly, or if new shares or share-linked securities are issued. Even the expectation of such transactions could negatively impact **[REDACTED]** confidence. Furthermore, any future **[REDACTED]** or anticipated **[REDACTED]** of a large number of our securities could make it more difficult for us to raise capital at a specific time or on favorable terms. Issuing additional shares or share-linked securities may also result in dilution of existing shareholders' interests. Such newly issued securities could carry rights and privileges that rank ahead of those attached to our H Shares, which may further disadvantage current holders.

There can be no assurance that the H Shares will remain [REDACTED] on the Stock Exchange.

Although it is currently intended that the H Shares will remain **[REDACTED]** on the Stock Exchange, there is no guarantee of the continued **[REDACTED]** of the H Shares. Among other factors, our Company may not continue to satisfy the **[REDACTED]** requirements of the Stock Exchange. Holders of H Shares would not be able to sell their H Shares through **[REDACTED]** on the Stock Exchange if the H Shares were no longer **[REDACTED]** on the Stock Exchange.

Our prior dividend distribution may not be indicative of our future dividend policy, and there is no assurance of future dividend payments.

Any future dividend declaration and distribution by our Company will be at the discretion of our Directors and will depend on our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors that our Directors deem relevant. Any declaration and payment as well as the amount of dividends will also be subject to our Articles of Association and the PRC laws, including (where required) the approvals from our Shareholders and our Directors. As a result of the above, we cannot assure you that we will make any dividend payments on our H Shares in the future with reference to our historical dividends.

The liquidity, [REDACTED] volume and market price of our H Shares following the [REDACTED] may be volatile, which could result in substantial losses to you.

The price at which our H Shares will **[REDACTED]** after the **[REDACTED]** will be determined by the marketplace, which may be affected by various factors beyond our control, including our financial performance; changes in securities analysts' estimates, if any, of our financial performance; the history of, and the prospects for, ourselves and the industry in which we operate; an assessment on the prospects for, and timing of, our future revenue and cost structures that independent research analysts may publish, if any; the present state of our development; the valuation of publicly traded companies that are engaged in business activities similar to ours; general market sentiment regarding the industry we operate in; changes in the laws and regulations of China; our actual or perceived failure to compete effectively in the market; and political, economic, financial and social conditions.

In addition, the Hong Kong Stock Exchange has from time to time experienced significant volatility in **[REDACTED]** prices and volumes that have affected the market prices of securities of companies quoted on the Hong Kong Stock Exchange. As a result, **[REDACTED]** in our H Shares may experience volatility in the market price of their H Shares and a decrease in the value of their H Shares regardless of our operating performance or prospects.

Our Controlling Shareholders have significant influence, and its interests may not be aligned with the interests of our other Shareholders.

Our Controlling Shareholders have substantial influence over our business, including matters relating to our management, policies and decisions regarding mergers, expansion plans, consolidations and sales of all or substantially all of our assets, election of Directors and other significant corporate actions. Immediately following the completion of the **[REDACTED]** (assuming the **[REDACTED]** is not exercised), our Controlling Shareholders will be interested in approximately **[REDACTED]**% of our enlarged share capital. This concentration of ownership may discourage, delay or prevent a change in control of our Company, which could deprive other Shareholders of an opportunity to receive a premium for their Shares as part of a sale of our Company and might reduce the price of our H Shares. These events may occur even if they are opposed by our other Shareholders. In addition, the interests of our Controlling Shareholders may differ from the interests of our other Shareholders. It is possible that our Controlling Shareholders may exercise its substantial influence and cause us to enter into transactions or take, or fail to take, actions or make decisions that conflict with the best interests of other Shareholders.

Future sales or perceived sales of substantial amount of our H Shares in the public market, especially by our Directors, executive officers and substantial Shareholders, could materially and adversely affect the prevailing market price of our H Shares.

Future sales of a substantial number of our H Shares, especially by our Directors, executive officers and substantial Shareholders, or the perception or anticipation that such sales might occur, could negatively impact the market price of our H Shares and our ability to raise equity capital in the future at a time and price that we deem appropriate. A certain amount of the Shares controlled by our Controlling Shareholders are subject to certain lock-up periods beginning on the date on which **[REDACTED]** in our H Shares commences on the Stock Exchange. While we currently are not aware of any intention of such persons to dispose of significant amounts of their H Shares after the expiry of the lock-up periods, we cannot assure you that they will not dispose of any H Shares they may own now or in the future.

Certain facts, forecasts and other statistics in this document are derived from official government sources which had not been independently verified.

This document, particularly the section headed "Industry Overview" contains information and statistics relating to the industry that we operate in, as well as other economic data. Such information and statistics are derived from official government sources, which had not been independently verified by us, the Sole Sponsor, or any other party involved in the **[REDACTED]**. You should consider carefully how much weight or importance should be attached to or placed on such facts or statistics.

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

Prior to the publication of this document, there had been press and media coverage regarding us and the **[REDACTED]**, which contained, among other things, certain financial information, projections, valuations and other forward-looking information about us and the **[REDACTED]**. We have not authorized the disclosure of any such information in the press or media and do not accept responsibility for the accuracy or completeness of such press articles or other media coverage. We make no representation as to the appropriateness, accuracy, completeness or reliability of any of the projections, valuations or other forward-looking information about us. To the extent such statements are inconsistent with, or conflict with, the information contained in this document, we disclaim responsibility for them. Accordingly, **[REDACTED]** are cautioned to make their **[REDACTED]** decisions on the basis of the information contained in this document only and should not rely on any other information.