CONCH

Anhui Conch Material Technology Co., Ltd.
安徽海螺材料科技股份有限公司

(A joint stock company incorporated in the People's Republic of China with limited liability)

Stock Code: 2560

GLOBAL OFFERING

Sole Sponsor, Sole Overall Coordinator, Joint Global Coordinator, Joint Bookrunner and Joint Lead Manager

中信建投國際
CHINA SECURITIES INTERNATIONAL

Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

中國銀河國際 CHINA GALAXY INTERNATIONAL

中銀國際 BOCI

農銀國際 ABC INTERNATIONAL

ICBC 工银国际

VICTORY SECURITIES 勝利證券

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

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GLOBAL OFFERING

Number of Offer Shares under the Global Offering	:	**144,974,000 H Shares (subject to the Over-allotment Option)**
Number of Hong Kong Offer Shares	:	**14,498,000 H Shares (subject to reallocation)**
Number of International Offer Shares	:	**130,476,000 H Shares (subject to reallocation and the Over-allotment Option)**
Maximum Offer Price	:	**HK$3.3 per H Share, plus brokerage of 1.0%, SFC transaction levy of 0.0027%, Hong Kong Stock Exchange trading fee of 0.00565% and Accounting and Financial Reporting Council transaction levy of 0.00015% (payable in full on application in Hong Kong dollars, subject to refund on final pricing)**
Nominal value	:	**RMB1.0 per Share**
Stock code	:	**2560**

Sole Sponsor, Sole Overall Coordinator, Joint Global Coordinator, Joint Bookrunner and Joint Lead Manager

Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

Joint Bookrunners and Joint Lead Managers

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

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

The Offer Price is expected to be fixed by agreement between the Sole Overall Coordinator, for itself and on behalf of the Underwriters, and our Company on the Price Determination Date. The Price Determination Date is expected to be on or around Tuesday, 7 January 2025 and, in any event, not later than 12:00 noon on Tuesday, 7 January 2025. The Offer Price will be not more than HK$3.3 per H Share and is currently expected to be not less than HK$3.0 per H Share, unless otherwise announced.

Applicants for the Hong Kong Offer Shares may be required to pay, upon application (subject to application channels), the maximum Offer Price of HK$3.3 per H Share for each Hong Kong Offer Share together with a brokerage fee of 1.0%, a SFC transaction levy of 0.0027%, a Hong Kong Stock Exchange trading fee of 0.00565% and Accounting and Financial Reporting Council transaction levy of 0.00015%, subject to refund if the Offer Price as finally determined is less than HK$3.3 per H Share. If, for any reason, the Offer Price is not agreed between the Sole Overall Coordinator, for itself and on behalf of the Underwriters, and our Company on or before 12:00 noon Tuesday, 7 January 2025, the Global Offering (including the Hong Kong Public Offering) will not proceed and will lapse.

Prospective investors of the Hong Kong Offer Shares should note that the obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement to subscribe, and to procure subscription for, the Hong Kong Offer Shares, are subject to termination by the Sole Overall Coordinator, for itself and on behalf of the Underwriters, if certain grounds arise prior to 8:00 a.m. on the Listing Date. Such grounds are set out in the section headed "Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Grounds for Termination" in this prospectus. It is important that you refer to that section for further details.

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

ATTENTION

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

This prospectus is available at the websites of the Stock Exchange at **www.hkexnews.hk** and our website at **www.conchmst.com**. If you require a printed copy of this prospectus, you may download and print from the website addresses above.

31 December 2024

IMPORTANT NOTICE TO INVESTORS: FULLY ELECTRONIC APPLICATION PROCESS

We have adopted a fully electronic application process for the Hong Kong Public Offer. We will not provide any printed copies of this prospectus for use by the public.

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

To apply for Hong Kong Offer Shares, you may:

(1) apply online via the **HK eIPO White Form** service at **www.hkeipo.hk**; or

(2) apply through **HKSCC EIPO** channel to electronically cause HKSCC Nominees to apply on your behalf by instructing your **broker** or **custodian** who is a HKSCC Participant to submit an **EIPO application** on your behalf through HKSCC's FINI system in accordance with your instructions.

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

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

Please refer to the section headed "How to Apply for Hong Kong Offer Shares" in this prospectus for further details on the procedures through which you can apply for Hong Kong Offer Shares electronically.

Your application through the ***HK eIPO White Form*** *service or the* ***HKSCC EIPO*** *channel must be for a minimum of 1,000 Hong Kong Offer Shares and in one of the numbers set out in the table below. If you are applying through the* ***HK eIPO White Form*** *service, you may refer to the table below for the amount payable for the number of Shares you have selected. You must pay the respective maximum amount payable on application in full upon application for Hong Kong Offer Shares. If you are applying through the* ***HKSCC EIPO*** *channel, you are required to prefund your application based on the amount specified by your broker or custodian, as determined based on the applicable laws and regulations in Hong Kong.*

No. of Hong Kong Offer Shares applied for	Maximum amount payable(2) on application/ successful allotment	No. of Hong Kong Offer Shares applied for	Maximum amount payable(2) on application/ successful allotment	No. of Hong Kong Offer Shares applied for	Maximum amount payable(2) on application/ successful allotment	No. of Hong Kong Offer Shares applied for	Maximum amount payable(2) on application/ successful allotment
	HK$		*HK$*		*HK$*		*HK$*
1,000	3,333.28	15,000	49,999.21	80,000	266,662.45	900,000	2,999,952.46
2,000	6,666.56	20,000	66,665.61	90,000	299,995.25	1,000,000	3,333,280.50
3,000	9,999.84	25,000	83,332.01	100,000	333,328.06	2,000,000	6,666,561.00
4,000	13,333.13	30,000	99,998.41	200,000	666,656.10	3,000,000	9,999,841.50
5,000	16,666.40	35,000	116,664.82	300,000	999,984.16	4,000,000	13,333,122.00
6,000	19,999.68	40,000	133,331.22	400,000	1,333,312.20	5,000,000	16,666,402.50
7,000	23,332.96	45,000	149,997.62	500,000	1,666,640.26	6,000,000	19,999,683.00
8,000	26,666.24	50,000	166,664.03	600,000	1,999,968.30	7,249,000(1)	24,162,950.35
9,000	29,999.52	60,000	199,996.84	700,000	2,333,296.36		
10,000	33,332.80	70,000	233,329.64	800,000	2,666,624.40		

(1) Maximum number of Hong Kong Offer Shares you may apply for and this is 50% of the Hong Kong Offer Shares initially offered.

(2) The amount payable is inclusive of brokerage, SFC transaction levy, the Stock Exchange trading fee and AFRC transaction levy. If your application is successful, brokerage will be paid to the Exchange Participants (as defined in the Listing Rules) or to the **HK eIPO White Form** Service Provider (for applications made through the application channel of the **HK eIPO White Form** Service Provider) while the SFC transaction levy, the Stock Exchange trading fee and the AFRC transaction levy will be paid to the SFC, the Stock Exchange and the AFRC, respectively.

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

If there is any change in the following expected timetable, we will issue an announcement in Hong Kong on the respective websites of the Company at ***www.conchmst.com*** *and the Stock Exchange at* ***www.hkexnews.hk****.*

Hong Kong Public Offering commences. . . . . 9:00 a.m. on Tuesday, 31 December 2024

Latest time for completing electronic applications under the **HK eIPO White Form** service through the designated website **www.hkeipo.hk***(Note 2)* . . . . 11:30 a.m. on Monday, 6 January 2025

Application lists for the Hong Kong Public Offering open*(Note 3)* . . . . 11:45 a.m. on Monday, 6 January 2025

Latest time to give **electronic application instructions** to HKSCC*(Note 4)* . . . . 12:00 noon on Monday, 6 January 2025

Latest time for completing payment of **HK eIPO White Form** applications by effecting internet banking transfer(s) or PPS payment transfer(s) . . . . 12:00 noon on Monday, 6 January 2025

If you are instructing your **broker** or **custodian** who is a HKSCC Participant to submit an EIPO application on your behalf through HKSCC's FINI system, you are advised to contact your **broker** or **custodian** for the latest time for giving such instructions which may be different from the latest time as stated above.

Application lists for the Hong Kong Public Offering close*(Note 3)* . . . . 12:00 noon on Monday, 6 January 2025

Expected Price Determination Date*(Note 5)* . . . . Tuesday, 7 January 2025

Announcement of the final Offer Price, level of indications of interest in the International Offering, the level of applications of the Hong Kong Public Offering and the basis of allocations of the Hong Kong Offer Shares to be published on our Company's website at **www.conchmst.com** and the website of the Hong Kong Stock Exchange at **www.hkexnews.hk** on or before . . . . Wednesday, 8 January 2025

Announcement of results of allocations in the Hong Kong Public Offering to be available through a variety of channels including:

(1) in the announcement to be posted on our Company's website at **www.conchmst.com** and the website of the Hong Kong Stock Exchange at **www.hkexnews.hk** on or before . . . . Wednesday, 8 January 2025

(2) from the "Allotment Results" page at the designated results of allocations website at **www.tricor.com.hk/ipo/result** or **www.hkeipo.hk/IPOResult** with a "search by ID" function on a 24-hour basis from. . . . . 11:00 p.m. on Wednesday, 8 January 2025 to 12:00 midnight on Tuesday, 14 January 2025

(3) from the allocation results telephone enquiry line by calling +852 3691 8488 between 9:00 a.m. and 6:00 p.m. from . . . . Thursday, 9 January 2025 to Tuesday, 14 January 2025 (excluding Saturday, Sunday and public holiday in Hong Kong)

Despatch of H Share certificates or deposit of H Share certificates into CCASS in respect of wholly or partially successful applications pursuant to the Hong Kong Public Offering on or about *(Notes 6 to 8)* . . . . . Wednesday, 8 January 2025

HK eIPO White Form e-Auto Refund payment instructions/refund cheques in respect of wholly or partially unsuccessful applications and wholly or partially successful applications in case the final Offer Price is less than the maximum Offer Price paid for the applications pursuant to the Hong Kong Public Offering on or before *(Notes 7 to 10)* . . . . Thursday, 9 January 2025

Dealings in H Shares on the Hong Kong Stock Exchange expected to commence at 9:00 a.m. on . . . . Thursday, 9 January 2025

Notes:

(1) All times and dates refer to Hong Kong local time, except as otherwise stated. Details of the structures of the Global Offering, including its conditions, are set out in the section headed "Structure of the Global Offering" in this prospectus.

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

(3) If there is a "black" rainstorm warning, Extreme Conditions and/or a tropical cyclone warning signal number 8 or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Monday, 6 January 2025, the application lists will not open on that day. For further details, please refer to the section headed "How to Apply for Hong Kong Offer Shares — E. Bad Weather Arrangements" in this prospectus.

(4) Applicants who apply for the Hong Kong Offer Shares through the **HKSCC EIPO** channel should refer to the section headed "How to Apply for Hong Kong Offer Shares — A. Applications for Hong Kong Offer Shares — 2. Application Channels" in this prospectus.

(5) The Price Determination Date is expected to be on or about Tuesday, 7 January 2025, but in any event not later than 12:00 noon on Tuesday, 7 January 2025 or such later date as our Company and the Sole Overall Coordinator (for itself and on behalf of the Underwriters) may agree. If, for any reason, the Offer Price is not agreed by 12:00 noon on Tuesday, 7 January 2025 between our Company and the Sole Overall Coordinator (for itself and on behalf of the Underwriters), the Global Offering will not proceed and will lapse accordingly.

(6) H Share certificates for the Hong Kong Offer Shares are expected to be issued on Wednesday, 8 January 2025 but will only become valid evidence of title at 8:00 a.m. on Thursday, 9 January 2025 provided that (a) the Global Offering has become unconditional in all respects; and (b) none of the Underwriting Agreements has been terminated in accordance with its terms.

(7) Applicants who have applied through the **HK eIPO White Form** service for 1,000,000 Hong Kong Offer Shares or more and have provided all information required on their application instructions may collect their H Share certificates (where applicable) personally from our H Share Registrar, Tricor Investor Services Limited, from 9:00 a.m. to 1:00 p.m. on Thursday, 9 January 2025 or any other day as announced by us as the date of despatch of H Share certificates. Individuals who are eligible for personal collection must not authorise any other person(s) to make collection on their behalf. Corporate applicants which are eligible for personal collection must attend by their authorised representative(s) bearing a letter of authorisation from such corporation(s) stamped with the corporation's chop. Both individuals and authorised representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to our H Share Registrar.

(8) Uncollected H Share certificates (if any) will be despatched by ordinary post at the applicant's own risk to the address specified in the relevant application instructions. For further information, applicants should refer to the section headed "How to Apply for Hong Kong Offer Shares — D. Despatch/Collection of H Share Certificates and Refund of Application Monies" in this prospectus.

(9) **HK eIPO White Form** e-Auto Refund payment instructions will be despatched in respect of wholly or partially unsuccessful applications and in respect of successful applications if the final Offer Price is less than the maximum Offer Price of HK$3.3 per Offer Share. Notwithstanding that the Offer Price may be less than the maximum Offer Price of HK$3.3 per Offer Share, applicants may be required to pay the maximum Offer Price of HK$3.3 per Offer Share at the time of application (subject to application channels), plus brokerage of 1%, SFC transaction levy of 0.0027%, AFRC transaction levy of 0.00015% and Hong Kong Stock Exchange trading fee of 0.00565%, but will be refunded the surplus application monies (subject to application channels), without interest, as provided in the section headed "How to Apply for Hong Kong Offer Shares" in this prospectus. If you apply through the **HK eIPO White Form** service by paying the application monies through a single bank account, you may have **HK eIPO White Form** e-Auto Refund payment instructions (if any) despatched to your application payment bank account. If you apply through the **HK eIPO White Form** service by paying the application monies through multiple bank accounts, you may have refund cheque(s) sent to the address specified in your application instructions to the designated website at **www.hkeipo.hk** by ordinary post and at your own risk. Refund by cheque(s) will be made out to you, or if you are joint applicants, to the first-named applicant provided by you. Part of your identification document number, or, if you are joint applicants, part of the identification document number of the first-named applicant provided by you may be printed on your refund cheque, if any. Such data may also be transferred to a third party for refund purposes. Your banker may require verification of your identification document number before encashment of your refund cheque, if any. Inaccurate completion of your identification document number may lead to a delay in encashment of, or may invalidate, your refund cheque.

(10) H Share certificates will only become valid evidence of title provided that the Global Offering has become unconditional in all respects and neither of the Underwriting Agreements has been terminated in accordance with its terms. Investors who trade H Shares on the basis of publicly available allocation details prior to the receipt of their H Share certificates or prior to the H Share certificates becoming valid evidence of title do so entirely at their own risk.

For details of the structure of the Global Offering, including its conditions, and the procedures for applications for Hong Kong Offer Shares, see the sections headed "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares", respectively.

IMPORTANT NOTICE TO INVESTORS

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

You should rely on the information contained in this prospectus to make your investment decision. The Hong Kong Public Offering is made solely on the basis of the information contained and the representations made in this prospectus. We have not authorised anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not contained or made in this prospectus must not be relied on by you as having been authorised by us, the Sole Overall Coordinator, the Joint Global Coordinators, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Capital Market Intermediaries, the Underwriters, any of our or their respective directors, officers, employees, agents or representatives or any other person involved in the Global Offering. Information contained on our website, located at www.conchmst.com, does not form part of this prospectus.

CONTENTS

This summary aims to give you an overview of the information contained in this prospectus. As it is a summary, it does not contain all the information that may be important to you and is qualified in its entirety by, and should be in conjunction with, the full text of this prospectus. You should read the entire prospectus before you decide to invest in the Offer Shares.

There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set forth in "Risk Factors" in this prospectus. You should read that section carefully before you decide to invest in the Offer Shares.

OVERVIEW

We are a fine chemical materials supplier which produces and sells cement admixture (水泥外加劑), concrete admixture (混凝土外加劑) and their respective upstream raw materials. Leveraging our R&D endeavours and capabilities, we also provide technical support to our customers relating to the products provided by us. According to Frost & Sullivan, we ranked first in the PRC in terms of both sales volume and revenue of cement admixtures in FY2023, with a market share of approximately 28.3% and 32.3%, respectively (in particular, we ranked first in the PRC in terms of sales volume and revenue of cement grinding aids (水泥助磨劑)[1] in FY2023, with a market share of approximately 34.6% and 34.1%, respectively). Our sales volume of concrete admixtures accounted for approximately 0.8% of the total sales volume of concrete admixtures in the PRC in FY2023, whereas our revenue of concrete admixtures accounted for approximately 0.6% of the total revenue of concrete admixtures in the PRC in FY2023. Our sales volume of processed alcohol amines accounted for approximately 4.7% of the total sales volume of processed alcohol amines in the PRC in FY2023, whereas our revenue of processed alcohol amines accounted for approximately 3.9% of the total revenue of processed alcohol amines in the PRC in FY2023. Our sales volume of polyether monomers accounted for approximately 0.9% of the total sales volume of polyether monomers in the PRC in FY2023, whereas our revenue of polyether monomers accounted for approximately 1.0% of the total revenue of polyether monomers in the PRC in FY2023. We were established by Conch Holdings, a Fortune China 500 company that ranks the 135th in 2024, to explore the fine chemical materials market as a key enterprise with a full industrial spectrum of abilities to achieve energy conservation and efficiency improvement for the cement and concrete industry.

Our history can be traced back to 2018 when our Predecessor Company was established and subsequently began its business of production of cement and concrete admixture industry through the acquisition of Shandong Hongyi (currently known as Linyi Conch) and its subsidiary (i.e. Guizhou Conch) in 2018, and further acquisition of Meishan Conch and Xiangyang Conch in the same year, which was facilitated by a cooperation agreement entered into between our Predecessor Company and Hubei Xintongling. Before these acquisitions, Shandong Hongyi and Xintongling Group did not have any business relationship with our Controlling Shareholders and its subsidiaries and associates.

1 Cement grinding aids is a principal type of cement admixture. The production volume of cement grinding aids accounted for approximately 81.8% of total production volume of cement admixtures in the PRC in FY2023.

During the Track Record Period, we mainly sold cement admixture and concrete admixture, and their respective in-process intermediaries, namely, processed alcohol amine, polyether monomers and polycarboxylic acid mother liquor (聚羧酸母液) in the PRC. Respective in-process intermediaries of cement and concrete admixtures also serve as raw materials in the production of cement and concrete admixtures. As at 30 June 2024, we mainly sold our products under the brand trademarks of "CONCH" and "", which have strong brand influence and are highly attractive to customers.

For FY2021, FY2022, FY2023 and 6M2024, our revenue derived from cement admixture and its respective in-process intermediaries was RMB1,449.6 million, RMB1,357.8 million, RMB1,427.7 million and RMB618.4 million respectively, accounting for 94.3%, 73.8%, 59.6% and 56.0% of our total revenue in the same year/period. For FY2021, FY2022, FY2023 and 6M2024, our revenue derived from concrete admixture and its respective in-process intermediaries was RMB84.8 million, RMB460.4 million, RMB962.5 million and RMB482.7 million respectively, accounting for 5.5%, 25.1%, 40.2% and 43.7% of our total revenue in the same year/period.

We have a nationwide presence owing to our 11 production facilities located across the PRC. Our production facilities are each equipped with its own technical team and sales team. Our production facilities are located in Ningbo of Zhejiang Province, Linyi of Shandong Province, Guigang of Guangxi Zhuang Autonomous Region, Qiannan Buyi and Miao Autonomous Prefecture of Guizhou Province, Meishan of Sichuan Province, Tongling of Anhui Province, Xiangyang of Hubei Province, Xianyang of Shaanxi Province, Haidong of Qinghai Province, Kunming of Yunnan Province and Huludao of Liaoning Province, and had a total GFA of 123,950.22 m^2 as at the Latest Practicable Date.

In order to promote our business growth, our R&D efforts focus on developing new products and new applications and improving production technologies to diversify our product portfolio and improve production efficiency. Our widely recognized R&D efforts have won us a number of awards and recognitions. In particular, we were awarded by State Council State-owned Enterprise Reform Leading Group* (國務院國有企業改革領導小組) "Scientific Reform Demonstration Enterprise* (科改示範企業)" with a top ranking consecutively in 2022 and 2023. Further, we were awarded by China Building Materials Enterprise Management Association (中國建築材料企業管理協會) the "China's Top 100 Innovative Building Materials Enterprises in 2022", "China's Top 100 Building Materials Enterprises with the Most Growth Potential in China in 2022" and "China's 2022 Harmonious Building Materials Enterprises" in 2022.

OUR STRENGTHS

We believe that the following strengths have contributed to our success and distinguish us from our competitors:

- We are China's leading cement admixture supplier integrating R&D, production, sales and technical support.

- Our R&D effort contributes to our leading position in the industry in China.

- Our stable cooperation with upstream and downstream partners can effectively reduce production costs, ensure supply and achieve business growth.

- Our advanced and mature production technology and strict quality control procedures can meet the unique needs of our customers and ensure excellent product quality and reliable reputation.

- We have experienced management team with visionary leadership and excellent execution capabilities.

OUR FUTURE STRATEGY

We plan to continue to increase our market share in the cement admixture industry and concrete admixture industry. To achieve our goals, we plan to adopt the following strategies:

- Optimising our Group's production capacity, while effectively extending our geographical presence in the PRC and certain overseas countries to consolidate our position as one of the leading suppliers of fine chemical materials in the PRC.

- Consolidating our R&D capabilities and diversifying our product portfolio.

- Strengthening environment-friendly production facilities, promoting the production efficiency and energy conservation and emission reduction, and achieving long-term sustainable development.

- Conducting strategic acquisitions and establishing joint ventures to expand our industrial chain layout and enhance our competitiveness.

BUSINESS MODEL

During the Track Record Period, we mainly sold cement admixture and concrete admixture, and to a lesser extent, their respective in-process intermediaries, namely, processed alcohol amine, polyether monomers and polycarboxylic acid mother liquor in the PRC.

The following table sets out a breakdown of our revenue by geographical regions and the revenue generated from each region as a percentage of our revenue during the Track Record Period:

	FY2021		FY2022		FY2023		6M2023		6M2024	
	RMB million	*% of total revenue*	*RMB million*	*% of total revenue*	*RMB million*	*% of total revenue*	*RMB million* (unaudited)	*% of total revenue*	*RMB million*	*% of total revenue*
PRC										
Eastern region	751.7	49.0	1,079.9	58.8	1,409.4	58.7	631.5	61.0	606.1	54.9
Western region	281.5	18.3	260.3	14.1	313.0	13.1	142.8	13.8	158.1	14.3
Southern region	189.7	12.3	213.6	11.6	282.0	11.8	104.7	10.1	146.3	13.3
Northern region	82.2	5.3	83.2	4.5	97.4	4.1	38.1	3.7	56.1	5.1
Central region	232.4	15.1	202.6	11.0	293.7	12.3	118.4	11.4	136.5	12.4
Southwest Asia	—	—	—	—	—	—	—	—	0.3	0.0
Total	1,537.5	100.0	1,839.6	100.0	2,395.5	100.0	1,035.5	100.0	1,103.4	100.0

Note: Eastern region includes Shandong Province, Anhui Province, Zhejiang Province, Jiangsu Province, Shanghai City, Fujian Province, Hebei Province, Beijing City, Tianjin City, Jiangxi Province and Hainan Province.

Western region includes Yunnan Province, Guizhou Province, Sichuan Province, Chongqing City, Tibet Autonomous Region and Gansu Province.

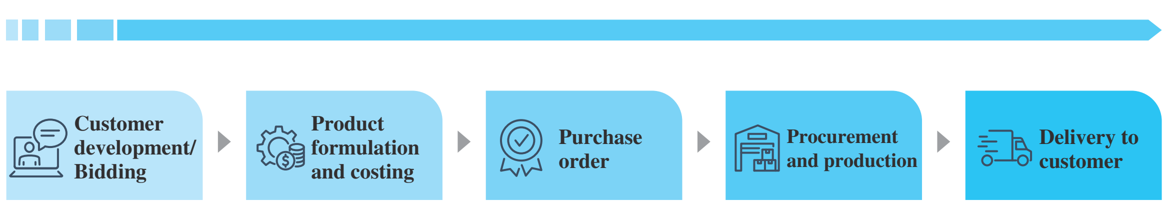
Southern region includes Guangdong Province and Guangxi Zhuang Autonomous Region.

Northern region includes Shanxi Province, Qinghai Province, Xinjiang Uygur Autonomous Region, Ningxia Province, Shaanxi Province, Liaoning Province, Jilin Province, Heilongjiang Province and Inner Mongolia Autonomous Region.

Central region includes Hunan Province, Hubei Province and Henan Province.

After Ningbo Conch obtained requisite export licence and completed the relevant procedure for direct sales to overseas in May 2024, we started to directly sell our products through Ningbo Conch to our overseas customers in Southwest Asia.

Our target customers mainly include manufacturers of cement and concrete which have their own cement, and concrete mixing plants, manufacturers of cement and concrete admixtures and companies which trade our products. Set below is our operation flow:



OUR PRODUCTS

Our products mainly include (i) the various types of cement admixture and concrete admixture, (ii) the in-process intermediary of cement admixture, being alcohol amine, and (iii) the in-process intermediaries of concrete admixture, being polyether monomers and polycarboxylic acid mother liquor. Our products are mainly applied in the production process of cement and concrete to enhance production process, overall quality, performance and functionality of cement and concrete (such as durability and liquidity), and lower energy consumption during production process, and therefore improve the economic benefits of cement and concrete producers. In particular, our cement admixture can enhance the grindability of cement, and therefore can accelerate production efficiency and increase the production volume of cement. Our concrete admixture can reduce the amount of water applied in the production of concrete, and therefore can improve the quality of concrete by enhancing its stability and durability. For details of how admixture products achieve such results, see "Business — Products" in this prospectus.

PRODUCTS

Our products primarily include cement admixture and concrete admixture, and their respective in-process intermediaries namely processed alcohol amine, polyether monomers and polycarboxylic acid mother liquor. The table below sets out an analysis of our revenue, sales volume, average selling price, gross profit and gross profit margin by product types for the Track Record Period:

	FY2021						FY2022					
	Revenue	% of total revenue	Sales volume	Average selling price (Note 3)	Gross profit	Gross profit margin	Revenue	% of total revenue	Sales volume	Average selling price (Note 3)	Gross profit	Gross profit margin
	RMB 'million	%	Tonnes ('000)	RMB per tonne	RMB' million	%	RMB 'million	%	Tonnes ('000)	RMB per tonne	RMB' million	%
Cement admixture and in-process intermediaries												
Cement admixture (水泥外加劑)	962.6	62.6	261	3,694.8	299.7	31.1	916.5	49.8	256	3,569.8	325.7	35.5
— Related party customers	803.6	52.2	226	3,563.1	263.0	32.7	731.7	39.7	216	3,387.4	267.2	36.5
— Third party customers	159.0	10.4	35	4,542.8	36.7	23.1	184.8	10.1	40	4,537.2	58.5	31.7
Processed alcohol amine (醇胺產品)	487.0	31.7	49	9,997.0	17.5	3.6	441.3	24.0	56	7,811.0	18.2	4.1
— Related party customers	—	—	—	—	—	—	—	—	—	—	—	—
— Third party customers	487.0	31.7	49	9,997.0	17.5	3.6	441.3	24.0	56	7,811.0	18.2	4.1
	1,449.6	94.3	310	4,687.6	317.2	21.9	1,357.8	73.8	312	4,334.7	343.9	25.3
Concrete admixture and in-process intermediaries												
Concrete admixture (混凝土外加劑)	71.9	4.7	46	1,601.9	18.1	25.1	97.4	5.3	69	1,411.8	14.9	15.3
— Related party customers	46.4	2.9	29	1,678.2	14.7	31.8	43.9	2.4	28	1,553.1	11.7	26.8
— Third party customers	25.5	1.8	17	1,479.3	3.4	12.9	53.5	2.9	41	1,326.0	3.2	5.9

	FY2023						6M2023					
	Revenue	% of total revenue	Sales volume	Average selling price (Note 3)	Gross profit	Gross profit margin	Revenue	% of total revenue	Sales volume	Average selling price (Note 3)	Gross profit	Gross profit margin
	RMB 'million	%	Tonnes ('000)	RMB per tonne	RMB' million	%	RMB 'million (unaudited)	%	Tonnes ('000)	RMB per tonne	RMB' million (unaudited)	%
Cement admixture and in-process intermediaries												
Cement admixture (水泥外加劑)	930.2	38.8	274	3,390.4	375.8	40.4	422.4	40.8	123	3,446.1	163.2	38.6
— Related party customers	730.3	30.4	226	3,244.8	307.8	42.1	327.2	31.6	100	3,285.6	134.8	41.2
— Third party customers	199.9	8.4	48	4,054.9	68.0	34.0	95.2	9.2	23	4,142.1	28.4	29.9
Processed alcohol amine (醇胺產品)	497.5	20.8	71	7,032.3	18.8	3.8	208.5	20.1	29	7,140.3	8.8	4.2
— Related party customers	—	—	—	—	—	—	—	—	—	—	—	—
— Third party customers	497.5	20.8	71	7,032.3	18.8	3.8	208.5	20.1	29	7,140.3	8.8	4.2
	1,427.7	59.6	345	4,137.0	394.6	27.6	630.9	60.9	152	4,156.9	172.0	27.3
Concrete admixture and in-process intermediaries												
Concrete admixture (混凝土外加劑)	153.3	6.4	124	1,231.6	29.8	19.4	61.8	6.0	50	1,253.0	9.0	14.6
— Related party customers	47.3	1.8	40	1,192.4	9.9	20.8	18.9	1.8	15	1,278.6	4.1	21.4
— Third party customers	106.0	4.6	84	1,250.0	19.9	18.8	42.9	4.1	35	1,242.0	4.9	11.5

	6M2024					
	Revenue	% of total revenue	Sales volume	Average selling price (Note 3)	Gross profit	Gross profit margin
	RMB 'million	%	Tonnes ('000)	RMB per tonne	RMB' million	%
Cement admixture and in-process intermediaries						
Cement admixture (水泥外加劑)	411.2	37.2	126	3,252.3	177.3	43.1
— Related party customers	320.4	29.0	102	3,141.8	140.8	44.0
— Third party customers	90.8	8.2	24	3,713.3	36.5	40.2
Processed alcohol amine (醇胺產品)	207.2	18.8	33	6,343.0	7.8	3.7
— Related party customers	1.7	0.2	0	6,521.6	0.1	5.8
— Third party customers	205.5	18.6	33	6,341.6	7.7	3.7
	618.4	56.0	159	3,887.0	185.1	29.9
Concrete admixture and in-process intermediaries						
Concrete admixture (混凝土外加劑)	91.5	8.3	77	1,197.8	12.7	13.9
— Related party customers	28.2	2.6	25	1,134.8	4.1	14.4
— Third party customers	63.3	5.7	52	1,228.2	8.6	13.6

	FY2021					
	Revenue	% of total revenue	Sales volume	Average selling price (Note 3)	Gross profit	Gross profit margin
	RMB 'million	%	Tonnes ('000)	RMB per tonne	RMB' million	%
Polyether monomers (聚醚單體)	—	—	—	—	—	—
— Related party customers	—	—	—	—	—	—
— Third party customers	—	—	—	—	—	—
Polycarboxylic acid mother liquor (聚羧酸母液)	12.9	0.8	3	4,348.7	0.9	7.0
— Related party customers	0.0	0.0	0	3,982.3	0.0	7.7
— Third party customers	12.9	0.8	3	4,348.8	0.9	7.0
	84.8	5.5	49	1,772.2	19.0	22.4
Others (Note 1)	3.1	0.2	N/A (Note 2)	N/A (Note 2)	2.0	64.5
Total	1,537.5	100.0	359	4,297.1	338.2	22.0

	FY2022					
	Revenue	% of total revenue	Sales volume	Average selling price (Note 3)	Gross profit	Gross profit margin
	RMB 'million	%	Tonnes ('000)	RMB per tonne	RMB' million	%
Polyether monomers (聚醚單體)	315.5	17.2	58	5,486.0	(9.0)	(2.9)
— Related party customers	—	—	—	—	—	—
— Third party customers	315.5	17.2	58	5,486.0	(9.0)	(2.9)
Polycarboxylic acid mother liquor (聚羧酸母液)	47.5	2.6	12	4,118.7	1.8	3.9
— Related party customers	—	—	—	—	—	—
— Third party customers	47.5	2.6	12	4,118.7	1.8	3.9
	460.4	25.1	139	3,335.4	7.7	1.7
Others (Note 1)	21.4	1.1	N/A (Note 2)	N/A (Note 2)	12.1	56.5
Total	1,839.6	100.0	451	4,029.1	363.7	19.8

	FY2023					
	Revenue	% of total revenue	Sales volume	Average selling price (Note 3)	Gross profit	Gross profit margin
	RMB 'million	%	Tonnes ('000)	RMB per tonne	RMB' million	%
Polyether monomers (聚醚單體)	695.1	29.0	126	5,510.4	25.5	3.7
— Related party customers	—	—	—	—	—	—
— Third party customers	695.1	29.0	126	5,510.4	25.5	3.7
Polycarboxylic acid mother liquor (聚羧酸母液)	114.1	4.8	31	3,671.8	6.6	5.8
— Related party customers	—	—	—	—	—	—
— Third party customers	114.1	4.8	31	3,671.8	6.6	5.8
	962.5	40.2	281	3,417.0	61.9	6.4
Others (Note 1)	5.3	0.2	N/A (Note 2)	N/A (Note 2)	2.7	50.6
Total	2,395.5	100.0	626	3,813.4	459.2	19.2

	6M2023					
	Revenue	% of total revenue	Sales volume	Average selling price (Note 3)	Gross profit	Gross profit margin
	RMB 'million (unaudited)	%	Tonnes ('000)	RMB per tonne	RMB' million (unaudited)	%
Polyether monomers (聚醚單體)	301.9	29.2	56	5,400.7	7.2	2.4
— Related party customers	—	—	—	—	—	—
— Third party customers	301.9	29.2	56	5,400.7	7.2	2.4
Polycarboxylic acid mother liquor (聚羧酸母液)	36.2	3.5	10	3,689.6	1.9	5.3
— Related party customers	—	—	—	—	—	—
— Third party customers	36.2	3.5	10	3,689.6	1.9	5.3
	399.9	38.6	116	3,474.8	18.1	4.5
Others (Note 1)	4.7	0.5	N/A (Note 2)	N/A (Note 2)	1.0	22.0
Total	1,035.5	100.0	268	3,862.7	191.1	18.5

	6M2024					
	Revenue	% of total revenue	Sales volume	Average selling price (Note 3)	Gross profit	Gross profit margin
	RMB 'million	%	Tonnes ('000)	RMB per tonne	RMB' million	%
Polyether monomers (聚醚單體)	302.5	27.4	50	6,050.9	6.6	2.2
— Related party customers	1.0	0.1	0	6,401.2	0.0	1.6
— Third party customers	301.5	27.3	50	6,049.8	6.6	2.2
Polycarboxylic acid mother liquor (聚羧酸母液)	88.7	8.0	26	3,442.7	3.9	4.3
— Related party customers	—	—	—	—	—	—
— Third party customers	88.7	8.0	26	3,442.7	3.9	4.3
	482.7	43.7	153	3,171.6	23.1	4.8
Others (Note 1)	2.3	0.3	N/A (Note 2)	N/A (Note 2)	0.8	39.1
Total	1,103.4	100.0	312	3,538.9	209.1	19.0

Notes:

1. Others include the sale of raw materials and desulfurizer (脱硫劑) and grinding aids (耦合劑) sold by one of our operating subsidiaries, Anhui Haicui. Grinding aids are applied as a special additive designed for the intelligent testing of cement. Desulfurizer is a chemical used to remove sulfur from a material. Anhui Haicui did not generate revenue from desulfuriser after it was acquired by our Group.

2. Our Directors considered that sales volume and average selling price is of no reference value as sales of other products is incidental to our business rather than our major revenue stream.

3. Average selling price is calculated by using revenue in absolute amount divided by sales volume in absolute amount.

Gross profit and gross profit margin for sales to related party customers and third party customers

Unlike our in-process intermediary products, which are generally standardised, our admixture products generally need to be formulated before sales to customers in order to ensure that they meet specific performance requirements and can be effectively used in construction projects. Our related party customers generally have more specific requirements than our third party customers, which entails that their products require more specific formulations so as to ensure the quality of the products delivered to them. However, it should be noted that while the level of which our products are formulated and the type of formulation bears an impact on our price and margin, our price and margin are also affected by other factors such as market competition, delivery distance, volume purchased, lead time and our customers' profile. As such, the level of formulation is not the only determining factor as to our price and margin.

Cement admixture

Despite the fact that our sales to related party customers are determined on arm's length basis, there was a difference between our gross profit margin for sales to related party customers and our gross profit margin for sales to third party customers during the Track Record Period. Our gross profit margin for sales to related party customers was 32.7%, 36.5%, 42.1% and 44.0% for FY2021, FY2022, FY2023 and 6M2024, respectively; while our gross profit margin for sales to third party customers was 23.1%, 31.7%, 34.0% and 40.2% for the corresponding year/period, respectively. Such difference was mainly due to the provision of value-added services to related party customers such as the provision of long-distance delivery service and ancillary services and higher product quality to larger scale customers, as mentioned below. According to Frost & Sullivan, (i) the gross profit margin of our Group to both related party customers and third party customers during the Track Record Period fell within the industry range; and (ii) such variance between the gross profit margin from our related party customers and from our third party customers is commercially justifiable. The difference in the gross profit margin between related party customers and third party customers during the Track Record Period were primarily due to the following reasons:

- Our related party customers, being the leading players in the cement industry, generally need admixture providers which can provide large volume orders nationwide, requisite technical requirements and timely technical support, as well as cater to their production needs across the nation. As such, we took into account the aforesaid needs and the competitive landscape (such as features of our competitors, which generally have requisite scale, large number of technical staff and nationwide coverage) to set a reasonable and competitive price when participating in the tenders of our related party customers so as to maximise our possible chance of success.

- Our related party customers have a nationwide presence which may require delivery of our products across provinces while third party customers normally required delivery within provinces, higher transportation costs are incurred for related party customers which warrant a higher selling price to reflect the higher transportation costs (which is one of the cost components of our total cost of sales; while the per tonne transportation cost did not increase as much as the selling price because provision of long-distance delivery, which is one of our value-added services, provides an opportunity to improve transportation efficiency through route planning such that we can obtain a higher gross profit margin). We provided value-added services to related party customers including provision of ancillary facilities such as the provision and maintenance of flow pump, flow metering system and level meter and storage tank in stainless steel with automatic flow system which could reduce the delivery time and maintain stability of materials and ensure stable supply of materials to related party customers, the provision of which enabled us to charge a higher selling price and further increased our gross profit margin as the per tonne material cost did not increase by a large extent despite the provision of additional services to related party customers because the cost of the above mentioned ancillary facilities was not recorded in cost of sales.

- Our related party customers generally had more specific requirements than smaller scale customers, which were generally third party customers. For example, the level of active ingredients and the strength of cement after application of our cement grinding aids required by large scale customers like our related party customers are different; the difference in such requirements, entail that products requested by large scale customers require more specific formulations so as to ensure the quality of the products delivered to them. Generally, the end-customers of related party customers will apply their cement with higher quality to large-scale national infrastructure construction projects such as railway, highways and airports as well as urban real estate development, while cement admixture used in the production of cement end-products purchased by third party customers is mostly applied to civil projects.

Concrete admixture

Our gross profit margin for sales to related party customers was 31.8%, 26.8%, 20.8% and 14.4% for FY2021, FY2022, FY2023 and 6M2024, respectively; while our gross profit margin for sales to third party customers was 12.9%, 5.9%, 18.8% and 13.6% for the corresponding year/period, respectively. Such difference in gross profit margin between our third party customers and related party customers was due to the difference in our selling prices of admixture products to these two types of customers, which was determined after taking into account of the respective market landscapes of our third party customers (generally being manufacturers without nationwide presence) and related party customers, as well as, our desires to expand our market share and develop new customers. Gross profit margin for sales to related party customers decreased from 21.4% for 6M2023 to 14.4% for 6M2024, mainly due to the increase in sales to Related Party A as it extended to the field of commodity concrete in order to enhance its product offering which can attract new customers, so as to maintain its competitiveness and control in the market. For details relating to the difference in gross profit margin between Related Party A and Related Party B, see “Financial Information — Gross profit and gross profit margin — Gross profit and gross profit margin by customer type — Concrete admixture” in this prospectus.

For FY2022, gross profit margin for sales to third party customers was lower than that of FY2021 and FY2023, mainly due to the commencement of operation of Tongling Production Plant and Guigang Production Plant in late 2021 and Ningbo Production Plant in 2022 which resulted in higher cost per tonne as sales volume was low and a portion of the cost such as depreciation and amortisation and staff cost was of a fixed nature. Gross profit margin for sales to third party customers then increased for FY2023 primarily owing to the decrease in per unit production cost as sales volume of the aforementioned production plants increased. Gross profit margin for sales to third party customers increased from 11.5% for 6M2023 to 13.6% for 6M2024, primarily due to the facts that production volume of certain production plants that commenced operation during Track Record Period increased, resulting in reduced cost per tonne as a portion of the cost such as depreciation and amortisation and staff cost was of a fixed nature.

For the gross profit margin for our sales to related party customers and third party customers, see "Financial Information — Gross profit and gross profit margin — Gross profit and gross profit margin by customer type" in this prospectus.

PRICING

The price of our products is generally determined taking into account various factors, mainly consisting of the price of the raw materials, labour costs, transportation cost, the market prospects of the geographical area in which the customer operates, specifications of products requested by customers, our profit margin with reference to the market demand, anticipated market trends, historical sales data and prices of our competitors' products.

PRODUCTION FACILITIES AND CAPACITIES

As at the Latest Practicable Date, we had 11 production facilities across the PRC for the production of cement and concrete admixture and their respective in-process intermediaries.

As at the Latest Practicable Date, we had 21, 24, 16, 5 and 46 production lines respectively for the production of cement admixture, concrete admixture, processed alcohol amine, polyether monomers and polycarboxylic acid mother liquor . For further details, see "Business — Production — Production facilities and capacities" in this prospectus.

The table below sets forth our maximum annual/half year production capacity, actual production volume and utilisation rate of each of our production facilities during the Track Record Period:

	FY2021			FY2022			FY2023			6M2024		
	Maximum annual production capacity(1)	Actual production volume	Utilisation rate(2)	Maximum annual production capacity(1)	Actual production volume	Utilisation rate(2)	Maximum annual production capacity(1)	Actual production volume	Utilisation rate(2)	Maximum half-year production capacity(1)	Actual production volume	Utilisation rate(2)
	tonnes ('000)	*tonnes ('000)*	%	*tonnes ('000)*	*tonnes ('000)*	%	*tonnes ('000)*	*tonnes ('000)*	%	*tonnes ('000)*	*tonnes ('000)*	%
Cement admixture	373	257	68.0	592	258	43.6	762	276	36.3	393	128	32.6
Processed alcohol amine	100	97	97.0	224	107	47.8	313	117	37.3	158	57	36.1
Concrete admixture	58	41	70.7	387	61	15.8	586	108	18.3	314	66	21.0
Polyether monomers	N/A	N/A	N/A	119	72	61.5	204	157	77.2	102	75	73.5
Polycarboxylic acid mother liquor	38	12	31.6	257	26	10.1	411	59	14.3	215	44	20.5

Notes:

(1) The maximum annual/half year production capacity is calculated based on the maximum hourly output volume of our production lines multiplied by the respective hours worked per day and the days worked per year/period. See "Business — Production — Average utilisation rate" for details of the maximum hourly output volume of our production lines, the average among production facilities for working days and hours.

(2) The utilisation rate is calculated by dividing the actual production volume by the maximum annual/half-year production capacity and multiplied by 100%.

COMPETITIVE LANDSCAPE

According to Frost & Sullivan, the cement admixture market in the PRC is highly concentrated. As at 31 December 2023, the top five PRC cement grinding aids providers accounted for approximately 49.6% of the total sales volume of cement grinding aids in the PRC. The table below sets out our rankings and market shares in terms of the sales volume of our products in the PRC cement admixture markets in FY2023:

In terms of sales volume of	Our market share	Our ranking
In the PRC		
Cement admixture	28.3%	1st
Cement grinding aids(1)	34.6%	1st
Processed alcohol amine(2)	4.7%	N/A(3)

Notes:

(1) The production volume of cement grinding aids accounted for approximately 81.8% of total production volume of cement admixtures in the PRC in FY2023.

(2) The production volume of processed alcohol amine that applied in the manufacturing of cement admixtures accounted for approximately 40% of total production volume of raw materials that applied in the manufacturing of cement admixtures in the PRC in FY2023.

(3) Our ranking in this respect falls outside the top ten.

While the market size of China's cement production has shrunk from 2019 to 2023, specifically at a CAGR of -3.5%, our ability to expand our market share in the cement admixture market in the PRC remains relatively unaffected due to (i) market consolidation, (ii) our leading position in the cement admixture industry, and (iii) our business strategies, details of which are set out in "Our Future Strategy" in this section.

According to Frost & Sullivan, the concrete admixture market has a large number of participants, with approximately 4,000 concrete admixture providers in the PRC, resulting in a relatively fragmented market. In recent years, the market share of high-performing concrete water reducing admixture has continuously increased due to its satisfactory performance. In the future, the market share of high-performing concrete water reducing admixture is expected to further increase. The table below sets out our rankings and market shares in terms of the sales volume of our products in the PRC concrete admixture markets in FY2023:

In terms of sales volume of	Our market share	Our ranking
In the PRC		
Concrete admixture	0.8%	N/A(1)
High-performing concrete water reducing admixture(2)	1.3%	N/A(1)
Polyether monomers(3)	0.9%	N/A(1)
Polycarboxylic acid mother liquors(4)	1.7%	N/A(1)

Notes:

(1) Our ranking in this respect falls outside the top ten.

(2) The production volume of high-performing concrete water reducing admixtures accounted for approximately 60.2% of total production volume of concrete admixtures in the PRC in FY2023.

(3) The production volume of polyether monomers that applied in the manufacturing of concrete admixtures accounted for approximately 60% of total production volume of raw materials that applied in the manufacturing of concrete admixtures in the PRC in FY2023.

(4) Polycarboxylic acid mother liquors, produced from polyether monomers, are applied to produce high-performing concrete water reducing admixtures through a physical process of compounding.

While there was an overall negative growth of the industry in the PRC due to economic downturn in real estate industry, resulting in a decrease in production volume and consumption volume of concrete admixtures, our Company was still able to record an increase in our sales volume as (i) our annual/half-year production capacity for concrete admixture was expanded by the commencement of new production plants during the Track Record Period, which in turn expanded our Group's geographical coverage; (ii) our Group has been leveraging on our brand image and reputation to expand our customer base and build a stable relationship with our strategic customers, which allowed us to maintain a level of turnover growth during the Track Record Period, despite economic downturn in real estate industry; (iii) our Group adopted a competitive pricing strategy after taking into account of the requisite scale and product requirements of our existing and potential customers in order to maintain and expand our market share, while the average selling price of our industry peers remained relatively stable or slightly decreased during the Track Record Period, according to Frost & Sullivan; and (iv) our Group only started to engage in the business of production of concrete admixture in 2018 with a lower base of production capacity, which was relatively late in joining the industry as compared to our industry peers, and, thus has more room to grow. While our industry peers have engaged in the industry for a longer period of time with significantly higher production capacity and business scale than that of our Group, thus, they were more susceptible to the economic downturn in real estate industry in FY2023, according to Frost & Sullivan.

The cement and concrete admixture market in the PRC has demonstrated a trend of market consolidation in recent years. From 2018 to 2023, the number of cement admixture manufacturers decreased from approximately 300 to 200, whilst the number of concrete admixture manufacturers decreased from 4,500 to 4,000. According to Frost & Sullivan, such trend of market consolidation is mainly due to the following reasons:

(i) ***growing preference for cement and concrete admixture manufacturers which have environmentally friendly practices.*** The production facilities of some small and medium-sized cement and concrete admixture manufacturers that cannot demonstrate their capabilities of meeting the requirements of environmental protection have been gradually eliminated from the market;

(ii) ***the demand for the functionalities and qualities of cement and concrete admixture.*** Cement and concrete admixture manufacturers need to continuously improve their production technologies to meet market demands. Some small and medium-sized cement and concrete admixture manufacturers that do not possess strong production technologies to catch up with the growing demands from downstream customers have been gradually eliminated from the market. Downstream customers prefer cement and concrete admixture manufacturers with large-scale production and mature technologies as such manufacturers can provide stable product supply and customised product formulation according to their specific requirements; and

(iii) ***decreased profitability of smaller players.*** Due to the intensified market competition, some small and medium-sized cement and concrete admixture manufacturers without advantages in scale, production technology, product quality, raw material supply and etc., can only compete by offering lower prices, which have reduced their profitability and competitiveness.

Large cement and concrete admixture manufacturers have been dedicated to taking effective approaches to enhance their competitive advantages and increase their market share, primarily by the following measures:

(i) strictly complying with requirements of environmental protection and optimising production processes that can reduce energy consumption and pollutant emissions;

(ii) expanding production scale to ensure sufficient and stable product supply;

(iii) establishing stable cooperation with upstream and downstream partners to reduce costs, ensure stable customer demands and improve brand awareness;

(iv) continuously improving production technologies to ensure product quality and performance and meet the customised requirements from downstream customers;

(v) acquiring smaller companies which can help these large cement and concrete admixture manufacturers to achieve strategic growth objectives, and companies which have regional market presence where the large cement and concrete admixture manufacturers have not yet fully developed their sales network therein; and

(vi) expanding business operation to the production of upstream raw materials such as processed alcohol amine and polyether monomer, which can secure the cost advantage and the stable supply of raw materials for the production of cement and concrete admixtures.

CUSTOMERS

Our customers mainly are manufacturers of cement and concrete which have their own cement and concrete mixing plants, manufacturers of cement and concrete admixtures or trading companies of cement and concrete related products. Our revenue derived from sales to trading companies amounted to RMB104.5 million, RMB194.2 million, RMB320.2 million and RMB153.4 million, representing 6.8%, 13.7%, 13.4% and 13.9% of our total revenue, respectively, for each year/period comprising the Track Record Period.

For each year/period of the Track Record Period, our revenue generated from our five largest customers amounted to approximately RMB1,028.4 million, RMB997.7 million, RMB1,188.6 million and RMB490.1 million, respectively, representing approximately 66.8%, 54.3%, 49.7% and 44.4% of our total revenue for the corresponding year/period, respectively, while our revenue generated from our largest customer, Conch Cement Group, in each year/period during the Track Record Period amounted to approximately RMB807.9 million, RMB765.1 million, RMB762.4 million and RMB338.6 million, respectively, representing approximately 52.5%, 41.6%, 31.8% and 30.7% of our total revenue for the corresponding year/period, respectively.

Our relationship with our largest customer

Conch Cement Group was our largest customer in each year/period during the Track Record Period. Conch Cement Group was held as to approximately 36.4% by Conch Holdings, one of our Controlling Shareholders, as at the Latest Practicable Date. It is principally engaged in the production and sales of cement, commodity clinker, aggregate and concrete. Conch Cement Group is one of the largest cement manufacturers, in terms of sales in the PRC. We have been the supplier of admixture products to Conch Cement Group since 2018. In line with market practice, being initially set up by Conch Holdings to explore fine chemical materials market as a key enterprise in the full industrial chain for the cement and concrete industry, our Company supports its overall development. Given our long term co-operation and business relationship with Conch Cement Group, our Directors believe that our relationship with Conch Cement Group has been and will continue to be mutually complementary to a large extent, and it is unlikely that there would be any materially adverse changes to, or termination of, such relationship in the foreseeable future. Our Directors are of the view that we will be able to control the risk of reliance, and our significant sales to Conch Cement Group during the Track Record Period would not adversely affect our business operation nor our financial performance as (i) a mutual and complementary relationship has been developed between Conch Cement Group and us; (ii) there is steady growth prospects of Conch Cement Group; (iii) our agreements with Conch Cement Group are determined on arm's length basis; (iv) we have a diversifying customer base and steady increase in the sales to other customers during the Track Record Period; (v) we are a value business partner to our major customers; and (vi) our developed and effective corporate governance structure enables us to have operational independence from Conch Cement Group. For our relationship with Conch Cement, see "Business — Customers, Sales and Marketing — Our relationship with our largest customer" and "Relationship with Controlling Shareholders — Relationship with Conch Cement Group" in this prospectus.

CONTROLLING SHAREHOLDERS AND CONNECTED TRANSACTIONS

Given that, upon completion of the Global Offering (assuming that (i) there will be no change of shareholding between the Latest Practicable Date and the Listing Date and (ii) the Over-allotment Option is not exercised), Conch Tech Innovation will hold approximately 36.47% of the total issued share capital of our Company. As at the Latest Practicable Date, Conch Tech Innovation was wholly-owned by Conch Holdings which was in turn held as to 51% by Anhui Investment Group and 49% by Wuhu Conch Venture, an Independent Third Party, and Anhui Investment Group was wholly-owned by the SASAC of the People's Government of Anhui Province (安徽省人民政府國有資產監督管理委員會). Therefore, Conch Tech Innovation, Conch Holdings and Anhui Investment Group will constitute a group of Controlling Shareholders under the Listing Rules immediately upon completion of the Listing.

As at the Latest Practicable Date, save as disclosed in this prospectus, none of our Controlling Shareholders and their respective close associates had any interest in any business which competes or is likely to compete, either directly or indirectly with our business. To ensure that competition will not exist in the future, Conch Tech Innovation and Conch Holdings have entered into the Deed of Non-Competition in favour of our Company. For further details, see "Relationship with Controlling Shareholders — Deed of Non-Competition" in this prospectus.

We have entered into certain transactions which will constitute continuing connected transactions under Chapter 14A of the Listing Rules after Listing. For further details, see "Continuing Connected Transactions" in this prospectus.

SUPPLIERS

The principal raw materials used in the production of our products are ethylene oxide (環氧乙烷), propylene oxide (環氧丙烷) and ethanolamine (乙醇胺) (including monoethanolamine (一乙醇胺), diethanolamine (二乙醇胺) and trolamine (三乙醇胺)). During the Track Record Period, we sourced such raw materials from suppliers located in the PRC. During the Track Record Period, our costs of raw materials, which is the largest component of our cost of sales, amounted to approximately RMB1,084.9 million, RMB1,339.6 million, RMB1,759.1 million and RMB807.8 million, representing approximately 90.5%, 90.8%, 90.8% and 90.3% of our total cost of sales for the corresponding year/period, respectively. We select suppliers from our list of approved suppliers in the PRC, which had over 300 suppliers as at 30 June 2024. The following table sets out the breakdown of our cost of sales by nature for the year/period indicated:

	FY2021		FY2022		FY2023		6M2023		6M2024	
	RMB 'million	*%*	*RMB 'million*	*%*	*RMB 'million*	*%*	*RMB 'million* (unaudited)	*%*	*RMB 'million*	*%*
Cost of raw materials	1,084.9	90.5	1,339.6	90.8	1,759.1	90.8	754.1	89.3	807.8	90.3
Transportation cost	83.6	7.0	62.0	4.2	74.4	3.8	41.7	4.9	37.9	4.2
Staff cost	17.1	1.4	30.3	2.1	36.9	1.9	17.6	2.1	15.7	1.8
Depreciation and amortisation.	8.2	0.7	30.8	2.1	47.7	2.5	23.1	2.7	24.3	2.7
Utilities	2.5	0.2	11.2	0.8	16.4	0.8	6.7	0.8	6.3	0.7
Others	3.0	0.2	2.0	0.0	1.8	0.2	1.2	0.2	2.3	0.3
Total	1,199.3	100.0	1,475.9	100.0	1,936.3	100.0	844.4	100.0	894.3	100.0

For each year/period of the Track Record Period, our purchases made to our five largest suppliers amounted to approximately RMB539.3 million, RMB882.1 million, RMB1,296.6 million and RMB654.5 million, respectively, representing approximately 30.2%, 49.0%, 64.5% and 69.8% of our total purchases for the corresponding year/period, respectively, while our purchases made to our largest supplier in each year/period during the Track Record Period amounted to approximately RMB211.4 million, RMB509.5 million, RMB916.2 million and RMB495.1 million, respectively, representing approximately 11.8%, 28.3%, 45.6% and 52.8% of our total purchases for the corresponding year/period, respectively. Our total purchases with our largest supplier has increased steadily throughout the Track Record Period due to the fact that we began sourcing ethylene oxide with them in FY2022 for our production of concrete admixtures, and as our concrete admixture business grew, so did our purchase of ethylene oxide from our largest supplier.

FINANCIAL INFORMATION

Selected Information on Our Consolidated Statements of Profit or Loss and Other Comprehensive Income

The table below sets forth selected information on our consolidated statements of profit or loss and other comprehensive income during the Track Record Period:

	FY2021	FY2022	FY2023	6M2023	6M2024
	RMB' million	*RMB' million*	*RMB' million*	*RMB' million* (Unaudited)	*RMB' million*
Revenue	1,537.5	1,839.6	2,395.5	1,035.5	1,103.4
Cost of sales	(1,199.3)	(1,475.9)	(1,936.3)	(844.4)	(894.3)
Gross profit	338.2	363.7	459.2	191.1	209.1
Other net income	10.9	6.3	13.6	5.0	11.1
Distribution costs	(33.1)	(45.1)	(55.0)	(25.4)	(27.3)
Administrative expenses	(119.1)	(141.5)	(157.1)	(75.1)	(77.0)
Research and development costs	(39.1)	(39.9)	(45.8)	(21.2)	(29.4)
Reversal of/(provision for) impairment losses on trade receivables	2.6	(10.1)	(14.6)	0.0	(2.0)
Profit from operations	160.4	133.4	200.3	74.4	84.5
Finance costs	(10.1)	(23.7)	(30.3)	(15.8)	(13.7)
Profit before taxation	150.3	109.7	170.0	58.6	70.8
Income tax	(23.4)	(17.3)	(26.1)	(10.9)	(10.6)
Profit for the year/period	126.9	92.4	143.9	47.7	60.2
Profit for the year/period attributable to:					
Equity shareholders of the Company	129.7	75.9	116.9	38.3	52.7
Non-controlling interests	(2.8)	16.5	27.0	9.4	7.5
Profit for the year/period	126.9	92.4	143.9	47.7	60.2

Our profit for the year decreased by 27.2% from RMB126.9 million for FY2021 to RMB92.4 million for FY2022, primarily due to (i) the increase in administrative expenses as a result of (a) the increase in staff cost as the number of administrative staff increased; and (b) other expenses increased as our business scale expanded; (ii) the increase in finance costs mainly as average loans and borrowings increased; and (iii) the increase in distribution costs as the number of sales staff increased. Our profit for the year increased by 55.7% from RMB92.4 million for FY2022 to RMB143.9 million for FY2023, primarily due to the increase in sales of both cement admixture and concrete admixture and their in-process intermediaries as a result of (i) the full year effect of the production of polyether monomers; (ii) commencement of new production plants during the Track Record Period which extended our geographical coverage to reach more customers. Our profit for the period increased by RMB12.5 million or 26.2% from RMB47.7 million for 6M2023 to RMB60.2 million for 6M2024, mainly because sales of concrete admixture and polycarboxylic acid mother liquor increased as (i) we secured orders from new customers by our Kunming Production Plant and Huludao Production Plant, the businesses of which have been ramping up since the commencement of production in May 2023 and May 2024 respectively; and (ii) Related Party A extended to the field of commodity concrete for purpose of enhancing its product offering, which can attract new customers, so as to maintain its competitiveness and control in the market.

Selected Information on Our Consolidated Statements of Financial Position

The table below sets forth selected information on our current assets, current liabilities non-current asset and non-current liabilities as at the dates indicated:

	As at 31 December			As at 30 June
	2021	**2022**	**2023**	**2024**
	RMB' million	*RMB' million*	*RMB' million*	*RMB' million*
Non-current assets	1,033.4	1,255.9	1,263.4	1,257.5
Current Assets				
Inventories	52.9	118.6	102.9	135.9
Trade and other receivables	359.8	632.8	813.1	878.7
Restricted bank deposits	0.1	—	—	—
Cash and cash equivalents	214.3	131.8	166.1	143.5
	627.1	883.2	1,082.1	1,158.1
Current Liabilities				
Loans and borrowings	312.0	712.1	701.6	736.5
Trade and other payables	313.2	343.2	369.4	349.7
Contract liabilities	2.5	11.4	13.5	18.6
Lease liabilities	1.7	1.7	1.8	1.7
Income tax payables	5.4	6.9	12.3	15.0
	634.8	1,075.3	1,098.6	1,121.5

	As at 31 December			As at 30 June
	2021	2022	2023	2024
	RMB' million	*RMB' million*	*RMB' million*	*RMB' million*
Net current (liabilities)/assets . . .	(7.7)	(192.1)	(16.5)	36.6
Non-current liabilities	465.3	417.3	298.4	285.4
Net assets	560.4	646.5	948.5	1,008.7
Non-controlling interests	29.1	55.5	83.5	91.0

Net current (liabilities)/asset

Our net current liabilities increased from RMB7.7 million as at 31 December 2021 to RMB192.1 million as at 31 December 2022, primarily due to (i) the increase in loans and borrowings of RMB400.1 million for our operation needs; (ii) the decrease in cash and cash equivalents of RMB82.5 million; and (iii) the increase in trade and other payables of RMB30.0 million mainly as a result of (a) the increase in construction and equipment payables for the construction of our production plants; and (b) the increase in trade and bills payables for purchase of raw materials as certain of our production plants commenced operation during 2022, partially offset by (i) the increase in trade and other receivables of RMB273.0 million mainly as a result of the increase in revenue following the launch of our new product, namely polyether monomers; and (ii) the increase in inventories of RMB65.7 million because (a) we started operation of three production plants in 2022; and (b) we have produced our new product, namely polyether monomers since June 2022.

Our net current liabilities decreased from RMB192.1 million as at 31 December 2022 to RMB16.5 million as at 31 December 2023, primarily due to (i) the increase in trade and other receivables of RMB180.3 million mainly as a result of (a) the increase in revenue following the launch of our new product, namely polyether monomers in June 2022; and (b) the increase in the number of customers following the commencement of operation of new production plants which extended our geographical coverage; and (ii) the increase in cash and cash equivalents of RMB34.3 million, partially offset by the increase in trade and other payables of RMB26.2 million mainly as a result of the increase in trade and bills payables as a result of the increase in demand of raw materials as sales increased.

We recorded net current assets of RMB36.6 million as at 30 June 2024 as compared to net current liabilities of RMB16.5 million as at 31 December 2023, primarily due to (i) the increase in trade and other receivables of RMB65.6 million mainly as a result of (a) the increase in bills which were due within six months from date of issuance; (b) the increase in deposits and prepayments for the purchase of raw materials for the expected increase in sales; and (c) the increase in prepayments for costs incurred in connection with the Listing; and (ii) increase in inventories of RMB33.0 million as a result of purchase of raw materials for production needs of Huludao Production Plant and stocking up of inventories for the expected increase in sales, partially offset by (i) the decrease in cash and cash equivalents of RMB22.6 million; and (ii) the increase in loans and borrowings of RMB34.9 million for our operation needs.

Net assets

Our net assets increased from RMB560.4 million as at 31 December 2021 to RMB646.5 million as at 31 December 2022, mainly owing to profit generated for the year of RMB92.4 million, partially offset by profit distribution of RMB23.5 million. Our net assets further increased to RMB948.5 million as at 31 December 2023, primarily attributable to (i) issuance of ordinary shares to the new shareholders of RMB202.9 million; and (ii) profit generated for the year of RMB143.9 million, partially offset by (i) profit distribution of RMB29.8 million; and (ii) deemed distribution of RMB15.5 million. Our net assets increased from RMB948.5 million as at 31 December 2023 to RMB1,008.7 million as at 30 June 2024, mainly due to profit generated for the period of RMB60.2 million.

Selected Information on Consolidated Statements of Cash Flows

The table below sets forth selected information on our statements of cash flows during the Track Record Period:

	FY2021	**FY2022**	**FY2023**	**6M2023**	**6M2024**
	RMB' million	*RMB' million*	*RMB' million*	*RMB' million* (Unaudited)	*RMB' million*
Cash generated from/(used in) operations	290.0	(97.3)	187.1	73.1	44.3
Income tax paid	(27.5)	(25.0)	(23.4)	(10.3)	(13.7)
Net cash generated from/(used in) operating activities	262.5	(122.3)	163.7	62.8	30.6
Net cash used in investing activities	(577.2)	(272.7)	(91.5)	(70.8)	(42.9)
Net cash generated from/(used in) financing activities	428.2	312.4	(37.8)	44.9	(10.3)
Net increase/(decrease) in cash and cash equivalents	113.5	(82.6)	34.4	36.9	(22.6)
Cash and cash equivalents at beginning of year/period	100.8	214.3	131.7	131.7	166.1
Cash and cash equivalents at end of year/period	214.3	131.7	166.1	168.6	143.5

For FY2022, we had net cash used in operating activities of RMB122.3 million, primarily consisting of net cash from operating activities before changes in working capital of RMB180.1 million, negative changes in working capital of RMB277.4 million and income taxes paid of RMB25.0 million.

Our net cash from operating activities before changes in working capital was attributable to our profit before tax of RMB109.6 million, adjusted for non-cash items primarily including (i) depreciation of owned property, plant and equipment of RMB39.4 million; and (ii) finance costs of RMB23.7 million. Our net cash outflows relating to changes in working capital were primarily attributable to (i) the increase in trade and other receivables of RMB265.4 million; and (ii) the increase in inventories of RMB65.7 million, partially offset by the increase in trade and other payables of RMB40.2 million.

For FY2023, we had net cash generated from operating activities of RMB163.7 million, primarily consisting of net cash from operating activities before changes in working capital of RMB269.7 million, negative changes in working capital of RMB82.6 million and income taxes paid of RMB23.4 million.

For FY2023, our net cash from operating activities before changes in working capital was attributable to our profit before tax of RMB170.0 million, adjusted for non-cash items primarily including (i) depreciation of owned property, plant and equipment of RMB61.0 million, and (ii) finance costs of RMB30.3 million.

For FY2023, our net cash outflows relating to changes in working capital were primarily attributable to the increase in trade and other receivables of RMB175.9 million partially offset by (i) the increase in trade and other payables of RMB48.7 million; and (ii) the increase in inventories of RMB15.7 million.

For 6M2024, we had net cash generated from operating activities of RMB30.6 million, primarily consisting of net cash from operating activities before changes in working capital of RMB121.1 million, negative changes in working capital of RMB76.7 million and income taxes paid of RMB13.7 million. Our net cash from operating activities before changes in working capital was attributable to our profit before tax of RMB70.8 million, adjusted for non-cash items primarily including (i) depreciation of owned property, plant and equipment of RMB31.7 million, and (ii) finance costs of RMB13.7 million. Our net cash outflows relating to changes in working capital were primarily attributable to (i) the increase in trade and other receivables of RMB61.5 million; and (ii) the increase in inventories of RMB33.0 million.

Key Financial Ratios

The table below sets forth our key financial ratios as at each of the dates indicated:

	FY2021	FY2022	FY2023	6M2024
Gross Profit Margin (%) (1)	22.0	19.8	19.2	19.0
Net Profit Margin (%) (2)	8.3	5.0	6.0	5.5
Return on equity (%) (3)	24.6	15.3	18.0	12.3(10)
Return on total assets (%) (4)	9.5	4.9	6.4	5.1(10)
Interest coverage (times) (5)	22.2	6.0	7.0	6.1

	As at 31 December			As at 30 June
	2021	2022	2023	2024
Current ratio (times) (6)	1.0	0.8	1.0	1.0
Quick ratio (times) (7)	0.9	0.7	0.9	0.9
Gearing ratio (%) (8)	134.4	170.7	99.9	95.0
Net debt to equity ratio (%) (9)	96.1	150.4	82.4	80.8

Notes:

(1) Gross profit margin was calculated based on gross profit divided by revenue for the respective years/period. See "Financial Information — Review of Historical Results of Operation" for more details on our gross profit margins.

(2) Net profit margin was calculated on profit for the year/period divided by revenue for the respective years/period. See "Financial Information — Review of Historical Results of Operation" for more details on our net profit margins.

(3) Return on equity was calculated based on the profit for the year/period divided by the arithmetic mean of the opening and closing balances of total equity and multiplied by 100%.

(4) Return on total assets was calculated based on the net profit for the respective years/period divided by the arithmetic mean of the opening and closing balances of total assets and multiplied by 100%.

(5) Interest coverage was calculated based on profit before taxation and interest divided by interest for the respective years/period and multiplied by 100%.

(6) Current ratio was calculated based on the total current assets as at the respective dates divided by the total current liabilities as at the respective dates.

(7) Quick ratio was calculated based on total current assets (net of inventories) as at the respective dates divided by the total current liabilities as at the respective date.

(8) Gearing ratio was calculated based on the total interest-bearing debt (being total loans and borrowings) as at the respective date divided by total equity as at the respective date and multiplied by 100%.

(9) Net debt to equity ratio was calculated based on net debts (being total loans and borrowings net of cash and cash equivalents) as at the respective date divided by total equity as at the respective date.

(10) Annualised for 6M2024 by multiplying profit for the period by two.

Net profit margin

Our net profit margin decreased from 8.3% for FY2021 to 5.0% for FY2022 due to the decrease in gross profit margin as a result of (i) the commencement of sales of polyether monomers in June 2022 which derived gross loss margin of 2.9%; and (ii) the decrease in gross profit margin of concrete admixture as a result of (a) the decrease in selling price of our products sold as market price decreased; and (b) the more competitive price offered to third party customers in order to expand our market share and develop new customers. Our net profit margin remained relatively stable at 5.0% and 6.0% for FY2022 and FY2023, respectively. Our net profit margin increased from 4.6% for 6M2023 to 5.5% for 6M2024, primarily attributable to (i) the increase in gross profit margin of cement admixture as a result of the decrease in raw material price while selling price to Related Party A and most of the third party customers was generally fixed during the contract period; and (ii) the decrease in effective tax rate caused by the effect on deferred tax balances at beginning of the period resulting from a change in tax rate for certain subsidiaries.

Gearing ratio

Our gearing ratio increased from 134.4% for FY2021 to 170.7% for FY2022, mainly because the increase in loans and borrowings outweighed the increase in total equity. Our gearing ratio then decreased to 99.9% for FY2023, mainly due to the increase in total equity and cash and cash equivalents and the decrease in loans and borrowings. Our gearing ratio further decreased to 95.0% for 6M2024, primarily owing to the increase in total equity.

GLOBAL OFFERING STATISTICS

All statistics presented in the table below are based on the assumption that the Over-allotment Option is not exercised:

	Based on minimum indicative Offer Price of HK$3.0	Based on maximum indicative Offer Price of HK$3.3
Market capitalisation of our Shares [(1)] . . .	HK$1,739.68 million	HK$1,913.65 million
Unaudited pro forma adjusted consolidated net tangible asset value per Share [(2)] . . .	HK$2.33	HK$2.40

Notes:

(1) The calculation of market capitalisation is based on the 579,894,000 Shares expected to be in issue immediately upon completion of the Global Offering.

(2) The unaudited pro forma adjusted consolidated net tangible asset value per Share has been arrived at after adjustments referred to in "Appendix II — Unaudited Pro Forma Financial Information — A Unaudited Pro Forma Statement of Adjusted Consolidated Net Tangible Assets" and on the basis of 579,894,000 Shares in issue at the assuming the Global Offering has been completed on 30 June 2024. The unaudited pro forma adjusted consolidated net tangible assets per Share are converted into Hong Kong dollars of an exchange rate of HK$1.00 to RMB0.92373 as at 9 December 2024.

LISTING EXPENSES

Assuming an Offer Price of HK$3.15 per Share, being the mid-point of the indicative Offer Price range of HK$3.0 to HK$3.3 per Share, the total estimated Listing expenses in connection with the Global Offering (including underwriting commission for all Offer Shares) was RMB36.1 million (equivalent to HK$39.0 million), representing approximately 8.5% of the estimated gross proceeds from the Global Offering if the Over-allotment Option is not exercised.

During the Track Record Period, we incurred Listing expenses of RMB18.1 million (equivalent to HK$19.9 million), of which RMB4.6 million (equivalent to HK$5.1 million) was charged to our profit or loss, while RMB13.5 million (equivalent to HK$14.8 million) are directly attributable to the issuance of Shares and is expected to be accounted for as a deduction from equity upon completion of the Listing. We expect to incur additional Listing expenses of RMB18.0 million (equivalent to HK$19.1 million), of which an estimated amount of RMB4.2 million (equivalent to HK$4.6 million) will be charged to profit or loss and RMB13.8 million (equivalent to HK$14.5 million), being directly attributable to the issuance of Shares, will be accounted for as a deduction from equity upon successful Listing under relevant accounting standards.

The Listing expenses consist of (i) underwriting-related expenses, including underwriting commission, of RMB6.2 million (equivalent to HK$6.7 million); and (ii) non-underwriting related expenses of RMB29.8 million (equivalent to HK$32.3 million), including (a) fees and expenses of legal advisers and Reporting Accountants of RMB19.6 million (equivalent to HK$21.2 million); and (b) other fees and expenses of RMB10.2 million (equivalent to HK$11.1 million).

The Listing expenses above are the best estimate as at the Latest Practicable Date and for reference only and the actual amount may differ from this estimate.

USE OF PROCEEDS

We estimate that the net proceeds we will receive from the Global Offering (after deducting underwriting commissions, fees and anticipated expenses payable by us in connection with the Global Offering) will be approximately HK$417.6 million, assuming the Over-Allotment Option is not exercised and an Offer Price of HK$3.15 per Share, being the mid-point of the Offer Price range of

HK$3.0 to HK$3.3 per Share as stated in this prospectus. In line with our business strategies, we intend to use our net proceeds for the following purposes:

- Approximately 35.0%, or HK$146.2 million, will be used on the optimising our production capacity, while effectively extending our geographical presence in the PRC and certain overseas countries.

- Approximately 10.0%, or HK$41.8 million, will be used to implement our marketing initiatives.

- Approximately 15.0% or HK$62.6 million, will be used to devote further resources to our R&D initiatives.

- Approximately 15.0%, or HK$62.6 million, will be used to repay certain bank loans.

- Approximately 15.0%, or HK$62.6 million, will be used to acquire or establish joint ventures.

- Approximately 10.0%, or HK$41.8 million, will be used as working capital and other general corporate purposes.

Owing to the anticipated growth in demand of cement and concrete admixture in certain developing countries, we intend to establish our presence in Uzbekistan and Indonesia. Due to the development of infrastructure construction and building construction industry in Uzbekistan and Indonesia, the demand for cement, concrete and other building materials will continue to grow, which will in turn translate to demand for cement admixture products and concrete admixture products. See "Business — Our Future Strategy — Optimising our Group's production capacity, while effectively extending our geographical presence in the PRC and certain overseas countries to consolidate our position as one of the leading suppliers of fine chemical materials in the PRC" in this prospectus for further details.

We intend to introduce a new product, namely, ethylene carbonate, to expand our product portfolio after the Track Record Period. Ethylene carbonate is a main component of the electrolyte solvent for new energy cells. The production of ethylene carbonate requires a large amount of ethylene oxide, which is a raw material for the production of our concrete admixtures. We plan to make full use of ethylene oxide as the raw material, and convert it into ethylene carbonate, which will be used as a main component of the electrolyte solvent for new energy cells. See "Business — Our Future Strategy — Consolidating our R&D capabilities and diversifying our product portfolio" in this prospectus for further details.

DIVIDENDS AND DIVIDEND POLICY

We declared and paid dividends of RMB49.4 million, RMB23.5 million and RMB29.8 million during FY2021, FY2022 and FY2023, respectively. No dividends were declared or paid during 6M2024.

The declaration of dividends is subject to the discretion of our Board and the approval of our Shareholders. Our Directors may recommend a payment of dividends in the future after taking into account our operations and earnings, capital requirements and surplus, general financial condition, cash flows, contractual restrictions, capital expenditure and future development requirements, shareholders' interests and other factors which they may deem relevant at such time. Any declaration and payment as well as the amount of the dividends will be subject to our constitutional documents and the PRC Company Law, including the approval of our Shareholders. Subject to the applicable laws and regulations, our dividend policy is as follow: (i) if the debt to asset ratio of our Company (at entity level) is below 50%, we will distribute to our Shareholders no less than 60% of our distributable profits annually; (ii) if the debt to asset ratio of our Company (at entity level) is between 50% and 70%, we will distribute to our Shareholders no less than 40% of our distributable profits annually; and (iii) if the debt to asset ratio of our Company (at entity level) is more than 70%, we will distribute to our Shareholders no more than 30% of our distributable profits annually, after Listing. Despite we have such dividend policy, our Board has discretion to propose the amount of dividends to be distributed and the actual amount of dividends to be distributed is subject to the Shareholder's approval. As such any future declarations of dividends may or may not reflect our historical declarations of dividends.

Any distributable profits that are not distributed in any given year will be retained and available for distribution in subsequent years. To the extent profits are distributed as dividends, such portion of profits will not be available to be reinvested in our operations.

LEGAL PROCEEDINGS AND NON-COMPLIANCE

During the Track Record Period and up to the Latest Practicable Date, no member of our Group was engaged in any litigation, claim or arbitration of material importance and no litigation, claim or arbitration is known to our Directors to be pending or threatened against a member of our Group which would have a material adverse effect on our financial position or results of operations.

We are advised by our PRC Legal Advisers that during the Track Record Period and up to the Latest Practicable Date, save as disclosed in "Business — Legal Non-compliance and Proceedings — Non-compliance" and "Business — Properties" in this prospectus, during the Track Record Period and up to the Latest Practicable Date, we did not have any non-compliance incidents which our Directors believe would, individually or in the aggregate, have a material operational or financial impact on our Group as a whole.

RISK FACTORS

Our business and operations involve certain risks and uncertainties, many of which are beyond our control. These risks can be broadly categorised as (i) risks relating to our business, (ii) risks relating to our industry, (iii) risks relating to conducting business in the PRC, and (iv) risks relating to the Global Offering. As different investors may have different interpretations and standards for determining the materiality of a risk, potential investors should read the entire "Risk Factors" section of this prospectus carefully before making a decision to invest in the Offer Shares. Some of the major risks we face include:

- Our business relationship with Conch Cement Group is crucial to our operation. Our business, financial condition and results of operation may be adversely affected if there is any change to the current arrangements between Conch Cement Group and us.

- Our sales are dependent on the PRC economy and the cement and concrete industries, and significant economic slowdown in the PRC or any fluctuation in the cement and concrete industries could adversely affect our business, financial condition, results of operations and prospects.

- We may not be able to sustain the gross profit margins at the levels recorded during the Track Record Period.

- Our sales are subject to the development of the infrastructure construction and real estate industries in the PRC, as we mainly sell products to the manufacturers of cement and concrete based in the PRC, whereas cement and concrete are mainly applied in the infrastructure construction and real estate industries. Any adverse development of the infrastructure construction and real estate industries may negatively affect our business, financial condition and results of operations.

- We may not be able to secure a stable supply of raw materials on acceptable prices which would adversely affect our operations and financial condition.

- We may not be able to maintain our competitiveness in the market.

- Our production and operation are subject to extensive environmental protection laws and regulations, and costs for compliance with these laws and regulations may increase in the future.

RECENT DEVELOPMENTS AND NO MATERIAL ADVERSE CHANGE

Our business operation remained stable after the Track Record Period and up to the Latest Practicable Date and for the same period, there was no material change to our business and our industry, market or regulatory environment remained generally stable up to the Latest Practicable Date. As at the Latest Practicable Date, there was no material change on the cement and concrete admixtures markets, the alcohol amine market and the polyether monomer market, according to Frost & Sullivan.

Our revenue for the four months ended 31 October 2024 experienced a decrease by approximately 6.9% as compared to the same period in 2023 based on our unaudited management accounts, primarily attributable to the decrease in our overall average selling price primarily attributable to the decrease in the purchase cost for major raw materials as compared to the same period in 2023.

Our gross profit margin for the four months ended 31 October 2024 increased by approximately 3.9% as compared to the same period in 2023 based on our unaudited management accounts, attributable to the increase in gross profit margin for cement admixtures as the purchase cost for the raw materials for cement admixture decreased and such decrease outweighed the decrease in the average selling price of cement admixtures as compared to the same period in 2023.

Our sales volume for the four months ended 31 October 2024 increased by 3.8% as compared to the same period in 2023 based on our unaudited management accounts, primarily due to an increased demand for our concrete admixtures primarily attributable to the steady stream of purchase orders for concrete admixtures received by our Kunming Production Plant and Huludao Production Plant, the businesses of which have been ramping up since the commencement of production in 2023 and 2024 respectively, which was partially offset by the decrease in our sales volume of cement admixtures primarily attributable to reduced demand for our cement admixtures from certain customers.

No material adverse change

Our Directors have confirmed that, since 30 June 2024 and up to the date of this prospectus, there has been no material adverse change in our financial or trading position or prospects and no event has occurred that would materially affect the information shown in our consolidated financial statements for FY2021, FY2022, FY2023 and 6M2024 set out in the Accountants' Report included in Appendix I to this prospectus.

Since early 2020, the PRC and certain countries around the world encountered an outbreak of the novel coronavirus named COVID-19. In an attempt to control the outbreak of COVID-19, the PRC government had imposed periodic restriction measures on various PRC cities from time to time until early 2023 (the "**COVID-19 period**"). Our Directors are of the view that COVID-19 did not result in any material adverse impact on our production, business operation and financial performance during the Track Record Period and up to the Latest Practicable Date. We were able to effectively manage any temporary suspensions of production due to government policies and meet our customers' demands by leveraging the production capacity of our network of production facilities which is designed to reflect a nationwide production layout. Specifically, during the early 2020, the government of the Hubei Province implemented control measures in response to the COVID-19 pandemic, which led to the temporary suspension of production at our Xiangyang Production Plant for approximately 50 days. In order to ensure the continuity of our operations and fulfill customer orders, we made the necessary adjustments by redirecting the sales orders originally received by our Xiangyang Production Plant to our Linyi and Guizhou Production Plants. As a result, we did not experience any customer loss or unfulfilled orders resulting from the production disruptions during the COVID-19 period. During the Track Record Period, we had not experienced any production suspensions due to the outbreak of COVID-19. Apart from the aforementioned temporary suspension of production at our Xiangyang Production Plant, we did not experience any further disruptions or suspensions of production across our other production plants during the COVID-19 period.

The entire prospectus should be read carefully and we strongly caution potential investors not to place any reliance on any information contained in press articles or disseminated through our media relating to us and/or the Global Offering, certain of which may not be consistent with the information contained in this prospectus.

In this prospectus, unless the context otherwise requires, the following expression shall have the following meanings.

"6M2023"	the six months ended 30 June 2023
"6M2024"	the six months ended 30 June 2024
"Accountants' Report"	the report of the Reporting Accountants, the text of which is set out in Appendix I to this prospectus
"affiliate(s)"	with respect to any specified person, any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
"AFRC"	the Accounting and Financial Reporting Council of Hong Kong
"Anhui Haicui"	Anhui Haicui Industrial Preparations Co., Ltd.* (安徽海萃工業製劑有限公司), a limited liability company established under the laws of the PRC on 13 August 2021, and is a direct wholly-owned subsidiary of our Company as at the Latest Practicable Date
"Anhui Huiyuan LP"	Anhui Huiyuan New Energy Industry Investment Fund Partnership (Limited Partnership)* (安徽徽元新能源產業投資基金合夥企業(有限合夥)), a limited partnership established under the laws of the PRC, and is a Pre-IPO Investor holding approximately 2.76% equity interest in our Company as at the Latest Practicable Date
"Anhui Investment Group"	Anhui Provincial Investment Group Holding Co., Ltd. (安徽省投資集團控股有限公司), a state-owned company established under the laws of the PRC, which is wholly-owned by the SASAC of the People's Government of Anhui Province (安徽省人民政府國有資產監督管理委員會), and is one of our Controlling Shareholders

"Anhui Tech Import & Export"	Anhui Technology Import & Export Company Limited* (安徽省技術進出口股份有限公司), a limited company established under the laws of the PRC, which is held as to approximately 47.9% by Anhui International Trade Group (Holding) Co., Ltd.* (安徽國貿集團控股有限公司) in which Conch Holdings held approximately 55% as at the Latest Practicable Date
"Anhui Zhongan LP"	Anhui Zhongan Advanced Technology Equity Investment Partnership (Limited Partnership)* (安徽中安先進技術股權投資合夥企業(有限合夥)), a limited partnership established under the laws of the PRC, and is a Pre-IPO Investor which ceased to hold any equity interest in our Company as at the Latest Practicable Date
"Articles" or "Articles of Association"	the amended and restated articles of association of our Company conditionally adopted on 31 August 2024, which will become effective on the Listing Date, as amended or supplemented from time to time, a summary of which is set out in Appendix III to this prospectus
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Audit Committee"	the audit committee of our Board
"Board" or "Board of Directors"	the board of Directors of our Company
"Board of Supervisors"	the board of Supervisors of our Company
"business day"	any day (other than a Saturday, Sunday or public holiday) on which banks in Hong Kong are generally open for normal banking business
"CAGR"	compound annual growth rate
"Capital Market Intermediary(ies)"	the capital market intermediary(ies) as named in the section headed "Directors, Supervisors and Parties Involved in the Global Offering"
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC

"CCB Financial Asset Investment"	CCB Financial Asset Investment Co., Ltd. (建信金融資產投資有限公司), a limited liability company established under the laws of the PRC, and is a Pre-IPO Investor holding approximately 3.97% equity interest in our Company as at the Latest Practicable Date
"close associate(s)"	has the meaning ascribed to it under the Listing Rules
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Companies (Winding Up and Miscellaneous Provisions) Ordinance"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended or supplemented from time to time
"Company" or "our Company"	Anhui Conch Material Technology Co., Ltd. (安徽海螺材料科技股份有限公司), a joint stock limited liability company established under the laws of the PRC which was converted from our Predecessor Company on 15 July 2022
"Conch Cement"	Anhui Conch Cement Company Limited (安徽海螺水泥股份有限公司), a joint stock limited company established under the laws of the PRC, with its A Shares listed on the Shanghai Stock Exchange (stock code: 600585) and H Shares listed on the Stock Exchange (stock code: 914)
"Conch Cement Group"	Conch Cement and its subsidiaries
"Conch Holdings"	Anhui Conch Holdings Company Limited* (安徽海螺集團有限責任公司), a limited liability company established under the laws of the PRC, which was owned as to 51% by Anhui Investment Group and 49% by Wuhu Conch Venture as at the Latest Practicable Date, and is one of our Controlling Shareholders

"Conch Tech Innovation"	Anhui Conch Technology Innovation Material Co., Ltd.* (安徽海螺科創材料有限責任公司) (formerly known as Anhui Conch Investment Co., Ltd.* (安徽海螺投資有限責任公司)), a limited liability company established under the laws of the PRC, which was wholly-owned by Conch Holdings as at the Latest Practicable Date, and is one of our Controlling Shareholders holding approximately 48.62% equity interest in our Company as at the Latest Practicable Date
"Conch Tech Trading"	Anhui Conch New Material Technology Trading Co., Ltd.* (安徽海螺新材料科技貿易有限公司), a limited liability company established under the laws of the PRC on 14 April 2022 and is a direct wholly-owned subsidiary of our Company
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"connected transaction(s)"	has the meaning ascribed to it under the Listing Rules
"Controlling Shareholder(s)"	has the meaning ascribed to it under the Listing Rules and, in the case of our Company, means Conch Tech Innovation, Conch Holdings and Anhui Investment Group
"core connected person(s)"	has the meaning ascribed to it under the Listing Rules
"CSDC"	China Securities Depository and Clearing Corporation Limited (中國證券登記結算有限責任公司)
"CSRC"	the China Securities Regulatory Commission (中國證券監督管理委員會)
"Deed of Indemnity"	a deed of indemnity dated 27 December 2024 entered into by Conch Tech Innovation and Conch Holdings in favour of our Company (for itself and as trustee for each members of our Group), particulars of which are set out in "D. Other Information — 2. Tax and Other Indemnities" in Appendix IV to this prospectus
"Deed of Non-Competition"	a deed of non-competition dated 27 December 2024 entered into by Conch Tech Innovation and Conch Holdings in favor of our Company (for itself and as trustee for each of its subsidiaries), particulars of which are set out in "Relationship with Controlling Shareholders — Deed of Non-Competition" in this prospectus

"Director(s)" or "our Directors"	the director(s) of our Company
"EIT Law"	Enterprise Income Tax Law of the PRC* (中華人民共和國企業所得稅法), as amended or supplemented from time to time
"Exchange Participant(s)"	a person (a) who, in accordance with the Listing Rules, may trade on or through the Hong Kong Stock Exchange; and (b) whose name is entered in a list, register or roll kept by the Hong Kong Stock Exchange as a person who may trade on or through the Hong Kong Stock Exchange
"Extreme Conditions"	the occurrence of "extreme conditions" as announced by any government authority of Hong Kong due to serious disruption of public transport services, extensive flooding, major landslides, large-scale power outage or any other adverse conditions before Typhoon Signal No. 8 or above is replaced with Typhoon Signal No. 3 or below
"FINI"	Fast Interface for New Issuance, an online platform operated by HKSCC
"FY or "financial year"	financial year of our Company ended or ending 31 December
"FY2021"	the financial year of our Company ended 31 December 2021
"FY2022"	the financial year of our Company ended 31 December 2022
"FY2023"	the financial year of our Company ended 31 December 2023
"GFA"	gross floor area
"Global Offering"	the Hong Kong Public Offering and the International Offering
"Group", "our Group", "we", "our" or "us"	our Company and our subsidiaries at the relevant time or, where the context refers to any time prior to our Company becoming the holding company of our present subsidiaries, such subsidiaries and the business carried on by such subsidiaries or (as the case may be) our predecessors, and "we", "our" or "us" shall be construed accordingly

"Guigang Conch"	Guigang Conch Taini New Material Technology Co., Ltd.* (貴港海螺台泥新材料科技有限公司), a limited liability company established under the laws of the PRC on 14 August 2020, and a subsidiary of our Company, which was held as to 60% by our Company and 40% by TCC (Guigang) Cement Limited (台泥(貴港)水泥有限公司) as at the Latest Practicable Date
"Guigang Conch Guizhou Branch"	A branch set up by Guigang Conch under the laws of the PRC on 7 November 2022
"Guigang Production Plant"	refers to the owned production facility located in New Materials Science and Technology Park, Qintang District, Guigang City* (貴港市覃塘區新材料科技園) and referred to "Business — Production — Production facilities and capacities" in this prospectus
"Guizhou Conch"	Guizhou Conch New Material Technology Co., Ltd.* (貴州海螺新材料科技有限公司) (formerly known as Guizhou Hongyi Technology Co., Ltd.* (貴州宏藝科技有限公司), a limited liability company established under the laws of the PRC on 5 July 2013 and was a direct wholly-owned subsidiary of our Company before it was deregistered on 23 November 2023
"Guizhou Production Plant"	refers to the owned production facility located in Building 1, Longli High-tech Industrial Park* (龍里高新技術產業園區第1棟) and referred to "Business — Production — Production facilities and capacities" in this prospectus
"H Share(s)"	overseas listed foreign share(s) in our ordinary share capital with a nominal value of RMB1.00 each, which are to be subscribed for and traded in Hong Kong dollars and for which an application has been made for listing and permission to trade on the Stock Exchange
"H Share Registrar"	Tricor Investor Services Limited
"**HK eIPO White Form**"	the application for Hong Kong Offer Shares to be issued in the applicant's own name by submitting applications online through the designated website at **www.hkeipo.hk**
"**HK eIPO White Form** Service Provider"	the **HK eIPO White Form** service provider designated by our Company, as specified on the designated website at **www.hkeipo.hk**

"HKICPA"	Hong Kong Institute of Certified Public Accountants
"HKSCC"	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
"**HKSCC EIPO**"	the application for the Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated HKSCC Participant's stock account through causing HKSCC Nominees to apply on your behalf, including by instructing your broker or custodian who is a HKSCC Participant to give **electronic application instructions** via HKSCC's FINI system to apply for the Hong Kong Offer Shares on your behalf
"HKSCC Nominees"	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
"HKSCC Operational Procedures"	the operational procedures of HKSCC in relation to CCASS, containing the practices, procedures and administrative requirements relating to the operation and functions of CCASS, as from time to time in force
"HKSCC Participant"	a participant admitted to participate in CCASS as a direct clearing participant, a general clearing participant or a custodian participant
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong dollars" or "HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong Offer Shares"	14,498,000 H Shares being initially offered for subscription in the Hong Kong Public Offering at the Offer Price (subject to reallocation as described in the section headed "Structure of the Global Offering" in this prospectus)
"Hong Kong Public Offering"	the offer of the Hong Kong Offer Shares for subscription by the public in Hong Kong (subject to reallocation as described in "Structure of the Global Offering") at the Offer Price and on, and subject to, the terms and conditions described in this prospectus

"Hong Kong Underwriters"	the underwriters of the Hong Kong Public Offering named in the section headed "Underwriting — Hong Kong Underwriters" in this prospectus
"Hong Kong Underwriting Agreement"	the underwriting agreement dated 30 December 2024 relating to the Hong Kong Public Offering, entered into by, among others, our Company, the Sole Overall Coordinator and the Hong Kong Underwriters, as further described in the section headed "Underwriting" in this prospectus
"Hubei Xintongling"	Hubei Xintongling Equity Investment Co., Ltd.* (湖北鑫統領股權投資有限公司), a limited liability company established under the laws of the PRC, which was owned as to 60% by Mr. Feng (our non-executive Director) and 40% by Mr. Ming Jinlong (明金龍), and is a Shareholder holding approximately 24.10% equity interest in our Company as at the Latest Practicable Date
"Huludao Haizhong"	Huludao Haizhong New Material Technology Co., Ltd.* (葫蘆島海中新材料科技有限公司), a limited liability company established under the laws of the PRC on 10 October 2022, and a subsidiary of our Company, which was held as to 68% by our Company, 30% by North Cement Company Limited (北方水泥有限公司) and 2% by Hainan Qingyuan Corporate Management Centre (Limited Partnership)* (海南清源企業管理中心(有限合夥)) as at the Latest Practicable Date
"Huludao Production Plant"	refers to the owned production facility located in Beigang Industrial Park, Huludao Economic Development Zone* (葫蘆島經濟開發區北港工業園區) and as referred to in "Business — Properties — Owned properties" in this prospectus
"IASB"	International Accounting Standards Board
"IFRSs"	IFRS Accounting Standards, which include standards, amendments and interpretations promulgated by IASB or its predecessor body, the International Accounting Standards Committee
"Independent Third Party(ies)"	any entity(ies) or person(s) who is not a connected person of our Company or an associate of any such entity(ies) or person(s) within the meanings ascribed thereto under the Listing Rules

"International Offering"	the offer of the International Offer Shares by the International Underwriters at the Offer Price, outside the United States in offshore transactions in accordance with Regulation S, as further described in the section headed "Structure of the Global Offering" in this prospectus
"International Offer Share"	the 130,476,000 H Shares being initially offered by us for subscription at the Offer Price under the International Offering together with, where relevant, any additional Shares which may be issued pursuant to the exercise of the Over-allotment Option, subject to reallocation as described in the section headed "Structure of the Global Offering" in this prospectus
"International Underwriters"	the underwriters of the International Offering
"International Underwriting Agreement"	the international underwriting agreement relating to the International Offering, which is expected to be entered into by, among others, our Company, the Sole Overall Coordinator and the International Underwriters on or around the Price Determination Date, as further described in the section headed "Underwriting" in this prospectus
"Joint Bookrunners"	the joint bookrunners as named in the section headed "Directors, Supervisors and Parties Involved in the Global Offering" in this prospectus
"Joint Global Coordinators"	the joint global coordinators as named in the section headed "Directors, Supervisors and Parties Involved in the Global Offering" in this prospectus
"Joint Lead Managers"	the joint lead managers as named in the section headed "Directors, Supervisors and Parties Involved in the Global Offering" in this prospectus
"Kegai Ceyuan LP"	Kegai Ceyuan (Chongqing) Private Equity Investment Fund Partnership (Limited Partnership)* (科改策源(重慶)私募股權投資基金合夥企業(有限合夥)), a limited partnership established under the laws of the PRC, and a Pre-IPO Investor which ceased to hold any equity interest in our Company as at the Latest Practicable Date

"Kunming Conch"	Kunming Conch New Material Technology Co., Ltd.* (昆明海螺新材料科技有限公司), a limited liability company established under the laws of the PRC on 15 September 2020 and is a direct wholly-owned subsidiary of our Company
"Kunming Production Plant"	refers to the owned production facility located in Industrial Base, Second Street, Yunnan Jinning Industrial Park* (雲南晉寧工業園區二街工業基地) and as referred to in "Business — Production — Production facilities and capacities" in this prospectus
"Latest Practicable Date"	22 December 2024, being the latest practicable date for ascertaining certain information in this prospectus before its publication
"Linyi Conch"	Linyi Conch New Material Technology Co., Ltd.* (臨沂海螺新材料科技有限公司) (formerly known as Linyi Hongyi Technology Development Co., Ltd.* (臨沂宏藝科技發展有限公司), Shandong Hongyi Technology Co., Ltd.* (山東宏藝科技股份有限公司), Shandong Hongyi Technology Co., Ltd.* (山東宏藝科技有限公司) and Linyi Hongyi Technology Development Co., Ltd.* (臨沂市宏藝科技開發有限公司)), a limited liability company established under the laws of the PRC on 27 May 1999 and is a direct wholly-owned subsidiary of our Company
"Linyi Haihong"	Linyi Haihong New Material Technology Co., Ltd.* (臨沂海宏新型材料科技有限公司) is a limited liability company established under the laws of the PRC and is a Shareholder holding approximately 16.87% equity interest in our Company as at the Latest Practicable Date
"Linyi Production Plant"	refers to the owned production facility located in Ligongzhuang Village, Fenghuangling Street in Hedong District, East Side of East Waihuan Road in Hedong District* (河東區東外環路東側，河東區鳳凰嶺街道李公莊村) and as referred to in "Business — Production — Production facilities and capacities" in this prospectus
"Listing"	the listing of the H Shares on the Main Board
"Listing Committee"	the listing sub-committee of the Stock Exchange

"Listing Date"	the date expected to be on or around Thursday, 9 January 2025, on which the H Shares are to be listed and on which dealings in the H Shares are to be first permitted to take place on the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
"Main Board"	the stock market (excluding the options market) operated by the Stock Exchange which is independent from and operated in parallel with the GEM of the Stock Exchange
"Meishan Conch"	Meishan Conch New Material Technology Co., Ltd.* (眉山海螺新材料科技有限公司) (formerly known as Sichuan Xintongling New Material Co., Ltd.* (四川鑫統領新材料有限公司) is a limited liability company established under the laws of the PRC on 30 July 2018 and is a direct wholly-owned subsidiary of our Company as at the Latest Practicable Date
"Meishan Production Plant"	refers to the owned production facility located in Four sets including Room 1, Floor 1-3, Unit 1, Building 2, No. 519 Xinshi Street, Longzheng Town, five sets including Room 1, Floor 1, Unit 1, Building 4, No. 486 Xinshi Street, Longzheng Town and five sets including Room 1, Floor 1, Unit 1, Building 7, No. 486 Xinshi Street, Longzheng Town, Room 1, Floor 1-3, Unit 1, Building 12, No. 486 Xinshi Street, Longzheng Town, Room 1, Floor 1-5, Building 1, No. 519 Xinshi Street, Longzheng Town, two sets including Room 1, Floor 1, Building 14, No. 486 Xinshi Street, Longzheng Town* (龍正鎮新市街519號2幢1單元1-3層1號等4處，龍正鎮新市街486號4幢1單元1層1號等5處及龍正鎮新市街486號7幢1單元1層1號等5處，龍正鎮新市街486號12幢1單元1-3層1號, 龍正鎮新市街519號1幢1–5層1號，龍正鎮新市街486號14幢1層1號等2處) and as referred to in "Business — Production — Production facilities and capacities" in this prospectus
"MOF"	Ministry of Finance of the PRC (中華人民共和國財政部)
"MOFCOM"	Ministry of Commerce of the PRC (中華人民共和國商務部)

"Mr. Feng"	Mr. Feng Fangbo (馮方波), a non-executive Director
"Mr. Zhao"	Mr. Zhao Hongyi (趙洪義), a non-executive Director
"NDRC"	National Development and Reform Commission of the PRC* (中華人民共和國國家發展和改革委員會)
"Ningbo Conch"	Ningbo Conch New Material Technology Co., Ltd.* (寧波海螺新材料科技有限公司), a limited liability company established under the laws of the PRC on 15 July 2019, and a subsidiary of our Company which was held owned as to 90% by our Company and 10% by Ningbo Industrial Investment Group Co., Ltd.* (寧波工業投資集團有限公司) as at the Latest Practicable Date
"Ningbo Production Plant"	refers to the owned production facility located in No. 2588 North Minghai Road, Ningbo Petrochemical Economic & Technological Development Zone* (寧波石化經濟技術開發區明海北路2588號) and as referred to in "Business — Production — Production facilities and capacities" in this prospectus
"Nomination Committee"	the nomination committee of the Board
"Offer Price"	the final offer price per H Share (exclusive of a brokerage fee of 1.0%, a SFC transaction levy of 0.0027%, a Stock Exchange trading fee of 0.00565% and AFRC transaction levy of 0.00015%), expressed in Hong Kong dollars, at which Hong Kong Offer Shares are to be subscribed for pursuant to the Hong Kong Public Offering and International Offer Shares are to be offered pursuant to the International Offering, to be determined as described in "Structure of the Global Offering — Pricing and Allocation" in this prospectus
"Offer Share(s)"	the Hong Kong Offer Shares and the International Offer Shares together with, where relevant, any additional H Shares which may be issued by our Company pursuant to the exercise of the Over-allotment Option

"Over-allotment Option"	the option expected to be granted by our Company to the International Underwriters, exercisable by the Sole Overall Coordinator (for itself and on behalf of the International Underwriters), pursuant to which our Company may be required to allot and issue up to an aggregate of 21,746,000 additional H Shares, representing up to approximately 15% of the Offer Shares initially being offered under the Global Offering, at the Offer Price to, among other things, to cover over-allocations in the International Offering, if any, details of which are described in "Structure of the Global Offering — Over-allotment Option" in this prospectus
"PBOC"	the People's Bank of China (中國人民銀行), the central bank of the PRC
"PRC" or "China"	the People's Republic of China, excluding for the purposes of this prospectus only, Hong Kong, the Macau Special Administrative Region of the People's Republic of China and Taiwan
"PRC Company Law"	Company Law of the People's Republic of China (中華人民共和國公司法), as amended, supplemented or otherwise modified from time to time
"PRC Government" or "State"	the central government of the PRC, including all political subdivisions (including provincial, municipal and other regional or local government entities) and its organs or, as the context requires, any of them
"PRC Legal Advisers"	Beijing Grandway Law Offices, the legal advisers to our Company as to the laws of the PRC
"Predecessor Company" or "our Predecessor Company"	Anhui Conch New Material Technology Co., Ltd.* (安徽海螺新材料科技有限公司), a limited liability company established under the laws of the PRC on 28 May 2018 and is the predecessor of our Company
"Pre-IPO Investments"	the investments of the Pre-IPO Investors in our Company, the particulars of which are set out in "History and Corporate Development — Pre-IPO Investments" in this prospectus

"Pre-IPO Investors"	the pre-IPO investors of our Company, the particulars of which are set out in "History and Corporate Development — Pre-IPO Investments" in this prospectus
"Price Determination Agreement"	the agreement to be entered into between our Company and the Sole Overall Coordinator (for itself and on behalf of the Hong Kong Underwriters) on the Price Determination Date to record and fix the Offer Price
"Price Determination Date"	the date, expected to be on or about Tuesday, 7 January 2025, on which the Offer Price is fixed for the purposes of the Global Offering, and in any event no later than 12:00 noon on Tuesday, 7 January 2025, or such other date as agreed between the parties to the Price Determination Agreement
"prospectus"	this prospectus being issued in connection with the Hong Kong Public Offering
"Qinghai Conch"	Qinghai Conch Jinyuan New Material Technology Co., Ltd.* (青海海螺金圓新材料科技有限公司), a limited liability company established under the laws of the PRC on 24 February 2022, and a subsidiary of our Company which was held as to 51% by our Company and 49% by Qinghai Huzhu Jinyuan Cement Co., Ltd.* (青海互助金圓水泥有限公司) as at the Latest Practicable Date
"Qinghai Production Plant"	refers to the owned production facility located in Factory Building for First Branch of Qinghai Huzhu Jinyuan Cement Co., Ltd.* (青海互助金圓水泥有限公司一分廠廠房) and as referred to in "Business — Production — Production facilities and capacities" in this prospectus
"R&D"	research and development
"Regulation S"	Regulation S under the U.S. Securities Act
"Remuneration Committee"	the remuneration committee of the Board
"Reporting Accountants"	KPMG
"RMB" or "Renminbi"	Renminbi yuan, the lawful currency of the PRC

"SAFE"	State Administration of Foreign Exchange of the PRC (中華人民共和國外匯管理局)
"SAMR"	the State Administration for Market Regulation (國家市場監督管理總局), formerly known as the State Administration of Industry and Commerce of the PRC (中華人民共和國國家工商行政管理總局), and where the context permits, include its local counterparts
"SASAC"	the State-owned Assets Supervision and Administration Commission (國有資產監督管理委員會)
"Securities Law"	the Securities Law of the PRC (中華人民共和國證券法), as amended, supplemented or otherwise modified from time to time
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time
"Share(s)"	ordinary share(s) in the capital of our Company, with a nominal value of RMB1.00 each, comprising our Unlisted Shares and our H Shares
"Shareholder(s)"	holder(s) of Share(s)
"Shenzhen-Hong Kong Stock Connect"	a securities trading and clearing links programme developed by the Hong Kong Stock Exchange, Shenzhen Stock Exchange, HKSCC and China Securities Depository and Clearing Corporation Limited for mutual market access between Hong Kong and Shenzhen
"Sole Sponsor"	China Securities (International) Corporate Finance Company Limited, a licensed corporation registered under the SFO permitted to carry on Type 1 and Type 6 regulated activities
"sq.m."	square metres
"STA"	State Taxation Administration of the PRC (中華人民共和國國家稅務總局)

"Stabilising Manager"	China Securities (International) Corporate Finance Company Limited
"State Council"	State Council of the PRC (中華人民共和國國務院)
"Stock Exchange" or the "Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	has the meaning ascribed to it in section 15 of the Companies Ordinance
"substantial shareholder(s)"	has the meaning ascribed to it under the Listing Rules
"Supervisor(s)"	supervisor(s) of our Company
"Takeovers Code"	The Codes on Takeovers and Mergers and Share Buybacks as amended, supplemented or otherwise modified from time to time
"Tongling Conch"	Tongling Conch New Material Technology Co., Ltd.* (銅陵海螺新材料科技有限公司), a limited liability company established under the laws of the PRC on 2 June 2020, and a subsidiary of our Company which was held as to 80% by our Company and 20% by Zhejiang Shangfeng Building Material Co., Ltd. (浙江上峰建材有限公司) as at the Latest Practicable Date
"Tongling Production Plant"	refers to the owned production facility located within Donglian Town* (東聯鎮境內) and as referred to in "Business — Production — Production facilities and capacities" in this prospectus
"Toshkent Conch"	Toshkent Conch New Material Technology Co., Ltd.* (Toshkent Conch Yangi Material Texnologiya), a limited liability company established under the laws of Uzbekistan on 1 May 2024 and is a direct wholly-owned subsidiary of our Company
"Track Record Period"	FY2021, FY2022, FY2023 and 6M2024
"Underwriters"	the Hong Kong Underwriters and the International Underwriters

"Underwriting Agreements"	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
"Unlisted Share(s)"	ordinary share(s) issued by our Company with a nominal value of RMB1.00 each, which is/are not listed on any stock exchange
"U.S." or "United States"	the United States of America, its territories and possessions, any state of the United States and the District of Columbia
"U.S. Securities Act"	the United States Securities Act 1933, as amended or supplemented from time to time
"Wuhu Conch Venture"	Wuhu Conch Venture Industrial Company Limited* (蕪湖海創實業有限責任公司), a limited liability company established under the laws of the PRC and an Independent Third Party
"Wuhu Industrial Fund"	Wuhu Industrial Investment Fund Co., Ltd.* (蕪湖產業投資基金有限公司), a company established under the laws of the PRC, and is a Pre-IPO Investor holding approximately 1.84% equity interest in our Company as at the Latest Practicable Date
"Wuhu Longmen LP"	Wuhu Longmen Multiply Private Equity Investment Partnership (Limited Partnership)* (蕪湖龍門倍增私募股權投資合夥企業(有限合夥)), a limited partnership established under the laws of the PRC, and is a Pre-IPO Investor holding approximately 1.84% equity interest in our Company as at the Latest Practicable Date
"Xiangyang Conch"	Xiangyang Conch New Material Technology Co., Ltd.* (襄陽海螺新材料科技有限公司) (formerly known as Hubei Xintongling Wanxiang Technology Co., Ltd.* (湖北鑫統領萬象科技有限公司) and Hubei Wanxiang Xingda Technology Co., Ltd* (湖北萬象興達科技有限公司)), a limited liability company established under the laws of the PRC on 13 October 2008 and is a direct wholly-owned subsidiary of our Company

"Xiangyang Production Plant"	refers to the owned production facility located in Leiyan Avenue, Yicheng City* (宜城市雷雁大道) and as referred to in "Business — Production — Production facilities and capacities" in this prospectus
"Xianyang Conch"	Xianyang Conch New Material Technology Co., Ltd.* (咸陽海螺新材料科技有限公司), a limited liability company established under the laws of the PRC on 23 March 2020 and is a direct wholly-owned subsidiary of our Company
"Xianyang Production Plant"	refers to the owned production facility located in Renewable Resources Industrial Park, Xizhangbao Town, Liquan County* (禮泉縣西張堡鎮再生資源產業園) and as referred to in "Business — Production — Production facilities and capacities" in this prospectus
"Xintongling"	Xintongling Building Material Group Co., Ltd.* (鑫統領建材集團有限公司) (formerly known as Sichuan Xintongling Building Materials Technology Co., Ltd.* (四川鑫統領建材科技有限公司) and Sichuan Tongling Building Materials Technology Development Co., Ltd.* (四川統領建材科技發展有限公司)), a company established under the laws on the PRC, which was held as to 99% by Mr. Feng (our non-executive Director) and 1% by Ms. Li Yang (李楊)
"Xintongling Group"	Xintongling and its subsidiaries
"%"	per cent

In this prospectus:

The English names of the PRC nationals, enterprises, entities, departments, facilities, certificates, regulations, titles and the like are translation and/or transliteration of their Chinese names and are included for identification purposes only. In the event of inconsistency between the Chinese names and their English translations and/or transliterations, the Chinese names shall prevail.

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

Unless otherwise expressly stated or the context otherwise requires, all data in this prospectus is as at the Latest Practicable Date.

* *For identification purposes only*

This glossary contains explanations of certain terms used in this prospectus in connection with our Company and our business. The terms and their meanings may not correspond to standard industry meaning or usage of these terms.

"alcohol amine"	a type of chemical compound that is used as a raw material in the production of cement admixture, this includes (i) ethanolamine and (ii) isopropanolamine (isopropanolamine being our Company's processed alcohol amine).
"cement admixture (水泥外加劑)"	a type of chemical additive that is used in the production of cement to modify its properties.
"cement grinding aid (水泥助磨劑)"	a type of cement admixture that is used in the production of cement to enhance its grindability and therefore improve its quality.
"cement grinding aid (type 1) (水泥助磨劑(類型1))"	a type of cement admixture of which three units can be applied to 10,000 units of the production of cement to enhance its grindability and therefore improve its quality (the product code of which is GO03).
"cement grinding aid (type 2) (水泥助磨劑(類型2))"	a type of cement admixture of which one unit can be applied to 1,000 units of the production of cement to enhance its grindability and therefore improve its quality (the product code of which is GO10).
"concrete admixture (混凝土外加劑)"	a type of chemical additive that is used in the production of concrete to modify its properties.
"concrete water reducing admixture (type 1) (混凝土減水劑(類型1))"	a type of concrete admixture with concentrated content level of less than 10% that is used in the production of concrete to reduce the water required therein (the product code of which is PC100).
"concrete water reducing admixture (type 2) (混凝土減水劑(類型2))"	a type of concrete admixture with concentrated content level of 10-15% that is used in the production of concrete to reduce the water required therein (the product code of which is PC150).

"concrete water reducing admixture (type 3) (混凝土減水劑(類型3))"	a type of concrete admixture with concentrated content level of 15-20% that is used in the production of concrete to reduce the water required therein (the product code of which is PC200).
"diethanolamine (二乙醇胺)"	a type of chemical compound that is used as a raw material in the production of cement admixtures.
"ethanolamine (乙醇胺)"	a type of chemical compound that is used as a raw material in the production of cement admixtures.
"ethylene oxide (環氧乙烷)"	a type of chemical compound that is used as a raw material in the production of cement and concrete admixtures.
"monoethanolamine (一乙醇胺)"	a type of chemical compound that is used as a raw material in the production of cement admixtures.
"polycarboxylic acid mother liquor (聚羧酸母液)"	a type of chemical concentrated liquid solution that is used in the production of concrete admixture and considered as in-process intermediary.
"polyether monomers (聚醚單體)"	a type of chemical compound that is used in the production of concrete admixture and considered as in-process intermediary.
"processed alcohol amine (醇胺產品)" or "isopropanolamine"	a type of alcohol amine that is used in the production of cement admixture and considered as in-process intermediary.
"propylene oxide (環氧丙烷)"	a type of chemical compound that is used as a raw material in the production of cement admixtures.
"trolamine (三乙醇胺)"	a type of chemical compound that is used as a raw material in the production of cement admixtures.

This prospectus contains certain forward-looking statements and information relating to our Group that are based on the beliefs of our management as well as assumptions made by and information currently available to our management. These forward-looking statements include, without limitation, statements relating to:

- our business and growth strategies and ability to implement such strategies;
- our capital expenditure plans;
- capital market developments;
- our operation and business prospects;
- our business development, financial condition and results of operation;
- availability of bank loans and other forms of financing;
- our ability to develop and manage our operations and business;
- our dividend policy;
- our ability to identify and satisfy our customers' demands and preferences;
- the actions of and developments of our competitors;
- our ability to maintain good relationships with business partners;
- the ability of third parties to perform in accordance with contractual terms and specifications;
- the amount and nature of, and potential for, future development of our business;
- future developments, trends and conditions in the industries and markets in which we operate;
- changes to the regulatory environment, policies, operating conditions and general outlook in the industries and markets in which we operate; and
- certain statements included in the sections headed "Summary", "Risk Factors", "Industry Overview", "Regulatory Overview", "Business", "Financial Information" and "Future Plans and Use of Proceeds" in this prospectus with respect to operations, margins, overall market trends, risk management and exchange rates.

When used in this prospectus, the words "aim", "anticipate", "believe", "can", "could", "expect", "going forward", "intend", "may", "might", "ought to", "plan", "project", "seek", "should", "will", "would", "potential", "target", "speculate", "estimate" and the negative of these words and other similar expressions, as they relate to our Group or our management, are intended to identify a number of these forward-looking statements. These forward-looking statements reflect the current views of our management with respect to future events, operations, liquidity and capital resources. These statements are subject to certain risks, uncertainties and assumptions, including the risk factors as described in the section entitled "Risk Factors" in this prospectus, some of which are beyond our control, which may cause our actual results, performance or achievements, or industry results to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Accordingly, the forward-looking statements are not a guarantee of future performance and you should not place undue reliance on any forward-looking information. Moreover, the inclusion of forward-looking statements should not be regarded as representations by us that our plans and objectives will be achieved or realised.

Subject to the requirements of applicable laws, rules and regulations, we do not have any and undertake no obligation to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. All forward-looking statements in this prospectus are qualified by reference to the cautionary statements in this section.

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

You should carefully consider all of the information in this prospectus including the risks and uncertainties described below and our financial statements and the related notes before making an investment in the Offer Shares. Our business and operations involve certain risks and uncertainties, many of which are beyond our control. Our business, financial conditions and operating results could be materially and adversely affected by any of these risks. The trading price of our H Shares could decline due to any of these risks, and you may lose all or part of your investment. Additional risks and uncertainties that are not presently known to us, or not expressed or implied below, or that we currently deem to be immaterial, could also have a material adverse effect on our business, financial conditions and operating results.

Our business and operations involve certain risks and uncertainties, many of which are beyond our control. These risks can be broadly categorised as (i) risks relating to our business, (ii) risks relating to our industry, (iii) risks relating to conducting business in the PRC, and (iv) risks relating to the Global Offering.

RISKS RELATING TO OUR BUSINESS

Our business relationship with Conch Cement Group is crucial to our operation. Our business, financial condition and results of operation may be adversely affected if there is any change to the current arrangements between Conch Cement Group and us.

Conch Cement Group was our largest customer in each year during the Track Record Period and held as to approximately 36.4% by Conch Holdings, one of our Controlling Shareholders, as at the Latest Practicable Date. We have been the supplier of admixture products to Conch Cement Group since the latter half of 2018. For our relationship with Conch Cement Group, see "Business — Customers, Sales and Marketing — Our relationship with our largest customer" and "Relationship with Controlling Shareholders — Relationship with Conch Cement Group" in this prospectus. Given the extensive link between Conch Cement Group and us, our business operation is directly affected by the business operation, results of operation and prospect of Conch Cement Group. Furthermore, we may be materially affected if there is any material change to the arrangements between members of Conch Cement Group and us.

During the Track Record Period, a significant portion of our revenue was generated from our supply of admixture products to Conch Cement Group which itself is one of the largest cement producer in terms of both production volume and production capacity in the PRC in 2022. For FY2021, FY2022, FY2023 and 6M2024, revenue generated from Conch Cement Group accounted for approximately 52.5%, 41.6%, 31.8% and 30.7% of our total revenue, respectively. Our Directors believe that the revenue from sales to members of the Conch Cement Group will continue to represent a relatively significant proportion of our total revenue in the near future.

Business operation, result of operations and prospect of Conch Cement Group are beyond our control. We cannot assure that Conch Cement Group will be able to maintain its business scale and demand for our products. Any significant change in the business of Conch Cement Group or the industry in which Conch Cement Group operates, we cannot assure you that the demand of Conch Cement Group will necessarily meet our expectation. This in turn could have a material adverse effect on our business, results of operations, financial condition, and prospects.

If Conch Cement Group ceases to procure products from us, or fails to maintain and/or increase its current level of business with us, we may experience slow growth, no growth or negative growth, and our business, financial performance and results of operations could be materially and adversely affected. Any change of business development plan or any adverse changes in the business or financial performance of Conch Cement Group, including any liquidity problem, relocation of its plants, restructuring, winding up or liquidation, may also result in a higher level of credit risk for us. We cannot guarantee that we will be able to diversify our customer base by obtaining a significant number of new purchase orders from our existing and/or new customers.

Our sales are dependent on the PRC economy and the cement and concrete industries, and significant economic slowdown in the PRC or any fluctuation in the cement and concrete industries could adversely affect our business, financial condition, results of operations and prospects.

During the Track Record Period, our revenue was derived from sales to customers in the PRC, with majority of such customers being cement and concrete manufacturers. As our cement admixture, concrete admixture, and their respective in-process intermediaries are raw materials for the manufacturing of cement and concrete, the demand for our products is dependent on the demand from these downstream industries. The performance and growth of the downstream industries, such as the cement and concrete industries, and thus the demand for our products is dependent on, among other things, the conditions of the PRC economy. The general economic conditions, interest rate levels, inflation and unemployment rates, demographic trends, gross domestic product growth and consumer confidence are, among other factors that influence the growth of the cement and concrete industries in which our cement admixture, concrete admixture, and their respective in-process intermediaries are used or applied. In particular, the demand for cement and concrete products in the PRC is closely linked to the infrastructure construction and real estate industries of the PRC which are in turn heavily influenced by the conditions of the PRC economy. As a result, any changes to the infrastructure construction and real estate related policies as well as any slow down in growth in the PRC economy and any downturn in the relevant industries in the PRC could impact our sales, resulting in downward pressure on our selling price, sales volume and profit margins, which could materially and adversely affect our business, financial condition, results of operations and prospects.

The PRC economy and the demand from our customers have grown steadily in recent years. However, we cannot assure you that this level of growth will continue in the future. Any significant slowdown in economic growth and deteriorating economic conditions in the PRC or downturn in our downstream industries may reduce the demand for our products and materially and adversely affect our business, financial condition, results of operations and profitability.

We may not be able to sustain the gross profit margins at the levels recorded during the Track Record Period.

Despite the fact that our sales to related party customers are determined on arm's length basis, there is a difference between our gross profit margin for sales to related party customers and our gross profit margin for sales to third party customers. Our gross profit margin for sales to related party customers was 32.7%, 36.5%, 42.1% and 45.4% for FY2021, FY2022, FY2023 and 6M2024, respectively; while our gross profit margin for sales to third party customers was 23.1%, 31.7%, 34.0% and 40.2% for the corresponding year/period, respectively. For reasons of such differences, see "Financial information". While majority of our revenue was derived from our related parties during the Track Record Period, we intend to derive more revenue from third party customers in the future, which might affect our overall gross profit margin. As such, we cannot assure you that we will continue to sustain our gross profit margins at the levels recorded during the Track Record Period in future shall our customer mix change in the future or the reduction of gross profit margin due to increase in market competition. If there is any material decline in our gross profit margins in the future or if we fail to sustain the relatively high gross profit margin, our profitability and financial condition may be adversely affected.

Our sales are subject to the development of the infrastructure construction and real estate industries in the PRC, as we mainly sell products to the manufacturers of cement and concrete based in the PRC, whereas cement and concrete are mainly applied in the infrastructure construction and real estate industries. Any adverse development of the infrastructure construction and real estate industries may negatively affect our business, financial condition and results of operations.

Our sales of cement and concrete admixtures are closely linked to the development of the infrastructure construction and real estate industries in the PRC, as our customers are primarily manufacturers of cement and concrete based in the PRC. The demand for cement and concrete from the infrastructure construction and real estate sectors will in turn determine the demand for our admixtures products. According to Frost & Sullivan, the production volume of cement in China decreased from 2021 to 2023 while the production volume of cement admixtures in China also decreased from 2021 to 2023. The production volume of concrete in China declined from 2021 to 2023 while the production volume of concrete admixtures in China also declined from 2021 to 2023. Any adverse development of the infrastructure construction and real estate industries may negatively affect our business, financial condition and results of operations.

We cannot assure you development trend of the infrastructure construction industry in the PRC in the future, or the real estate industry in the PRC will not experience a further downturn. Any adverse developments in the infrastructure construction and real estate sectors such as a decrease of government investment in infrastructure construction or prolonged weakness in the real estate market, may negatively affect the demand for cement and concrete, which will in turn affect the demand for our products.

Our sales may be impacted by the carbon emission related polices implemented by the PRC authorities.

The cement and concrete admixture industry replies on policies and regulations that the government introduces. In recent years, the PRC authorities have implemented various policies which regulate the extent of carbon emission by manufacturers in their production activities. There are evolving policies which may impact our cement and concrete admixture industries, for example, the "Consultation Paper on the Accounting Verification and Report Compiling of GHG Emissions of Cement Clinker Manufacturers" (《企業溫室氣體排放核算與報告指南水泥熟料生產(徵求意見稿)》) released in March 2024, and the "Interim Regulations for the Management of Carbon Emission Trading" (《碳排放權交易管理暫行條例》) implemented in May 2024. See "Industry Overview — Analysis of China's Cement Market and Concrete Market — Impact of Carbon Emission Related Polices" in this prospectus for further details. To comply with such carbon emission-related policies, among others, which require cement manufacturers, being our customers to manage and control carbon emissions in their production, they may choose to (i) purchase carbon emission quotas from other parties to meet the carbon emission requirement in their production, (ii) adopt low-carbon production technologies, such as by installing more efficient production equipment in their production, or (iii) apply raw materials that can reduce the energy consumption of production including our cement and concrete admixture products in their production.

However, we cannot guarantee that our customers will select cement and concrete admixture products over other available options to achieve the goal of managing and controlling carbon emission in their production. If our customers select other available options such as purchasing carbon emission quotas or adopting low-carbon production technologies to achieve such goal, this would result in a decrease in purchase of our cement and concrete admixture products, and therefore may negatively affect our business, financial condition and results of operations.

We may not be able to secure a stable supply of raw materials on acceptable prices which would adversely affect our operations and financial condition.

Our continuing success depends on our ability to obtain adequate supply of raw materials of good quality on commercially acceptable terms and in a timely manner to support our operations and future plans. For each year/period comprising the Track Record Period, our costs of raw materials, which is the largest component of our cost of sales, amounted to approximately RMB1,084.9 million, RMB1,339.6 million, RMB1,759.1 million and RMB807.8 million, representing approximately 90.5%, 90.8%, 90.8% and 90.3% of our total cost of sales, respectively. Ethylene oxide (環氧乙烷), propylene oxide (環氧丙烷) and ethanolamine (乙醇胺), are the major raw materials for the production of our products. While we maintain a list of qualified suppliers from which we procure our raw materials, suppliers which we deem appropriate may not always be readily available and they may not necessarily be able to supply as and when required. During the Track Record Period, we entered into supply framework agreements with some of our major suppliers pursuant to which the calculation basis for the raw materials' price was set, taking into account the relevant market price of the raw materials on the day of which it is delivered, other fixed costs and delivery fees. However, we cannot assure you our suppliers are able to fulfil their obligations towards us. If we are unable to source the relevant raw materials with our preferred suppliers, we may be required to source such raw materials at a higher price or on a delayed basis. If we are unable to find any alternative source of supply in a timely manner, our business, reputation and results of operations may be adversely affected.

The prices and availability of our raw materials depend on a variety of factors which are beyond our control, for instance, the economy of the countries from which our suppliers procure the primary source of our raw materials (such as petroleum) and their respective domestic government policies. We have no control over the cost of ethylene oxide, propylene oxide and ethanolamine. The cost of ethylene oxide, propylene oxide and ethanolamine may fluctuate significantly as a result of numerous factors, including conditions of crude oil exploitation, depletion level, general economic conditions and government policies in the relevant exporting countries from which our suppliers procure the primary source of our raw materials (such as petroleum). The cost of ethylene oxide, propylene oxide and ethanolamine experienced fluctuations during the Track Record Period, which resulted in corresponding changes in our unit cost of raw materials. According to Frost & Sullivan, the average price of ethylene oxide (環氧乙烷) during 2021 to 2023 amounted to RMB6,902 per tonne, RMB6,512 per tonne and RMB5,753 per tonne, respectively, the average price of propylene oxide (環氧丙烷) during 2021 to 2023 amounted to RMB14,820 per tonne, RMB9,042 per tonne and RMB8,512 per tonne, respectively, and the average price of ethanolamine (乙醇胺) during 2021 to 2023 amounted to RMB9,087 per tonne, RMB8,446 per tonne and RMB6,942 per tonne, respectively. The average price of ethylene oxide (環氧乙烷), propylene oxide (環氧丙烷) and ethanolamine (乙醇胺) for the first half of 2024 amounted to RMB5,972 per tonne, RMB8,350 per tonne and RMB6,748 per tonne, respectively. See "Industry Overview — Analysis of China's Cement Admixtures Market — Average Product Price and Average Raw Material Price of China's Cement Admixtures Market" and "Industry Overview — Analysis of China's Concrete Admixtures Market — Average Product Price and Average Raw Material Price of China's Concrete Admixtures Market" in this prospectus for further information. If the cost of ethylene oxide, propylene oxide and ethanolamine increases significantly and we fail to successfully pass the cost to our customers, our gross margin will decrease. As such, we cannot assure you that the raw material prices can remain stable at the current levels or we will not experience difficulties procuring sufficient supply of raw materials in the future. We cannot assure you that such increase in the selling price of our products will occur, or if they occur, will be proportionate to the increase in the cost of ethylene oxide, propylene oxide and ethanolamine.

Further, we have entered into an agreement with a branch of an energy and chemical group which is a PRC company with a registered capital of RMB326.5 billion as at the Latest Practicable Date whereby we are supplied ethylene oxide through a pipeline from such supplier. Any disruptions in the supply arising from the damage of such pipeline or if our agreement with such supplier is not renewed or terminated may significantly affect our transportation cost, the guaranteed safety of our supply of ethylene oxide and our timeliness of our production schedule.

Any supply disruptions or delays in delivery may significantly affect our production schedule and our delivery of products to customers in a timely manner. In case there is significant increase in the prices of our raw materials and we are unable to transfer such price increase to our customers, and/or to secure alternative sources of raw material supply at acceptable prices, or at all, our cost of sales may increase and our profit margins may decrease, which would materially and adversely affect our business and financial condition and results of operations.

We may not be able to maintain our competitiveness in the market.

We operate in a competitive market. According to the Frost & Sullivan, the cement admixture market in the PRC is highly concentrated. As at 31 December 2023, the top five PRC cement grinding aids providers accounted for approximately 49.4% of the total production volume of cement grinding aids in the PRC. Meanwhile, according to Frost & Sullivan, the concrete admixture market has a large number of participants, with approximately 4,000 concrete admixture providers in the PRC, resulting in a relatively fragmented market. In recent years, the market share of high-performing concrete water reducing admixture has continuously increased due to its satisfactory performance. In the future, the market share of high-performing concrete water reducing admixture is expected to further increase. Some of our competitors may develop or have greater production capacity, manpower and other resources, stronger financial strengths, more established customer base, more diversified product offerings, more established brands and market recognition. Therefore, such competitors may be more capable than we do to respond promptly to the changes in market conditions. Intense competition will subject us to pricing pressure which may lower our profit margins and reduce our revenue. Moreover, we face increasing competition from market entrants.

In addition, as we intend to extend our sales coverage in overseas markets, increased exposure to international markets further creates new areas which we may not be familiar with and could place us in less advantaged position than the new market players. If we cannot cope with the regulatory requirements in those countries, maintain our competitiveness in the cement admixture and concrete admixture markets, our business, results of operations or financial condition could be materially and adversely affected.

Our production and operation are subject to extensive environmental protection laws and regulations, and costs for compliance with these laws and regulations may increase in the future.

Our production and operation are subject to various environmental protection laws and regulations in the PRC in relation to the discharge of wastewater, solid wastes and gases in the course of production. The relevant PRC authorities may impose penalties, suspend operations, order for rectification or close down the production facilities that fail to comply with such laws and regulations.

During our production process, wastewater, waste gas and solid waste are discharged. In order to comply with the applicable environmental protection laws and regulations in the PRC, we have installed waste treatment facilities in our production facilities and engaged third-party service providers to treat the waste generated in our production process. Our business operations also involve the use and storage of chemicals that are potentially dangerous.

Notwithstanding such safeguarding measures, we cannot assure you that we will always correctly interpret the relevant laws and regulations and be in full compliance with the relevant laws and regulations at all times. If we are not in compliance with the applicable environmental protection laws and regulations or if our service providers fail to provide waste treatment services to the extent that keeps us in compliance with applicable PRC environmental protection laws and regulations, we may be required to rectify such non-compliance and may also be subject to fines, sanctions and remedial measures and substantial costs in connection with remedial measures, which may materially and adversely affect our business, financial performance and operating results.

Furthermore, the PRC government may promulgate new environmental protection laws and regulations and enforce more stringent interpretations of environmental protection laws and regulations in the future. As a result, additional costs may be incurred to introduce relevant preventive or remedial measures, adjust our production process, purchase new pollution control equipment and enhance our compliance and monitoring system to ensure compliance with such amended laws and regulations. In addition, our budget with respect to environmental compliance may not be sufficient to cover such costs and we may need to allocate additional funds for such purpose, which may materially and adversely affect our operation and financial performance. If we fail to introduce new preventive or remedial measures, make relevant adjustment to our production process, purchase new pollution control equipment or establish effective compliance and monitoring systems in a timely manner or at all, we may be subject to substantial fines or penalties as a result of such non-compliance and our business operations may be disrupted, thus materially and adversely affect our operation and financial performance.

Our expenses incurred for environmental protection during the Track Record Period was RMB1.0 million, RMB6.0 million, RMB3.6 million and RMB1.8 million, respectively. In the event that the PRC government imposes more stringent environmental protection laws and regulations, our production costs may substantially increase, or we may need to incur material capital expenditures or other costs in order to remain in compliance and we may not be able to pass on these additional costs to our customers. Our Directors expect that the environmental compliance cost would continue to increase due to the stringent standards of environmental protection laws and regulations currently in place in the PRC and such increasing compliance costs would affect our operating result.

Our historical financial and operating results during the Track Record Period may not be indicative of our future growth and performance as we may face difficulties in implementing our business strategies.

During the Track Record Period, we had experienced steady growth in our revenue due to the expansion of our business operations. For each of FY2021, FY2022 and FY2023, our total revenue was RMB1,537.5 million, RMB1,839.6 million and RMB2,395.5 million, respectively, representing a CAGR of 24.8% over the three years ended 31 December 2023. Our revenue increased by RMB67.9 million or 6.6% from RMB1,035.5 million for 6M2023 to RMB1,103.4 million for 6M2024. Our overall gross profit margin was 22.0%, 19.8%, 19.2% and 19.0% for the corresponding year/period, respectively.

However, we cannot assure you that our revenue will continue to grow at the same rate, or we will be able to achieve the same level of gross profit margin comparable to those recorded during the Track Record Period. Our historical financial information is a mere analysis of our past performance and may not necessarily reflect or have any implication on our financial performance in the future. The future growth of our revenue or gross profit margin depends on a number of factors, some of which are beyond our control. For example, the changing regulatory, economic and competitive environment, the global economy, the types of products offered by us, selling prices of our products, as well as costs of raw materials and labour and staff costs. Gross profit margin of our products may fluctuate case by case due to factors such as our relationships with our customers, technical complexity in the manufacturing of the products, and delivery schedule required by our customers. If we fail to secure new businesses or control our cost, or fail to maintain our profit margin at a level comparable to that recorded during the Track Record Period, our financial conditions may be adversely affected.

We may in the future seek to make acquisitions and investments to further expand our business. We cannot assure you that we will always be able to complete such acquisitions successfully or on terms that are absolutely commercially favourable to us. Integration of entities or assets we acquire into our business may not be successful and may prevent us from expanding into new categories of services or operating locations. This could significantly affect the expected benefits of these acquisitions. Moreover, the integration of any acquired entities or assets into our operations could require significant attention from our management. The diversion of our management's attention and any difficulties encountered in any integration process could have an adverse effect on our ability to manage our business.

Our possible future acquisitions and investments may also expose us to other potential risks, including risks associated with unforeseen or hidden liabilities, the diversion of resources from our existing businesses and technologies, our inability to generate sufficient revenue to offset the costs, expenses of acquisitions and potential loss of, or harm to, relationships with employees and customers as a result of our integration of new businesses. In addition, we may recognise impairment losses on goodwill arising from our acquisitions. The occurrence of any of these events could have a material and adverse effect on our ability to manage our business, our financial condition and our results of operations.

Further, our long-term success is also dependent on whether we can secure additional capital for our business plans. If we fail to manage any or all of these critical factors, including the increases in costs, requirement for expertise and qualified personnel and implementation of the corresponding internal control measures, our capability to develop our business and expanding our operating scale could be undermined which could affect our future business growth.

We may not be able to implement our overseas expansion successfully.

The implementation of our future business plans as set out in the section headed "Future Plans and Use of Proceeds" in this prospectus is subject to uncertainties and risks. Our business plans, in particular, the sale of new products and sales to new customers in overseas countries such as Uzbekistan and Indonesia, are based on certain assumptions of future events which are inherently subject to uncertainties and risks. These assumptions may not be correct, which could affect the commercial viability of our business plans and strategies. If we are unable to implement our plans and our business strategies successfully or effectively, our business, profitability and financial conditions in the future may be materially and adversely affected. See "Business — Our Future Strategy" in this prospectus for further information. Any failure or delay in the implementation of any or all of these strategies and future plans may have a material adverse effect on our prospects, financial condition, and results of operations.

Any material disruption to the operation of our production facilities could materially and adversely affect our business and financial condition and operating results.

We cannot assure you that there will be no disruptions to the operations of our production facilities in the future. If operations at our production facilities are materially disrupted as a result of fires, explosions, equipment failure, power outages, work stoppages, adverse weather conditions, natural disasters, labour disputes, workforce restructuring, transport and logistics issues, political turmoil or other factors, our business and financial condition and operating results could be adversely affected. Extreme weather and climate change, acts of God and other catastrophic events which are beyond our control may also adversely affect our business and financial condition and operating results. The occurrence of any of these events could also require us to make significant unanticipated capital expenditures.

Our production process depends on a stable supply of electricity and water and may be adversely affected by extreme weather and climate change. If we encounter any shortage of supply of electricity and water, extreme weather or climate change, our production activities could be interrupted which could adversely affect our business and financial condition and operating results.

Interruptions in production could increase our costs and delay our delivery of products, which may further subject us to penalties or other liabilities under the relevant sales arrangements with our customers. Production suspensions caused by such disruptions could cause a reduction in sales or delay in sales recognition. Lost sales or increased costs arising from such disruption of operations may not be recoverable under our existing insurance policies and any prolonged business disruption could also result in a loss of customers. In case of any of the above, our business and financial condition and operating results could be adversely affected.

We may fail to derive benefits from our R&D efforts and our investments in new production facilities, keep pace with and respond to trends, technological changes and evolving industry standards in an efficient and timely manner.

We have an in-house technical team that takes up our R&D work. The success of our business is dependent upon our ability to continue to develop, in a timely manner, new products and new applications, and improve our production technologies through R&D to cater to our customers' requirements and industry demand. We have applied for various patents to protect our technologies. We currently own patents to various patented technologies for the production of our products. As at the Latest Practicable Date, we were the registered owner of over 80 patents (including 68 inventive patents) which our Directors believe are material to our business operations and we were also in the process of application for over 20 patents in the PRC, which our Directors believe will be material to our business operation. See "B. Further Information about the Business of Our Group — 2. Material intellectual property rights" in Appendix IV to this prospectus for additional information on our patents. In particular, we plan to devote resources to the development and commercialisation of ethylene carbonate (碳酸乙烯酯) (a principal raw material of lithium and lithium-ion batteries), the production process of which is largely similar to the one for polyether monomers.

We may misjudge the market demand and expand our capacity for products and applications with small customer base or garner overall low demand. If we are unable to develop products and applications required and well-received by our customers and the market, we may fail to compete effectively with our competitors, which could adversely affect our business, results of operations and financial condition. If we are unable to develop products well-received by manufacturers of lithium and lithium-ion batteries, the cost spent on such developments will not yield any meaningful returns, which could adversely affect our business, results of operations and financial condition.

We are engaged in the production and sales of cement admixture and concrete admixture, and their respective in-process intermediaries namely processed alcohol amine, polyether monomers and polycarboxylic acid mother liquor, which are subject to relevant industry standards and specification 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. There can be no assurance that we will continue to be successful in responding to these technological changes and evolving industry standards. New products or technologies may render our existing products or technologies less competitive. If we fail to comply with these standards or requirements, we may be required to incur additional costs to change our product compositions or to improve our production processes and upgrade our production 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 R&D efforts 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 conditions and results of operations may be materially and adversely affected. For each year/period comprising the Track Record Period, our R&D expenditures amounted to RMB39.1 million, RMB39.9 million, RMB45.8 million and RMB29.4 million, respectively. The development of new products and new applications of our products or the development and improvement in our production technology are time consuming and costly. We cannot assure you that all our R&D efforts will lead to meaningful breakthroughs or that the results of such R&D efforts will result in commercialisation that could be accepted by our customers. If we are unsuccessful in researching and developing new products, new applications and new technology or if we are unable to commercialise our R&D efforts, our R&D expenditures will be wasted and we will be less competitive.

Moreover, our competitors may develop or improve technologies or products that gain wide market acceptance, or are superior to ours in terms of technological capabilities and quality. If we fail to respond by improving our existing products and launching new products and new applications, develop or improve production technologies in a timely and effective manner, we may not be able to retain our existing customers, enhance our competitiveness or maintain our market position.

In addition, our future success will depend, to a large extent, on our ability to increase our production output and enhance our production efficiency. We have continuously upgraded our current manufacturing machinery and install additional manufacturing machinery to enhance our production capacity and efficiency. Nevertheless, any machinery upgrade and capacity expansion of ours are subject to the following inherent risks and uncertainties:

— the need to finance our upgrade and capacity expansion through equity or debt financing, which may not be available on commercially reasonable terms or at all;

— delay or failure to obtain relevant government approvals and permits necessary and required for establish of new production facilities, expansion of production capacity and alteration to our existing production facilities;

— increase in depreciation charges; and

— cost overruns, construction delays, manufacturing problems, including delays in delivery and other operating difficulties.

Any of the above uncertainties could significantly delay or constrain our ability to execute any future machinery upgrade and capacity expansion as planned or needed. As a result, our business, financial conditions and results of operations may be materially and adversely affected.

Our strategy to increase sales of our products to the international markets is subject to political, economic, regulatory, legal and other uncertainties and risks.

During the Track Record Period, we sold our cement admixture and concrete admixture and their respective in-process intermediaries to customers mainly in the PRC. We derive a portion of our revenue from sales to the trading company customers which in turn sells our products to customers in international markets. As we sold our products to trading companies, which in turn resell our products to overseas customers which apply the products in their production, historically, we had limited direct access to the overseas customers of our products. We intend to further extend the direct sales of our products to customers located in overseas countries, such as Uzbekistan and Indonesia. For details, see "Future Plans and Use of Proceeds" and "Business — Our Future Strategy" in this prospectus.

As a result, we are subject to various risks and uncertainties associated with conducting business in the international markets including the following:

— compliance with foreign laws, regulatory requirements and local industry standards, with which we may not be familiar;

— competition from foreign players or failure to anticipate changes to the competitive landscape in the international markets due to lack of familiarity with the local business environment;

— difficulty in managing relationships with foreign customers;

— political and economic instabilities;

— lack of familiarity with local operating and market conditions;

— cultural and language difficulties;

— exposure to increased litigation risks in the international markets; and

— foreign exchange rate exposure and risk of foreign exchange control.

Any of the above factors could lead to business disruptions and loss of sales, which could have a material and adverse effect on our business, results of operations and growth strategies.

Our business and financial conditions depend on our ability to effectively manage our inventories.

Our inventory consists of raw materials and finished products. Our business and financial conditions depend on our ability to manage and maintain a reasonable level of inventories. If we overstock our inventories, our required working capital would increase and additional financing costs would be incurred to monitor and warehouse our stocks. On the other hand, if we understock inventories, we may not be able to meet our customers' demand, which may in turn adversely affect our business and financial conditions. We cannot assure you that we would not experience overstocking or understocking in the future, or that any such instances would not adversely affect our business and financial conditions.

Further, the turnover rate of our inventories is susceptible to overall demand of customers and changes in consumer choice and preference, all of which are beyond our control, which exposes us to the risk of slow-moving inventories. Despite the fact that we generally purchase raw materials after having received orders from our customers, our customers may cancel or postpone the purchase orders placed with us. Demand for our products may also change and our customers may not confirm the purchase order of products in such quantities pursuant to the sales forecast or initial indication provided by our customers via the sales framework agreement. If we are not able to manage our inventory efficiently, we could be subject to the risk of inventory obsolescence, decline in the realisable value, and significant write-down of the value of our inventory of finished products. Any of these events could adversely affect our business and financial condition and operating results.

As at 31 December 2021, 2022 and 2023 and 30 June 2024, we had inventories in the amount of RMB52.9 million, RMB118.6 million, RMB102.9 million and RMB135.9 million, respectively, and we recorded average turnover days of inventories of 14.0 days, 21.2 days, 20.9 days and 24.4 days during the Track Record Period, respectively. During the Track Record Period, write-down of inventories of RMB1.8 million, RMB2.8 million, RMB1.4 million and RMB1.8 million was recorded, respectively. We cannot assure you that our average turnover days of inventories will not increase in the future, and we may need to write off our slow-moving inventories or sell our slow moving inventories at lower prices, any of which could adversely affect our business and financial conditions.

Failure to maintain effective cash flow management may have an adverse effect on our business operation and financial condition.

For each year/period comprising the Track Record Period, we recorded net cash generated from/(used in) operating activities of RMB262.5 million, RMB(122.3) million, RMB163.7 million and RMB30.7 million, respectively. For further details, see "Accountants' Report — Consolidated Cash Flow Statements" in Appendix I to this prospectus. We cannot assure you that we will not experience any reduction in our working capital in the future or that we will not experience net cash outflows in the future. If we fail to maintain effective working capital and cash flow management, we may face financial difficulties and our business operation and financial condition could be materially and adversely affected.

We cannot assure you that we can implement our pricing strategies successfully.

We have implemented both short-term and long-term pricing strategies with a view to achieving a profitable and sustainable growth in our business. In the short term, our pricing policy focuses on offering competitive prices for cement and concrete admixtures and their respective in-process intermediaries products to attract customers and capture relevant market share. As customers become more familiar with our products and services and develop confidence in our products, we have the opportunity to gradually increase prices to reflect the value and quality of our offerings. This approach aims to enhance our long-term profitability.

We cannot assure you that we can implement our aforementioned pricing strategies successfully. The effectiveness of these pricing strategies may be influenced by various factors, including market conditions, competitive dynamics, customer preferences and etc.. Any failure or disruption in the execution of the above-mentioned pricing strategies could have a material adverse effect on our prospects, financial condition, and results of operations.

We incurred net current liabilities as at 31 December 2021, 31 December 2022 and 31 December 2023.

We recorded net current liabilities of RMB7.7 million, RMB192.1 million and RMB16.5 million as at 31 December 2021, 2022 and 2023, respectively. For further details, see "Financial Information — Liquidity and Capital Resources — Net Current Liabilities/Assets" in this prospectus.

We cannot assure you that we will not have a net current liabilities position in the future. The net current liabilities position, if recurs in the future, would expose us to liquidity risk which could restrict our ability to make necessary capital expenditure or develop business opportunities, and our business, operating results and financial condition could be materially and adversely affected.

We are exposed to credit risks in respect of our trade receivables.

Our trading terms with our customers are either on credit or in cash. Trade receivables are generally due within 30 days to 120 days from the date of billing. As at 31 December 2021, 2022 and 2023 and 30 June 2024, the average turnover days of trade receivables were 68.8 days, 73.0 days, 82.2 days and 99.7 days respectively.

We measure loss allowances for trade receivables at an amount equal to lifetime expected credit losses, which is calculated using a provision matrix. The provision rates are based on days past due for each individual customer. The provision matrix is initially based on our historical observed default rates. As at 31 December 2021, 2022 and 2023 and 30 June 2024, we recorded net trade and bills receivables of RMB300.6 million, RMB556.6 million, RMB756.4 million and RMB787.3 million respectively. We recorded reversal of impairment losses on trade receivables of RMB2.6 million for FY2021, while we recorded provision of impairment losses on trade receivables of RMB10.1 million, RMB14.6 million and RMB2.1 million for FY2022, FY2023 and 6M2024 respectively.

Should (i) our customers fail to settle relevant receivables in full; or (ii) there be a change in their payment policies resulting in a longer settlement period for the amount due, our business, financial condition and results of operations could be materially and adversely affected.

There can be no assurance that our credit control policies and measures implemented will be adequate to protect us against material credit risks and enable us to avoid losses. We may make allowances for doubtful debts based on certain assumptions, estimates and assessments about the recoverability of our trade receivables, including the creditworthiness and past collection history of our customers. However, such collectability estimates may prove to be inaccurate or there may be a change in the underlying basis of such assumptions, estimates and assessments. In the event that we are required to make future adjustments or our actual losses exceed our allowances, this could result in a material and adverse effect on our results of operations and financial condition.

We may incur impairment loss on our intangible assets and goodwill, which could negatively affect our results of operations and financial condition.

Our intangible assets primarily consisted of patents during the Track Record Period. Our goodwill was arisen from our acquisition of Xiangyang Conch, Meishan Conch, Linyi Conch and Guizhou Conch in 2018. As at 31 December 2021, 2022 and 2023 and 30 June 2024, we had intangible assets of RMB13.5 million, RMB11.4 million, RMB13.9 million and RMB12.6 million respectively, and goodwill of RMB28.7 million, RMB28.7 million, RMB28.7 million and RMB28.7 million respectively. During the Track Record Period, we did not record any impairment loss on our intangible assets and goodwill. We intend to conduct strategic acquisitions and/or establish joint ventures in future so as to expand our market share and solidify our position in the cement and concrete admixture market. See "Business — Conducting strategic acquisitions and establishing joint ventures to expand our industrial chain layout and enhance our competitiveness" in this prospectus for further details. The aforesaid strategic acquisition and establishment of joint ventures may result in acquisition of intangible assets and goodwill. Change in business prospects of investments may result in impairment on our intangible assets and goodwill, which could negatively affect our results of operations. There is no assurance that we will not incur impairment loss on our intangible assets and goodwill. Any significant impairment of our intangible assets and goodwill could have a material adverse effect on our business, financial condition and results of operations.

We are subject to fair value changes of our financial assets at fair value through other comprehensive income and financial assets measured at fair value through profit and loss.

Our financial assets measured at fair value through other comprehensive income ("**FVOCI**") primarily consisted of bill receivables, and our financial assets measured at fair value through profit and loss ("**FVPL**") primarily consisted of structured deposit product issued by bank during the Track Record Period. For bills receivable that is measured at FVOCI, the fair value is estimated as the present value of the future cash flows, discounted at the market interest rates at the balance sheet date. For structured deposit product issued by bank that is measured at FVPL, the fair value is determined using the forecast future cashflow discounted by risk-adjusted discount rate. We recorded financial assets measured at FVOCI of RMB4.4 million, RMB31.2 million, RMB10.8 million and RMB40.6 million as at 31 December 2021, 2022 and 2023 and 30 June 2024. We did not have any financial assets measured at FVPL as at 31 December 2021, 2022 and 2023 and 30 June 2024, and we recorded net gain arising from financial assets measured at FVPL of nil, nil, RMB0.1 million and RMB41.0 thousand as at 31 December 2021, 2022 and 2023 and 30 June 2024. We cannot assure the changes in market conditions (if any) will continue to create fair value gains on our financial assets at FVOCI and FVPL at previous levels or at any level at all, or that the fair value of our financial assets will not decrease in the future or that our financial assets will increase substantially or at all.

Certain capital increases of our Predecessor Company and one of our major operating subsidiaries, Tongling Conch, had not been conducted in accordance with relevant procedures in the PRC.

The capital increase of RMB38,000,000 by Hubei Xintongling in our Predecessor Company and the capital increase of RMB6,000,000 by Zhejiang Shangfeng in Tongling Conch (the "**Capital Increases**") were not conducted in accordance with certain procedures set out under the Measures for the Supervision and Administration of the Trading of State-Owned Assets of Enterprises 2016 (《企業國有資產交易監督管理辦法》 (2016)) when the Capital Increases were conducted. See "History and Corporate Development — Corporate Development of Our Group — Significant shareholding changes of our Company and our principal subsidiaries — Our Company/Predecessor Company — 1. Incorporation and early shareholding changes of our Predecessor Company" and "History and Corporate Development — Corporate Development of our Group — Significant shareholding changes of our Company and our principal subsidiaries — Tongling Conch" in this prospectus for details. We cannot assure you that the Capital Increases would not be subject to any challenge or rectifications orders from the relevant competent authorities. Any challenge or rectifications orders from relevant competent authorities may affect the effectiveness of the Capital Increases, which can affect the capital and shareholding structure of our Company and Tongling Conch.

Under PRC laws and regulations, we may be subject to repayment of housing provident funds shortfalls.

In accordance with applicable PRC laws and regulations, we are obliged to make contributions to social insurance and housing provident funds for our employees. In FY2021 and FY2022, the housing fund contributions for some of our employees had not been made in full in accordance with the relevant PRC laws and regulations. For FY2021 and FY2022, the shortfall amount of the housing fund contributions was RMB0.4 million and RMB0.5 million respectively. In respect of unpaid housing provident fund contributions, under the Regulations on the Administration of Housing Provident Fund, we may be ordered by the housing provident fund management center to deposit the underpayment of housing provident fund within a specified time limit. If we did not make such payment as required, the housing provident fund management center may apply to the people's court to enforce collection. We estimate that our maximum penalty exposure for the non-compliance was approximately RMB0.9 million as at the Latest Practicable Date. We cannot assure you that relevant government authorities will not take action against us in relation to the unpaid housing provident fund. See "Business — Employees" for details.

As the interpretation and implementation of the Labour Contract Law of the PRC, the Social Insurance Law of the PRC and other relevant Labour regulations (the "**Relevant Labour Laws and Regulations**") may be amended from time to time, there is no assurance that our employment practices did not or will not violate the Relevant Labour Laws and Regulations of the PRC, which may expose us to labour disputes or government investigations. If we are deemed to be in breach of Relevant Labour Laws and Regulations, we may be required to make additional compensation to our employees, and our business, financial condition and results of operations may be materially and adversely affected.

We may face penalties for the non-registration of our lease agreements in China.

As at the Latest Practicable Date, the lease agreements with respect to four properties we leased in the PRC for our business operations had not conducted filing registration with the relevant PRC government authorities. As advised by our PRC Legal Advisers, failure to register such lease agreements with the relevant PRC government authorities does not affect the validity and enforceability of the relevant lease agreements but the relevant PRC government authorities may order us or the lessors to, within a prescribed time limit, register the lease agreements. Failure to do so with the time limit may subject us to a fine ranging from RMB1,000 to RMB10,000 for each non-registered lease agreement. For details, see "Business — Properties — Leased properties." During the Track Record Period and up to the Latest Practicable Date, we had not received any such request or suffered any such fine from the relevant PRC government authorities. We cannot assure you that our lessor will cooperate with us to register such leases due to factors beyond our control or our use of the relevant properties will not be further challenged in the future. Any of these may have an adverse effect on our business, financial condition, results of operation and prospects.

We face risks relating to our historical acquisitions.

We have historically experienced significant growth through a series of strategic acquisitions and as such, acquisitions are part of our growth strategy. Since our establishment, we have acquired various companies which have become our principal operating subsidiaries. Such historical acquisitions may involve numerous risks, including any shareholding disputes or disagreements that may arise from prior shareholders or previously in force trust arrangements relating to the Shares of these acquired companies, potential liabilities arising from potential disputes or historical non-compliances which we might have been able to uncover in our due diligence process prior to the acquisition of these companies. Although the vendors provided representations and warranties on good title of equity interests and historical compliances and/or indemnities on losses arising from any disputes and/or penalties, we cannot guarantee that we will not encounter any disputes, legal proceedings or regulatory actions arising from the aforementioned risks. If we are unable to resolve disputes or actions in a manner favourable to our Company and our public shareholders, it may harm our business and reputation.

Work stoppage, increases in labour cost and other labour related matters may have an adverse effect on our business.

We cannot assure that we will not experience any work stoppages, strikes or other major labour problems in the future. If our employees were to engage in a strike or other work stoppage, we could experience significant disruption of our business operations and/or higher on-going labour costs, which may have an adverse effect on our businesses, financial condition and results of operations.

As at 30 June 2024, we employed a total of 881 full-time employees in the PRC. For each year/period comprising the Track Record Period, we incurred total staff cost (including salaries, wages and other benefits) of RMB147.8 million, RMB188.2 million, RMB204.2 million and RMB107.0 million, respectively. The increase in staff cost during the Track Record Period is mainly due to (i) salary increment in order to enhance our competitiveness in retaining and recruitment of talents, and (ii) the increase in number of staff throughout the Track Record Period. The successful implementation of our business strategies will depend to a significant extent on our ability to recruit and maintain our workforce, and to continue to increase our workforce at a rate commensurate with the growth of our business. Labour and staff costs have increased in the PRC in recent years, and our Directors expect that our labour and staff costs will continue to increase in the future. If labour and staff costs in the PRC continue to increase and we are unable to pass such increase in costs to our customers in a timely manner or adopt effective measures to manage the increase in our labour and staff costs, our business and financial condition and operating results could be adversely affected.

We enjoy certain preferential tax treatments and any expiration or change of these preferential tax treatments could have an adverse effect on our operating results.

Pursuant to Announcement on the Continuation of Enterprise Income Tax Policies for the Development of the Western Region (Ministry of Finance, General Administration of Taxation, National Development and Reform Commission Announcement No. 23 of 2020) (《關於延續西部大開發企業所得稅政策的公告》(財政部稅務總局國家發展改革委公告2020年第23號)), certain subsidiaries of our Group were entitled to a preferential income tax rate of 15% as qualifying companies located in western areas in the PRC up to 31 December 2030. Further, Linyi Conch is entitled to a preferential income tax of 15% as it has been certified as a High and New Technology Enterprise. See "Financial Information — Description of Selected Items in Consolidated Statements of Profit or Loss and Other Comprehensive Income — Income tax expense" in this prospectus for further information. As a result, during the Track Record Period, our effective tax rates were 15.6%, 15.8%, 15.3% and 15.0%, respectively. 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 we will continue to qualify for such preferential tax treatment, or that the policies providing for the preferential tax treatment will continue to be effective.

In addition, during the Track Record Period, we enjoyed certain favourable regulatory treatments, particularly government grants, offered by the relevant government authorities. In particular, some of our subsidiaries received subsidies from the local government authorities for encouraging our development in the admixture products in certain PRC cities. For each year/period comprising the Track Record Period, we recognised government grants of approximately RMB7.2 million, RMB3.8 million, RMB11.8 million and RMB9.6 million in our consolidated statements of profit or loss, respectively. See "Financial Information — Description of Selected Items in Consolidated Statements of Profit or Loss and Other Comprehensive Income — Other net income" in this prospectus for further information. However, it is at the sole and absolute discretion of the relevant government authorities and subject to relevant PRC laws, regulations and policies, to determine whether and when government grants would be provided to us, or at all. We cannot assure you that we will be able to receive government grants in the future.

The termination or expiration of our preferential tax treatments on us may lead to an increase in our expenses, and the unavailability or reduction in the amount of government grants or other favourable treatments received by us may have a material adverse effect on our business, financial condition, results of operations and prospects.

We are subject to a variety of occupational health and production safety laws and regulations.

We are subject to a variety of occupational health and production safety laws and regulations. Compliance with existing and future occupational health and production safety laws and regulations could subject us to costs or liabilities, including monetary damages and fines, impact our production capabilities, result in suspension of our business operations, and impact our overall financial performance. If we are held liable for damages in the event of any injury or violation of applicable occupational health or production safety laws or regulations, we may also be subject to adverse publicity and our business, financial conditions and results of operations could be materially and adversely affected.

Our business operations are subject to the risks relating to potential accidents arising from our operations and failure to comply with safety measures and procedures, and other unforeseen risks.

Our business involves the operation of equipment and machinery, which, if improperly operated, may result in physical injuries or even fatalities. We require all our employees to comply with relevant safety measures and procedures of each operating subsidiary relating to operations and production, as stipulated in our internal policies. During the Track Record Period, we did not experience any material workplace incidents. There is no assurance that some of our employees will not contravene or violate our safety measures or that accidents will not occur. We cannot assure you that these accidents will not occur in the future. We cannot guarantee that material workplace accidents or fatal accidents will not occur in the future. In that case, we may be subject to government investigations and administrative penalties. Even if such accidents were not caused by our fault or negligence, such accidents may still cause us to incur substantial costs and damage to our reputation, such as negative publicity, which could adversely affect our business and financial condition and operating results. If work-related accidents resulting in employee injuries or deaths occur, we may be liable for claims from the employees and their families, in addition to fines or penalties. Although we have existing insurance policies in relation to these accidents, we cannot assure you that all risks relating to production safety incidents have been adequately covered by our existing insurance policies. If we incur substantial liabilities, which are not covered by our insurance policies, our business and financial condition and results of operations may be adversely affected.

The production process of our products involves the handling and processing of hazardous materials such as ethylene oxide, propylene oxide and ammonia. Any accidents resulting from the improper handling or management of these hazardous chemicals during storage and production leading to leakages, may cause serious environmental, health and safety issues for our employees or others, cause damage to our employees, production facilities and result in production interruptions.

Our operations are also subject to unforeseen risks, such as natural disasters. We cannot assure you that we are insured for any of these risks or that, if insured, we will be successful in making claims under our insurance policies or that the insurance proceeds will be sufficient to compensate the actual damage suffered, or at all. Any of these events may also lead to litigation, government fines or penalties, which in turn may adversely affect our business, reputation, financial condition and results of operations.

We may not be successful in maintaining an effective quality control system.

We are subject to various laws and regulations in the jurisdictions where our products are sold. To comply with such laws and regulations, we have to implement and maintain an effective quality control system and perform various inspections during our entire manufacturing process. Any significant failure or deterioration of our quality control system in respect of, among other things, our production process and product inspection, may seriously damage our product quality. Any decline in product quality will affect our reputation in the market and among our existing or prospective customers, which may lead to reduced orders or loss of customers, and will severely harm our business, financial conditions and results of operations.

We require various approvals, licences and qualification certificates to operate our business and failure to renew any approvals, licences or qualification certificates that are crucial to our operations could adversely affect our business.

We are required to maintain various approvals, licences and qualification certificates in order to operate our business in accordance with the laws and regulations of the PRC. Most of these approvals, licences and qualification certificates are subject to examinations or verifications by relevant authorities and are valid only for a fixed period of time subject to renewal. See "Business — Licences and Permits" in this prospectus for further information on the approvals, licences and qualification certificates we are required to obtain to operate our business. For the issuance of these licences and permits, the relevant regulatory authorities would carry out regular inspections to ensure our compliance with applicable laws and regulations. We are also required to renew our licences and permits periodically. Failure to pass these inspections, loss of or failure to renew our licences and permits may result in temporary or permanent suspension of some or all of our production activities, and may disrupt our operations.

We cannot assure you that we will be able to renew all of these approvals, licences and registration certificates that are crucial to our operations when they expire. If we cannot obtain and maintain all approvals, licences and qualification certificates required by us to operate our business, the continued operation of our business could be interrupted and we may incur fines and other penalties, which could adversely affect our business, results of operations and financial condition.

Our business depends on our key senior management members and key R&D personnel, and we may not be able to find suitable replacement in case of loss of service of any of them at the same time.

Our business depends to a significant extent on the continued service of our senior executives and key R&D personnel. The experience and leadership of our key management team are critical to the success of our business. Our senior management team has extensive experience and expertise in the cement admixture (水泥外加劑) and concrete admixture (混凝土外加劑) industries and has made significant contributions to the growth and success of our business. Any unexpected loss of services of more of these individuals at the same time could have a material adverse effect on us. Our R&D team is critical to the R&D of new products and new applications. Our R&D team also focuses on R&D of new production technology and improve production equipment pursuant to our production requirements and latest market trends. The continued service of our key senior management members is significant to our future development. We do not maintain key-person insurance for key members of our senior management team. If any of our key senior management members ceases employment with us, we may have difficulty finding suitable replacements with similar industry experience. The loss of service of any of our key senior management, or failure to find suitable replacements, could adversely affect our business operations, financial condition, results of operations and prospects. The departure of any of these individuals could have an adverse effect on our business and prospects.

Our future success also depends substantially on our ability to recruit, train and retain qualified management, R&D staff, technicians, engineers and other qualified personnel. Competition for talent in our industries is intense and qualified individuals can be difficult to recruit. Consequently, we may not be able to quickly replace lost personnel and we may incur additional expenses to recruit, train and retain new hires. In addition, we may incur additional expenses for the recruitment and training of new personnel, which could severely disrupt our business plans. Hence, our ability to attract and retain key personnel is critical to our overall competitiveness. In order to attract and retain these personnel, we may be required to offer higher compensation and other benefits, which would increase our operating expenses and, in turn, materially and adversely affect our financial condition and results of operations. If we are unable to attract or retain the personnel required to implement our business objectives, our business could be severely disrupted.

We may not be able to adequately protect our intellectual property rights and any unauthorised use of our intellectual property rights by competitors or third parties, and the expenses incurred in protecting such intellectual property rights, may adversely affect our business and reputation.

We have proprietary intellectual property rights with respect to technologies developed for the production of our products and rely on intellectual property laws in the PRC to protect our intellectual property rights. As at the Latest Practicable Date, we were the registered owner of over 80 patents (including 68 inventive patents) which our Directors believe are material to our business operations and we were also in the process of application for over 20 patents in the PRC, which our Directors believe will be material to our business operation. See "B. Further Information about the Business of Our Group — 2. Material intellectual property rights" in Appendix IV to this prospectus for additional information on our patents.

Unauthorised use of our intellectual property by third parties may adversely affect our business. Preventing such unauthorised use of intellectual property is inherently difficult. If we are unable to prevent the misappropriation or unauthorised use of our intellectual property rights, competitive advantages of our proprietary production technology could be reduced or eliminated, which could adversely affect our results of operation. In addition, there can be no assurance that we will be successful in bringing enforcement actions against parties who we believe have infringed upon our intellectual property rights. If we are unable to adequately protect our intellectual property rights to prevent misuse or misappropriation by any of our competitors, our brand and our business may be materially and adversely affected. Any occurrence of misappropriation could negatively impact our reputation and brand name, cause a decline in our sales and increase our administrative costs in litigation and enforcement actions.

In addition, seeking patent protection can be costly and time-consuming. There can be no assurance that pending or future patent applications will be granted or that, if such patents are granted, they will provide meaningful protection to us. In the future, if suspected infringement arises, litigation may be necessary to enforce our intellectual property rights and to protect our intellectual property. Future litigation could result in substantial costs and diversion of resources. Moreover, there can be no assurance that our intellectual property rights will be upheld by the courts in the future.

We may be subject to intellectual property infringement claims from third parties, which may be expensive to defend and may disrupt our business and operations, and, if determined adversely to us, could require us to pay significant damage awards.

We cannot be certain that our operations or any aspects of our business do not or will not infringe upon or otherwise violate trademarks, patents, know-how or other intellectual property rights held by third parties. We may be from time to time subject to legal proceedings and claims relating to the intellectual property rights of others. In addition, there may be third-party trademarks, patents, copyrights, know-how or other intellectual property rights that are infringed by our products or other aspects of our business without our awareness. Our employees may unknowingly use intellectual property owned by others in their work for us. For instance, our employees may have used computer software for which we have not obtained the relevant user licence. Holders of such intellectual property rights may seek to enforce such intellectual property rights against us in various jurisdictions. If any third-party infringement claims are brought against us, we may be forced to divert management time and other resources from our business and operations to defend against these claims, regardless of their merits.

Additionally, the application and interpretation of intellectual property right laws and the procedures and standards for granting trademarks, patents, know-how or other intellectual property rights are evolving and may be uncertain, and we cannot assure you that courts or regulatory authorities would agree with our analysis. If we were found to have violated the intellectual property rights of others, we may be subject to liability for our infringement activities or may be prohibited from using such intellectual property, and we may incur licensing fees or be forced to develop alternatives of our own. As a result, our business, financial conditions and results of operations may be materially and adversely affected.

We are subject to potential adverse consequences due to the commencement of construction or production at certain properties in the PRC without obtaining relevant permits.

We did not obtain, on a timely basis, (i) the construction work planning permit (建設工程規劃許可證), construction land planning permit (建設用地規劃許可證) and construction work commencement permit (建築工程施工許可證) (the "**Construction Permits**") prior to the construction of our Kunming Production Plant and (ii) the completion acceptance and fire safety acceptance (竣工驗收及消防驗收) from relevant authorities prior the commencement of our production at the Kunming Production Plant. Based on our Group's management accounts, Kunming Conch attributed for nil, nil, 2.0% and 2.4% of our Group's revenue for each year/period comprising of the Track Record Period. As at Latest Practicable Date, we had obtained the Construction Permits for our Kunming Production Plant and completion acceptance and fire safety acceptance. Further, we did not obtain, on a timely basis, construction work commencement permit (建築工程施工許可證) (the "**Construction Work Permit**") prior to the construction of our Huludao Production Plant. The Huludao Production Plant has commenced production in late May 2024 and hence generated a minimal level of revenue during the Track Record Period. As at the Latest Practicable Date, we have obtained the Construction Work Permit for our Huludao Production Plant. Pursuant to the Urban and Rural Planning Law of the PRC (《中華人民共和國城鄉規劃法》) and the Administrative Measures on the Construction Works Commencement Permit (《建築工程施工許可管理辦法》), Kunming Conch may be (i) required to dismantle the relevant properties and subject to a maximum penalty of 10% of the construction costs of the Kunming Production Plant due to the failure to obtain the construction work planning permit before commencement of construction (such maximum penalty being approximately RMB4.5 million); (ii) required to reinstate the land into its previous state within a stipulated period and be subject to a penalty of 1-2% of the construction contract price of the Kunming Production Plant, due to failure to obtain the construction work commencement permit (such maximum penalty being approximately RMB0.7 million); (iii) required to correct the situation and be subject to a penalty of 2–4% of the construction contract price of the Kunming Production Plant, due to failure to obtain the completion acceptance prior to production (such maximum penalty being RMB1.5 million); and (iv) may be ordered to stop construction, use, or production and business of the Kunming Production Plant and be imposed a fine of no more than RMB300,000; whereas, Huludao Haizhong is subject to a penalty of

1–2% of the construction contract price of the relevant properties, due to the failure to obtain the relevant construction works commencement permits before commencement of construction (such maximum penalty being RMB0.2 million). We cannot assure you that we will not be subject to the penalties by the relevant government authorities for the failure to obtain the Construction Permits and the Construction Work Permit for the relevant properties before commencement of construction or production. Any such penalties imposed on us could have an adverse effect on our cash flow, business operation and our reputation.

Risk of non-compliance with PRC regulatory requirements.

Our production of admixture products and its in-process intermediaries are subject to regulations in the PRC, details of which are set out in the section headed "Regulatory Overview" in this prospectus. See "Business — Legal Non-compliance and Proceedings — Non-compliance" in this prospectus for further details. There is no assurance that we would be able to meet all the applicable regulatory requirements and guidelines, or comply with all the applicable regulations at all times, or that we will not be subject to any sanctions, fines or other penalties in the future as a result of the aforementioned non-compliances. If any sanctions, fines or other penalties are imposed on us for failing to comply with applicable requirements, guidelines or regulations, our business, reputation, financial condition and results of operations may be materially and adversely affected.

Three of our properties/production lines were not in compliance with the relevant fire safety regulations during the Track Record Period.

Our lessors for the Qinghai Production Plant and Guizhou Production Plant have not completed the fire safety acceptance/filing for their respective properties and as such, we cannot file the relevant fire safety acceptance filing (the "**Fire Safety Filing**") (消防驗收備案) for our production lines from the Qinghai Production Plant and Guizhou Production Plant. Further, certain non-production parts of our Meishan Production Plant have not yet completed Fire Safety Filing. Pursuant to relevant laws and regulations in the PRC, due to failure to complete the Fire Safety Filing, we may be ordered to carry out relevant remedial actions and be imposed of fine of no more than RMB5,000. Although the relevant regulatory agencies have not imposed any material administrative actions, fines or penalties for our failure to complete the necessary fire safety filing procedures (see "Business — Legal non-compliance and proceedings — Non-compliance" for details), we cannot assure you that we will not be subject to any administrative actions in the future. As a result, we may not be able to continue operation on such property, which could materially and adversely affect our business, results of operations and financial condition.

Our business depends on our reputation, and any negative publicity on us could have a material adverse effect on our business and financial condition and operating results.

Our business is dependent on our reputation. Negative publicity arising from, but not limited to, product defects and non-compliance with relevant laws and regulations or product quality standards are potential threats to our reputation. If we fail to promote and protect our reputation, we may not be able to maintain our sales, attract new customers, and expand into new markets. As a result, our business and financial condition and operating results could be adversely affected. Further, any negative claims against us could divert our management's attention and resources from other business concerns, even if such negative claims are unfounded, which could adversely affect our business and financial condition and operating results.

We are subject to risks affecting the cement admixture, concrete admixture, and their respective in-process intermediaries industries. Negative publicity or media report on the industries could materially undermine the confidence of our customers or prospective customers. Such negative publicity could also have a negative impact on our products and as such may affect the demand for our products which could adversely affect our business and financial condition and operating results.

Our insurance coverage might not be adequate to cover all the risks.

We maintain various insurance policies covering our production accidents, safety responsibilities, use of hazardous materials, vehicle transportation and equipment. However, most of our insurance policies are subject to standard deductions, exclusions and limitations. We believe these insurance policies are generally consistent with the customary industry practices, with respect to deductibles and limits of coverage, but we cannot be fully insured against all potential hazards incidental to our business, including losses resulting from business interruptions, or all potential losses, including damage to our reputation. If we were to incur significant liabilities for which we are not fully insured, it may have an adverse effect on our results of operations. In light of the change of market conditions, premiums and deductibles for certain insurance policies may increase substantially and, in some instances, certain insurance policies may become unavailable at a reasonable cost or available only for certain risks. If for any reason we were no longer covered by our existing insurance policies, we may not be able to obtain replacement of insurance policies on acceptable terms or at all, which may have an adverse effect on our results of operations.

Failure to meet contract liability obligations may have an adverse effect on our results of business operations and financial condition.

Contract liabilities represent our obligations to provide contracted products to our customers. During the Track Record Period, our contract liabilities were mainly derived from customers' prepayments for our products. As at 31 December 2021, 2022 and 2023 and 30 June 2024, our contract liabilities amounted to RMB2.5 million, RMB11.4 million, RMB13.5 million and RMB18.6 million, respectively. For further details, see "Financial Information — Description of Certain Items of Consolidated Statements of Financial Position — Contract liabilities" to this prospectus.

There can be no assurance that we will be able to meet our obligations in respect of such contract liabilities as fulfilment of orders is subject to a number of factors, including the availability of raw materials, labour resources as well as the normal operation of production facilities and transportation networks. If we are unable to meet our obligations with respect to contract liabilities, the amount of contract liabilities will not be recognised as revenue and we may be required to refund advanced receipts to customers. As a result, our results of operations, liquidity and financial condition could be materially and adversely affected.

Our business relies on the proper operation of our technology systems, any malfunction of which for extended periods could materially and adversely affect our business, financial conditions and results of operations.

Our business relies on the proper functioning of our technology systems. Our technology systems and our information technology management policy regulate our operations, inventory control, procurement, production and sales management. We use our technology systems to retrieve and analyse operational data, including procurement, sales, inventory, logistics and production, as well as financial information effectively and efficiently. We also use our technology systems to assist us in planning and managing our production, budgeting, human resources, inventory, sales and financial reporting. As a result, our technology system is critical for our daily operations. Although we did not experience any technology systems' breakdown during the Track Record Period, we cannot assure you that our technology systems will always operate well without any interruption.

Any malfunction to a particular part of our technology systems may adversely affect our operations and our results of operations. There can be no assurance that there will not be any failure or breakdown of these systems in the future. Any system failure or breakdown could interrupt our normal business operations and result in a significant slowdown in operational and management efficiency. Any prolonged failure or breakdown could have a material adverse effect on our business and results of operations. In addition, we need to constantly upgrade and improve our technology systems to keep up with the continuous growth of our operations and business. We may not always be successful in installing, running or implementing new software or advanced information technology systems as required by our business development. All of these may have a material and adverse impact on our business, financial conditions and results of operations.

We may from time to time be involved in legal and other disputes arising out of our business operations, and such disputes may adversely affect our business, financial condition and results of our business operations.

We may from time to time be involved in disputes with, and claims by, customers to whom we provide our products. Disputes may also arise if they are dissatisfied with our products. In addition, customers may take legal action against us if they believe that our products do not meet the standards specified in the sales framework agreements and/or sales orders. In addition, from time to time, we may have disputes with, and claims by, other parties involved in our business, including our employees, suppliers and other third parties. All such disputes and claims may result in legal or other proceedings or lead to negative publicity about us, which could result in damage to our reputation, incur substantial costs and divert resources and divert management's attention away from our business activities. Any such disputes, claims or litigation could have a material adverse effect on our business, financial condition and results of our business operations.

RISKS RELATING TO OUR INDUSTRY

If the cement admixture and concrete admixture market does not grow at the rate that we have expected, or at all, or if a substitute product for cement admixture and/or concrete admixture is released to the market, our business, results of operations and financial condition may be adversely affected.

Our growth depends on the stable demand for our cement admixture and concrete admixture in various downstream application within the concrete and cement industries, and the concrete and cement industries are in turn dependent on the PRC economy. Although the demand for our cement admixture and concrete admixture has grown in the past, such growth rate may not remain the same or increase in the future. Any decrease in demand or any downturn in the relevant downstream sectors or any economic slowdown in the PRC could materially and adversely affect our sales and profitability. Furthermore, if there is a change in market preference due to the release of new products which compete with the cement admixture and/or concrete admixture to the market, we may not be able to achieve the growth as expected and our business could be materially and adversely affected.

Our business is affected by changes in customer requirements and preferences, industry demands and the perceptions for cement admixture and concrete admixture generally.

Customer requirements and preferences, industry demands and the perceptions for cement admixture and concrete admixture are constantly changing in response to changes in market trend, technological development and customer needs. In light of the changing and diversified customer requirements and preferences, our future growth depends on our ability to adapt to market trends and introduce new products and new applications in a timely manner that can satisfy the requirements of our customers. We cannot assure you that our cement admixture and concrete admixture will continue to be accepted by our customers or that we will be able to anticipate or respond to changes in customers preferences in a timely manner. Our failure to anticipate, identify or respond to these changes could adversely affect our sales performance and operating results.

Research and development of new products and applications can be expensive, and we cannot assure you that our new products and applications will be well-received and recognised by the market or that it will generate acceptable profits. We may spend significant amount of resources to develop and market new products or new applications which may turn out not meeting our anticipated sales levels. If we are unable to effectively respond or adjust to the market trends and successfully identify and develop new products or new applications in response to the changing demand, our business and financial condition and operating results and our competitive position could be adversely and materially affected.

RISKS RELATING TO CONDUCTING BUSINESS IN THE PRC

Changes in, as well as the interpretation and implementation of the relevant laws, rules and regulations, may affect our business, financial condition, results of operations and prospects.

Due to our extensive operations in the PRC, our business, financial condition, results of operations and prospects are affected by economic and legal developments in the PRC. PRC laws, rules and regulations in relation to economic matters are promulgated from time to time, including those related to such as foreign investment, corporate organisation and governance, commerce, taxation, finance, foreign exchange and trade, so as to develop a comprehensive system of commercial law. In addition, the interpretation and implementation of the laws and regulations relating to the cement admixture and concrete admixture industries also evolve from time to time.

Holders of H Shares may be subject to PRC income taxes.

Holders of H Shares, being non-PRC resident individuals or non-PRC resident enterprises, whose names appear on the register of members of H Shares of our Company, are subject to PRC income tax in accordance with the applicable tax laws and regulations, on dividends received from us and gains realised through the sale or transfer by other means of H shares by such shareholders.

According to the Individual Income Tax Law of the PRC and the Implementation Regulations for the Individual Income Tax Law of the PRC, both came into effect on 1 January 2019, the tax applicable to non-PRC resident individuals is proportionate at a rate of 20% for any dividends obtained from within China or gains on transfer of shares and shall be withheld and paid by the withholding agent. Pursuant to the Arrangement between the Mainland and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (內地和香港特別行政區關於對所得税避免雙重徵税和防止偷漏税的安排) (the "**Arrangements**") signed on 21 August 2006, the PRC government may levy taxes on the dividends paid by PRC companies to Hong Kong residents in accordance with the PRC laws, but the levied tax (in the case the beneficial owner of the dividends are not companies directly holding at least 25% of the equity interest in the company paying the dividends) shall not exceed 10% of the total dividends. The Fifth Protocol to the Arrangement between the Mainland China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income (《國家税務總局關於〈內地和香港特別行政區關於對所得避免雙重徵税和防止偷漏税的安排〉第五議定書》), or the Fifth Protocol, issued by The State Administration of Taxation and effective on 6 December 2019 provides that such provisions shall not apply to arrangements or transactions made for one of the primary purposes of obtaining such tax benefits.

According to the Enterprise Income Tax Law of the PRC, which was newly revised and implemented on 29 December 2018, and the Implementation Regulations for the Enterprise Income Tax Law of the PRC, which was newly revised and implemented on 23 April 2019, if a non-resident enterprise has no presence or establishment within China, or if it has established a presence or establishment but the income obtained has no actual connection with such presence or establishment, it shall pay an enterprise income tax on its income derived from within China with a reduced rate of 10%. Pursuant to the Arrangements, dividends paid by PRC resident enterprises to Hong Kong residents can be taxed either in Hong Kong or in accordance with the PRC laws. However, if the beneficial owner of the dividends is a Hong Kong resident, the tax charged shall not exceed: (i) 5% of the total amount of dividends if the Hong Kong resident is a company that directly owns at least 25% of the capital of the PRC resident enterprise paying dividends; (ii) otherwise, 10% of the total amount of dividends. The Fifth Protocol provides that such provisions shall not apply to arrangements or transactions made for one of the primary purposes of obtaining such tax benefits.

Considering the above, non-PRC resident holders of our H Shares should be aware that they may be obligated to pay PRC income tax on the dividends and gains realised through sales or transfers by other means of the H Shares.

There might be uncertainties in effecting service of legal process, enforcing foreign judgements against us or our Directors, Supervisors and senior management personnel in the PRC.

We are a company incorporated in China. In addition, our Directors, Supervisors and senior management personnel reside within mainland China, and substantially all of their assets are located within the PRC. Therefore, it may be difficult for investors to directly effect service of legal process upon us or our Directors, Supervisors and senior management personnel in the PRC.

On 18 January 2019, the Supreme People's Court and the Hong Kong Special Administrative Region ("**SAR**") Government signed the Arrangement on Reciprocal Recognition and Enforcement of Judgements in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong SAR (《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 "**New Arrangement**"), and the New Arrangement was issued on 25 January 2024 and came into effect on 29 January 2024, which seeks to establish a mechanism with greater clarity and certainty for recognition and enforcement of judgements in wider range of civil and commercial matters between Hong Kong SAR and the mainland China. The New Arrangement does not include the requirement for a choice of court agreement in writing by the parties. The New Arrangement has become effective as at the Latest Practicable Date and there might be uncertainties in enforcing a judgement rendered by a Hong Kong court in China if the parties in the dispute do not agree to enter into a choice of court agreement in writing.

RISKS RELATING TO THE GLOBAL OFFERING

There has been no prior public market for our H Shares, and the liquidity and market price of our H Shares may be volatile, which could result in substantial losses for investors purchasing Shares in the Global Offering.

Prior to the Global Offering, there has been no public market for our H Shares. The Offer Price range for our H Shares was the result of negotiations between us and the Sole Overall Coordinator (for itself and on behalf of the Underwriters), and the Offer Price may differ significantly from the market price for our H Shares following the Global Offering. We have applied for listing of, and permission to deal in, our H Shares on the Hong Kong Stock Exchange. A listing on the Hong Kong Stock Exchange, however, does not guarantee that an active and liquid trading market for our H Shares will develop, or if it does develop, will be sustained following the Global Offering or that the market price of our H Shares will not decline following the Global Offering. If there is no active market for our H Shares after the Global Offering, the value, market price and liquidity of our H Shares will be affected in a materially adverse manner. Additionally, the initial Offer Price of the H Shares will be fixed by the Sole Overall Coordinator (for itself and on behalf of the Underwriters) and us. Therefore, the initial Offer Price may not be indicative of the market price or value of our H Shares after the completion of the Global Offering. Furthermore, the market price and trading volume of our H Shares may be volatile. The following factors may affect the trading volume and market price of our H Shares:

- actual or anticipated fluctuations in our operating performance and financial results;
- a number of research reports on us to be released by industry and security analysts and a potential reduction of rating of our H Shares by such analysts;
- changes in earnings estimates or recommendations by financial analysts;
- news regarding recruitment or departure of key personnel by us or our competitors;
- significant information on competitive developments, acquisitions or strategic alliances in our industry;
- potential litigation or regulatory investigations;
- general market conditions or other developments affecting us or our industry;
- the operating and stock price performance of other companies and industries, and other events or factors beyond our control; and
- the release of lock-up or other transfer restrictions on our outstanding H Shares or sales or perceived sales of H Shares by us or other Shareholders.

Moreover, the securities market has from time to time experienced significant price and trading volume fluctuations that might be unrelated or not directly related to the operating performance of the underlying companies in the market. These broad market and industry fluctuations may have a material and adverse effect on the market price and trading volume of our H Shares.

Our Controlling Shareholders can exert significant influence on us and could cause us to act in a way that may not be in the best interests of our minority Shareholders.

Upon completion of the Global Offering (assuming that the Over-allotment Option is not exercised and an Offer Price of HK$3.15 per H Share, being the mid-point of the indicative Offer Price range from HK$3.0 to HK$3.3 per H Share), the Controlling Shareholders will in the aggregate beneficially own approximately 36.47% of our issued Shares. Subject to our Articles of Association and applicable laws and regulations, the Controlling Shareholders will continue to have the ability to exercise controlling influence on our management, policies and business by controlling the composition of our Board, determining the timing and amount of our dividend payments, approving significant corporate transactions, including mergers and acquisitions, approving our annual budgets and taking other actions that require our Shareholders' approval. We cannot assure that the interests of our Controlling Shareholders may necessarily be aligned with the interests of our Shareholders as a whole, and this concentration of ownership may have the effect of delaying, deferring or preventing a change in control of our Company, which could materially and adversely affect our business and growth prospect.

Future sales or perceived sales of a substantial number of our Shares in the public market could have a material adverse effect on the prevailing market price of our H Shares and our ability to raise additional capital in the future, and may result in dilution of your shareholding.

The market price of our H Shares could decline as a result of future sales of a substantial number of our H Shares or other securities relating to our H Shares in the public market, or the issuance of new H Shares or other securities, or the perception that such sales or issuances may occur. Future sales, anticipated sales or perceived sales of a substantial number of our securities, including any future offerings, could also materially and adversely affect our ability to raise capital in the future at a time, at a price and on terms that is favourable to us. In addition, our Shareholders would experience dilution in their shareholdings upon the offer or sale of additional share capital or share capital-linked securities by our Company in future offerings. If additional funds are raised through our issuance of new share capital or share capital-linked securities other than on a pro rata basis to existing Shareholders, the shareholdings of such Shareholders may be reduced and such new securities may confer rights and privileges that take priority over those conferred by the H Shares.

Subject to the approval by/filing with the CSRC or the authorised securities approval authorities of the State Council and upon the Hong Kong Stock Exchange granting approval, holders of Unlisted Shares may convert their Unlisted Shares into our H Shares and such Shares could be listed on the Hong Kong Stock Exchange. No class shareholder vote is required for the conversion of such Shares and the listing and trading of the converted Shares on an overseas stock exchange, including the Hong Kong Stock Exchange. Future sales, or perceived sales, of the converted Shares may materially and adversely affect the trading price of our H Shares.

After completion of the Global Offering, all Shares held by our Controlling Shareholders will be subject to legal restrictions on sale for a period of time, i.e. within one year from the Listing Date. For details, see "Share Capital — Restriction of Share Transfer" in this prospectus. After the lapse of the above-mentioned restrictions or if they are breached, future sales, or perceived sales, of substantial number of those Shares could materially and adversely impact the market price of our H Shares and our ability to raise capital in the future.

Subject to the approval by the relevant government authorities in China, holders of Unlisted Shares may transfer their Unlisted Shares to overseas investors after it has been converted into H Shares, and such transferred Shares may be listed or traded on an overseas stock exchange. Any listing or trading of the transferred Shares on an overseas stock exchange shall comply with the rules, regulations and requirements of such stock exchange. No class shareholder vote is required for the listing and trading of the transferred Shares on an overseas stock exchange. As a result, subject to receiving the requisite approval and upon the expiration of the lock-up period of the applicable contractual and/or legal restrictions on share transfers, holders of Unlisted Shares may transfer their Unlisted Shares to overseas investors after it has been converted into H Shares, and such Shares may then be traded on the Hong Kong Stock Exchange as H Shares in accordance with the rules, regulations and requirements of the Hong Kong Stock Exchange. This could further increase the supply of our H Shares in the market and could materially and adversely impact the market price of our H Shares.

Dividends declared and distributed in the past may not be indicative of our dividend payments in the future and there can be no assurance if and when we will pay dividends in the future.

We declared and paid dividends of RMB49.4 million, RMB23.5 million and RMB29.8 million during FY2021, FY2022 and FY2023, respectively. No dividends were declared or paid during 6M2024. Dividends paid in prior periods may not be indicative of future dividend payments. Our ability to pay dividends will depend on whether we are able to generate sufficient earnings. Distribution of dividends shall be formulated by our Board of Directors at their discretion and will be subject to Shareholders' approval. A decision to declare or to pay any dividends and the amount of any dividends will be proposed by our Board of Directors and depend on various factors, including but not limited to our results of operations, cash flows and financial conditions, capital adequacy levels, operating and capital expenditure requirements, distributable profits as determined under the PRC GAAP, the IFRSs, our Articles of Association, the PRC Company Law, market conditions, our strategic plans and prospects for business development, contractual limits and obligations, taxation, regulatory restrictions and any other factors determined by our Board of Directors from time to time to be relevant to the declaration or suspension of dividend payments. As a result, there can be no assurance whether, when and in what form we will pay dividends in the future. Our ability to declare and distribute dividend historically is not indicative of our ability to do so in the future, nor is it indicative of our financial performance in the future or the amount of dividends that will be declared or distributed in the future. Subject to any of the above constraints, we may not be able to pay dividends in the future. For details, see "Financial Information — Dividend Policy" in this prospectus.

We have significant discretion as to the use of net proceeds from the Global Offering, and you may not necessarily agree with our use of such proceeds.

Our management may use the net proceeds from the Global Offering in ways you may not agree with or that do not yield a favourable return to our Shareholders. We intend to use the net proceeds from the Global Offering to support our future plans. For details of our use of proceeds, see "Future Plans and Use of Proceeds" in this prospectus. You are entrusting your funds to our management, upon whose judgement you shall depend, for the specific use of the net proceeds from the Global Offering.

Future issues, offerings or sales of our H Shares may adversely affect the prevailing market price of our H Shares

Future issues of H Shares by our Company or the disposal of H Shares by any of our Shareholders or the perception that such issues or sales may occur, may negatively affect the prevailing market price of our H Shares. Moreover, future sales or perceived sales of a substantial amount of our H Shares or other securities relating to our H Shares in the public market may negatively impact the market price of our H Shares, or adversely affect our ability to raise capital in the future at a time and at a price which we deem appropriate. Our Shareholders may experience dilution in their holdings in the event we issue additional securities in future offerings.

Upon the completion of the Global Offering, assuming the Over-allotment Option is not exercised, there will be 144,974,000 issued H Shares, representing 25.0% of the total issued share capital of our Company. In addition, our Unlisted Shares in issue may be converted into H Shares, and such converted Shares may be listed and traded on the Stock Exchange, provided that prior to the conversion and trading of such converted Shares, any requisite internal approval processes shall have been duly completed and the approval from/filing with the relevant regulatory authorities, including CSRC, shall have been obtained/completed in accordance with the regulations of the State Council's securities regulatory authorities as well as regulations, requirements and procedures of relevant overseas stock exchanges. No class shareholder vote is required for the conversion of such Shares and the listing and trading of the converted Shares on an overseas stock exchange. Future sales, or perceived sales, of the converted Shares may adversely affect the trading price of H Shares.

You should read the entire prospectus 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 Global Offering.

There had been, prior to the publication of this prospectus, and there may be, subsequent to the date of this prospectus but prior to the completion of the Global Offering, press and media coverage regarding us and the Global Offering, which contained and may contain, among other things, certain financial information, projections, valuations and other forward-looking information about us and the Global Offering. We have not authorised 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 in conflict with, the information contained in this prospectus, we disclaim responsibility for them. Accordingly, prospective investors are cautioned to make their investment decisions on the basis of the information contained in this prospectus only and should not rely on any other information.

You should rely solely upon the information contained in this prospectus and any formal announcements made by us in Hong Kong in making your investment decision regarding our H Shares. We do not accept any responsibility for the accuracy or completeness of any information reported by the press or other media, nor the fairness or appropriateness of any forecasts, views or opinions expressed by the press or other media regarding our H Shares, the Global Offering or us. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such data or publication. Accordingly, prospective investors should not rely on any such information, reports or publications in making their decisions as to whether to invest in our Global Offering. By applying to purchase our H Shares in the Global Offering, you will be deemed to have agreed that you will not rely on any information other than that contained in this prospectus.

There can be no assurance of the accuracy or completeness of certain facts, forecasts and statistics derived from various government or official sources with respect to the PRC, Hong Kong and their economies and financial industries contained in this prospectus.

We have derived certain facts, forecasts and other statistics in this prospectus, relating to the PRC, the PRC economy and the industry in which we operate, including our market share information, from information provided by the PRC and other government authorities, which are generally believed to be trustworthy and reliable. While we have taken reasonable care to ensure the information are accurately reported, reproduced and extracted from such sources, such information has not been independently verified or confirmed by us or any parties related to the Global Offering. In addition, our processes or methods in doing so may be erroneous or imperfect and our practices of doing so may vary from the standard market practice. Due to the above reasons and a range of unidentifiable reasons, such statements of facts, predictions, forecasts, statistics and financial information may be unreliable, inaccurate, imprecise, incomplete or invalid, or may be incomparable from period to period or to the facts, predictions, forecasts, statistics and financial information of other economies. As a result, we cannot assure you as to the accuracy and reliability of such facts, forecasts and statistics, which may not be consistent with other information compiled inside or outside the PRC, and may not be complete or up-to-date. Because of possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, the statistics herein may be inaccurate or may not be comparable to statistics produced for other economies, and you should not place undue reliance on them. Furthermore, we cannot assure you that they are stated or compiled on the same basis, or with the same degree of accuracy, as similar statistics presented elsewhere. As a result, you should not overly rely on such facts, forecasts or statistics from the various government or official sources in an undue manner and shall seek professional advice in construing such information.

Forward-looking information is subject to risks and uncertainties

This prospectus contains forward-looking statements and information relating to us and our operations and prospects that are based on our current beliefs and assumptions as well as information currently available to us. When used in this prospectus, the words "anticipate," "believe," "estimate," "expect," "plans," "prospects," "going forward," "intend" and similar expressions, as they relate to us or our business, are intended to identify forward-looking statements. Such statements reflect our current views with respect to future events and are subject to risks, uncertainties and various assumptions, including the risk factors described in this prospectus. Should one or more of these risks or uncertainties materialise, or if any of the underlying assumptions prove incorrect, actual results may diverge significantly from the forward-looking statements in this prospectus. Whether actual results will conform with our expectations and predictions is subject to a number of risks and uncertainties, many of which are beyond our control, and reflect future business decisions that are subject to change. In light of these and other uncertainties, the inclusion of forward-looking statements in this prospectus should not be regarded as representations that our plans or objectives will be achieved, and investors should not place undue reliance on such forward-looking statements. All forward looking statements contained in this prospectus are qualified by reference to the cautionary statements set out in this section. We do not intend to update these forward-looking statements in addition to our on-going disclosure obligations pursuant to the Listing Rules or other requirements of the Stock Exchange.

In preparation for the Global Offering, we have sought the following waivers from strict compliance with the relevant provisions of the Listing Rules:

WAIVER IN RELATION TO MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rules 8.12 and 19A.15 of the Hong Kong Listing Rules, our Company must have a sufficient management presence in Hong Kong and, under normal circumstances, at least two of the new applicant's executive directors must be ordinary resident in Hong Kong.

Since substantially all of the business operation of our Group are managed and conducted outside Hong Kong, and all of our executive Directors ordinarily reside outside Hong Kong, our Company considers that it would be practically difficult and commercially unreasonable and undesirable for our Company to arrange for two executive Directors to be ordinarily resident in Hong Kong, either by means of relocation of existing executive Directors or appointment of additional executive Directors. As such, our Company does not have and does not contemplate in the foreseeable future that we will have sufficient management presence in Hong Kong for the purpose of satisfying the requirement under the Rules 8.12 and 19A.15 of the Listing Rules.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements under Rules 8.12 and 19A.15 of the Listing Rules. We will ensure that there is an effective channel of communication between us and the Stock Exchange by way of the following arrangements:

(a) pursuant to Rule 3.05 of the Listing Rules, we have appointed Mr. Bai Lin and Mr. Lee Leong Yin ("**Mr. Lee**"), one of our joint company secretaries, as authorised representatives of our Company, to be the principal channel of communication with the Stock Exchange. Each of them has confirmed that he can be readily contacted by phone, facsimile and email to deal promptly with enquiries from the Stock Exchange, and will also be available to meet with the Stock Exchange to discuss any matters on short notice. As and when the Stock Exchange wishes to contact our Directors on any matters, each of the authorised representatives will have means to contact all of our Directors (including the independent non-executive Directors) promptly at all times. Our Company will also inform the Stock Exchange promptly in respect of any change in the authorised representatives;

(b) in addition to the appointment of the authorised representatives, to facilitate communication with the Stock Exchange, the contact details of each Director, including his/her mobile phone number, office phone number, facsimile number and e-mail address, have been provided to each of the authorised representatives and the Compliance Adviser (as defined below) who have means for contacting all Directors promptly at all times as and when the Stock Exchange wishes to contact our Directors on any matters. Furthermore, each Director who is not ordinarily resident in Hong Kong possesses or can apply for valid travel documents to visit Hong Kong and can meet with the Stock Exchange within a reasonable period of time as and when required;

(c) pursuant to Rules 3A.19 and 19A.05(2) of the Listing Rules, our Company has appointed Somerley Capital Limited as our compliance adviser (the "**Compliance Adviser**") for the period commencing from the date of our Listing until the date on which our Company announces our financial results and distributes our annual report for the first full financial year after the date of our Listing. The Compliance Adviser will act as our Company's additional and alternative channel of communication with the Stock Exchange, and its representatives will be readily available to answer enquiries from the Stock Exchange. Our Company will ensure that there are adequate and efficient means of communication between us, our authorised representatives, Directors and other officers and the Compliance Adviser, and will keep the Compliance Adviser fully informed of all communications and dealings between us and the Stock Exchange. Our Company will also inform the Stock Exchange promptly in respect of any change in the Compliance Adviser. Meetings with the Stock Exchange and our Directors can be arranged through our Company's authorised representatives or the Compliance Adviser, or directly with our Directors with reasonable notice; and

(d) in addition to the Compliance Adviser's role and responsibilities after the Listing to provide advice to our Company on the continuing requirements under the Listing Rules and applicable laws and regulations, our Company will retain a Hong Kong legal adviser to advise us on the compliance with the Listing Rules and other applicable Hong Kong law and regulations relating to securities after the Listing.

WAIVER IN RELATION TO JOINT COMPANY SECRETARIES

Pursuant to Rules 3.28 and 8.17 of the Listing Rules, the company secretary of our Company must be a person who has the requisite academic or professional qualifications or relevant experience is, in the opinion of the Hong Kong Stock Exchange, capable of discharging the functions of a company secretary. The Hong Kong Stock Exchange considers the following academic or professional qualifications to be acceptable:

(a) a member of The Hong Kong Institute of Chartered Secretaries;

(b) a solicitor or barrister as defined in the Legal Practitioners Ordinance (Chapter 159 of the Laws of Hong Kong); or

(c) a certified public accountant as defined in the Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong).

Note 2 to Rule 3.28 of the Listing Rules provides that, in assessing "relevant experience", the Stock Exchange will consider the individual's: (i) length of employment with the issuer and other issuers and the roles he/she played; (ii) familiarity with the Listing Rules and other relevant law and regulations including the SFO, the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Takeovers Code; (iii) relevant training taken and/or to be taken in addition to the minimum requirement under Rule 3.29 of the Listing Rules; and (iv) professional qualifications in other jurisdictions.

We have appointed Mr. Ning Jitai ("**Mr. Ning**") as one of our joint company secretaries. He has extensive experience in board and corporate management matters but presently does not possess any of the qualifications under Rule 3.28 of the Listing Rules, and may not be able to solely fulfil the requirements of the Listing Rules. Therefore, we have appointed Mr. Lee, a member of the Hong Kong Institute of Chartered Secretaries and Chartered Governance Institutes, who meets the requirements stipulated under Rule 3.28 of the Listing Rules to act as the other joint company secretary and to provide assistance to Mr. Ning for an initial period of three years from the Listing Date to enable Mr. Ning to acquire the "relevant experience" under Note 2 to Rule 3.28 of the Listing Rules so as to fully comply with the requirements set out under Rules 3.28 and 8.17 of the Listing Rules. For further information regarding Mr. Ning and Mr. Lee, see "Directors, Supervisors and Senior Management" in this prospectus.

Mr. Lee will work closely with Mr. Ning to jointly discharge the duties and responsibilities as company secretaries and assist Mr. Ning in acquiring the relevant experience as required under Rule 3.28 of the Listing Rules. Mr. Ning will also be assisted by (a) the Compliance Adviser for the first full financial year from the Listing Date, particularly in relation to Hong Kong corporate governance practices and compliance issues; and (b) the Hong Kong legal advisor of our Company, on matters concerning our Company's ongoing compliance with the Listing Rules and the applicable Hong Kong laws and regulations. In addition, Mr. Ning will endeavour to attend relevant trainings and familiarise himself with the Listing Rules and duties required of a company secretary of an issuer listed on the Stock Exchange.

We have applied to the Stock Exchange for, and the Stock Exchange has granted us, a waiver from strict compliance with the requirements of Rules 3.28 and 8.17 of the Listing Rules. The waiver is valid for an initial period of three years from the Listing Date, and is granted on the condition that we engage Mr. Lee, who possesses all the requisite qualifications under Rule 3.28 of the Listing Rules, to assist Mr. Ning in discharging his duties as a joint company secretary and in gaining the "relevant experience" as required under Note 2 to Rule 3.28 of the Listing Rules.

Before the expiration of the initial three-year period, the qualifications of Mr. Ning will be re-evaluated to determine whether the requirements as stipulated in Rules 3.28 and 8.17 of the Listing Rules can be satisfied and whether the need for on-going assistance will continue. In the event Mr. Ning fulfils all the requirements stipulated at the end of the initial three-year period, the above joint company secretaries arrangement would no longer be necessary for our Company.

CONTINUING CONNECTED TRANSACTIONS

We have entered into, and are expected to continue certain transactions which will constitute continuing connected transactions of our Company under Chapter 14A of the Listing Rules upon the Listing. We have applied for, and the Stock Exchange has granted, waivers from strict compliance with the requirements under Chapter 14A of the Listing Rules in relation to certain continuing connected transactions between us and certain connected persons. For further details, see "Continuing Connected Transactions" in this prospectus.

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

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

CSRC FILING

We have submitted a filing to the CSRC to apply for the Global Offering and the Conversion of Unlisted Shares into H Shares, and the Listing of the H Shares on the Stock Exchange on 2 January 2024. The CSRC published the notification on completion of filing procedures on 2 April 2024. No other approvals under the PRC laws and regulations are required to be obtained for the listing of the H Shares on the Stock Exchange.

THE HONG KONG PUBLIC OFFERING AND THIS PROSPECTUS

This prospectus is published solely in connection with the Hong Kong Public Offering, which forms part of the Global Offering. For applicants under the Hong Kong Public Offering, this prospectus contain the terms and conditions of the Hong Kong Public Offering.

The Hong Kong Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and on the terms and subject to the conditions set out herein and therein. No person is authorised to give any information in connection with the Global Offering or to make any representation not contained in this prospectus, and any information or representation not contained herein must not be relied upon as having been authorised by our Company, the Sole Sponsor, the Sole Overall Coordinator, the Capital Market Intermediary, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and any of the Underwriters, any of our or their respective directors, agents, employees or advisers or any other party involved in the Global Offering.

The Listing is sponsored by the Sole Sponsor and the Global Offering is managed by the Sole Overall Coordinator. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms and conditions of the Hong Kong Underwriting Agreement, subject to agreement on the Offer Price to be determined between the Sole Overall Coordinator (for itself and on behalf of the Underwriters) and our Company on the Price Determination Date. The International Offering is expected to be fully underwritten by the International Underwriters subject to the terms and conditions of the International Underwriting Agreement, which is expected to be entered into on or around the Price Determination Date.

For further information about the Underwriters and the underwriting arrangement, see the section headed "Underwriting".

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

INFORMATION ON THE CONVERSION OF UNLISTED SHARES INTO H SHARES

We have applied for the conversion of Unlisted Shares into H Shares, which involves a total of 40,396,800 Unlisted Shares held by the existing Shareholders. See "History and Corporate Development" and "Share Capital" for details of our existing Shareholders and their respective interests in our Company and relevant procedures for the conversion of Unlisted Shares into H Shares. Such H Shares to be converted from Unlisted Shares are restricted from trading for a period of one year after the Listing. We have obtained a filing notice dated 2 April 2024 from the CSRC for the conversion of Unlisted Shares into H Shares and the listing and trading of the H shares converted on the Stock Exchange is still subject to the approval by the Stock Exchange.

PROCEDURES FOR APPLICATION FOR HONG KONG OFFER SHARES

The procedures for applying for the Hong Kong Offer Shares are set out in the section headed "How to Apply for Hong Kong Offer Shares".

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

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

DETERMINATION OF THE OFFER PRICE

The Offer Shares are being offered at the Offer Price which will be determined by us, and the Sole Overall Coordinator (for itself and on behalf of the Underwriters) on or around Tuesday, 7 January 2025 or such other date as agreed between parties, and in any event no later than 12:00 noon on Tuesday, 7 January 2025. If, for any reason, the Offer Price is not agreed among us, and the Sole Overall Coordinator (for itself and on behalf of the Underwriters) on or before 12:00 noon on Tuesday, 7 January 2025, the Global Offering (including the Hong Kong Public Offering) will not proceed and will lapse.

RESTRICTIONS ON OFFERS AND SALES OF THE H SHARES

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

No action has been taken to permit a public offering of the Offer Shares in any jurisdiction other than in Hong Kong, or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions and pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom. In particular, the Offer Shares have not been offered and sold, and will not be offered and sold, directly or indirectly, in the PRC or the U.S.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

We have applied to the Stock Exchange for the listing of, and permission to deal in, the H Shares to be issued pursuant to the Global Offering (including any Shares that may be issued pursuant to the exercise of the Over-allotment Option) and the H Shares to be converted from Unlisted Shares.

No part of our Shares or loan capital is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought. All Offer Shares will be registered on our H Share Registrar in order to enable them to be traded on the Stock Exchange.

Under section 44B(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, any allotment made in respect of any application will be invalid if the listing of, and permission to deal in, the H Shares on the Stock Exchange is refused before the expiration of three weeks from the date of the closing of the application lists, or such longer period (not exceeding six weeks) as may, within the said three weeks, be notified to our Company by the Stock Exchange.

COMMENCEMENT OF DEALINGS IN THE H SHARES

Assuming that the Hong Kong Public Offering becomes unconditional in Hong Kong at or before 8:00 a.m. in Hong Kong on Thursday, 9 January 2025, it is expected that the dealings in our H Shares on the Stock Exchange will commence on Thursday, 9 January 2025. The H Shares will be traded in board lots of 1,000 H Shares each, the stock code of the H Shares will be 2560.

OVER-ALLOTMENT OPTION AND STABILISATION

Details of the arrangements relating to the Over-allotment Option and stabilisation are set out in the section headed "Structure of the Global Offering." Assuming that the Over-allotment Option is exercised in full, our Company may be required to issue up to an aggregate of 21,746,000 additional H Shares.

H SHARES THAT WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of the listing of, and permission to deal in, our H Shares on the Stock Exchange and compliance with the stock admission requirements of HKSCC, our H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date as determined by HKSCC.

Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second settlement day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangements as such arrangements may affect their rights and interests.

H SHARE REGISTER AND STAMP DUTY

All H Shares issued by us pursuant to applications made in the Hong Kong Public Offering and converted from Unlisted Shares will be registered on our H Share register of members to be maintained by our H Share Registrar, Tricor Investor Services Limited, in Hong Kong. Our principal register of members will be maintained by us at our headquarters in the PRC. Dealings in the H Shares registered on our H Share register will be subject to Hong Kong stamp duty. Unless otherwise determined by our Company, dividends payable in respect of our H Shares will be paid to the Shareholders listed on our H Share register in Hong Kong and sent by ordinary post, at the Shareholders' risk, to the registered address of each Shareholder of our Company.

DIVIDENDS PAYABLE TO HOLDERS OF H SHARES

Unless determined otherwise by our Company, dividends payable in Hong Kong dollars in respect of our H Shares will be paid to the Shareholders as recorded on the H Share register of our Company in Hong Kong and sent by ordinary post, at the Shareholders' risk, to the registered address of each Shareholder. According to the Guidelines for the "Full Circulation" Program for H Shares by the Shenzhen Branch of China Securities Depository and Clearing Corporation Limited (《中國證券登記結算有限責任公司深圳分公司H股"全流通"業務指南》) promulgated by the Shenzhen Branch of China Securities Depository and Clearing Corporation Limited and taking effect on September 23, 2024, cash dividends to domestic investors of H-share "full circulation" shall be distributed through CSDC. An

H-share listed company shall transfer RMB cash dividends to the designated bank account of the Shenzhen subsidiary of CSDC, who shall complete the clearing of cash dividends by distributing the cash dividends to investors through domestic securities companies.

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Global Offering are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, holding, disposing of and dealing in the H Shares or exercising any rights attached to them. It is emphasised that none of our Company, the Sole Sponsor, the Sole Overall Coordinator, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Capital Market Intermediaries, the Underwriters, any of our or their respective affiliates, directors, supervisors, employees, agents or advisers or any other party involved in the Global Offering accepts responsibility for any tax effects on, or liabilities of holders of the Shares resulting from the subscription, holding disposal of or dealing in the H Shares or exercising any rights attached to them.

REGISTRATION OF SUBSCRIPTION, PURCHASE AND TRANSFER OF H SHARES

We have instructed Tricor Investor Services Limited, our H Share Registrar, and it has agreed, not to register the subscription, purchase or transfer of any H Shares in the name of any particular holder unless and until the holder delivers a signed form to our H Share Registrar in respect of those H Shares bearing statements to the effect that the holder:

(i) agrees with us and each of our Shareholders, and we agree with each Shareholder, to observe and comply with the PRC Company Law and the Articles of Association;

(ii) agrees with us, each of our Shareholders, Directors, Supervisors, managers and officers, and we, acting for ourselves and for each of our Directors, Supervisors, managers and officers, agree with each of our Shareholders to refer all disputes and claims concerning our affairs and arising from any rights or obligations conferred or imposed by our Articles of Association, the PRC Company Law or other relevant laws and administrative regulations to arbitration in accordance with the Articles of Association, and any reference to arbitration shall be deemed to authorise the arbitration tribunal to conduct hearings in open session and to publish its award, which arbitration shall be final and conclusive;

(iii) agrees with us and each of our Shareholders that the H Shares are freely transferable by the holders; and

(iv) authorises us to enter into a contract on his/her/its behalf with each of our Directors, Supervisors, managers and officers whereby such Directors, Supervisors, managers and officers undertake to observe and comply with their obligations to our Shareholders as stipulated in the Articles of Association.

Persons applying for or purchasing H Shares under the Global Offering are deemed, by their making an application or purchase, to have represented that they are not close associated (as defined in the Listing Rules) of any of our Directors, Supervisors or an existing Shareholder of our Company or a nominee of any of the foregoing.

EXCHANGE RATE CONVERSION

Solely for your convenience, this prospectus contains translations of certain Renminbi amounts into Hong Kong dollars at specified rates. Unless otherwise specified, or in respect of transactions that have occurred at historical exchange rates, the translation of Renminbi into Hong Kong dollars, and vice versa, in this prospectus was made at RMB0.92373 = HK$1.00. The RMB to HK$ exchange rate is based on the middle rate as published by the PBOC on the Latest Practicable Date. No representation is made that any amount in Renminbi or Hong Kong dollars can be or could be, or have been, converted at the above rate or any other rate or at all.

No representation is made that the amounts denominated in one currency could actually be converted into the amounts denominated in another currency at the rates indicated or at all.

LANGUAGE

If there is any inconsistency between the English version of this prospectus and its Chinese translation, the English version of this prospectus shall prevail. For ease of reference, the names of Chinese laws and regulations, governmental authorities, institutions, natural persons or other entities (including our Company and certain of our subsidiaries) have been included in this prospectus in both the Chinese and English languages and in the event of any inconsistency, the Chinese versions shall prevail and the English version is for identification purpose only.

ROUNDING

Certain amounts and percentage figures included in this prospectus, such as financial data, share ownership and operating data, included in this prospectus may have been subject to rounding adjustments or have been rounded to one or two decimal places. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

DIRECTORS

Name	Position	Residential Address	Nationality
Ding Feng (丁鋒)	Chairman of the Board and non-executive Director	Unit 4, Block H Xiangzhang City Garden No. 89, Jiuhua Middle Road Jinghu District Wuhu City, Anhui Province China	Chinese
Chen Feng (陳烽)	Chief executive officer, general manager and executive Director	Unit 62-501, Shangrila Garden Wuhu City, Anhui Province China	Chinese
Bai Lin (柏林)	Chief financial officer and executive Director	Flat 301, Unit 1, Block 4, Zhongxing Garden, Jinghu District Wuhu City, Anhui Province China	Chinese
Feng Fangbo (馮方波)	Vice-chairman and non-executive Director	Flat 2101, Unit 1, Block 11 Zhonghai Chengnan 1 Chenghan Southern Road Wuhou District Chengdu City, Sichuan Province China	Chinese
Zhao Hongyi (趙洪義)	Vice-chairman and non-executive Director	Flat 2501, Block A4 Lanbo Bay, Lanshan District Linyi City, Shandong Province China	Chinese
Jin Feng (金峰)	Non-executive Director	Flat 601, Block 9 Zijin Gongguan Community Tongguan District Tongling City, Anhui Province China	Chinese
Fan Haibin (范海濱)	Non-executive Director	No. 49, Dongnanyuan Hutong Xicheng District, Beijing China	Chinese

Name	Position	Residential Address	Nationality
Li Jiang (李江)	Independent non-executive Director	Flat 201, Unit 1, Block 63 Guan Zhuang East Lane Chaoyang District, Beijing China	Chinese
Chen Jiemiao (陳結淼)	Independent non-executive Director	Room 01, Block 69 Victoria Villa Community No. 580, Wang Jiang Western Road Gaoxin District Hefei City, Anhui Province China	Chinese
Xu Xu (許煦)	Independent non-executive Director	Flat D, 20/F, Block 7 Cullinan West 28 Sham Mong Road Shamshuipo, Kowloon Hong Kong	Chinese
Zeng Xiangfei (曾祥飛)	Independent non-executive Director	Flat 1102, Block 6 Gongda Garden No. 411, Xing'an Road Yushan District Ma'anshan City, Anhui Province China	Chinese

SUPERVISORS

Name	Position	Residential Address	Nationality
Lu Shumin (盧叔敏)	Chairman of the Board of Supervisors and Shareholder representative Supervisor	Flat 1501, Block 11 Shidai Mingmen Community Tongling City, Anhui Province China	Chinese
Jin Xiaoli (金曉麗)	Employee representative Supervisor	Flat 102, Unit 1, Block 9 Area F, Zuoan Shenghuo Jinghu District Wuhu City, Anhui Province China	Chinese

Name	Position	Residential Address	Nationality
Yue Jian (樂健)	Shareholder representative Supervisor	Flat 2402, Unit 1, Block 6 Haishang Legend, Yijiang District Wuhu City, Anhui Province China	Chinese

See "Directors, Supervisors and Senior Management" in this prospectus for further details.

PARTIES INVOLVED IN THE GLOBAL OFFERING

Sole Sponsor

China Securities (International)
Corporate Finance Company Limited
18/F, Two Exchange Square
8 Connaught Place
Central
Hong Kong
(a licensed corporation under the SFO to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO)

Sole Overall Coordinator

China Securities (International)
Corporate Finance Company Limited
18/F, Two Exchange Square
8 Connaught Place
Central
Hong Kong
(a licensed corporation under the SFO to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO)

Joint Global Coordinators

China Securities (International)
Corporate Finance Company Limited
18/F, Two Exchange Square
8 Connaught Place
Central
Hong Kong
(a licensed corporation under the SFO to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO)

China Galaxy International Securities (Hong Kong) Co., Limited
20/F Wing On Centre
111 Connaught Road Central
Hong Kong

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

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

ICBC International Securities Limited
37/F ICBC Tower
3 Garden Road
Hong Kong

Victory Securities Company Limited
11th Floor, Yardley Commercial Building
3 Connaught Road West
Sheung Wan
Hong Kong

Joint Bookrunners

China Securities (International) Corporate Finance Company Limited
18/F, Two Exchange Square
8 Connaught Place
Central
Hong Kong

China Galaxy International Securities (Hong Kong) Co., Limited
20/F Wing On Centre
111 Connaught Road Central
Hong Kong

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

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

ICBC International Securities Limited
37/F ICBC Tower
3 Garden Road
Hong Kong

Victory Securities Company Limited
11th Floor, Yardley Commercial Building
3 Connaught Road West
Sheung Wan
Hong Kong

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

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

Haitong International Securities Company Limited
22/F, Li Po Chun Chambers
189 Des Voeux Road Central
Hong Kong

Star River Securities Limited
Room 2402, Wing On Centre
111 Connaught Road Central
Sheung Wan
Hong Kong

Guoyuan Securities Brokerage (Hong Kong) Limited
17/F, Three Exchange Square
8 Connaught Place
Central
Hong Kong

Orient Securities (Hong Kong) Limited
28th and 29th Floor
100 Queen's Road Central
Hong Kong

SPDB International Capital Limited
33/F, SPD Bank Tower
One Hennessy, 1 Hennessy Road
Hong Kong

China Industrial Securities International Capital Limited
32/F, Infinitus Plaza,
199 Des Voeux Road Central
Sheung Wan
Hong Kong

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

Fosun International Securities Limited
Suite 2101-2105 21/F
Champion Tower
3 Garden Road
Central, Hong Kong

China Sunrise Securities (International) Limited
Unit 4502, 45/F, The Center
99 Queen's Road Central
Central
Hong Kong

Hong Tai Securities Limited
Units 1803-1804, 18/F, Infinitus Plaza
199 Des Voeux Road Central
Hong Kong

Joint Lead Managers

China Securities (International) Corporate Finance Company Limited
18/F, Two Exchange Square
8 Connaught Place
Central
Hong Kong

China Galaxy International Securities (Hong Kong) Co., Limited
20/F Wing On Centre
111 Connaught Road Central
Hong Kong

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

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

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37/F ICBC Tower
3 Garden Road
Hong Kong

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Fosun International Securities Limited
Suite 2101-2105 21/F
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Unit 4502, 45/F, The Center
99 Queen's Road Central
Central
Hong Kong

Hong Tai Securities Limited
Units 1803-1804, 18/F, Infinitus Plaza
199 Des Voeux Road Central
Hong Kong

Capital Market Intermediaries

China Securities (International) Corporate Finance Company Limited
18/F, Two Exchange Square
8 Connaught Place
Central
Hong Kong

China Galaxy International Securities (Hong Kong) Co., Limited
20/F Wing On Centre
111 Connaught Road Central
Hong Kong

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

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

ABCI Securities Company Limited
10/F, Agricultural Bank of China Tower
50 Connaught Road Central
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ICBC International Securities Limited
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99 Queen's Road Central
Central
Hong Kong

Hong Tai Securities Limited
Units 1803-1804, 18/F, Infinitus Plaza
199 Des Voeux Road Central
Hong Kong

Legal Advisers to our Company

As to Hong Kong law:
Deacons
5th Floor, Alexandra House
18 Chater Road
Central
Hong Kong

As to PRC law:
Beijing Grandway Law Offices
7–8/F, News Plaza
No. 26 Jianguomennei Avenue
Dongcheng District
Beijing, PRC

Legal Advisers to the Sole Sponsor and the Underwriters

As to Hong Kong law:
Tian Yuan Law Firm LLP
Suites 3304–3309, 33/F
Jardine House
One Connaught Place
Central
Hong Kong

	As to PRC law: **Tian Yuan Law Firm** Suite 509, Tower A, Corporate Square 35 Financial Street, Xicheng District Beijing, PRC
Auditors and Reporting Accountants	**KPMG** *Certified Public Accountants* *Public Interest Entity Auditor registered in accordance with the Accounting and Financial Reporting Council Ordinance* 8th Floor, Prince's Building 10 Chater Road Central, Hong Kong
Industry Consultant	**Frost & Sullivan (Beijing) Inc.** Unit 2401–02, Level 24 China World Office 2 1 Jianguomenwai Avenue Chaoyang District Beijing, PRC
Compliance Adviser	**Somerley Capital Limited** 20/F, China Building 29 Queen's Road Central Hong Kong *(a licensed corporation under the SFO to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO)*
Receiving Bank	**Bank of China (Hong Kong) Limited** 1 Garden Road Hong Kong

Headquarter and Principal Place of Business in the PRC	No. 1-301, G Zone, Jiangbei New District Construction Headquarters 150 Meters South of Tongjiang Avenue Wanjiang Jiangbei Emerging Industry Concentration Zone (except the Trusteeship Area) Wuhu City, Anhui Province China
Principal Place of Business in Hong Kong	Room 1920, 19/F, Lee Garden One 33 Hysan Avenue Causeway Bay Hong Kong
Company Website	**www.conchmst.com** *(information contained in this website does not form part of this prospectus)*
Joint company secretaries	Ning Jitai (寧紀太) Flat 302, Unit 4, Block 3 No. 16, Kaiyang Road Linyi City, Shandong Province China (中國山東省臨沂市開陽路16號3棟4單元302室) Lee Leong Yin (李亮賢) *(ACG, HKACG)* Room 1920, 19/F, Lee Garden One 33 Hysan Avenue Causeway Bay Hong Kong
Authorised Representatives ***(for the purpose of the Listing Rules)***	Bai Lin (柏林) Flat 301, Unit 1, Block 4 Zhongxing Garden, Jinghu District Wuhu City, Anhui Province China Lee Leong Yin (李亮賢) *(ACG, HKACG)* Room 1920, 19/F, Lee Garden One 33 Hysan Avenue Causeway Bay Hong Kong

Audit Committee	Xu Xu (許煦) *(Chairperson)* Zeng Xiangfei (曾祥飛) Li Jiang (李江) Chen Jiemiao (陳結淼)
Remuneration Committee	Zeng Xiangfei (曾祥飛) *(Chairperson)* Li Jiang (李江) Chen Feng (陳烽)
Nomination Committee	Ding Feng (丁鋒) *(Chairperson)* Li Jiang (李江) Chen Jiemiao (陳結淼)
H Share Registrar	**Tricor Investor Services Limited** 17/F, Far East Finance Centre 16 Harcourt Road Hong Kong
Principal Banks	**Agricultural Bank of China (Wuhu Shenxiang Sub-branch)** Southwest side of Jinyuan Experimental Kindergarten Yingjiang Avenue, Jiujiang District Wuhu City, Anhui Province China
	China Everbright Bank (Wuhu Branch) No. 88, Ruixiang Lu, Jiujiang District Wuhu City, Anhui Province China
	Bank of China (Wuhu Branch) No. 204, Jiuhua Middle Road, Jinghu District Wuhu City, Anhui Province China

*The information and statistics set out in this section and other sections of this prospectus were extracted from different official government publications, available sources from public market research and other sources from independent suppliers, and from the independent industry report prepared by Frost & Sullivan (the "**Frost & Sullivan Report**"). We engaged Frost & Sullivan to prepare the Frost & Sullivan Report, an independent industry report, in connection with the Global Offering. The information from official government sources has not been independently verified by us, the Sole Sponsor, Sole Overall Coordinator, Joint Global Coordinators, Joint Bookrunners, Joint Lead Managers, Capital Market Intermediaries, any of the Underwriters, any of their respective directors and advisers, or any other persons or parties involved in the Global Offering, and no representation is given as to its accuracy.*

SOURCE OF INFORMATION

We have commissioned Frost & Sullivan, an independent market researcher and consultant, to analyse and report on China's cement admixtures market and concrete admixtures market. Frost & Sullivan is an independent global consulting firm founded in 1961 in New York. Frost & Sullivan provides market research on a variety of industries, among other things. The information from Frost & Sullivan disclosed in this prospectus is extracted from the Frost & Sullivan Report, a report commissioned by us for a fee of RMB260,000, and is disclosed with the consent of Frost & Sullivan.

Our Company has included certain information from the Frost & Sullivan Report in this prospectus because our Directors believe that such information facilitates an understanding of the relevant market for potential investors. The market research process for the Frost & Sullivan Report has been undertaken through detailed primary research which involves discussing the status of cement admixtures market and concrete admixtures market with leading industry participants and industry experts. Secondary research involved reviewing company reports, independent research reports and data based on Frost & Sullivan's own research database.

Analysis and forecasts contained in the Frost & Sullivan Report are based on the following major assumptions at the time of compiling such reports: (i) China's economy is likely to maintain steady growth in the next decade; (ii) China's social, economic, and political environment is likely to remain stable in the forecast period; (iii) COVID-19 pandemic will affect the market stability in the short term; and (iv) market drivers such as increasing urbanisation, favourable policies and growing downstream demands will drive the development of cement admixtures market and concrete admixtures market. Our Directors confirm that after taking reasonable care, there has no material adverse change in the overall market information since the date of the Frost & Sullivan Report that would materially qualify, contradict or have an impact on such information.

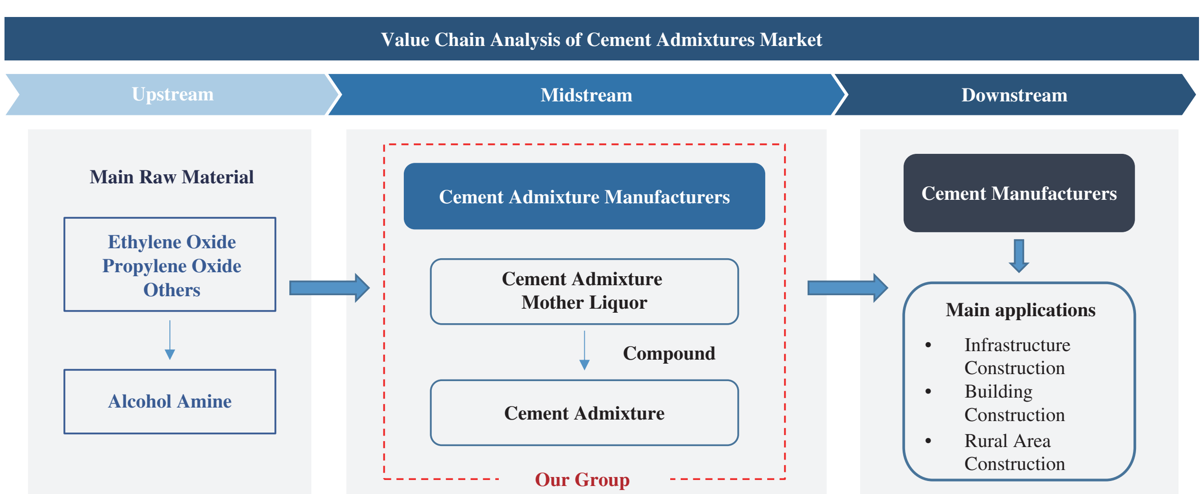
ANALYSIS OF CHINA'S CEMENT ADMIXTURES MARKET

Definition and Classification of Cement Admixtures Market

Cement admixtures, which primarily refer to the admixtures that are added to cement during the production process of cement, mainly include cement grinding aids, flu gas desulphurisation admixtures, denitration admixtures, coal-saving admixtures, raw meal sulphur fixation admixtures, etc. Cement admixtures are indispensable components in the process of cement production and application, and cement grinding aids are the most widely used cement admixture. As regular cement cannot meet the evolving requirements for cement performance and energy conservation during the cement production and application, the usage of cement admixtures is necessary for downstream cement manufacturers to (i) improve cement performance and (ii) reduce production costs and energy consumption. In general, the usage of cement admixture in cement production can reduce the usage amount of cement clinker (which is a major raw material of cement products) by approximately 8%, reduce the energy consumption of cement production process by approximately 15%, and improve the cement strength by approximately 10%. Due to the significant role of cement admixtures in cement production, almost all of production of cement applies cement admixtures. Therefore, cement admixtures are important materials that promote the energy conservation and emission reduction and the green and high-quality development of cement industry, and play an important role in promoting the development strategy of carbon peak and carbon neutrality in cement industry. According to the National Standard GB/T 26748-2011, cement grinding aids refer to the admixtures added during cement grinding process to enhance the grinding effect without affecting human health and performance of cement and concrete. Cement grinding aids can not only reduce energy consumption of cement grinding, reduce production costs, increase production volume of cement, and improve cement qualities and performances, but also improve the economic benefits of cement manufacturers.

Value Chain Analysis of Cement Admixtures Market

The value chain of China's cement admixtures market is set out below:



Source: Frost & Sullivan Analysis

The upstream raw materials of cement admixtures are different depending on the type of cement admixture and production process applied. For cement grinding aids, the main raw materials are alcohol amines, including trolamine and processed alcohol amine, which are produced from ethylene oxide and propylene oxide, respectively. In the midstream, most of the cement admixture companies produce cement admixtures by purchasing alcohol amines as raw materials. Due to the lack of mature production technologies such as the synthesis technology of alcohol amines and the formula of cement admixture mother liquor, a few small-sized cement admixture manufacturers with weak profitability choose to purchase cement admixture mother liquor to produce cement admixtures by simple compounding. A small number of leading market participants, such as our Group, have possessed the production technology to produce cement admixtures from ethylene oxide and propylene oxide as raw materials. Due to their capabilities to effectively control raw material costs, they have obtained strong competitive advantages. In addition to supplying cement admixtures to cement manufacturers, they can also provide processed alcohol amines to cement admixture manufacturers. It is an industry norm for large-scale cement manufacturers to procure cement admixtures from related parties.

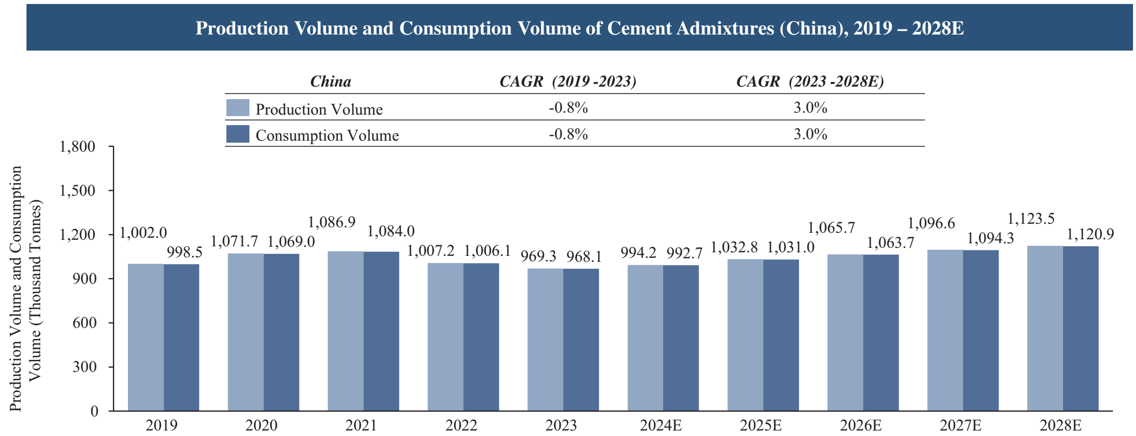
Production Process Analysis of Cement Admixtures Market

There are primarily two production methods to produce cement grinding aids, which is the principal type of cement admixtures, including processed alcohol amine production method and trolamine production method. The major production process of cement grinding aids includes a chemical reaction by mixing raw materials in the reaction kettle, and then a physical process of compounding. The processed alcohol amine production method is to produce processed alcohol amine by adding diethanolamine and propylene oxide under catalytic reaction and then produce cement grinding aid after compounding. The trolamine production method is to produce cement grinding aid by trolamine, which can be produced from ethylene oxide and ammonia water as raw materials.

Market Size of China's Cement Admixtures Market

Production Volume and Consumption Volume of Cement Admixtures in China

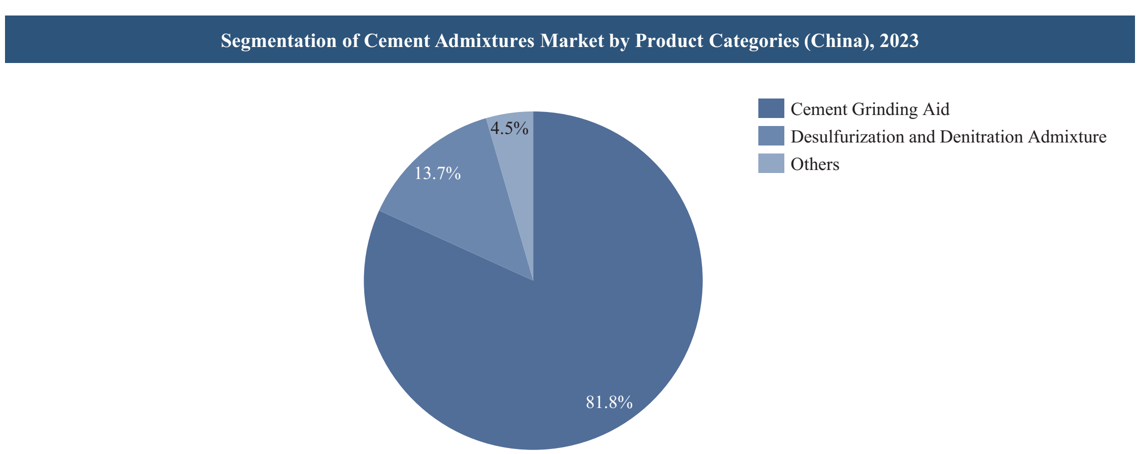
From 2019 to 2023, the production volume of cement admixtures in China decreased from 1,002.0 thousand tonnes to 969.3 thousand tonnes, with a CAGR of negative 0.8%. In 2022 and 2023, the production volume decreased mainly due to the decline in demand from downstream cement market affected by the regulation policies in real estate industry. In the future, as Chinese government increases infrastructure investment, the growth in the cement market is expected to further drive the demand for cement admixtures. The production volume of cement admixtures in China is anticipated to maintain a stable growth and reach 1,123.5 thousand tonnes in 2028, with a CAGR of 3.0% from 2023 to 2028. China's cement admixture manufacturers usually choose to invest in overseas production facilities to serve overseas markets instead of exporting cement admixtures, as it is conducive to producing customised cement admixtures according to cement characteristics of local markets. In addition, due to the sufficient supply of cement admixtures in the domestic market, there is basically no import of cement admixtures in China. Therefore, the consumption volume of cement admixtures in China is equivalent to the sales volume of cement admixtures in China.



Source: Frost & Sullivan Analysis

Segmentation of China's Cement Admixtures Market by Product Categories

Cement grinding aid is the most widely used cement admixture as it can reduce energy consumption of cement grinding, decrease production costs and improve cement qualities. In terms of production volume by product categories, cement grinding aids accounted for approximately 81.8% in 2023. The demand for cement grinding aids is expected to grow steadily as the production scale of cement in China further increases, with the proportion of cement grinding aids remaining at approximately 80%. Desulphurisation and denitration admixtures accounted for the second largest market share of approximately 13.7% in China's cement admixtures market. Other cement admixtures primarily include coal-saving admixtures, raw meal sulphur fixation admixtures, etc., accounting for approximately 4.5% of the total production volume of cement admixtures in China.



Source: Frost & Sullivan Analysis

Market Drivers of China's Cement Admixtures Market

Favourable Policies: A series of policies and measures, including urban infrastructure, government-subsidised housing projects, agricultural facilities and new rural construction, as well as the implementation of major projects such as nuclear power, water conservancy and high-speed rail, and the Belt and Road Initiative ("一帶一路"倡議) that has involved over 150 countries as at 31 December 2023 to cooperate in the fields including policy, infrastructure, trading, finance, among others, and has provided abundant development opportunities for domestic construction enterprises to participate in the infrastructure construction such as highways and railroads in these countries, have driven the development of infrastructure construction, building construction and rural area construction, which stimulated the increasing demand for cement admixtures. In addition, the National Development and Reform Commission updated the "Guiding Catalogue for Industrial Structure Adjustment" (《產業結構調整指導目錄》) in 2019, which added the "development and application of cement admixtures" in the encouraged catalogue, promoting the development of China's cement admixtures market.

Growing Awareness on Energy Conservation and Emission Reduction: As an industry with high energy consumption, the cement market has placed greater emphasis on energy efficiency, emission reduction and environmental protection. Cement admixtures can be applied to improve cement grinding efficiency, reduce clinker usage, and reduce energy consumption in cement production, which can contribute to achieving the targets of energy conservation and emission reduction. Therefore, as cement manufacturers pay more attention to energy conservation and emission reduction, their demand for cement admixtures will continue to increase.

Market Consolidation: With the industrial transformation and upgrading, and fierce market competition, small-sized cement admixture manufacturers are gradually withdrawing from the market due to lower product qualities and profitability. Leading cement admixture manufacturers have sufficient funds to expand production scale to achieve economies of scale, possess strong R&D capabilities to meet the growing requirements for product performances and qualities, and effectively control costs and enhance profitability with business layout in the entire value chain and supplier management. Therefore, the leading manufacturers can continuously increase their market shares, thereby promoting the industrial consolidation in China's cement admixtures market.

Future Opportunities of China's Cement Admixtures Market

Value Chain Extension: To effectively control production costs, the leading cement admixture manufacturers are committed to expanding their operations to upstream raw material production, such as alcohol amines, to reduce the impact of raw material price fluctuations on cement admixture prices and improve the profit margins. In addition, cement admixture manufacturers with business layout in the entire value chain can not only supply cement admixtures to cement manufacturers, but also provide alcohol amines to other cement admixture manufacturers, further enriching their revenue sources.

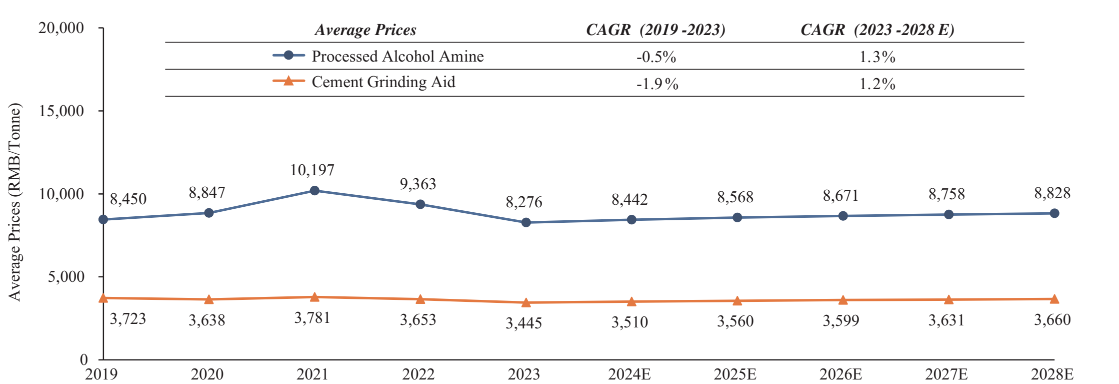
Expanding Nationwide Presence: Affected by limited transportation radius, transportation costs, and regional differences in cement properties, cement admixture manufacturers tend to locate their production and supply close to downstream cement manufacturers. In order to cover more target markets and enhance market influence, the leading cement admixture manufacturers continue to expand their nationwide presence to better and faster meet the requirements from cement manufacturers in various regions, thus obtaining more market shares.

Strategic Cooperation with Cement Manufacturers: In addition to expanding nationwide presence, leading cement admixture manufacturers also expand business by establishing joint ventures with large cement manufacturers or establishing strategic direct supply partnerships, which requires them to have competitive advantages in production scale, product quality, production technology and supply channels. Achieving strategic cooperation is beneficial for cement admixture manufacturers to enhance their competitiveness.

Average Product Price and Average Raw Material Price of China's Cement Admixtures Market

The price of cement admixture is primarily affected by the relationship of market supply and demand and the fluctuation in raw material prices. Processed alcohol amine is the major raw material for cement grinding aids, and its average price is mainly affected by raw material prices, the relationship between market supply and demand, and the pricing strategies of major market participants.

Average Product Price and Average Raw Material Price (China), 2019-2028E



Source: Frost & Sullivan Analysis

In 2021, the price of processed alcohol amine increased due to the significant increase in the price of its raw material propylene oxide. In 2022, the price of propylene oxide fell and the demand for processed alcohol amine from downstream cement admixtures market declined, resulting in a decline in the price of processed alcohol amine. In 2023, the price of processed alcohol amine further declined as the price of propylene oxide decreased.

Competitive Landscape of China's Cement Admixtures Market

Cement grinding aid is the most widely used cement admixture. In recent years, with continuous industrial consolidation, the number of market participants in China's cement admixtures market gradually decreased, with market concentration continuously increasing. As at 31 December 2023, there were approximately 200 cement grinding aid manufacturers in China. In 2023, the sales volume of cement grinding aids in China reached 792 thousand tonnes. In terms of sales volume of cement grinding aids in 2023, the top five market participants in China accounted for approximately 49.6%, and our Group ranked first with a market share of approximately 34.6%. In terms of sales revenue of cement grinding aids in 2023, our Group ranked first in China, with a market share of approximately 34.1%. In addition, in terms of sales volume of cement admixtures in 2023, the top five market participants in China accounted for approximately 41.2%, and our Group ranked first in China, with a market share of approximately 28.3%.

Top Five Market Participants in China's Cement Admixture Market by Sales Volume, 2023

Ranking	Company Name	Listing Status	Market Share (%)
1	**The Group**	**-**	**28.3%**
2	Zhejiang Hongshi Building Materials Science and Technology Co., Ltd.	Not listed	5.3%
3	Huaxin Cement Co., Ltd. Building Materials Admixture Branch	Not listed	2.3%
4	Tangshan Jidong Cement Admixture Co., Ltd.	Not listed	2.9%
5	Zhuzhou Hongxin Technology Development Co., Ltd.	Not listed	2.4%
Top 5			41.2%

Top Five Market Participants in China's Cement Grinding Aids Market by Sales Volume, 2023

Ranking	Company Name	Listing Status	Market Share (%)
1	**The Group**	**-**	**34.6%**
2	Zhejiang Hongshi Building Materials Science and Technology Co., Ltd.	Not listed	6.2%
3	Huaxin Cement Co., Ltd. Building Materials Admixture Branch	Not listed	3.3%
4	Tangshan Jidong Cement Admixture Co., Ltd.	Not listed	2.8%
5	Zhuzhou Hongxin Technology Development Co., Ltd.	Not listed	2.7%
Top 5			49.6%

Source: Frost & Sullivan Analysis

Entry Barriers of China's Cement Admixtures Market

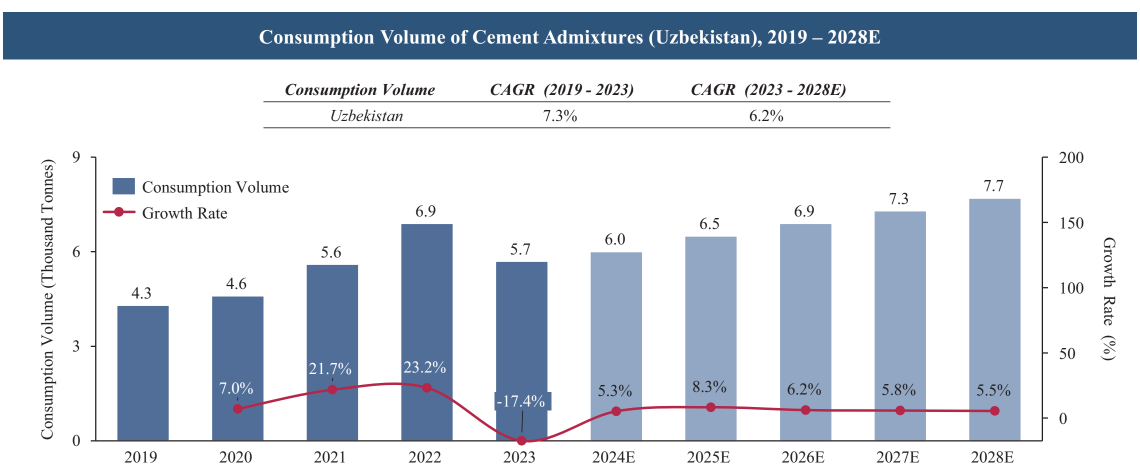
Capital Barrier: Cement admixtures industry is typically a capital-intensive industry. A large amount of initial capital is required for constructing or leasing factories, investing in equipment, procuring raw materials and recruiting R&D teams. In addition, with business expansion, the exploration of new markets also requires sufficient funds to establish production facilities and sales networks. For new entrants, strong financial strength is one of major entry barriers.

Technical Barrier: The cement admixtures market involves many critical technologies, including the formula of cement admixtures and the synthesis of raw materials such as alcohol amines, which require significant investment in R&D. Due to the differences in cement properties, cement admixture manufacturers need to provide customised products, which requires strong capabilities in R&D, production and testing. Additionally, leading cement admixture manufacturers collaborate with professional institutions such as universities and research institutes to innovate and upgrade their products and technologies, and expand their technological advantages. It is rather difficult for new entrants to master core technologies and possess strong production technology in a short time.

Talent Reserve: To enhance the performance and quality of cement admixtures, cement admixture manufacturers need to continuously optimise and upgrade product formulas. Therefore, sufficient talent reserves, especially technical personnel reserve, is one of competitive advantages for cement admixture manufacturers. New entrants may face challenges to establish own talent reserves in a short time.

Overview of Uzbekistan's Cement Admixtures Market

The consumption volume of cement admixtures in Uzbekistan increased from 4.3 thousand tonnes in 2019 to 5.7 thousand tonnes in 2023, with a CAGR of approximately 7.3%. The consumption volume in 2023 declined mainly due to the decrease in downstream demand from building construction affected by large-scale power outages and shortage in energy supply. The Uzbek government has issued a series of measures to facilitate infrastructure construction. For instance, in 2022, the Uzbek government issued the "Further Improvement of the Management System of Apartment Buildings", which proposed plans for the renovation of more than 6,000 apartment buildings, and the construction and maintenance of 1,800 playgrounds. The promulgation and implementation of these policies will promote the rapid growth of the demand for cement and other building materials, thereby driving the continuous increase in the sales volume of the cement admixture market in Uzbekistan. With the further growth of the infrastructure construction and construction industry in Uzbekistan, the production volume of building materials such as cement will continue to grow, driving the development of the cement admixtures market. By 2028, the consumption volume of cement admixtures is expected to reach 7.7 thousand tonnes, with a CAGR of approximately 6.2% from 2023 to 2028.



Source: Frost & Sullivan Analysis

In Uzbekistan, the number of domestic cement admixture manufacturers was limited, and demand for cement admixtures is mainly satisfied by imports from neighbouring countries, such as Kazakhstan and Turkey. The cement admixtures market in Uzbekistan is relatively concentrated, with the top five cement admixture manufacturers occupying a market share of approximately 58.0% in terms of sales volume of cement admixtures in Uzbekistan in 2023. Manufacturers like our Group, with a large scale of capital, mature technology, steady supply of raw materials and more competitive prices are likely to be able to enter into the market.

Top Five Market Participants in Cement Admixtures Market In Uzbekistan by Sales Volume, 2023

Ranking	Company Name	Listing Status	Market Share (%)
1	GCP Applied Technologies, Inc.	Not listed	15.2%
2	Sika Group	Listed	13.2%
3	BASF Group	Listed	11.1%
4	Mapei Group	Not listed	9.8%
5	Fosroc International Ltd.	Not listed	8.7%
Top 5			58.0%

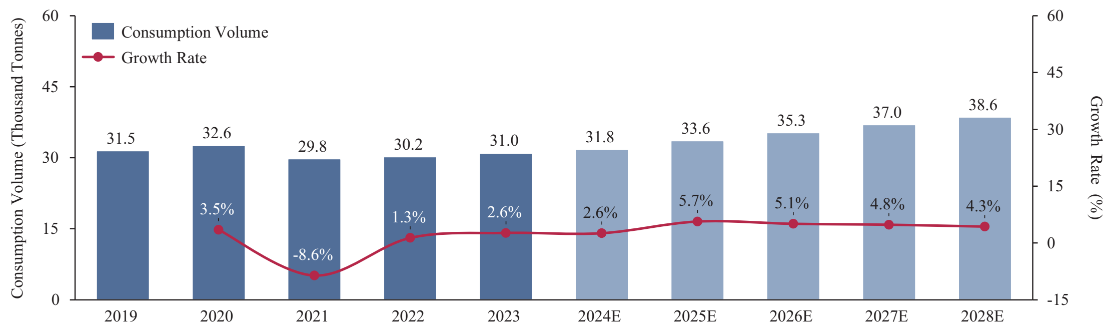
Source: Frost & Sullivan Analysis

Overview of Indonesia's Cement Admixtures Market

Indonesia is a cement exporter. Since 2019, in order to promote the sustainable and healthy development of the cement industry, the Indonesian government has issued a number of policies to promote domestic infrastructure construction, such as strengthening the construction of the railway network, increasing investment in power construction, and promoting the development of the construction industry, with the aim of expanding market demand for cement applications. In addition, the Indonesian government has concluded cement export cooperation agreements with countries such as China and Australia. The consumption volume of cement admixtures in Indonesia has slightly decreased from 31.5 thousand tonnes to 31.0 thousand tonnes, with a CAGR of approximately negative 0.4% from 2019 to 2023. With the continuous increase in the export volume of cement, the consumption volume of cement admixtures in Indonesia is expected to reach 38.6 thousand tonnes in 2028, with a CAGR of approximately 4.5% from 2023 to 2028.

Consumption Volume of Cement Admixtures (Indonesia), 2019 – 2028E

Consumption Volume	*CAGR (2019 - 2023)*	*CAGR (2023 - 2028E)*
Indonesia	-0.4%	4.5%



Source: Frost & Sullivan Analysis

The cement admixtures market in Indonesia is relatively concentrated, with the top five cement admixture manufacturers occupying a market share of approximately 57.1% in terms of sales volume of cement admixtures in Indonesia in 2023. Manufacturers like our Group, with a large scale of capital, mature technology, steady supply of raw materials and more competitive prices are likely to be able to enter into the market.

Top Five Market Participants in Cement Admixtures Market In Indonesia by Sales Volume, 2023

Ranking	Company Name	Listing Status	Market Share (%)
1	BASF Group	Listed	17.6%
2	Mapei Group	Listed	15.7%
3	Sika Group	Listed	14.1%
4	Fosroc International Ltd.	Not listed	5.5%
5	PT. Nexco Indonesia	Not listed	4.2%
Top 5			57.1%

Source: Frost & Sullivan Analysis

ANALYSIS OF CHINA'S CONCRETE ADMIXTURES MARKET

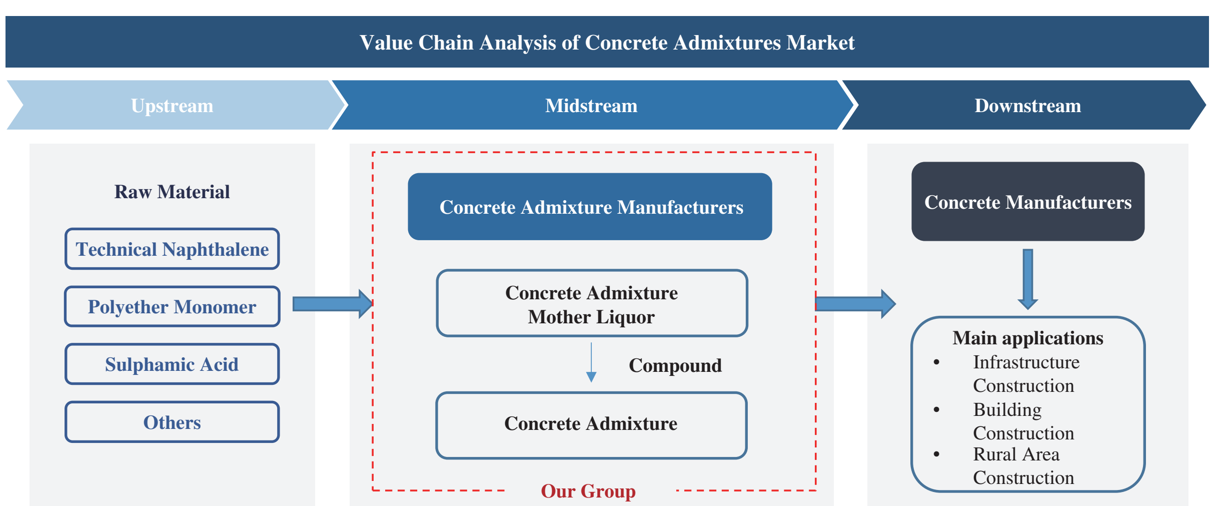
Definition and Classification of Concrete Admixtures Market

According to the National Standard GB/T 8075-2017, concrete admixtures refer to materials added to concrete before or during the mixing process, in addition to cementitious materials, aggregates, water, and fibre components, to improve the performance of newly mixed concrete and/or hardened concrete and have no harmful effects on humans, organisms, and the environment. Based on different functions, concrete admixtures can be divided into (i) admixtures that improve the rheological properties of concrete mixtures, such as water reducing admixtures, pumping admixtures, etc.; (ii) admixtures that regulate setting time and hardening process of concrete, such as set retarding admixtures, hardening accelerating admixtures, set accelerating admixtures, flash setting admixture, etc.; (iii) admixtures that improve the durability of concrete, such as air entraining admixtures, water-repellent admixtures, anti-corrosion admixtures, etc.; and (iv) admixtures that improve other properties of concrete, such as expanding admixtures, anti-freezing admixtures, colouring admixtures, etc. Concrete admixtures can enhance concrete performance, improve construction workability, and reduce production costs of concrete manufacturing, and improve the durability of the concrete/building to which it is applied, which can contribute to achieving the targets of energy conservation and emission reduction.

Water reducing admixtures are the most widely used concrete admixtures. Based on different water reducing performances, water reducing admixtures can be divided into high-performing water reducing admixtures, high-range water reducing admixtures and ordinary water reducing admixtures. Under the same slump condition of concrete, the water reducing rate of each type is not less than 25%, 14% and 8%, respectively. High-performing water reducing admixture, also known as polycarboxylic acid water reducing admixture, is produced from polyether monomers as raw material, enabling concrete to have excellent performances in water reduction, slump retention, plasticisation, shrinkage reduction, and environmental protection. It is the best-performing and most widely used water reducing admixture.

Value Chain Analysis of Concrete Admixtures Market

The value chain of concrete admixtures market is set out below:



Source: Frost & Sullivan Analysis

The upstream raw materials are different depending on the type of concrete admixture and production process applied. Due to different production processes of concrete water reducing admixtures, the upstream raw materials mainly include technical naphthalene, polyether monomer and sulfamic acid. The synthesis of polycarboxylic acid mother liquor (聚羧酸母液), the principal type of concrete admixture mother liquor produced from polyether monomer, involves polymerisation technology, which requires mature production technologies. Due to insufficient funds and weak production technology, small and medium-sized concrete admixture manufacturers usually choose to purchase polycarboxylic acid mother liquor as raw material to produce concrete admixtures. Due to strong financial and technological strength, large concrete admixture manufacturers tend to extend the value chain and produce polycarboxylic acid mother liquor and even its raw materials, such as polyether monomer, which can effectively control the impact of raw material price fluctuations and improve the profitability. In addition to supplying concrete admixtures to concrete manufacturers, they can also provide polyether monomers and polycarboxylic acid mother liquor to concrete admixture manufacturers. It is an industry norm for large concrete manufacturers to procure concrete admixtures from related parties.

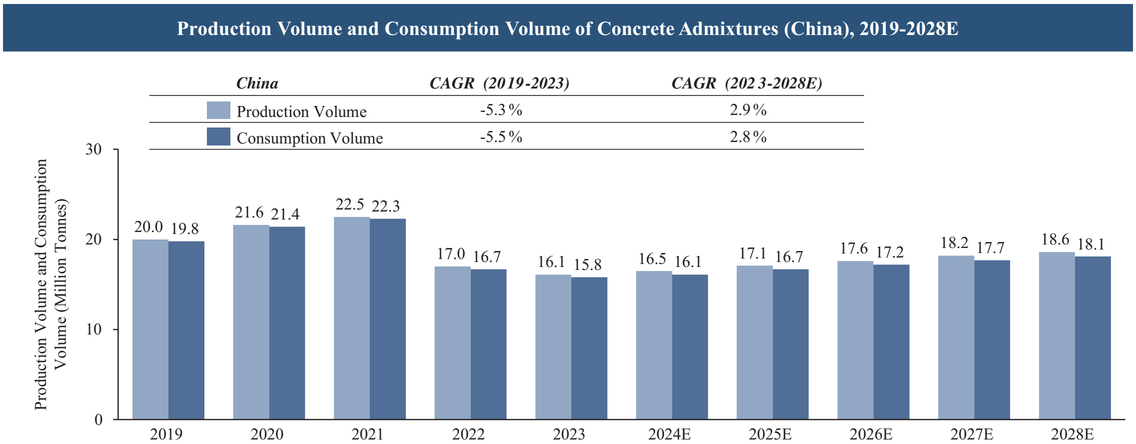
Production Process Analysis of Concrete Admixtures Market

Concrete water reducing admixture is the most widely used concrete admixture. In recent years, polycarboxylic acid water reducing admixture has gradually become the best-performing and most widely used concrete water reducing admixture, which is mainly produced from polyether monomers as raw materials. The major production process of concrete water reducing admixture includes a chemical reaction by mixing raw materials, such as polyether monomers and acrylic acid, in the reaction kettle, and then a physical process of compounding.

Market Size of China's Concrete Admixtures Market

Production Volume and Consumption Volume of Concrete Admixtures in China

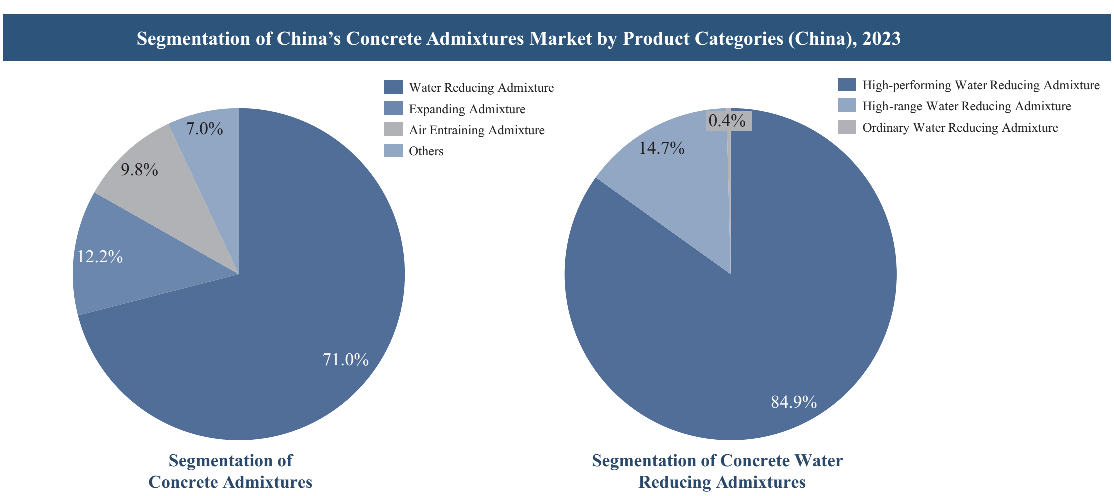
At present, the supply and demand in China's concrete admixtures market remained stable, and concrete admixture manufacturers usually formulate production plans based on market demands. From 2019 to 2023, the production volume of concrete admixtures in China decreased from 20.0 million tonnes to 16.1 million tonnes, with a CAGR of negative 5.3%. During the same period, the consumption volume of concrete admixtures in China decreased from 19.8 million tonnes to 15.8 million tonnes, with a CAGR of negative 5.5%. In 2022, affected by the economic downturn, the production volume of concrete experienced a significant decline, resulting in a decrease in production volume and consumption volume of concrete admixtures. With the recovery of macro economy and the increase in infrastructure investment, the production volume of concrete admixtures in China is expected to grow to 18.6 million tonnes in 2028, with a CAGR of 2.9% from 2023 to 2028. Meanwhile, the consumption volume of concrete admixtures in China will reach 18.1 million tonnes in 2028, with a CAGR of 2.8% from 2023 to 2028.



Source: Frost & Sullivan Analysis

Segmentation of China's Concrete Admixtures Market by Product Categories

Concrete water reducing admixture is the most widely used concrete admixture. In terms of production volume by product categories, concrete water reducing admixture accounted for approximately 71.0%. In recent years, the market share of polycarboxylic acid water reducing admixtures has experienced a continuous increase due to excellent performances. In terms of production volume, polycarboxylic acid water reducing admixtures accounted for approximately 84.9% of the total production volume of concrete water reducing admixtures in 2023, whilst the proportion of high-range water reducing admixtures and ordinary water reducing admixtures reached approximately 14.7% and 0.4%, respectively. In the future, the proportion of polycarboxylic acid water reducing admixtures is expected to continue to increase, while ordinary water reducers will be gradually eliminated.



Source: Frost & Sullivan Analysis

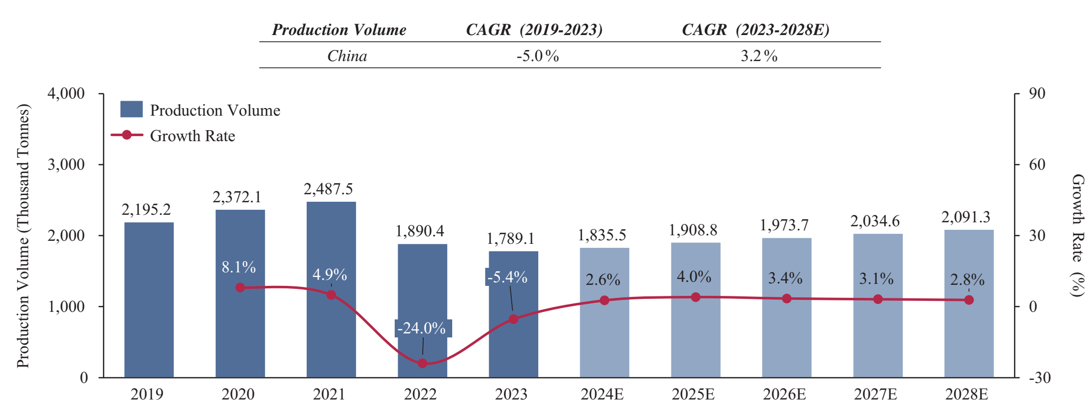
Import Volume and Export Volume of Concrete Admixtures in China

China is a net exporter of concrete admixtures. Due to sufficient domestic supply, the import volume of concrete admixtures is rather low. From 2019 to 2023, the export volume of concrete admixtures in China increased from 275.6 thousand tonnes to 347.2 thousand tonnes, with a CAGR of 5.9%. Meanwhile, the import volume of concrete admixtures in China decreased from 2.3 thousand tonnes in 2019 to 1.3 thousand tonnes in 2023, with a CAGR of negative 13.3%. By 2028, the export volume of concrete admixtures is expected to reach 477.4 thousand tonnes, with a CAGR of 6.6% from 2023 to 2028. With the steady growth in the domestic supply of concrete admixtures, the import volume of concrete admixtures in China is likely to further decrease to 1.0 thousand tonnes in 2028, with a CAGR of negative 5.1% from 2023 to 2028.

Overview of China's Polycarboxylic Acid Mother Liquors Market

Due to the lack of production technology, some small and medium-sized concrete admixture manufacturers choose to purchase polycarboxylic acid mother liquors to produce concrete admixtures. From 2019 to 2023, the production volume of polycarboxylic acid mother liquors in China dropped from 2,195.2 thousand tonnes to 1,789.1 thousand tonnes, with a CAGR of negative 5.0%. By 2028, the production volume of polycarboxylic acid mother liquors in China is expected to grow steadily to 2,091.3 thousand tonnes, with a CAGR of 3.2% from 2023 to 2028.

Production Volume of Polycarboxylic Acid Mother Liquors (China), 2019–2028E



Source: Frost & Sullivan Analysis

The polycarboxylic acid mother liquors market in China is relatively concentrated. In terms of sales volume of polycarboxylic acid mother liquors in 2023, our Group accounted for approximately 1.7% of the total sales volume of polycarboxylic acid mother liquors in China.

Market Drivers of China's Concrete Admixtures Market

Growing Downstream Demand: The development of the concrete admixtures market is mainly affected by downstream demands. In recent years, the infrastructure investment in China increased from RMB15.1 trillion in 2019 to RMB17.6 trillion in 2023, with a CAGR of 3.9%. In 2022, the National Development and Reform Commission and the Ministry of Housing and Urban-Rural Development issued the "14th Five-Year Plan for National Urban Infrastructure Construction" (《"十四五"全國城市基礎設施建設規劃》), proposing the development goal of building high-quality urban infrastructure systems during the 14th Five-Year Plan period. The infrastructure investment in China is expected to reach RMB20.9 trillion in 2028, with a CAGR of 3.5% from 2023 to 2028. The continuous promotion of infrastructure construction will promote the stable development of concrete market, thereby stimulating the steady growth of demand for concrete admixtures.

Increasing Proportion of Manufactured Sand and Gravel: Due to the shortage of natural sand and gravel resources caused by excessive and disorderly exploitation, the usage of manufactured sand and gravel has been rising in recent years. Compared to natural sand and gravel, the surface of manufactured sand and gravel particles is rough and multi-angular. When mixing concrete with the same slump, the water demand per cubic metre of manufactured sand and gravel increases by 10 to 20 kilogrammes. Therefore, concrete produced with manufactured sand and gravel has a greater demand for water reducing admixtures. In addition, manufactured sand and gravel have higher requirements for water reducing rate and air-entraining capacity of water reducing admixtures. Therefore, the increase in the usage of manufactured sand and gravel will promote the rapid growth of demand for concrete water reducing admixtures, especially high-performing water reducing admixtures.

Improvement in Ready-mixed Rate of Concrete: At present, the ready-mix rate of concrete in China reached approximately 50%, while in developed countries it is generally above 70%. There are significant potentials for ready-mixed rate of concrete in China to improve. In order to maintain the performances of ready-mixed concrete during transportation, higher dosage of concrete admixtures is required. Therefore, with the improvement of ready-mixed rate of concrete in China, the demand for concrete admixtures is expected to further increase.

Future Opportunities of China's Concrete Admixtures Market

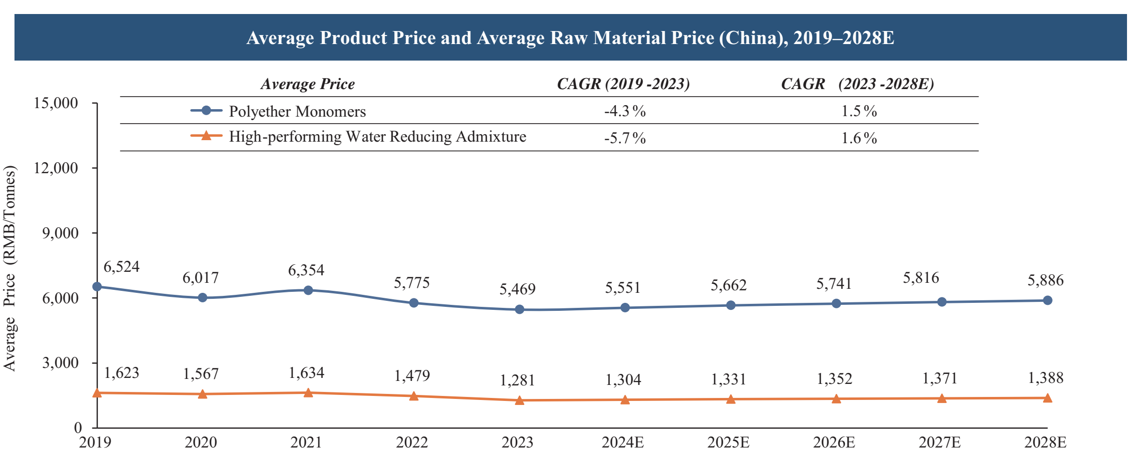
Increasing Industry Concentration: With the implementation of environmental protection policies and the "Relocation of Industries from City Urban Area to Industrial Parks" policy, the development of small and medium-sized concrete admixture manufacturers has been restricted, and some are forced to shut down and withdraw from the market. In addition, large concrete manufacturers tend to establish long-term strategic cooperation with concrete admixture manufacturers with large-scale production capacity, thus leading concrete admixture manufacturers will continue to increase their market shares. In the future, with the continuous business expansion of leading players, and the withdrawal of small and medium-sized manufacturers, the concentration rate of China's concrete admixtures market will further increase.

Growing Demand for High-performing Water Reducing Admixtures: Compared to high-range water reducing admixture and ordinary water reducing admixture, high-performing water reducing admixtures, with excellent performances in higher water reducing rate and concrete fluidity retention ability, can produce high-strength and durable concrete, suitable for various construction environments and special project requirements. In addition, the synthesis process of high-performing water reducing admixture does not generate waste liquid, exhaust gas and waste residue, which is more environmentally friendly than other water reducing admixtures. Therefore, with the growing demand for high-performing water reducing admixtures, the market share of high-performing water reducing admixtures will be further improved.

Technological Advancement: The variety of cement in China is complex, and the physical properties of sand and gravel and mineral admixtures are also highly different. To ensure the stability of concrete performance, concrete admixture manufacturers need to adjust the formula of concrete admixtures based on the proportion of other components in concrete, or produce concrete admixtures through customised compounding from mother liquors according to customers' requirements. Therefore, with the increasing demand for customisation and the growing requirements for product performances, the technical level of concrete admixture manufacturers will be rapidly improved.

Average Product Price and Average Raw Material Price of China's Concrete Admixtures Market

The average price of high-performing water reducing admixture is primarily affected by the relationship of market supply and demand and the fluctuation in raw material prices. Polyether monomer is the major raw material for high-performing water reducing admixtures, and its average price fluctuation is mainly affected by raw material prices, the relationship between market supply and demand, and the pricing strategies of major market participants.



Source: Frost & Sullivan Analysis

In 2021, the price of polyether monomer increased mainly as the price of its raw material ethylene oxide increased. In 2022, the price of ethylene oxide decreased, and the downstream demand for polyether monomer declined, resulting in a decrease in the price of polyether monomer. In 2023, the average price of polyether monomer further declined as the price of ethylene oxide decreased.

Competitive Landscape of China's Concrete Admixtures Market

China's concrete admixtures market is rather fragmented. As at 31 December 2023, there are approximately 4,000 concrete admixture manufacturers in China. In terms of sales volume of high-performing water reducing admixtures in 2023, the top five market participants in China accounted for approximately 38.7%. In terms of sales volume of high-performing water reducing admixtures in 2023, our Group accounted for approximately 1.3% of the total sales volume of high-performing water reducing admixtures in China. In terms of sales volume of concrete admixtures in 2023, our Group accounted for approximately 0.8% of the total sales volume of concrete admixtures in China.

Top Five Market Participants in China's Concrete Admixture Market by Sales Volume, 2023

Ranking	Company Name	Listing Status	Market Share (%)
1	Lets Holding Group Co., Ltd.	Listed	8.4%
2	Sobute New MATERIALS Co., Ltd.	Listed	8.3%
3	Anhui Engineering Material Technology Co., Ltd.	Not listed	4.7%
4	Guangdong Redwall New Materials Co., Ltd.	Listed	3.9%
5	Shijiazhuang Chang An Yucai Building Material Co., Ltd.	Not listed	3.1%
Top 5			28.4%

Top Five Market Participants in China's High-performing Water Reducing Admixtures Market by Sales Volume, 2023

Ranking	Company Name	Listing Status	Market Share (%)
1	Lets Holding Group Co., Ltd.	Listed	11.2%
2	Sobute New MATERIALS Co., Ltd.	Listed	10.6%
3	Anhui Engineering Material Technology Co., Ltd.	Not listed	6.3%
4	Guangdong Redwall New Materials Co., Ltd.	Listed	6.3%
5	China West Construction Group New Material Technology Co., Ltd.	Not listed	4.3%
Top 5			38.7%

Source: Annual Reports, Chinaconcretes.com, Frost & Sullivan Analysis

Entry Barriers of China's Concrete Admixtures Market

Qualifications and Certificates: Concrete admixtures industry belongs to chemical industry and are subject to compulsory production qualification management. Concrete admixture manufacturers have to obtain corresponding qualifications or certificates, such as the qualifications required for safety production, environmental protection and fire protection. It is necessary to obtain certificates for safety use of hazardous chemicals for production processes that use hazardous raw materials. In addition, concrete admixture manufacturers need to obtain corresponding pollution discharge permits. It is rather difficult for new entrants to acquire such qualifications and certificates in a short time. Compared to the cement admixtures market, the concrete admixtures market is subject to stricter industry regulation. For instance, affected by policies such as the "Relocation of Industries from City Urban Area to Industrial Parks", it is more difficult for new entrants to build new production facilities, resulting in higher entry barriers to China's concrete admixtures market.

Technology Capabilities: Concrete admixture manufacturers need to customise technical solutions based on customers' differentiated requirements to provide high-quality products and possess strong R&D capabilities to quickly respond to customers' urgent needs and ensure their production.

Existing concrete admixture manufacturers generally have mature production processes, strong technology capabilities, and a considerable number of technical personnel reserves. It is difficult for new entrants without strong technology capabilities to cope with customised needs from customers.

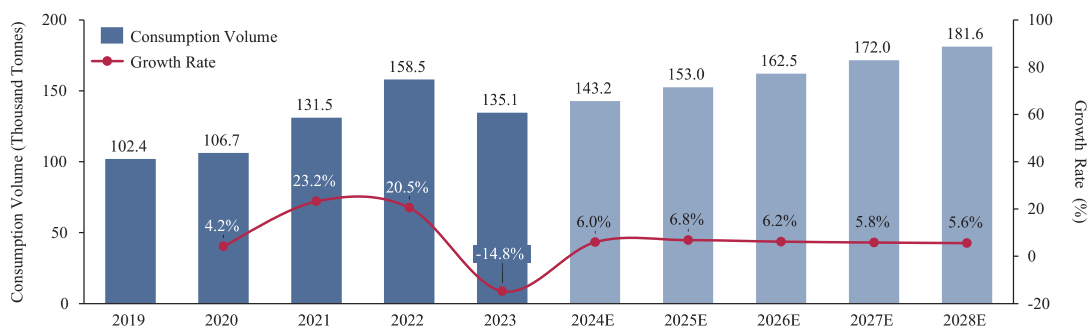
Customer Relationships: Concrete manufacturers usually establish long-term cooperative relationships with concrete admixture suppliers, mainly as they need to conduct multiple tests together with their suppliers to choose appropriate concrete admixtures. Moreover, concrete manufacturers generally choose concrete admixture manufacturers that are located close to them due to convenient product supply and timely response to their requirements. Therefore, it is not common for concrete manufacturers to replace their concrete admixture suppliers after the admixture supplier has already gained familiarity and experience with the customers' technical requirements due to high costs of replacement. Therefore, it is difficult for new entrants to establish own customer base in a short time.

Overview of Uzbekistan's Concrete Admixtures Market

The consumption volume of concrete admixtures in Uzbekistan increased from 102.4 thousand tonnes in 2019 to 135.1 thousand tonnes in 2023, with a CAGR of approximately 7.2%. Driven by a series of favourable policies for infrastructure construction, the production volume of concrete in Uzbekistan increased steadily, which drives the market demand for concrete admixtures. By 2028, the consumption volume of concrete admixtures in Uzbekistan is expected to reach 181.6 thousand tonnes, with a CAGR of approximately 6.1% from 2023 to 2028.

Consumption Volume of Concrete Admixtures (Uzbekistan), 2019-2028E

Consumption Volume	*CAGR (2019-2023)*	*CAGR (2023-2028E)*
Uzbekistan	7.2%	6.1%



Source: Frost & Sullivan Analysis

The concrete admixtures market in Uzbekistan is relatively concentrated, with the top five concrete admixture manufacturers accounting for approximately 36.7% of the total sales volume of concrete admixtures in 2023.

Top Five Market Participants in Concrete Admixtures Market in Uzbekistan by Sales Volume, 2023

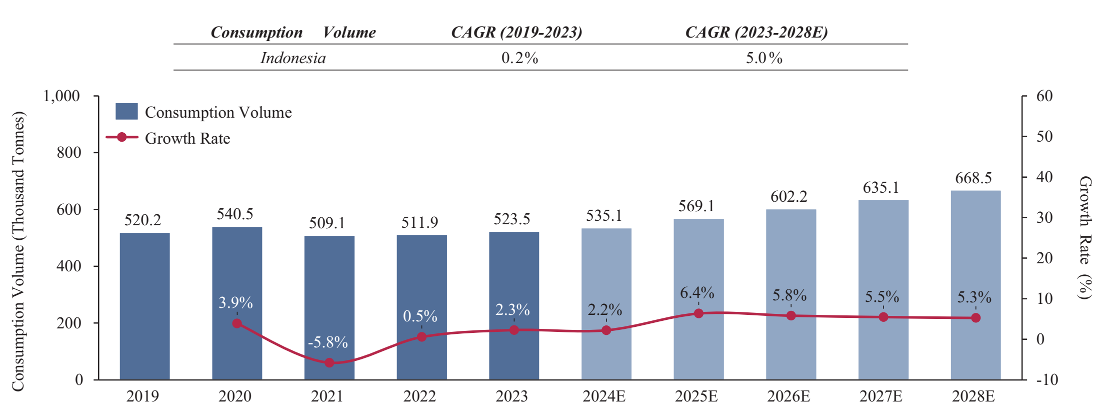
Ranking	Company Name	Listing Status	Market Share (%)
1	BASF Group	Listed	10.4%
2	Sika Group	Listed	8.8%
3	Mapei Group	Listed	7.7%
4	RPM International Inc.	Listed	5.3%
5	Fosroc International Ltd.	Not listed	4.5%
Top 5			36.7%

Source: Frost & Sullivan Analysis

Overview of Indonesia's Concrete Admixtures Market

The consumption volume of concrete admixtures in Indonesia increased slightly from 520.2 thousand tonnes in 2019 to 523.5 thousand tonnes in 2023, with a CAGR of approximately 0.2%. In 2028, the consumption volume of concrete admixtures in Indonesia is expected to reach 668.5 thousand tonnes, with a CAGR of approximately 5.0% from 2023 to 2028.

Consumption Volume of Concrete Admixtures (Indonesia), 2019-2028E



Source: Frost & Sullivan Analysis

The concrete admixtures market in Indonesia is relatively concentrated, with the top five concrete admixture manufacturers occupying a market share of approximately 52.4% in 2023.

Top Five Market Participants in Concrete Admixtures Market in Indonesia by Sales Volume, 2023

Ranking	Company Name	Listing Status	Market Share (%)
1	Sika Group	Listed	11.8%
2	BASF Group	Listed	11.0%
3	RPM International Inc.	Listed	10.4%
4	Fosroc International Ltd.	Not listed	9.7%
5	Mapei Group	Listed	9.5%
Top 5			52.4%

Source: Frost & Sullivan Analysis

COMPARISON OF CEMENT ADMIXTURE AND CONCRETE ADMIXTURE

Comparison of Growth Between Cement Admixtures and Concrete Admixtures

Different Types of Admixtures. Cement admixtures are applied in the production of cement whilst concrete admixtures are applied in the production of concrete. The types and functions of cement admixtures and concrete admixtures are different. Depending on different functions, cement admixtures primarily include cement grinding aids, desulphurization and denitration admixtures, coal-saving admixtures, among others, whilst concrete admixtures primarily include water reducing admixtures, expanding admixtures, air entraining admixtures, among others. Different growth rates of different types of cement admixtures and concrete admixtures result in different growth in admixture markets.

Different Amounts of Admixtures in Production. The usage amounts of cement admixtures in the production of cement are different from the usage amounts of concrete admixtures in the production of concrete. Specifically, for every 1,000 tonnes of cement produced, approximately 0.3 to 1.5 tonnes of cement admixtures are used, while for every 1,000 cubic metres of commercial concrete produced, approximately 5 to 8 tonnes of concrete admixtures are used. Different trends of usage amounts of cement admixtures and concrete admixtures in the production of cement and concrete result in different growth in admixture markets.

Different Growth in Downstream Industries. In addition to concrete production, cement can be also used in mortar, bricks, among others. Moreover, different types of concrete products use different amount of cement as raw materials. In recent years, the demand from downstream applications for cement such as mortar, bricks and concrete recorded different growth rates. Therefore, the growth rates of cement industry and concrete industry in China are different. From 2019 to 2023, the production volume of cement and commercial concrete in China grew at a CAGR of negative 3.5% and 1.4%, respectively. Further, different growth rates in downstream industries result in different growth in admixture markets.

Comparison of Market Concentration Between Cement Admixtures and Concrete Admixtures

Different Number of Market Participants. As the production processes, production technologies and raw materials of cement admixtures and concrete admixtures are different, participants in these markets and their business scale are different. As at 31 December 2023, there were approximately 200 cement admixture manufacturers and approximately 4,000 concrete admixture manufacturers in China. Different number of market participants results in different market concentration in admixture markets.

Different Types of Market Participants. The leading participants in cement admixture market are primarily cement admixture manufacturers that are affiliated to large cement manufacturers, whilst the leading participants in concrete admixture market are mainly chemical companies that are specialised in the production of concrete admixtures. Based on the stable product supply to cement manufacturers, the affiliated cement admixture manufacturers can expand their production scale and business layout more easily. Therefore, the concentration rate in China's cement admixture market is higher than that in China's concrete admixture market. For instance, in terms of sales volume in 2023, the market shares of top five cement grinding aid manufacturers in China reached approximately 49.6%, which was higher than the market shares of top five high-performing concrete water reducing admixture manufacturers in China of approximately 38.7%. Different types of market participants result in different competitive landscape and market concentration in admixture markets.

Different Competitive Landscape of Downstream Industries. The competitive landscape between cement industry and concrete industry is different. The concrete industry is much more fragmented than cement industry mainly as the transportation radius of concrete is limited and there is a large number of small-sized concrete mixing plants in China. In terms of production volume in 2023, the top five cement manufacturers in China accounted for approximately 34% while the top five concrete manufacturers in China only accounted for approximately 8%. To ensure timely and stable supply of concrete admixtures to these small-sized concrete mixing plants, there are also a large number of small-sized concrete admixture manufacturers. However, due to higher concentration rate in cement industry, large-scale cement manufacturers can procure cement admixtures from related parties. Therefore, the large-scale cement admixture manufacturers are normally affiliated to cement manufacturers, which resulted in higher concentration rate in China's cement admixture market.

Analysis of Forecast Growth of Cement Admixture and Concrete Admixture Markets

Reasons for Negative Historical Growth. The market size of cement admixture and concrete admixture experienced a slowdown in growth and decline mainly as (i) due to the outbreak of COVID-19, the delay in work resumption, the restriction in transportation and the declining downstream demands have hindered the development of admixture market; (ii) a series of policies on purchase restriction of housing issued by the Chinese government have resulted in a downturn in China's real estate industry, which led to a decreasing demand for cement and concrete admixtures; and (iii) the elimination of backward production facilities that can not meet the requirements of environmental protection has resulted in the decreasing production volume.

Expectations for Growth in Forecast Period. The market size of cement admixture and concrete admixture is expected to have a stable increase in the forecast period mainly due to (i) continuous development of infrastructure construction promoted by the investment in infrastructure construction in China increasing at a CAGR of 3.9% from 2019 to 2023 and favourable policies such as the "National Urban Infrastructure Construction Plan During 14th Five Year Plan Period" (《"十四五"全國城市基礎設施建設規劃》) issued in 2022, which proposed to build and renovate approximately 118 thousand kilometers of roads, construct and renovate approximately 15 thousand urban bridges, and basically completed the renovation task of 219 thousand old urban communities that need to be renovated during the 14th Five Year Plan period; (ii) recovery of China's real estate industry as the Chinese government has started to relax purchase restrictions of housing; (iii) industry consolidation by large-scale market participants that possess strong capabilities in capital, technology and sales channels, and can expand their business scale more easily; (iv) development of new types of admixtures which can enlarge product categories and provide development potentials for admixture manufacturers; and (v) increase in export volume along with the business expansion and the increasing brand awareness of China's cement admixture and concrete admixture manufacturers in overseas markets.

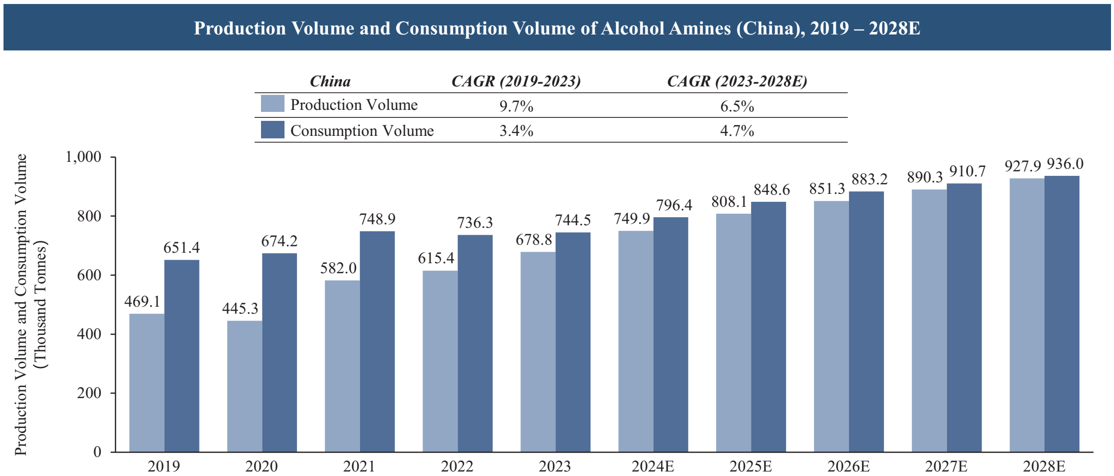
ANALYSIS OF CHINA'S ALCOHOL AMINE MARKET AND POLYETHER MONOMER MARKET

Overview of Alcohol Amine Market

Alcohol amines refer to substances that contain an N atom and an -OH group within the molecule of organic compounds, and possess the chemical properties of both amines and alcohols. Alcohol amines primarily include (i) ethanolamine and (ii) isopropanolamine (isopropanolamine being our Company's processed alcohol amine), and are widely applied in cement admixtures, surfactants, coatings, etc. Cement grinding aids produced from alcohol amines as raw materials can effectively reduce the particle size of cement grinding, reduce the power consumption of cement grinding, and increase the strength of cement.

Market Size of China's Alcohol Amine Market

In recent years, with the growing downstream demands, the production volume of alcohol amines in China maintained a stable growth, increasing from 469.1 thousand tonnes in 2019 to 678.8 thousand tonnes in 2023, with a CAGR of 9.7%. With the recovery of construction industry and the continuous development of downstream industries such as coatings industry and pharmaceutical industry, the production volume of alcohol amines in China is expected to further increase to 927.9 thousand tonnes in 2028, with a CAGR of 6.5% from 2023 to 2028. Meanwhile, the consumption volume of alcohol amines in China maintained a steady growth, increasing from 651.4 thousand tonnes in 2019 to 744.5 thousand tonnes in 2023, with a CAGR of 3.4%. In 2022, the consumption volume of alcohol amines in China experienced a slight decline due to the decreasing demand from major downstream applications such as cement grinding aids. In the future, the accelerated urbanisation and new infrastructure construction will promote the gradual recovery of China's cement market, which will stimulate the increasing demand for alcohol amines. The consumption volume of alcohol amines in China is expected to reach 936.0 thousand tonnes in 2028, with a CAGR of 4.7% from 2023 to 2028.



Source: Frost & Sullivan Analysis

As important organic chemical raw materials, alcohol amines have a wide range of applications in various industries. In terms of production volume by downstream applications in 2023, cement admixture represents the largest downstream application in China's alcohol amine market, accounting for approximately 50.3%. With the accelerated urbanisation and infrastructure construction, the market share of alcohol amines applied in cement admixtures is expected to increase in the future. Surfactants and coatings were the second and third largest applications in China's alcohol amine market, accounting for approximately 12.8% and 10.6%, respectively.

Market Drivers of China's Alcohol Amines Market

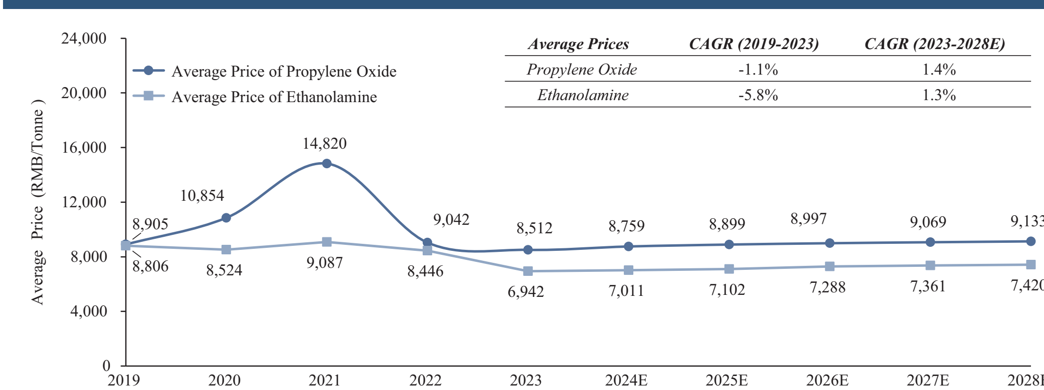
Stable Development of Downstream Industries: Alcohol amines are primarily used in the production of cement admixtures, coatings, adhesives, etc., with the major applications in building and infrastructure construction. With the economic growth, the demand for building and infrastructure construction experienced a stable increase, thereby promoting the growth in demand for alcohol amines. In addition, as important intermediates for drug synthesis and pesticide production, the development of pharmaceutical industry and agricultural industry stimulated the growing demand for alcohol amines. Therefore, the stable development of downstream industries has driven the sustained growth of demand in China's alcohol amine market.

Improving Production Process and Technologies: Alcohol amine manufacturers have been dedicated to improving production processes and technologies, such as using new catalytic systems to effectively reduce production costs and improve production efficiency. Meanwhile, the development and application of new technologies can also improve product qualities, reduce the generation of by-products and wastes, increase the purity of alcohol amine products, and satisfy the stringent requirements of environmental protection.

Average Raw Material Prices of Processed Alcohol Amines in China

The main raw materials of processed alcohol amines are propylene oxide and ethanolamine. As propylene is the main raw material of propylene oxide, the average price of propylene oxide has a certain correlation with the price of propylene. As ethanolamine is produced by ethylene oxide, the average price of ethanolamine is correlated with the average price of ethylene oxide. Meanwhile, mainly as propylene oxide and ethanolamine are important organic compound raw materials with wide applications, their average prices are closely related to downstream demands. The average price of propylene oxide in China decreased from RMB8,905 per tonne in 2019 to RMB8,512 per tonne in 2023, with a CAGR of negative 1.1%. In 2021, the average price of propylene rose and the demand for propylene oxide from downstream processed alcohol amines market saw a significant increase, leading to a substantial increase in the average price of propylene oxide. In 2022, the average price of propylene fell, and the increase in production capacity of propylene oxide led to an increase in market supply and a drop in the average price of propylene oxide. In 2023, the average price of propylene fell, leading to a further decline in the average price of propylene oxide. The average price of ethanolamine decreased from RMB8,806 per tonne in 2019 to RMB6,942 per tonne in 2023, with a CAGR of negative 5.8%. In 2021, due to the rise in prices of ethylene oxide, the average price of ethanolamine increased accordingly. In 2022, the average price of ethylene oxide fell, and the decline in downstream demand led to a drop in the average price of ethanolamine. With the further decline in the average price of ethylene oxide, the average price of ethanolamine decreased in 2023. The average price of propylene oxide and ethanolamine for the first half of 2024 amounted to RMB8,350 per tonne and RMB6,748 per tonne, respectively. With the steady development of downstream applications such as processed alcohol amines, and the stable supply of propylene oxide, the average price of propylene oxide in China is expected to remain stable in the future. In 2028, the average price of propylene oxide in China is anticipated to reach RMB9,133 per tonne, with a CAGR of 1.4% from 2023 to 2028.

Average Raw Material Price of Processed Alcohol Amines (China), 2019 –2028E



Source: Frost & Sullivan Analysis

Competitive Landscape of China's Alcohol Amine Market

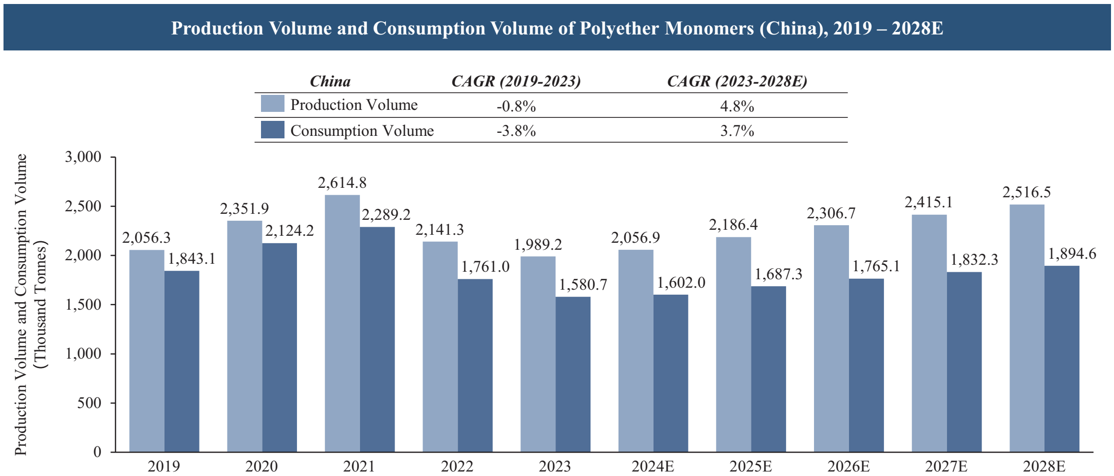
The production of alcohol amines requires the corresponding production qualifications of chemical products. Meanwhile, the technical barrier and capital barrier in the alcohol amine market are relatively high, therefore China's alcohol amine market is relatively concentrated. In terms of sales volume of alcohol amines in 2023, our Group accounted for approximately 2.5% of the total sales volume of alcohol amines in China. In terms of sales revenue of alcohol amines in 2023, our Group accounted for approximately 1.9% of the total sales revenue of alcohol amines in China. Among the major categories of alcohol amines, processed alcohol amine (isopropanolamine) has excellent performances and is environmentally friendly. Only a limited number of manufacturers in China have the capability of scale production for processed alcohol amine. In terms of sales volume of processed alcohol amines in 2023, our Group accounted for approximately 4.7% of the total sales volume of processed alcohol amines in China. In terms of sales revenue of processed alcohol amines in 2023, our Group accounted for approximately 3.9% of the total sales revenue of processed alcohol amines in China.

Overview of Polyether Monomer Market

Polyether monomer is a commonly used polymer material, primarily applied in downstream applications such as concrete admixtures, coatings and surfactants. Polycarboxylic acid water reducing admixtures produced from polyether monomers possess functions such as large water reduction, high slump retention and high strength improvement.

Market Size of China's Polyether Monomer Market

The production volume of polyether monomers in China decreased from 2,056.3 thousand tonnes in 2019 to 1,989.2 thousand tonnes in 2023, with a CAGR of negative 0.8%. In 2022 and 2023, the production volume declined mainly due to the decreasing demand from downstream concrete admixture market. In the future, with the recovery of real estate industry and the continuous promotion of infrastructure construction, the growing demand from concrete admixture market is expected to drive the development of China's polyether monomer market. In 2028, the production volume of polyether monomers in China is anticipated to increase to 2,516.5 thousand tonnes, with a CAGR of 4.8% from 2023 to 2028. The consumption volume of polyether monomers in China decreased from 1,843.1 thousand tonnes in 2019 to 1,580.7 thousand tonnes in 2023, with a CAGR of negative 3.8%. In line with the trend of production volume, the demand for polyether monomers in China is expected to grow with the recovery of real estate industry and the continuous promotion of infrastructure construction. In 2028, the consumption volume of polyether monomers in China is expected to reach 1,894.6 thousand tonnes, with a CAGR of 3.7% from 2023 to 2028.



Source: Frost & Sullivan Analysis

Polyether monomers are primarily applied in the synthesis of polycarboxylic acid water reducing admixtures. In terms of production volume by downstream applications in 2023, concrete admixture is the largest downstream application of polyether monomers, accounting for approximately 90.2%. With the steady recovery of real estate industry and the continuous development of infrastructure construction, the proportion of polyether monomers applied in concrete admixtures is expected to remain stable. Coating and surfactant are the second and third largest downstream applications for polyether monomers, accounting for approximately 4.2% and 3.9%, respectively.

Market Drivers of China's Polyether Monomer Market

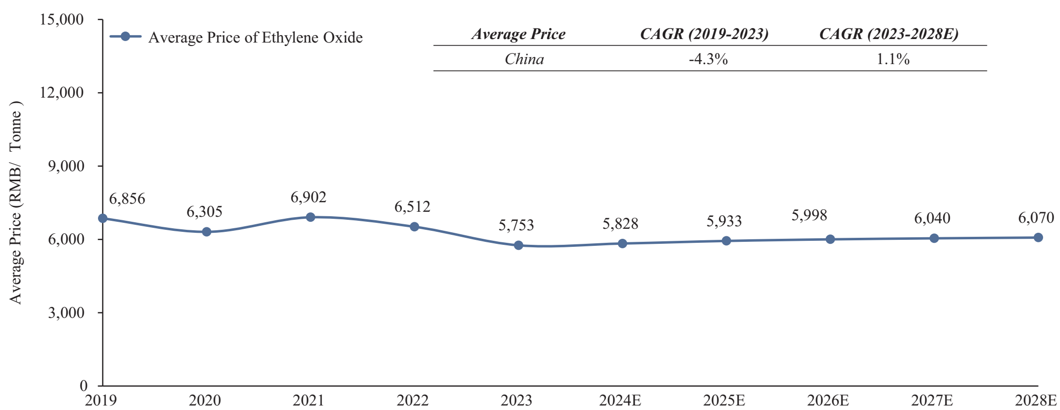
Increasing Downstream Demand: With the development of downstream industries such as concrete admixtures, coatings and surfactants, China's polyether monomer market has experienced a stable growth in recent years. The demand for polycarboxylic acid water reducing admixtures, which is one of the key materials to improve concrete performances, has experienced a stable increase with the development of building industry and infrastructure construction industry. Meanwhile, the popularisation of sustainable building standards has driven the demand for higher-performance concrete. Polycarboxylic acid water reducing admixtures produced from polyether monomers can reduce the unit cement consumption of concrete, improve energy efficiency, and meet the requirements of sustainable building. Therefore, as the main raw material for polycarboxylic acid water reducing admixtures, polyether monomers play a crucial role in building and infrastructure construction.

Technological Innovation: The production technologies and product qualities of polyether monomers are constantly improving, providing broad development potentials for China's polyether monomer market. For instance, the synthesis process of six-carbon polyether monomers can effectively improve production efficiency and reduce energy consumption, and the polycarboxylic acid water reducing admixtures produced from it have a significant effect on improving the workability of concrete. Such technological innovations provide new development opportunities for business expansion of polyether monomer manufacturers.

Average Raw Material Prices of Polyether Monomer in China

The main raw material of polyether monomers is ethylene oxide. Ethylene oxide is produced by ethylene, therefore, the price of ethylene oxide has a certain correlation with the price of ethylene. Additionally, as an important chemical raw material with wide applications, the average price of ethylene oxide is closely related to the relationship between market supply and demand. The average price of ethylene oxide in China decreased from RMB6,856 per tonne in 2019 to RMB5,753 per tonne in 2023, with a CAGR of negative 4.3%. In 2021, the average price of ethylene rose, leading to an increase in the average price of ethylene oxide. In 2022, due to the fall in the average price of ethylene and the decreasing demand for ethylene oxide from downstream applications such as polyether monomer, the average price of ethylene oxide decreased accordingly. In 2023, due to a further decline in the average price of ethylene, the average price of ethylene oxide continued to decrease. The average price of ethylene oxide for the first half of 2024 amounted to RMB5,972 per tonne. Mainly as the supply and demand of ethylene oxide maintain stable, the average price of ethylene oxide is expected to remain stable in the future. In 2028, the average price of ethylene oxide is likely to slightly increase to RMB6,070 per tonne, with a CAGR of 1.1% from 2023 to 2028.

Average Raw Material Price of Polyether Monomers (China), 2019 –2028E



Average Price	*CAGR (2019-2023)*	*CAGR (2023-2028E)*
China	-4.3%	1.1%

Source: Frost & Sullivan Analysis

Competitive Landscape of China's Polyether Monomer Market

China's polyether monomer market is relatively concentrated. As at 31 December 2023, there were approximately 50 polyether monomer manufacturers in China. In terms of sales volume of polyether monomers in 2023, our Group accounted for approximately 0.9% of the total sales volume of polyether monomers in China. In terms of revenue of polyether monomers in 2023, our Group accounted for approximately 1.0% of the total revenue of polyether monomers in China.

Entry Barriers in China's Alcohol Amine Market and Polyether Monomer Market

Qualification Barrier: Alcohol amines and polyether monomers are fine chemical materials, and their production requires corresponding production certificates and pollution discharge permits. In particular, the raw materials for the synthesis of alcohol amines and polyether monomers are propylene oxide and ethylene oxide, which are hazardous chemicals. Therefore, the manufacturers have to obtain safety production certificates and certificates for safety use of hazardous chemicals. For new entrants, it is rather difficult to obtain various qualifications and certificates with the approval from industry regulations in a short time.

Capital Barrier: The construction and operation of production facilities of alcohol amines and polyether monomers require a large amount of capital investment. Existing manufacturers usually have established a solid financial foundation, which is easier to expand production scale. In contrast, it is difficult for new entrants to obtain sufficient investment to acquire production sites, purchase equipment, procure raw materials, and meet operation costs in the initial stage.

Technical Barrier: The production process of alcohol amines and polyether monomers involves complex chemical reactions and precise process control, requiring the manufacturers to possess strong production technology and equipment operation capabilities. Product performances directly affect the application effect, which requires the manufacturers to possess strong R&D capabilities. Therefore, the production of alcohol amines and polyether monomers requires sufficient technical reserves, which is one of major obstacles for new entrants.

Raw Material Supply Barrier: Ethylene oxide and propylene oxide are hazardous chemicals and inconvenient to transport over long distances. There are primarily two transportation methods for ethylene oxide and propylene oxide, including land transportation and pipeline transportation. Small-sized companies mainly choose land transportation due to small procurement volume. According to the "Opinions on Comprehensively Strengthening Safe Production of Hazardous Chemicals" (《關於全面加強危險化學品安全生產工作的意見》) issued by the CPC Central Committee and the State Council in 2020, stricter supervision on the transportation of hazardous chemicals has been implemented, and pipeline transportation has become the main trend for the transportation of ethylene oxide and propylene oxide. It is rather difficult for new entrants to absolutely ensure the safety in the transportation of raw materials if they cannot sign a long-term pipeline transportation agreement with upstream suppliers.

ANALYSIS OF CHINA'S CEMENT MARKET AND CONCRETE MARKET

Market Size of China's Cement Market

From 2019 to 2023, the production volume of cement in China decreased from 2,344.3 million tonnes to 2,033.1 million tonnes, with a CAGR of negative 3.5%. From 2019 to 2020, mainly as Chinese government increased the amount of special government bonds and promoted the construction of major projects, China's cement market maintained a stable growth. Since 2020, affected by the outbreak of COVID-19 and the continuous recession in real estate market, the demand for cement experienced a decline, resulting in a decrease in the production volume of cement from 2020 to 2023. The "National Urban Infrastructure Construction Plan During 14th Five Year Plan Period" (《"十四五"全國城市基礎設施建設規劃》) issued by the Ministry of Housing and Urban Rural Development and the National Development and Reform Commission in 2022, proposed to build and renovate approximately 118 thousand kilometres of roads, construct and renovate approximately 15 thousand urban bridges, and basically completed the renovation task of 219 thousand old urban communities that need to be renovated during the 14th Five Year Plan period. In the future, mainly due to the continuous growth of infrastructure investment, the demand for cement is expected to maintain a steady increase. The production volume of cement in China is likely to grow to 2,302.4 million tonnes in 2028, with a CAGR of 2.5% from 2023 to 2028. Consistent with the trend of production volume, mainly affected by demands from downstream industries such as infrastructure construction, building construction and rural area construction, the consumption volume of cement in China decreased from 2,341.2 million tonnes in 2019 to 2,030.3 million tonnes in 2023, with a CAGR of negative 3.5%. With the recovery of downstream demands, the consumption volume of cement in China is expected to reach 2,293.8 million tonnes in 2028, with a CAGR of 2.5% from 2023 to 2028.

Market Size of China's Concrete Market

With the stable development of downstream industries such as infrastructure construction and building construction, the production volume of commercial concrete in China increased from 2,553.9 million cubic metres in 2019 to 2,696.1 million cubic metres in 2023, with a CAGR of 1.4%. In 2022, mainly due to the downturn in real estate industry, the demand for commercial concrete decreased, resulting in a decline in production volume by 13.4%. With the stable economic development, the further advancement of infrastructure construction and the continuous growth of construction industry, the production volume of commercial concrete in China is expected to maintain a steady growth and reach 3,101.2 million cubic metres in 2028, with a CAGR of 2.8% from 2023 to 2028. Due to the regional characteristics and relatively short sales radius, commercial concrete manufacturers generally formulate production and sales plans based on demands from their customers. Therefore, the consumption volume and production volume of commercial concrete in China remain consistent. The consumption volume of commercial concrete in China reached 2,696.1 million cubic metres in 2023, and is expected to reach 3,101.2 million cubic metres in 2028, with a CAGR of 2.8% from 2023 to 2028.

Market Drivers of China's Cement Market and Concrete Market

Supportive Policies and Stable Growth in Downstream Demands: The Chinese government has issued a series of favourable policies to promote the transformation, upgrading and sustainable development of China's cement and concrete market, such as the "Implementation Plan for Carbon Peak in Building Material Industry" (《建材行業碳達峰實施方案》) and the "National Urban Infrastructure Construction Plan During 14th Five Year Plan Period" (《"十四五"全國城市基礎設施建設規劃》). In addition, the stable growth in demand from downstream industries such as infrastructure construction, building construction and rural area construction has promoted the continuous development of China's cement market and concrete market. Specifically, the infrastructure investment in China increased from

RMB15.1 trillion in 2019 to RMB17.6 trillion in 2023, with a CAGR of 3.9%. The gross output value of construction engineering industry in China grew from RMB21.9 trillion in 2019 to RMB27.8 trillion in 2023, with a CAGR of 6.1%.

Impact of Carbon Emission Related Polices

Release of Carbon Emission Related Policies Strengthens Control over Greenhouse Gas Emissions in Specific Industries. The "Interim Regulations for the Management of Carbon Emission Trading" (《碳排放權交易管理暫行條例》), which was implemented on 1 May, 2024, aims to regulate carbon emission trading and related activities, strengthen control over greenhouse gas emissions, and actively and prudently promote the strategy of carbon peak and carbon neutrality. This policy specifically targets producers and manufacturers that generate significant carbon emissions during their production process, such as cement clinker producers, power generators, and steel manufacturers, which are typically involved in carbon emission trading and related activities due to the nature of their industries. In general, such producers and manufacturers are required to obtain annual carbon emission quotas for their production activities from competent authorities each year, and to procure carbon emission quotas from other entities through the carbon emission trading system run by competent authorities to compensate for any excess of carbon emissions in their production activities to ensure the compliance with such policy. The "Consultation Paper on the Accounting Verification and Report Compiling of GHG Emissions of Cement Clinker Manufacturers" (《企業溫室氣體排放核算與報告指南水泥熟料生產(徵求意見稿)》), which was released in March 2024, sets out guiding principles relating to the accounting and reporting of greenhouse gas emissions of cement clinker manufacturers, and aims to further improve the quality of carbon emission data for carbon emission trading and related activities.

Carbon Emission Related Policies Have Direct Impact on Downstream Cement and Concrete Market. Cement clinker, being the major raw material for cement products, is one of the industries which are regulated by these aforementioned policies, and is involved in carbon emission trading and related activities in the PRC. Such policies require cement clinker producers to manage and control carbon emissions in their production process either by obtaining sufficient carbon emissions quotas from competent authorities or procuring carbon emission quotas from other entities. Therefore, these requirements including the management and control of carbon emission quotas may limit the reckless expansion of cement production capacity, and accelerate the transformation of cement industry towards energy conservation and carbon emission reduction such as the replacement of equipment with high energy consumption in the production, which may lead to the elimination of small-sized industry players that cannot fulfill technical transformation of their production facilities. In response to carbon emission related policies, cement producers can (i) purchase carbon emission quotas to compensate for any excess of carbon emissions in their production, (ii) adopt low-carbon production technologies such as installing more efficient production equipment in their production and (iii) apply raw materials that can reduce the energy consumption of production including cement and concrete admixture products in their production, among which cement producers may mainly choose to apply raw materials that can reduce energy consumption as this method has lower costs. Additionally, as cement is the major raw material for concrete manufacturing, the control of carbon emission quotas in cement industry may increase the purchase costs of raw materials for concrete manufacturers. Although these policies may affect the cost structure of cement and concrete production, they are unlikely to affect the overall demand for cement and concrete products, as the demand for cement and concrete products is mainly dictated by market needs arising from construction industry.

Carbon Emission Related Policies Do Not Have Material Impact on Cement and Concrete Admixtures Manufacturers. The implementation or issuance of the aforementioned policies does not have any material impact on cement and concrete admixtures manufacturers as the cement admixtures industry, the concrete admixtures industry, the alcohol amine industry and the polyether monomer industry were not listed as one of the regulated industries in the aforementioned regulations and consultation paper. Although the implementation of carbon emission related policies will have to some extent, an impact on the cement and concrete industries which are the downstream industries of cement and concrete admixtures, the downstream demands for cement and concrete admixtures will not be affected by these policies as cement manufacturers can purchase carbon emission quotas to ensure their production scale, and the demand from those small cement manufacturers that are phased out can shift to other large cement manufacturers.

ANALYSIS OF CHINA'S ETHYLENE CARBONATE MARKET

Overview of Ethylene Carbonate Market

Ethylene carbonate (EC) is a chemical substance with excellent performances such as high dielectric constant, high thermal stability, low viscosity and low volatility. EC can be used as organic solvents and active intermediates. The main downstream applications include lithium battery electrolyte, high water absorbing resins and active intermediates, among which lithium battery electrolyte is the most common downstream application of EC.

Market Size of China's Ethylene Carbonate Market

In recent years, due to the development of downstream industries of lithium battery electrolytes such as new energy vehicles, energy storage and consumer electronics, the market size of EC has experienced a rapid growth. From 2019 to 2023, the production volume of EC in China increased from 69.0 thousand tonnes to 304.2 thousand tonnes, with a CAGR of 44.9%. The production volume of EC in China is expected to reach 1,026.7 thousand tonnes in 2028, with a CAGR of 27.5% from 2023 to 2028. With the continuous development of lithium battery industry, the production volume of lithium battery electrolyte in China continues to increase, which drives the rapid growth of demand for EC. From 2019 to 2023, the consumption volume of EC in China increased from 64.3 thousand tonnes to 296.7 thousand tonnes, with a CAGR of 46.6%. In the future, with the further improvement of emphasis on new energy and the continuous extension of downstream applications of EC, the demand for EC is expected to maintain a rapid growth. The consumption volume of EC in China is anticipated to reach 1,005.9 thousand tonnes in 2028, with a CAGR of 27.7% from 2023 to 2028.

EC can be primarily divided into electronic grade EC and industrial grade EC, among which electronic grade EC is almost entirely used in electrolyte solvents, whilst industrial grade EC is mainly applied in electrolyte additives, high water absorbing resins and active intermediates. In terms of production volume by downstream applications in 2023, electrolyte solvent is the largest downstream application of EC, accounting for approximately 80.9%. The proportion of EC applied in electrolyte additives and high water absorbing resins is approximately 12.8% and 4.3%, respectively.

Market Drivers of China's Ethylene Carbonate Market

Favourable Policies Promoted Rapid Development of Downstream Industries: EC is one of the important components of lithium battery electrolyte solvents, directly benefiting from the favourable policies on China's new energy vehicle industry and energy storage industry, such as the "Guiding Opinions on Further Establishing a High-Quality Charging Infrastructure System" (《關於進一步構建高質量充電基礎設施體系的指導意見》) and the "Implementation Plan for Development of New Energy Storage During 14th Five-Year Plan" (《"十四五"新型儲能發展實施方案》). In recent years, the sales volume of electric vehicles in China experienced a significant growth from 1.2 million in 2019 to 9.5 million in 2023, with a CAGR of 67.7%. Meanwhile, the cumulative installed capacity of new energy storage in China's electrical energy storage market increased from 1.7 GW in 2019 to 31.4 GW in 2023, with a CAGR of 107.3%. Therefore, the rapid development of downstream industries will drive the sustained growth of China's EC market.

Competitive Landscape of China's Ethylene Carbonate Market

Due to relatively high entry barriers such as capital investment, production technology and raw material supply, China's EC market is relatively concentrated. In 2023, the total production volume of EC in China reached 304.2 thousand tonnes, with the top five market participants in China accounting for approximately 76.2%. Nevertheless, manufacturers like our Group, with large scale of capital, mature technology and steady supply of raw materials is likely to be able to enter into the market and benefit from the rapidly growing market prospects.

ANALYSIS OF OUR GROUP'S KEY SUCCESS FACTORS

Industrial Consolidation in China's Cement Admixtures Market Promoted the Steady Growth of our Company's Business: (i) With the industrial transformation and upgrading, increasingly stringent environmental requirements and intensified market competition, some small and medium-sized cement admixture manufacturers have gradually withdrawn from industry competition due to low product qualities, weak profitability, and outdated production facilities that cannot meet environmental requirements. In recent years, the number of cement admixture manufacturers in China showed a downward trend. As at 31 December 2018, there were approximately 300 cement admixture manufacturers in China, while the number of cement admixture manufacturers in China decreased to approximately 200 as at 31 December 2023; and (ii) In addition to the elimination of some small and medium-sized cement admixture manufacturers, some leading cement admixture manufacturers are also seeking strategic mergers to exit business operation, which further accelerated the industrial consolidation and promoted the continuous growth of leading manufacturers. In 2018, our Company have successively consolidated various assets and entities relating to the cement admixture business from Linyi Haihong, the then largest company in the cement admixture industry of PRC, and Hubei Xintongling, the then third largest company in the cement admixture industry of PRC.

Growing Demand and Technological Upgrading in China's Concrete Admixtures Market Helped to Improve our Company's Business Performance: (i) The promotion of new infrastructure construction, the increasing proportion of manufactured sand and gravel, and the improvement in the ready-mixed rate of concrete have driven a stable growth in demand for concrete admixtures in China. In 2028, the consumption volume of concrete admixtures in China is expected to reach 18.1 million tonnes, with a CAGR of 2.8% from 2023 to 2028. The stable growth of market demand contributed to the continuous improvement of our Company's business performance; and (ii) our Company has sufficient funds to expand production scale of concrete admixtures to achieve economies of scale, and possesses R&D capabilities to meet the growing requirements for product performances and qualities. Among the participants in China's concrete admixtures market, our Company is one of the only three companies with total assets exceeding RMB2 billion in 2022. At present, our Company has mastered the synthesis technology of six-carbon polyether monomer, which can be used to produce concrete admixtures as raw materials. The Company is the only concrete admixture manufacturers in China that mastered such synthesis technology. The high-performing water reducing admixtures produced from six-carbon polyether monomers has a remarkable effect on improving the workability of concrete, thereby enhancing the competitiveness of our Company's concrete admixtures.

Growing Demand and Stable Cooperation with Upstream and Downstream Companies Drove the Continuous Development of our Company's Processed Alcohol Amine Business: (i) The accelerated urbanisation and new infrastructure construction will promote the gradual 2023 to 2028 recovery of China's cement market, which will stimulate the increasing demand for alcohol amines. The consumption volume of alcohol amines in China is expected to reach 936.0 thousand tonnes in 2028, with a CAGR of 4.7% from 2023 to 2028. Stable growth in market demand is conducive to the steady development of our Company's processed alcohol amine business; and (ii) our Company has a stable supply of upstream raw materials and downstream customer demand. Regarding the supply of raw materials, our Company has signed a pipeline agreement with a leading company in the petrochemical industry. The pipeline is currently the longest bi-directional circulating long-distance epoxy pipeline in China, capable of transporting 210 thousand tonnes of epoxy products per year. Pipeline transportation can ensure a stable supply of raw materials, whilst the average cost of pipeline transportation is about 1/4 of that of land transportation and the lower cost of pipeline transportation can enhance our Company's product competitiveness and profitability. In addition, as the leading company in China's cement admixtures market and a company that provides cement admixture, concrete admixture and their respective in-process intermediaries, our Company has established stable cooperative relationships with leading companies in downstream industries to ensure continuous downstream demands.

Stable Growth in Market Demand and Upgrading of Synthesis Process are Beneficial for our Company to Obtain Higher Market Shares: (i) Polyether monomers are significant raw materials of polycarboxylic acid water reducing admixtures. With the recovery of real estate industry and the continuous promotion of infrastructure construction, the growing demand from concrete admixtures market is expected to drive the development of China's polyether monomer market. In 2028, the consumption volume of polyether monomers in China is expected to reach 1,894.6 thousand tonnes, with a CAGR of 3.7% from 2023 to 2028. The market where our Company's polyether monomer business is located has stable growth potentials, which helps to continuously improve the company's business performance; and (ii) The Company has mastered the synthesis process of six-carbon polyether monomers, which is possessed by only a limited number of companies. Six-carbon polyether monomer has the characteristics of high activity and good adaptability. Its synthesis process shortens the reaction time by over 50% compared to other polyether monomers, which can effectively improve production efficiency. Meanwhile, the reaction temperature of six-carbon polyether monomers is about 50% lower than that of other polyether monomers and can be carried out at room temperature, which can reduce energy consumption and save costs. The synthesis of six-carbon polyether monomers will become one of the main development trends in the future. Therefore, our Company's leading technological level greatly enhances its competitiveness in the polyether monomer market.

This section sets forth a summary of PRC laws and regulations that have a significant influence on the operations and business of our Company, including production safety, hazardous chemicals, product quality, environmental protection, labour security, intellectual property, overseas issuance and listing of domestic companies, and foreign exchange management. The content is only a summary and is not a detailed analysis or full description of PRC laws and regulations relating to the business and operations of our Company. Investors are advised to note that the following summary is based on the laws and regulations in effect on the disclosure date of the Prospectus, which is subject to changes in line with the amendments to such laws and regulations.

LAWS AND REGULATIONS RELATING TO PRODUCTION SAFETY

Work Safety Law of the People's Republic of China

Pursuant to the provisions of the Work Safety Law of the PRC (《中華人民共和國安全生產法》) promulgated on 29 June 2002 and amended on 27 August 2009, 31 August 2014 and 10 June 2021 respectively, special equipment for offshore oil mining and in the mine well that threatens the safety of people's lives and is potentially more dangerous, as well as containers and transport vehicles for dangerous articles, to be used by any enterprise, shall be made by professional manufacturers in accordance with relevant State regulations, and may only be put into use after they have passed the inspections and tests of those inspections and testing institutions that are equipped with professional qualifications and obtained a certificate for safe use or a mark of safety label. In addition, the production, business operation, transportation, storage, use of dangerous substances or disposal of dangerous waste substances shall be subject to the examination and approval as well as the supervision and management of the relevant administrative departments according to the provisions of the relevant laws and regulations, national standards, or industrial standards.

Where the production safety management department of an enterprise discovers any serious potential accidents during inspection, it shall promptly report such potential accident to the person in charge of the enterprise. If the person in charge cannot handle such potential accident in a timely manner, the production safety officer shall report it to the competent authority for timely treatment in accordance with the law. Any violation of the Work Safety Law of the PRC and other relevant regulations may result in administrative penalties and civil or criminal liability.

Management Measures for the Appropriation and Use of Enterprise Safety Production Expenses

Pursuant to the provisions of the Management Measures for the Appropriation and Use of Enterprise Safety Production Expenses (《企業安全生產費用提取和使用管理辦法》) promulgated on 14 February 2012 and amended on 21 November 2022, if an enterprise engages in the direct production, accumulation and storage activities (excluding sales and use) of goods listed in the national standards such as the List of Dangerous Goods (《危險貨物品名表》) (GB12268) and the Catalogue of Hazardous Chemicals (《危險化學品目錄》), and the dangerous goods listed in relevant national regulations, it shall collect the work safety fund by month with excessive and accumulative withdrawal method as per the operating revenue in last year. If an enterprise fails to collect and use the work safety fund in accordance with the Administrative Measures for the Collection and Utilisation of Enterprise Work Safety Fund, the emergency management department, mine safety supervision agency and other departments and financial departments at or above the county level who are responsible for the supervision and management of work safety, have the right to order corrections within a time limit, handle relevant issues and impose fines based on their functions and powers and in accordance with the Work Safety Law of the PRC, the Accounting Law of the PRC and other relevant laws and regulations. In case of a serious or evil violation, joint punishments may be imposed in accordance with relevant regulations.

LAWS AND REGULATIONS RELATING TO HAZARDOUS CHEMICALS AND PRECURSOR CHEMICALS

Regulations on the Safety Management of Hazardous Chemicals

Pursuant to the provisions of the Regulations on the Safety Management of Hazardous Chemicals (《危險化學品安全管理條例》) promulgated on 26 January 2002 and amended on 2 March 2011 and 7 December 2013, no entity or individual may engage in the production, storage, use, operation, transportation and other business activities of hazardous chemicals without approval. An enterprise that stores hazardous chemicals shall set up prominent signs on its hazardous chemical transportation pipeline, conduct regular inspections and tests on the pipeline, and set up prominent safety warning signs on its workplaces, safety facilities and equipment. In addition, the enterprise shall also establish and regularly repair and maintain its safety facilities and equipment based on the types and hazard characteristics of hazardous chemicals and in accordance with relevant national and industry standards. An entity that stores highly toxic chemicals or hazardous chemicals constituting a serious hazard source in quantity shall report the storage quantity, location and management personnel to the work safety supervision and administration department and the public security agency of the county-level local people's government. Meantime, any enterprise that engages in the production of hazardous chemical falling into the Catalogue of Hazardous Chemicals shall obtain a work safety permit for hazardous chemicals in accordance with the Regulation on Work Safety Permits before starting production.

For any violation of the Regulations on the Safety Management of Hazardous Chemicals, the relevant supervision and administration department may impose a fine, confiscate illegal gains, order to make corrections within a time limit or impose other administrative penalties. If a crime is constituted, it shall be investigated for criminal liabilities in accordance with the law.

Measures for the Implementation of the Permits for the Safe Use of Hazardous Chemicals

Pursuant to the provisions of the Measures for the Implementation of the Permits for the Safe Use of Hazardous Chemicals (《危險化學品安全使用許可證實施辦法》) promulgated on 16 November 2012 and amended on 27 May 2015 and 6 March 2017, a chemical enterprise (other than hazardous chemicals production enterprise) that falls into the Catalogue of Industries Applicable for Hazardous Chemicals Safe Use Permit, or uses hazardous chemicals in production and meets the quantitative standards for the use of hazardous chemicals, shall obtain the permit for the safe use of hazardous chemicals ("**Safe Use Permit**") in accordance with the Measures.

Where an enterprise illegally uses hazardous chemicals in production and meets the quantitative standards for the use of hazardous chemicals without obtaining a safe use permit, the relevant supervision and administration department has the right to order it to cease the illegal behaviour immediately and make corrections within a time limit, and impose a fine. If corrections are not made within the time limit, such supervision and administration department has the right to order it suspend operations for rectification.

Interim Provisions on the Supervision and Management of Major Hazard Sources of Hazardous Chemicals

Pursuant to the provisions of the Interim Provisions on the Supervision and Management of Major Hazard Sources of Hazardous Chemicals (《危險化學品重大危險源監督管理暫行規定》) promulgated on 5 August 2011 and amended on 27 May 2015, an entity which engages in the production, storage, use and operation of hazardous chemicals shall conduct the identification, safety assessment, grade evaluation and registration of major hazards to the devices, facilities or places for the production, operation, storage and use of hazardous chemicals in accordance with the "Identification of Major Hazard Sources of Hazardous Chemicals" (《危險化學品重大危險源辨識》) (GB18218), and submit such registration to the work safety supervision and administration department. Meantime, the entity shall establish and improve the safety management regulations and safe operation rules for major hazard sources, take effective measures to ensure their implementation, establish and improve the safety monitoring and control system, and formulate emergency response plans for the accident from major hazardous sources.

If an entity fails to perform relevant responsibilities and obligations in accordance with the Interim Provisions on the Supervision and Management of Major Hazard Sources of Hazardous Chemicals, the work safety supervision and administration department may order it to make corrections within a specified time limit, impose a fine, order the suspension of production and business operation for rectification, or impose other administrative penalties. If a crime is constituted, it shall be investigated for criminal liabilities in accordance with the relevant provisions of the Criminal Law.

Measures for the Safety Supervision and Administration of Hazardous Chemical Construction Projects

Pursuant to the provisions of the Measures for the Safety Supervision and Administration of Hazardous Chemical Construction Projects (《危險化學品建設項目安全監督管理辦法》) promulgated on 30 January 2012 and amended on 27 May 2015, projects for new construction, reconstruction and expansion projects of production and storage of dangerous chemicals and the chemical construction projects with the production of dangerous chemicals (including the construction projects of long-distance pipelines of dangerous chemicals) within the territory of the PRC are subject to the safety review by a qualified safety assessment agency at the feasibility study stage, and shall be submitted to the competent safety approval authority for the safety condition review and safety facility design review of the construction project.

During the trial production of the construction project, the construction entity shall entrust a qualified safety assessment agency to conduct safety acceptance assessment of the construction project and its trial production (use) in accordance with the Measures. The entrusted safety assessment agency shall not be the one entrusted at the feasibility study stage.

Before the construction project is put into production and use, the construction entity shall organise personnel to conduct completion acceptance of safety facilities and decide whether the construction project has passed the completion acceptance of safety facilities.

Where new construction, reconstruction and expansion projects of production and storage of dangerous chemicals violate the Measures for the Safety Supervision and Administration of Hazardous Chemical Construction Projects, the relevant supervision and administration department has the right to order it to suspend construction and make corrections within the specified time limit. Failure to make corrections within the specified time limit may lead to a fine. If a crime is constituted, it shall be investigated for criminal liabilities in accordance with the law.

Regulation on the Administration of Precursor Chemicals

Pursuant to the provisions of the Regulation on the Administration of Precursor Chemicals (《易制毒化學品管理條例》) promulgated on 26 August 2005 and amended on 29 July 2014, 6 February 2016, and 18 September 2018, the State adopts a category-based management and licensing system for the production, operation, purchase, transportation, import and export of precursor chemicals.

Precursor chemicals are classified into three categories. Category I is the major substances that can be used for producing drugs, and Categories II and III are the chemical auxiliary substances that can be used for producing drugs. Based on the current purchase of precursor chemicals by our Company, for its application for purchasing the pharmaceutical precursor chemicals in Category I, our Company shall obtain the purchase licence upon the examination and approval of the medical products administration of the people's government of the province, autonomous region, or municipality directly under the Central Government where it operates. For its application for purchasing the non-pharmaceutical precursor chemicals in Category I, our Company shall obtain the purchase licence upon the examination and approval of the public security organ of the people's government of the province, autonomous region, or municipality directly under the Central Government where it operates. For its application for purchasing the precursor chemicals in Categories II or III, our Company shall, before the purchase, report the variety and quantity in demand to the public security organ of the local people's government at or above the county level for registration.

Where any entity or individual illegally purchases precursor chemicals without approval or registration in violation of the Regulation, the public security organ shall confiscate its illegally purchased precursor chemicals and impose a fine, and confiscate its illegal income (if any), and the market supervision and administration department shall revoke his business licence (if any). If a crime is constituted, it shall be investigated for criminal liabilities in accordance with the law. Meantime, for any entity or individual who has committed the above-mentioned illegal acts, the relevant administrative department may not accept its application for the production, operation, purchase, transportation or import or export of precursor chemicals within three years from the date of making the decision on administrative penalties.

Administrative Measures for the Licensing of Hazardous Chemicals Operations

Pursuant to the Administrative Measures for the Licensing of Hazardous Chemicals Operations (《危險化學品經營許可證管理辦法》) issued on 17 July 2012 and last amended on 27 May 2015, the State has established a licensing system for the operation, including storage operation, of hazardous chemicals listed in the Catalogue of Hazardous Chemicals (《危險化學品目錄》) within the territory of the People's Republic of China. Enterprises engaged in the operation of these hazardous chemicals are required to obtain a hazardous chemical operation licence in accordance with this measure. However, enterprises producing hazardous chemicals that have obtained a Hazardous Chemicals Safety Production Licence in accordance with the law are exempted from the requirement to obtain a Hazardous Chemicals Operation Licence (危險化學品經營許可證) for the sale of their own produced hazardous chemicals within their factory premises.

The operation of hazardous chemicals without the required operation licence is punishable under the relevant provisions of the Work Safety Law of the PRC for the unauthorised production, operation and storage of hazardous substances. If such actions constitute a criminal offence, legal proceedings will be initiated to hold the responsible parties accountable.

LAWS AND REGULATIONS RELATING TO FIRE PREVENTION

Fire Prevention Law of the PRC

Pursuant to the provisions of the Fire Prevention Law of the PRC (《中華人民共和國消防法》) promulgated on 29 April 1998 and amended on 28 October 2008, 23 April 2019 and 29 April 2021 respectively, enterprises shall perform the fire safety accountability system, including but not limited to: (i) implement a fire safety accountability system, and formulate their own fire safety regulations and operating rules and firefighting and emergency evacuation plans; (ii) install firefighting facilities and equipment, set up fire prevention safety signs and conduct regular inspection and maintenance to ensure that such facilities and equipment remain in good condition and functional in accordance with relevant national and industrial standards; (iii) conduct a comprehensive inspection of firefighting facilities in buildings at least once a year to ensure that such facilities remain in good condition and functional; relevant inspection records shall be complete and accurate and shall be kept for future reference; (iv) conduct a comprehensive inspection of firefighting facilities in buildings at least once a year to ensure that such facilities remain in good condition and functional; relevant inspection records shall be complete and accurate and shall be kept for future reference; (v) guarantee that fire escapes and exits and passageways for fire engines are kept clear and fire compartments, smoke bays and firebreaks conform to fire prevention technical standards; (vi) organise fire prevention inspections in order to remove any potential fire hazard in time; and (vii) organise target-specific fire drills.

Meantime, the fire prevention design and construction of an enterprise for the construction project shall comply with the national technical standards for the fire prevention of engineering construction, and the enterprise shall apply for fire prevention acceptance to the housing and urban-rural development authority. Without fire prevention acceptance or failing to pass the fire prevention acceptance, the construction project shall not put it into use. Any other construction project which fails to pass the random inspection in accordance with the law shall be suspended for operation.

According to Article 13 of the Fire Prevention Law of the PRC (《中華人民共和國消防法》), " upon the completion of the construction projects that are required by the housing and urban-rural development authority under the State Council to apply for fire prevention acceptance, the construction entity shall apply for fire prevention acceptance. For other construction projects other than those provided for in the preceding paragraph, the construction entity shall complete the filing procedures with the housing and urban-rural development authority after passing the completion acceptance, and the housing and urban-rural development authority shall conduct a random inspection thereof. Construction projects that shall be subject to fire prevention acceptance according to law shall not be put into use without fire prevention acceptance or failing to pass the fire prevention acceptance. Any other construction project which fails to pass the random inspection in accordance with the law shall be suspended for operation."

According to Article 58 of the Fire Prevention Law of the PRC, for any of the following acts, the housing and urban-rural development authority and the fire rescue agency may, according to their respective functions and powers, order to suspend construction, use or production and operation, and impose a fine of ranging from RMB30,000 to RMB300,000: (i) the construction projects which are required by law to be subject to the fire prevention design review are constructed without being reviewed according to the law or failing to pass the review; (ii) the construction projects which are required by law to be subject to the fire prevention acceptance are put into use without fire prevention acceptance or failing to pass the fire prevention acceptance; (iii) other construction projects stipulated in Article 13 of this Law which fail to pass the random inspection in accordance with the law do not cease to be used; and (iv) public gathering places are illegally put into use or operated without being permitted by the fire rescue agency, or the use of the venue and the operation situation is not consistent with the contents of the commitment. Upon verification, it is found that the use of the venue and the operation situation is not consistent with the contents of the commitment, may be ordered to make corrections within a specified time limit, and the late rectification or failing to meet the requirements after rectification may result in the revocation of the corresponding permit in accordance with the law. Where a construction entity fails to complete the filing procedures with the housing and urban-rural development authority after passing the completion acceptance in accordance with the provisions of this Law, the housing and urban-rural development authority shall order it to make corrections and impose a fine of not more than RMB5,000.

Interim Regulations on Administration of Examination and Acceptance of Fire Control Design of Construction Projects

According to Article 2 of the Interim Regulations on Administration of Examination and Acceptance of Fire Control Design of Construction Projects promulgated on 1 April 2020 and amended on 21 August 2023 (《建設工程消防設計審查驗收管理暫行規定》), "this Regulation applies to the fire prevention design review and fire prevention acceptance of special construction projects, as well as fire prevention filing (hereinafter referred to as the "filing") and random inspection of other construction projects. The special construction projects referred to in this Regulation mean the construction projects listed in Article 14 of this Regulation. The other construction projects referred to in this Regulation mean construction projects other than special construction projects which are required to have fire prevention design in accordance with the national technical standards for the fire prevention of engineering construction."

According to Article 14 of the Interim Regulations on Administration of Examination and Acceptance of Fire Control Design of Construction Projects (《建設工程消防設計審查驗收管理暫行規定》), "a construction project that falls under one of the following circumstances is a special construction project: (i) sports venues, halls, public exhibition halls and display halls in the museums with a total gross floor area of more than 20,000 square meters; (ii) civil airport terminal, passenger terminal waiting room and waiting lounge of the passenger ferry terminal with a total gross floor area of more than 15,000 square meters; (iii) hotels, restaurants, shopping malls and markets with a total gross floor area of more than 10,000 square meters; (iv) theaters, reading rooms in public libraries, commercial indoor gyms and recreation centers, outpatient buildings in hospitals, and teaching buildings, libraries and canteens in universities, production and processing workshops in labor-intensive enterprises, temples and churches with a total gross floor area of more than 2,500 square meters; (v) nurseries, children's rooms in kindergartens, children's playing halls and other children's indoor playgrounds, ward buildings of nursing homes, welfare homes, hospitals and sanatoriums, as well as teaching buildings, libraries and canteens in primary and secondary schools, collective dormitories of schools and collective dormitories of labor-intensive enterprises with a total gross floor area of more than 1,000 square meters; (vi) dance halls, video halls, screening halls, karaoke halls, nightclubs, entertainment halls, saunas, internet cafes, bars, as well as restaurants, teahouses and cafes with entertainment functions with a total gross floor area of more than 500 square meters; (vii) Class I high-rise residential buildings as stipulated by the national technical standards for the fire prevention of engineering construction; (viii) urban rail transportation projects, tunneling projects, large-scale power generation projects, and substation and distribution projects; (ix) factories, warehouses, specialized stations and wharves used for the production, storage, loading and unloading of flammable and explosive dangerous goods, and filling stations, supply stations and pressure regulating stations for flammable and explosive gases and liquids; (x) office buildings of state authorities, electricity regulating buildings, telecommunication buildings, postal buildings, disaster prevention command and regulating buildings, broadcasting and television buildings, and archives buildings; (xi) construction projects that fall under the circumstances listed in (i) to (vi) of this Article; and (xii) public buildings other than those listed in (x) and (xi) of this Article, the monolithic construction of which has a gross floor area of more than 40,000 square meters or a height of more than 50 meters."

According to Article 27 of the Interim Regulations on Administration of Examination and Acceptance of Fire Control Design of Construction Projects (《建設工程消防設計審查驗收管理暫行規定》), "a fire prevention acceptance system shall be applied to special construction projects. After passing the completion acceptance, the construction entity of the special construction projects shall apply for the fire prevention acceptance with examination and acceptance of fire control design authority. Without fire prevention acceptance or failing to pass the fire prevention acceptance, the construction project shall not put into use."

According to Article 34, Article 36 and Article 38 of the Interim Regulations on Administration of Examination and Acceptance of Fire Control Design of Construction Projects (《建設工程消防設計審查驗收管理暫行規定》), "a record-filing and random inspection system shall be applied to other construction projects and conduct classification management. Any other construction project which fails to pass the random inspection in accordance with the law shall be suspended for operation." "The construction entity of other construction projects shall complete the filing procedures with examination and acceptance of fire control design authority within five business days after passing the completion acceptance." "The examination and acceptance of fire control design authority shall conduct a random inspection on other construction projects that complete the filing procedures, and strengthen random inspections on main projects."

According to the above laws and regulations, the differences between fire safety acceptance and fire safety acceptance filing are as follows:

(1) They are applicable to different types of construction projects. Fire safety acceptance is applicable to special construction projects and fire safety acceptance filing is applicable to other construction projects;

(2) The degree of supervision is different. The fire safety acceptance shall be carried out by the housing and urban-rural development authority with a fire safety acceptance opinion being issued by such authority, which is of a higher degree of supervision; the fire safety acceptance filing shall be reported by the construction entity to the housing and urban-rural development authority for the record, and the housing and urban-rural development authority shall conduct a random inspection on other construction projects, which is of a lower degree of supervision.

Where any entity violates the Fire Prevention Law of the PRC, the housing and urban-rural development authority and the fire rescue agency may, according to their respective functions and powers, order to make corrections, suspend construction, use or production and operation, and impose a fine. If a crime is constituted, it shall be investigated for criminal liabilities in accordance with the law.

LAWS AND REGULATIONS RELATING TO TENDERING AND BIDDING

The Tendering and Bidding Law of the PRC (《中華人民共和國招標投標法》) promulgated on 30 August 1999 and amended on 27 December 2017, and the Regulation on the Implementation of the Tendering and Bidding Law of the PRC (《中華人民共和國招標投標法實施條例》) promulgated by the

State Council on 20 December 2011, amended on 1 March 2017 and 19 March 2018 and last amended on 2 March 2019, mainly require: (1) Tendering within the territory of the PRC include public tendering and invitational tendering. A tenderer who adopts the public tendering method shall issue a tendering announcement, and a tenderer who adopts the invitational tendering method shall issue invitations for submission of bids to three or more specified legal persons or other specified organisations capable of undertaking the project subject to the tender and having a good reputation and creditworthiness; (2) The tenderer shall not restrict or reject any potential bidder on the unreasonable grounds, or discriminate against any potential bidder. The tendering documents shall not require or indicate any specific supplier or include any other contents that tend to favour or reject potential bidders; (3) The bidder shall prepare its bidding documents according to the requirements of tendering documents, and shall not collude with other bidders or the tenderer, exclude the fair competition of other bidders, as well as cause any harm to national interests, social public interests or the legitimate rights and interests of others; (4) The successful bidder shall perform its obligations under the contract and complete the awarded project, and the bidder shall not transfer the awarded project to others, or split the awarded project to transfer it to others. The successful bidder may, according to the contract or with the consent of the tenderer, subcontract part of the non-subject and non-critical work of the awarded project to others for completion. The person accepting the subcontracts shall meet the relevant qualifications and shall not subcontract it again to other persons. The successful bidder shall be responsible for the subcontracts, and the subcontractor shall bear joint and several liability for the subcontracts.

Any violation of the Tendering and Bidding Law of the PRC (《中華人民共和國招標投標法》) may invalidate the awarded project of the successful bidder, and the competent authority has the right to impose administrative penalties such as ordering corrections within a time limit, fines, and confiscation of illegal gains. A serious violation may lead to the cancellation of the bidding qualifications for participating in projects that must be tendered according to the law within one to two years and make a public announcement, until the revocation of the business licence by the industrial and commercial administration authority. If a crime is constituted, it shall be investigated for criminal liabilities in accordance with the law. If such acts cause any losses to others, it shall also be liable for compensation in accordance with the law.

LAWS AND REGULATIONS RELATING TO PRODUCT QUALITY

Product Quality Law of the PRC

Pursuant to the provisions of the Product Quality Law of the PRC (《中華人民共和國產品質量法》) promulgated on 22 February 1993 and amended on 8 July 2000, 27 August 2009 and 29 December 2018 respectively, all producers and sellers who engage in production and sales activities in the PRC shall establish and improve the internal product quality management system, and strictly implement position-based quality regulations, quality responsibilities and corresponding assessment measures.

Producers and sellers shall be responsible for the quality of the products they produce and sell, and abide by the following regulations: (i) the labels and information on the products or their package shall be true to the fact; (ii) not to produce products expressly phased out by the State laws or decrees;

(iii) not to forge the place of origin or forge or falsely use the names and addresses of other producers; (iv) not to forge or falsely use product quality marks, such as authentication marks; (v) not to mix impurities or imitations into the products they produce or sell, substitute a fake product for a genuine one, or a defective product for a high-quality one; (vi) the quality of products shall be inspected and qualified, and a substandard product shall not be passed off as a qualified one; and (vii) for dangerous products that are fragile, inflammable, explosive, toxic, erosive or radioactive, and products that cannot be handled up-side-down in the process of storage or transportation or for which there are other special requirements, it must be ensured that the packaging thereof complies with the corresponding requirements Warning signs or warning descriptions in Chinese shall be made in accordance with the relevant regulations of the State, and the precautions for storage and transportation shall be indicated.

Where any producer or seller violates the above responsibilities and obligations, and cause losses or personal or property damages to consumers, it shall be liable for compensation. The competent authority may take administrative penalties against any illegal acts, such as ordering to suspend production, confiscating illegally produced or sold products, imposing a fine, confiscating illegal gains (if any), and revoking the business licence in case of a serious violation. If a crime is constituted, it shall be investigated for criminal liabilities in accordance with the law.

LAWS AND REGULATIONS RELATING TO ENVIRONMENTAL PROTECTION

Environmental Protection Law of the PRC

Pursuant to the provisions of the Environmental Protection Law of the PRC (《中華人民共和國環境保護法》) promulgated on 26 December 1989 and amended on 24 April 2014, enterprises and other producers that discharge pollutants shall take measures to prevent and control the environmental pollution and harm caused by the waste gas, waste water, waste residue, medical waste, dust, malodorous gases, radioactive substances, noise, vibrations, optical radiation, electromagnetic radiation and other substances generated during the course of production, construction or other activities. Enterprises and other producers that discharge pollutants shall pay pollution discharge fees in accordance with relevant regulations. If the environmental protection tax is levied in accordance with relevant regulations, the pollution discharge fees shall no longer be levied. Meantime, if an enterprise carries out a construction project that has an impact on the environment, the environmental impact assessment shall be conducted in accordance with the law. The construction project shall not start construction without the environmental impact assessment. Facilities for the prevention and control of pollution in a construction project shall be designed, constructed and put into operation simultaneously with the main work. Enterprises and other producers that are applicable to the administration of pollutant discharge permit can only discharge pollutants in accordance with the requirements of the pollutant discharge permit, and those that have not obtained pollutant discharge permits shall not discharge pollutants.

If an enterprise causes any damage due to environmental pollution or ecological damage, it shall bear tort liability in accordance with the relevant provisions of the Civil Code of the PRC (《中華人民共和國民法典》). For any violation of the Environmental Protection Law of the PRC (《中華人民共和國環境保護法》), the environmental protection authority may seize and detain facilities and equipment that cause pollutant emissions, restrict production, suspend production for rectification, order to suspend construction and impose a fine, and order to suspend business or close down in case of a serious violation. If a crime is constituted, it shall be investigated for criminal liabilities in accordance with the law.

Law of the PRC on Environmental Impact Assessment

Pursuant to the provisions of the Law of the PRC on Environmental Impact Assessment (《中華人民共和國環境影響評價法》) promulgated on 28 October 2002 and amended on 2 July 2016 and 29 December 2018 respectively, if an enterprise carries out a construction project that has an impact on the environment within the territory of the PRC and other sea areas under its jurisdiction, the environmental impact assessment shall be conducted. The State implements classification management of the environmental impact assessment of construction projects according to the degree of impact of the construction projects on the environment. For those that may cause significant environmental impact, an environmental impact report shall be prepared to conduct a comprehensive evaluation on the resulting environmental impact; for those that may cause mild environmental impact, an environmental impact report form shall be prepared to conduct an analysis or special evaluation on the resulting environmental impact; and for those that may cause minimal environmental impact and no environmental impact assessment is required, an environmental impact registration form shall be completed. In particular, the construction entity shall submit the environmental impact report, environmental impact report form or environmental impact registration form for the construction project to competent ecology and environment authority with the approval authority for approval in accordance with the provisions of the State Council. The State implements a record-filing-based management on environmental impact registration form. The construction project which has not been examined by the approval authority or has not been approved after examination shall not commence construction. In the event that there are significant changes to the nature, scale, location, production process used or measures adopted in the construction project to prevent and control the pollution or ecological damage after an approval for the environmental impact assessment documents of a construction project is obtained, the construction entity shall resubmit the environmental impact assessment documents of the construction project for approval.

Where a construction entity unlawfully commences the construction of a project without submitting for approval its environmental impact report or report form in accordance with the law, or without reporting for approval or requesting the re-examination of the environmental impact report or report form in accordance with Article 24 of this Law, the competent ecology and environment authority at or above the county level shall order it to cease construction, and according to the circumstances of violation of law and damage, impose a fine of not less than 1% but not more than 5% of the total investment of the construction project on it, and order it to restore to the original state; and in accordance with the law, impose administrative sanctions against the directly responsible person in charge and other directly liable persons of the construction entity.

Where a construction entity unlawfully commences the construction of a project without the approval for its environmental impact report or report form, or without the re-examination and approval from the original approval authority, it shall be punished and imposed sanctions in accordance with the preceding paragraph of this Law.

Where a construction entity fails to submit the environmental impact registration form of a construction project for filing registration in accordance with the law, the competent ecology and environment authority at or above the county level shall order it to file a registration form and impose a fine of not more than RMB50,000.

REGULATIONS ON THE MANAGEMENT OF POLLUTANT DISCHARGE PERMIT

Pursuant to the provisions of the Regulation on the Administration of Permitting of Pollutant Discharges (《排污許可管理條例》) promulgated on 24 January 2021, and the Administrative Measures for Pollutant Discharge Licensing (《排污許可管理辦法》) promulgated on 1 April 2024, the State implements the classified pollutant discharge permit management (i.e., key management and simplified management) on pollutant discharges of enterprises based on factors such as the volume of pollutants generated, the amount of pollutants discharged and the degree of impact on the environment. Enterprises and other producers that are included in the Classification Administration List of Pollutant Discharge Permits for Fixed Pollution Sources (《固定污染源排污許可分類管理名錄》) shall apply for and obtain a pollutant discharge permit within the prescribed time limit, and shall not discharge pollutants without a pollutant discharge permit.

Meantime, the pollutant discharging entity shall also perform the following obligations: (i) carry out self-monitoring in accordance with the provisions of the pollutant discharge permit and relevant standards, and maintain original monitoring records for no less than 5 years; (ii) establish an ledger recording system for environment management, and truthfully record the operation status of key production plants and pollution prevention and control facilities, and the concentration and emission volume of pollutants in accordance with the form, content and frequency specified in the pollutant discharge permit; and (iii) submit the execution report on pollutant discharge permit to the approval authority, and truthfully report pollutant discharge behaviour, discharge concentration and discharge volume in accordance with the content, frequency and time specified in the pollutant discharge permit.

For any violation of the Regulation on the Administration of Permitting of Pollutant Discharges (《排污許可管理條例》) and the Administrative Measures for Pollutant Discharge Licensing (《排污許可管理辦法》), in accordance with the Environmental Protection Law of the PRC (《中華人民共和國環境保護法》), the Atmospheric Pollution Prevention and Control Law of the PRC (《中華人民共和國大氣污染防治法》), the Water Pollution Prevention and Control Law of the PRC (《中華人民共和國水污染防治法》) and other laws and regulations, the environmental protection authorities have the right to order to make corrections, restrict production, suspend production for rectification, and suspend business and close down, and impose a fine. If a violation of the public security provisions is constituted, it shall be punished for public security violation in accordance with the law. If a crime is constituted, it shall be investigated for criminal liabilities in accordance with the law.

Regulations on the Administration of Construction Project Environmental Protection

Pursuant to the provisions of the Regulations on the Administration of Construction Project Environmental Protection (《建設項目環境保護管理條例》) promulgated on 29 November 1998 and amended on 16 July 2017, the State implements the classified management on construction projects that have an impact on the environment within the territory of the PRC and other sea areas under its jurisdiction. The construction entity shall, based on the extent of environment impact of construction projects, perform its obligations to prepare an environmental impact report or an environmental impact report form, or complete the environmental impact registration form. If there are any significant changes to the environmental impact report or the environmental impact report form after approval, the construction entity shall resubmit it for approval. The supporting environmental protection facilities for a construction project must be designed, constructed and put into operation simultaneously with the major construction works of the construction project. Upon the completion of the project, the construction entity shall conduct an acceptance of supporting environmental protection facilities which can only be put into production or use after passing the acceptance.

For any violation of the Regulations on the Administration of Construction Project Environmental Protection (《建設項目環境保護管理條例》), the environmental protection authority where the project is located has the right to order corrections within a time limit and impose a fine, and order the suspension of production or use or closure in case of any major environmental pollution or ecological damage.

LAWS AND REGULATIONS RELATING TO FIXED ASSET INVESTMENT PROJECTS AND PROJECT CONSTRUCTION

Filing Registration for Enterprise Investment Projects

Pursuant to the provisions of the Regulation on the Administration of the Confirmation and Recordation of Enterprise Investment Projects (《企業投資項目核准和備案管理條例》) promulgated on 30 November 2016, the State government implements a pre-approval management on fixed asset investment projects that are invested and constructed by enterprises in the PRC and that have national security concern or relate to major productivity distribution, strategic resource development and major public interests. The specific project scope, the approval authority and the approval power shall be implemented in accordance with the catalogue of investment projects approved by the government, and other projects are subject to the filing registration.

For projects that are subject to the filing registration, the enterprise shall, before starting construction, inform the filing authority of the following information through the online platform: (i) basic information of the enterprise; (ii) project name, and the location, scale and content of construction; (iii) total investment amount of the project; and (iv) a statement indicating that the project complies with industrial policies. If there are any significant changes to the registered project information, the enterprise shall promptly notify the filing authority.

For projects that are subject to the filing registration, if the enterprise fails to notify the filing authority of the project information or the changes in the information of the registered project in accordance with the Regulation on the Administration of the Confirmation and Recordation of Enterprise Investment Projects (《企業投資項目核准和備案管理條例》), the filing authority may shall order it to make corrections within a time limit, and impose a fine for failure to make corrections within the specified time limit.

Construction Planning

Pursuant to the provisions of the Measures for the Administration of the Planning for the Assignment and Transfer of the Right to the Use of the State-owned Land in the Urban Areas (《城市國有土地使用權出讓轉讓規劃管理辦法》) promulgated on 4 December 1992 and amended on 26 January 2011, an enterprise that has obtained the land transfer contract shall apply for a construction land planning permit from the relevant planning administrative department, and can only apply for the land use right certificate after obtaining the construction land planning permit.

Pursuant to the provisions of the Urban and Rural Planning Law of the PRC (《中華人民共和國城鄉規劃法》) promulgated on 28 October 2007 and amended on 24 April 2015 and 23 April 2019 respectively, any construction entity or individual who intends to construct any structure, building, road, pipeline or other engineering construction shall apply for the construction project planning permit with the urban and rural planning authority of the people's government of a city or a county or with the people's government of a town determined by the people's government of the province, autonomous region, or municipality directly under the Central Government.

Land Transfer

Pursuant to the provisions of the Land Administration Law of the PRC (《中華人民共和國土地管理法》) promulgated on 25 June 1986, amended on 29 December 1988 and 29 August 1998 and revised on 28 August 2004 and 26 August 2019, and the Interim Regulations of the PRC Concerning the Assignment and Transfer of the Right to the Use of the State-owned Land in the Urban Areas (《中華人民共和國城鎮國有土地使用權出讓和轉讓暫行條例》) promulgated on 19 May 1990 and amended on 29 November 2020, the State implements a system for the assignment and transfer of the right to the use of the state-owned land. Under this system, the land user shall enter into a transfer contract with the city-level or county-level land administration department. The land user shall pay the land price as stipulated in the transfer contract, register it with the land administration department, and apply for a land use right certificate which is the proof of obtaining the use rights of state-owned land.

Construction Permit

Pursuant to the provisions of the Construction Law of the PRC (《中華人民共和國建築法》) promulgated on 1 November 1997, revised on 22 April 2011 and amended on 23 April 2019, and the Measures for the Administration of Construction Permits for Construction Projects (《建築工程施工許

可管理辦法》) promulgated on 25 June 2014, revised on 28 September 2018 and amended on 30 March 2021, the construction entity shall apply for a construction permit after obtaining the construction project planning permit, and then start construction.

LAWS AND REGULATIONS RELATING TO OVERSEAS INVESTMENT BY DOMESTIC ENTERPRISES

Regulations of the Development and Reform Commission on Overseas Investment by Domestic Enterprises

According to the Measures for the Administration of Overseas Investment of Enterprises (《企業境外投資管理辦法》) promulgated on 26 December 2017, the State implements classified management of the approval and filing registration system for investment projects (including those in the Hong Kong Special Administrative Region, the Macao Special Administrative Region, and the Taiwan region) by a domestic enterprise ("Investment Entity") directly or by way of obtaining overseas ownership, control, operation and management rights, and other related rights and interests by means of investing in assets, interests or providing financing or guarantees by the controlled overseas enterprise. The aforementioned approval procedure shall apply to any sensitive projects carried out by Investment Entity directly or through its controlled overseas enterprises, and the approval authority is the National Development and Reform Commission. The scope of filing registration management is non-sensitive projects directly carried out by Investment Entity, that is, non-sensitive projects involving Investment Entity directly investing in assets, interests or providing financing and guarantees. Among them, if the Investment Entity is a centrally managed enterprise (including centrally managed financial enterprise, the State Council and enterprise directly managed by institutions in the State Council) or the Investment Entity is a local enterprise but the investment amount out of the PRC reaches US$300 million or more, the filing authority will be the National Development and Reform Commission, and if the investor is a local enterprise and the investment amount out of the PRC is below US$300 million, the filing authority will be the development and reform department of the provincial government governing the locality where the Investment Entity is registered.

For projects that fall within the scope of management of approval and filing, the Investment Entity shall obtain the project approval document or filing notice before investing the assets and interests (except the early stage expenses of the project for approval and filing) or providing financing or guarantees for the project itself or by the overseas enterprises under its control. If the Investment Entity fails to obtain the effective approval document or filing notice, the foreign exchange administration, customs and other relevant departments shall not handle the relevant formalities according to the law, and the financial enterprise shall not handle the relevant fund settlement and financing business according to the law.

The investment entity shall submit a project completion report form through the online system within 20 working days from the date of completion of the construction project, the investment subject equity or assets, and the Chinese party's investment expenditure.

In case an investment entity violates the Measures for the Administration of Overseas Investment of Enterprises (《企業境外投資管理辦法》), the approving and filing authorities shall have the right to adopt measures such as refusing approval or filing the project, revoking the approval document or notification of filing, ordering the investment entity to suspend or stop the implementation of the project, adopting remedial measures, making corrections within a time limit, and giving warnings to the investment entity and the principal person in charge of the project, etc. If a crime is constituted, it shall be investigated for criminal liabilities in accordance with the law.

Regulations of the Commerce Department on Overseas Investment by Domestic Enterprises

Pursuant to the provisions of the Measures for the Administration of Overseas Investment (《境外投資管理辦法》) promulgated on 6 September 2014, if an enterprise legally established within the territory of the PRC owns a non-financial enterprise abroad or obtains the ownership, control, operation and management rights and other rights and interests of an existing non-financial enterprise through new establishment, M&A or other means, the MOFCOM and the provincial competent departments of commerce shall be responsible for the approval and filing registration, depending on different circumstances of overseas investment by the enterprise. In particular, if an overseas investment involves countries that have not established diplomatic relations with the PRC, countries subject to United Nations sanctions, industries involving the export of products and technologies restricted by the PRC, or industries that may affect the interests of more than one country (region), the overseas investment shall be subject to administration by approval. Overseas investment by the enterprise that falls under any other circumstances shall be subject to administration by filing registration.

For an overseas investment subject to approval, the enterprise shall apply to the competent commerce department which shall seeks for the opinions of the embassy (consulate) (economic and commercial office) of the PRC in foreign countries. If the overseas investment is approved, the Ministry of Commerce shall issue a written approval decision and the Enterprise Overseas Investment Certificate, and the enterprise shall require the Chinese person in charge of its invested overseas enterprise to promptly register with the embassy (consulate) (economic and commercial office) of the PRC in foreign countries in person or by way of letter, fax or email.

For an overseas investment subject to filing registration, the enterprise shall complete the Overseas Investment Registration Form, submit it to the competent commerce authority together with a copy of its business licence, and obtain the Enterprise Overseas Investment Certificate from the competent commerce authority.

For any violation of the Measures for the Administration of Overseas Investment (《境外投資管理辦法》), the competent commerce authority has the right to revoke the overseas investment registration of the enterprise, give a warning, and issue a penalty decision in accordance with the law, and the enterprise shall not apply for the approval again within one or three years and is not applicable to the incentives or supporting measures under relevant national policies within three years. If a crime is constituted, it shall be investigated for criminal liabilities in accordance with the law.

LAWS AND REGULATIONS RELATING TO INTELLECTUAL PROPERTY RIGHTS

Laws and Regulations Relating to Patent

Pursuant to the provisions of the Patent Law of the PRC (《中華人民共和國專利法》) promulgated on 12 March 1984 and amended on 4 September 1992, 25 August 2000, 27 December 2008 and 17 October 2020 respectively, and the Detailed Rules for the Implementation of the Patent Law of the PRC (《中華人民共和國專利法實施細則》) promulgated on 15 June 2001 and amended on 28 December 2002, 9 January 2010 and 11 December 2023 respectively, the State provides legal protection for invention patent, utility model patent and design patent. The protection period is 20 years for an invention patent, 10 years for a utility model patent and 15 years for a design patent, commencing from their respective application dates. Unless otherwise provided by the Patent Law, upon the grant of invention patent and utility model patent rights, no entity or individual may utilise such patent without the authorisation of the patent holder, i.e. not to manufacture, use, offer to sell, sell or import its patented products for the production and business purpose, or not to utilise its patented method or use, offer to sell, sell or import products directly obtained based on the patented method. Upon the grant of design patent right, no entity or individual may utilise such patent without the authorisation of the patent holder, i.e. not to manufacture, offer to sell, sell or import its design patented products for the production and business purpose. Once a patent is determined to be infringed, the infringer shall, in accordance with the laws and regulations, cease the infringement, eliminate the impact, and pay damages, etc.

Laws and Regulations Relating to Trademark

Pursuant to the provisions of the Trademark Law of the PRC (《中華人民共和國商標法》) promulgated on 23 August 1982, revised on 22 February 1993, 27 October 2001 and 30 August 2013 and amended on 23 April 2019, and the Regulation on the Implementation of the Trademark Law of the PRC (《中華人民共和國商標法實施條例》) promulgated on 3 August 2002 and amended on 29 April 2014, the exclusive right of a registered trademark shall be limited to the trademark that are approved for registration, and only applies to the goods that are approved to use such trademark. The term of a registered trademark shall be ten years from the day the registration is approved. When it is necessary to continue using the registered trademark upon its expiration, the owner of such registered trademark shall go through the formalities for extending its term within 12 months before the expiration.

Without the authorisation of the owner of the registered trademark, using a trademark that is similar to a registered trademark on the same goods or that is identical with or similar to a registered trademark on the similar goods, constitutes an infringement of the exclusive right of a registered trademark. The infringer shall, in accordance with the laws and regulations, cease the infringement, eliminate the impact, and pay damages, etc.

Laws and Regulations Relating to Copyright

Pursuant to the provisions of the Copyright Law of the PRC (《中華人民共和國著作權法》) promulgated on 7 September 1990 and amended on 27 October 2001, 26 February 2010 and 11 November 2020, and the Regulation on the Implementation of the Copyright Law of the PRC (《中華人民共和國著作權法實施條例》) promulgated on 2 August 2002 and amended on 8 January 2011 and 30 January 2013 respectively, copyrights include personal rights such as the right of publication and that of authorship as well as property rights such as the right of reproduction and that of distribution. Works protected by the Copyright Law include: written works; oral works; musical, dramatic, quyi, choreographic and acrobatic art works; works of fine art and architecture; photographic works; film works and works created by methods similar to filmmaking; drawings of engineering designs and product designs, maps, sketches and other graphic works as well as 3D model works; computer software, etc. Unless otherwise provided in the Copyright Law of the PRC (《中華人民共和國著作權法》), reproducing, distributing, performing, projecting, broadcasting or compiling a work or communicating the same to the public via an information network without permission from the owner of the copyright therein, shall constitute infringements of copyrights. The infringer shall, according to the circumstances of the case, undertake to cease the infringement, eliminate impact, and offer an apology, pay damages and other liabilities.

Pursuant to the provisions of the Measures for the Registration of Computer Software Copyright (《計算機軟件著作權登記辦法》) promulgated on 20 February 2002, and the Regulation on Computers Software Protection (《計算機軟件保護條例》) (the "**Regulations**") promulgated on 20 December 2001, and amended on 8 January 2011 and 30 January 2013, computer programmes and related documents that are independently developed by developers and have been fixed on certain tangible objects, whether published or not, shall be entitled to the copyright in accordance with the Regulations. The software copyright holder may register with the software registration authority designated by the copyright administrative department of the State Council. The software copyright commences from the date of the completion of software development. The protection period for the software copyright of a natural person is the lifetime of such natural person and until fifty years after his death, ending on 31 December of the fiftieth year after his death. The protection period for the software copyright of a legal person or other organisation is fifty years, ending on 31 December of the fiftieth year after the initial publication of the software. However, if the software has not been published within fifty years from the date of the completion of development, it will no longer be protected.

Laws and Regulations Relating to Domain Names

Pursuant to the provisions of the Measures for the Administration of Internet Domain Names (《互聯網域名管理辦法》) promulgated on 24 August 2017, "domain name" shall refer to the character mark of hierarchical structure, which identifies and locates a computer on the internet and corresponds to the Internet protocol (IP) address of that computer. The Ministry of Industry and Information Technology is responsible for supervising and managing domain name services nationwide, and each provincial communications administration bureau is responsible for supervising and managing domain name services within its own administrative region. The principle of "first come, first serve" shall be followed for the domain name registration service. The applicant for domain name registration is required to provide true, accurate and complete identity information of the domain name holder to the domain name registration service agency. After completing the domain name registration, the applicant becomes the holder of such domain name.

Where any organisation or individual includes any illegal content in the registration or use of domain names in violation of the provisions of the Measures for the Administration of Internet Domain Names (《互聯網域名管理辦法》), and constitutes a crime, it shall be investigated for criminal liabilities in accordance with the law. If not constituting a crime, it shall be punished by relevant agency in accordance with the law.

LAWS AND REGULATIONS RELATING TO TAXATION

Enterprise Income Tax

Pursuant to the provisions of the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》) promulgated on 16 March 2007 and amended on 24 February 2017 and 29 December 2018, and the Regulation on the Implementation of the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法實施條例》) promulgated on 6 December 2007 and amended on 23 April 2019, an enterprise that is established within China, or which is established under the law of a foreign country (region) but whose actual office of management is within China ("Resident Enterprise"), shall pay corporate income tax at the rate of 25% for their income from inside and outside China. Qualified small low-profit enterprises are given the reduced enterprise income tax rate of 20%, and high and new technology enterprises supported by the State are given the reduced enterprise income tax rate of 15%.

The taxable income refers to the balance of the total income of an enterprise in each tax year after deducting non-taxable income, tax-free income, deductibles and losses allowed to be made up from previous years. The tax payable refers to the balance of the taxable income of an enterprise multiplied by the applicable tax rate and deducting tax reductions and credits under the preferential tax provisions of the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》).

Value Added Tax

Pursuant to the provisions of the Interim Regulation of the PRC on Value Added Tax (《中華人民共和國增值稅暫行條例》) promulgated on 13 December 1993 and amended on 10 November 2008, 6 February 2016 and 19 November 2017 respectively, and the Detailed Rules for the Implementation of the Interim Regulation of the PRC on Value Added Tax (《中華人民共和國增值稅暫行條例實施細則》) promulgated on 25 December 1993 and amended on 15 December 2008 and 28 October 2011 respectively, all enterprises and individuals that sell goods, or engage in processing, repairs and replacement services, sales services, intangible properties, real estate and import of goods within the territory of the PRC are subject to value-added tax. Except for special circumstances, the payable tax amount shall be calculated by deducting the current input tax from the current output tax. If the current output tax is less than the current input tax and is insufficient for deduction, the deficiency may be carried forward to the next period for further deduction. Where a taxpayer engages in several business activities applicable to different tax rates, the sales income from each business activity shall be separately calculated at each applicable tax rate. If not calculated separately, the highest tax rate shall apply.

Pursuant to the provisions of the Notice of the Ministry of Finance and the State Administration of Taxation on Adjusting Value-added Tax Rates (《財務部、國家稅務總局關於調整增值稅稅率的通知》) promulgated on 4 April 2018, the original VAT tax rates of 17% and 11% applicable to the taxpayers who engage in VAT taxable sales activities or imported goods and the provision of labour services and tangible movable property lease services are adjusted to 16% and 10%, respectively. Pursuant to the provisions of the Announcement of the Ministry of Finance, the State Taxation Administration and the General Administration of Customs on Relevant Policies for Deepening the Value-Added Tax Reform (《財政部、稅務總局、海關總署關於深化增值稅改革有關政策的公告》) promulgated on 20 March 2019, the original VAT tax rate of 16% applicable to the general VAT taxpayers who engage in VAT taxable sales activities or imported goods is adjusted to 13%, and the original VAT tax rate of 10% applicable to such taxpayers is adjusted to 9%.

Urban Maintenance and Construction Tax

According to the Tax Law on Urban Maintenance and Construction of the PRC (《中華人民共和國城市維護建設稅法》) promulgated on 11 August 2020, all enterprises and individuals that pay VAT and consumption tax within the territory of the PRC shall pay the urban maintenance and construction tax on the basis of VAT (net of the amount of VAT refunded by the end-of-period tax credit rebate) and consumption tax actually paid by them in accordance with the law.

Taxpayers determine the tax rate for urban maintenance and construction tax based on the taxpayer's place of residence or other locations related to the taxpayer's production and business activities (hereinafter referred to as the location), i.e. if the taxpayer's location is in an urban area, the tax rate will be 7%; if the taxpayer's location is in a county or town, the rate will be 5%; and if the taxpayer's location is outside of the city, county or town, the tax rate will be 1%.

The amount of tax payable for urban maintenance and construction tax is calculated by multiplying the tax basis by the applicable tax rate, and the time of occurrence of the tax obligation is the same as that of the VAT and consumption tax, which are payable at the same time as VAT and consumption tax, respectively.

Taxpayers who violate the provisions of the Tax Law on Urban Maintenance and Construction of the PRC (《中華人民共和國城市維護建設稅法》) shall be investigated for legal responsibility in accordance with the Law of the PRC on the Administration of Tax Collection (《中華人民共和國稅收徵收管理法》) and relevant laws and regulations.

Education Surcharge

Pursuant to the provisions of the Interim Provisions on the Collection of Education Surcharges (《徵收教育費附加的暫行規定》) promulgated on 28 April 1986, amended on 7 June 1990, 20 August 2005 and 8 January 2011, all entities and individuals paying consumption tax, value-added tax and business tax shall pay an education surcharge, except for entities paying additional charges for rural education under the Notice of the State Council on Raising Funds for Running Schools in Rural Areas (《國務院關於籌措農村學校辦學經費的通知》). The education surcharge, which is based on the actual amount of value-added tax, business tax and consumption tax paid by each entity or individual, is 3% and is payable at the same time as the value-added tax, business tax and consumption tax, respectively. The collection and management of education surcharge shall be handled in accordance with the relevant provisions of consumption tax, value-added tax and business tax.

LAWS AND REGULATIONS RELATING TO EMPLOYMENT AND LABOUR SECURITY

Labour Contract

Pursuant to the provisions of the Labour Law of the PRC (《中華人民共和國勞動法》) promulgated on 5 July 1994 and amended on 27 August 2009 and 29 December 2018, the Labor Contract Law of the PRC (《中華人民共和國勞動合同法》) promulgated on 29 June 2007 and amended on 28 December 2012, and the Regulation on the Implementation of the Labour Contract Law of the PRC (《中華人民共和國勞動合同法實施條例》) promulgated on 18 September 2008, an employee shall have equal right to employment and choice of occupation, the right to remuneration for labour, to rest and vacations, to protection of occupational safety and health, to training in vocational skills, to social insurance and welfare, to submission of labour disputes for settlement and other rights relating to labour stipulated by law. The employer shall establish and improve rules and regulations in accordance with the law so as to ensure that employees enjoy the right to work and fulfil labour obligations.

A labour contract is an agreement between the employee and the employer and shall be concluded in written form. The terms of a labour contract shall include the basic data of the employer and the employee (including the name, address and legal representative or principal person in charge, and the name, address and resident identification card number or other valid identity document number), the term of the labour contract, work content, work location, working hours, rest and vacations, remuneration, social insurance, labour protection, working conditions, occupational hazard protection, and other matters that shall be included in the labour contract as stipulated by law. An employer is obliged to ensure that the wages paid to its employees shall not be lower than the local standards of minimum wages, to establish and maintain the system of occupational safety and health, strictly abide by the rules and standards of the State with regard to occupational safety and health, carry out education among employees in occupational safety and health, prevent accidents in the process of work, and minimise occupational hazards.

Employees shall have the right to participate in and organise trade unions, which shall represent and safeguard the legitimate rights and interests of employees. Where an employer terminates its labour contract and the trade union considers it inappropriate, the trade union shall have the right to put forward its opinions. In addition, if the employer violated the law, rules or regulations or labour contracts, the trade union shall have the right to request that the matter be handled anew. Where the employee applies for arbitration or institutes a lawsuit, the trade union shall render him support and assistance in accordance with the law.

Where the employer fails to comply with the above laws and regulations, the administrative department of labour shall give it a warning, order it to make corrections, impose a fine thereon, order it to suspend operations for rectification, or take other measures. Where any harms have been caused to employees, the employer shall be liable for compensation. Where relevant illegal acts constitute a crime, they shall be investigated for criminal liabilities.

Social Insurance

Pursuant to the provisions of the Social Insurance Law of the PRC (《中華人民共和國社會保險法》) promulgated on 28 October 2010 and amended on 29 December 2018, the Interim Regulation on the Collection and Payment of Social Insurance Premiums (《社會保險費徵繳暫行條例》) promulgated on 22 January 1999 and amended on 24 March 2019, the Decision of the State Council on Establishing a Unified Basic Pension Insurance System for Enterprise Employees (《國務院關於建立統一的企業職工基本養老保險制度的決定》) promulgated on 16 July 1997, the Decision of the State Council on Establishing the Urban Employees' Basic Medical Insurance System (《國務院關於建立城鎮職工基本醫療保險制度的決定》) promulgated on 14 December 1998, the Regulation on Work-Related Injury Insurance (《工傷保險條例》) promulgated on 27 April 2003 and amended on 20 December 2010, the Regulations on Unemployment Insurance (《失業保險條例》) promulgated on 22 January 1999, and the Trial Measures for the Childbirth Insurance for Enterprise Employees (《企業職工生育保險試行辦法》) promulgated on 14 December 1994, the employer shall register with the local social insurance agency within thirty days after its establishment, and register the employee with the local social insurance agency within thirty days after the establishment of labour relationship. The employer is required to pay social insurance premiums for employees in full and on time, including basic pension insurance, unemployment insurance, basic medical insurance, work-related injury insurance and maternity insurance.

Where the employer fails to register for the social insurance, the social insurance administrative department shall order it to make corrections within a time limit, and impose a fine on the employer for failure to make corrections within the specified time limit. Where the employer fails to pay social insurance premiums in full and on time, the social insurance premium collection agency has the right to order it to pay or made up within a time limit, and charge late payment fees on a daily basis from the date of the default of payment. The relevant administrative department may impose a fine for failure to make payment within the specified time limit.

Housing Fund

Pursuant to the provisions of the Regulations on Management of Housing Provident Fund (《住房公積金管理條例》) promulgated on 3 April 1999 and amended on 24 March 2002 and 24 March 2019, the employer shall, within thirty days after its establishment, register for the housing provident fund deposits with the housing provident fund management centre, and handle the formalities for opening housing provident fund accounts for its employees at an entrusted bank. The housing provident fund for urban employees shall not be less than 5% of the employee's average monthly salary in the previous year.

Where the employer fails to register the deposits of the housing provident fund or fails to complete the formalities for opening housing provident fund accounts, the housing provident fund management centre has the right to order it to complete within a time limit, and impose a fine for failure to register within the specified time limit. If the employer fails to pay or underpays the housing provident fund after the due date, the housing provident fund management centre may order it to make payment within the time limit, and apply to the people's court for compulsory enforcement for failure to make payment within the specified time limit.

Prevention and Control of Occupational Diseases

Pursuant to the provisions of the Law of the PRC on the Prevention and Control of Occupational Diseases (《中華人民共和國職業病防治法》) promulgated on 27 October 2001 and amended on 31 December 2011, 2 July 2016, 4 November 2017 and 29 December 2018 respectively, the employer shall provide environments and conditions that meet the occupational health standards and health requirements of the State, take measures to ensure occupational health protection for the workers, establish and improve the responsibility system for the prevention and control of occupational diseases, reinforce the management of occupational disease prevention and control, enhance the level of occupational disease prevention and control, and assume responsibility for harms caused by occupational diseases.

Where an employer's workplace has any occupational disease hazard factors as listed in the catalogue of occupational diseases, the employer shall declare the hazardous items to the local health administrative department and accept supervision. Where a new construction, an expansion, or a reconstruction project or a technical transformation or technology introduction project may cause any occupational hazards, the construction entity of such project shall conduct the pre-assessment of occupational hazards at the feasibility study stage. The construction entity shall include the expenses necessary for the protective facilities against occupational diseases of a construction project into the project budget of the construction project, and shall synchronise the design, construction, use for production and other operations of such facilities with the main body of the project. The construction entity shall evaluate the control effect of occupational hazards before the completion acceptance of the construction project. For occupational disease protection facilities in construction projects other than those for radioactive occupational disease hazards in medical institutions, the construction entity shall organise the acceptance according to law, and only after passing the acceptance can the project be put into production and operation.

Where an employer or construction entity violates the provisions of the Law of the PRC on the Prevention and Control of Occupational Diseases, the health administrative department may give a warning, order to make rectification within a time limit, impose a fine, or order to discontinue the operation that produces occupational disease hazards, or may request the related people's government, within the limits of its powers specified by the State Council, to order to discontinue construction or close down or take other measures. If a crime is constituted, it shall be investigated for criminal liabilities in accordance with the law.

LAWS AND REGULATIONS RELATING TO OVERSEAS ISSUANCE AND LISTING OF DOMESTIC ENTERPRISE

Pursuant to the provisions of the Trial Measures for the Administration of Overseas Issuance and Listing of Securities by Domestic Enterprises (《境內企業境外發行證券和上市管理試行辦法》) and its supporting guidelines promulgated on 17 February 2023 and taking effect on 31 March 2023 (the "**New Regulations**"), an enterprise within the PRC that directly or indirectly issues securities overseas or lists and deals in its securities overseas shall comply with the laws, administrative regulations and relevant national rules on foreign investment, state-owned assets management, industrial supervision, overseas investment, cyber security, and data security etc., and shall not disturb the domestic market order or do harm to national interests, social public interests, and the legitimate rights and interests of domestic investors.

A domestic enterprise that is listed overseas shall, in accordance with the laws, administrative regulations and relevant national rules including the Company Law of the PRC and the Accounting Law of the PRC, formulate the articles of association, improve the internal control system, and regulate corporate governance and financial and accounting practices. Meantime, it shall comply with the national legal system on confidentiality, take necessary measures to perform its confidentiality responsibilities, refrain from leaking state secrets and the secrets of state organs, and effectively perform its obligation to safeguard national security. If a security review is required, it shall perform relevant security review procedures in accordance with the law before submitting an issuance and listing application to the overseas securities regulatory authority or stock exchange.

A domestic enterprise that intends to be listed or is listed overseas may raise funds and pay dividends in foreign currencies or RMB. The use and investment of proceeds from overseas issuance by a domestic enterprise shall comply with the laws, administrative regulations and relevant national rules. The foreign exchange and cross-border flow of capitals relating to the overseas issuance and listing of a domestic enterprise shall comply with the national regulations on cross-border investment and financing, foreign exchange management, and cross-border RMB management.

The issuer seeking for an overseas initial public offering or listing shall, within 3 working days after submitting the issuance and listing application documents overseas, file a registration with the CSRC and submit the filing report, legal opinions and other relevant documents to provide a true, accurate and complete description of shareholders' information. Once the filing documents are complete and in compliance with the stipulated requirements, the CSRC will, within 20 working days upon receipt of such filing documents, conclude the review procedure and publish the filing results on its website. To the extent the filing documents are incomplete or do not conform to stipulated requirements, the CSRC will, within 5 working days upon receipt of filing documents, request supplementation to the filing documents. The issuer shall provide additional documents within 30 working days. During the review of filing documents, the issuer may be exposed to certain circumstances that are prohibited from the overseas offering and listing, and the CSRC may seek opinions from the relevant competent authorities of the State Council. The filing documents relating to the overseas issuance and listing of a domestic enterprise shall be true, accurate and complete, and shall not contain any false records, misleading statements or material omissions. Domestic enterprises and their controlling shareholders, actual controllers, directors, supervisors and officers shall perform their obligations on information disclosure in accordance with the law, and execute their due care and diligence in good faith to ensure the filing documents are true, accurate and complete.

If a domestic enterprise fails to perform the filing procedures in violation of the Interim Measures for the Administration of Overseas Securities Offering and Listing by Domestic Enterprises, or if its overseas issuance and listing documents or filing documents contain any false records, misleading statements or material omissions, the CSRC may order it to make corrections, give a warning and impose a fine. The directly responsible person in charge and other directly liable persons may be given a warning and imposed a fined. In case of a serious violation, the CSRC may impose a penalty of prohibited access to the securities market. If a crime is constituted, it shall be investigated for criminal liabilities in accordance with the law.

LAWS AND REGULATIONS RELATING TO FOREIGN EXCHANGE MANAGEMENT FOR OVERSEAS LISTING OF DOMESTIC ENTERPRISES

Pursuant to the provisions of the Notice of the State Administration of Foreign Exchange on Issues Concerning the Foreign Exchange Administration of Overseas Listing (《國家外匯管理局關於境外上市外匯管理有關問題的通知》) (Hui Fa [2014] No. 54) issued on 26 December 2014, where a joint stock limited company incorporated in the PRC ("**Domestic Company**") issues shares overseas and is publicly listed and outstanding on overseas exchanges upon the approval by the CSRC, it shall, within 15 business days after the date of the end of its overseas listing issuance, register the overseas listing with the Administration of Foreign Exchange at the place of its establishment, and present its certificate of overseas listing to open a "special account for overseas listing of domestic company" at a local bank to handle the exchange, remittance and transfer of funds for the business concerned. The proceeds from an overseas listing of a domestic company may be remitted to the domestic account or deposited in an overseas account, but the use of the proceeds shall be consistent with the content of the prospectus or offering documents for corporate bond, shareholders' circulars, resolutions of the board of directors or shareholders' meetings and other publicly disclosed documents.

Meantime, where a domestic shareholder of a domestic company intends to decrease his/her overseas listed shares according to relevant regulations upon the overseas listing of the domestic company, the domestic shareholder shall register with the SAFE branch in the place of domicile of such domestic shareholder for his/her shareholdings within 20 working days after such decrease of shares to obtain the business registration certificate; where a domestic shareholder of the domestic company intends to increase his/her overseas listed shares of the domestic company according to relevant regulations, after obtaining the approval, filing or no-objection letter from the regulatory authorities on the increase in shareholdings (except those that do not need to be provided according to regulations), the domestic shareholder shall register with the SAFE branch in the place of domicile of such domestic shareholder for his/her shareholdings within 20 working days before such increase of shares to obtain the business registration certificate. Domestic shareholders of overseas listed companies shall open a resident overseas securities and derivatives account (account code of which is 2403) at a domestic bank for their business of increasing or reducing their holdings of shares in overseas listed companies with their overseas shareholding business registration certificates, and handle the exchange, remittance and transfer of funds for the business concerned. After a domestic shareholder registers its overseas shareholdings, if there is a major change in the circumstances (such as quantity, proportion, etc.) of the domestic company's overseas listed shares it intends to increase or decrease, it shall promptly register the change in shareholding before going through the procedures for remittance of funds. In principle, funds obtained by domestic shareholders from reducing their holdings of shares in overseas listed companies shall be transferred back to the domestic account in a timely manner.

Laws and Regulations Relating to the H Share "Full Circulation"

Pursuant to the provisions of the New Regulations, where a domestic enterprise is seeking for the direct overseas issuance and listing, and shareholders of its domestic unlisted shares apply to convert such domestic unlisted shares into overseas listed shares for the listing and circulation on an overseas stock exchange, it shall comply with the relevant regulations of the CSRC, and entrust the domestic enterprise to apply for the filing registration with the CSRC.

Pursuant to the provisions of the Guidelines for the "Full Circulation" Program for Domestic Unlisted Shares of H-share Listed Companies (《H股公司境內未上市股份申請"全流通"業務指引》) promulgated on 14 November 2019 and amended on 10 August 2023, shareholders of domestic unlisted shares may determine by themselves through consultation the amount and proportion of domestic unlisted shares (including unlisted domestic shares held by domestic shareholders prior to overseas listing, additional unlisted domestic shares issued after overseas listing, and unlisted shares held by foreign shareholders), for which an application will be filed for the listing and circulation on the Hong Kong Stock Exchange, provided that the requirements laid down in the relevant laws and regulations and set out in the policies for state-owned asset administration, foreign investment and industry regulation are met, and the corresponding company may be entrusted to submit the filing registration to the CSRC. In particular, an unlisted domestic joint stock company may apply for the filing registration for "full circulation" to the CSRC when applying for an overseas initial public offering.

Shareholders of domestic unlisted shares shall perform the share transfer registration in accordance with the relevant business rules of the China Securities Depository and Clearing Corporation Limited, perform the share registration, listing and other procedures in accordance with the relevant regulations of the Hong Kong market, and disclose information in accordance with the laws and regulations. After domestic unlisted shares are listed and circulated on the Stock Exchange, they may not be transferred back to the PRC. Shareholders of domestic unlisted shares may reduce or increase their holdings of our Company's shares that are circulating on the Hong Kong Stock Exchange in accordance with the relevant business rules. The domestic enterprise that issues securities overseas shall submit a report on the relevant situation to the CSRC within 15 days after the registration with the CSDC of the shares related to the application has been completed.

In addition, the Shenzhen Branch of the CSDC released the Guidelines for the "Full Circulation" Program for H Shares by the Shenzhen Branch of China Securities Depository and Clearing Corporation Limited (《中國證券登記結算有限責任公司深圳分公司H股"全流通"業務指南》) on September 20, 2024, which clearly provides for business arrangements and procedures related to H-share full circulation business, including business preparation, cross-border transfer registration, overseas depository of shares and initial maintenance and change in maintenance of domestic holding details, corporate behavior processing, clearing and settlement, risk management and business charges.

OVERVIEW

Our history can be traced back to 2018 when the management of Conch Holdings, one of our Controlling Shareholders, saw the development potential of the cement and concrete admixtures market in the PRC. Shandong Hongyi Technology Co., Ltd.* (山東宏藝科技股份有限公司) ("**Shandong Hongyi**") was the then largest manufacturer of cement admixtures in the PRC, according to Frost & Sullivan. Leveraging the expertise, well-built brand name and the leading position of Shandong Hongyi, the management of Conch Holdings believed that it would be beneficial to acquire it as the first step to enter into the cement and concrete admixtures market. Therefore, in May 2018, Conch Tech Innovation (an investment holding company wholly-owned by Conch Holdings) entered into a cooperation agreement with Linyi Haihong (an investment holding company controlled by Mr. Zhao, the then controlling shareholder of Shandong Hongyi) to set up a joint venture (i.e. our Predecessor Company) in the PRC to commence our engagement in the businesses of the R&D, production and sales of cement and concrete admixtures and their in-process intermediaries. As at the time of establishment, our Predecessor Company was held as to 70% by Conch Tech Innovation and 30% by Linyi Haihong, which remained as our largest and third largest Shareholders, respectively, as at the Latest Practicable Date. Our Predecessor Company subsequently acquired Shandong Hongyi (currently known as Linyi Conch) and its subsidiary (i.e. Guizhou Conch) in the same year. Immediately prior to the abovementioned acquisitions, our Predecessor Company did not have any business operation.

Shortly after the establishment of our Predecessor Company, in the same year, with a view to build a solid foundation for our Group's future development, and given that Conch Holdings is a leading player in the cement and concrete market, our Predecessor Company decided to optimise and upgrade our cement and concrete admixture products. Leveraging the strong R&D ability of and the intellectual property rights owned by Xintongling (of which Mr. Feng was the controlling shareholder) in the cement and concrete admixture industry in the PRC, the then management of our Predecessor Company believed that it would be beneficial to cooperate with Xintongling to achieve the above purposes. Hence, in October 2018, our Predecessor Company entered into a cooperation agreement with Hubei Xintongling (an investment holding company set up by Mr. Feng and Mr. Ming Jinlong ("**Mr. Ming**")) pursuant to which Hubei Xintongling invested into our Predecessor Company to facilitate our subsequent acquisition of Meishan Conch and Xiangyang Conch from Mr. Feng and/or Mr. Ming.

After the above-mentioned acquisitions, leveraging on their production capabilities, business relationships and expertise, we began to engage in the business of the production and sales of cement and concrete admixture industry in the end of 2018. Before these acquisitions, Shandong Hongyi and Xintongling Group did not have any business relationship with our Controlling Shareholders and its subsidiaries and associates.

Subsequently, during the period from 2019 to 2022, our Company established eight subsidiaries with an aim to further expand its business in different areas of the PRC and enlarge its market share in the cement and concrete admixtures market. Under this group structure, our Predecessor Company/ Company has been a headquarter for central management and R&D, while the subsidiaries operate various productions lines across the PRC and act as the sales channels of our Group.

On 15 July 2022, our Predecessor Company was converted from a limited liability company into our Company as a joint stock company with limited liability, with a new company name of "Anhui Conch Material Technology Co., Ltd. (安徽海螺材料科技股份有限公司)". For further details in relation to the major changes in share capital and shareholdings and the investors of our Company, see "Corporate Development of our Group — Our Company/Predecessor Company" and "Pre-IPO Investments" below.

OUR KEY BUSINESS MILESTONES

The following table sets forth our key business development milestones:

Year	Event
2018	Our Predecessor Company was established, which marked the commencement of our businesses in the R&D, production and sales of cement and concrete admixtures
	We acquired Linyi Conch, Meishan Conch, Xiangyang Conch and Guizhou Conch, which became our subsidiaries, and marked the commencement of our business in the cement and concrete admixtures market
2019	We entered into an investment agreement with the Management Committee of Ningbo Shihua Economic and Technology Development Zone* (寧波石化經濟技術開發區管理委員會) to expand our business in producing raw material of concrete admixtures in Ningbo and further extend our business to the upstream industry by way of establishing Ningbo Conch with Ningbo Industrial Investment Group Co., Ltd. (寧波工業投資集團有限公司)
	We commenced operation of the technology centre of Conch Technology Platform Company (海螺科技技術中心實驗室) to conduct performance tests of cement and concrete admixtures and research on new technology and product in order to optimise and improve of existing products
	We were awarded the "New Development Achievement Award in Cement Admixtures Industry" (水泥外加劑行業新發展成就獎) and the "Technology Innovation Award in Cement Admixtures" (水泥外加劑科技創新獎) by the China Cement Association (中國水泥協會)
2020	We established Guigang Conch with TCC (Guigang) Cement Limited (台泥(貴港)水泥有限公司), a wholly-owned subsidiary of Taiwan Cement Corporation (台灣水泥股份有限公司) (the shares of which are listed on Taiwan Stock Exchange (stock code: 1101)) to expand our business to Guangxi Province, the PRC

Year	Event
	We entered into a corporation agreement with the Dalian University of Technology (大連理工大學) to develop new materials, enhance our ability in R&D and technical innovation, increase our competitiveness and cultivate a high-level R&D team
	We obtained approval from the Development and Reform Committee of Anhui Province (安徽省發展和改革委員會) to establish the research centre of multifunctional cement energy saving and environmental protection additives of Anhui Province (安徽省多功能水泥節能環保助劑工程研究中心) and the corporate technology centre of Anhui Province (安徽省企業技術中心) to continuously improve our R&D ability and attract more scientific research talents
2021	We entered into a cooperation agreement, with Zhejiang Shangfeng Building Material Co., Ltd. (浙江上峰建材有限公司), a wholly-owned subsidiary of Gansu Shangfeng Cement Co., Ltd. (甘肅上峰水泥股份有限公司) (the shares of which are listed on the Shenzhen Stock Exchange (stock code: 000672)) to enhance the business in Anhui Province, the PRC
	We were awarded the "Best Supplier in the Cement Industry (cement admixture) in 2021" (2021年水泥行業優秀供應商—水泥外加劑類別) by the China Cement Association (中國水泥協會)
	We were classified as "Excellent" regarding the operation among certified enterprise technology centre in Anhui Province (省級認定企業技術中心運行評價) conducted by the Department of Economy and Informatisation of Anhui Province (安徽省經濟和信息化廳)
2022	We established Qinghai Conch with Qinghai Huzhu Jinyuan Cement Co., Ltd.* (青海互助金圓水泥有限公司), a non-wholly owned subsidiary of Jinyuan Holdings Group Co., Ltd. (金圓控股集團有限公司), to expand our business to Qinghai Province, the PRC
	We established Huludao Haizhong with, among others, North Cement Company Limited (北方水泥有限公司), a non-wholly-owned subsidiary of China National Building Material Company Limited* (中國建材股份有限公司) (the shares of which are listed on the Stock Exchange (stock code: 3323)), to expand our business to Liaoning Province, the PRC

Year	Event
	We were awarded the "Specialised and New Enterprise Industrial Economy High Quality Development Award in Shandong Province" (山東省省級專精特新企業工業經濟高質量發展獎) by the Department of Industrial and Informatisation of Shandong Province* (山東省工業和信息化廳)
	We were approved by the Department of Human Resources and Social Security of Anhui Province* (安徽省人力資源和社會保障廳) to establish the postdoctoral research work station of Anhui Province (安徽省博士後科研工作站) to improve our R&D ability and attract more talents
	We were awarded the "demonstration unit of green production of Meishan City, the PRC" (中國眉山市綠色生產示範單位) by the Finance Bureau of Meishan City* (眉山市財政局) and Economic and Information Bureau of Meishan City* (眉山市經濟和信息化局), and we obtained the certificate of "Green Factory of Building Materials Industry of 2022" (2022年度建材行業綠色工廠) by the China Building Materials Union* (中國建築材料聯合會)
	We were awarded the "Top 100 Most Promising Building Material Companies in China of 2022" (2022中國最具成長性建材企業100強), the "Top 100 Chinese Innovation Building Materials Enterprise in 2022" (2022中國創新建材企業100強) and the "China Harmonious Building Materials Enterprise in 2022" (2022中國和諧建材企業) by the China Building Materials Enterprise Management Association* (中國建築材料企業管理協會)

OUR PRINCIPAL SUBSIDIARIES

Our Company is headquartered in Wuhu, Anhui Province, the PRC. After our establishment in 2018, we acquired and established various subsidiaries which were all established in the PRC. The table below sets out our principal subsidiaries and their relevant information:

Name of Company	Date of establishment and commencement of business	Registered Capital	Principal business activities or function
		(RMB)	
Linyi Conch.	27 May 1999 (acquired by our Group in 2018)	67,000,000	R&D, production and sales of cement admixtures and its in-process intermediaries

Name of Company	Date of establishment and commencement of business	Registered Capital	Principal business activities or function
		(RMB)	
Xiangyang Conch.	13 October 2008 (acquired by our Group in 2018)	50,000,000	R&D, production and sales of cement admixtures and its in-process intermediaries, concrete admixtures and polycarboxylic acid mother liquor
Meishan Conch . .	30 July 2018 (acquired by our Group in 2018)	29,000,000	R&D, production and sales of cement admixtures, concrete admixtures and polycarboxylic acid mother liquor
Ningbo Conch . . .	15 July 2019	180,000,000	R&D, production and sales of cement and concrete admixtures and their respective in-process intermediaries
Tongling Conch . .	2 June 2020	30,000,000	R&D, production and sales of cement admixtures, concrete admixtures and polycarboxylic acid mother liquor
Guigang Conch . .	14 August 2020	24,000,000	R&D, production and sales of cement admixtures, concrete admixtures and polycarboxylic acid mother liquor

CORPORATE DEVELOPMENT OF OUR GROUP

Significant shareholding changes of our Company and our principal subsidiaries

Our Company/Predecessor Company

1. Incorporation and early shareholding changes of our Predecessor Company

Our Predecessor Company was established as a limited liability company under the laws of the PRC on 28 May 2018 by Conch Tech Innovation and Linyi Haihong pursuant to a strategic cooperation agreement with an initial registered capital of RMB100,000,000. As at the date of incorporation, our Predecessor Company was held as to 70% by Conch Tech Innovation and 30% by Linyi Haihong, which was then in turn held as to 88% by Mr. Zhao, and 6% by Mr. Ning Jitai (one of our joint company secretaries) and 6% by Mr. Chen Jun (an Independent Third Party save for being a minority shareholder of Linyi Haihong). As at the Latest Practicable Date, Linyi Haihong was held as to 88% by Mr. Zhao, our non-executive Director, and 12% by Mr. Chen Jun.

For the reasons mentioned in "Overview" above, on 28 October 2018, Conch Tech Innovation, Linyi Haihong and Hubei Xintongling entered into a cooperation agreement, pursuant to which (i) Hubei Xintongling injected into the registered capital of our Predecessor Company a total amount of RMB38,000,000, which was initially determined based on arm's length negotiation with reference to the then registered capital of our Predecessor Company and an independent valuation report of our Predecessor Company as at 31 August 2018, subject to any adjustment based on further valuation. The final amount of consideration shall be determined with reference to an independent valuation report of our Predecessor Company as at 31 October 2018 according to the cooperation agreement, as such the amount of consideration was subsequently adjusted to RMB39,685,300; and (ii) Linyi Haihong transferred 2% of the equity interest in our Predecessor Company to Hubei Xintongling for a total consideration of RMB2,000,000, which was initially determined based on arm's length negotiation with reference to the then registered capital of our Predecessor Company and an independent valuation report of our Predecessor Company as at 31 August 2018, subject to any adjustment based on further valuation. The final amount of consideration shall be determined with reference to an independent valuation report of our Predecessor Company as at 31 October 2018 according to the cooperation agreement, as such the final amount of consideration was subsequently adjusted to RMB2,088,700. Both considerations have been fully settled. Immediately upon the completion of the above transfer and investment, our Predecessor Company was held as to approximately 50.72% by Conch Tech Innovation, 28.99% by Hubei Xintongling and 20.29% by Linyi Haihong.

According to the Measures for the Supervision and Administration of the Trading of State-Owned Assets of Enterprises 2016 (《企業國有資產交易監督管理辦法》(2016)), any capital increase of state-owned and state-controlled enterprises, as well as enterprises under de facto control of the state shall be conducted by disclosing information on and soliciting investors through the website of the Equity Exchange Centre, for a time period of not less than 40 working days. However, if there is a need for a state-funded enterprise to establish a strategic partnership or community with common interests with a specific investor, and the specific investor participates in a capital increase of the state-funded enterprise or its subsidiaries, the enterprise conducting the capital increase may apply for an exemption from the SASAC of the same level. This exemption allows such capital increase to be exempted from the procedure of disclosing information on and soliciting investors through the website of the Equity Exchange Centre and thus, such capital increase could be done through a mutual agreement between the parties on a non-public basis, subject to the SASAC's approval (the "**Procedures**"). As confirmed by our Directors, since such capital increase was part of a transaction in which our Predecessor Company integrated the assets relating to cement admixture and concrete admixture controlled by Xintongling, which helped to expand our Group's presence in cement admixture and concrete admixture market, as well as to promote cooperation in technical aspects, and to achieve synergy with Hubei Xintongling, thus, subject to the SASAC's approval, our Predecessor Company may apply for the above-mentioned exemption from the SASAC of the People's Government of Anhui Province for conducting the capital increase on a non-public basis. Due to discrepancies on our understanding of policies and procedures, after conducting internal decision-making, audit, valuation and other procedures, we have filed the transaction with the SASAC of the People's Government of Anhui Province through its investment management system, but failed to conduct the procedure of disclosing information on and soliciting investors through the website of the Equity Exchange Centre in respect of such transaction as required under the Measures for the Supervision and Administration of the Trading of State-Owned Assets of Enterprises 2016 (《企業國有資產交易監督管理辦法》(2016)). Our PRC Legal Advisers are of the view that, while the above-mentioned capital increase had not been conducted in accordance with the Procedures, such capital increase is a genuine expression of the intention of the relevant parties and such non-conformity with relevant procedures will not constitute a legal obstacle for the Listing, on the following bases: (a) our Predecessor Company has undertaken the relevant internal procedures, including conducting audit and valuation and the filing of the relevant transaction with the SASAC of the People's Government of Anhui Province as the competent state-owned assets supervision and administration department through its investment management system; (b) Conch Holdings has issued a confirmation confirming, among other things, (i) the validity of such capital increase and (ii) the absence of any behaviour that prejudices the interests of any state-owned shareholders, or results in the loss of state-owned assets; (c) the SASAC of the People's Government of Anhui Province, as the competent authority, issued a confirmation letter confirming, that based on the information provided by Conch Holdings, the SASAC of the People's Government of Anhui Province was not aware of any behaviour that would result in the loss of state-owned assets so far; and (d) the SASAC of the People's Government of Anhui Province has not raised any objection to the validity of such capital increase and the shareholding structure of our Company, nor has it taken any punitive measures against the relevant parties. As at the Latest Practicable Date, the above-mentioned capital increase has not been invalidated due to objections or orders from competent authority for rectification, therefore, the capital increase does not present any legal impediment against the Listing of our Company.

2. Conversion into a joint stock company with limited liability

On 1 July 2022, our then Shareholders resolved at a general meeting to approve the conversion of our Predecessor Company from a limited liability company into a joint stock company with limited liability with its registered capital increased to RMB361,560,000 divided into 361,560,000 Shares of RMB1.00 each. Such conversion was completed on 15 July 2022 with our company's Chinese name changed from "安徽海螺新材料科技有限公司" to "安徽海螺材料科技股份有限公司".

The table below sets forth the shareholding structure of our Company immediately following the completion of the conversion into a joint stock company with limited liability and the increase of share capital:

Name of shareholders	Number of Shares held	Percentage of shareholding
		(%)
Conch Tech Innovation	183,400,000	50.72
Hubei Xintongling	104,800,000	28.99
Linyi Haihong	73,360,000	20.29
Total	361,560,000	100.00

The PRC Legal Advisers confirm that our Company has obtained all necessary approvals and complied with relevant laws and regulations in relation to the conversion.

3. Pre-IPO Investment and divestment

On 13 January 2023, Conch Tech Innovation, Hubei Xintongling and Linyi Haihong (as original Shareholders), and Anhui Zhongan LP, CCB Financial Asset Investment, Anhui Huiyuan LP, Kegai Ceyuan LP, Wuhu Industrial Fund and Wuhu Longmen LP (as Pre-IPO Investors) entered into a capital injection agreement (the "**Pre-IPO Investment Agreement**"), pursuant to which Anhui Zhongan LP, CCB Financial Asset Investment, Anhui Huiyuan LP, Kegai Ceyuan LP, Wuhu Industrial Fund and Wuhu Longmen LP subscribed for 10,000,000, 17,290,000, 12,000,000, 18,070,000, 8,000,000 and 8,000,000 Shares with a consideration of RMB27,657,000, RMB47,818,953, RMB33,188,400, RMB49,976,199, RMB22,125,600 and RMB22,125,600, respectively, which were fully settled on or before 17 January 2023. The amount of contributions were determined through bidding by the Pre-IPO Investors through the Equity Trading Centre of Anhui Province (a third party trading platform) with reference to the net asset value of our Company as at 31 May 2022.

Immediately upon the completion, the total registered capital of our Company amounted to RMB434,920,000 and the shareholding structure of our Company is set out below:

Name of shareholders	Number of Shares held	Percentage of shareholding
		(%)
Conch Tech Innovation	183,400,000	42.17
Hubei Xintongling	104,800,000	24.10
Linyi Haihong	73,360,000	16.87
Kegai Ceyuan LP	18,070,000	4.15
CCB Financial Asset Investment	17,290,000	3.97
Anhui Huiyuan LP	12,000,000	2.76
Anhui Zhongan LP	10,000,000	2.30
Wuhu Industrial Fund	8,000,000	1.84
Wuhu Longmen LP	8,000,000	1.84
Total	434,920,000	100.00

For details of the Pre-IPO Investment and the background of the Pre-IPO Investors, see “Pre-IPO Investments” below.

Due to its own investment arrangement and other commercial reasons, Kegai Ceyuan LP has decided to cease to be a Shareholder. Therefore, on 16 August 2023, Conch Tech Innovation and Kegai Ceyuan LP entered into a share transfer agreement, pursuant to which Kegai Ceyuan LP transferred 4.15% of equity interest in our Company to Conch Tech Innovation for a total consideration of RMB52,149,600, which was determined on arm’s length negotiation with reference to an independent valuation report as at 31 May 2023 and was fully settled on 25 August 2023.

Further, due to its internal investment decision, Anhui Zhongan LP has decided to cease to be a Shareholder of our Company. Therefore, on 16 October 2023, Conch Tech Innovation and Anhui Zhongan LP entered into a share transfer agreement, pursuant to which Anhui Zhongan LP transferred 2.30% equity interest in our Company to Conch Tech Innovation for a total consideration of RMB29,948,036, which was determined on arm’s length negotiation with reference to an independent valuation report as at 31 August 2023 and was fully settled on 16 October 2023.

Immediately upon the completion of aforesaid equity transfers and up to the Latest Practicable Date, the shareholding structure of our Company is set out below:

Name of shareholders	Number of Shares held	Percentage of shareholding
		(%)
Conch Tech Innovation	211,470,000	48.62
Hubei Xintongling	104,800,000	24.10
Linyi Haihong	73,360,000	16.87
CCB Financial Asset Investment	17,290,000	3.97
Anhui Huiyuan LP	12,000,000	2.76
Wuhu Industrial Fund	8,000,000	1.84
Wuhu Longmen LP	8,000,000	1.84
Total	434,920,000	100.00

Linyi Conch

Linyi Conch was established as a limited liability company under the laws of the PRC on 27 May 1999. It is principally engaged in the R&D, production and sales of cement admixtures and its in-process intermediaries. For the reasons mentioned in "Overview" above, on 6 June 2018, Shandong Hongli Venture Capital Co., Ltd.* (山東弘利創業投資有限公司) ("**Shandong Hongli**") (which was held by two individuals for and on behalf of Mr. Zhao under certain entrustment arrangements)*(Note)*, Mr. Zhao (our non-executive Director) and our Predecessor Company entered into a share transfer agreement (which was supplemented by a supplemental agreement dated 18 September 2018), pursuant to which Shandong Hongli transferred 80% of the total equity interest in Linyi Conch to our Predecessor Company for a total consideration of RMB24,144,260, which was determined on arm's length negotiation with reference to the net asset value of Linyi Conch as at 31 December 2017 and was fully settled on 20 December 2019.

Immediately upon completion of the acquisition, Linyi Conch was held as to 80% by our Predecessor Company, 12.18% by Shandong Hongli, 3.67% by Shandong Province High Technology Venture Capital Co., Ltd.* (山東省高新技術創業投資有限公司) and 4.15% by China National Building Material Investment Co., Ltd.* (中建材投資有限公司), where the minority shareholders are all Independent Third Parties, and Linyi Conch became a subsidiary of our Predecessor Company.

Note:

The shares of Linyi Conch held by Shandong Hongli was previously acquired from 33 nominee shareholders, who held these shares for and on behalf of a total of 82 individuals (including these nominee shareholders) under certain entrustment arrangements. As confirmed by our PRC Legal Advisers, the above entrustment arrangements were terminated in 2018 and they would not affect the validity of subsequent acquisitions of equity interests in Linyi Conch by our Predecessor Company.

After several rounds of acquisitions by our Predecessor Company of the remaining equity interests in Linyi Conch during the period from 2018 to 2021, in February 2021, Linyi Conch became a direct wholly-owned subsidiary of our Predecessor Company.

Xiangyang Conch

Xiangyang Conch was established as a limited liability company under the laws of the PRC on 13 October 2008. It is principally engaged in the R&D, production and sales of cement admixtures and its in-process intermediaries, concrete admixtures and polycarboxylic acid mother liquor. For the reasons mentioned in "Overview" above, on 25 October 2018, Mr. Feng, Mr. Ming (a minority shareholder of Hubei Xintongling) and our Predecessor Company entered into a share transfer agreement, pursuant to which each of Mr. Feng and Mr. Ming transferred 55% and 45% equity interests in Xiangyang Conch *(Note)* to our Predecessor Company for a total consideration of RMB92,848,464.16, which was determined on arm's length negotiation with reference to the net asset value of Xiangyang Conch as at 31 August 2018 and was fully settled on 26 November 2019.

Immediately upon completion of the acquisition, Xiangyang Conch became a direct wholly-owned subsidiary of our Predecessor Company.

Meishan Conch

Meishan Conch was established as a limited liability company under the laws of the PRC on 30 July 2018. It is principally engaged in the R&D, production and sales of cement admixtures, concrete admixtures and polycarboxylic acid mother liquor. For the reasons mentioned in "Overview" above, on 28 October 2018, Xintongling (a company controlled by Mr. Feng), Mr. Feng and our Predecessor Company entered into a share transfer agreement, pursuant to which Xintonglin Group transferred 100% equity interest in Meishan Conch to our Predecessor Company for a total consideration of RMB42,048,948.76, which was determined on arm's length negotiation with reference to the net asset value of Meishan Conch as at 31 August 2018 and was fully settled on 9 December 2019.

Immediately upon completion of the acquisition, Meishan Conch became a direct wholly-owned subsidiary of our Predecessor Company.

Note:

Upon the establishment of Xiangyang Conch and up to August 2014, Mr. Ming Cheng (father of Ming Jinlong) held the equity interests in Xiangyang Conch for and on behalf of Mr. Feng and Mr. Ming as a nominee shareholder under arrangements. As confirmed by our PRC Legal Advisers, the above entrustment arrangements were terminated in 2014 and they would not affect the validity of subsequent acquisition of equity interests in Xiangyang Conch by our Predecessor Company.

Ningbo Conch

Ningbo Conch was established as a limited liability company under the laws of the PRC on 15 July 2019. It is principally engaged in the R&D, production and sales of cement and concrete admixtures and their respective in-process intermediaries.

Leveraging the business foundation of Ningbo Industrial Investment Group Co., Ltd.* (寧波工業投資集團有限公司) ("**Ningbo Industrial**") (an Independent Third Party save for being a substantial shareholder of Ningbo Conch and hence a connected person of our Company after the Listing) in Ningbo, the PRC, in 15 July 2019, our Predecessor Company and Ningbo Industrial entered into a joint venture agreement, pursuant to which our Predecessor Company and Ningbo Industrial agreed to set up Ningbo Conch with an initial registered capital of RMB180,000,000, and which was held as to 90% by our Predecessor Company and 10% by Ningbo Industrial.

Other material details of abovementioned joint venture arrangement between our Predecessor Company and Ningbo Industrial are set out below:

Capital contributions and percentage interests in Ningbo Conch:	Our Predecessor Company: 90% Ningbo Industrial: 10% Profits to be distributed in accordance with the articles of association of Ningbo Conch
Pre-emption rights:	Both parties are entitled to pre-emption rights
Restriction on sales, assignment or transfer of interest in Ningbo Conch:	Both parties shall not transfer the equity interests held in Ningbo Conch to other third parties (other than their respective related companies) unless mutually agreed
Arrangement regarding the management of business and operation:	Our Predecessor Company is entitled to appoint three directors while Ningbo Industrial is entitled to appoint one director (out of five directors, the remaining one is an employee representative director). Our Predecessor Company is also entitled to nominate all supervisors, the general manager and other senior management members for the approval by the board of directors
Termination:	The joint venture agreement could be terminated under any of these situations: (i) the agreement could not be executed due to force majeure events, resulting in the inability to perform the agreement; (ii) Ningbo Conch could no longer operate; or (iii) mutual agreement

Others:	Ningbo Industrial shall not develop nor be engaged in any business which competes with that of Ningbo Conch, unless otherwise agreed by our Predecessor Company in writing

Tongling Conch

On 2 June 2020, our Predecessor Company established Tongling Conch with an initial registered capital of RMB24,000,000. It is principally engaged in the R&D, production and sales of cement admixtures, concrete admixtures and polycarboxylic acid mother liquor.

Zhejiang Shangfeng Building Material Co., Ltd. (浙江上峰建材有限公司) ("**Zhejiang Shangfeng**") (an Independent Third Party, save for being a substantial shareholder of Tongling Conch and hence a connected person of our Company after the Listing) is a wholly-owned subsidiary of Gansu Shangfeng Cement Co., Ltd. (甘肅上峰水泥股份有限公司) (the shares of which are listed on the Shenzhen Stock Exchange (stock code: 000672)), which is principally engaged in production and sales of cement and cement clinker. Leveraging the market advantage of Zhejiang Shangfeng, on 26 February 2021, our Predecessor Company and Zhejiang Shangfeng entered into a capital injection and cooperation agreement, pursuant to which Zhejiang Shangfeng subscribed for 20% equity interest in Tongling Conch for a total consideration of RMB6,000,000, which was determined on arm's length negotiation with reference to the net asset value of Tongling Conch as at 31 January 2021 and was fully settled on 24 March 2021.

According to the Measures for the Supervision and Administration of the Trading of State-Owned Assets of Enterprises 2016 (《企業國有資產交易監督管理辦法》(2016)), any capital increase of state-owned and state-controlled enterprises, as well as enterprises under de facto control of the state shall be conducted by disclosing information on and soliciting investors through the website of the Equity Exchange Centre, for a time period of not less than 40 working days. However, if there is a need for a stated-funded enterprise to establish a strategic partnership or community with common interests with a specific investor, and the specific investor participates in a capital increase of the state-funded enterprise or its subsidiaries, the enterprise conducting the capital increase may apply for an exemption from the SASAC of the same level. This exemption allows such capital increase to be exempted from the procedure of disclosing information on and soliciting investors through the website of the Equity Exchange Centre, and thus, such capital increase could be on a non-public basis. As confirmed by our Directors, since the capital increase was a strategic partnership and cooperation with Zhejiang Shangfeng with specific transaction background, thus, subject to the SASAC's approval, Tongling Conch may apply for the above-mentioned exemption from SASAC of the People's Government of Anhui Province for conducting the capital increase on a non-public basis. Due to discrepancies on our understanding of policies and procedures, we have undertaken relevant approval procedures of Conch Holdings, including conducting audit, valuation, filing, and registration of industrial and commercial changes but failed to conduct the procedure of disclosing information on and soliciting investors through the website of the Equity Exchange Centre in respect of such transaction as required under the Measures for the Supervision and Administration of the Trading of State-Owned Assets of Enterprises 2016 (《企業國有資產交易監督管理辦法》(2016)). Our PRC Legal Advisers are of the view that, while the above-mentioned capital increase had not been conducted in accordance with the Procedures, such capital increase is a genuine expression of the intention of the relevant parties and such non-conformity with relevant procedures will not constitute a legal obstacle for the Listing, on the following bases: (a) Tongling Conch has undertaken the relevant internal procedures, including conducting audit and valuation; (b) Conch Holdings has issued a confirmation confirming, among other things, (i) the validity of such capital increase and (ii) the absence of any behaviour that prejudices the interests of any state-owned shareholders, or results in the loss of state-owned assets; (c) the SASAC of the People's Government of Anhui Province, as the competent authority, issued a confirmation letter confirming, that based on the information provided by Conch Holdings, the SASAC of the People's Government of Anhui Province was not aware of any behaviour that would result in the loss of state-owned assets so far; and (d) the SASAC of the People's Government of Anhui Province has not raised any objection to the validity of such capital increase, nor has it taken any punitive measures against the relevant parties. As at the Latest Practicable Date, the abovementioned capital increase has not been invalidated due to objections or orders from competent authority for rectification, therefore, the capital increase does not present any legal impediment against the Listing of our Company.

Immediately upon completion of the above transfer, the registered capital of Tongling Conch was increased to RMB30,000,000 and it was held as to 80% by our Predecessor Company and 20% by Zhejiang Shangfeng.

Other material details of abovementioned cooperation arrangement among our Predecessor Company and Zhejiang Shangfeng are set out below:

Capital contributions and percentage interests in Tongling Conch:	Our Predecessor Company: 80% Zhejiang Shangfeng: 20% Profits to be distributed based on the paid-in capital contributions by the parties
Pre-emption rights:	Both parties are entitled to pre-emption rights
Restriction on sales, assignment or transfer of interest in Tongling Conch:	Both parties shall not transfer the equity interests held in Tongling Conch to other third parties (other than their respective related companies) unless mutually agreed
Arrangement regarding the management of the business and operation:	Our Predecessor Company is entitled to appoint four directors and one supervisor, while Zhejiang Shangfeng is entitled to appoint one director and one supervisor (out of five directors and three supervisors, the remaining supervisor is an employee representative supervisor). Our Predecessor Company is also entitled to nominate the general manager and other senior management members for the approval by the board of directors

Supply arrangement:	Prior to the operation of Tongling Conch, the cement and concrete corporates under Zhejiang Shangfeng shall give priority to the operating subsidiaries of our Predecessor Company when procuring cement and concrete admixture products based on proximity Since the commencement of operation of Tongling Conch, the cement and concrete corporates under the related companies of our Predecessor Company in Anhui, Jiangsu and Jiangxi Provinces and the cement and concrete corporates under Zhejiang Shangfeng in Anhui Province shall use the cement and concrete admixture products provided by Tongling Conch. The cement and concrete corporates under Zhejiang Shangfeng outside Anhui Province shall procure cement and concrete admixture products provided from the subsidiaries of our Predecessor Company based on proximity
Termination:	The joint venture agreement could be terminated under any of these situations: (i) the agreement could not be executed due to force majeure events, resulting in the inability to perform the agreement; (ii) Tongling Conch could no longer operate; or (iii) mutual agreement
Others:	Zhejiang Shangfeng shall not develop nor be engaged in any business which competes with Tongling Conch in PRC

Guigang Conch

Guigang Conch was established as a limited liability company under the laws of the PRC on 14 August 2020. It is principally engaged in the R&D, production and sales of cement admixtures, concrete admixtures and polycarboxylic acid mother liquor.

TCC (Guigang) Cement Limited (台泥(貴港)水泥有限公司) ("**TCC Guigang**", an Independent Third Party, save for being a substantial shareholder of Guigang Conch and hence a connected person of our Company after the Listing) is an indirect wholly-owned subsidiary of Taiwan Cement Corporation (台灣水泥股份有限公司) (the shares of which are listed on the Taiwan Stock Exchange (stock code: 1101)), which is principally engaged in the production and sales of cement products. Leveraging the market advantage of TCC Guigang, on 8 August 2020, our Predecessor Company, TCC Guigang and TCC International Holdings Ltd. (台泥國際集團有限公司) ("**TCC International**", the indirect holding company of TCC Guigang) entered into a joint venture agreement, pursuant to which our Predecessor Company and TCC Guigang agreed to set up Guigang Conch with an initial registered capital of RMB24,000,000, which was held as to 60% by our Predecessor Company and 40% by TCC Guigang.

Other details of abovementioned joint venture arrangement among our Predecessor Company, TCC Guigang and TCC International are set out below:

Capital contributions and percentage interests in Guigang Conch:	Our Predecessor Company: 60% TCC Guigang: 40% Profits to be distributed based on the paid-in capital contributions by the parties
Pre-emption rights:	Both parties are entitled to pre-emption rights
Restriction on sales, assignment or transfer of interest in Guigang Conch:	Our Predecessor Company and TCC Guigang shall not transfer the equity interests held in Guigang Conch to other third parties (other than their respective related companies) unless mutually agreed
Arrangement regarding the management of the business and operation:	Our Predecessor Company is entitled to appoint three directors and one supervisor, while TCC Guigang is entitled to appoint two directors and one supervisor (out of five directors and three supervisors, the remaining supervisor is an employee representative supervisor). Our Predecessor Company is also entitled to nominate the general manager and other senior management members for the approval by the board of directors
Supply arrangement:	During the set up period of Guigang Conch, the companies under TCC International in Guangdong, Guangxi and Guizhou Provinces shall give priority to the subsidiaries of our Predecessor Company when procuring cement and concrete admixtures Since the commencement of operation of Guigang Conch, the related companies of our Predecessor Company and the cement corporates under TCC International in Guangdong, Guangxi and Guizhou Provinces shall only use the cement and concrete admixture products provided by Guigang Conch
Termination:	The joint venture agreement could be terminated under any of these situations: (i) the agreement could not be executed due to force majeure events, resulting in the inability to perform the agreement; (ii) Guigang Conch could no longer operate; or (iii) mutual agreement between our Predecessor Company and TCC Guigang

Others:	All parties shall not develop nor be engaged in any business which competes with that of Guigang Conch in Guangdong, Guangxi and Guizhou Provinces

MATERIAL ACQUISITION DURING THE TRACK RECORD PERIOD

Our Company has conducted the following acquisition during the Track Record Period.

Acquisition of Anhui Haicui

Anhui Haicui is a limited liability company established under the laws of the PRC on 13 August 2021. Immediately prior to the acquisition by our Company, Anhui Haicui was wholly-owned by Anhui Conch Formulation Engineering Technology Co., Ltd.* (安徽海螺製劑工程技術有限公司) ("**Anhui Formulation Engineering**"), a wholly-owned subsidiary of Conch Tech Innovation, one of our Controlling Shareholders.

Anhui Haicui is principally engaged in the production and sales of grinding aids for quality intelligent monitoring system. On 28 February 2023, Anhui Formulation Engineering and our Company entered into a share transfer agreement, pursuant to which Anhui Formulation Engineering transferred 100% equity interest in Anhui Haicui to our Company at a total consideration of RMB15,508,950.3, which was determined on arm's length negotiation with reference to the valuation of the total shareholders' equity of Anhui Haicui as at 31 October 2022 and was fully settled on 30 June 2023.

Immediately upon completion of the acquisition which was properly and legally completed and settled, Anhui Haicui became a direct wholly-owned subsidiary of our Company.

Huludao Haizhong

Huludao Haizhong is a limited liability company established under the laws of the PRC on 10 October 2022. It is principally engaged in the sales of cement and concrete admixtures. Immediately prior to the further acquisition of equity interest by our Company in 2023, Huludao Haizhong was a 51%-held subsidiary of our Company. The remaining equity interest was held as to 30% by North Cement Company Limited (北方水泥有限公司) ("**North Cement**") and 19% by Hainan Qingyuan Corporate Management Centre (Limited Partnership)* ("**Hainan Qingyuan**") (海南清源企業管理中心(有限合夥)), both being Independent Third Parties.

Due to the needs of fund of Hainan Qingyuan and for the purpose of capital realisation, on 31 July 2023, Hainan Qingyuan and our Company entered into a share transfer agreement, pursuant to which Hainan Qingyuan transferred 17% equity interest in Huludao Haizhong to our Company at a total consideration of RMB4,250,000, which was determined on arm's length negotiation with reference to the valuation of the total shareholders' equity of Huludao Haizhong as at 15 June 2023 and was fully settled on 5 September 2023.

Immediately upon completion of the acquisition, Huludao Haizhong was held as to 68% by our Company, 30 % by North Cement and 2% by Hainan Qingyuan.

None of the applicable percentage ratios as defined under the Listing Rules in respect of the acquisition of Anhui Haicui and Huludao Haizhong exceed 25% which would require disclosure pursuant to Rule 4.05A of the Listing Rules. Save as disclosed above, there has been no material disposals or mergers undertaken by our Group during the Track Record Period and up to the Latest Practicable Date.

DEREGISTRATION OF OUR SUBSIDIARY

Deregistration of Guizhou Conch

Guizhou Conch was established as a limited liability company under the laws of the PRC on 5 July 2013. Immediately prior to its deregistration, Guizhou Conch was a direct wholly-owned subsidiary of our Company and was principally engaged in the R&D, production and sales of cement admixtures.

For the purpose of strengthening corporate management and better overall resources planning in the sales of cement and concrete admixtures market in Guizhou, we deregistered Guizhou Conch on 23 November 2023. The business of Guizhou Conch had already been transferred to Guigang Conch Guizhou Branch. To the best information and knowledge of our Directors, and advised by our PRC Legal Advisers, Guizhou Conch was not involved in any pending material claims, litigations or administrative penalty in relation to non-compliances occurred during the Track Record Period and up to the date of its deregistration. In addition, our Directors confirm that the deregistration of Guizhou Conch had no material impact on our Group's financial performance, financial position and cash flows during the Track Record Period.

PRE-IPO INVESTMENTS

Overview

In 2023, we introduced six Pre-IPO Investors as our Shareholders pursuant to the Pre-IPO Investment Agreement, which subscribed for a total of 73,360,000 Shares. Details of the transactions of the Pre-IPO Investments are set out as follows:

Name of Investor	Date of agreement	Number of Shares subscribed	Amount of consideration/ capital paid	Date of payment in full	Approximate Cost per Share	Discount to the Offer Price *(Note 1, 2)*	Total % of shareholding in our Company immediately after the Global Offering
			(RMB)		*(RMB)*		*(%)*
Kegai Ceyuan LP	13 January 2023	18,070,000	49,976,199	17 January 2023	2.77	4.80%	N/A *(Note 3)*
CCB Financial Asset Investment	13 January 2023	17,290,000	47,818,953	17 January 2023	2.77	4.80%	2.98%
Anhui Huiyuan LP	13 January 2023	12,000,000	33,188,400	16 January 2023	2.77	4.80%	2.07%
Anhui Zhongan LP	13 January 2023	10,000,000	27,657,000	16 January 2023	2.77	4.80%	N/A *(Note 4)*
Wuhu Longmen LP	13 January 2023	8,000,000	22,125,600	16 January 2023	2.77	4.80%	1.38%
Wuhu Industrial Fund	13 January 2023	8,000,000	22,125,600	17 January 2023	2.77	4.80%	1.38%

Notes:

1. Assuming the Offer Price is fixed at HK$3.15, being the mid-point of the indicative Offer Price Range, and assuming no exercise of the Over-Allotment Option.

2. The discount to the Offer Price is calculated by comparing the approximate cost per Share paid by the Pre-IPO Investor and the Offer Price at the exchange rate of RMB0.92373 = HKD1.00.

3. Kegai Ceyuan LP ceased to be a Shareholder pursuant to the equity transfer agreement dated 16 August 2023. For details, see "Corporate Development of our Group — Significant shareholding changes of our Company and our principal subsidiaries — Our Company/Predecessor Company — 3. Pre-IPO Investment and divestment" above.

4. Anhui Zhongan LP ceased to be a Shareholder pursuant to the equity transfer agreement dated 16 October 2023. For details, see "Corporate Development of our Group — Significant shareholding changes of our Company and our principal subsidiaries — Our Company/Predecessor Company — 3. Pre-IPO Investment and divestment" above.

Below set forth further information about the Pre-IPO Investments:

Basis of determination of the relevant consideration:	The consideration was determined through bidding by the Pre-IPO Investors through the Equity Trading Centre of Anhui Province (a third party trading platform) with reference to the net asset value of our Company as at 31 May 2022
Use of Proceeds from the Pre-IPO Investments:	As at the Latest Practicable Date, all net proceeds from the Pre-IPO Investments had been utilised for general working capital and repayment of bank loans
Strategic benefits of Pre-IPO Investments brought to our Company:	Our then Directors were of the view that the Pre-IPO Investments had provided additional working capital to our Group and thereby enhanced the capital structure of our Group. Further, given that the Pre-IPO Investors are well-known corporations with significant expertise in investment and corporate management, our Group could also benefit from their advice for our continued growth as well as their support to our Group as an endorsement of our Group's position as a provider of cement admixture and concrete admixture with attractive growth potential
Lock-up	One year commencing from the Listing Date *(Note)*
Special rights of the Pre-IPO Investments	None

Note:

There is no lock-up period set out in the Pre-IPO Investment Agreement. Nonetheless, as advised by our PRC Legal Advisers, the Shares held by the Pre-IPO Investors are subject to a lock-up of one year commencing from the Listing Date under the relevant PRC laws and regulations.

Information of Pre-IPO Investors

To the best information and knowledge of our Directors, set out below are descriptions of the Pre-IPO investors as at the Latest Practicable Date.

Kegai Ceyuan LP

Kegai Ceyuan LP is a limited partnership established under the laws of the PRC on 6 July 2021, which is principally engaged in private equity fund investment.

Kegai Ceyuan is held as to approximately 0.07% by Guogai Technology Fund Management Limited Company* (國改科技基金管理有限公司) ("**Guogai Technology Fund**") (the general partner), and approximately 99.60% by Guogai Technology Fund Partnership (Limited Partnership)* (國改科技基金合夥企業(有限合夥)) (**"Guogai Technology Fund LP"**) and 0.33% by Hangzhou Xinchunhua Equity Investment Partnership (Limited Partnership)* (杭州新春華股權投資合夥企業(有限合夥)) ("**Hangzhou Xinchunhua LP**") (the limited partners). Guogai Technology Fund is a company established under the laws of the PRC on 31 December 2020, which is principally engaged in equity investment management and, to the best knowledge of our Directors, Guogai Technology Fund is ultimately controlled by the State Council of the PRC. To the best knowledge of our Directors, (i) Guogai Technology Fund LP is ultimately controlled by the State Council of the PRC; and (ii) Hangzhou Xinchunhua LP is ultimately controlled by Dai Yusi (戴育四), an Independent Third Party.

Kegai Ceyuan LP ceased to be a Shareholder on 16 August 2023. For details, see "Corporate Development of our Group — Significant shareholding changes of our Company and our principal subsidiaries — Our Company/Predecessor Company — 3. Pre-IPO Investment and divestment" above.

CCB Financial Asset Investment

CCB Financial Asset Investment is a limited liability company established under the laws of the PRC on 26 July 2017, which is principally engaged in non-banking financial activities. It is directly wholly-owned by China Construction Bank Corporation (中國建設銀行股份有限公司) (the shares of which are listed on the Shanghai Stock Exchange (stock code: 601939) and the Stock Exchange (stock code: 00939)), which is principally engaged in the provision of financial services, including corporate finance services, personal finance business and treasury and asset management business. To the best knowledge of our Directors, China Construction Bank Corporation is an Independent Third Party. CCB Financial Asset Investment has nominated Mr. Fan Haibin ("**Mr. Fan**") to our Board as a non-executive Director. For Mr. Fan's biography, see "Directors, Supervisors and Senior Management" in this prospectus.

Anhui Huiyuan LP

Anhui Huiyuan LP is a limited partnership established under the laws of the PRC on 8 August 2022, which is principally engaged in private equity fund investment and asset management.

Anhui Huiyuan is held as to approximately 16.67% by Guoyuan Equity Investment Co., Ltd. (國元股權投資有限公司) ("**Guoyuan Equity Investment**") (the general partner), and approximately 33.32% by Corporate Reform Development Fund of Anhui Province* (安徽省屬企業改革發展基金合夥企業(有限合夥)) ("**Anhui Corporate Reform Development Fund**"), 16.67% by Anhui Yuanjiang Industrial Development Investment Fund Partnership (Limited Partnership)* (安徽援疆產業發展投資基金合夥企業(有限合夥)) ("**Anhui Yuanjiang Fund**"), 16.67% by Wuhu High-Tech Industry Development Fund Co., Ltd.* (蕪湖高新產業發展基金有限公司) ("**Wuhu High-Tech Fund**") and 16.67% by Wuhu Jiangrui Investment Management Co., Ltd.* (蕪湖江瑞投資管理有限公司) ("**Wuhu Jiangrui**") (the limited partners). Guoyuan Equity Investment is a company established under the laws of the PRC on 18 August 2009, which is principally engaged in equity investments and, to the best knowledge of our Directors, Guoyuan Equity Investment is wholly-owned by Guoyuan Securities Co., Ltd. (國元證券股份有限公司), a company established under the laws of the PRC on 6 June 1997 (the shares of which are listed on the Shenzhen Stock Exchange (with stock code: 000728), which is in turn ultimately controlled by the SASAC of the People's Government of Anhui Province. To the best knowledge of our Directors, (i) Anhui Corporate Reform Development Fund is ultimately controlled by the SASAC of the People's Government of Anhui Province; (ii) Anhui Yuanjiang Fund is controlled by Guoyuan Equity Investment; (iii) Wuhu High-Tech Fund is ultimately controlled by the Management Committee of High-Tech Industrial Development Zone of Wuhu City; and (iv) Wuhu Jiangrui is ultimately controlled by the SASAC of Wuhu City.

Anhui Zhongan LP

Anhui Zhongan LP is a limited partnership established under the laws of the PRC on 29 June 2022, which is principally engaged in investment activities.

Anhui Zhongan LP is held as to approximately 1.00% by Anhui Wantou Taixin Start-up Investment Fund Management Co., Ltd.* (安徽皖投泰信創業投資基金管理有限公司) ("**Anhui Wantou Taixin**") (the general partner) and 49.00% by Jiaxing Taixinhengyuan Equity Investment Partnership (Limited Partnership)* (嘉興泰信珩源股權投資合夥企業(有限合夥)) ("**Jiaxing Taixin Hengyuan LP**"), 20.00% by Anhui Qudao Enterprise Management Consulting Co. Ltd* (安徽曲道企業管理諮詢有限公司) ("**Anhui Qudao**"), 10.00% by Quanjiao Chuangshi Private Equity Fund Management Co., Ltd.* (全椒創石私募股權基金管理有限公司) ("**Quanjiao Chuangshi**"), 10.00% by Anhui Huichuang Corporate Management Development Co., Ltd.* (安徽徽創企業管理發展有限公司) ("**Anhui Huichuang**"), 6.00% by Anhui Wuxing Corporate Management Co., Ltd.* (安徽五興企業管理有限公司) ("**Anhui Wuxing**") and 4.00% by Anhui Shencheng Investment Co., Ltd.* (安徽紳城投資有限公司) ("**Anhui Shencheng**") (the limited partners). Anhui Wantou Taixin is a company established under the laws of the PRC on 2 March 2021, which is principally engaged in investment fund management and, to the best knowledge of our Directors, Anhui Wantou Taixin is ultimately controlled by the SASAC of the People's Government of Anhui Province. To the best knowledge of our Directors, (i) Jiaxing Taixin Hengyuan LP is controlled by Anhui Wantou Taixin; (ii) Anhui Qudao is controlled by Zhang Rongzhen (張榮珍), an Independent Third Party; (iii) Quanjiao Chuangshi is ultimately controlled by the Finance Bureau of Quanjiao County; (iv) Anhui Huichuang is controlled by Zhu Hongdong (朱洪冬), an Independent Third Party; (v) Anhui Wuxing is ultimately controlled by Gong Jun (龔俊), an Independent Third Party; and (vi) Anhui Shencheng is controlled by Wang Xiaolin (王小林), an Independent Third Party.

Anhui Zhongan LP ceased to be a Shareholder on 16 October 2023. For details, see "Corporate Development of our Group — Significant shareholding changes of our Company and our principal subsidiaries — Our Company/Predecessor Company — 3. Pre-IPO Investment and Divestment" above.

Wuhu Industrial Fund

Wuhu Industrial Fund is a company established under the laws of the PRC on 16 June 2017, which is principally engaged in investment activities.

Wuhu Industrial Fund is wholly owned by Wuhu Yuanda Start-up Investment Co., Ltd.* (蕪湖遠大創業投資有限公司) ("**Wuhu Yuanda**"), a company established under the laws of the PRC on 23 April 2009 which is principally engaged in equity investment in High-Tech Industry. Wuhu Yuanda is ultimately controlled by the SASAC of Wuhu City.

Wuhu Longmen LP

Wuhu Longmen LP is a limited partnership established under the laws of the PRC on 23 August 2022, focusing on equity investment and asset management.

Wuhu Longmen LP is held as to approximately 1.00% by Wuhu Hongtai Zhixin Investment Co., Ltd.* (蕪湖市洪泰智信投資有限公司) ("**Wuhu Hongtai Zhixin**") (the general partner) and 24.00% by Wuhu Industrial Fund, 15.00% by Wuhu Jiangrui, 13.00% by Wuhu Fanchang Chungu Industrial Investment Fund Co., Ltd.* (蕪湖市繁昌春穀產業投資基金有限公司) ("**Wuhu Fanchang Chungu**"), 6.00% by Wuhu Yinhu Industrial Co., Ltd.* (蕪湖銀湖實業有限公司) ("**Wuhu Yinhu**"), 6.00% by Wuhu Xinwu Industrial Investment Fund Co., Ltd.* (蕪湖市新蕪產業投資基金有限公司) ("**New Wuhu Industrial Fund**"), 6.00% by Wuhu Jiuchuang Investment Fund Co., Ltd.* (蕪湖市鳩創投資基金有限公司) ("**Wuhu Jiuchuang Fund**"), 6.00% by Wuhu High-Tech Industry Development Fund Co., Ltd.* (蕪湖高新產業發展基金有限公司) ("**Wuhu High-Tech Fund**"), 5.00% by Wuhu Qianwan Group Co., Ltd.* (蕪湖前灣集團有限公司) ("**Wuhu Qianwan**"), 5.00% by Wuhu Sanshan Hongyuan Investment Guiding Fund Management Co., Ltd.* (蕪湖三山泓遠投資引導基金管理有限公司) ("**Wuhu Sanshan Hongyuan**"), 5.00% by Nanling Huier Investment Fund Co., Ltd.* (南陵惠爾投資基金有限公司) ("**Nanling Huier Fund**"), 4.00% by Wuhu Jinghu Zhenye Investment Fund Co., Ltd.* (蕪湖市鏡湖振業投資基金有限公司) ("**Wuhu Jinghu Zhenye Fund**") and 4.00% by Wuwei Industrial Guiding Investment Co., Ltd.* (無為市產業引導投資有限公司) ("**Wuwei Industrial Guiding Investment**") (the limited partners). Wuhu Hongtai Zhixin is a company established under the laws of the PRC on 14 March 2022, which is principally engaged in investment activities and, to the best knowledge of our Directors, Wuhu Hongtai Zhixin is ultimately controlled by Sheng Xitai (盛希泰), an Independent Third Party. To the best knowledge of our Directors, (i) Wuhu Fanchang Chungu is ultimately controlled by the SASAC of Fanchang District of Wuhu City; (ii) Wuhu Yinhu is ultimately controlled by the Management Committee of Economic and Technology Development Zone of Wuhu City; (iii) New Wuhu Industrial Fund is controlled by the Finance Bureau of Wanzhi District of Wuhu City; (iv) Wuhu Jiuchuang Fund is ultimately controlled by the SASAC of Jiujiang District of Wuhu City; (v) Wuhu High-Tech Fund is ultimately controlled by the Management Committee of High-Tech Industrial Development Zone of Wuhu City; (vi) Wuhu Qianwan is controlled by the Management Committee of Wanjiang Jiangbei Emerging Industrial Concentration Zone; (vii) Wuhu Sanshan Hongyuan is ultimately controlled by the Management Committee of Sanshan Economic Development Zone of Wuhu City (the Management Committee of Yangtze River Bridge Comprehensive Economic Development Zone of Wuhu City); (viii) Nanling Huier Fund is controlled by the SASAC of Nanling County; (ix) Wuhu Jinghu Zhenye Fund is controlled by the SASAC of Jinghu District; and (x) Wuwei Industrial Guiding Investment is ultimately controlled by SASAC of Wuwei City.

GENERAL

Our PRC Legal Advisers confirmed that, in relation to all the acquisitions and disposals mentioned in this section, as at the Latest Practicable Date, (i) all equity and share transfers had been legally completed and settled; (ii) all the provisions of the relevant PRC laws and regulation have been complied with in all material respects by our Group; and (iii) our Group had obtained all necessary approvals from the relevant authorities in the PRC under the relevant PRC laws and regulations.

Sole Sponsor's confirmation

On the basis that the consideration for the Pre-IPO Investment was settled more than 28 clear days before the date of our first submission of the listing application form, to the Listing Division of the Stock Exchange in relation to the Listing, the Sole Sponsor has confirmed that the Pre-IPO investments are in compliance with the Chapter 4.2 under the Guide for New Listing Applicants published by the Stock Exchange.

CAPITALISATION

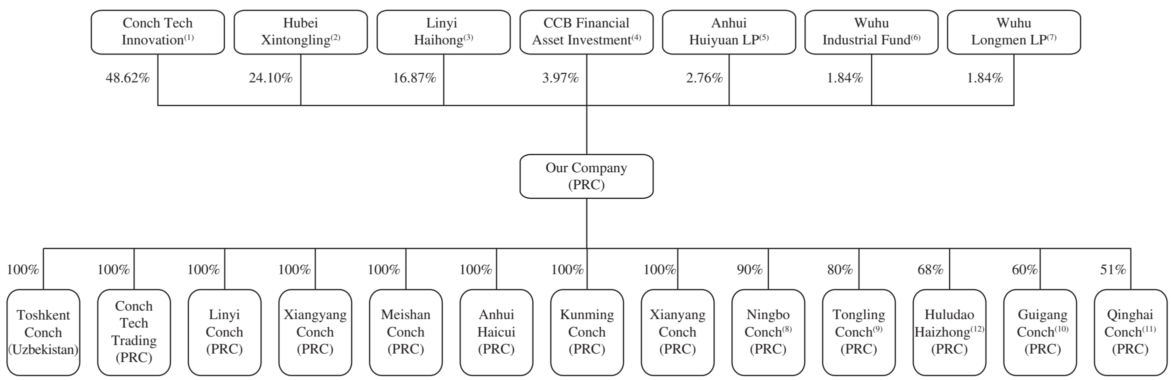
Our Company has applied for H-share full circulation to convert certain of the Unlisted Shares into H Shares as per the instructions of the relevant Shareholders. The conversion of Unlisted Shares into H Shares will involve an aggregate of 40,396,800 Unlisted Shares held by six existing Shareholders, representing approximately 6.97% of total issued Share capital of our Company upon completion of the conversion of Unlisted Shares into H Shares and the Global Offering (assuming no exercise of the Over-allotment Option). Save as disclosed in this prospectus and to the best knowledge of our Directors, we are not aware of the intention of any existing Shareholders to convert their Unlisted Shares. For further details, see "Share Capital" in this prospectus.

Public Float

Immediately upon the completion of the Global Offering and conversion of Unlisted Shares into H Shares (assuming the Over-allotment Option is not exercised), there will be 579,894,000 Shares in our total issued share capital. Since (i) Kegai Ceyuan LP and Anhui Zhongan LP have already ceased to be our Shareholders; (ii) Anhui Huiyuan LP and Wuhu Industrial Fund are, to the best knowledge of our Directors, ultimately controlled by the SASAC of the People's Government of Anhui Province and the SASAC of Wuhu City respectively as abovementioned, and hence they are close associates of these governmental bodies and our core connected persons; (iii) over 90% of the partnership interest of Wuhu Longmen LP, which are held by the limited partners, are directly or indirectly funded by the SASAC of Wuhu City or other governmental authorities in Anhui Province; and (iv) Conch Tech Innovation, Hubei Xintongling and Linyi Haihong are our Controlling Shareholder or substantial shareholders (as the case may be), and hence our core connected persons, the Shares of the aforementioned entities will not be counted towards the public float of our Company for the purpose of Rule 8.08 of the Listing Rules. As a result, an aggregate of 144,974,000 Shares, representing approximately 25.00% of our total issued Shares, will be counted towards the public float. As such, our Directors are of the view that our Company will be able to satisfy the public float requirement under Rule 8.08 of the Listing Rules.

OUR STRUCTURE IMMEDIATELY PRIOR TO THE GLOBAL OFFERING

The following chart sets forth our shareholding and group structure immediately prior to the Global Offering:



Notes:

1. As at the Latest Practicable Date, Conch Tech Innovation was wholly-owned by Conch Holdings, which was in turn held as to 51% by Anhui Investment Group and 49% by Wuhu Conch Venture, an Independent Third Party. Anhui Investment Group was wholly-owned by the SASAC of the People's Government of Anhui Province (安徽省人民政府國有資產監督管理委員會), while Wuhu Conch Venture was wholly-owned by China Conch Venture Holdings Limited (the shares of which are listed on the Stock Exchange (stock code: 586)).

2. As at the Latest Practicable Date, Hubei Xintongling was held as to 60% by Mr. Feng and 40% by Mr. Ming.

3. As at the Latest Practicable Date, Linyi Haihong was held as to 88% by Mr. Zhao and 12% by Mr. Chen Jun.

4. For the background of CCB Financial Asset Investment, see "Pre-IPO Investments — Information of Pre-IPO Investors — CCB Financial Asset Investment" above.

5. For the background of Anhui Huiyuan LP, see "Pre-IPO Investments — Information of Pre-IPO Investors — Anhui Huiyuan LP" above.

6. For the background of Wuhu Industrial Fund, see "Pre-IPO Investments — Information of Pre-IPO Investors — Wuhu Industrial Fund" above.

7. For the background of Wuhu Longmen LP, see "Pre-IPO Investments — Information of Pre-IPO Investors — Wuhu Longmen LP" above.

8. As at the Latest Practicable Date, Ningbo Conch was held as to 90% by our Company and 10% by Ningbo Industrial. Hence, Ningbo Industrial is a connected person of our Company by virtue of its equity interest held in Ningbo Conch.

9. As at the Latest Practicable Date, Tongling Conch was held as to 80% by our Company and 20% by Zhejiang Shangfeng. Hence, Zhejiang Shangfeng is a connected person of our Company by virtue of its equity interest held in Tongling Conch.

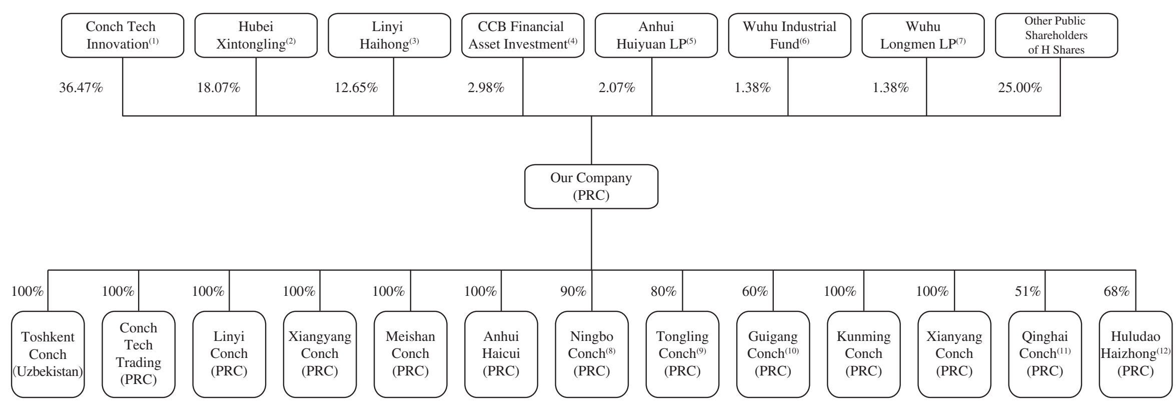
10. As at the Latest Practicable Date, (i) Guigang Conch had set up Guigang Conch Guizhou Branch to take up the business of Guizhou Conch after its deregistration; and (ii) Guigang Conch was held as to 60% by our Company and 40% by TCC Guigang. Hence, TCC Guigang is a connected person of our Company by virtue of its equity interest held in Guigang Conch.

11. As at the Latest Practicable Date, Qinghai Conch was held as to 51% by our Company and 49% by Qinghai Huzhu Jinyuan Cement Co., Ltd.* (青海互助金圓水泥有限公司). Based on the latest management accounts of Qinghai Conch, it is an insignificant subsidiary of our Company as defined under Rule 14A.09(1) of the Listing Rules. Hence, despite the fact that Qinghai Huzhu Jinyuan Cement Co., Ltd., is a substantial shareholder of Qinghai Conch, it is an Independent Third Party and not regarded as a connected person for the purpose of Chapter 14A of the Listing Rules.

12. As at the Latest Practicable Date, Huludao Haizhong was held as to 68% by our Company, 30% by North Cement and 2% by Hainan Qingyuan. Based on the latest management accounts of Huludao Haizhong, it is an insignificant subsidiary of our Company as defined under Rule 14A.09(1) of the Listing Rules. Hence, despite the fact that North Cement is a substantial shareholder of Huludao Haizhong, it is an Independent Third Party and not regarded as a connected person for the purpose of Chapter 14A of the Listing Rules.

OUR STRUCTURE IMMEDIATELY FOLLOWING TO THE GLOBAL OFFERING

The following chart sets forth our shareholding and group structure immediately following completion of the Global Offering (assuming no exercise of the Over-Allotment Option):



Notes:

1. See note (1) as set forth in "Our Structure Immediately Prior to the Global Offering" above.

2. See note (2) as set forth in "Our Structure Immediately Prior to the Global Offering" above.

3. See note (3) as set forth in "Our Structure Immediately Prior to the Global Offering" above.

4. See note (4) as set forth in "Our Structure Immediately Prior to the Global Offering" above.

5. See note (5) as set forth in "Our Structure Immediately Prior to the Global Offering" above.

6. See note (6) as set forth in "Our Structure Immediately Prior to the Global Offering" above.

7. See note (7) as set forth in "Our Structure Immediately Prior to the Global Offering" above.

8. See note (8) as set forth in "Our Structure Immediately Prior to the Global Offering" above.

9. See note (9) as set forth in "Our Structure Immediately Prior to the Global Offering" above.

10. See note (10) as set forth in "Our Structure Immediately Prior to the Global Offering" above.

11. See note (11) as set forth in "Our Structure Immediately Prior to the Global Offering" above.

12. See note (12) as set forth in "Our Structure Immediately Prior to the Global Offering" above.

BUSINESS OVERVIEW

We are a fine chemical materials supplier which produces and sells cement admixture (水泥外加劑), concrete admixture (混凝土外加劑) and their respective upstream raw materials. Leveraging our R&D endeavours and capabilities, we also provide technical support to our customers relating to the products provided by us. According to Frost & Sullivan, we ranked first in the PRC in terms of both sales volume and revenue of cement admixtures in FY2023, with a market share of approximately 28.3% and 32.3%, respectively (in particular, we ranked first in the PRC in terms of sales volume and revenue of cement grinding aids (水泥助磨劑)[1] in FY2023, with a market share of approximately 34.6% and 34.1%, respectively). Our sales volume of concrete admixtures accounted for approximately 0.8% of the total sales volume of concrete admixtures in the PRC in FY2023, whereas our revenue of concrete admixtures accounted for approximately 0.6% of the total revenue of concrete admixtures in the PRC in FY2023. Our sales volume of processed alcohol amines accounted for approximately 4.7% of the total sales volume of processed alcohol amines in the PRC in FY2023, whereas our revenue of processed alcohol amines accounted for approximately 3.9% of the total revenue of processed alcohol amines in the PRC in FY2023. Our sales volume of polyether monomers accounted for approximately 0.9% of the total sales volume of polyether monomers in the PRC in FY2023, whereas our revenue of polyether monomers accounted for approximately 1.0% of the total revenue of polyether monomers in the PRC in FY2023. We were established by Conch Holdings, a Fortune China 500 company that ranks the 135th in 2024, to explore the fine chemical materials market as a key enterprise with a full industrial spectrum of abilities to achieve energy conservation and efficiency improvement for the cement and concrete industry.

Our product portfolio covers cement admixture and concrete admixture and their respective raw materials. Our products mainly include (i) the various types of cement admixture and concrete admixture, (ii) the in-process intermediary of cement admixture, being alcohol amine, and (iii) the in-process intermediaries of concrete admixture, being polyether monomers and polycarboxylic acid mother liquor. Cement and concrete admixtures are applied in the production process of cement and concrete, to accelerate the production process, conserve energy consumption, reduce the volume of raw material used and enhance the cost efficiency of our customers' production. At the same time, our products help improve the quality, performance and product feature range of cement and concrete. In particular, our cement admixture can enhance the grindability of cement, and therefore can accelerate production efficiency and increase the production volume of cement. Our concrete admixture can reduce the amount of water applied in the production of concrete, and therefore can improve the quality of concrete by enhancing its stability and durability. For details of how admixture products achieve such results, see "Business — Products" in this prospectus. For FY2021, FY2022, FY2023 and 6M2024, our revenue derived from cement admixture and its respective in-process intermediaries was RMB1,449.6 million, RMB1,357.8 million, RMB1,427.7 million and RMB618.4 million respectively, accounting for 94.3%, 73.8%, 59.6% and 56.0% of our total revenue in the same year/period, respectively. For FY2021, FY2022, FY2023 and 6M2024, our revenue derived from concrete admixture

1 Cement grinding aids is a principal type of cement admixture. The production volume of cement grinding aids accounted for approximately 81.8% of total production volume of cement admixtures in the PRC in FY2023.

and its respective in-process intermediaries was RMB84.8 million, RMB460.4 million, RMB962.5 million and RMB482.7 million respectively, accounting for 5.5%, 25.1%, 40.2% and 43.7% of our total revenue in the same year/period, respectively.

We have a nationwide presence owing to our 11 production facilities located across the PRC. Our production facilities are each equipped with its own technical team and sales team. Our production facilities are located in Ningbo of Zhejiang Province, Linyi of Shandong Province, Guigang of Guangxi Zhuang Autonomous Region, Qiannan Buyi and Miao Autonomous Prefecture of Guizhou Province, Meishan of Sichuan Province, Tongling of Anhui Province, Xiangyang of Hubei Province, Xianyang of Shaanxi Province, Haidong of Qinghai Province, Kunming of Yunnan Province, and Huludao of Liaoning Province, and had a total GFA of 123,950.22 m^2 as at the Latest Practicable Date. Through strategically locating our production facilities near our major customers, we can better understand their needs and requirements, respond to their orders more quickly, and deliver products to them more efficiently and consistently, so as to improve their satisfaction with our products and strengthen our cooperation with them. As at 30 June 2024, our annualised maximum production capacity for cement admixture and its in-process intermediary was together approximately 1.1 million tonnes, and our annualised maximum production capacity for concrete admixture and its related in-process intermediaries was together 1.3 million tonnes. For FY2021, FY2022, FY2023 and 6M2024, our sales volume of cement admixture and its respective in-process intermediaries was approximately 0.3 million tonnes, 0.3 million tonnes, 0.3 million tonnes and 0.2 million tonnes respectively, and our sales volume of concrete admixture and its respective in-process intermediaries was 48.0 thousand tonnes, 139.0 thousand tonnes, 281.0 thousand tonnes and 152.2 thousand tonnes respectively.

Owing to our R&D efforts and capabilities, we are capable to provide customised products based on the needs and actual business conditions of our customers. Meanwhile, our R&D capabilities enable us to enhance our technologies and production process of synthesising the relevant raw materials to produce cement and concrete admixtures as well as diversify the functions of our finished products. We possess industry leading technology and production processes, specifically, synthesis and application of six-carbon polyether monomer. Our production technologies and processes, automated production system and information management system ensure that we can produce reliable and high-quality products. In order to sustain our business growth, our R&D efforts focus on developing new products and new applications and improving production and synthesis technologies so as to diversify our product portfolio and improve production efficiency. Our widely recognised R&D efforts have won us a number of awards and recognitions. In particular, among other awards, in 2019, our "Research and Industrialisation on Key Grinding Aids Technologies for the Resource Utilisation of Industrial Solid Waste" was awarded the second prize of Science and Technology Progress Award of Shandong Province issued by People's Government of Shandong Province* (山東省人民政府). As at the Latest Practicable Date, we were the registered owner of over 80 patents (including 68 inventive patents) which our Directors believe are material to our business operations and we were also in the process of application for over 20 patents in the PRC, which our Directors believe will be material to our business operation.

We have maintained stable relationships with our upstream and downstream business partners. During the Track Record Period, we have provided products to hundreds of customers, meanwhile we have established strategic cooperation with a number of customers. In particular, we are a long-term supplier of a number of entities with cement and concrete mixing plants, including Conch Cement Group, Gansu Shangfeng Cement Co., Ltd. (甘肅上峰水泥股份有限公司) (“**Gansu Shangfeng**”), Taiwan Cement Corporation (台灣水泥股份有限公司) (“**TCC**”) and Xintongling. In addition, we have the supply infrastructure to ensure environmentally-friendly transportation as well as stable supply of ethylene oxide by entering a pipeline agreement for a term of 12 years with a branch of a leading energy and chemical company in the PRC, pursuant to which we are supplied with ethylene oxide, one of our principal raw materials, through pipelines. The pipeline agreement specifies a minimum purchase volume of ethylene oxide, a basic price per tonne and the supplier’s obligation to maintain and manage the pipeline jointly.

In 2018, we had successively consolidated various assets and entities relating to the cement admixture business from Shandong Hongli, the then largest company in the cement admixture industry of PRC, and Xintongling, the then third largest company in the cement admixture industry of PRC. Leveraging their production technologies and their brand trademarks (in particular, “ ”), we entered the cement admixture industry and rapidly became China’s largest cement admixture supplier. As at 30 June 2024, we mainly sold our products under the brand trademarks of “CONCH” and “ ”, which our Directors believe have strong brand influence and are highly attractive to customers.

In the future, we plan to further expand our market share through expanding our geographical reach by increasing the number of our production facilities, conducting marketing initiatives, intensifying our R&D efforts, reinforcing our production infrastructure so as to achieve long-term sustainable development. We also intend to solidify our position in the industry in which we operate through strategic acquisitions or joint ventures with entities with viable business growth. Through these measures, we will continue to expand our business scope and strengthen our cooperation with international customers, with a view to becoming a leading fine chemical materials supplier focusing on providing materials that can improve the sustainability of construction practices at home and abroad.

OUR STRENGTHS

We believe that the following strengths contribute to our success and differentiate us from our competitors:

We are China’s leading cement admixture supplier integrating R&D, production, sales and technical support

We are China’s leading cement admixture supplier. According to Frost & Sullivan, we are China’s largest supplier of cement grinding aids; we ranked first in the PRC in terms of both sales volume and revenue of cement admixtures in FY2023, with a market share of approximately 28.3% and 32.3%, respectively (in particular, we ranked first in the PRC in terms of sales volume and revenue of cement grinding aids in FY2023, with a market share of approximately 34.6% and 34.1%, respectively). Our cement admixture products mainly consist of cement grinding aids and related intermediates (i.e., processed alcohol amine). Cement admixtures play an important role in cement manufacturing as it can reduce the energy consumption of cement production, reduce the production and procurement cost, improve the quality of cement, and also can improve the production capacity and efficiency of cement.

Particularly, cement grinding aids are mainly used to promote the dispersion of cement particles and improve the grindability of the material, making it easier to crush, so as to effectively prevent the agglomeration of cement particles and improve the grinding efficiency and liquidity of the final product. Our cement admixture products ultimately function to save energy, protect the environment and reduce carbon emissions arising from cement production.

According to Frost & Sullivan, due to a growing downstream demand for cement admixture owing to its energy conservation and emission reduction abilities, the global production volume of cement admixtures has been steadily increasing since 2019 at a CAGR of approximately 2.2%, and is expected to grow at a CAGR of approximately 3.6% from 2023 to 2028. China is the largest producer of cement admixture in the global market, and the production volume of China's cement admixture market has been slightly decreased since 2019 at a CAGR of approximately negative 0.8%, and is expected to grow at a CAGR of approximately 3.0% from 2023 to 2028. While the market size of China's cement production has shrunk from 2019 to 2023, specifically at a CAGR of -3.5%, our ability to expand our market share in the cement admixture market in the PRC remains relatively unaffected due to (i) market consolidation, (ii) our leading position in the cement admixture industry, and (iii) our business strategies, details of which are set out in "Our Future Strategy" in this section. According to Frost & Sullivan, owing to the fierce competition in the markets that we operate, smaller players will be phased out and the number of cement and concrete admixture manufacturers in the PRC has decreased at a CAGR of approximately -7.8% and -2.3% from 2018 to 2023. While there was an overall negative growth of the industry in the PRC due to economic downturn in real estate industry, resulting in a decrease in production volume and consumption volume of concrete admixtures, our Company was still able to record an increase in our sales volume as (i) our annual/half year production capacity for concrete admixture was expanded by the commencement of new production plants during the Track Record Period, which in turn expanded our Group's geographical coverage; (ii) our Group has been leveraging on our brand image and reputation to expand our customer base and build a stable relationship with our strategic customers, which allowed us to maintain a level of turnover growth during the Track Record Period, despite economic downturn in real estate industry; (iii) our Group adopted a competitive pricing strategy after taking into account of the requisite scale and product requirements of our existing and potential customers in order to maintain and expand our market share, while the average selling price of our industry peers remained relatively stable or slightly decreased during the Track Record Period, according to Frost & Sullivan; and (iv) our Group only started to engage in the business of production of concrete admixture in 2018 with a lower base of production capacity, which was relatively late in joining the industry as compared to our industry peers, and, thus has more room to grow. While our industry peers have engaged in the industry for a longer period of time with significantly higher production capacity and business scale than that of our Group, thus, they were more susceptible to the economic downturn in real estate industry in FY2023, according to Frost & Sullivan. Our Directors believe that the cement admixture and concrete admixture market in the PRC will continue to consolidate, with top players continuing to dominate and capture a substantial portion of the industry growth while smaller players with small production scale will gradually decrease in number on the basis that the leading players, such as ourselves, is able to keep up with the evolving and often stringent environmental requirements and will continue to (i) merge and acquire companies with admixture production functions and substantial customer base, (ii) extend our geographical coverage to reach new customers, and (iii) establish strategic relationships with various players within the current industry so as to align the interests of our customers with us.

As one of the leading cement admixture suppliers in the cement admixture industry in the PRC, we have extensive knowledge of cement admixture production technology, including alcohol amine synthesis technology, and cement admixture synthesis and application technology. We are well equipped with different types of production technologies and process of cement admixtures, such as the isopropanolamine production technology and the trolamine production technology. Such expertise allows us to produce various types of quality cement admixtures with different functions, hence diversifying our product portfolio available to our customers.

In addition, we have a nationwide presence through our 11 production facilities located in Ningbo of Zhejiang Province, Linyi of Shandong Province, Guigang of Guangxi Zhuang Autonomous Region, Qiannan Buyi and Miao Autonomous Prefecture of Guizhou Province, Meishan of Sichuan Province, Tongling of Anhui Province, Xiangyang of Hubei Province, Xianyang of Shaanxi Province, Haidong of Qinghai Province, Kunming of Yunnan Province and Huludao of Liaoning Province. Our extensive nationwide presence enables us to cover the PRC market and provide prompt and efficient product supply and support to meet the needs of our customers. Through strategically locating our production facilities near our key customers, we can better understand their needs and requirements, respond to their orders more rapidly, and deliver products to them more efficiently and effectively, so as to improve their satisfaction with our products, strengthen our cooperation relationship with them, and also effectively reduce our transportation costs. As at 30 June 2024, we owned 37 production lines of cement admixture and its in-process intermediaries with an annualised maximum production capacity of 1.1 million tonnes, demonstrating our leading production scale and production capacity.

As at the Latest Practicable Date, we had been awarded a number of awards and recognitions in cement admixtures, which we believe demonstrates our leading position in cement admixture industry in the PRC. The following table sets forth our notable awards and recognitions as at the Latest Practicable Date.

Award/Recognitions	**Awarding Institution/Authority**	**Award Year**
Scientific reform demonstration enterprise* (科改示範企業)	State Council State-owned Enterprise Reform Leading Group* (國務院國有企業改革領導小組)	2023
Scientific reform demonstration enterprise* (科改示範企業)	State Council State-owned Enterprise Reform Leading Group* (國務院國有企業改革領導小組)	2022

Award/Recognitions	Awarding Institution/Authority	Award Year
Second prize of Science and Technology Progress Award of Shandong Province* (山東省科學技術進步二等獎) for our "Research and Industrialisation on Key Grinding Aids Technologies for the Resource Utilisation of Industrial Solid Waste".	People's Government of Shandong Province* (山東省人民政府)	2019
A new product of Anhui Province* (安徽省新產品) for our "special admixture for high-alkali cement"	Anhui Provincial Department of Economy and Information Technology* (安徽省經濟和信息化廳)	2020
"Advanced Technology"* (先進技術) in the "Five-Hundred Energy Conservation and Environmental Protection Action of Anhui Province"* (安徽省節能環保五個一百) for our energy conservation and environment protection project	Anhui Provincial Department of Economy and Information Technology* (安徽省經濟和信息化廳)	2020
Third prize of China's Science and Technology Progress Award for Building Materials* (中國建築材料科技進步三等獎)	China Building Materials Foundation (中國建築材料聯合會) and Chinese Ceramic Society (中國硅酸鹽學會)	2020
Third prize of Science and Technology Progress Award* (科技進步三等獎) for our "Key Technology Development and Application Research of Cr(VI) Reduced Grinding Aids for Composite Cement" . . .	People's Government of Linyi City* (臨沂市人民政府)	2020
Second prize of Science and Technology Innovation Award of Huaihai City* (淮海科技創新二等獎) for our "Research and Industrialisation of Key Technologies for Functionally Controlled Cement Admixture" project.	Huaihai Science and Technology Award Committee* (淮海科學技術獎委員會)	2021
Vice president entity of the Cement Admixture Branch of China Cement Association* (中國水泥協會水泥外加劑分會副會長單位)	Cement Admixture Branch of China Cement Association* (中國水泥協會水泥外加劑分會)	2019
Excellent Supplier of the Cement Industry* (水泥行業優秀供應商)	China Cement Association (中國水泥協會)	2021

Award/Recognitions	Awarding Institution/Authority	Award Year
China's Top 100 Innovative Building Materials Enterprises in 2022* (2022中國創新建材企業100強)	China Building Materials Enterprise Management Association* (中國建築材料企業管理協會)	2022
China's Top 100 Building Materials Enterprises with the Most Growth Potential in China in 2022* (2022中國最具成長性建材企業100強)	China Building Materials Enterprise Management Association (中國建築材料企業管理協會)	2022
China's 2022 Harmonious Building Materials Enterprises* (2022中國和諧建材企業) . . .	China Building Materials Enterprise Management Association (中國建築材料企業管理協會)	2022

In addition, we had been invited to participate in the preparation of several national, industry and group standards for cement admixtures to promote the development of China's cement admixture industry and improve the product quality, including the national standard of "Safety Technical Specification for Concrete Admixtures", and the industry standards of "Ready-mixed Mortar" and "Test Method for Gas Permeability of Concrete". The establishment of these standards has played a significant role in promoting the development of China's cement admixture industry, and further ensures the safety and quality of relevant products.

Our advanced cement admixture production technologies, extensive network of production facilities across China, numerous awards and recognitions and experience in participating in establishment of national and industry standards relating to cement admixture have all demonstrated our strengths and influence in the cement admixture industry. In the future, we will continue to focus on solidifying our market position while expanding our market share by offering high-quality products to our customers. In conclusion, as China's leading cement admixture supplier, we believe that we are capable to solidify our market position and expand our market share in the domestic and international markets.

Our R&D effort contributes to our leading position in the industry in China

We have strategically implemented innovation-driven development strategy, and established an "enterprise-centred, demand-oriented, and industry-education-research deeply integrated" technological innovation system. With technological innovation as the core of our development, we have built a reliable technical team and R&D platform, and rely on our breakthroughs in core industry technologies to enhance our core competitiveness, maintain our leading position in the industry in China, and promote our industrial upgrading and sustainable development. As the cement and concrete industries in China as well as in the world are a large source of carbon emission, there is a large demand for products which can lower the carbon emission in the production and application of cement and concrete. To address market demand, we are committed to innovative activities which can render new types of cement and concrete admixtures that can better improve the sustainability of the cement and concrete industries.

The production of cement admixtures involves a variety of key technologies, including alcohol amine synthesis technology, and cement admixture compounding and application technology. The production of concrete admixtures involves the synthesis technology for polyether macromonomer, the synthesis, compounding and application technology for polycarboxylic acid water reducing agent, and other key production technologies. Currently, we have an extensive knowledge of production technologies for cement admixtures, and have also made progress in the production of concrete admixtures, such as the synthesis and production technology for six-carbon polyether macromonomer, a new type of raw material of polycarboxylic acid water reducing agent. Relying on our existing production technology, we provide a vast range of products to meet the needs of customers, including cement admixture and its in-process intermediary namely processed alcohol amine (醇胺產品), and concrete admixtures, and its in-process intermediaries namely polyether monomers (聚醚單體) and polycarboxylic acid mother liquor (聚羧酸母液). For details, see "Research and Development — The results of our R&D projects" in this section.

In addition, in order to protect our R&D achievements, we attach great importance to intellectual property protection and have established an independent intellectual property system. As at the Latest Practicable Date, we were the registered owner of over 80 patents (including 68 inventive patents) which our Directors believe are material to our business operations and we were also in the process of application for over 20 patents in the PRC, which our Directors believe will be material to our business operation.

As at 30 June 2024, we had 59 R&D employees, which form part of our technical team. Our technical team have rich experience in the R&D of cement admixtures and concrete admixtures.

We have established a technological innovation system with the technology centre of our headquarter as the core and supported by technology centres of our subsidiaries. Some of our technology centres have been accredited by the PRC government authorities. In particular, technology centre of Linyi Conch was recognised as "State-level Enterprise Technology Centre* (國家級企業技術中心)" by National Development and Reform Commission (國家發展改革委), and further recognised as "State-level Postdoctoral Technology Research Work Station* (國家級博士後科研工作站)" by Department of the Ministry of Human Resources and Social Security of the PRC* (中國人力資源和社會保障部). See "Business — Research and Development" for further details. During the Track Record Period, our R&D expenses amounted to RMB39.1 million, RMB39.9 million, RMB45.8 million and RMB29.4 million, respectively.

We have been working with Dalian University of Technology, and have successfully completed the R&D of MP300 series preparation technology in June 2022. Leveraging such R&D result, we have gained extensive knowledge of the production and application technology for a range of polyether monomers types, which further expands the product portfolio available to our customers. These technologies have been put into production at the Ningbo Production Plant since 2022.

Our R&D efforts and results are highly recognised and have won us a number of awards and recognitions. In December 2019, we were awarded the "Achievement Award for New Development of Cement Admixture Industry" and the "Scientific and Technological Innovation Award for Cement Admixtures" by China Cement Association. In April 2020, we were awarded the "Building Materials Science and Technology Award" by China Building Materials Federation and China Silicate Society for our research, development and application of special admixture for high-alkali cement. Our "grinding aids for high-efficiency composite cement" was recognised as a national key new product, a key recommended product in the cement industry of China, and a famous brand product of Shandong Province, and was also recognised as a China famous brand. See "Awards and Recognitions" below for further information.

We strive to attain environmentally friendly practices in our production and operation, and we have developed an energy-saving project and an energy storage project for the recovery and utilisation of intermittent reaction heat, which has effectively reduced the cost of electricity and was recognised as "Top 10 Typical Energy Conservation Cases" by the Ningbo Municipal Government. In order to protect the environment, ensure safe production and achieve sound economic and social benefits, we have adopted advanced technical measures and systematic management methods to improve the resource utilisation and minimise the production and emission of pollutants.

Leveraging our expertise in production, R&D capabilities and product portfolio in the cement admixture and concrete admixture industry, we believe that we are capable to further consolidate our position in the industry.

Our stable cooperation with upstream and downstream partners can effectively reduce production costs, ensure supply and achieve business growth

In order to achieve business growth, we have adopted numerous strategies to establish a stable cooperation with upstream and downstream partners with a view to ensuring a stable source of revenue while reducing our product costs and ensuring the supply of our raw materials.

As at 30 June 2024, we were engaged by over 700 customers. Some of our customers are leading companies in the cement or concrete industry, and we have maintained a solid and stable cooperative relationships with such customers. As at the Latest Practicable Date, we have established a strategic cooperation relationships with not less than ten companies, including, TCC, Zhejiang Shangfeng, and Jinyuan; pursuant to our agreements with these strategic customers for cement admixture, it is generally agreed that these customers will prioritise engaging us as their supplier. During the Track Record Period, we generated a revenue of RMB750.0 million from the group companies of customers with which we have established strategic relationships with, accounting for 10.9% of the cumulative revenue. In addition, relying on our excellent product quality and technical support as well as our nationwide presence, we have become a long-term supplier of a number of entities with cement and concrete mixing plants, including Conch Cement Group, Shangfeng, TCC, Xintongling, which have brought us stable business and sustainable revenue.

We were a company set up by Conch Holdings to explore the fine chemical materials industry. As one of the largest cement and building materials group companies in the world, Conch Holdings continues to be on the list of Fortune China 500 companies and ranks the 135th in 2024, with an operating revenue of US$30.6 billion for the year ended 31 December 2023. As at 31 December 2023, Conch Holdings had over 600 subsidiaries around the world, with total assets of over RMB300 billion. Conch Holdings controls and operates three listed companies, namely Conch Cement, Conch (Anhui) Energy Saving and Environment Protection New Material Co., Ltd. and China Conch Environment Protection Holdings Limited, and these listed companies operate businesses covering cement manufacturing, green building materials, intelligent manufacturing, new energy and new materials, energy conservation and environmental protection, and international trade. Conch Cement Group has been our largest customer for each year/period comprising the Track Record Period. We have a long standing relationship with Conch Cement, the first company in the cement industry which was listed in both the Hong Kong Stock Exchange and the Shanghai Stock Exchange. According to the list of world's top 2000 companies in 2023 as announced by Forbes, Conch Cement ranked the 539th, being the first in the global cement industry. According to the list of China's top 500 listed companies in 2023 as announced by Fortune China, Conch Cement ranked the 104th with an operating income of approximately RMB132 billion as at 31 December 2022. Capitalising the resources of Conch Cement Group and the long-term cooperation between us, we continuously enhance our market competitiveness and position in the fine chemical materials industry. We are committed to maintaining our reciprocal and complementary relationship with Conch Cement Group. Our cooperation with Conch Cement Group is based on the following principles:

Market expansion: Conch Cement Group has extensive channels and customer resources in domestic and overseas markets. We worked with Conch Cement Group to jointly expand the market and expand the sales scope and channel coverage of our products. Our cooperation with Conch Cement Group has better positioned us to expand into domestic and overseas markets and further expand our market share.

Reciprocity and mutual benefit: We have established a long-term and stable partnership with Conch Cement Group under the principle of reciprocity and mutual benefit. Our cooperation focuses on mutual support and shared growth to maximise the interests of both parties.

Leveraging our long-term cooperation with Conch Cement Group, we will secure complementary advantages in resources to enhance market competitiveness, and break new ground in cement admixture and concrete admixture building materials. For details, see "Customers, Sales and Marketing — Our relationship with our largest customer" in this section. We believe that our joint efforts will contribute to our sustainable development and long-term success.

In order to secure the cost advantage and a stable supply of raw materials, we entered into a pipeline agreement with a branch of a leading energy and chemical company, (which is a branch company of our largest supplier for each year during the Track Record Period, Supplier A) pursuant to which we purchased and were supplied ethylene oxide through pipeline to our Ningbo Production Plant. As the longest ethylene oxide transportation pipeline in the PRC, it can provide a stable, safe and environment-friendly supply. As ethylene oxide is an important raw materials, the cost of pipeline transportation is relatively low, which can reduce our costs and therefore can enhance our competitiveness. The transportation pipeline also provides us with a reliable logistics channel, reducing uncertainties and delays in the supply chain. Therefore, we can obtain the required raw materials more conveniently to ensure the timely implementation of our production plan. In addition, according to Frost & Sullivan, pipeline transportation will be a trend for the transportation of ethylene oxide in the future, which will further enhance our competitive advantage.

Through establishing a stable cooperation with upstream and downstream partners, we can ensure a stable supply of raw materials and therefore can provide high-quality products in a cost-effective and timely manner, which lays a solid foundation for the expansion of sales channels. This stable cooperation not only contributes to our business growth, but also enhances our influence and competitive advantage in the cement and concrete admixture industry. In the future, we will continue to strengthen our cooperation with upstream and downstream partners, continuously improve our products, and secure larger-scale business growth.

Our advanced and mature production technology and strict quality control procedures can meet the unique needs of our customers and ensure excellent product quality and reliable reputation

We have complete, mature and advanced production processes. We are committed to establishing an intelligent big data management platform relying on information technology to improve the quality of our production and operations. We have adopted the following methods for the automated operation of our production facilities, which can reduce labour input, enhance production efficiency and reduce energy consumption, thereby creating an infrastructure and foundation for future sustainable practices meeting the unique needs of our customers, and ensuring excellent product quality and reliable reputation. We have adopted the following measures to fully control our production processes and product quality:

- ***Production control.*** In order to ensure efficient and high-quality production, all of our production processes have adopted a reliable and technologically advanced distributed control system (DCS), a multi-level computer system composed of process control level and process monitoring level, connected by a communication network, generally used in medium or large-sized automation control places. We can monitor and control the entire production device through DCS, including the process control, process detection, data processing, metering management and operation monitoring of the entire device. Meantime, we have embedded the batch control function (Batch) and the recipe management function (RMS) based on ISA88.01 standards, which can maintain a safe and reliable operation of our instrumentation and control systems. Such technologies can ensure the efficient operation and reliability of our production processes. In addition, our production is generally automated and our production processes have been accredited with the certification of quality, environment, and occupational, health and safety systems as well as product quality. In the production process, our raw materials are transported through machine pumps, and the reactor weighing is interlocked with raw materials pumps and feed valves to ensure the accuracy of measurement, thereby securing a stable product quality and an efficient production. According to Frost & Sullivan, our control level is relatively advanced in comparison with companies similar to us in the cement admixture industry.

- ***Safety and environmental protection control.*** In order to ensure the safe operation of equipment and production and the safety of on-site personnel, we have also set up on site a gas detection system (GDS) and a safety instrument system (SIS) for flammable and toxic gases according to the distribution of equipment leakage sources, which can fully monitor the leakage of flammable and toxic gases and reinforce the safety and environmental protection management of our Company covering sensing, monitoring, early warning, treatment and evaluation.

- ***IT infrastructure.*** We have various information technology systems with functions such as production process monitoring, playback of history, trend analysis, alarm of abnormal information and integrated display. Relying on our information systems, we can conduct real-time monitoring and analysis of data from our production facilities, synchronise sales data with production plans, and use real-time data for inventory management. In order to supplement our advantage in IT application, we have adopted a 5G network in our Ningbo Production Plant which improves data collection, intelligent shipment, intelligent video analysis, intelligent inspection and personnel positioning; we can access more information intelligently without affecting our flexibility.

- ***Quality management.*** We attach great importance to the management of product quality, and have implemented the ISO9001 international quality management system standards and our internal risk prevention and control system to ensure our product quality. Our products also comply with GB/T26748-2011 and GB8076-2008 national standards. Since our establishment, there has not been any major product quality issue, product recall or similar circumstance, demonstrating our excellent product quality and reliable reputation.

In conclusion, relying on our strong strength in production technology as well as advanced production technology and management system, we are committed to providing high-quality products, maintaining safe production and prioritising sustainable practices to ensure economic efficiency and sustainable development. Our advanced production technology and excellent product quality enable us to meet the unique needs of our customers and maintain our leadership in the industry.

We have experienced management team with visionary leadership and excellent execution capabilities

Our management team as a whole have extensive experience and in-depth knowledge and insights in the cement admixture and concrete admixture industry. Mr. Ding Feng, our non-executive Director and Chairman responsible for our overall strategic planning and development, has over 20 years of experience in cement and admixtures industries in the PRC. Mr. Feng Fangbo, our non-executive Director primarily responsible for providing strategic advice to our business and operation, has over 20 years of experience in enterprise management in admixtures industries. Mr. Zhao Hongyi, our non-executive director also primarily responsible for providing strategic advice to our business and operation, has over 30 years of experience in the cement admixture industry. Mr. Zhao Hongyi has in-depth understanding of cement admixture technology as demonstrated by the various books and publications he published in relation to production techniques relating to cement admixture. Our management team includes highly experienced experts who have been serving in the cement admixture and concrete admixture industries for years as well as other experienced executives from different industries. Under the leadership of our management team, we have become the leading provider of cement admixture in the PRC.

We believe that the industry insights, dedication and management experience of our directors and senior management are conducive to the development of our business. Our management team has created a corporate culture to motivate our employees and attract high-quality talents to join us, which we believe is critical to our sustained success. For further information, see "Directors, Supervisors and Senior Management" of this prospectus.

OUR FUTURE STRATEGY

We plan to continue to increase our market share in the cement admixture and concrete admixture industry. To achieve our goals, we plan to adopt the following strategies:

Optimising our Group's production capacity, while effectively extending our geographical presence in the PRC and certain overseas countries to consolidate our position as one of the leading suppliers of fine chemical materials in the PRC

According to Frost & Sullivan, the global cement admixture market has been steadily growing and its production volume is expected to increase from 1,908.7 thousand tonnes in 2023 to 2,279.5 thousand tonnes in 2028, representing a CAGR of approximately 3.6%. In addition, according to Frost & Sullivan, the global concrete admixture market is significantly larger than the cement admixture market. Due to the recovery of the macro economy and the increase in infrastructure construction investment, the production volume of China's concrete admixture market is expected to increase to 18.6 million tonnes by 2028, representing a CAGR of approximately 2.9% from 2023 to 2028. As China is a main exporter of concrete admixture in the world, it is expected that China's export volume of concrete admixture will increase steadily to 477.4 thousand tonnes by 2028, representing a CAGR of approximately 6.6% from 2023 to 2028.

In light of the market opportunities in the concrete admixture market both globally and in China, while we aim to continue to increase our market share in the global cement admixture market in the future to take advantage of the aforementioned market opportunities, we also aim to increase our market share in the concrete admixture market. We believe that such twofold aim will help us become an internationally leading supplier of fine chemical materials. Specifically, we plan to take the following steps to expand our market coverage:

A. Through expanding our geographical reach through increasing the number of our production facilities

In respect of domestic market:

We have set up production facilities across the PRC with an underlying vision of establishing a nationwide presence. To solidify our nationwide presence, we will continue to extend the reach of our network across the PRC and densify our geographical coverage to eliminate blind market spots through the establishment of new production facilities. While our existing production facilities are not running close to its fullest possible utilisation, in order to further densify our geographical reach through establishing various numbers of facilities so as to integrate our resources with our customers' needs, enhance the flexibility of product supply to meet the various needs of our customers and expedite our turnaround time for product delivery to customers, which will help expand our regional market shares.

Currently, our production facilities extend to cover Eastern China, Central China, Southern China, Southwestern China, Northwestern China and Northeastern China. We believe that we need to further densify our presence in the Northeastern region of the PRC in order to capture growing demand for admixture products in areas which exhibit trends of urbanisation, such as Inner Mongolia. According to Frost & Sullivan, the consumption volume of cement admixtures in Inner Mongolia reached approximately 17.4 thousand tonnes in 2023, and is expected to reach approximately 23.0 thousand tonnes in 2028, representing a CAGR of 5.7% from 2023 to 2028, whilst the consumption volume of concrete admixtures in Inner Mongolia reached approximately 156.1 thousand tonnes in 2023, and is expected to reach approximately 190.5 thousand tonnes in 2028, representing a CAGR of 4.1% from 2023 to 2028. In order to further densify our coverage in Northeastern China so as to reach customers in Inner Mongolia, we have completed the construction of Huludao Production Plant. The existing production lines at Huludao Production Plant has been put into initial production in late May 2024, representing an additional annual permitted capacity of 30,000 tonnes of cement admixtures, 20,000 tonnes of concrete admixtures and 30,000 tonnes of polycarboxylic acid mother liquor at the Huludao Production Plant. As we plan to further strengthen our ability to reach customers in Inner Mongolia, we plan to further equip the Huludao Production Plant with new production equipment and/or production lines in the future.

Further to achieving geographical expansion, we believe that the establishment of production facilities across the PRC will allow us to achieve the following aims:

Reducing supply chain risks. The establishment of multiple production facilities will mitigate risks associated with supply chain disruptions. If one facility encounters issues such as equipment failure, natural disasters, or labour strikes, the other facilities can continue production, ensuring a consistent supply to customers.

Improved efficiency and responsiveness. Increasing the number of production facilities can enhance operational efficiency and responsiveness. By honing a large geographical coverage, we can reduce transportation costs, lead times, and improve customer service by being closer to the target markets. This can lead to higher customer satisfaction and potentially attract new customers.

Market proximity. Prior to our establishment of the Huludao Production Plant, we did not have any production plant in the Northeastern region of the PRC, despite having made sales to the surrounding regions. Having established an initial local presence, we can enhance our market proximity and better serve our existing customer base and be able to reach out to additional potential customers in the Northeastern region of the PRC and the neighboring areas. We believe that as our operations at the Huludao Production Plant matures, our initiatives there will lead to improved customer satisfaction and stronger relationships with our customers.

Further, Inner Mongolia presents significant potential business opportunities to us as mentioned above. By having a production plant in Liaoning province, we have strategically positioned ourselves to capture these opportunities more effectively, as the shorter distance between the Northeastern region and Inner Mongolia will enable us to streamline our supply chain, reduce transportation costs, and enhance our competitiveness in the region.

Increasing our permitted capacity. Although our overall utilisation rate as determined by our maximum designed production capacity is low, the utilisation rate of our certain production plants as determined by our permitted production capacity is generally quite high. In particular, our Linyi Production Plant exceeded the annual permitted capacity for the production of cement admixture (including processed alcohol amines) by 26.1% for FY2021. Our Xiangyang Production Plant exceeded the annual permitted capacity for the production of cement admixture by 323.0%, 46.0% and 30.0% for FY2021, FY2022 and FY2023, respectively, and exceeded the annual permitted capacity for the production of processed alcohol amines by 73.0%, 28.0% and 5.0% for FY2021, FY2022 and FY2023, respectively. Our Guigang Production Plant exceeded the annual permitted capacity for the production of cement admixture by 3.8% in FY2022 and 16.0% in FY2023. As such, the establishment of a new production plant will increase our permitted capacity and thereby increase the number of orders that we can take up without needing to apply for an increase of permitted capacity in some of our other production plants.

In respect of overseas market:

According to Frost & Sullivan, the global cement and concrete admixture market experienced and is expected to demonstrate in the future a stable development trend; in particular, developing countries such as Uzbekistan and Indonesia are expected to experience a growth in terms of demand of cement and concrete admixture. Due to the development of infrastructure construction and building construction industry in Uzbekistan and Indonesia, the demand for concrete and other building materials will continue to grow, which will in turn translate to demand for cement admixture products and concrete admixture products. The consumption volume of Uzbekistan's cement admixture market is expected to reach 7.7 thousand tonnes in 2028, representing a CAGR of approximately 6.2% from 2023 to 2028; whereas, the consumption volume of concrete admixture in Uzbekistan is expected to reach 181.6 thousand tonnes in 2028, representing a CAGR of approximately 6.1% from 2023 to 2028. The consumption volume of cement admixtures in Indonesia is expected to reach 38.6 thousand tonnes in 2028, representing a CAGR of approximately 4.5% from 2023 to 2028; whereas, the consumption volume of concrete admixtures in Indonesia is expected to reach 668.5 thousand tonnes in 2028, representing a CAGR of approximately 5.0% from 2023 to 2028.

We will take various measures to establish our presence in overseas markets, including Uzbekistan and Indonesia. Specifically, we plan to regularly visit potential customers in countries/cities in Central Asia and Southeast Asia which demonstrate an increasing demand for building materials to further understand opportunities and competitive landscape of local cement admixture and concrete admixture markets. We believe that with in-depth understanding of local markets gained through such visits, we will be able to better cater to local customers' needs and thereby increase our chances of a successful market expansion. Further to reaching out to potential customers in the Central Asia and Southeast Asia regions to gauge market opportunities, we have already identified some target customers in Uzbekistan and Indonesia through our sales activities. In this respect, we plan to establish facilities in Uzbekistan and Indonesia, which will provide a strong support for our expansion into these market. As at the Latest Practicable Date, we have established Toshkent Conch, in preparation of our expected operations in Uzbekistan. We believe that we will be able to break into the overseas market in Uzbekistan and Indonesia for the following reasons:

Competitive pricing. According to Frost & Sullivan, our pricing of products compared to the major providers of cement and concrete admixtures in Uzbekistan and Indonesia is relatively competitive. Leveraging our economies of scale (which will be further enhanced upon the establishment of overseas production facilities in these countries), we can provide quality products to our potential customers at a competitive price in these countries.

Quality products. We can provide quality products due to our mature production processes and our mature technological capabilities will allow us to meet the specific needs of cement and concrete manufacturers in Uzbekistan and Indonesia.

Mature production technique. By venturing into the overseas admixture market, we have the opportunity to capitalise on our expertise and mature production technique gained from our experiences in the PRC market.

Market landscape. According to Frost & Sullivan, the cement and concrete admixture needs of Uzbekistan and Indonesia are dominantly fulfilled by non-domestic suppliers. As we have the scale, experience, and capital comparable to such market players of the cement and concrete admixture of the Uzbekistan and Indonesia markets, we believe that we have the ability to break into these two markets and capture market share.

Suitable personnel. Our management team has personnel which has working experience in overseas country. Further, we have plans to sufficient local competent workforce in Uzbekistan and Indonesia where necessary so as to ensure that our day-to-day operations are carried out by local personnel which is familiar with the local landscape. We believe that we will be able to leverage our management's experience in Southeast Asia and avoid local blind spots through the engagement of local competent workforce.

Alignment with government initiatives. Our expansion into overseas markets aligns with the national "one belt and one road" (一帶一路) initiative. This initiative, supported by the PRC government, encourages Chinese enterprises to actively engage in global markets and invest in overseas projects. By venturing abroad, we not only demonstrate our commitment to supporting the national agenda but also advance our overall overseas development strategy.

To the best of the information and knowledge of our Directors, based on our market researches and communication with our potential overseas customers, including Uzbekistan, Taiwan, Turkey, Vietnam, Thailand, Colombia, Chile and Bolivia, our Directors estimated that there will be demand for our products in these regions.

Further, to support our expansion to overseas market, our Ningbo Conch has obtained a requisite export license in May 2024 to support our export sales for both admixture products and in-process intermediaries. We have also entered into a framework agreement with Anhui Tech Import & Export which is an experienced licensed import and export company for overseas sales and export services, to support a wider coverage of jurisdictions with cost efficiency. For details, see "Continuing Connected Transaction — Export Sales and Services Framework Agreement".

Owing to the aforementioned reasons, we believe that we can leverage our competitive strengths to break into the market in Uzbekistan and Indonesia and replicate our success in overseas countries, albeit our lack of previous physical presence in these countries.

Through establishing a number of facilities in China and abroad, we will further enhance our production capacity and lay a solid foundation for enhancing market share in the global cement admixture industry and concrete admixture industry. Shall we successfully capture the opportunities in both the cement admixture industry and concrete admixture industry in the world, we will become a leading fine chemical materials supplier in the world. We plan to use our net proceeds from the Global Offering to partially finance our further enhancement of production activities at the Huludao Production Plant in the PRC and overseas production plants in Uzbekistan and Indonesia. See "Future Plans and Use of Proceeds — Use of Proceeds" in this prospectus for further details.

B. Through marketing methods

In order to further increase our market share, we will reinforce our market promotion, and enhance our brand awareness and reputation through organising business meetings and we will strengthen the interaction and communication with our customers and enhance their participation and satisfaction, so as to further increase our brand influence and market share. In addition, we will increase our number of sales team employees so as to strengthen our cooperation with local dealers and promote our products to more markets through establishing stable distribution channels, so as to enhance our market share and brand awareness. We intend to provide such dealers with a full range of support and services, including marketing and guidance on after-sales service, which will help dealers increase their sales revenue and customer satisfaction.

The market supply and demand and competition landscape differ among different regions, and our products cover upstream and end products of amines and polyethers, whose phased market trends also differ among different product types. Therefore, in addition to the above measures, we will take differentiated and targeted regional marketing models according to actual regional conditions, and implement different and phased marketing strategies based on product types, so as to enhance the efficiency of marketing and empower the competitiveness of our products in the national market.

We plan to take the above measures to further enhance our market share and brand awareness, and lay a solid foundation for our sustainable development and long-term success in the cement and concrete admixture industry. We plan to use our net proceeds from the Global Offering to partially finance our implementation of marketing initiatives. See "Future Plans and Use of Proceeds — Use of Proceeds" in this prospectus for further details.

Consolidating our R&D capabilities and diversifying our product portfolio

We believe that R&D is the core driving force for the success of our business and crucial to the sustainability of our future developments. We will continue to strengthen our R&D capabilities through undertaking more R&D projects. We will continue to pay attention to the market needs and trends, and continuously improve our existing products based on the feedback of our customers, so as to enhance the performance and competitiveness of our products and meet the diversified needs of the market. At the same time, we will also intensify our efforts to develop new technologies so as to optimise our product portfolio and expand the available functions and application areas of our products, so as to launch more products that meet the market demand and further enhance our market share and reputation. To this end, we have specially formulated the Science and Technology Innovation Development Plan from 2023 to 2025, under which we set out relevant R&D goals which we plan to meet, the subject matter of which focuses on the applicability, functions and quality of finished products and intermediates of cement admixture and concrete admixture as well as the production technology of ethylene carbonate.

In particular, we plan to further our cooperation with Dalian University of Technology to develop high-efficiency catalytic technology for alkylene oxide (環氧烷烴高效催化技術), explore and undertake projects on technologies relating to the production of propylene oxide derivatives, and further enhance our general capabilities in respect of technological innovation.

Moreover, we plan to dedicate a portion of our R&D efforts to the development and commercialisation of ethylene carbonate, adding a new product to our product portfolio. Ethylene carbonate is a main component of the electrolyte solvent for new energy cells. The production of ethylene carbonate requires a large amount of ethylene oxide, which is a raw material for the production of our concrete admixtures. We plan to make full use of ethylene oxide as the raw material, and convert it into ethylene carbonate, which will be used as a main component of the electrolyte solvent for new energy cells. This will enable the efficient use of raw materials and reduce resource waste and environmental impact. In this regard, we will further enhance our Ningbo Production Plant capabilities so as to produce ethylene carbonate, in addition to cement admixtures, concrete admixtures and other in-process intermediaries. According to Frost & Sullivan, the consumption volume of ethylene carbonate in the PRC is anticipated to reach 1,005.9 thousand tonnes in 2028, with a CAGR of 27.7% from 2023 to 2028 due to (i) the favourable policies in place encouraging the growth of the PRC's new energy vehicle industry and energy storage industry and (ii) the rapid development of electrolyte solvent driven by the development of consumer demand for new energy vehicles, energy storage and electronics in recent years. According to the breakdown of China's ethylene carbonate output by downstream application areas in 2023, electrolyte solvent is the largest downstream application area of ethylene carbonate, accounting for approximately 80.9%. We target to provide ethylene carbonate to new energy cell manufacturers.

We believe that we are well-positioned and well-equipped to break into the ethylene carbonate market in the PRC and that doing so will further improve the sustainability of our business model for the following reasons:

1. While the current market for ethylene carbonate is relatively concentrated, according to Frost & Sullivan, manufacturers like our Group, with a large scale of capital, mature technology and steady supply of raw materials is likely to be able to enter into the market.

2. The production processes and machinery and equipment applied for the production of ethylene carbonate can be used for one of our existing products, polyether monomers, provided that the production technology may differ. Therefore, with some additional adjustments made, such production lines can be converted for the use of our polyether monomers production in the future shall we be unable to tap into the ethylene carbonate market in the PRC.

3. According to Frost & Sullivan, our peers in the polyether monomer market are also undertaking relevant initiatives to break into the ethylene carbonate market in the PRC; such trend is a result of the fact that polyether monomer and ethylene carbonate belong to ethylene oxide derivatives and ours peers, like us, wish to take advantage of the stable supply of raw materials of polyether monomer that are similar to that of ethylene carbonate to capture the emerging demand for ethylene carbonate.

4. We believe that through leveraging our reputation and brand name, we will be able to attract customers of ethylene carbonate despite our lack of track record in the industry.

5. Given our production scale and steady supply of requisite raw materials, we will be able to adopt a more flexible pricing strategy in order to offer new customers with competitive prices, which in turn will allow us to gain entry to the ethylene carbonate industry in the PRC.

Expanding our product portfolio to cover ethylene carbonate will allow us to create new business growth points in light of the anticipated growth potential of the ethylene carbonate market in the PRC. Meeting the needs of the new energy market is in line with our overall commitment to delivering environment-friendly products while creating a new source of revenue for us. This strategic measure, shall it be successfully implemented, will bring us long-term competitive advantages and sustainable business growth. We plan to use our net proceeds from the Global Offering to further invest in our R&D initiatives. See "Future Plans and Use of Proceeds — Use of Proceeds" in this prospectus for further details.

Strengthening environment-friendly production facilities, promoting the production efficiency and energy conservation and emission reduction, and achieving long-term sustainable development

The optimisation of environment-friendly production equipment is an important measure for our sustainable development, and will allow us to achieve a long-term sustainable development through promoting energy conservation and emission reduction and enhancing supply chain efficiency. We aim to effectively reduce environmental pollution, reduce energy consumption and enhance resource utilisation, thereby achieving our goal of sustainable development and improving our corporate image through the adoption of machinery and systems which can improve our operational efficiency and improve the extent of our impact on the environment.

By proactively adopting eco-friendly practices, we future-proof our operations and ensure the longevity and resilience of our business. Specifically, to lower the environmental impact of our production, we plan to construct exhaust gas absorption system and/or regenerative exhaust gas incinerator in our production facilities. As part of our production we emit gases such as SO_X, NMHC and nitrogen oxide which contribute to climate change. Gas absorption systems and/or regenerative exhaust gas incinerator can effectively reduce our emission levels.

Simultaneously, as our business continues to expand, we need to enhance our overall awareness of safety and environmental practices in order to achieve long-term sustainability. In this connection, we will engage third party experts for consultations (which may come in the forms of training for staff or reviews of our systems) so as to educate our staff or alert our management on points of possible improvement.

We also plan to further enhance our information technology management system to improve operational efficiency so as to optimise resource utilisation. Therefore, we plan to improve the extent of automation and digitalisation in our Group's production processes. Specifically, our Group will acquire financial data software and the development of an automation system for the enhanced automation extent of our production processes to enhance the automation and digitalisation for our operations. We believe that alongside our improved operational efficiency, we will be able to identify energy and cost saving opportunities, reduce wastage and provide more basis for our management to determine how our carbon footprint can be reduced. We plan to use our net proceeds from the Global Offering to partially finance the upgrade of the automation and digitalisation level of our production process and upgrade of our production infrastructure. See "Future Plans and Use of Proceeds — Use of Proceeds" in this prospectus for further details.

Conducting strategic acquisitions and establishing joint ventures to expand our industrial chain layout and enhance our competitiveness

In order to expand our market share, we plan to make strategic acquisitions or establish joint ventures. The target company shall create synergy effect with our business and be in line with our strategy. In particular, we are seeking for opportunities to acquire companies preferably with the following features or establish similar joint ventures:

— **Stable market position or market growth potential**: The target company has a sound market position and reputation in China's cement admixture industry or concrete admixture industry as well as a stable customer base and extensive sales channels. We will also consider upstream companies with stable growth potential, such as the capability to expand market share or extending our position on the value chain and meet the increasing needs of China's cement admixture or concrete admixture industries (including market penetration into second-tier and third-tier cities).

— **Technological strengths and R&D capabilities**: The target company has advanced technology and R&D capabilities, and is capable to conduct sustained innovation and develop admixture products with high added value. The target company shall have its own patents and other intellectual property rights.

— **Production and supply chain capabilities**: The production facilities of the target company are beneficial to the geographical coverage and efficient supply chain management of our Group. The target company has the resources and capabilities to expand our Group's geographical coverage into areas where our Group's operations are underdeveloped.

— **Quality control and compliance**: The target company has established standards and processes to ensure its product quality comply with relevant standards and regulatory requirements of the PRC.

— **Sound financial position**: The target company has a sound financial position and stable profitability. We would prioritise acquisition targets with more than RMB180 million of annual revenue and at least a net profit margin of 5%.

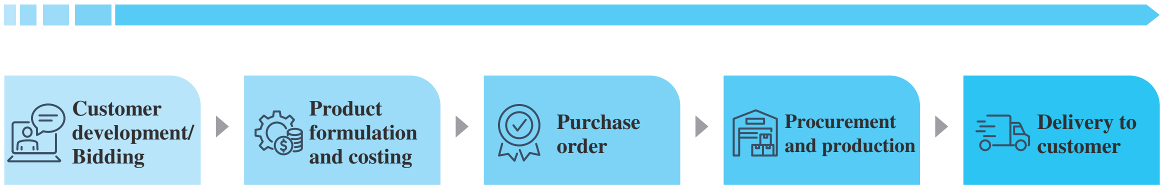
We believe that in-depth cooperation with our strategic partners will contribute to our long-term development. We plan to establish strategic win-win cooperation with high-quality companies in the industry based on the changes in the market and our own business developments. We plan to establish joint ventures with large cement or concrete companies. Through the establishment of a joint venture, we can share resources, technologies and market channels with them, further expand our production capacity of cement or concrete admixtures, and consolidate and strengthen our market position. Meantime, we can also reduce the production costs of our cement admixtures and concrete admixtures, and provide better products thus enhancing our market competitiveness. We plan to use our net proceeds from the Global Offering to partially finance the acquisition of companies or establishment of joint ventures. See "Future Plans and Use of Proceeds — Use of Proceeds" in this prospectus for further details.

BUSINESS MODEL

We are a fine chemical materials supplier which produces and sells cement admixture (水泥外加劑), concrete admixture (混凝土外加劑) and their respective upstream raw materials. We produce and sell the respective in-process intermediaries of cement admixture and concrete admixture namely processed alcohol amine, polyether monomers and polycarboxylic acid mother liquor.

During the Track Record Period, we sold our products mainly in the PRC. Our target customers mainly include manufacturers of cement and concrete which have their own cement and concrete mixing plants, manufacturers of cement and concrete admixtures and companies which trade our products. We strive to provide high-quality admixtures and in-process intermediaries that meet customers' evolving needs. We are also committed to R&D endeavours which will enable us to develop and manufacture products that further enhance range of onward application of our product portfolio, elevate the attributes of our products and reduce the environmental impact of our production process.

Our operation flow is set out as follows:



Customer development/Bidding

Members of our management team and sales team visit our target customers from time to time to gather their feedback on our products, strengthen our business relationship and to gauge for new opportunities. We try to gauge from these meetings whether there are any prospective business opportunities. From time to time, at these meetings, our customers will relay to us the type of products that they are seeking or place a purchase order with us. We will generally enter into a sales framework agreement with customers which we consider to have a good credit history and is of substantive scale, to set out the parties' intention to cooperate in the future, with some of these agreements setting out our customers' intended level of purchase and the price calculation method for products for a specified period.

We keep abreast of the latest market information on potential tenders and conduct research on suitable tenders, by keeping track of the published tender notices of our potential customers and reviewing the websites of the government authorities on which tender invitations are published. Having identified potential tenders, we will internally assess the feasibility of the tender requirements and conduct preliminary assessment on whether the potential tender is commercially viable, by taking into account factors, such as the volume of goods required, the term of supply, technical requirements, targeted profitability and the customer's profile. If we decide to proceed with the tender, we will request for or our customers will provide us with a tender package which specifies their requirements, including, among other things, the specifications, contact details and closing time of the tender. We will then submit the tender documents to bid for potential new contracts. We have been generally successful in our tender for provision of our products with a substantial portion of our revenue arising from tenders. If we are awarded the biddings by the customers, we generally will enter into a sales framework agreement with such customers, which sets out terms such as delivery location and the responsibilities of the parties. Some of these sales framework agreement will set out such customers' intended level of purchase and the price calculation method for products for a specified period.

For details relating to the sale framework agreement, see "Customers, Sales and Marketing — Principal terms of our sales framework agreement" in this section.

Product formulation and costing

Generally, our customers will have requirements regarding cement admixture and concrete admixture. Upon understanding our customers' specific requirements, our sales personnel will relay such details to our technical team. Upon receiving our customers' order requirements, our technical team will formulate a product which fits our customers' requirements. The technical team will perform various testing procedures, including testing from the visual, physical and chemical aspects, to ensure that our products meet the relevant requirements.

At the same time, our technical team, procurement team and finance team will together conduct a costing exercise, based on the raw materials utilised in the formulation, to determine the final price that is quoted to the customer. Such price, which is reflected in the purchase order to be subsequently signed and may be slightly different from the price we quote to the customer at bidding stage, takes into account the relevant pricing adjustments as part of the price calculation method set out in the sales framework agreement, (e.g. to the cost fluctuations of the principal raw materials). The price calculation method for products in the sales framework agreement serves as a guide to signal to customer the approximate cost of goods to be purchased from us.

For products that do not need to be specifically formulated (being in-process intermediaries, almost all of our admixture products require certain level of product formulation), customers will be given a quote for the product they wish to purchase at this stage, the quote of which shall be determined taking into account various factors such as the price of raw materials, transportation cost and the market prospects of the geographical area in which the customer operates in. Shall they find it agreeable, they will enter into a purchase order with us.

Purchase order

Our customer will then place orders with us by entering into purchase order which sets out details relating to the quantity of goods ordered, the unit price of the goods ordered and delivery terms. For each order, where the terms are not dictated by any sales framework agreement, our sales team liaises with our customers in advance to understand the types of products to be purchased, pricing, purchase quantity and payment terms. Shall we have entered into a sales framework agreement with such customers, the terms of the purchase order will follow those that are set out in the sale framework agreement.

Procurement and production

We source our raw materials for production of our products based on the demands of our production schedule which is dictated by our incoming orders. Occasionally, we will pre-purchase common raw materials used by us for inventory shall there be a season where such raw materials are being traded at a lower than normal price.

Our sales team prepares a monthly rolling sales record and our procurement team then devises and regularly updates the requirement plan for the raw materials for production of our products, respectively. Such plan is used by our procurement team to make purchase orders of the raw materials which are used in our production. Our supply chain management system enables us to capture real-time information relating to the inventory information, which allows to purchase the correct quantity of raw materials as required for the production of our products.

All the major production of our products are carried out at our 11 production facilities located across the PRC. Our production generally is done in large batches, with windows of downtime in between each batch of product for the purpose of adjusting the formulation for production and raw materials preparation, these windows normally last for less than an hour. We conduct quality checks at various stages from receipt of raw materials to finished products, to ensure that the production processes are carried out properly and there are no material defects which may affect the quality of our products.

Delivery

Depending on our agreement with our customers, we may need to arrange for the delivery of our products to the location designated by our customers through third party transportation companies. The customer may arrange for their own transportation arrangements regarding the products purchased with us. The cost of delivery is borne by us or the customers depending on the business terms which have been negotiated and agreed between us and our customers.

PRODUCTS

Our products mainly include (i) the various types of cement admixture and concrete admixture, (ii) the in-process intermediary of cement admixture, being alcohol amine, and (iii) the in-process intermediaries of concrete admixture, being polyether monomers and polycarboxylic acid mother liquor. Cement and concrete admixtures are applied in the production process of cement and concrete, to accelerate the production process, conserve energy consumption and enhance the cost efficiency of our customers' production. At the same time, our products help improve the quality, performance and product feature range of cement and concrete. The table below sets out the benefits that our cement and concrete admixtures bring to cement and concrete in terms of production volume, quality, performance and functionality, and energy consumption:

	Cement	Concrete
Production volume and energy consumption	Our cement admixture can enhance the grindability of cement by preventing the adhesion of cement and enhancing its fluidity in the grinding process, and therefore can accelerate the production efficiency and increase the production volume of cement. Our cement admixture can reduce the grinding energy consumption required in the production of cement by increasing its grindability.	Our concrete admixture can enhance the production process for concrete, as it reduces the amount of water applied in the production of concrete, and therefore can lower water consumption required.

	Cement	Concrete
Quality	Our cement admixture can improve the strength and fluidity of cement by enhancing its grindability, therefore can improve the quality of cement.	Our concrete admixture can improve the stability and durability of concrete by reducing the amount of water applied in the production of concrete, and therefore can improve the quality of concrete.
Performance and functionality	Our cement admixture can improve the strength and fluidity of cement, and therefore can facilitate the loading and unloading of cement and reduce the amount of cement left on the walls of cement tank. Improving the strength of cement refers to the ability of the cement to resist compressive loads. Specifically, grinding aids can improve the performance of cement by dispersing mineral powders in cement.	Our concrete admixture can increase the workability and fluidity of concrete, and therefore can make concrete more suitable for specific environmental conditions. Specifically, water-reducing admixtures can improve the dispersion state between concrete particles to smooth the surface of concrete particles and reduce friction and adhesion. In addition, certain types of our concrete admixture can either accelerate or decelerate the solidification process of concrete.
	For large engineering construction projects for bridges, rail transit, and nuclear plants, the strength and fluidity of cement and concrete will directly affect the durability and load-bearing capacity of the project. Therefore, high-performance grinding aids and water-reducing admixtures are widely used in these projects to improve project quality.	

Our products primarily include cement admixture and concrete admixture, and their respective in-process intermediaries namely processed alcohol amine, polyether monomers and polycarboxylic acid mother liquor. The table below sets out an analysis of our sales volume, average selling price, gross profit and gross profit margin and revenue by product types for the Track Record Period:

	FY2021						FY2022						FY2023						6M2023						6M2024					
	Revenue	% of total revenue	Sales volume	Average selling price (Note 5)	Gross profit	Gross profit margin	Revenue	% of total revenue	Sales volume	Average selling price (Note 5)	Gross profit	Gross profit margin	Revenue	% of total revenue	Sales volume	Average selling price (Note 5)	Gross profit	Gross profit margin	Revenue	% of total revenue	Sales volume	Average selling price (Note 5)	Gross profit	Gross profit margin	Revenue	% of total revenue	Sales volume	Average selling price (Note 5)	Gross profit	Gross profit margin
	RMB 'million	*%*	*Tonnes ('000)*	*RMB per tonne*	*RMB' million*	*%*	*RMB 'million*	*%*	*Tonnes ('000)*	*RMB per tonne*	*RMB' million*	*%*	*RMB 'million*	*%*	*Tonnes ('000)*	*RMB per tonne*	*RMB' million*	*%*	*RMB 'million (unaudited)*	*%*	*Tonnes ('000)*	*RMB per tonne*	*RMB' million (unaudited)*	*%*	*RMB 'million*	*%*	*Tonnes ('000)*	*RMB per tonne*	*RMB' million*	*%*
Cement admixture and in-process intermediaries																														
Cement admixture (水泥外加劑)	962.6	62.6	261	3,694.8	299.7	31.1	916.5	49.8	256	3,569.8	325.7	35.5	930.2	38.8	274	3,390.4	375.8	40.4	422.4	40.8	123	3,446.1	163.2	38.6	411.2	37.3	126	3,252.3	177.3	43.1
— Cement grinding aid (type 2)	733.6	47.7	231	3,181.7	233.8	31.9	693.5	37.7	224	3,092.6	247.7	35.7	748.4	31.2	245	3,050.0	307.1	41.0	329.8	31.8	108	3,064.4	130.6	39.6	333.8	30.3	113	2,955.3	144.5	43.3
— Cement grinding aid (type 1)	189.0	12.3	23	8,343.8	57.4	30.4	158.5	8.6	19	8,097.3	61.7	38.9	129.4	5.4	17	7,428.3	51.9	40.1	67.2	6.5	9	7,680.1	25.6	38.1	53.6	4.9	7	7,391.1	23.8	44.4
— Others (Note 3)	40.0	2.6	7	5,466.4	8.5	21.2	64.5	3.5	13	4,991.6	16.3	25.4	52.4	2.2	10	4,531.6	16.8	32.0	25.4	2.5	6	4,564.5	7.0	27.6	23.8	2.2	6	3,825.1	9.0	37.8
Processed alcohol amine (醇胺產品)	487.0	31.7	49	9,997.0	17.5	3.6	441.3	24.0	56	7,811.0	18.2	4.1	497.5	20.8	71	7,032.3	18.8	3.8	208.5	20.1	29	7,140.3	8.8	4.2	207.2	18.8	33	6,343.0	7.8	3.7
	1,449.6	94.3	310	4,687.6	317.2	21.9	1,357.8	73.8	312	4,334.7	343.9	25.3	1,427.7	59.6	345	4,137.0	394.6	27.6	630.9	60.9	152	4,156.9	172.0	27.3	618.4	56.0	159	3,887.0	185.1	29.9
Concrete admixture and in-process intermediaries																														
Concrete admixture (混凝土外加劑)	71.9	4.7	46	1,601.9	18.1	25.1	97.4	5.3	69	1,411.8	14.9	15.3	153.3	6.4	124	1,231.6	29.8	19.4	61.8	6.0	50	1,253.0	9.0	14.6	91.5	8.3	77	1,197.8	12.7	13.9
— Concrete water reducing admixture (type 2)	52.1	3.5	33	1,652.0	15.3	29.0	59.3	3.2	43	1,388.0	9.7	16.3	88.0	3.6	74	1,185.9	18.4	21.0	38.9	3.8	32	1,224.4	6.9	17.7	35.3	3.2	32	1,121.3	5.8	16.5
— Concrete water reducing admixture (type 1)	3.7	0.2	3	1,273.2	0.4	11.1	16.4	0.9	14	1,123.6	1.8	11.2	27.6	1.2	30	918.8	4.8	17.4	10.7	1.0	11	961.7	0.8	8.2	27.2	2.5	29	921.1	4.1	15.1
— Concrete water reducing admixture (type 3)	12.4	0.8	8	1,587.9	1.4	12.8	12.3	0.7	7	1,688.3	2.0	16.1	12.5	0.5	9	1,349.0	1.7	13.2	3.4	0.3	3	1,341.1	0.4	9.5	9.9	0.9	8	1,387.6	0.6	6.2
— Others (Note 4)	3.7	0.2	3	1,402.8	1.0	25.4	9.4	0.5	5	2,142.7	1.4	15.0	25.2	1.1	11	2,297.4	4.9	19.5	8.8	0.8	4	2,282.6	0.9	10.4	19.3	1.7	8	2,290.4	2.2	11.3
Polyether monomers (聚醚單體)	—	0.0	—	—	—	0.0	315.5	17.2	58	5,486.0	(9.0)	(2.9)	695.1	29.0	126	5,510.4	25.5	3.7	301.9	29.2	56	5,440.7	7.2	2.4	302.5	27.4	50	6,050.9	6.6	2.2
Polycarboxylic acid mother liquor (聚羧酸母液)	12.9	0.8	3	4,348.7	0.9	7.0	47.5	2.6	12	4,118.7	1.8	3.9	114.1	4.8	31	3,671.8	6.6	5.8	36.2	3.5	10	3,689.2	1.9	5.3	88.7	8.0	26	3,442.7	3.9	4.3
	84.8	5.5	49	1,772.2	19.0	22.4	460.4	25.1	139	3,335.4	7.7	1.7	962.5	40.2	281	3,417.0	61.9	6.4	399.9	38.6	116	3,474.8	18.1	4.5	482.7	43.7	153	3,171.6	23.2	4.8
Others (Note 1)	3.1	0.2	N/A (Note 2)	N/A (Note 2)	2.0	64.5	21.4	1.1	N/A (Note 2)	N/A (Note 2)	12.1	56.5	5.3	0.2	N/A (Note 2)	N/A (Note 2)	2.7	50.6	4.7	0.5	N/A (Note 2)	N/A (Note 2)	1.0	22.0	2.3	0.3	N/A (Note 2)	N/A (Note 2)	0.8	39.1
Total	1,537.5	100.0	359	4,297.1	338.2	22.0	1,839.6	100.0	451	4,029.1	363.7	19.8	2,395.5	100.0	626	3,813.4	459.2	19.2	1,035.5	100.0	267	3,862.7	191.1	18.5	1,103.4	100.0	311	3,538.9	209.1	19.0

Notes:

1. Others include the sale of raw materials and desulfurizer (脱硫劑) and grinding aids (耦合劑) sold by one of our operating subsidiaries, Anhui Haicui. Grinding aids are applied as a special additive designed for the intelligent testing of cement. Desulfurizer is a chemical used to remove sulfur from a material. Anhui Haicui did not generate revenue from desulfuriser after it was acquired by our Group.

2. Our Directors considered that sales volume and average selling price is of no reference value as sales of other products is incidental to our business rather than our major revenue stream.

3. Others mainly comprised other cement admixture of different concentration and different functions, including cement hexavalent chromium reducing agents, high-alkali cement special admixtures, raw meal additives and ore powder special admixtures. During the Track Record Period, no models in other products generated revenue over 4% of our total revenue. For the same models sold to related party customers and third party customers, the proportion to total sales volume was small. For different models sold to different customers, they carried different selling price and different gross profit margin.

4. Others mainly comprised other concrete admixture with different concentrated content level and different functions, including others include accelerating concrete admixtures, retarding concrete admixtures, plasticising concrete admixtures etc. During the Track Record Period, none of the other products generated revenue over 1.5% of our total revenue.

5. Average selling price is calculated by using revenue in absolute amount divided by sales volume in absolute amount.

Set out below is the brief description and photos of our principal products:

Product type	Main applications	Price range (tax-inclusive) during the Track Record Period	
Cement admixture	It is applied to cement for various purposes, such as promotion of the dispersion of cement particles, promoting the grindability of the material, preventing the agglomeration of cement particles and improving the grinding efficiency and liquidity of the cement to which it is applied.	Approximately RMB1,800 to RMB11,000 per tonne	
• **Cement grinding aid (type 1)**	It is of a concentration whereby three units of it can be applied to the production of 10,000 units of cement to enhance its grindability and therefore improve its performance.	Approximately RMB4,900 to RMB11,000 per tonne	
• **Cement grinding aid (type 2)**	It is of a concentration whereby one unit of it can be applied to the production of 1,000 units of cement to enhance its grindability and therefore improve its performance.	Approximately RMB2,000 to RMB6,500 per tonne	

Product type	Main applications	Price range (tax-inclusive) during the Track Record Period	
Processed alcohol amine	It is applied as to enhance the grinding function of cement and a strength agent in concrete.	Approximately RMB5,300 to RMB16,000 per tonne	
Concrete admixture	It is applied to concrete for various purposes, such as water reducing, plasticising and retarding.	Approximately RMB500 to RMB7,000 per tonne	
• **Concrete water reducing admixture (type 1)**	It contains concentrated content level of less than 10% and is applied in the production of concrete to reduce the water required therein to reduce grinding power consumption and improve cement performance.	Approximately RMB500 to RMB2,000 per tonne	
• **Concrete water reducing admixture (type 2)**	It contains concentrated content level of 10-15% and is applied in the production of concrete to reduce the water required therein to reduce grinding power consumption and improve cement performance.	Approximately RMB900 to RMB2,300 per tonne	
• **Concrete water reducing admixture (type 3)**	It contains concentrated content level of 15-20% and is applied in the production of concrete to reduce the water required therein to reduce grinding power consumption and improve cement performance.	Approximately RMB1,000 to RMB2,400 per tonne	
Polyether monomers	It is applied as the primary raw material of synthesis of polycarboxylic acid mother liquor.	Approximately RMB3,900 to RMB8,900 per tonne	

Product type	Main applications	Price range (tax-inclusive) during the Track Record Period	
Polycarboxylic acid mother liquor	It is applied as the primary raw material of concrete admixtures.	Approximately RMB2,900 to RMB6,500 per tonne	

Our cement admixture and concrete admixture products had a relatively wide price range during the Track Record Period primarily due to the fact under these two product types, we offered a wide spectrum of products with a varying scale of effective content; products that were more concentrated with effective content can deliver results with less product applied. Further, as one tonne of in-process intermediaries is applied for the onward production of a much larger amount of admixture product, which resulted in our in-process intermediaries being priced relatively higher than our admixture products during the Track Record Period. As our polyether monomers and polycarboxylic acid mother liquor are priced in accordance with its level of concentration and the products we offered had concentration at both ends of the spectrum during the Track Record Period, our price range for these products was also wide.

Our product mix of both cement and concrete admixtures and their respective in-process intermediaries allows us to (i) optimise our cost as producing our own in-process intermediaries will allow us to have better cost control over the costs involved in our production while giving us the option to sell whatever excess in-process intermediaries that are produced; (ii) diversify our revenue streams and reduce dependency on the cement and concrete admixtures demands; and (iii) extend our expertise to a wider spectrum of possible market players. As such, during the Track Record Period, we had established new production lines for the production of in-process intermediaries. During the Track Record Period, we also applied our self-produced in-process intermediaries in the production of cement admixtures and concrete admixtures. The following table set out the contributions of self-produced and purchased in-process intermediaries in the production of cement admixtures and concrete admixtures by volume during the Track Record Period:

	FY2021	FY2022	FY2023	6M2024
	%	%	%	%
As for the processed alcohol amine used in the production of cement admixtures				
Self-produced	100.0	100.0	100.0	100.0
Purchased	N/A	N/A	N/A	N/A
Total	**100.0**	**100.0**	**100.0**	**100.0**
As for the polyether monomers used in the production of concrete admixtures				
Self-produced	N/A	32.1	85.5	100.0
Purchased	100.0	67.9	14.5	N/A
Total	**100.0**	**100.0**	**100.0**	**100.0**
As for the polycarboxylic acid mother liquor used in the production of concrete admixtures				
Self-produced	93.9	99.5	100.0	100.0
Purchased	6.1	0.5	N/A	N/A
Total	**100.0**	**100.0**	**100.0**	**100.0**

During FY2021, we relied entirely on third-party suppliers for all our polyether monomer requirements, as we did not have self-production capabilities at the time. During FY2022, with the commencement of polyether monomer production at our Ningbo Production Plant in mid FY2022, we were able to self-produce certain amount of our polyether monomers, while we made procurement from third party suppliers. During FY2023, despite having matured production capacity for polyether monomers, our Guigang Production Plant, Tongling Production Plant and Meishan Production Plant occasionally procured a small quantity of polyether monomers from third-party suppliers on an ad hoc basis. For each year/period comprising the Track Record Period, we recorded 100.0%, 67.9%, 14.5% and nil of contribution from purchased polyether monomers in the production of concrete admixture respectively.

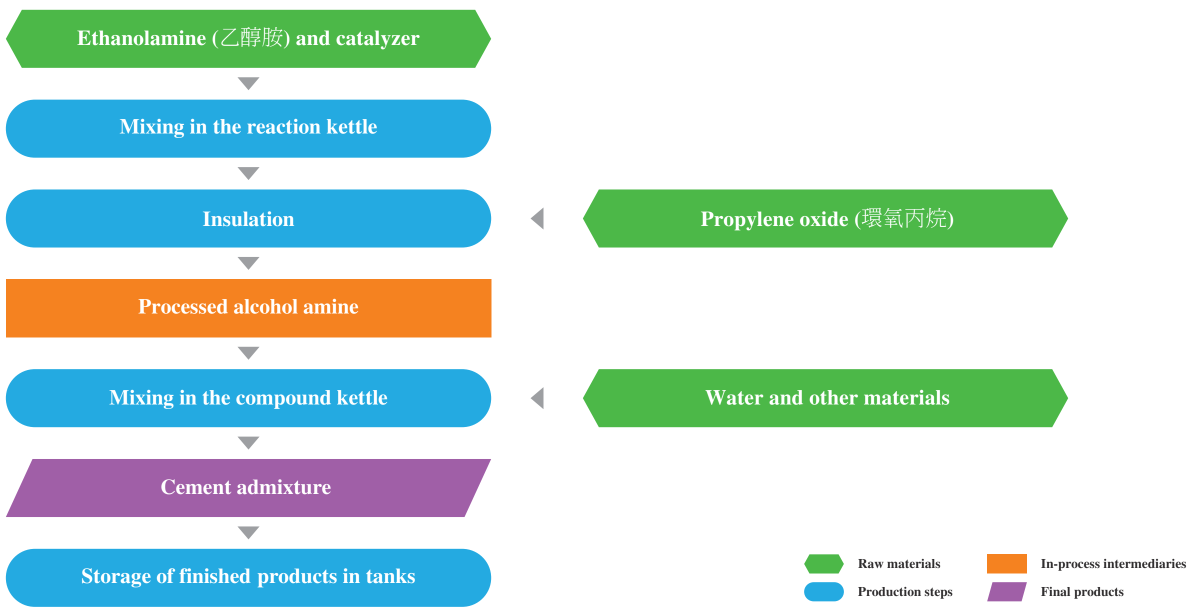
Whereas, as for polycarboxylic acid mother liquor, we generally relied on self-produced polycarboxylic acid mother liquor for our production during the Track Record Period; we will only purchase a limited amount of polycarboxylic acid mother liquor from third parties in certain occasions where our customers require ad hoc provision of polycarboxylic acid mother liquor and we are in shortage of the same. For each year/period comprising the Track Record Period, we recorded 6.1%, 0.5%, nil and nil of contribution from purchased polycarboxylic aid mother liquor in the production of concrete admixture respectively.

PRODUCTION

Our production processes

Cement admixture and its processed intermediary

The following diagramme illustrates the major production process of cement admixture and its processed intermediary, processed alcohol amine. The entire production process takes approximately from nine to 13.5 hours.



1. *Mixing in the reaction kettle*

Ethanolamine (such as monoethanolamine, diethanolamine and trolamine) and catalyzer are weighed according to the required ratio per the production formulation and fed into the reaction kettle for mixing.

2. *Insulation*

The resulting mixture from the reaction kettle will be fed into a container alongside propylene oxide which induces a chemical reaction. Thereafter, the mixture is insulated, after which, the mixture would become processed alcohol amine.

3. *Mixing in the compound kettle*

Processed alcohol amine is then further passed to the compound kettle for mixing. The processed alcohol amine is mixed with water and other raw materials such as salt, glycerol and polyol to create cement admixture.

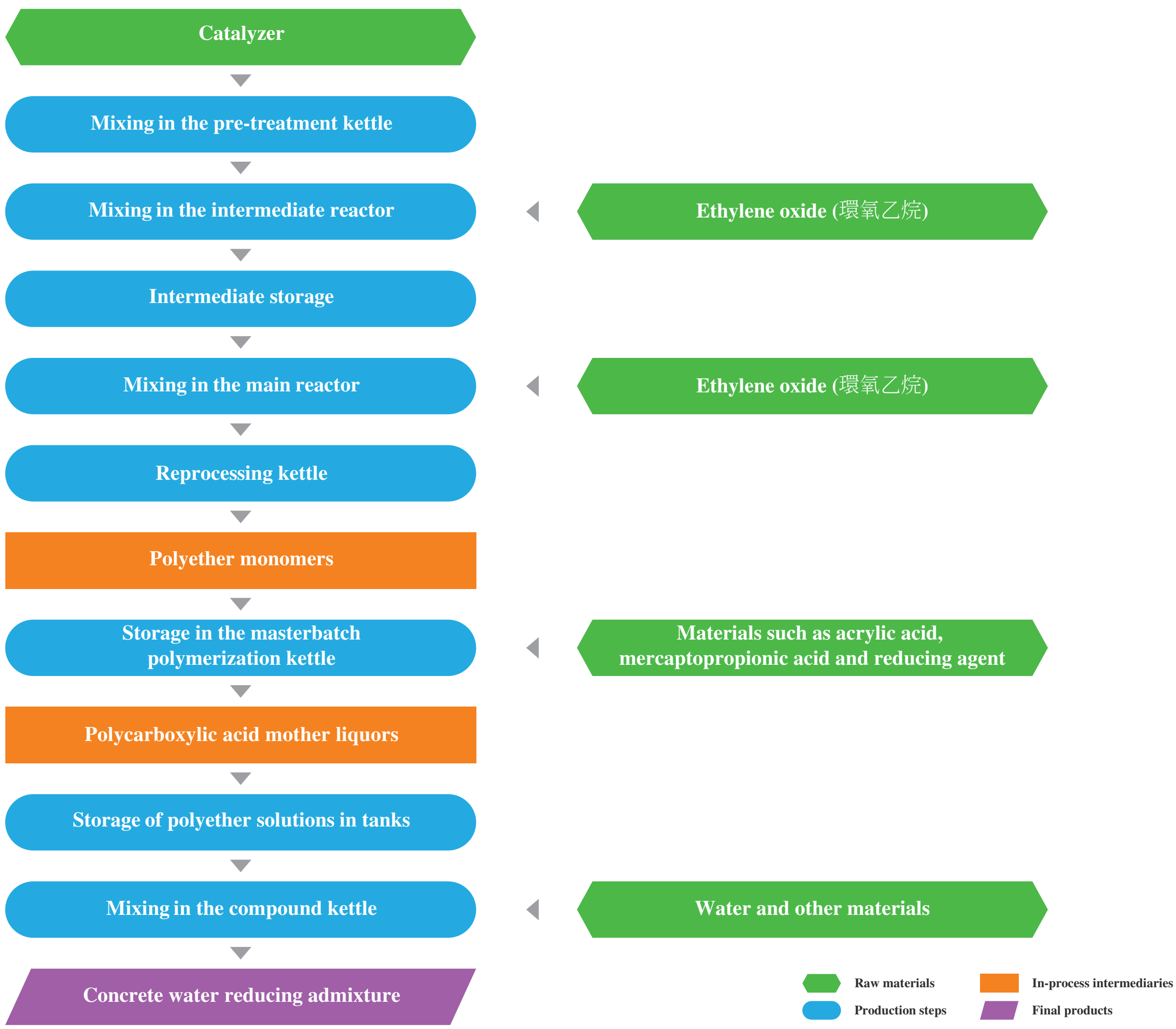
Some of the processed alcohol amine would be in-process intermediary that is sold to our customers.

4. *Storage of finished products in tanks*

Cement admixture is then kept in tanks in liquid form for storage awaiting delivery.

Concrete admixture and its processed intermediaries

The following diagramme illustrates the major production process of concrete admixture and its processed intermediaries, polyether monomers and polycarboxylic acid mother liquors. The entire production process takes approximately eight to 10.5 hours.



1. Creating various chemical reactions through different kettles

Ethylene oxide and catalyser are weighed according to the required ratio per the production formulation and fed into the pre-treatment kettle and intermediate reactor, respectively. Thereafter, the resulting chemical is stored in an intermediate storage tank. The resulting chemical will be mixed with more ethylene oxide in the main reactor and then moved into the reprocessing kettle. A series of chemical reactions are fostered through this process, creating polyether monomers. Some polyether monomers are sold to our customers as in-process intermediary.

2. Storage in the masterbatch polymerisation kettle

Polyether monomers are then stored in our masterbatch polymerisation kettle whereby acrylic acid, mercaptopropionic acid and reducing agent is added to the mixture. As a result, polycarboxylic acid mother liquors are created. Polycarboxylic acid mother liquors are then stored in tanks as liquid form for onward production or for onward sales to our customers as in-process intermediary.

3. Mixing in the compound kettle

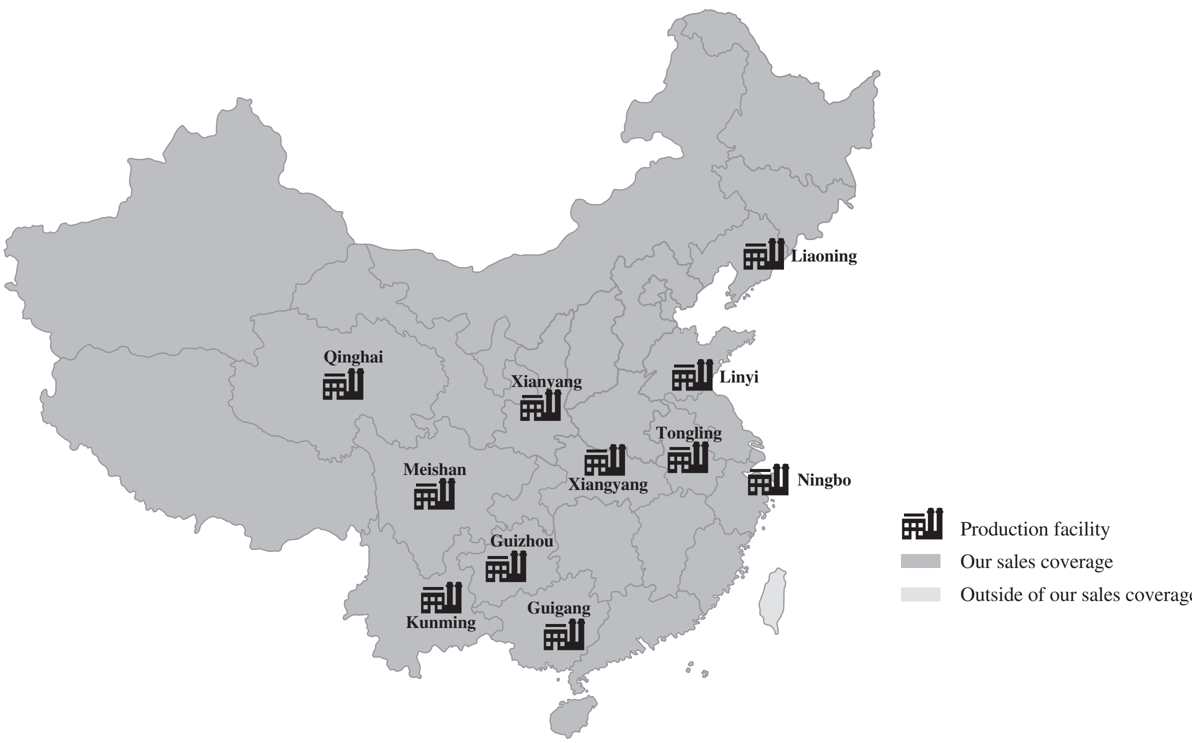
Polycarboxylic acid mother liquors are then further passed to the compound kettle for mixing. The polycarboxylic acid mother liquors are mixed with water and other raw materials such as sodium gluconate, air-entraining agent and antifoam agent to create concrete admixture.

4. Storage of finished products in tanks

If the concrete admixture is not immediately delivered after its production to customers, concrete admixture may be kept in tanks in liquid form for storage awaiting delivery.

Production facilities and capacities

Our procurement team, production team and sales team work closely to manage our production planning. We prepare production plans based on the number of orders on hand at the time, production capacity and the current inventory levels, as well as maintenance needs of our production facilities. Generally, we only accept customer orders if we expect that our customer's prescribed delivery time, which is negotiated by our sales and marketing staff with the customers in advance, can be met by our production plan. The map below sets out the locations of our various production facilities and our coverage of sales across the PRC during the Track Record Period.



The table below sets out details of our 11 production facilities as at the Latest Practicable Date:

No.	Name of production facility	Year of operations commencement	Location of production facility	Number of production lines	Product	Self-developed or acquired	Non-compliance/ Title defects	Production volume contribution during the Track Record Period							
								FY2021		FY2022		FY2023		6M2024	
								tonnes ('000)	*%*	*tonnes ('000)*	*%*	*tonnes ('000)*	*%*	*tonnes ('000)*	*%*
1	Ningbo Production Plant.	2022	Ningbo of Zhejiang Province	4	Cement admixture	Self-developed	N/A	—	—	44	8.4	52	7.3	23	6.2
				8	Processed alcohol amine			—	—	41	7.8	58	8.1	33	8.9
				6	Concrete admixture			—	—	14	2.7	22	3.1	13	3.5
				5	Polyether monomers			—	—	72	13.7	157	21.9	75	20.3
				16	Polycarboxylic acid mother liquor			—	—	5	1.0	25	3.5	23	6.2
								—	**—**	**176**	**33.6**	**314**	**43.8**	**167**	**45.1**

No.	Name of production facility	Year of operations commencement	Location of production facility	Number of production lines	Product	Self-developed or acquired	Non-compliance/ Title defects	Production volume contribution during the Track Record Period FY2021		FY2022		FY2023		6M2024	
								tonnes ('000)	*%*	*tonnes ('000)*	*%*	*tonnes ('000)*	*%*	*tonnes ('000)*	*%*
2	Linyi Production Plant.	2018	Linyi of Shandong Province	3	Cement admixture	Acquired	• Parts of our properties which make up the Linyi Production Plant were temporary structures during the Track Record Period. See "Legal Non-compliance and Proceedings — Non-compliance — 3. Commencement of production and/or construction of plant without construction permits" in this section for details. • During the Track Record Period, we exceeded the annual permitted capacity for the production of cement admixture (including processed alcohol amines) at the Linyi Production Plant. See "Legal Non-compliance and Proceedings — Non-compliance — 1. Exceeding the approved level of production" in this section for details.	97	23.8	33	6.3	32	4.5	16	4.3
				5	Processed alcohol amine			46	11.3	36	6.9	34	4.7	14	3.8
				1	Concrete admixture										
								143	**35.1**	**69**	**13.2**	**66**	**9.2**	**30**	**8.1**

No.	Name of production facility	Year of operations commencement	Location of production facility	Number of production lines	Product	Self-developed or acquired	Non-compliance/ Title defects	Production volume contribution during the Track Record Period							
								FY2021		FY2022		FY2023		6M2024	
								tonnes ('000)	%	*tonnes ('000)*	%	*tonnes ('000)*	%	*tonnes ('000)*	%
3	Guizhou Production Plant	2019	Qiannan Buyi and Miao Autonomous Prefecture of Guizhou Province	1	Cement admixture	Acquired	• The leased property of which our Guizhou Production Plant is situated is without building ownership certificate as at the Latest Practicable Date. See "Properties — Leased Properties — Leased properties with defective title" in this section for details. • During the Track Record Period, we exceeded the annual permitted capacity for the production of cement admixture at the Guizhou Production Plant. See "Legal Non-compliance and Proceedings — Non-compliance — 1. Exceeding the approved level of production" in this section for details. • Our production line at the Guizhou Production Plant has not completed the fire safety acceptance filing as at the Latest Practicable Date. See "Legal Non-compliance and Proceedings — Non-compliance — 4. Production lines and properties without fire safety acceptance filing or fire safety acceptance" in this section for details.	21	5.2	14	2.7	10	1.4	5	1.4
								21	5.2	14	2.7	10	1.4	5	1.4
4	Guigang Production Plant	2021	Guigang of Guangxi Zhuang Autonomous Region	2	Cement admixture	Self-developed	• During the Track Record Period, we exceeded the annual permitted capacity for the production of cement admixture at the Guigang Production Plant. See "Legal Non-compliance and Proceedings — Non-compliance — 1. Exceeding the approved level of production" in this section for details.	5	1.2	52	9.9	58	8.1	25	6.8
				4	Concrete admixture			0.05	0.0	4	0.8	10	1.4	10	2.7
				8	Polycarboxylic acid mother liquor			0.1	0.0	1	0.2	3	0.4	3	0.8
								5	**1.3**	**57**	**10.9**	**71**	**9.9**	**38**	**10.3**

No.	Name of production facility	Year of operations commencement	Location of production facility	Number of production lines	Product	Self-developed or acquired	Non-compliance/ Title defects	Production volume contribution during the Track Record Period							
								FY2021		FY2022		FY2023		6M2024	
								tonnes ('000)	%	*tonnes ('000)*	%	*tonnes ('000)*	%	*tonnes ('000)*	%
5	Meishan Production Plant.	2018	Meishan of Sichuan Province	2	Cement admixture	Acquired	• We have not obtained the fire safety acceptance filing for parts of our Meishan Production Plant as at the Latest Practicable Date. See "Legal Non-compliance and Proceedings — Non-compliance — 4. Production lines and properties without fire safety acceptance filing or fire safety acceptance" in this section for further details.	48	11.8	42	8.0	25	3.5	12	3.2
				2	Concrete admixture			36	8.8	29	5.5	40	5.6	18	4.9
				3	Polycarboxylic acid mother liquor			10	2.5	12	2.3	13	1.8	6	1.6
								94	**23.1**	**83**	**15.8**	**78**	**10.9**	**36**	**9.7**
6	Tongling Production Plant.	2021	Tongling of Anhui Province	2	Cement admixture	Self-developed	N/A	1	0.2	43	8.2	45	6.3	20	5.4
				4	Concrete admixture			0.3	0.1	7	1.3	15	2.1	11	3.0
				8	Polycarboxylic acid mother liquor			0.1	0.0	5	1.0	8	1.1	4	1.1
								1	**0.3**	**55**	**10.5**	**68**	**9.5**	**35**	**9.5**

No.	Name of production facility	Year of operations commencement	Location of production facility	Number of production lines	Product	Self-developed or acquired	Non-compliance/ Title defects	Production volume contribution during the Track Record Period							
								FY2021		FY2022		FY2023		6M2024	
								tonnes ('000)	%	*tonnes ('000)*	%	*tonnes ('000)*	%	*tonnes ('000)*	%
7	Xiangyang Production Plant.	2018	Xiangyang of Hubei Province	2	Cement admixture	Acquired	• During the Track Record Period, we exceeded the annual permitted capacity for the production of cement admixture at the Xiangyang Production Plant. See "Legal Non-compliance and Proceedings — Non-compliance — 1. Exceeding the approved level of production" in this section for details.	85	20.9	29	5.6	26	3.6	10	2.7
				3	Processed alcohol amine			51	12.5	30	5.7	25	3.5	10	2.7
				2	Concrete admixture			5	1.2	7	1.3	9	1.3	4	1.1
				2	Polycarboxylic acid mother liquor			2	0.5	3	0.6	5	0.7	2	0.5
								143	**35.1**	**69**	**13.2**	**65**	**9.1**	**26**	**7.0**
8	Xianyang Production Plant.	2022	Xianyang of Shaanxi Province	1	Cement admixture	Self-developed	N/A	—	—	0.2	0.0	13	1.8	7	1.9
				1	Concrete admixture			—	—	0.1	0.0	5	0.7	3	0.8
				4	Polycarboxylic acid mother liquor			—	—	0.1	0.0	2	0.3	2	0.5
								—	**—**	**0.4**	**0.1**	**20**	**2.8**	**12**	**3.2**

No.	Name of production facility	Year of operations commencement	Location of production facility	Number of production lines	Product	Self-developed or acquired	Non-compliance/ Title defects	Production volume contribution during the Track Record Period							
								FY2021		FY2022		FY2023		6M2024	
								tonnes ('000)	%	*tonnes ('000)*	%	*tonnes ('000)*	%	*tonnes ('000)*	%
9	Qinghai Production Plant.	2022	Haidong of Qinghai Province	1	Cement admixture	Self-developed	• We have not obtained the fire safety acceptance filing for our production lines at the Qinghai Production Plant as at the Latest Practicable Date. See "Legal Non-compliance and Proceedings — Non-compliance — 4. Production lines and properties without fire safety acceptance filing or fire safety acceptance" in this section for further details.	—	—	1	0.2	7	1.0	3	0.8
				1	Concrete admixture			—	—	0.1	0.0	1	0.1	0.2	0.1
								—	**—**	**1**	**0.2**	**8**	**1.1**	**3.2**	**0.9**
10	Kunming Production Plant.	2023	Kunming of Yunnan Province	2	Cement admixture	Self-developed	• During the Track Record Period, we commenced construction and production at the Kunming Production Plant without the relevant pollutant discharge permit, construction permits and acceptances. See "Legal non-compliance and proceedings — Non-compliance — 2. Production without the pollutant discharge permit", "Legal Non-compliance and Proceedings — Non-compliance — 3. Commencement of production and/or construction of plant without construction permits" and "Legal Non-compliance and Proceedings — Non-compliance — 4. Production lines and properties without fire safety acceptance filing or fire safety acceptance" in this section for further details.	—	—	—	—	8	1.1	6	1.6
				2	Concrete admixture			—	—	—	—	6	0.8	6	1.6
				4	Polycarboxylic acid mother liquor			—	—	—	—	3	0.4	4	1.1
								—	**—**	**—**	**—**	**17**	**2.4**	**16**	**4.3**
11	Huludao Production Plant.	2024	Huludao of Liaoning Province	1	Cement admixture	Self-developed	• During the Track Record Period, we commenced construction of the Huludao Production Plant without the relevant construction permits. See "Legal Non-compliance and Proceedings — Non-compliance — 3. Commencement of production and/or construction of plant without construction permits" in this section for further details.	—	—	—	—	—	—	1	0.3
				1	Concrete admixture			—	—	—	—	—	—	0.4	0.1
				1	Polycarboxylic acid mother liquor			—	—	—	—	—	—	0.1	0.0
								—	**—**	**—**	**—**	**—**	**—**	**1.5**	**0.4**
			Total number of production lines	**112**			**Total**	**407**	**100.0**	**524**	**100.0**	**717**	**100.0**	**369.7**	**100.0**

Major production equipment

We have made significant investments in our production machinery. As at the Latest Practicable Date, we own all the machinery used in our production and processing.

Our major machinery generally have useful lives of around 15 years, which may be extended with appropriate repairs and maintenance. Such useful lives are expected to be longer than the useful lives for our depreciation purpose according to the accounting policy. We believe that our machinery are maintained in good operating condition. We have implemented relevant procedures and guidelines in respect of the operation, management and maintenance of our machinery. We carry out periodic inspections, repairs and maintenance on our machinery. During the Track Record Period, we conduct inspections, maintenance and repairs of our production facilities no less than once a year. We estimate that the average remaining useful lives of our major machinery is 10.5 years as at the Latest Practicable Date. During the Track Record Period and up to the Latest Practicable Date, we did not experience any material or prolonged disruption to our production as a result of technical failure or shut-down of our machinery. The table below sets out information on our major machinery as at the Latest Practicable Date:

Type of machinery	Principal use	Quantity	Estimated useful life	Approximate average remaining useful lives
		(units)	*(years)*	*(years)*
Compound kettle	Mixing	44	15	8
Reaction kettle	Heating, cooling, mixing	16	15	6
Catalyzer configuration kettle	Mixing and heating	2	15	12
Pre-treatment kettle	Mixing and heating	2	15	12
Intermediate reactor	Mixing and heating	3	15	12
Main reactor	Heating and cooling	5	15	12
Reprocessing kettle	Compounding and neutralising	5	15	12
Polymerisation kettle	Heating, cooling, mixing	46	15	10
	Total:	123		

Average utilisation rate

The following table sets out our maximum annual/half year production capacity, actual production volume and utilisation rate by product type during the Track Record Period:

	FY2021			FY2022			FY2023			6M2024		
	Maximum annual production capacity(1)	Actual production volume	Utilisation rate(2)	Maximum annual production capacity(1)	Actual production volume	Utilisation rate(2)	Maximum annual production capacity(1)	Actual production volume	Utilisation rate(2)	Maximum half-year production capacity(1)	Actual production volume	Utilisation rate(2)
	tonnes ('000)	*tonnes ('000)*	%	*tonnes ('000)*	*tonnes ('000)*	%	*tonnes ('000)*	*tonnes ('000)*	%	*tonnes ('000)*	*tonnes ('000)*	%
Cement admixture	373	257	68.0	592	258	43.6	762	276	36.3	393	128	32.6
Processed alcohol amine	100	97	97.0	224	107	47.8	313	117	37.3	158	57	36.1
Concrete admixture	58	41	70.7	387	61	15.8	586	108	18.3	314	66	21.0
Polyether monomers	N/A	N/A	N/A	119	72	61.5	204	157	77.2	102	75	73.5
Polycarboxylic acid mother liquor	38	12	31.6	257	26	10.1	411	59	14.3	215	44	20.5

Notes:

(1) The maximum annual/half-year production capacity is calculated based on the maximum hourly output volume of our production lines multiplied by the respective hours worked per day and the days worked per year/period. The working hours for each day has already taken into account any downtime needed for the preparation of our production lines. The maximum hourly output volume of our production lines, the average among production facilities for working days and hours are set out below. The figures set out below are for reference only as the working days and hours among our production facilities differ facility to facility.

Year/Period	(A) Largest hourly output volume (assuming that it is operated at maximum capacity)	(B) Working hours for each day (being the average standard working hours across our different production facilities)	(C) Working days for each year/period (being the average working days across our different production facilities)
	(tonnes)		
Cement admixture			
FY2021	117.0	13	208
FY2022	172.4	14	236
FY2023	182.6	14	290
6M2024	209.0	13	139
Processed alcohol amine			
FY2021	20.9	16	300
FY2022	65.3	16	258
FY2023	65.3	16	300
6M2024	65.3	16	150
Concrete admixture			
FY2021	61.8	12	163
FY2022	119	13	218
FY2023	139.9	13	288
6M2024	148.2	12	136
Polyether monomers			
FY2021	N/A	N/A	N/A
FY2022	28.3	24	175
FY2023	28.3	24	300
6M2024	28.3	24	150
Polycarboxylic acid mother liquor			
FY2021	42.7	11	163
FY2022	97.3	12	238
FY2023	110.2	12	286
6M2024	112.5	13	134

During the Track Record Period, our maximum annual/half-year production capacity gradually increased as we established new production facilities in order to expand our geographical reach in the PRC. During the Track Record Period, the average working days for each year/period has experienced fluctuations due to the establishment of new production facilities within the year contributing to a decrease in number of average working days per year/period.

(2) The utilisation rate is calculated by dividing the actual production volume by the maximum annual/half-year production capacity and multiplied by 100%.

During the Track Record Period, our actual production volume of our Linyi Production Plant, Xiangyang Production Plant and Guigang Production Plant has exceeded its approved annual production volume. See "Legal Non-compliance and Proceedings — Non-compliance" for further details. Although some of our production facilities have individually exceeded its permitted level of production for certain products, the overall utilisation rate for our production facilities was still relatively low and demonstrated a general decreasing trend throughout the Track Record Period; this is owing to the facts that (i) we had been increasing our number of production facilities throughout the Track Record Period in order to produce new products and to extend our geographical coverage in the PRC and (ii) the maximum production capacities of each production facility is generally larger than that of the permitted usage as the maximum production capacity operates on the assumption that the relevant machinery is performing at its maximum capacity and the facility is operating at the maximum number of workable hours per day/days per year, whereas, the permitted usage is usually granted with reference to the expected volume of products to be produced by the relevant production facility.

By production plant

The following tables set out our maximum annual/half year production capacity and the utilisation rates by production plant during the Track Record Period:

Ningbo Production Plant

	FY2021			FY2022			FY2023			6M2024		
	Maximum annual production capacity(1)	Actual production volume	Utilisation rate(2)	Maximum annual production capacity(1)	Actual production volume	Utilisation rate(2)	Maximum annual production capacity(1)	Actual production volume	Utilisation rate(2)	Maximum half-year production capacity(1)	Actual production volume	Utilisation rate(2)
	tonnes ('000)	*tonnes ('000)*	*%*	*tonnes ('000)*	*tonnes ('000)*	*%*	*tonnes ('000)*	*tonnes ('000)*	*%*	*tonnes ('000)*	*tonnes ('000)*	*%*
Cement admixture	–	–	–	115	44	38.3	197	52	26.4	99	23	23.2
Processed alcohol amine	–	–	–	124	41	33.1	213	58	27.2	107	33	30.8
Concrete admixture	–	–	–	117	14	12.0	201	22	10.9	101	13	12.9
Polyether monomers	–	–	–	119	72	60.5	204	157	77.0	102	75	73.5
Polycarboxylic acid mother liquor	–	–	–	117	5	4.3	201	25	12.4	101	23	22.8

Notes:

(1) The maximum annual/half year production capacity is calculated based on the maximum hourly output volume of the production lines (being 41 tonnes for cement admixture, 44 tonnes for processed alcohol amine, 42 tonnes for concrete admixture, 28 tonnes for polyether monomers and 42 tonnes for polycarboxylic acid mother liquor) multiplied by the respective hours worked per day (being 18 hours for FY2022, FY2023 and 6M2024) and the days worked per year/period (being 175 days for FY2022, 300 days for FY2023 and 150 days for 6M2024).

(2) The utilisation rate is calculated by dividing the actual production volume by the maximum annual/half year production capacity and multiplied by 100%.

Linyi Production Plant

	FY2021			FY2022			FY2023			6M2024		
	Maximum annual production capacity(1)	Actual production volume	Utilisation rate(2)	Maximum annual production capacity(1)	Actual production volume	Utilisation rate(2)	Maximum annual production capacity(1)	Actual production volume	Utilisation rate(2)	Maximum half-year production capacity(1)	Actual production volume	Utilisation rate(2)
	tonnes ('000)	*tonnes ('000)*	*%*	*tonnes ('000)*	*tonnes ('000)*	*%*	*tonnes ('000)*	*tonnes ('000)*	*%*	*tonnes ('000)*	*tonnes ('000)*	*%*
Cement admixture	148	97	65.5	148	33	22.3	148	32	21.6	74	16	21.6
Processed alcohol amine	41	46	112.2	41	36	87.8	41	34	82.9	21	14	66.7

Notes:

(1) The maximum annual/half-year production capacity is calculated based on the maximum hourly output volume of the production lines (being 31 tonnes for cement admixture and 9 tonnes for processed alcohol amine) multiplied by the respective hours worked per day (being 16 hours for each year/period of the Track Record Period) and the days worked per year/period (being 300 days for FY2021, FY2022 and FY2023, and 150 days for 6M2024).

(2) The utilisation rate is calculated by dividing the actual production volume by the maximum annual/half year production capacity and multiplied by 100%.

In FY2021, we exceeded the annual permitted capacity for the production of cement admixture (including processed alcohol amines) by 26.1%. Our annual permitted capacity for the production of cement admixture (including processed alcohol amines) in FY2021 was 100,000 tonnes. See "Business — Legal Non-compliance and Proceedings — Non-compliance — 1. Exceeding the approved level of production" in the prospectus. The permitted annual production capacity granted to Linyi Production Plant accounts for both cement admixture and processed alcohol amine. The actual production volume of cement admixture and processed alcohol amine for the purpose of evaluating the utilisation of the permitted production capacity ("**Combined Actual Production Volume**") is not the same as the actual production volume presented in the above table, as the Combined Actual Production Volume does not take into account processed alcohol amine used in our Group's onward production for cement admixtures, as relevant authorities governing the permitted production volume do not consider the processed alcohol amine for self-use as part of the total output of cement admixture and processed alcohol amine. As such, the Combined Actual Production Volume applied for the purpose of calculating the utilisation rate by the permitted annual production capacity will be smaller than the actual production volume applied for the purpose of calculating the utilisation rate by the maximum annual production capacity.

Guigang Production Plant

	FY2021			FY2022			FY2023			6M2024		
	Maximum annual production capacity(1)	Actual production volume	Utilisation rate(2)	Maximum annual production capacity(1)	Actual production volume	Utilisation rate(2)	Maximum annual production capacity(1)	Actual production volume	Utilisation rate(2)	Maximum half-year production capacity(1)	Actual production volume	Utilisation rate(2)
	tonnes (‘000)	*tonnes (‘000)*	%	*tonnes (‘000)*	*tonnes (‘000)*	%	*tonnes (‘000)*	*tonnes (‘000)*	%	*tonnes (‘000)*	*tonnes (‘000)*	%
Cement admixture	4	5	124.5	49	52	105.5	49	58	117.3	25	25	100.0
Concrete admixture	9	0.05	0.5	109	4	3.2	109	10	9.0	55	10	18.2
Polycarboxylic acid mother liquor	4	0.1	1.6	51	1	1.6	51	3	6.2	26	3	11.5

Notes:

(1) The maximum annual/half-year production capacity is calculated based on the maximum hourly output volume of the production lines (being 21 tonnes for cement admixture in FY2021 and FY2022 and 25 tonnes for cement admixture in FY2023 and 6M2024, 23 tonnes for concrete admixture and 17 tonnes for polycarboxylic acid mother liquor) multiplied by the respective hours worked per day (being 11 hours for FY2021 and FY2022 and 13 hours for FY2023 and 6M2024) and the days worked per year/period (being 25 days for FY2021, 300 days for FY2022 and FY2023 and 150 days for 6M2024).

(2) The utilisation rate is calculated by dividing the actual production volume by the maximum annual/half year production capacity and multiplied by 100%.

In FY2022 and FY2023, we exceeded the annual permitted capacity for the production of cement admixture by 3.8% and 16.0%, respectively. Our annual permitted capacity for the production of cement admixture for both FY2022 and FY2023 was 50,000 tonnes. The actual production volume of cement admixture for the purpose of evaluating the utilisation of the permitted production capacity is the same as the actual production volume presented in the above table. See “Business — Legal Non-compliance and Proceedings — Non-compliance — 1. Exceeding the approved level of production” in the prospectus.

Guizhou Production Plant

	FY2021			FY2022			FY2023			6M2024		
	Maximum annual production capacity(1)	Actual production volume	Utilisation rate(2)	Maximum annual production capacity(1)	Actual production volume	Utilisation rate(2)	Maximum annual production capacity(1)	Actual production volume	Utilisation rate(2)	Maximum half-year production capacity(1)	Actual production volume	Utilisation rate(2)
	tonnes (‘000)	*tonnes (‘000)*	*%*	*tonnes (‘000)*	*tonnes (‘000)*	*%*	*tonnes (‘000)*	*tonnes (‘000)*	*%*	*tonnes (‘000)*	*tonnes (‘000)*	*%*
Cement admixture	20	21	105.0	20	14	70.0	20	10	50.0	10	5	50.0

Notes:

(1) The maximum annual/half-year production capacity is calculated based on the maximum hourly output volume of our production lines (being 4 tonnes) multiplied by the respective hours worked per day (being 16 hours for each year/period of the Track Record Period) and the days worked per year/period (being 300 days for FY2021, FY2022 and FY2023 and 150 days for 6M2024).

(2) The utilisation rate is calculated by dividing the actual production volume by the maximum annual/half-year production capacity and multiplied by 100%.

In FY2022 and FY2023, we exceeded the annual permitted capacity for the production of cement admixture 110.0% and 40.0%, respectively. Our annual permitted capacity for the production of cement admixture for both FY2022 and FY2023 was 10,000 tonnes. The actual production volume of cement admixture for the purpose of evaluating the utilisation of the permitted production capacity is the same as the actual production volume presented in the above table. See “Business — Legal Non-compliance and Proceedings — Non-compliance — 1. Exceeding the approved level of production” in the prospectus.

Meishan Production Plant

	FY2021			FY2022			FY2023			6M2024		
	Maximum annual production capacity(1)	Actual production volume	Utilisation rate(2)	Maximum annual production capacity(1)	Actual production volume	Utilisation rate(2)	Maximum annual production capacity(1)	Actual production volume	Utilisation rate(2)	Maximum half-year production capacity(1)	Actual production volume	Utilisation rate(2)
	tonnes (‘000)	*tonnes (‘000)*	*%*	*tonnes (‘000)*	*tonnes (‘000)*	*%*	*tonnes (‘000)*	*tonnes (‘000)*	*%*	*tonnes (‘000)*	*tonnes (‘000)*	*%*
Cement admixture	98	48	49.0	98	42	42.9	98	25	25.5	49	12	24.5
Concrete admixture	30	36	120.0	30	29	96.7	30	40	133.3	15	18	120.0
Polycarboxylic acid mother liquor	20	10	50.0	20	12	60.0	20	13	65.0	10	6	60.0

Notes:

(1) The maximum annual/half-year production capacity is calculated based on the maximum hourly output volume of the production lines (being 21 tonnes for cement admixture, 13 tonnes for concrete admixture and 4 tonnes for polycarboxylic acid mother liquor) multiplied by the respective hours worked per day (being 13 hours for each year/period of the Track Record Period) and the days worked per year/period (being 300 days for FY2021, FY2022 and FY2023 and 150 days for 6M2024).

(2) The utilisation rate is calculated by dividing the actual production volume by the maximum annual/half-year production capacity and multiplied by 100%.

Tongling Production Plant

	FY2021			FY2022			FY2023			6M2024		
	Maximum annual production capacity(1)	Actual production volume	Utilisation rate(2)	Maximum annual production capacity(1)	Actual production volume	Utilisation rate(2)	Maximum annual production capacity(1)	Actual production volume	Utilisation rate(2)	Maximum half-year production capacity(1)	Actual production volume	Utilisation rate(2)
	tonnes ('000)	*tonnes ('000)*	*%*	*tonnes ('000)*	*tonnes ('000)*	*%*	*tonnes ('000)*	*tonnes ('000)*	*%*	*tonnes ('000)*	*tonnes ('000)*	*%*
Cement admixture	4	1	25.0	49	43	87.8	49	45	91.8	25	20	80.0
Concrete admixture	9	0.3	3.3	109	7	6.4	109	15	13.8	55	11	20.0
Polycarboxylic acid mother liquor	4	0.1	2.5	51	5	9.8	51	8	15.7	26	4	15.4

Notes:

(1) The maximum annual/half-year production capacity is calculated based on the maximum hourly output volume of the production lines (being 21 tonnes for cement admixture, 23 tonnes for concrete admixture and 17 tonnes for polycarboxylic acid mother liquor) multiplied by the respective hours worked per day (being 11 hours) and the days worked per year/period (being 25 days for FY2021, 300 days for FY2022 and FY2023 and 150 days for 6M2024).

(2) The utilisation rate is calculated by dividing the actual production volume by the maximum annual/half-year production capacity and multiplied by 100%.

Xiangyang Production Plant

	FY2021			FY2022			FY2023			6M2024		
	Maximum annual production capacity(1)	Actual production volume	Utilisation rate(2)	Maximum annual production capacity(1)	Actual production volume	Utilisation rate(2)	Maximum annual production capacity(1)	Actual production volume	Utilisation rate(2)	Maximum half-year production capacity(1)	Actual production volume	Utilisation rate(2)
	tonnes ('000)	*tonnes ('000)*	%	*tonnes ('000)*	*tonnes ('000)*	%	*tonnes ('000)*	*tonnes ('000)*	%	*tonnes ('000)*	*tonnes ('000)*	%
Cement admixture	98	85	86.7	98	29	29.6	98	26	26.5	49	10	20.4
Processed alcohol amine	59	51	86.4	59	30	50.8	59	25	42.4	30	10	33.3
Concrete admixture	10	5	50.0	10	7	70.0	10	9	90.0	5	4	80.0
Polycarboxylic acid mother liquor	10	2	20.0	10	3	30.0	10	5	50.0	5	2	40.0

Notes:

(1) The maximum annual/half-year production capacity is calculated based on the maximum hourly output volume of the production lines (being 21 tonnes for cement admixture, 12 tonnes for processed alcohol amine, 4 tonnes for concrete admixture and 4 tonnes for polycarboxylic acid mother liquor) multiplied by the respective hours worked per day (being 12 hours for each year/period of the Track Record Period) and the days worked per year/period (being 300 days for FY2021, FY2022 and FY2023 and 150 days for 6M2024).

(2) The utilisation rate is calculated by dividing the actual production volume by the maximum annual/half-year production capacity and multiplied by 100%.

In FY2021, FY2022 and FY2023, we exceeded the annual permitted capacity for the production of cement admixture by 323.0%, 46.0% and 30.0%, respectively. Our annual permitted capacity for the production of cement admixture throughout the Track Record Period was 20,000 tonnes. The actual production volume of cement admixture for the purpose of evaluating the utilisation of the permitted production capacity is the same as the actual production volume presented in the above table. See "Business — Legal Non-compliance and Proceedings — Non-compliance — 1. Exceeding the approved level of production" in the prospectus.

In FY2021, FY2022 and FY2023, we exceeded the annual permitted capacity for the production of processed alcohol amines by 73.0%, 28.0% and 5.0%, respectively. Our annual permitted capacity for the production of processed alcohol amines throughout the Track Record Period was 20,000 tonnes. The actual production volume of processed alcohol amine for the purpose of evaluating the utilisation of the permitted production capacity ("**Self-use Actual Production Volume**") is not the same as the actual production volume presented in the above table, as the Self-use Actual Production Volume does not take into account processed alcohol amine used in our Group's onward production for cement admixtures, as relevant authorities governing the permitted production volume do not consider the processed alcohol amine for self-use as part of the total output of processed alcohol amine. As such, the Self-use Actual Production Volume applied for the purpose of calculating the utilisation rate by the permitted annual production capacity will be smaller than the actual production volume applied for the purpose of calculating the utilisation rate by the maximum annual/half-year production capacity. See "Business — Legal Non-compliance and Proceedings — Non-compliance — 1. Exceeding the approved level of production" in the prospectus.

Xianyang Production Plant

	FY2021			FY2022			FY2023			6M2024		
	Maximum annual production capacity(1)	Actual production volume	Utilisation rate(2)	Maximum annual production capacity(1)	Actual production volume	Utilisation rate(2)	Maximum annual production capacity(1)	Actual production volume	Utilisation rate(2)	Maximum half-year production capacity(1)	Actual production volume	Utilisation rate(2)
	tonnes ('000)	*tonnes ('000)*	*%*	*tonnes ('000)*	*tonnes ('000)*	*%*	*tonnes ('000)*	*tonnes ('000)*	*%*	*tonnes ('000)*	*tonnes ('000)*	*%*
Cement admixture	–	–	–	8	0.2	2.5	49	13	26.5	25	7	28.0
Concrete admixture	–	–	–	8	0.1	1.3	50	5	10.0	25	3	12.0
Polycarboxylic acid mother liquor	–	–	–	8	0.1	1.3	46	2	4.3	23	2	8.7

Notes:

(1) The maximum annual/half-year production capacity is calculated based on the maximum hourly output volume of the production lines (being 10 tonnes for cement admixture, 10 tonnes for concrete admixture and 13 tonnes for polycarboxylic acid mother liquor) multiplied by the respective hours worked per day (being 15 hours for each year/period of the Track Record Period) and the days worked per year/period (being 50 days for FY2022, 300 days for FY2023 and 150 days for 6M2024).

(2) The utilisation rate is calculated by dividing the actual production volume by the maximum annual/half-year production capacity and multiplied by 100%.

Qinghai Production Plant

	FY2021			FY2022			FY2023			6M2024		
	Maximum annual production capacity(1)	Actual production volume	Utilisation rate(2)	Maximum annual production capacity(1)	Actual production volume	Utilisation rate(2)	Maximum annual production capacity(1)	Actual production volume	Utilisation rate(2)	Maximum half-year production capacity(1)	Actual production volume	Utilisation rate(2)
	tonnes ('000)	*tonnes ('000)*	*%*	*tonnes ('000)*	*tonnes ('000)*	*%*	*tonnes ('000)*	*tonnes ('000)*	*%*	*tonnes ('000)*	*tonnes ('000)*	*%*
Cement admixture	–	–	–	7	1	14.3	20	7	35.0	10	3	30.0
Concrete admixture	–	–	–	4	0.1	2.5	12	1	8.3	6	0.2	3.3

Notes:

(1) The maximum annual/half-year production capacity is calculated based on the maximum hourly output volume of the production lines (being 4 tonnes for cement admixture and 5 tonnes for concrete admixture) multiplied by the respective hours worked per day (being 12 hours) and the days worked per year/period (being 100 days for FY2022, 300 days for FY2023 and 150 days for 6M2024).

(2) The utilisation rate is calculated by dividing the actual production volume by the maximum annual/half-year production capacity and multiplied by 100%.

Kunming Production Plant

	FY2021			FY2022			FY2023			6M2024		
	Maximum annual production capacity(1)	Actual production volume	Utilisation rate(2)	Maximum annual production capacity(1)	Actual production volume	Utilisation rate(2)	Maximum annual production capacity(1)	Actual production volume	Utilisation rate(2)	Maximum half-year production capacity(1)	Actual production volume	Utilisation rate(2)
	tonnes ('000)	*tonnes ('000)*	*%*	*tonnes ('000)*	*tonnes ('000)*	*%*	*tonnes ('000)*	*tonnes ('000)*	*%*	*tonnes ('000)*	*tonnes ('000)*	*%*
Cement admixture	–	–	–	–	–	–	33	8	24.2	25	6	24.0
Concrete admixture	–	–	–	–	–	–	67	6	9.0	50	6	12.0
Polycarboxylic acid mother liquor	–	–	–	–	–	–	31	3	9.7	23	4	17.4

Notes:

(1) The maximum annual/half-year production capacity is calculated based on the maximum hourly output volume of our production lines (being 10 tonnes for cement admixture, 21 tonnes for concrete admixture and 13 tonnes for polycarboxylic acid mother liquor) multiplied by the respective hours worked per day (being 12 hours for each year/period of the Track Record Period) and the days worked per year/period (being 200 days for FY2023 and 150 days for 6M2024).

(2) The utilisation rate is calculated by dividing the actual production volume by the maximum annual/half-year production capacity and multiplied by 100%.

Huludao Production Plant

	FY2021			FY2022			FY2023			6M2024		
	Maximum annual production capacity	Actual production volume	Utilisation rate	Maximum annual production capacity	Actual production volume	Utilisation rate	Maximum annual production capacity	Actual production volume	Utilisation rate	Maximum half-year production capacity(1)	Actual production volume	Utilisation Rate(2)
	tonnes ('000)	*tonnes ('000)*	%	*tonnes ('000)*	*tonnes ('000)*	%	*tonnes ('000)*	*tonnes ('000)*	%	*tonnes ('000)*	*tonnes ('000)*	%
Cement admixture	–	–	–	–	–	–	–	–	–	2	1	50.0
Concrete admixture	–	–	–	–	–	–	–	–	–	2	0.4	20.0
Polycarboxylic acid mother liquor	–	–	–	–	–	–	–	–	–	1	0.1	10.0

Notes:

(1) The maximum half-year production capacity is calculated based on the maximum hourly output volume of the production lines (being 12 tonnes for cement admixture, 8 tonnes for concrete admixture and 2 tonnes for polycarboxylic acid mother liquor) multiplied by the respective hours worked per day (being 11 hours for 6M2024) and the days worked per period (being 25 days for 6M2024).

(2) The utilisation rate is calculated by dividing the actual production volume by the maximum half-year production capacity and multiplied by 100%.

RESEARCH AND DEVELOPMENT

Our R&D efforts focus on two major areas, namely (a) R&D of new products and new applications and (b) improvement in our production technique. We are committed to developing new products, new applications and improving our production technique to align with the industry trend and the requirements of our customers. As to our production technique, we are committed to dedicating efforts to develop production processes to improve production efficiency and resource conservation. As at the Latest Practicable Date, we were the registered owner of over 80 patents (including 68 inventive patents) which our Directors believe are material to our business operations and we were also in the process of application for over 20 patents in the PRC, which our Directors believe will be material to our business operation. See "B. Further Information about the Business of Our Group — 2. Material intellectual property rights" in Appendix IV to this prospectus for additional information on our patents.

We place emphasis on R&D which, we believe, is important for us to maintain our market position. In recognition of our R&D efforts and results, we were able to be accredited the following technology centres.

Recipient	Accreditation authority	Accreditation
Linyi Conch	National Development and Reform Commission* (國家發展和改革委員會)	State-level Enterprise Technology Centre* (國家級企業技術中心)
Linyi Conch	The Ministry of Human Resources and Social Security of the PRC* (中國人力資源和社會保障部)	State-level Postdoctoral Technology Research Work Station* (國家級博士後科研工作站)
Our Company	Anhui Provincial Department of Industry and Information Technology* (安徽省工業和信息化廳)	Anhui Provincial Enterprise Technology Centre* (安徽省企業技術中心)
Our Company	Anhui Provincial Development and Reform Commission* (安徽省發展和改革委員會)	Anhui Provincial Multifunctional Cement Energy-saving and Environmental Protection R&D Centre* (安徽省多功能水泥節能環保助劑工程研究中心)
Our Company	Anhui Provincial Department of Human Resources and Social Security* (安徽省人力資源和社會保障廳)	Anhui Provincial Postdoctoral Technology Research Work Station* (安徽省博士後科研工作站)
Linyi Conch	Shandong Provincial Ministry of Science and Technology* (山東省科學技術廳)	Shandong Provincial Key Laboratory of Cement Grinding Aid* (山東省水泥助磨劑重點實驗室)
Linyi Conch	Shandong Provincial Ministry of Science and Technology* (山東省科學技術廳)	Shandong Provincial Special Cement Admixture Engineering and Technology Research Centre* (山東省特種水泥外加劑工程技術研究中心)
Linyi Conch	Shandong Provincial Department of Industry and Information Technology* (山東省工業和信息化廳)	Shandong Provincial "One Enterprise One Technology" R&D Centre* (山東省"一企一技術"研發中心)

Recipient	Accreditation authority	Accreditation
Meishan Conch	Sichuan Provincial Department of Economy and Information Technology* (四川省經濟和信息化廳)	Sichuan Provincial Enterprise Technology Centre* (四川省企業技術中心)

As at the 30 June 2024, our technology centres are staffed with an aggregate of 137 staff members. During the Track Record Period, our R&D expenditures amounted to RMB39.1 million, RMB39.9 million, RMB45.8 million and RMB29.4 million, respectively.

Owing to our R&D efforts, we were recognised by award from various bodies for our advanced technology and contribution to the industry. See "Awards and Recognitions" in this section below for information on the awards and recognitions received by us up to the Latest Practicable Date.

According to information collated by our sales personnel with respect to market demand, we establish a R&D plan on an annual basis for each technology centre. Annually, we review our R&D outputs to assess whether our annual goals have been reached. Each technology centre is assigned different annual goals and it is each responsible for the execution, progress and completion of the goals. Each technology centre will set out a pre-determined timetable in accordance to which it will carry out the assigned R&D tasks and apply for the patent registration of any new results. If the test results are satisfactory, pilot production will commence and samples will be provided to our customers for application testing. We will proceed with mass production after new products have gone through several rounds of testing.

The results of our R&D projects

Owing to our R&D efforts, we were able to develop key technologies which diversified and extended the scope of applicability of our products. The table below sets forth details of such key technologies:

Key technologies	Purpose	Applicability of the products
The production and preparation technology for processed alcohol amines.	The production of triisopropanolamine, diethanol monoisopropanolamine, monoethanol diisopropanolamine, etc.	The technology can be used in the production of cement grinding aids, and processed alcohol amines
The production, preparation and application technology for polyether monomers.	The production of unsaturated polyether monomers for polycarboxylic acid water reducing admixture	The technology can be used in the synthesis of polyether monomers and polycarboxylic acid water reducing admixture mother liquors

Key technologies	Purpose	Applicability of the products
The production, preparation and application technology for cement grinding aids	The production of various types of cement grinding aids	The provision of products to different types of cement manufacturers
The preparation and application technology for other functional cement admixtures	The production of other functional cement admixtures, such as raw meal admixtures, hexavalent chromium reduction, etc.	The provision of products to different types of cement manufacturers
The production, preparation and application technology for polycarboxylic acid water reducing admixture mother liquors	The production of various types of polycarboxylic acid water reducing admixture mother liquors	The technology can be used in the production and preparation of polycarboxylic acid water reducing admixture mother liquors and polycarboxylic acid water reducing admixture
The production, preparation and application technology for polycarboxylic acid water reducing admixture compounding products. . . .	The production of various types of polycarboxylic acid water reducing admixture compounding products	The end product is applied to different types of commercial concrete mixing stations, pipe pile and tube sheet plants, as well as the construction of bridges and high-speed railways
The preparation and application technology for other functional concrete admixtures	The production of various types of concrete admixture products, such as hardening accelerating admixtures, set retarding admixtures, etc.	The end product is applied to different types of commercial concrete mixing stations, pipe pile and tube sheet plants, as well as the construction of bridges and high-speed railways

Research collaboration with tertiary institutions

We believe that establishing research collaboration with research institutions is an effective way to enhance our R&D efforts. Since 2020, in order to accelerate our R&D progress, we have worked with Dalian University of Technology (大連理工大學) to leverage their expertise in the synthesis of fine chemicals.

We have formed a research and consulting team with the university and build on their academic research strengths. In addition, the university is required to provide training courses to enhance our staff's technical knowledge and research ability at least twice a year. For each R&D project, we shall enter into a separate agreement with the university to transfer the findings and results of the research from the university to our Group. To avoid any possible contention on the intellectual right of the research findings, we enter into such agreement for each R&D project in order to expressly delineates the rights and obligations of each party in the conduct of the research works and to confer the ownership of the findings or results of the researches to us.

In 2021, as a result of our collaboration with Dalian University of Technology, Dalian University of Technology completed the MP300 series preparation technology project, the technology of which was authorized for our use pursuant to a separate agreement. Owing to the results of this project, we were able to successfully realise the industrialisation of unsaturated polyether monomers for polycarboxylic acid water reducing admixture, which cater to the market demand for such products. The successful commercialisation of this technology entails the further expansion of our product offering which further expands our possible customer base and enhances overall competitiveness. At the same time, the successful development and application of this technology has also enabled us to hone our technical ability in the synthesis of high value-added fine chemicals which utilise ethylene oxide and propylene oxide as raw materials, which will allow us to later develop the alkylene oxide derivatives.

CUSTOMERS, SALES AND MARKETING

During the Track Record Period, our products were sold to customers in different regions of the PRC. Our customers mainly are manufacturers of cement and/or concrete which have their own cement, and/or concrete mixing plants (which apply our products in their own production), cement or concrete admixture manufacturers, and trading companies of cement and concrete related products (which generally resells our products to other entities and not for their own use).

The following table sets out a breakdown of our revenue by geographical regions and the revenue generated from each region as a percentage of our revenue during the Track Record Period:

	FY2021		**FY2022**		**FY2023**		**6M2023**		**6M2024**	
	RMB million	*% of total revenue*	*RMB million*	*% of total revenue*	*RMB million*	*% of total revenue*	*RMB million*	*% of total revenue*	*RMB million*	*% of total revenue*
							(unaudited)			
PRC *(Note)*										
Eastern region	751.7	49.0	1,079.9	58.8	1,409.4	58.7	631.5	61.0	606.1	54.9
Western region	281.5	18.3	260.3	14.1	313.0	13.1	142.8	13.8	158.1	14.3
Southern region	189.7	12.3	213.6	11.6	282.0	11.8	104.7	10.1	146.3	13.3
Northern region	82.2	5.3	83.2	4.5	97.4	4.1	38.1	3.7	56.1	5.1
Central region	232.4	15.1	202.6	11.0	293.7	12.3	118.4	11.4	136.5	12.4
Southwest Asia	—	—	—	—	—	—	—	—	0.3	0.0
Total	**1,537.5**	**100.0**	**1,839.6**	**100.0**	**2,395.5**	**100.0**	**1,035.5**	**100.0**	**1,103.4**	**100.0**

Note: Eastern region includes Shandong Province, Anhui Province, Zhejiang Province, Jiangsu Province, Shanghai City, Fujian Province, Hebei Province, Beijing City, Tianjin City, Jiangxi Province and Hainan Province.

Western region includes Yunnan Province, Guizhou Province, Sichuan Province, Chongqing City, Tibet Autonomous Region and Gansu province.

Southern region includes Guangdong Province and Guangxi Zhuang Autonomous Region.

Northern region includes Shanxi Province, Qinghai Province, Xinjiang Uygur Autonomous Region, Ningxia Province, Shaanxi Province, Liaoning Province, Jilin Province, Heilongjiang Province and Inner Mongolia Autonomous Region.

Central region includes Hunan Province, Hubei Province and Henan Province.

After Ningbo Conch obtained requisite export licence and completed the relevant procedure for direct sales to overseas in May 2024, we started to directly sell our products through Ningbo Conch to our overseas customers in Southwest Asia.

Principal terms of our sales framework agreement

During the Track Record Period, we entered into legally binding sales framework agreement with some of our customers, which was followed by individual purchase orders for each individual purchase. The table below sets out the principal terms of our sales framework agreements with our customers:

Duration:	Generally the framework agreement ceases every year end with no automatic renewal clause upon expiration.
Pricing:	The sales framework agreements generally specify a basic per unit base price of the product and may be subject to relevant subsequent upward or downward adjustments as stipulated in the agreement.
Delivery, shipping costs and risk allocation:	Either delivery of products to the location designated by our customers at our expense, or pick-up of products by our customers at our production facilities at their own cost. The risks of the products are generally being transferred to our customers upon pick up or delivery to the customers' designated locations.
Payment terms and payment method:	Payment before delivery, or payment after delivery with a credit period. Payment is generally made by telegraphic transfer or bank acceptance bills.
Product warranty and return policy:	Our customer can raise issue regarding the product quality within a stipulated period, generally such stipulated period ranges from one to ninety days. We normally do not accept return of non-defective products. On some occasions, we provide product warranty which commences from the date on which our products are accepted by the customer, such stipulated period generally does not exceed 180 days.

Minimum purchase amount:	No minimum purchase amount is set out in the agreement, however, an intended volume to be purchased by the customer is set out in some of the agreements.
Termination:	Generally subject to termination upon breach of agreements by either party.
Product quality:	Generally our products are subject to specific product quality standards specific to the product being purchased; for example, for cement admixture, a common standard would be the effective content in the product, whereas for concrete admixture, a common standard is the ability to reduce water.

Regarding the purchase orders for each individual purchase that we entered into with our customers, the principal terms were similar with these specified in our sales framework agreement as above, except that the price was generally fixed.

Sales to trading companies

During the Track Record Period, our customers, which are trading companies, mainly purchased raw materials such as Processed alcohol amine and Polyether monomers from us. According to Frost & Sullivan, it is in line with market practice as the trading companies can integrate small and medium-sized orders from small and medium-sized companies in the industry. By selling to trading companies, the chemical materials producers can avoid managing a large number of small and medium-sized customers, while effectively control the capital risks brought by these small and medium-sized orders. In addition, trading companies usually have their own sources and customer resources. The chemical materials producers can increase their sales scale by selling to trading companies; while trading companies can cater to their customers' needs for procurement of different products. As for end-customers, purchasing from the trading companies allows them to simplify the procurement process and avoid dealing with multiple suppliers.

Our customers, which are trading companies, are not considered as distributors given that: (i) we do not enter into distributorship agreement with these customers and our relationship is a buyer and seller relationship; (ii) we do not have any control over the trading companies as we neither impose any minimum purchase requirement nor a sales target; (iii) these customers are not entitled to return our products including unsold or obsolete goods unless they are defective goods and during the Track Record Period, we did not experience any material return of products from these customers; (iv) they are responsible for managing their own inventories and anticipating demands from their customers; and (v) we retain no ownership over the products sold to these trading companies and the revenue is recognised when the control of the goods have been transferred to them.

During the Track Record Period, our revenue derived from sales to trading companies amounted to RMB104.5 million, RMB194.2 million, RMB320.2 million and RMB153.4 million, respectively, representing 6.8%, 13.7%, 13.4% and 13.9% of our total revenue for the corresponding year/period. To the best knowledge of our Directors, save for two trading companies which are related parties and our transactions amount accounted for less than 1% of our total revenue during the Track Record Period, all of our customers which are trading companies are Independent Third Parties.

For an analysis of our sales volume, average selling price revenue, gross profit and gross profit margin by product type of trading companies, see "Financial information".

Our five largest customers

For each year/period of the Track Record Period, our revenue generated from our five largest customers amounted to approximately RMB1,028.4 million, RMB997.7 million, RMB1,188.6 million and RMB490.1 million, respectively, representing approximately 66.8%, 54.3%, 49.7% and 44.4% of our total revenue for the corresponding year/period, respectively, while our revenue generated from our largest customer in each year/period during the Track Record Period amounted to approximately RMB807.9 million, RMB765.1 million, RMB762.4 million and RMB338.6 million, respectively, representing approximately 52.5%, 41.6%, 31.8% and 30.7% of our total revenue for the corresponding year/period, respectively. The tables below set out a summary of our five largest customers during the Track Record Period:

FY2021

Customer	*Notes*	**Commencement year of relationship with us**	**Principal products sold**	**Approximate amount of revenue**	**Approximate percentage of our total revenue**	**Credit term**
				(RMB million)		
Conch Cement and its subsidiaries	*(1)*	2018	Cement admixture and concrete admixture	807.9	52.5%	Within two months as for cement admixture (水泥外加劑); within one month as for concrete admixture
Zhejiang Hongshi Building Materials Technology Co., Ltd. (浙江紅獅建材科技有限公司) ("**Zhejiang Hongshi Building Materials**")	*(2)*	2020	Processed alcohol amine	86.7	5.6%	Within the following month
TCC and its subsidiaries	*(3)*	2020	Cement admixture	55.7	3.6%	Within 30 days
Xintongling Group	*(4)*	2018	Concrete admixture	42.3	2.8%	Within 10 business days
Customer A and its subsidiaries/branches	*(5)*	2019	Processed alcohol amine	35.8	2.3%	Within 90 days
Total:				**1,028.4**	**66.8%**	

FY2022

Customer	*Notes*	**Commencement year of relationship with us**	**Principal products sold**	**Approximate amount of revenue**	**Approximate percentage of our total revenue**	**Credit term**
				(RMB million)		
Conch Cement and its subsidiaries	*(1)*	2018	Cement admixture and concrete admixture	765.1	41.6%	Within two months
Zhejiang Hongshi Building Materials. . .	*(2)*	2020	Processed alcohol amine	64.4	3.5%	Within the following month
Customer B and its subsidiaries	*(6)*	2022	Polyether monomer	61.9	3.4%	Within 60 days as for 95% and six months as for 5% of the purchase amount
TCC and its subsidiaries	*(3)*	2020	Cement admixture	59.2	3.2%	Within two months
Customer C and its subsidiaries	*(7)*	2022	Concrete admixture, polyether monomer and polycarboxylic acid mother liquor	47.1	2.6%	Within 120 days
Total:				**997.7**	**54.3%**	

FY2023

Customer	*Notes*	Commencement year of relationship with us	Principal products sold	Approximate amount of revenue	Approximate percentage of our total revenue	Credit term
				(RMB million)		
Conch Cement and its subsidiaries	*(1)*	2018	Cement admixture and concrete admixture	762.4	31.8%	Within two months
Customer B and its subsidiaries	*(6)*	2022	Polyether monomer	165.4	6.9%	Within 90 days as for 90% and six months as for 10% of the purchase amount
Customer D and its subsidiaries	*(8)*	2022	Polyether monomer	104.8	4.4%	Within the following month
Zhejiang Hongshi Building Materials. . .	*(2)*	2020	Processed alcohol amine	87.7	3.7%	Within the following month
Customer A and its subsidiaries/branches .	*(5)*	2019	Processed alcohol amine	68.3	2.9%	Within 90 days
Total:				**1,188.6**	**49.7%**	

6M2024

Customer	*Notes*	Commencement year of relationship with us	Principal products sold	Approximate amount of revenue	Approximate percentage of our total revenue	Credit term
				(RMB million)		
Conch Cement and its subsidiaries	*(1)*	2018	Cement admixture and concrete admixture	338.6	30.7%	Within two months
Customer B and its subsidiaries	*(6)*	2022	Polyether monomer	43.5	3.9%	Within 90 days as for 90% and six months as for 10% of the purchase amount
Customer C and its subsidiaries	*(7)*	2022	Polyether monomer and polycarboxylic acid mother liquor	43.3	3.9%	Within 120 days
Zhejiang Hongshi Building Materials	*(2)*	2020	Processed alcohol amine and polyether monomer	38.1	3.5%	Within the following month
Customer A and its subsidiaries/branches	*(5)*	2019	Processed alcohol amine	26.6	2.4%	Within 90 days
Total:				**490.1**	**44.4%**	

Our major customers mainly settle our invoices by bank acceptance bills or telegraphic transfers.

Notes:

(1) Conch Cement is a PRC company listed on both the Stock Exchange (stock code: 00914) and Shanghai Stock Exchange (stock code: 600585) with a registered capital of RMB5,299.3 million as at the Latest Practicable Date. It is principally engaged in the production and sales of cement, commodity clinker, aggregate and concrete. It was held as to approximately 36.4% by Conch Holdings, one of our Controlling Shareholders, as at the Latest Practicable Date and is a connected person of our Company.

(2) Zhejiang Hongshi Building Materials is a PRC company with a registered capital of RMB15.0 million as at the Latest Practicable Date. It is principally engaged in R&D, production and sales of cement and concrete admixtures. It was held as to 40% by Xintongling, the Group's related party customers, prior to August 2021. After August 2021, Xintongling Group no longer had any interest in Zhejiang Hongshi Building Materials Technology Co., Ltd.. As at the Latest Practicable Date, Zhejiang Hongshi Building Materials is one of the operating subsidiaries of Hongshi Group Co., ltd. (紅獅控股集團有限公司), a large scale conglomerate engaged in the manufacture of different types of cement, with its revenue reaching RMB39.6 billion for FY2023.

(3) TCC is a Taiwan company listed on Taiwan Stock Exchange (stock code: 1101) with a registered capital of NT$100.0 billion as at the Latest Practicable Date. It is principally engaged in production and sales of various types of cements and cement products. It was the controlling shareholder of TCC (Guigang) Cement Limited (台泥(貴港)水泥有限公司) which in turn held 40% of interest in Guigang Conch, one of our subsidiaries as at the Latest Practicable Date, and is a connected person of our Company.

(4) Xintongling is a PRC company with a registered capital of RMB75.0 million as at the Latest Practicable Date. It is principally engaged in sales of building materials, production of ready-mixed mortar and production and sales of concrete. It was held as to 99% by Mr. Feng, our non-executive Director as at the Latest Practicable Date and is a connected person of our Company.

(5) Customer A is a PRC company listed on both the Stock Exchange and Shanghai Stock Exchange with a registered capital of RMB10.7 billion as at the Latest Practicable Date. It is principally engaged in manufacture and sale of cement and building materials, construction and decoration, trade and logistics, tourism services, real estate development, property investment and management, etc.

(6) Customer B is a PRC company with a registered capital of RMB12.1 billion as at the Latest Practicable Date. It is principally engaged in infrastructure construction, survey, design and consulting services, engineering equipment and component manufacturing, real estate development, railway and highway investment and operation, mineral resource development, material trade, etc.

(7) Customer C is a PRC company listed on the Shenzhen Stock Exchange with a registered capital of RMB1,262.4 million as at the Latest Practicable Date. It is principally engaged in R&D, production and sales of concrete and cement.

(8) Customer D is a PRC company listed on the Shenzhen Stock Exchange with a registered capital of RMB713.6 million as at the Latest Practicable Date. It is principally engaged business relating to comprehensive technical services and new materials relating to admixtures.

Save as disclosed above, our five largest customers for each year/period of the Track Record Period were Independent Third Parties and none of our Directors, their respective close associates or any Shareholder who, or which, to the best knowledge of our Directors, own more than 5% of the issued share capital of our Company as at the Latest Practicable Date, had any interest in any of our five largest customers for each year/period of the Track Record Period. For our relationship with Conch Cement Group, see "Our relationship with our largest customer" below in this section and "Relationship with Controlling Shareholders" in this prospectus. For our transactions with connected persons, see "Continuing Connected Transactions" in this prospectus.

Our relationship with our largest customer

Conch Cement Group was our largest customer in each year/period during the Track Record Period. Conch Cement was held as to approximately 36.4% by Conch Holdings, one of our Controlling Shareholders, as at the Latest Practicable Date. Conch Cement was a PRC company listed on both the Stock Exchange (stock code: 00914) and Shanghai Stock Exchange (stock code: 600585) with a registered capital of RMB5,299.3 million as at the Latest Practicable Date. It is principally engaged in the production and sales of cement, commodity clinker, aggregate and concrete. Conch Cement Group is one of the largest cement manufacturers, in terms of both sales and production volume, in the PRC. According to the list of world's top 2000 companies in 2023 as announced by Forbes, Conch Cement ranked the 539th, being the first in the world's cement industry. According to the list of China's top 500 listed companies in 2023 as announced by Fortune China, Conch Cement ranked the 104th with an operating income of approximately RMB132 billion as at 31 December 2022.

During the Track Record Period, our revenue generated from our sales to Conch Cement Group was approximately RMB807.9 million, RMB765.1 million, RMB762.4 million and RMB338.6 million, respectively, representing 52.5%, 41.6%, 31.8% and 30.7% of our total revenue for the corresponding year/period, respectively.

For further details of our customer concentration risk, see "Risk Factors — Risks Relating to Our Business — Our business relationship with Conch Cement Group is crucial to our operation. Our business, financial condition and results of operation may be adversely affected if there is any change to the current arrangements between Conch Cement Group and us." in this prospectus. Notwithstanding our sales to Conch Cement Group during the Track Record Period, our Directors are of the view that we will be able to control the risk of reliance, and our significant sales to Conch Cement Group would not adversely affect our business operation, our financial performance and would not impact on our suitability for Listing due to the following reasons:

- *Mutual and complementary arrangement.* Conch Cement Group is a long-standing partner of ours. Our business relationship with Conch Cement Group has been mutually complementary to a large extent for the following reasons:

  (i) *Industry norm for a synergistic relationship between cement companies and cement admixture suppliers:* Cement admixture is one of the key raw components for cement production. According to the Frost & Sullivan Report, the relationship between cement companies and cement admixture suppliers are generally considered to be mutual, complementary and synergistic. As a result, large-scale cement suppliers, such as Conch Cement Group, usually sign annual contracts with cement admixture supplier. Such relationship is formed primarily due to the business nature and business model of both parties. A continuous supply of cement admixture is beneficial to Conch Cement Group to maintain their continuous production.

(ii) *Being initially set up by Conch Holdings to support its overall business growth:* We were initially set up by Conch Holdings to explore the fine chemical materials market as a key enterprise in the full industrial chain of energy conservation and efficiency improvement for the cement and concrete industry. According to Frost & Sullivan, in order to secure supply of cement admixture, some large scale cement manufacturers in the PRC will set up their own cement admixture production subsidiaries in order to streamline their business operations. In line with market practice, we support the development of Conch Cement Group, which was held as to 36.4% by Conch Holdings as at the Latest Practicable Date. We first entered into a procurement of cement grinding aids contract with, and became a supplier of cement admixture of, Conch Cement Group in 2018. Since then, our Group has continued to enter into procurement of cement grinding aids contracts with Conch Cement Group throughout the years by way of participating in open tenders and price inquiry and comparison conducted by Conch Cement Group. Our Group has been providing various admixture products to Conch Cement Group and it subsequently became our largest customer throughout the Track Record Period.

(iii) *Competitive edge over our competitors in open tenders arising from our understanding of Conch Cement Group through market researches on and years of co-operation with them:* Over years of cooperation, both our Group and Conch Cement Group have developed a mutual and deep understanding of each other's business operations and shared similar standards and philosophy in product deliverables. During the public tender, our Group and other third-party suppliers were considered based on technical evaluation and commercial evaluation. Technical evaluation includes ratings on the operations results, credibility of contract performance, financial status, credit status, overall strengths, and after-sales service of the suppliers participating in the tender, while commercial evaluation includes ratings on the price quotations of the products, ranking from the lowest to the highest. Given our long-standing relationship the Conch Cement Group, we are able to fulfil the technical and commercial assessment requirements of the Conch Cement Group, which allows us to maximise our opportunity in obtaining the tender from Conch Cement Group, leveraging on our competitive edge. Due to our accumulation of experience serving Conch Cement Group, we are able to draw up specific requirements and expected deliverables that fits Conch Cement's needs. We have built mutual trust with Conch Cement Group which allowed us to constantly provide the high-quality cement admixture that met Conch Cement Group's specific requirements. Our Directors are confident that we can maintain our competitiveness in our tenders for contracts with Conch Cement Group. Going forward, our Group expects to continue to participate in open tenders or price inquiry and comparison conducted by Conch Cement Group.

(iv) *Mutually complementary business relationship:* Our ability to constantly provide high-quality products to Conch Cement Group helped optimise the product performance and production indicators of Conch Cement Group, which have further helped enhance overall brand image of Conch Cement Group, thereby attracting more customers to purchase cement and concrete products from Conch Cement Group. For each year during the Track Record Period, we understand that our cement admixtures sold to Conch Cement constitute substantially all of their cement admixture purchase volume. This will in turn likely bring more business to our Group and hence enable us to enhance our competitiveness and reinforce our existing market position.

Based on the above, our Directors believe that our relationship with Conch Cement Group will continue to be mutually complementary to a large extent, and it is unlikely that there would be any materially adverse changes to, or termination of, such relationship in the foreseeable future.

- *Steady growth prospects of Conch Cement Group.* According to Frost & Sullivan, the Conch Cement Group, comprising Conch Cement and its subsidiaries, which itself was the second largest cement producer in terms of both production volume and production capacity, in the PRC in 2023. Owing to the stable development of downstream industries such as infrastructure and building construction markets, the output of the commercial concrete market in the PRC grew from 2,553.9 million cubic metres in 2019 to 2,696.1 million cubic metres in 2023, at a CAGR of approximately 1.4%. Although in 2022 and 2023 the demand for commercial concrete declined, which led to a temporary decline of market output, owing to the expected stable development of the PRC's macro-economy and accordingly, the expected improvement of infrastructure construction market in the PRC, the output of the commercial concrete market in the PRC is expected to grow to 3,101.2 million cubic metres by 2028, representing a CAGR of approximately 2.8% for the period from 2023 to 2028. Further, Conch Cement Group has also since its listing, steadily implemented various development strategies such as marketing plan domestically and overseas, pushing steadily for international development strategies, proactively extending the upstream and downstream industrial chain and accelerating the development of emerging industries such as new energy, intelligent logistics, energy conservation, environment protection and intelligent manufacturing. According to Frost & Sullivan, as Conch Cement Group has a mature and stable infrastructure in the PRC, it is likely that Conch Cement Group will be successful in capturing the demand for cement or concrete in overseas countries, especially in developing countries. Given the Conch Cement Group's dominant position in the cement industry in China and said industry demonstrating trends of market consolidation, our Directors believe that it is likely the Conch Cement Group's demand for cement admixture will remain consistent in the foreseeable future.

- *Normal commercial terms.* The supply of cement admixture to Conch Cement Group is determined on arm's length basis and on terms which are fair and reasonable and in the interest of our Group and our Shareholders as a whole. As Conch Cement is listed on the Stock Exchange, it is also subject to relevant Listing Rules governing transactions between a listed issuer and a connected person. As such, transactions between us and Conch Cement Group should have terms that are determined on arm's length basis. Frost & Sullivan has also confirmed that the unit price of each type of product supplied to Conch Cement Group is within market price range.

- *Diversifying customer base and increased sales to other customers.* During the Track Record Period, our proportion of revenue generated from our sales to Conch Cement Group has actually decreased throughout the years/period. The proportion of our revenue generated from the Conch Cement Group was 52.5% in FY2021 which decreased to 41.6% in FY2022 then further to 31.8% in FY2023 and to 30.7% in 6M2024. While the absolute sum of revenue which we derived from Conch Cement Group has remained consistent throughout the Track Record Period, our sales to customers which are not Conch Cement Group have increased from RMB729.6 million in FY2021, to RMB1,074.5 million in FY2022 and further to RMB1,633.1 million in FY2023. Our revenue derived from sales to customers which are not Conch Cement Group was RMB764.8 million in 6M2024. Accordingly, we had a steady number of new customers each year; we had over 100, 400, 300 and 300 new customers for each year/period comprising the Track Record Period. We will continue to identify and take on new customers when opportunity arises and we have no intention to limit ourselves to serve only our existing customers.

- *Value business partners to our major customers.* We believe that our customers select our Group as their service provider due to our Group's expertise in the cement and concrete admixture market in the PRC. Despite the scale of our major customers, many of them lack the infrastructure and technical expertise to self-manufacture cement and concrete admixture. In the event that they do, it is usually more cost effective to outsource the provision of such admixture to parties like our Group, which can provide quality admixture to customers, with all of their preferences accounted for via our ability to configure each and every one of our products. Further, in demonstration of our well-established relationship with these customers, we have entered into a long-term agreement with certain major customers.

- *Operational independence.* We maintain autonomy from Conch Cement in our business operations. We possess an effective corporate governance structure which enables us to carry out our business independently from the Conch Cement Group from an operational, management and financial perspective. For further details on the relationship and our corporate governance measures, see "Relationship with Controlling Shareholders" in this prospectus.

Settlement terms and credit control

With a view to fostering long-term business relationships with our customers and at the same time protecting our interests, we adopt different settlement policies for different customers. We may require our customers to make payment before delivery or allow them to settle with credit terms depending on the length and depth of our business relationships with them. As for the length of credit period offered to our customers, we principally consider our customers' trading and credit history, sales volume, scale of operations, background, financial conditions and the length of business relationship with us to determine the credit term for customers individually. During the Track Record Period, our trade receivables with our major customers were generally settled with credit term of up to 120 days.

Alongside with our credit policy, we also adopt a series of credit control measures which require our customers to first go through credit performance evaluation performed by our sales team and our finance team. The review on the credit terms of individual customers is conducted on a periodic basis.

During Track Record Period, we had not experienced any material bad debt. During the Track Record Period, our average turnover days of trade receivables were approximately 68.8 days, 73.0 days, 82.2 days and 99.7 days, respectively.

Our customers settled our payments mainly by way of bank acceptance bills or telegraphic transfer in RMB. During the Track Record Period, we had not experienced any major defaults in payments or bad debts from our customers which may materially affect our financial condition and operating results.

Overlapping customers and suppliers

Our Directors confirmed that none of our major customers was our major supplier during the Track Record Period, save for three subsidiaries of Conch Cement, our largest customer for each year and period comprising the Track Record Period.

Conch Cement Group engaged us for the provision of cement admixture and concrete admixture throughout the Track Record Period and we had incidentally engaged subsidiaries of Conch Cement for the provision of cement for testing or construction purposes and ancillary production equipment in FY2022 and FY2023. Our revenue generated from our sales to Conch Cement Group accounted for approximately 52.5%, 41.6%, 31.8% and 30.7% of our total revenue for FY2021, FY2022, FY2023 and 6M2024, respectively. The items purchased from the subsidiaries of Conch Cement amounted to RMB82,199 and RMB4,772, respectively in FY2022 and FY2023.

Our Directors confirmed negotiations of the terms of our sales and purchases to the above entities were conducted on a case-by-case basis and that all of our sales to and purchases from the above entities were incidental transactions, were not inter-conditional, inter-related or otherwise considered as one transaction. Our Directors confirmed that all of our sales to and purchases from Overlapping Entities were conducted in the ordinary course of business under normal commercial terms and on arm's length basis.

Product pricing

Our pricing policy aims to enable us to achieve a profitable and sustainable growth in our business.

The price of our products is generally determined taking into account various factors, mainly consisting of the price of the raw materials, labour costs, transportation cost, the market prospects of the geographical area in which the customer operates, specifications of products requested by customers, our profit margin with reference to the market demand, anticipated market trends, historical sales data and prices of our competitors' products. The cost, including any fluctuation in the cost of raw materials, will be taken into account in determining the selling price for our customers. As a result of our pricing strategy, our Directors believe that we can generally pass on the increase in purchase costs of raw materials to our customers.

Our short term pricing policy with customers focuses on offering competitive prices for admixtures to attract customers and grapple as much market share as possible. As the customers become more familiar with us and our products, and have developed confidence in our products and services, we can gradually increase prices to reflect the value and quality of the products, aiming to enhance our profitability in the long run. Further, as the industry in which we operate has exhibited a trend of market consolidation, as smaller players are phased out due to such phenomenon, we will gain greater bargaining power when the number of players in the market decreases. As such, we believe that we shall be able to gradually increase our prices in the future with both existing and new customers.

During the Track Record Period, we derived our revenue from sales of cement admixture and concrete admixture and their respective in-process intermediaries. For FY2021, FY2022, FY2023 and 6M2024, sales of cement admixture contributed 62.6%, 49.8%, 38.8% and 37.3% of our total revenue, respectively, and generated gross profit margin of 31.1%, 35.5%, 40.4% and 43.1% for the corresponding year/period, respectively. We expect that for the short term, we will continue to generate a substantial proportion of our revenue from cement admixture. As our other venture with product segments are maturing, we also expect that we will benefit from an increased proportion of revenue from product types outside of cement admixture in the long run.

Sales and marketing

As at 30 June 2024, our sales team was consisted of 214 employees who are responsible for devising our sales target and marketing strategies, keeping abreast of the latest market trend, collect information on potential tenders, arrange for tender submission for suitable projects, reaching out to potential customers, etc. Our sales and marketing strategies centre on establishing a reputation for consistent and stable production and supply of quality cement admixture and concrete admixture related products, offering our customers support services and building stable and enduring relationships with our customers.

To grasp potential business opportunities and promote our products, we sponsor industry forums, participate in exhibitions and distribute our publicity brochures as a part of our marketing strategies. We also pay regular visits to our target customers to obtain a better understanding of our target customers with an aim of offering customised products that satisfy our customers' requirements. Besides, we keep abreast of the latest market information on potential tenders and conduct research on suitable tenders. In an effort to further expand our business, we intend to further increase our sales and marketing effort as well as expansion of our geographical coverage and deepen our existing markets' penetration. As a leading cement admixture provider in the PRC with a comprehensive product portfolio and a reputation for providing reliable and quality products to our customers, we have been able to source new customers through our sales and marketing efforts, word-of-mouth and referrals from our existing customers, many of whom made recommendations based on their positive experience with our quality products, reliable services and competitive pricing.

RAW MATERIALS AND SUPPLIERS

Raw materials

The principal raw materials used in the production of our products are ethylene oxide, propylene oxide and ethanolamine (including monoethanolamine (一乙醇胺), diethanolamine (二乙醇胺) and trolamine (三乙醇胺)). During the Track Record Period, we sourced such raw materials from suppliers located in the PRC. During the Track Record Period, our costs of raw materials, which is the largest component of our cost of sales, amounted to approximately RMB1,084.9 million, RMB1,339.6 million, RMB1,759.1 million and RMB807.8 million, respectively, representing approximately 90.5%, 90.8%, 90.8% and 90.3% of our total cost of sales for the corresponding year/period, respectively.

Procurement policy

As at 30 June 2024, our procurement team comprised 33 employees. Since the purchase price of our raw materials is pivotal in determining prices of our products, our procurement team collaborated closely with our sales team, technical team and production team in monitoring the raw materials prices and devise production plan and timetables which specify the raw materials required for production of our products upon receiving purchase forecast or purchase orders from our customers with reference to our inventory level. We generally do not maintain inventory of raw materials that exceeds production requirement of one month as we generally order our raw materials upon confirming our customers' purchase with us. For principal raw materials, our suppliers are either selected through invited tender or through our selection on our list of approved suppliers, which consisted of over 300 suppliers as at 30 June 2024. During the supplier selection process, we consider different factors such as the types and quantities of raw materials procured, the prices, quality, time of delivery and after-sales services the suppliers offered. Such practice enhances our bargaining power on raw materials prices, avoid reliance on one single supplier, and helps us to identify the best value-for-money option.

Since our main raw materials are products of crude oil, the market prices of our main raw materials may be affected by fluctuations in crude oil prices. Any changes in such principal raw material prices may lead to a rise in the cost of production since the cost of raw materials also increases. As a result, we are exposed to the market risk of price fluctuation. Any unexpected increases in market prices of raw materials may have a material and adverse effect on our business, results of operations and financial condition if we are unable to transfer the increased procurement cost to our customers. See "Financial information — Key Factors Affecting Our Results of Operations — Cost of raw materials" in the prospectus for the sensitivity analysis of the cost of raw materials on our profits. See "Risk Factors — Risks relating to our business — We may not be able to secure a stable supply of raw materials on acceptable prices which would adversely affect our operations and financial condition" in this prospectus. For customers with which we have entered into sales framework agreements which have price adjustment clauses, we will be able to pass on the increase in purchase costs to such customers. When there is increase in raw material costs in relation to the manufacturing of our products, we may negotiate with our customers and adjust the price of our products on their purchase orders accordingly. With some customers, we have also entered into sales framework agreements which have a fixed cost or price adjustment mechanisms which are only triggered after cost fluctuations have exceeded a certain percentage; for these customers, we manage the impact of raw materials fluctuation by taking into consideration any increase of raw material cost to our quoted price in our next agreement with the customer.

Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, we had not (i) relied on any single source of supply for our raw materials; (ii) experienced any shortage or delay in the supply of raw materials, which may materially and adversely affect our operations and financial conditions; (iii) experienced any material returns of raw materials in relation to quality issues, (iv) experienced any material disruptions or disputes in supply of raw materials that may adversely affect or delay our production plans; and (v) experienced any material delay in making payments to our suppliers.

Suppliers

Our suppliers are mainly suppliers of raw materials which include ethylene oxide, propylene oxide, ethanolamine (including monoethanolamine, diethanolamine and trolamine) and other ancillary raw materials based in the PRC. As at 30 June 2024, we had in aggregate more than 300 approved suppliers to secure a stable supply of our key raw materials. Our Directors believe that the supply of raw materials that we principally use in production is generally stable and sufficient in the market, and therefore improves our cost control. We generally obtain quotations from at least three suppliers to ensure that the cost of the raw materials purchased by us are reasonable and market.

Selection of suppliers

We maintain a list of approved suppliers and have in place a set of selection criteria for suppliers. We select suppliers based on a range of factors including their product quality, pricing, delivery time, its reliability, reputation in the industry of each potential supplier before they are qualified to become our approved suppliers. A supplier will become our approved supplier only after they have met our selection criteria. It is our procurement policy that we only purchase raw materials from our approved suppliers to ensure the quality of our raw materials. We regularly communicate with our suppliers, and from time to time review their performance and background information, including validity of their business licence(s) and requisite certifications. The performance of suppliers is evaluated based on criteria such as their stability and schedule of supply, production location, quality of products, turnaround time, response to enquiries and complaints, reputation and financial condition of the supplier. We will remove suppliers from our list of approved suppliers or cease procurement of raw materials from them if any of them fails to satisfy our quality and service requirements upon periodic review.

We strive to maintain stable relationships with our suppliers to ensure that no disruption is caused to our business operations as a result of any change in suppliers. Our business relationships with our five largest suppliers for each year of the Track Record Period ranged from approximately two years to five years as at the Latest Practicable Date. We make payment for procurement of raw materials before delivery, upon delivery or within the credit period granted to us. During the Track Record Period, we settled payments with our suppliers in RMB mainly by bank acceptance bills and telegraphic transfer.

Delivery of raw materials that we purchase takes place in the PRC, and is mainly made by road and pipeline transport by the suppliers to our production facilities at their expense or by our own expense.

Principal terms of our procurement agreement

During the Track Record Period, we entered into legally binding supply framework agreement for procurement of raw materials with some of our suppliers, followed by purchase orders setting out the relevant purchase quantity and prices of each individual order. The table below sets out the principal terms of our supply framework agreements with our suppliers:

Duration:	Generally one year with no automatic renewal clause upon expiration.
Pricing:	The supply framework agreements generally specify a per unit base price of the raw materials and may be subject to relevant subsequent upward or downward adjustments as stipulated in the agreement.
Delivery and shipping costs and risk allocation:	Generally delivery of products to the location designated by us at their expense. The risks of the products are generally being transferred to us upon our acceptance of their products.
Payment terms and payment method:	Payment by bank acceptance or telegraphic transfer.
Product warranty and return policy:	Quality issues shall be raised within a stipulated period. The defective raw materials can be returned.
Minimum purchase amount:	There is generally no minimum purchase amount is set out in the agreement.

Termination:	Generally subject to termination upon breach of agreements by either party.
Product quality:	Generally products procured are subject to product quality standards stipulated in specific contract such as the chemical composition of the goods.

Five largest suppliers

For each year/period of the Track Record Period, our purchases made to our five largest suppliers amounted to approximately RMB539.3 million, RMB882.1 million, RMB1,296.6 million and RMB654.5 million, respectively, representing approximately 30.2%, 49.0%, 64.5% and 69.8% of our total purchases for the corresponding year/period, respectively, while our purchases made to our largest supplier in each year during the Track Record Period amounted to approximately RMB211.4 million, RMB509.5 million, RMB916.2 million and RMB495.1 million respectively, representing approximately 11.8%, 28.3%, 45.6% and 52.8% of our total purchases for the corresponding year/period, respectively. Our total purchases with our largest supplier has increased steadily throughout the Track Record Period due to the fact that we began sourcing ethylene oxide with it in FY2022 for our production of concrete admixtures; as our concrete admixture business grew, so did our purchase of ethylene oxide from our largest supplier. The tables below set out a summary of our five largest suppliers during the Track Record Period:

FY2021

Supplier	*Notes*	Commencement year of relationship with us	Principal raw materials procured by us	Approximate amount of purchases	Approximate percentage of our total purchase	Credit term
				(RMB million)		
Supplier A and its branches	*(1)*	2018	Propylene oxide	211.4	11.8%	Payment before delivery
Supplier B	*(2)*	2020	Monoethanolamine, diethanolamine and trolamine	91.2	5.1%	Within five days of the following month
Hubei Xianlin Chemical Co. Ltd* (湖北仙鄰化工有限公司) ("**Hubei Xianlin**")	*(3)*	2018	Monoethanolamine, diethanolamine and trolamine	88.0	4.9%	Payment before delivery or within 15 business days
Supplier C and its subsidiaries	*(4)*	2020	Propylene oxide	76.1	4.3%	Payment before delivery
Nanjing Zeqi Chemical Co., Ltd.* (南京澤祺化工有限公司) ("**Nanjing Zeqi**")	*(5)*	2018	Propylene oxide	72.6	4.1%	Within one month
Total				**539.3**	**30.2%**	

FY2022

Supplier	*Notes*	Commencement year of relationship with us	Principal raw materials procured by us	Approximate amount of purchases	Approximate percentage of our total purchase	Credit term
				(RMB million)		
Supplier A and its branches	*(1)*	2018	Propylene oxide and ethylene oxide	509.5	28.3%	Payment before delivery
Jiangsu Sailboat Petrochemical Co., Ltd. (江蘇斯爾邦石化有限公司) ("**Jiangsu Sailboat**")	*(6)*	2018	Diethanolamine	123.4	6.8%	Payment before delivery
Supplier B	*(2)*	2020	Monoethanolamine, diethanolamine and trolamine	117.5	6.5%	Within five days of the following month
Linyi Changqing Chemical Co., Ltd.* (臨沂長青化工有限公司) ("**Linyi Changqing**") . . .	*(7)*	2021	Propylene oxide	76.7	4.3%	Payment before delivery or within seven business days
Jiaxing Jinyan Chemical Co., Ltd. (嘉興金燕化工有限公司) ("**Jiaxing Jinyan**")	*(8)*	2018	Monoethanolamine, diethanolamine and trolamine	55.0	3.1%	Payment before delivery
Total				**882.1**	**49.0%**	

FY2023

Supplier	*Notes*	Commencement year of relationship with us	Principal raw materials procured by us	Approximate amount of purchases	Approximate percentage of our total purchase	Credit term
				(RMB million)		
Supplier A and its branches	*(1)*	2018	Propylene oxide and ethylene oxide	916.2	45.6%	Payment before delivery
Jiangsu Sailboat . . .	*(6)*	2018	Diethanolamine	151.2	7.5%	Payment before delivery
Linyi Changqing. . .	*(7)*	2021	Propylene oxide	96.6	4.8%	Payment before delivery or within 15 days
Jiaxing Jinyan	*(8)*	2018	Monoethanolamine, diethanolamine and trolamine	78.5	3.9%	Payment before delivery
Sichuan Yiguang New Material Manufacturing Co., Ltd.* (四川屹光新材料製造有限公司) (“**Sichuan Yiguang**”)	*(9)*	2021	Monoethanolamine, diethanolamine and trolamine	54.1	2.7%	Within 15 business days
Total				**1,296.6**	**64.5%**	

6M2024

Supplier	*Notes*	Commencement year of relationship with us	Principal raw materials procured by us	Approximate amount of purchases	Approximate percentage of our total purchase	Credit term
				(RMB million)		
Supplier A and its branches	*(1)*	2018	Propylene oxide and ethylene oxide	495.1	52.8%	Payment before delivery
Supplier D	*(10)*	2023	Diethanolamine	85.1	9.1%	Payment before delivery
Linyi Changqing. . .	*(7)*	2021	Propylene oxide	37.0	3.9%	Payment before delivery or within 15 days
Jiaxing Jinyan	*(8)*	2018	Diethanolamine and trolamine	18.8	2.0%	Payment before delivery
Rizhao Shengquan New Material Technology Co., Ltd.* (日照盛泉新材料科技有限公司) (“**Rizhao Shengquan”**) . . .	*(11)*	2022	Diethylene glycol monovinyl ether	18.5	2.0%	Within the following month
Total				**654.5**	**69.8%**	

Notes:

(1) Supplier A is a PRC company with a registered capital of RMB326.5 billion as at the Latest Practicable Date. It is principally engaged in sales of chemical raw materials and products.

(2) Supplier B is a PRC company with a registered capital of RMB640.5 million as at the Latest Practicable Date. It is principally engaged in sales of chemical raw materials and products.

(3) Hubei Xianlin is a PRC company with a registered capital of RMB89.4 million as at the Latest Practicable Date. It is principally engaged in sales of chemical raw materials and products.

(4) Supplier C is a PRC company listed on the Shanghai Stock Exchange with a registered capital of RMB3.1 billion as at the Latest Practicable Date. It is principally engaged in sales of chemical raw materials and products.

(5) Nanjing Zeqi is a PRC company with a registered capital of RMB5.0 million as at the Latest Practicable Date. It is principally engaged in sales of hazardous chemicals. To the best knowledge of our Directors, Nanjing Zeqi is a sole trading company operating on a light asset basis, which as confirmed by Frost and Sullivan, is commonly correlated with a small registered capital.

(6) Jiangsu Sailboat is a PRC company with a registered capital of RMB5.6 billion as at the Latest Practicable Date. It is principally engaged in sales of chemical raw materials and products.

(7) Linyi Changqing is a PRC company with a registered capital of RMB30.5 million as at the Latest Practicable Date. It is principally engaged in sales of chemical raw materials and products.

(8) Jiaxing Jinyan is a PRC company with a registered capital of USD77.8 million as at the Latest Practicable Date. It is principally engaged in sales of chemical raw materials and products.

(9) Sichuan Yiguang is a PRC company with a registered capital of RMB120.0 million as at the Latest Practicable Date. It is principally engaged in sales of chemical raw materials and products.

(10) Supplier D is a PRC company with a registered capital of RMB100.0 million as at the Latest Practicable Date. It is principally engaged in sales of coal, chemical raw materials and products.

(11) Rizhao Shengquan is a PRC company with a registered capital of RMB100.0 million as at the Latest Practicable Date. It is principally engaged in road freight transport and sales of chemical products.

We generally settle the payments with our suppliers by way of bank acceptance bills or telegraphic transfers.

All our five largest suppliers for each year/period of the Track Record Period were Independent Third Parties and none of our Directors, their respective close associates or any Shareholder who, or which, to the best knowledge of our Directors, own more than 5% of the issued share capital of our Company as at the Latest Practicable Date, had any interest in any of our five largest suppliers for each year/period of the Track Record Period.

DELIVERY AND TRANSPORTATION

Our customers can choose to pick up products at our production facilities or engage us for delivery of products to their designated place at their own selection. For customers which engage us to deliver products to their designated locations, we rely on third party logistic service providers for product delivery and bear the risks during transportation. Such logistic service fee is generally calculated on the basis of the actual transportation volume and paid by us, and we include such transportation cost to the total price that we charge our customers. Delivery of our products to our customers in the PRC is primarily made by land transportation, and the relevant logistic service providers are responsible for all risks relating to the products in transit upon completion of unloading of the products. While we normally allocate orders to production facilities which are closer to the intended destination of delivery, to ensure that there is a steady supply of goods to our customers, we maintain flexibility through our internal policies through maintaining the policy that delivery of our products are not restricted to adjacent areas of our production facilities.

The logistics service providers engaged by us are mainly determined through a bidding process. During the Track Record Period, our transportation cost amounted to approximately RMB83.6 million, RMB62.0 million, RMB74.4 million and RMB37.9 million, respectively. We make payment for the logistics service mainly by telegraphic transfer on a monthly basis upon receipt of relevant bills from our logistics service providers.

Our Directors confirmed that we had not experienced any material disruption or damage to our products in the delivery of our products during the Track Record Period.

QUALITY CONTROL

We attach great importance to the quality of our products in order to meet our internal standards and our customers' requirements. We have implemented various quality control measures throughout our production process to ensure the quality of our products. Staff from our production team and technical team is responsible for carrying out the quality control procedure.

During the Track Record Period and up to the Latest Practicable Date, we did not receive material claims or complaints from our customers in respect of the quality of our products.

Quality control on the raw materials

We maintain a list of approved suppliers which is subject to our annual review, and we generally only procure raw materials from such approved suppliers. We require our suppliers to, from time to time, provide us with quality inspection reports showing that the raw materials they supply to us can meet the required standards. We also, from time to time, require them to provide us with certificates showing that relevant raw materials are in conformity with applicable safety and environment protection rules and regulations.

Our quality control team and production team get together to conduct inspection and testing on the incoming raw materials on a sampling basis to ensure their conformity with the required standards and the agreed specifications set out in the supply agreements and purchase orders. Depending on the terms of the supply agreements, a representative from our supplier may be on site to participate in the inspection and testing process. Our internal quality control policy requires the inspection and testing process to cover aspects including quantity, chemical properties, level of impurity, level of density, appearance, colour, smell, etc. In order to uphold the accuracy and reliability of our acceptance procedure of raw materials, including relevant inspection and testing results, we will conduct further review on them on a sampling basis at least once a month.

Upon discovery of any sub-standard or defective raw materials, we will either return the entire batch of raw materials to our suppliers or accept such raw materials with a set-off of purchase price depending on the level of defects.

Quality control on the production process

During the production process, our production team conducts regular inspection, calibration and maintenance on the production equipment and machinery and conducts random sample checks on work-in-progress covering aspects of quality, appearance, chemical properties and functions, which enable us to identify defects easily and to promptly carry out rectifications if feasible.

Work-in-progress failing to meet the quality standards are subject to analysis of the root cause of the failure and will not be passed to the next stage of the production procedure.

Quality control on the finished products

To ensure the outgoing products can comply with the relevant standards and specifications, we require our technical team to conduct inspection and testing on our finished products on a random basis in accordance with our internal quality control policy. The finished products must pass our final quality testing before delivery to customers. The status of our finished products being ready for delivery must be communicated through a written notice issued by our quality control team. Besides, we also engage external inspection institutions of provincial or higher level to conduct inspection and testing on our finished products on a sampling basis periodically to ensure the accuracy and reliability of our internal inspection and testing results.

Occasionally, some of our customers may send representatives to conduct on-site quality checks on our finished products during the production process or shortly before delivery of finished products. Some of our customers may also require external testing of our products to establish that it has met relevant standards and specifications.

Quality control on storage of products

We have formulated and implemented policies and procedures for storage of our raw materials and finished products. We regularly monitor our storage of raw materials and finished products in terms of storage condition, such as temperature and humidity to ensure that it meets the specified requirements for each type of raw materials or products and to avoid any quality issue that may arise due to improper storage condition. Furthermore, we designate appropriate storage facilities for different raw materials and products, taking into consideration factors such as stability and safety. We also ensure that appropriate packaging materials are used to protect the finished products during storage and transportation, maintaining their quality and preventing damage. Additionally, accurate and clear labelling is applied on to the finished products, providing essential information for identification, traceability, and compliance with regulatory requirements.

Product warranty and return or refund policy

We provide our customers with after-sale support services by sending our employees to the customers' sites to deal with any issue may arise during the application process of our products. Our customer can raise issue regarding the product quality within a stipulated period, generally such ranging from one to ninety days. We normally do not accept return of non-defective products. On some occasions, we provide product warranty which commences from the date on which our products are accepted by the customer, such stipulated period generally does not exceed 180 days. We require our customers to notify us any defects of the products within the period specified in our contract with them to the customers' designated locations. If the quality of the products deviates from the standard specified in the sales agreement or purchase order, we will conduct investigation on the root cause either by our technical team. When necessary, we will ask an Independent Third Party to conduct further investigation of the product. We may offer a set-off of purchase prices to our customers with regards to products which are defective depending on our negotiation with our customers. We generally do not offer any non-defective product return to our customers.

Our Directors confirm that we had not experienced any substantial return or recall of our products due to quality defects during the Track Record Period and up to the Latest Practicable Date.

We recognise the importance of promptly addressing our customers' complaints. Upon receipt of a complaint from our customers, our technical team will, with the support from our sales team, conduct a thorough analysis to identify the root cause of the complaint by tracing back to their production process. After the relevant analysis determines the root cause, our complaints handling team will promptly communicate with our customers and provide them with a suitable solution. Our Directors confirmed that we had not received any material complaints lodged by our customers in relation to our products during the Track Record Period and up to the Latest Practicable Date.

Our sales team communicates with our customers regularly to collect their feedbacks on the quality of our products, their preferences, and market demands for our products. Our sales team will share this feedbacks with our technical team so that the latter can improve our product quality and develop new products.

SEASONALITY

Our products are primarily applied in the building materials industry in the PRC which is generally influenced by seasonal and climatic factors. This industry experiences peak and off-peak seasons. In line with these trends, we usually record our lowest sales volume from January to March due to the Chinese New Year, when the construction activities are less active than other months of the year. Certain climatic conditions, such as heavy or prolonged rainfall or extreme weather (such as high or low temperatures), also negatively affect market demand of our products because the level of construction activities is relatively low under those conditions.

We adopt a proactive approach to address these challenges posed by seasonality. We align our production scheduling with market and weather conditions to optimise resources allocation and mitigate the impact of seasonal fluctuations.

UTILITY

The major utilities consumed in our production are electricity and water. Our production facilities in the PRC have access to electricity and water from local utility companies. During the Track Record Period, we did not experience any disruption or shortage of water or electricity.

During the Track Record Period, our utilities costs were approximately RMB2.5 million, RMB11.2 million, RMB16.4 million and RMB6.3 million, representing approximately 0.2%, 0.8%, 0.8% and 0.7% of our total cost of sales for the corresponding year/period, respectively.

COMPETITION

According to Frost & Sullivan, the cement admixture market in the PRC is highly concentrated. As at 31 December 2023, the top five PRC cement grinding aids providers accounted for approximately 49.6% of the total sales volume of cement grinding aids in the PRC. The table below sets out our rankings and market shares in terms of the sales volume of our products in the PRC cement admixture markets in FY2023:

In terms of sales volume of	Our market share	Our ranking
In the PRC		
Cement admixture	28.3%	1st
Cement grinding aids(1)	34.6%	1st
Processed alcohol amine(2)	4.7%	N/A(3)

Note:

(1) The production volume of cement grinding aids accounted for approximately 81.8% of total production volume of cement admixtures in the PRC in FY2023.

(2) The production volume of processed alcohol amine that applied in the manufacturing of cement admixtures accounted for approximately 40% of total production volume of raw materials that applied in the manufacturing of cement admixtures in the PRC in FY2023.

(3) Our ranking in this respect falls outside the top ten.

According to Frost & Sullivan, the concrete admixture market has a large number of participants, with approximately 4,000 concrete admixture providers in the PRC, resulting in a relatively fragmented market. In recent years, the market share of high-performing concrete water reducing admixture has continuously increased due to its satisfactory performance. In the future, the market share of high-performing concrete water reducing admixture is expected to further increase. The table below sets out our rankings and market shares in terms of the sales volume of our products in the PRC concrete admixture markets in FY2023:

In terms of sales volume of	Our market share	Our ranking
In the PRC		
Concrete admixture	0.8%	N/A(1)
High-performing concrete water reducing admixture(2)	1.3%	N/A(1)
Polyether monomers(3)	0.9%	N/A(1)
Polycarboxylic acid mother liquors(4)	1.7%	N/A(1)

Note:

(1) Our ranking in this respect falls outside the top ten.

(2) The production volume of high-performing concrete water reducing admixtures accounted for approximately 60.2% of total production volume of concrete admixtures in the PRC in FY2023.

(3) The production volume of polyether monomers that applied in the manufacturing of concrete admixtures accounted for approximately 60% of total production volume of raw materials that applied in the manufacturing of concrete admixtures in the PRC in FY2023.

(4) Polycarboxylic acid mother liquors, produced from polyether monomers, are applied to produce high-performing concrete water reducing admixtures through a physical process of compounding.

AWARDS AND RECOGNITIONS

In recognition of our achievements, we have received a number of awards and recognitions including but not limited to the followings:

Name of award/certification	Awarding organisation(s)	Recipient	Year of grant
Scientific reform demonstration enterprise* (科改示範企業) . .	State Council State-owned Enterprise Reform Leading Group* (國務院國有企業改革領導小組)	Our Company	2023
Scientific reform demonstration enterprise* (科改示範企業) . .	State Council State-owned Enterprise Reform Leading Group* (國務院國有企業改革領導小組)	Our Company	2022
2023 Top 10 Typical Energy Conservation Cases in Ningbo* (2023年度寧波市十大節能典型案例)	Ningbo City Energy Conservation Association* (寧波市節能協會)	Ningbo Conch	2023
China's top 100 innovative building materials enterprises in 2022* (2022中國創新建材企業100強)	China Building Materials Enterprise Management Association (中國建築材料企業管理協會)	Our Company	2022

Name of award/certification	Awarding organisation(s)	Recipient	Year of grant
China's top 100 building materials enterprises with the most growth potential in China in 2022* (2022中國最具成長性建材企業100強)	China Building Materials Enterprise Management Association (中國建築材料企業管理協會)	Our Company	2022
China's 2022 Harmonious building materials enterprises* (2022中國和諧建材企業)	China Building Materials Enterprise Management Association (中國建築材料企業管理協會)	Our Company	2022
Honorary certificate of 2022 Green Factory in the Building Materials Industry* (2022年度建材行業綠色工廠).	China Building Materials Federation* (中國建築材料聯合會)	Meishan Conch	2022
Model Green Manufacturer in Meishan* (眉山市市級綠色製造示範單位).	Meishan City Bureau of Economic and information Technology* (眉山市經濟和信息化局)	Meishan Conch	2022
Outstanding Supplier in Cement Industry* (水泥行業優秀供應商)	China Cement Association (中國水泥協會)	Our Company	2021
Second prize of Huaihai City Science and Technology Innovation Award* (淮海科技創新二等獎)	Huaihai Science and Technology Award Committee* (淮海科學技術獎委員會)	Linyi Conch	2021
Building Materials Science and Technology Award* (建築材料科學技術獎)	China Building Materials Federation and China Silicate Society (中國建築材料聯合會及中國矽酸鹽學會)	Our Company	2020
Third prize of (Linyi City) Science and Technology Progress Award* (臨沂市科學技術進步三等獎)	People's Government of Linyi City* (臨沂市人民政府)	Linyi Conch	2020

Name of award/certification	Awarding organisation(s)	Recipient	Year of grant
High and New Technology Enterprise (高新技術企業) . . .	Shandong Provincial Department of Science and Technology*, Shandong Provincial Department of Finance, State Administration of Taxation, Shandong Provincial Taxation Bureau* (山東省科學技術廳、山東省財政廳、國家税務總局山東省税務局)	Linyi Conch	2020
Second prize of Science and Technology Progress Award* (科學技術進步二等獎)	People's Government of Shandong Province* (山東省人民政府)	Shandong Hongyi	2019
Achievement Award for New Development of Cement Admixture Industry* (水泥外加劑行業新發展成就獎)	China Cement Association (中國水泥協會)	Our Company	2019
Scientific and Technological Innovation Award for Cement Admixtures* (水泥外加劑科技創新獎)	China Cement Association (中國水泥協會)	Our Company	2019

INVENTORY CONTROL

Our inventory consists of raw materials and finished products. An analysis of the levels of our inventory during the Track Record Period is set out in "Financial Information — Description of Certain Items of Consolidated Statements of Financial Position — Inventories" in this prospectus. We closely monitor our inventory level through our supply chain management system as maintaining an excessive level of inventory would tie up our working capital although most of our inventories have no expiry dates for usage. Our supply chain management system features the following functions which help reduce the manual work taken to effectively manage our inventory levels:

1. Tracking all inbound and outbound items;

2. Automatic generation of various inventory analysis such as monthly turnover, consumption of ancillary raw materials and inventory aging analysis etc.;

3. Real-time record of all inventory;

4. Automated settlement of orders for raw materials; and

5. Approval processes relating to inventory management may be conducted on the system.

Raw materials

For the inventory of our raw materials, we place purchase orders with our suppliers based on the expected level of production activities taking into consideration the sales orders on hand and the historical trends of sales. If there is an expected shortage of any particular type of raw materials or if the market prices of the raw materials are on an increasing trend, we would increase our inventory level of raw materials.

Finished products

The level of inventory of our finished products is dependent on our production volume as well as the sales orders on hand and the time for delivery of the finished products to our customers. Our products are produced based on the specifications of the sales orders placed by our customers.

Warehouse management

As part of our quality control for inventory storage, we have also implemented operation procedures for our warehousing facilities, which include record keeping in a timely manner, proper and clear labelling and periodic stocktaking.

INFORMATION TECHNOLOGY

Our information technology management policy is adopted to regulate our operations, inventory control, procurement, production, equipment and sales management. Our sales, raw materials and production status are reflected in the various systems on a real time basis. Data relating to different aspects of our business are recorded in the various systems adopted by us to facilitate our strategies formulation and decision making process.

- ***Inventory management.*** Our supply chain management system features the following functions which help reduce the manual work taken to effectively manage our inventory levels. For details, see "Inventory Control" in this section. Further, raw materials are processed through machine pumps, and the reactor weighing is interlocked with such pumps which accurately records the volume of our raw materials to the DCS. Timely access to inventory and sales data allows our management to monitor our sales performance and make appropriate adjustments in response to the market conditions. We also have a system that is specifically set up to deal with our inventory and procurement of precursor chemicals, so as to ensure our compliance with relevant laws and regulations.

- ***Sales.*** We have adopted a sales management system which features functions such as contract management and purchase order management. The sales management system provide us with reporting and analytics of the contracts and orders, tools of ongoing management and workflow automation features, and intelligent notifications regarding billings and deliveries. The system allows our staff from different locations to see changes and track timelines.

- ***Production management.*** In order to ensure efficient and high-quality production, all of our production processes have adopted a reliable and technologically advanced distributed control system (DCS), a multi-level computer system composed of process control level and process monitoring level, connected by a communication network, generally used in medium-sized or large automation control places. We can monitor and control the entire production device through DCS, including the process control, process detection, data processing, metering management and operation monitoring of the entire device. Meantime, we have embedded the batch control function (Batch) and the recipe management function (RMS) based on ISA88.01 standards, which can maintain a safe and reliable operation of our instrumentation and control systems. We have developed production process monitoring function, history playback function, trend analysis function, abnormal information alert function, integrated display function, etc., which altogether can helps us realise real-time monitoring and analysis of data from various subsidiaries. To ensure the safe operation of our production processes, we also house a fire alarm which displays the alarm information and activates the sound and light alarm in our control rooms upon the detection of fire.

- ***Procurement.*** To minimise the turnaround time for engaging suppliers, we have adopted a procurement system which help with our raw material demand plans, procurement management, procurement contract management and supplier management.

Further, our Ningbo Production Plant, which is our largest production plant with the widest range of production capacities of available products offered by us as at the Latest Practicable Date, is also supported by our adoption of a 5G network. By eliminating the need for wired connectivity, such network allows for the high-speed information transfer with a far greater degree of flexibility. As a 5G-enabled factory, we have the capacity to maintain connections among a vast amount of machinery and equipment.

INSURANCE

We maintain various insurance policies covering our production accidents, safety responsibilities, use of hazardous materials, vehicle transportation and equipment. We believe that our insurance coverage is adequate in the context of our business and in line with industry practice. Our Directors confirmed that we were not subject to any material insurance claims or liabilities arising from our operations during the Track Record Period and we did not make any material insurance claims during the Track Record Period.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

We acknowledge our responsibilities on environmental protection as well as the corporate social responsibility that may have impact on our business. We therefore are committed to complying with environmental, social, and governance ("**ESG**") reporting requirements upon the Listing. We have formulated an environmental, social and governance policy ("**ESG Policy**") in accordance with the standards set out in Appendix C2 of the Listing Rules.

We have set up an environment, health and safety management committee ("**EHS Management Committee**") at the business level, which is responsible for making EHS decisions, convening EHS Management Committee meetings, discussing and finalising the adjustment of EHS Management Committee members, amending its terms of reference, and establishing relevant systems, among others. The EHS Management Committee's director is our Company's general manager, its deputy director is our Company's deputy general manager and chief accountant, and its members are the heads of departments and subsidiaries. The EHS Management Committee is expected to consist of diversified members, including members with experience in and knowledge of environmental protection and compliance as well as experience in occupational safety management, while taking into account the Group's needs in emission control and production growth.

We undertake to establish an Environmental, Social and Governance Committee (the "**ESG Committee**") upon Listing to assist the Board in overseeing ESG management, ensuring the implementation of ESG policies, monitoring ESG-related performance and objectives, revising ESG strategies, where appropriate, preparing ESG reports in accordance with Appendix C2 of the Listing Rules. Figures relating to GHG emissions were calculated in accordance with the GHG Protocol Corporate Accounting and Reporting Standard issued by the World Resources Institute and the World Business Council for Sustainable Development. For climate-related disclosure, we made reference to the disclosure recommendations developed by the Task Force on Climate-related Financial Disclosures and the IFRS S2 Climate-related Disclosures issued by the International Sustainability Standards Board.

Anti-corruption

We have formed a disciplinary inspection team to conduct regular disciplinary inspection and supervision. We have established a diverse reporting process, in which employees can report by letters, visits, phone calls or other means. A discipline inspection team is set up to conduct regular disciplinary oversight. Through talks and inquiries, preliminary verifications, and reviews and investigations, the team's staff conducts complete investigations into reported incidents and gives quick feedback to whistleblowers. In the future, we will further improve our anti-corruption reporting mechanism and provide anti-corruption trainings for Board members.

Environmental Sustainability

We place a high value on environmental protection, and have taken steps to ensure that we comply with all applicable regulations. Our plants produce some exhaust gas, wastewater and waste residue during the manufacturing process. However, our industry is not in the "high pollution and high environmental risk" product catalogue as published by the Ministry of Ecology and Environment of the PRC government in 2021. We believe that we have taken adequate countermeasures to ensure that exhaust gases are released in accordance with the relevant requirements and hazardous wastes are disposed of in a responsible way. For example, in our annual production and operation indicators, we include environmental protection indicators and link them to our assessment. We have engaged qualified third-party agencies to properly dispose of wastewater and hazardous waste. We also entrust a professional third-party environmental testing company to conduct on-site monitoring of wastewater (on a monthly basis), exhaust gas (on a quarterly and annual basis), noise (on a quarterly basis), and other emissions from the manufacturing environment. In sum, we assess our compliance with relevant environmental measures based on periodic self-review and third-party verification. We have taken adequate countermeasures to ensure that exhaust gases are released in line with requirements and hazardous wastes are disposed of in a responsible way as indicated above. During the Track Record Period and up to the Latest Practicable Date, we have complied with all best practices set out in relevant protocols and standards. We have received a number of environmental awards in recent years. In particular, Meishan Conch was rated as "Model Green Manufacturer in Meishan (眉山市市級綠色製造示範單位)" in December 2022, and was awarded the honorary certificate of "2022 Green Factory in the Building Materials Industry (《2022年度建材行業綠色工廠》)" by China Building Materials Federation. Ningbo Conch was recognised as one of the "2023 Top 10 Typical Energy Conservation Cases in Ningbo (2023年度寧波市十大節能典型案例)".

As for office management, we put environmental protection slogans in our workplace area, push for keeping the air conditioning temperature at 26 Celsius degree. Our employees will inspect our offices, to turn off unneeded power-consuming equipment, and organise frequent waste inspections. In terms of daily operation, we encourage our employees to adopt low-carbon transport, actively promote garbage classification for recycling, and reduce household and work waste.

Social Responsibility

We have taken a number of measures to assume our social responsibility. While pursuing our own growth, we continue to devote ourselves to social welfare. We actively participate in the project of poverty alleviation through consumption of local agricultural products in Hotan, Xinjiang. In FY2022 and FY2023, we ordered local agricultural products during the Spring Festival, with 139 people ordering for RMB34,500, in order to accelerate the pace of poverty alleviation in Hotan and promote local economic development. In addition, we organized certain subsidiaries to carry out blood donation activities in 2023.

Identification, Assessment and Management of Environmental, Social and Climate Risks

Over the years of operations, our frequent evaluations and internal reports have enabled us to spot a broad array of risks and impacts linked to environmental, social and climate issues in addition to our dealings with external stakeholders such as our customers, suppliers, government authorities and business partners.

The ESG risks identified and their impacts on our business strategy and financial planning

We have identified the following risks and their impacts during the Track Record Period:

Material Topics	Impact of ESG Risks
Use of energy and water	The main source of our energy is electricity, with a slight use of natural gas, primarily in the processes of synthesis workshop, cement admixture series, and high-performing concrete water reducing admixture mother liquor. Subsequently, we have taken various cost-saving and efficiency measures, to enhance productivity while reducing unnecessary energy consumption. However, we may bear the increased cost of new equipment, facilities, and technological improvements to foster energy conservation. For our production and operations, we need water, and by recycling, we are heightening the resource efficiency. In addition, we are taking proactive steps to avoid unnecessary water waste in our daily operations.
Emission management	Wastewater, exhaust, and residue are the main effluents we produce from material storage, production processes, and loading and unloading process. We recycle the wastewater from cleaning the production area and apply the water from the demineralised water production as raw materials for the production of admixture compounding. The exhaust gas generated in production processes is discharged after being appropriately processed in the tail gas treatment facilities. All hazardous wastes are collected, stored and treated in accordance with standard practice. We have adopted multiple technical refinement procedures to ensure the tail gas emissions fulfil the standards and to forestall the dissemination of hazardous chemicals. Penalties for noncompliance with pollutant emissions include warnings, fines, the establishment of deadlines for pollution remediation, orders to cease production or use, orders to reinstall pollutant prevention and treatment facilities that have been removed or abandoned without permission, and administrative actions against the relevant responsible persons or orders to close such entities. Our production facilities may be ordered to suspend production for rectification, which may incur additional costs.

Material Topics	Impact of ESG Risks
Environmental protection management	To align with laws, regulations and standards for environmental protection, we may incur relevant production and operation costs primarily from the purchase and installation of environmental protection equipment and facilities, environmental impact monitoring, and hazardous waste treatment. As environmental regulations in the PRC keep on advancing, we may be obliged to invest considerable funds to revamp our manufacturing facilities to meet the environmental requirements that may be implemented in the near future. We may also face fines and penalties for non-compliance of environmental requirements.
Climate change response — Physical risks	We believe that climate-related issues may lead to the risk of increasingly severe extreme weather incidents, such as frequent lightning, heavy rains, strong winds, and high temperatures, which may threaten the safety of our employees and cause damage to our plant facilities. We may be potentially affected by the increase in the operation and maintenance costs of our plants and our Group as well as in insurance expenses for the purpose of protection. At the same time, it is expected that relevant weather conditions may disrupt the supply chains and transportation services, and further delay the delivery of our products.
Climate change response — Transition risks	The transition to a low-carbon economy involves the changes in climate-related regulations and policies as well as technological risks, which in turn may lead to potential transition risks. With the implementation of the dual carbon strategy, local governments gradually take steps to control the consumption of fossil energy, adopt policies to control both total volume and intensity of carbon emission, intensify the power restriction and suspend the production of high-energy-consuming enterprises, and shut down outdated production facilities, which may bring uncertainty to the supply chain of our Group. Tightening environment regulations may require us to increase investments in business and operation transformation, such as applying more advanced processes or technologies to reduce the energy consumption, which may increase the relevant research and development expenses.

Material Topics	Impact of ESG Risks
Workplace safety	Production safety and occupational health are of the utmost importance to us at our manufacturing operations. We have adopted a preventive approach through hazard identification, hazard management and risk assessment. To support the successful implementation of this approach, we have devised safety programmes and management handbooks to decrease the occurrence of safety incidents by providing a secure and healthy workplace for our employees through the safety regulations outlined in the employee handbook that has been provided to all staff. Owing to our sector, certain of our employees are still exposed to occupational diseases, such as occupational chemical eye burns, occupational chemical skin burns and occupational hydrogen peroxide poisoning. To help reduce the risk of this, we provide reminders about occupational diseases, organise occupational disease inspections and undertake occupational disease prevention and control measures. Our employees may also face work-related injuries. For FY2021, FY2022, FY2023 and 6M2024, the number of work days lost by our employees due to work-related injuries was approximately 22 days, 25 days, 0 days and 0 days, respectively. During the Track Record Period and up to the Latest Practicable Date, we have not experienced any fatalities arising from our production operations.

We seek to assess the above risks and impacts annually after Listing. Our aim is to analyse these risks by the end of this year to determine the financial impact on our income and expenditure. If these risks and impacts are deemed material, the Board may modify our strategies and any applicable countermeasures.

Measures to Manage and Mitigate ESG Risks

We have developed a full range of comprehensive and effective measures to control and minimise ESG risks, and prevent them from hampering our production operations and supply chain management.

Use of energy and water. To reduce energy consumption, we have taken a series of measures to reduce costs and increase efficiency. For power conservation, we have fine-tuned the system control and changed up the pipelines to boost production efficiency and reduce power consumption. We also have substituted the light control of our plants with an autonomous adjustment protocol based on the seasons to minimise the power loss caused by manual adjustment at inappropriate times. For natural gas consumption, we have reinforced regenerative thermal oxidiser (the "**RTO**") operation temperature control and augmented the flame-out and ignition temperature values to decrease natural gas utilisation. In addition, we make active efforts to promote water recovery and recycling. In terms of production water, we have laid the recycle pipeline for mother liquors, inspected and optimised the pumps and pipelines for underground water supply, recycled and repurposed water from all production processes, and used rainwater tanks to collect rainwater and substitute some of the production water. As for domestic water, we strive to minimise the use of domestic water, and inspect and plug up any holes in the underground domestic water pipeline network.

Emission management. In accordance with all applicable laws and regulations in each of our production and operational sites, we are taking actions such as treating exhaust gases, treating sewage and disposing solid waste, to lessen the ecological consequences of emissions. We have improved our emissions management system by formulating management systems, such as the Measures for the Control and Management of Solid Waste (固體廢物控制管理辦法) and the Management System for Environmental Protection (環境保護管理制度) to specify the procedures for emission treatment. We have also included emissions management into our annual production and operation management objectives. For exhaust gas, all companies have set annual environmental protection technical indicators for organised, unorganised, and mechanical forklift exhaust gases according to the Integrated Emission Standard of Air Pollutants (大氣污染物綜合排放標準), which comprise SO_X, nitrogen oxides, and particulate matters. For wastewater, all companies have set discharge indicators according to the Wastewater Quality Standards for Discharge into Urban Sewers (污水排入城鎮下水道水質標準), covering pH values and suspended solids. All wastewater generated in production is reused, while domestic sewage is discharged to the urban sewers after being treated in sedimentation tanks. The safety and environmental management department of each company carries out the application for sewage licence in an orderly manner in accordance with Regulation on the Administration of Permitting of Pollutant Discharges (排污許可管理條例), Catalogue of Classified Management of Discharge Permits for Stationary Pollution Sources (固定污染源排污許可分類管理名錄) and the industry-related technical specifications on the application and issuance of sewage discharge permit, etc. For sewage that requires special treatment, we engage third parties to treat it. For hazardous waste, we manage it in strict accordance with national and corporate hazardous waste management standards, and have established temporary storage warehouses for hazardous waste that meet relevant national standards, and adopted strict physical control measures to ensure that hazardous wastes are properly classified and stored in a timely manner. Qualified third-party agencies are also engaged for the proper disposal of hazardous wastes.

Environmental protection management. Focusing on the "dual carbon" goal, we uphold the philosophy of "environmental protection and balanced development" and the strategy of "green development, pioneering development and recycling development", and are devoted to constructing a "green, resource-saving, low-carbon and recycling-oriented" enterprise. To this end, we have formulated a number of rules and regulations, including the Management System for Environmental Protection (環境保護管理制度), the Management System for the Monitoring of Safety, Environmental Protection and Occupational Health (EHS) (安全環保職業監控(EHS)管理制度), the Responsibility System for Safety, Environmental Protection and Occupational Health (EHS) (安全環保職業健康(EHS)責任制), the Accountability System for Environmental Protection Management (環境保護管理責任追究制度) and the Guiding Opinions on the Statistics of Power Consumption (電能消耗統計指導意見). Our employees receive targeted training on environmental protection topics to cultivate their senses of responsibility and mission for environmental protection. Our subsidiaries are conscientious in carrying out the "Three

Synergistic Measures" for environmental protection during project development, i.e. conducting environmental impact assessments, carrying out environmental protection acceptance of completed projects, and applying for pollution discharge permits and other environmental protection approvals in a regulated manner. Our ESH Management Committee vigilantly keeps track of national, provincial, municipal and local requirements on environmental protection management, and promptly urges all companies and departments to implement this regulations timely. As at 30 June 2024, a number of our subsidiaries have attained the ISO 14001 Environmental Management System certification. Up to the Latest Practicable Date, we have not encountered any substantial accidents or faced any notable claims for damages to persons or property or compensation related to health or safety during our operations.

Climate change response — Physical risks. We understand the importance of raw material supply to its business continuity. As the countermeasures to this problem, externally, we have intensified the research on raw material markets and the judgment on the trend of raw material markets, and established long-term cooperation with domestic upstream chemical enterprises, so as to ensure the stable supply of raw materials; internally, we have adopted appropriate inventory policies, set alert inventory value for raw materials in conjunction with inventory turnover cycles, and closely tracked raw material inventory status to ensure reasonable inventory level. In the event of unexpected supply problems, we can purchase raw materials from nearby raw material factories to ensure the supply of raw materials. At the same time, in order to cope with and mitigate the adverse impact of relevant weathers on the production of our Group, the EHS Management Committee regularly tracks weather conditions, adjusts production arrangements accordingly, and prepares disaster prevention supplies in advance.

Climate change response — Transition risks. We will continue to give play to our advantages in production capacity and scale, deepen its cooperation with upstream companies, and shape a sustainable and competitive ecological chain.

Workplace safety. Ensuring the safety and health of our staff is a priority in our production and business activities, thus, we have established the Management System for Work Safety and Occupational Health (EHS) (安全生產職業健康(EHS)管理制度), the Responsibility System for Safety, Environmental Protection and Occupational Health (EHS) (安全環保職業健康(EHS)責任制) and other systems to protect the wellbeing and interests of the company and our staff. In terms of work safety, we implement the responsibility system for work safety, and have established and improved the System for Work Safety Management and Responsibility System for Work Safety (安全生產管理制度和安全生產責任制), the Accountability System for Tracing Work Safety Responsibility (安全生產責任追截制度), the Interim Measures for Reporting Special Information on Work Safety Management (安全生產管理特別信息匯報暫行辦法), and the Grading Control of Work Safety Risks and Inspection and Management of Hidden Dangers (安全生產風險分級管控和隱患排查治理), among others. We have conceived the idea of "preventable accidents and controllable risks", devised and refined safety supervision and inspection as well as emergency response systems, and reinforced the investigation and management of latent dangers, safety culture formation and safety education and trainings, all in order to advance work safety. For occupational health, all companies have put in place the Management System for Occupational Health (職業健康管理制度) to standardise the management of occupational disease prevention. A variety of measures have been applied to curb the risks of work-related illnesses among our employees. Our safety department organises regular trainings to spread the knowledge of occupational health, and stresses the necessity of compliance with the laws, regulations and national standards on occupational health. All companies have formulated strategies and implementation plans for the prevention and control of occupational health issues, and established and improved occupational hygiene practices. They have also placed warning notices in the workplace, to indicate the kinds of occupational health risks, their consequences, and preventive and emergency measures. For positions with serious occupational disease dangers, we enlist qualified occupational health technical service agencies to conduct annual testing for such dangers and triennial status assessment. Up to the Latest Practicable Date, a number of our subsidiaries have been granted the ISO 45001 Occupational Health and Safety Management System certification. Furthermore, our EHS Management Committee is concerned with the work safety and occupational health of our employees. According to the relevant provisions of the Work Safety Law (《安全生產法》), the Law on the Prevention and Control of Occupational Diseases (《職業病防治法》), the Environmental Protection Law (《環境保護法》) and the Regulations of Anhui Province on Work Safety (《安徽省安全生產條例》), we have deployed production safety and occupational health management personnel as well as registered safety engineers.

Indicators and Targets

We are determined to reconcile our commercial endeavours with the well-being of the planet's inhabitants. To this end, we adhere to our sustainable development philosophy. Consistent with our environmental management philosophy, we have set environmental protection indicators to quantify our environmental protection efforts and actively monitor our influence on the environment. Such indicators are benchmarked against our peer companies which has publicly disclosed ESG-related information. The table below presents a quantitative analysis of our environmental performance during the Track Record Period.

		FY2021	**FY2022**	**FY2023**	**6M2024**
Total air emissions *(Note 1)*	Total NO_X emissions (tonnes)	1.0	0.7	1.1	0.5
	Total SO_X emissions (tonnes)	0.0	0.0	0.1	0.0
	Total PM (particulate matter) emissions (tonnes)	0.1	1.4	0.4	0.3
Total greenhouse gas emissions and intensity *(Note 2)*	Total (Scope 1) greenhouse gas emissions (tonnes)	340.7	524.5	746.9	323.5
	(Scope 1) greenhouse gas intensity (tonnes/million revenue)	0.22	0.29	0.31	0.3
	Total (Scope 2) greenhouse gas emissions (tonnes)	2,637.5	17,324.7	23,490.6	10,504.8
	(Scope 2) greenhouse gas intensity (tonnes/million revenue)	1.66	9.42	9.81	9.52
	Total (Scope 3) greenhouse gas emissions (tonnes)	91.4	84.6	154.8	53.0
	(Scope 3) greenhouse gas intensity (tonnes/million revenue)	0.06	0.05	0.06	0.05

		FY2021	FY2022	FY2023	6M2024
Total hazardous waste discharged and intensity *(Note 3)*	Total hazardous waste produced (tonnes)	10.6	26.9	66.9	30.0
	Hazardous waste produced intensity (tonnes/million revenue)	0.01	0.01	0.03	0.03
Energy consumption and intensity *(Note 4)*	Electricity consumption (tonnes of standard coal equivalent)	448.6	1,854.7	3,108.3	1,451.4
	Natural gas (tonnes of standard coal equivalent)	32.3	109.1	175.7	95.6
	Steam (tonnes of standard coal equivalent)	14.5	2,060.0	1,758.4	678.9
	Petrol (tonnes of standard coal equivalent)	50.0	91.3	136.4	45.3
	Diesel (tonnes of standard coal equivalent)	44.0	53.2	69.5	33.1
	Energy consumption intensity (tonnes of standard coal equivalent/million revenue)	0.38	2.27	2.19	2.09
Water consumption and intensity	Total water consumption (tonnes)	240,680.0	401,359.6	468,722.0	245,265.2
	Water consumption intensity (tonnes/million revenue)	156.54	218.18	195.67	222.28

Notes:

1. We obtained such data through installing monitoring systems or engaging third parties to carry out monitoring of such emissions, and calculated the emissions based on the emission factors provided in the EMFAC-HK Vehicle Emission Calculation published by the Environmental Protection Department of Hong Kong.

2. Figures relating to Scope 1 GHG emissions were calculated in accordance with Appendix 2 to How to prepare an ESG Report: Reporting Guidance on Environmental KPIs issued by the Hong Kong Stock Exchange. Figures relating to Scope 2 GHG emissions were calculated based on the average CO2 emission factor of China's regional power grids issued by the NDRC. Figures relating to Scope 3 GHG emissions were calculated in accordance with Appendix 2 to How to prepare an ESG Report: Reporting Guidance on Environmental KPIs issued by the Hong Kong Stock Exchange, the ICAO Carbon Emissions Calculator, combined with our internal records and best estimates. Scope 3 GHG emissions mainly include data on production wastewater treatment and paper consumption generated in operations, as well as data on air travel under business travel. We expect to gradually improve the data basis for other Scope 3 GHG emissions and gradually expand the scope of disclosure of Scope 3 GHG emissions in the future.

3. Such data was retrieved in accordance with the definition of "hazardous waste" as stipulated in the Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and Their Disposal mentioned in Appendix 2 to How to prepare an ESG Report: Reporting Guidance on Environmental KPIs issued by the Hong Kong Stock Exchange. The data sources are retrieved from waste disposal records and ledgers of our Group.

4. Figures relating to energy consumption were calculated in accordance with the General Rules for Calculation of the Comprehensive Energy Consumption (綜合能耗計算通則) issued by the NDRC.

Air Emissions

Indicators and targets. For FY2021, FY2022, FY2023 and 6M2024, our total NO_X emissions were 1.0 tonnes, 0.7 tonnes, 1.1 tonnes and 0.5 tonnes respectively, and our total PM (particulate matter) emissions were 0.1 tonnes, 1.4 tonnes, 0.4 tonnes and 0.3 tonnes respectively. NO_X emissions mainly stem from boiler combustion. Ningbo Conch, Tongling Conch, and Guigang Conch have begun production since 2022, which increased NO_X emissions. Based on projections for future capacity expansion and product mix adjustments, we aim to bring emissions per tonne of product produced down by 2% compared to FY2023 level by 2024.

Measures to achieve targets. All companies will set the indicators for annual air emissions, including nitrogen oxides, PM (particulate matter), SO_x and other gases, the emission results will be linked to our performance assessment. To minimise exhaust gas emissions during production, we are continually improving our product manufacturing procedures, as at the Latest Practicable Dates, we had adopted two modes of exhaust gas treatment: exhaust gas absorption devices (water scrubbers and activated carbon adsorption) and regenerative thermal oxidisers, with Ningbo Conch having adopted both of these modes. Furthermore, we are enlisting the help of third-party organisations to oversee the environment in the manufacturing locations of each company.

Greenhouse Gas Emissions

Indicators and targets. In FY2021, FY2022, FY2023 and 6M2024, our total (Scope 1) greenhouse gas emissions were 340.7 tonnes, 524.5 tonnes, 746.9 tonnes and 323.5 tonnes respectively, and total (Scope 2) greenhouse gas emissions were 2,637.5 tonnes, 17,324.7 tonnes, 23,490.6 tonnes and 10,504.8 tonnes respectively. (Scope 1) greenhouse gas emissions were principally from natural gas used in production, (Scope 2) greenhouse gas emissions came mostly from the electricity and purchased steam. We currently use steam in our polyether monomer production process to control the reaction temperature. The steam enters our in-house dedicated steam line through an external pipeline to control the reaction heat through heat exchange, and the amount used is counted by a dedicated steam flow meter. From 2022 onwards, the initiation of production at Ningbo Conch, Tongling Conch and Guigang Conch caused a surge in GHG emissions, mainly from electricity, purchased steam and natural gas needed for production. Correspondingly, due to the fact that the use of purchased steam has increased, the greenhouse gas emissions density has increased significantly in 2022. With our plans for future capacity expansion and production scheduling, we anticipate that our electricity usage for per tonne of product in 2024 will remain at 95% of our FY2023 level, and our natural gas usage for per tonne of product will be reduced to 95% of our FY2023 level.

Measures to achieve targets. Capitalising on Ningbo Conch's energy management system, we will take advantage of information management tools to improve power consumption management and thus make the most out of every kilowatt-hour of electricity. We will replace the medium-pressure steam, which is mainly used in the polyether production process, with low-pressure steam, and also use a lithium bromide refrigeration unit system that recycles the intermittent reaction heat of the system (which won 2023 Top 10 Typical Energy Conservation Cases in Ningbo organised by Ningbo Energy Conservation Association* (寧波市節能協會)) to improve the efficiency of steam use. We will simultaneously increase the operational effectiveness of equipment by using standardised point inspections, regular maintenance of equipment, and other management tools, to decrease the useless power consumption, avoid idling of equipment, and thus save energy. Moreover, we will employ the surplus heat from the recirculating water to heat up the manufacturing processes through process optimisation, thereby decreasing the need for natural gas.

Hazardous Waste Discharge

Indicators and targets. In FY2021, FY2022, FY2023 and 6M2024, our total hazardous waste discharged was 10.6 tonnes, 26.9 tonnes, 66.9 tonnes and 30.0 tonnes respectively, mainly consisting of waste liquids, waste activated carbon, contaminants and used motor oil generated from production and experiments. The initiation of manufacturing activities at Ningbo Conch and Tongling Conch from 2022 has augmented our hazardous waste emissions. In line with national standards and our Company's management policies on hazardous waste discharge, our goal is to reduce the hazardous waste discharge per tonne of products in 2024 to 95% of our FY2023 discharge.

Steps taken to achieve the targets. To guarantee clean production and sustainable development, we will remain firm in regulating our management, integrated utilisation, and harmless disposal of solid waste, restraining disorderly discharge, and disposing in strict compliance with relevant permits. We will also reinforce online monitoring and daily operation of domestic wastewater treatment systems to meet discharge standards and reduce waste discharge.

Energy Consumption

Indicators and targets. In FY2021, FY2022, FY2023 and 6M2024, our electricity consumption was 448.6 tonnes of standard coal equivalent, 1,854.7 tonnes of standard coal equivalent, 3,108.3 tonnes of standard coal equivalent and 1,451.4 tonnes of standard coal equivalent, respectively. We primarily use electricity to run our production facilities, and with the launch of several of our plants in 2022, we have seen a rise in our electricity consumption. In FY2021, FY2022, FY2023 and 6M2024, our natural gas consumption was 32.3 tonnes of standard coal equivalent, 109.1 tonnes of standard coal equivalent, 175.7 tonnes of standard coal equivalent and 95.6 tonnes of standard coal equivalent, respectively. Our Meishan Production Plant, Xiangyang Production Plant and Ningbo Production Plant account for the majority of natural gas consumption. Based on our projections on future capacity expansion, our goal for the upcoming 2024 is to reduce electricity and natural gas consumption per tonne of products down by 5% compared to FY2023 level.

Measures to achieve targets. Capitalising on Ningbo Conch's energy management system, we will take advantage of information management tools to improve power consumption management and thus make the most out of every kilowatt-hour of electricity. We will simultaneously increase the operational effectiveness of equipment by using standardised point inspections, regular maintenance of equipment, and other management tools, to decrease the useless power consumption, avoid idling of equipment, and thus save energy. Moreover, we will employ the surplus heat from the recirculating water to heat up the manufacturing processes through process optimisation, thereby decreasing the need for natural gas. To decrease natural gas consumption, we will reinforce the management of the RTO system of Ningbo

Conch, adjust the operating temperature of the RTO sensibly, and modify the flame-out and ignition temperature. In the meantime, we will improve production processes to maximise production efficiency and minimise energy usage per unit of production.

Water Consumption

Indicators and targets. In FY2021, FY2022, FY2023 and 6M2024, our water consumption was 240,680.0 tonnes, 401,359.6 tonnes, 468,722.0 tonnes and 245,265.2 tonnes, respectively. Most of our water consumption was from tap water and a bit of groundwater. From 2022, with the launch of several of our plants, we have seen a arise in our water consumption. With our projected capacity expansion and water conservation measures in place, we anticipate keeping our production water consumption per tonne of product in 2024 at 98% of our FY2023 level.

Steps taken to achieve the targets. We will persist in taking numerous steps to stimulate the reuse of water resources in the manufacturing process. For example, we make full use of rainwater, concentrated water and other wastewater for the production of cement admixture to reduce our Company's net water consumption. While maintaining the operation efficiency of polyether slicers, we will fully leverage our jumbo bag packers for polyether to enhance the production capacity of polyether tablets and reduce the amount of aqueous solution production, thereby lowering our Company's water consumption. In the meantime, we will work with the technology centre to explore the possibility of using tap water instead of pure water to produce mother liquor to cut down our Company's production water consumption.

EMPLOYEES

As at 30 June 2024, all our employees were based in the PRC. The following table sets out a breakdown of our full-time employees by function as at 30 June 2024:

Function	**Number of employees**
Management	26
Production	291
Technical	137
Sales	214
Procurement	33
Administration and finance	106
Support staff*(note)*	74
Total	**881**

Note: Support staff includes guards, drivers, handyman etc.

Employee Management

We strictly comply with the Labour Law of the PRC (《中華人民共和國勞動法》), the Employment Promotion Law of the PRC (《中華人民共和國就業促進法》) and other laws and regulations, and have formulated a series of systems such as the staff recruitment management measures and the labour and personnel management measures to recruit from internal and external sources on an open and equal basis. We have adopted a qualification assessment procedure for applicants, including but not limited to age, academic qualifications, profession, work experience, rewards and punishments. We prohibit child labour and forced labour, sign labour contracts with our employees, arrange working hours in strict accordance with the standard working hour system, and pay social insurance for our employees on a monthly basis and on time, such as medical insurance, work injury insurance and maternity insurance.

Meantime, to cultivate a learning-encouraging corporate culture, we also actively provide employees with learning and training opportunities, construct a comprehensive training system, and conduct graded trainings and professional trainings. For FY2021, FY2022, FY2023 and 6M2024, our trainings cover more than 90% of our employees, with average training hours per person reaching 29.7 hours/person, 25.9 hours/person, 24.2 hours/person and 13.7 hours/person respectively. We also emphasise gender equality and diversity in the workplace, endeavour to create an equal and diverse employment environment in line with the principle of anti-discrimination, and encourage female employees to make impacts in their positions.

We prioritised and will continue to prioritise our employees' physical and mental wellness. In particular, we actively organise employee mental health discussions, lectures on the protection of the rights and interests of female employees, blood donations for public welfare, and regular visits to employees in need. Since 2022, we have organised multiple charitable events for each department, which generated a total donation of approximately RMB200,000 for our employees in need.

Training

We place emphasis on the establishment of a talent pipeline as well as a wide range of career development opportunities for our employees. We have established a comprehensive system for employee training and development in order to equip our employees with the necessary skills, knowledge and experience to keep abreast of the latest industry developments and to carry out their respective duties.

Labour union

Most of our PRC subsidiaries each established a labour union in accordance with relevant regulations in the PRC. Our unions actively provide benefits to employees, strive to protect our employees' legal rights and provide relief to employees in need; they also organise activities for our employees. During the Track Record Period and up to the Latest Practicable Date, we did not have any material labour dispute with or suffer any strike by our employees.

Social security and housing fund contributions

We made social security and housing fund contributions to a contribution scheme managed by the local government authority in the PRC for our employees. In FY2021 and FY2022, housing fund contributions for some of our employees had not been made in full in accordance with the relevant PRC laws and regulations, the outstanding sum of which is relatively insignificant. For each year/period comprising the Track Record Period, the shortfall amount of the housing fund contributions was RMB0.4 million, RMB0.5 million, nil and nil respectively. Save for the aforementioned incident, we have fully paid the social security and housing fund contribution for all our employees during the Track Record Period and up to the Latest Practicable Date. As at the Latest Practicable Date, we have not had any disputes with our employees over housing provident fund payments and no administrative action or penalty had been imposed by the relevant regulatory authorities with respect to our housing fund contributions, nor had we received any order to settle the deficit amount.

According to Article 38 of the Regulations on Management of Housing Provident Fund* (《住房公積金管理條例》), if a company fails to pay or does not contribute to the housing provident fund within the prescribed time period, the relevant government authority may order it to make up the outstanding contributions within the prescribed time limit, and failing which, the relevant authority may apply for compulsory enforcement by the People's Court. We estimate that our maximum repayment exposure for the non-compliance is approximately RMB0.9 million as at the Latest Practicable Date.

Our PRC Legal Advisers has advised that, based on the confirmation from the relevant competent authority and the facts stated above, the risk of us being subject to material penalties due to our failure to provide full housing fund contributions for all our employees is relatively low. Based on the foregoing and our PRC Legal Advisers' view, our Directors are of the view that the risk of substantial penalties imposed on us by relevant competent authorities is relatively low. Having considered (i) the view given by the PRC Legal Advisers which confirmed that the risk of us being subject to material penalties is relatively low; (ii) since second half of 2022, the housing provident funds for our employees had been paid in full and promptly in accordance with relevant laws and regulations (and thus the insufficient contribution to housing fund has been rectified since the second half of 2022); (iii) we had improved our internal controls to ensure that we will promptly and fully pay all amounts relating to social security and housing provident fund; and (iv) the shortfall amount, which is relatively insignificant, and therefore will not have any material adverse effect on our business and results and operations, our Directors are of the view that no further remedial actions are necessary. Considering the extent of the penalty and the likelihood of penalty, we had not made any provisions in relation to such incident. See "Risk Factors — Risks Relating to Our Business — Under PRC laws and regulations, we may be subject to repayment of housing provident funds shortfalls."

PROPERTIES

Owned properties

The following table sets out a summary of our owned properties as at the Latest Practicable Date:

No.	Usage	Address of the property(ies)	Gross floor area of the land	Gross floor area of the building(s)/ unit(s)
			(m^2)	*(m^2)*
1	Ningbo Production Plant	No. 2588 North Minghai Road, Ningbo Petrochemical Economic & Technological Development Zone* (寧波石化經濟技術開發區明海北路2588號)	108,097.00	38,365.26
2	Linyi Production Plant *(Note 1)*.	Ligongzhuang Village, Fenghuangling Street in Hedong District, East Side of East Waihuan Road in Hedong District* (河東區東外環路東側，河東區鳳凰嶺街道李公莊村)	48,410.00	15,792.02
3	Guigang Production Plant	New Materials Science and Technology Park, Qintang District, Guigang City* (貴港市覃塘區新材料科技園)	32,119.17	10,628.01

No.	Usage	Address of the property(ies)	Gross floor area of the land	Gross floor area of the building(s)/ unit(s)
			(m^2)	*(m^2)*
4	Meishan Production Plant	Four sets including Room 1, Floor 1-3, Unit 1, Building 2, No. 519 Xinshi Street, Longzheng Town, five sets including Room 1, Floor 1, Unit 1, Building 4, No. 486 Xinshi Street, Longzheng Town and five sets including Room 1, Floor 1, Unit 1, Building 7, No. 486 Xinshi Street, Longzheng Town, Room 1, Floor 1-3, Unit 1, Building 12, No. 486 Xinshi Street, Longzheng Town, Room 1, Floor 1-5, Building 1, No. 519 Xinshi Street, Longzheng Town, two sets including Room 1, Floor 1, Building 14, No. 486 Xinshi Street, Longzheng Town* (龍正鎮新市街519號2幢1單元1-3層1號等4處，龍正鎮新市街486號4幢1單元1層1號等5處及龍正鎮新市街486號7幢1單元1層1號等5處，龍正鎮新市街486號12幢1單元1-3層1號, 龍正鎮新市街519號1幢1–5層1號，龍正鎮新市街486號14幢1層1號等2處)	40,308.46	14,151.46
5	Tongling Production Plant	Within Donglian Town* (東聯鎮境內)	25,556.90	11,740.34
6	Xiangyang Production Plant	Leiyan Avenue, Yicheng City* (宜城市雷雁大道)	36,537.40	11,135.44
7	Xianyang Production Plant	Renewable Resources Industrial Park, Xizhangbao Town, Liquan County* (禮泉縣西張堡鎮再生資源產業園)	15,397.15	6,879.93
8	Kunming Production Plant *(Note 2)*.	Industrial Base, Second Street, Yunnan Jinning Industrial Park* (雲南晉寧工業園區二街工業基地)	20,941.06	6,854.84
9	Huludao Production Plant *(Note 3)*.	Beigang Industrial Park, Huludao Economic Development Zone* (葫蘆島經濟開發區北港工業園區)	20,000.00	2,546.92

Notes:

1. Certain parts of our Linyi Production Plants were comprised of temporary structures, which was non-compliant with relevant laws and regulations in the PRC. For details of such non-compliance, see "Legal Non-Compliance and Proceedings — Non-compliance — 3. Commencement of production and/or construction of plant without construction permits" in this section.

2. We did not obtain, on a timely basis, (i) the construction work planning permit* (建設工程規劃許可證), construction land planning permit* (建設用地規劃許可證) and construction work commencement permit* (建築工程施工許可證) to the construction of the Kunming Production Plant and (ii) the completion acceptance and fire safety acceptance* (竣工驗收及消防驗收) prior the commencement of our production at the Kunming Production Plant. For details of such non-compliance, see "Legal non-compliance and proceedings — Non-compliance — 3. Commencement of production and/or construction of plant without construction permits" and "Legal non-compliance and proceedings — Non-compliance — 4. Production lines and properties without fire safety acceptance filing or fire safety acceptance" in this section. We have obtained the building ownership certificate for the Kunming Production Plant in September 2024.

3. We did not obtain, on a timely basis, construction work commencement permit* (建築工程施工許可證) prior to the construction of our Huludao Production Plant. For details of such non-compliance, see "Legal non-compliance and proceedings — Non-compliance — 3. Commencement of production and/or construction of plant without construction permits" in this section.

As at the Latest Practicable Date, we owned land with an aggregate site area of approximately 347,367.14 square metres and buildings or units with an aggregate gross floor area of approximately 118,094.22 square metres in the PRC.

According to section 6(2) of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice, this prospectus is exempted from compliance with the requirements of section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, which require a valuation report with respect to all our Group's interests in land or buildings, for the reason that, as at 30 June 2024, we had no single property with a carrying amount of 15% or more of our total assets.

Land

As at the Latest Practicable Date, we had obtained the land use right certificates for all parcels of land owned by us. Our PRC Legal Advisers have confirmed that the use of our land does not contravene the use specified in the real estate ownership certificates.

Buildings

As at the Latest Practicable Date, we obtained the building ownership certificates for buildings/units having an aggregate gross floor area of approximately 118,094.22 square metres in the PRC.

Our PRC Legal Advisers advised us that we have obtained all material certificates, permits and government approvals required under the applicable PRC laws to lawfully possess and occupy all of our owned properties.

Leased properties

The following table sets out a summary of our leased properties as at the Latest Practicable Date:

No.	Address of the property	Gross floor area (approximately m^2)	Notes	Term/option	Usage
1	Building 28, Yunqi Shuiyuan, Northwest Side of the Intersection of Guangyuan Road and Shiqifang Road, Zhenhai District, Ningbo City (44 sets in total)* (寧波市鎮海區廣源路與十七房路交叉路口西北側雲棲水苑小區28幢共44套)	4,549.6		1 June 2021 to 31 May 2026	Dormitory
2	Room 304, Unit 2, Building 16, Yunqi Shuiyuan* (雲棲水苑16號樓2單元304 室)	66.27		12 July 2024 to 11 July 2025	Dormitory
3	Room 1901, Tower 3, Zhonghai Jinyuan, No. 3 Dade Road, Guicheng Street, Nanhai District, Foshan City* (佛山市南海區桂城街道大德路3號中海錦苑3座1901房)	143.00		18 April 2024 to 18 April 2025	Dormitory
4	Branch One of Qinghai Huzhu Jinyuan Cement Co., Ltd. (Sanqi Village, Tangchuan Town, Huzhu County)* 青海互助金圓水泥有限公司一分廠廠房(互助縣塘川鎮三其村)	3,600.0	*(Note 1, 2)*	1 January 2024 to 31 December 2025	Qinghai Production Plant
5	D Zone Fifth Floor 559, 560, 561, 562, 563, 565, 566, 567, 568, 569, 570, and Sixth Floor 603, 608, 609, 610, 611, and B Zone Ground Floor F01, F02, F03, F05, F06, F07, F08, F09, F10, F12, F14, F15, F16, F19, F21, F28, Wuhu Conch International Conference Center Office Area, No. 1005 Jiu Hua South Road, Wuhu City* (蕪湖市九華南路1005號蕪湖海螺國際會議中心辦公區域D區5層559、560、561、562、563、565、566、567、568、569、570，D區六層603、608、609、610、611, B區首層F01、F02、F03、F05、F06、F07、F08、F09、F10、F12、F14、F15、F16、F19、F21、F28)	2,161.25	*(Note 1)*	1 July 2024 to 31 December 2024	Office

No.	Address of the property	Gross floor area (approximately m^2)	Notes	Term/option	Usage
6	B Zone Ground Floor, F17, F20, F21, F22, F23-1, F23-2, F24, F25, F26, F27, F29, F30, F31, F32 and Tea Room, Wuhu Conch International Conference Center Office Area No. 1005 Jiu Hua South Road, Wuhu City* (蕪湖市九華南路1005號蕪湖海螺國際會議中心辦公區域B區首層、F17、F20、F21、F22、F23-1、F23-2、F24、F25、F26、F27、F29、F30、F31、F32、茶水間)	954.56	*(Note 1)*	1 January 2024 to 31 December 2024	Office
7	Building 1, Longli High-Tech Industrial Park* (龍里高新技術產業園區第1棟)	2,256.00	*(Note 3)*	1 November 2022 to 31 December 2025	Guizhou Production Plant
8	Room 7-2, Building 3, No. 1, Ningshan Road, Biquan Street, Bishan District, Chongqing* (重慶市璧山區璧泉街道凝山路1號3棟7-2). .	117.73		10 June 2024 to 9 June 2025	Dormitory
9	No. 2, Floor 20, Unit 2, Building 9, District 2, Wanda Plaza, Mianyang Economic Development Zone, No. 6 Qunwen West Street, Economic Development Zone, Mianyang City* (綿陽市經開區群文西街6號綿陽經開萬達廣場2區9棟2單元20層2號). . .	88.08		14 June 2024 to 13 June 2025	Dormitory
10	No. 5, Floor 32, Unit 1, Building 14, No. 888, West Section of Han'an Avenue, Dongxing District, Neijiang City* (內江市東興區漢安大道西段888號14幢1單元32樓5號)	82.97		26 May 2024 to 25 May 2025	Dormitory
11	Room 4, 9th Floor, Building 27, Phase 1, Country Garden Haoyuan, on the west side of Louxing South Road, Loudi City, Hunan Province* (湖南省婁底市婁星南路西側碧桂園豪園一期27棟9層4室)	143.87		14 May 2024 to 13 May 2025	Dormitory

No.	Address of the property	Gross floor area (approximately m^2)	Notes	Term/option	Usage
12	No. 04, Floor 4, Building 6, Vanke Jincheng Phase II, No. 1008 Xiongchu Avenue, East Lake New Technology Development Zone* (東湖新技術開發區雄楚大道1008號萬科錦程二期6棟4層04號)	89.00		15 May 2024 to 14 May 2025	Dormitory
13	Room 2203, Building 2, Southeast Bank, No. 180 Chengdong Avenue, Wujiagang District, Yichang City* (宜昌市伍家崗區城東大道180號東南岸2棟2203室)	128.97		2 August 2024 to 1 August 2025	Dormitory
14	No. 2902, 29th Floor, Building 6, Phase I, Changtian Xinyuan, Dachuan District, Dazhou City, Sichuan Province* (四川省達州市達川區長田新苑一期6幢29層2902號) . .	90.40 *(Note 4)*		5 July 2024 to 4 July 2025	Dormitory

Notes:

1. As at the Latest Practicable Date, the lease of such property was not registered with the relevant authorities in the PRC.

2. The landlord has not completed the fire safety acceptance/filing for the property at which the Qinghai Production Plant is located. Pursuant to a confirmation of the landlord given on 14 March 2024, the landlord has confirmed to complete rectification measures so as to complete the fire safety acceptance/filing of the property by June 2025. In the unlikely event that the rectification measures cannot be completed before the stipulated date, we will terminate such lease and relocate the Qinghai Production Plant per our contingency plan set out in "Legal non-compliances and proceedings — Non-compliance — 4. Production lines and properties without fire safety acceptance filing or fire safety acceptance".

3. To the best knowledge of our Directors, as at the Latest Practicable Date, the landlord is in the process of obtaining the building ownership certificate. Guigang Conch Guizhou Branch uses such property for production purposes. As at the Latest Practicable Date, the lease of such property was not registered with the relevant authorities in the PRC. The landlord has not completed the fire safety acceptance/filing for the property at which the Guizhou Production Plant is located. Pursuant to a confirmation of the landlord given on 23 February 2024, the landlord has confirmed to complete rectification measures so as to complete the fire safety acceptance/filing of the property by March 2026. The termination date of the lease for the Guizhou Production Plant is 31 December 2025. We intend to renew such lease upon expiry and we intend to include a clause in the renewed lease agreement that the landlord will undertake to complete rectification measures as indicated in the confirmation provided on 23 February 2024. In the unlikely event that the rectification measures cannot be completed before the stipulated date, we will terminate such lease and relocate the Guizhou Production Plant per our contingency plan set out in "Legal non-compliances and proceedings — Non-compliance — 4. Production lines and properties without fire safety acceptance filing or fire safety acceptance".

4. As at the Latest Practicable Date, the landlord has not obtained the building ownership certificate for this property. Our PRC Legal Advisers has advised us that the lack of building ownership certificate for this property is not a title defect as the landlord has obtained other documents with relevant government authorities to confirm its ownership of this property.

Leased properties with defective title

According to relevant applicable PRC laws and regulations, one of our leases, namely, the lease for the Guizhou Production Plant may be recognised invalid and/or terminated as the lessors do not possess the relevant title certificates. For details, see "Defective Properties" in this section.

The non-registration of lease

Pursuant to relevant laws and regulations in the PRC, property lease contracts must be registered with the local counterparts of the Ministry of Housing and Urban-Rural Development of the PRC. As at the Latest Practicable Date, we had not obtained lease registration for the four properties as set out above, including the Qinghai Production Plant and Guizhou Production Plant, primarily due to one of the following reasons: (i) the lease cannot be registered as the landlord does not have the requisite building ownership certificate, (ii) the relevant local authority has suspended the registration of leases, or (iii) fact that the landlord did not make such filing. Our PRC Legal Advisers has advised us that the lack of registration of the lease contracts will not affect the validity of the lease agreements under relevant laws and regulations in the PRC. However, we may be required by the relevant competent authority to rectify such non-compliances, and if we fail to rectify within the prescribed time limit, a maximum penalty of RMB10,000 may be imposed for non-registration of each lease. As such, the maximum penalty our Group may be subject to for non-registration of these lease contracts is RMB40,000 as at the Latest Practicable Date. Operating on the assumption that we take prompt action to rectify such non-compliances within the prescribed time limit granted to us by relevant competent authority, our PRC Legal Advisers are of the view that the risk of us being penalised for such non-registration of leases is low. See "— Properties" and "Risk Factors — Risks Relating to Our Business — We may face penalties for the non-registration of our lease agreements in China."

As at the Latest Practicable Date, save as disclosed above, as advised by our PRC Legal Advisers, we have obtained all the requisite registrations, certificates and permits for our leased properties.

DEFECTIVE PROPERTIES

1. Leased properties with defective title

To the best knowledge of our Directors, as at the Latest Practicable Date, the landlord of the Guizhou Production Plant (the "**Guizhou Landlord**") is in the process of obtaining the building ownership certificate for the Guizhou Production Plant and is expected to obtain such building ownership certificate by December 2025 and complete its fire safety filing/acceptance in March 2026. For details the risk of eviction, contingency plan (if any), rectification measures, business and financial impact and enhanced internal control measures relating to the Guizhou Production Plant, see "Legal Non-Compliance and Proceedings — Non-compliance — 4. Production lines and properties without fire safety acceptance filing or fire safety acceptance".

We believe that there is no material difference in rental cost in relation to the Guizhou Production Plant arising from the absence of valid title certificates compared with similar buildings in vicinity.

2. Safety conditions of our properties with title defects

Considering the view given by the third party fire safety inspection institution relating to the Guizhou Production Plant, details of which are set out in "Legal Non-Compliance and Proceedings — Non-compliance — 3. Commencement of production and/or construction of plant without construction permits" in this section and "Legal non-compliance and proceedings — Non-compliance — 4. Production lines and properties without fire safety acceptance filing or fire safety acceptance", our Directors confirm that they were not aware of any potential major risks, save for those identified in the Examination (as defined below) which is being rectified by the Guizhou Landlord, in relation to the safety conditions of properties with title defects.

3. The impact of our occupation and use of Defective Properties

Our Directors believe that the Guizhou Production Plant which are without valid title certificates ("**Defective Properties**") are not, individually or collectively, crucial to, and will not have a material impact on our business, financial condition and results of operations primarily because:

(i) as at the Latest Practicable Date, our leased buildings without valid title certificates only accounted for approximately 15.59% of the total GFA of the leased buildings of our Group;

(ii) as at the Latest Practicable Date, our leased buildings without valid title certificates only accounted for approximately 1.70% of the total GFA of all owned and leased buildings of our Group;

(iii) as at the Latest Practicable Date, only one of our production facilities had title defects, namely, the Guizhou Production Plant;

(iv) the revenue attributed to these Defective Properties are individually and collectively insignificant to our overall financial performance, considering that save as the Guizhou Production Plant, the other Defective Properties did not have any direct revenue contribution to our Group. As to the Guizhou Production Plant, pursuant to confirmation the Guizhou Landlord given on 23 February 2024, the Guizhou Landlord confirmed to (i) complete rectification measures (which involves resolving the deficiencies identified at the Examination) so as to complete the fire safety acceptance filing, and (ii) obtain the building title certificates for the Guizhou Production Plant. Further, as at the Latest Practicable Date, no government authority or third party has made any claims or imposed any penalty against us with respect to the Defective Properties;

(v) the absence of valid title certificates does not have any material adverse impact on the safety conditions of the Defective Properties, as such properties had either obtained relevant fire safety acceptance filings or has been confirmed by various local fire safety consultants, among other things, to have passed the fire safety assessments as mentioned in "Properties — Buildings", "Legal Non-Compliance and Proceedings — Non-compliance — 3. Commencement of production and/or construction of plant without construction permits" and "Legal Non-Compliance and Proceedings — Non-compliance — 4. Production lines and properties without fire safety acceptance filing or fire safety acceptance" in this section;

(vi) we believe, and our PRC Legal Advisers have advised, that the risk of relocation or demolition for this property is remote.

(vii) we consider that it should not be difficult to relocate operations at Defective Properties to our owned properties with valid title certificates in the event that we can no longer use any of the properties due to the absence of title certificates.

Internal control measures relating to Defective Properties

To ensure that (i) we do not unlawfully occupy land, (ii) all our buildings have requisite building ownership certificates, (iii) lease buildings with title defects or (iv) operate in properties where the lease is not registered with relevant authorities, we have implemented the enhanced internal control measures, including, among others:

In relation to owned properties:

(i) we have formulated internal policies and procedures to ensure that we will timely obtain all relevant certificates and permits and complete all relevant filings for our land, buildings and construction works;

(ii) we have designated our legal department to maintain and regularly update a checklist of certificates, permits and filings required and a timetable for completing such formalities;

(iii) we will require all relevant employees to attend enhanced internal training on the relevant subjects including the legal requirements on timely obtaining all relevant certificates and permits and completing all relevant filings for our construction works on a periodic basis;

(iv) for any acquisitions of properties, we have formulated internal policies which require our staff (or procure external legal advisers) to review the title documents relating to potential targets so as to ensure the completeness of title for acquired properties;

In relation to leased properties:

(i) we will require all relevant employees to attend enhanced internal training on the relevant subjects including the legal requirements on the lease of any new properties;

(ii) we have formulated internal policies and procedures to govern the process for locating and selecting appropriate properties to lease for our operations (including those relating to production, dormitory, administrative work), which includes examining the relevant title certificates, ensuring that the lease agreement includes undertaking as to the proper possession of the property and the lease registration with relevant authorities;

In relation to all properties:

(i) we have formed a compliance committee which is responsible for formulating internal guideline and monitoring procedures for regulatory compliance in our operations and oversee our compliance with the applicable legal requirements (including those relating to construction work). The members of the committee will be responsible for ensuring that these procedures are properly implemented and carried out. The compliance committee is comprised of (i) our head of production function, (ii) our head of development (a sub-department of management function), (iii) our head of technical function, and (iv) our head of administrative function, and is required to report to Mr. Chen Feng, our executive Director, from time to time. See "Directors, Supervisors and Senior Management" for the qualifications and experience of Mr. Chen Feng;

(ii) we will regularly seek assistance from external legal advisers as and when necessary to ensure our compliance with the applicable legal requirements; and

(iii) our audit committee of the Board will be responsible for overseeing the implementation of relevant internal control measures.

In preparation for the Listing, we have engaged an independent third party consultant ("**Internal Control Consultant**") to perform a review over selected areas of our internal controls in August 2023. Based on their observations in follow-up reviews in March 2024, the Internal Control Consultant is of the view that measures adopted by our Group are adequate on a general internal control design level to prevent the recurrence of similar incidents relating to our occupation or use of properties with defective titles or commencement of construction or production without relevant permits going forward.

INTELLECTUAL PROPERTY

Our production know-how in the production process is important to our success. We have registered a number of patents and copyrights in the PRC. For details of intellectual properties which are material to our operations, see "Statutory and General Information — B. Further Information About the Business of Our Group — 2. Material intellectual property rights" in Appendix IV to this prospectus.

To the best of our Directors' knowledge, during the Track Record Period and up to the Latest Practicable Date, we were not aware of any material infringement or were not alleged to infringe any intellectual property rights owned by third parties, which would have a material adverse effect on our business.

LICENCES AND PERMITS

As advised by our PRC Legal Advisers, save as disclosed in "Legal non-compliance and proceedings — Non-compliance" below, during the Track Record Period and up to the Latest Practicable Date, we have obtained all material requisite licences, permits and approvals that are material to our business and for our operations and all of them were in force as at the Latest Practicable Date. We set out below the material licences and permits for our operations:

No.	Holder	Name of licences and permits	Issuing authority	Validity period/ Expiry date
1	Linyi Conch	Hazardous chemical substance safe usage permit* (危險化學品安全使用許可證)	Linyi Municipal Emergency Administration* (臨沂市應急管理局)	30 October 2024 to 29 October 2027
2	Linyi Conch	Pollutant discharge permit* (排污許可證)	Linyi Municipal Ecology and Environment Bureau* (臨沂市生態環境局)	From 16 March 2023 to 15 March 2028
3	Linyi Conch	High technology and new technology enterprise certificate* (高新技術企業證書)	Shandong Provincial Department of Science and Technology*, Shandong Provincial Department of Finance*, and State Taxation Administration Shandong Provincial Taxation Bureau* (山東省科學技術廳、山東省財政廳、國家稅務總局山東省稅務局)	From 29 November 2023 to 28 November 2026
4	Linyi Conch	Hazardous chemicals major source of danger registration* (危險化學品重大危險源備案登記表)	Linyi Hedong District Emergency Administration* (臨沂市河東區應急管理局)	From 1 April 2022 to 31 March 2025
5	Xiangyang Conch. .	Hazardous chemicals major source of danger registration* (危險化學品重大危險源備案登記表)	Yicheng Municipal Emergency Administration* (宜城市應急管理局)	From 10 January 2023 to 9 January 2026
6	Xiangyang Conch. .	Hazardous chemicals safe usage permit* (危險化學品安全使用許可證)	Xiangyang Municipal Administrative Approval Department* (襄陽市行政審批局)	From 14 April 2023 to 25 October 2025
7	Xiangyang Conch. .	Pollutant discharge permit* (排污許可證)	Xiangyang Municipal Ecology and Environment Bureau* (襄陽市生態環境局)	From 25 October 2022 to 24 October 2027

No.	Holder	Name of licences and permits	Issuing authority	Validity period/ Expiry date
8	Meishan Conch . . .	Pollutant discharge permit* (排污許可證)	Meishan Ecology and Environment Bureau* (眉山市生態環境局)	From 14 September 2023 to 13 September 2028
9	Ningbo Conch	Hazardous chemical substance safe usage permit* (危險化學品安全使用許可證)	Ningbo Municipal Emergency Administration* (寧波市應急管理局)	From 14 April 2023 to 12 April 2026
10	Ningbo Conch	Pollutant discharge permit* (排污許可證)	Ningbo Municipal Ecology and Environment Bureau Zhenhai Branch* (寧波市生態環境局鎮海分局)	11 September 2024 to 10 September 2029
11	Ningbo Conch	Hazardous chemicals major source of danger registration* (危險化學品重大危險源備案登記表)	Ningbo Zhenhai District Emergency Administration* (寧波市鎮海區應急管理局)	Up to 6 March 2026
12	Ningbo Conch . . .	Registration certificate of customs declaration unit* (報關單位備案證明)	Zhenhai Customs* (鎮海海關)	Up to 31 December 2099
13	Tongling Conch . . .	Pollutant discharge permit* (排污許可證)	Tongling Municipal Ecology and Environment Bureau* (銅陵市生態環境局)	From 17 June 2021 to 16 June 2026
14	Guigang Conch . . .	Pollutant discharge permit* (排污許可證)	Guigang Ecology and Environment Bureau* (貴港市生態環境局)	From 9 October 2021 to 8 October 2026
15	Kunming Conch . .	Pollutant discharge permit* (排污許可證)	Kunming Municipal Ecological Environment Bureau* (昆明市生態環境局)	12 December 2023 to 11 December 2028 *(Note 1)*
16	Xianyang Conch. . .	Pollutant discharge permit* (排污許可證)	Xianyang Ecology and Environment Bureau* (咸陽市生態環境局)	From 22 November 2022 to 21 November 2027
17	Qinghai Conch. . . .	Stationary source discharge registration receipt* (固定污染源排污登記回執)	Emission registrar* (排污登記庫)	From 26 September 2022 to 25 September 2027

No.	Holder	Name of licences and permits	Issuing authority	Validity period/ Expiry date
18	Branch company of Guigang Conch .	Stationary source discharge registration receipt* (固定污染源排污登記回執)	Emission registrar* (排污登記庫)	From 21 November 2022 to 20 November 2027
19	Huludao Haizhong .	Pollutant discharge permit* (排污許可證)	Huludao Ecology and Environment Bureau* (葫蘆島市生態環境局)	From 11 April 2024 to 10 April 2029

Notes:

1. During the Track Record Period, our Kunming Production Plant has commenced production in May 2023, prior to obtaining the pollutant discharge permit* (排污許可證). See "Legal non-compliance and proceedings — Non-compliance — 2. Production without the pollutant discharge permit" in this section for details.

We renew all such material licences and permits from time to time to comply in all material aspects with the relevant laws and regulations during the Track Record Period and up to the Latest Practicable Date. Our Directors are of the view, there is no material legal impediment to renewing such licences or permits.

LEGAL NON-COMPLIANCE AND PROCEEDINGS

Legal proceedings

During the Track Record and up to the Latest Practicable Date, no member of our Group was engaged in any litigation, claim or arbitration of material importance and no litigation, claim or arbitration is known to our Directors to be pending or threatened against a member of our Group which would have a material adverse effect on our financial position or results of operations.

Non-compliance

During the Track Record Period and up to the Latest Practicable Date, we did not have any non-compliance incidents which our Directors believe would, individually or in the aggregate, have a material operational or financial impact on our Group as a whole.

The following table summarises certain incidents of our historical non-compliance incidents during the Track Record Period:

1. Exceeding the approved level of production

During the Track Record Period, we have exceeded the approved annual production capacity for our Linyi Production Plant, Xiangyang Production Plant, Guigang Production Plant and Guizhou Production Plant.

1A Particulars of the non-compliance incident

As to our Linyi Production Plant, we exceeded the annual permitted capacity for the production of cement admixture (including processed alcohol amines) by 26.1% for FY2021. As to our Xiangyang Production Plant, we exceeded the annual permitted capacity for the production of cement admixture by 323.0%, 46.0% and 30.0% for FY2021, FY2022 and FY2023, respectively and we exceeded the annual permitted capacity for the production of processed alcohol amines by 73.0%, 28.0% and 5.0% for FY2021, FY2022 and FY2023, respectively. As to our Guigang Production Plant, we exceeded the annual permitted capacity for the production of cement admixture by 3.8% in FY2022 and 16.0% in FY2023. As to our Guizhou Production Plant, we exceeded the annual permitted capacity for the production of cement admixture 110.0% in FY2021 and 40.0% in FY2022.

As confirmed by our Directors, the exceedance was primarily due to (i) the lack of adequate legal knowledge and/or inadvertent oversight of the relevant legal requirements by the then relevant staff which handled the relevant production plans for our Group and (ii) a lack of sufficient comprehensive internal controls to monitor the overall production levels of our Group in each production facility. Upon discovering such non-compliance incidents during the course of our preparation for the Listing in FY2023, we made efforts to decrease such exceedance. We had exceeded our permitted production capacity in FY2023 at Xiangyang Production Plant and Guigang Production Plant in order to meet the demands of our customers. We decided to take on such orders in FY2023 (which led to an exceedance in terms of permitted production capacity) at the Xiangyang Production Plant and Guigang Production Plant after considering our prior communication with relevant government authorities to which we had indicated the extent of our exceedance and our commitment to rectifying such exceedance as soon as practicable.

The following table sets out the approximate revenue attributions of relevant subsidiaries for our Group's revenue for FY2021, FY2022, FY2023 and 6M2024, respectively, the revenue of which represents the revenue generated by the Linyi Production Plant, the Xiangyang Production Plant, the Guigang Production Plant and the Guizhou Production Plant, based on the Group's management accounts:

	FY2021	FY2022	FY2023	6M2024
Linyi Conch	39.7%	17.6%	13.5%	12.9%
Xiangyang Conch	36.6%	13.1%	8.2%	10.3%
Guigang Conch	1.3%	11.1%	9.1%	10.4%
Guigang Conch Guizhou Branch[1]	5.7%	2.8%	1.3%	1.3%

1. This includes the revenue of Guizhou Conch which was deregistered in November 2023 and transferred its business to Guigang Conch Guizhou Branch.

1B Legal consequences

As advised by our PRC Legal Advisers, for such events, each of Linyi Conch, Xiangyang Conch, Guigang Conch and Guigang Conch Guizhou Branch may be (i) ordered by the relevant filing authority to rectify within a stipulated period of time and if we do not carry out necessary rectification measures, we may be fined a fine of no more than RMB50,000; (ii) ordered by the relevant filing authority to cease construction of any new facilities (if any) or to reinstate the facilities to reduce the production capacity, and to pay a fine of no more than 5% of the investment sum in the Linyi Production Plant/ Xiangyang Production Plant/ Guigang Production Plant/ Guizhou Production Plant; and (iii) ordered to make corrections within a time limit and be additionally fined a sum no more than RMB30,000 by the relevant subordinate department.

1C Rectification actions taken and status

Regarding such non-compliance incidents, we have separately obtained the following confirmations from or interviews with competent authorities for Linyi Conch, Guigang Conch and Guizhou Conch, confirming, among others, (i) it has not materially violated relevant laws and regulations, and (ii) there has not been imposition of any administrative penalties against it in this respect. For Xiangyang Conch, we have obtained confirmations from or conducted interview with, relevant competent authorities, confirming, among others, (i) Xiangyang Conch has not materially violated relevant laws and regulations, (ii) there has not been imposition of any administrative penalties against Xiangyang Conch in this respect, and (iii) there should not be any material impediment for Xiangyang Conch to obtain relevant documents for an increased permitted level of production.

Due to the rectification measures taken by our Group upon discovering such non-compliance incidents, the exceedance of permitted production capacity has ceased or gradually decreased throughout the Track Record Period. We have not exceeded the permitted production capacity for the Linyi Production Plant since 1 January 2022. We have not exceeded the permitted production capacity for the Guizhou Production Plant since 1 January 2023. Since 1 January 2024, we have not exceeded our planned production capacity of the Xiangyang Production Plant and the Guigang Production Plant, which is within the permitted production capacity.

To cater to our expected sales orders originating from areas surrounding the Xiangyang Production Plant and the Guizhou Production Plant, as confirmed by our Directors, Xiangyang Conch and Guigang Conch Guizhou Branch are in the process of carrying out relevant procedures to increase the permitted capacity of the Xiangyang Production Plant and Guizhou Production Plant. We have obtained the relevant filings from the competent authority on 11 March 2024 and 13 October 2023 for the Xiangyang Production Plant and Guizhou Production Plant, respectively. We expect to obtain the remaining environmental impact assessment approvals or safety assessment filings from the relevant competent authorities, respectively, for the increase in permitted capacities relating to the Guigang Conch Guizhou Branch in the first half of 2025. As to Xiangyang Production Plant, to the best knowledge of our Directors, due to certain changes made to relevant local policies, the cost of effecting the increase in permitted capacities at Xiangyang Production Plant may outweigh the potential benefits brought on by having readily available production capacities at the Xiangyang Production Plant. As such, while we have worked towards increasing in permitted capacities for the Xiangyang Production Plant, the completion date of such increase is uncertain. However, our Directors are of the view that the lack of increase in permitted capacities at the Xiangyang Production Plant has no bearing on the Group's operational or financial performance, as we have other methods to satisfy local sales needs even if the Xiangyang Production Plant is running close to full utilisation of its permitted production capacities. For example, we may direct sale orders which cannot be satisfied by the Xiangyang Production Plant to other local production facilities of our Group when necessary. Steps taken to increase our permitted capacities are to cater to our expected future business needs and not a part of our rectification measures. For the avoidance of doubt, as our Group has already ceased it exceedance of planned production capacity of the Xiangyang Production Plant and the Guizhou Production Plant as at the Latest Practicable Date, our Directors consider that such non-compliance events relating to the Xiangyang Production Plant and the Guizhou Production Plant have been rectified.

Based on the foregoing, our PRC Legal Advisers are of the view that: (i) the historical over-production of Xiangyang Conch, Linyi Conch and Guigang Conch does not constitute a material breach of the relevant laws and regulations in the PRC; (ii) the risk of penalties being imposed on Xiangyang Conch, Linyi Conch and Guigang Conch in this respect is low; (iii) the historical production exceedance by the Guizhou Production Plant is unlikely to be penalised; (iv) Xiangyang Conch is in the process of obtaining the remaining relevant approval to increase its permitted production capacity in accordance with relevant laws and regulations of the PRC; (v) there is no substantive legal impediment for our Group to obtain documents for the increased permitted capacity for Xiangyang Conch; and (vi) the confirmation letters above were issued by and the relevant interviews were carried out with the relevant competent government authorities.

Our Directors are of the view that these over-production non-compliance incidents will not have a material operational or financial impact on us for the following reasons: (i) the non-compliance has been rectified, (ii) the confirmation letters obtained from the relevant competent authorities described above, (iii) the advice from our PRC Legal Advisers that the likelihood of any administrative penalty being imposed on us is low. We did not make any provisions during the Track Record Period in respect of these incidents accordingly. We have internal control policies in connection with these production related non-compliance incidents in place. See "Legal non-compliance and proceedings — Non-compliance — 2. Production without the pollutant discharge permit" for further details.

2. Production without the pollutant discharge permit

2A Particulars of the non-compliance incident

Our Kunming Production Plant commenced its production in May 2023 prior to obtaining the pollutant discharge permit. As confirmed by our Directors, the non-compliance incident was primarily due to inadequate legal knowledge and/or inadvertent oversight of the relevant legal requirements.

Based on the Group's management accounts, for FY2021, FY2022, FY2023 and 6M2024, Kunming Conch attributed for nil, nil, approximately 2.0% and 3.4% of our Group's revenue, respectively, the revenue of which represents the revenue generated by the Kunming Production Plant.

2B Legal consequences

As advised by our PRC Legal Advisers, for such event, we may be (i) ordered to cease operations of our Kunming Production Plant and to carry out rectification measures and (ii) penalised a fine of no less than RMB200,000 and not more than RMB1 million.

2C Rectification actions taken and status

Pursuant to a confirmation from the relevant competent authority, since 1 September 2020, Kunming Conch had not been imposed any administrative penalties by relevant competent authority for violation of environmental protection laws and regulations. We have obtained the relevant pollutant discharge permit on 12 December 2023.

Based on the foregoing, our PRC Legal Advisers are of the view that (i) Kunming Conch's historical discharge of pollutants without a pollutant discharge permit does not constitute a material legal obstacle for the Listing, and (ii) that the confirmation letter above was issued by the relevant competent government authority.

Our Directors are of the view that such non-compliance incident relating to the pollutant discharge permit will not have a material operational or financial impact on us for the following reasons: (i) the non-compliance has been rectified, and (ii) the confirmation letter obtained from the relevant competent authority described above. We did not make any provisions during the Track Record Period in respect of these incident accordingly.

We have internal control policies in connection with production related non-compliance incident in place, including but not limited to: (i) measures which serve to monitor our production levels such as preparing detailed plans of our production levels (including our pollutant emissions), requiring our production team to closely monitor our production and pollutant emission volume and the periodic review of such volume by relevant senior management; (ii) training of relevant staff to raise the overall awareness of monitoring production volume and compliance with relevant laws and regulations; (iii) we have formed a compliance committee which is responsible for formulating internal guideline and monitoring procedures for regulatory compliance in our operations and oversee our compliance with the applicable legal requirements (including those relating to construction work). The members of the committee will be responsible for ensuring that these procedures are properly implemented and carried out. The compliance committee is comprised of (i) our head of production function, (ii) our head of development (a sub-department of management function), (iii) our head of technical function, and (iv) our head of administrative function, and is required to report to Mr. Chen Feng, our executive Director, from time to time. See "Directors, Supervisors and Senior Management" for the qualifications and experience of Mr. Chen Feng; and (v) our audit committee of the Board will be responsible for overseeing the implementation of relevant internal control measures.

3. Commencement of production and/or construction of plant without construction permits

3A Particulars of non-compliance incident

We did not obtain, on a timely basis, the construction land planning permit* (建設用地規劃許可證), the construction work planning permit* (建設工程規劃許可證) and construction work commencement permit* (建築工程施工許可證) prior to the construction of and the commencement of production at the Kunming Production Plant. We did not obtain, on a timely basis, construction work commencement permit* (建築工程施工許可證) prior to the construction of our Huludao Production Plant.

The aforementioned incidents occurred because (i) our relevant staff did not fully appreciate the relevant legal requirements in connection with obtaining and completing these construction related permits and filings; and (ii) we sped up the construction process of these production facilities in response to the burgeoning local economic development and to meet customer demands in the area.

Certain parts of the buildings/units which make up the Linyi Production Plant are temporary structures erected to supplement our production activities at the Linyi Production Plant (the "**Temporary Structures**"). Before rectification, these Temporary Structures had an aggregate gross floor area that accounted for around 1.1% of the total gross floor area of all of our self-owned properties.

The Temporary Structures were a part of the Linyi Production Plant when we acquired it in 2018. Due to its small area, we were not aware of such non-compliance until we were advised that such structures are non-compliant with relevant laws and regulations by our PRC Legal Advisers during the course of our preparation for the Listing. As at the Latest Practicable Date, the Temporary Structures served functions ancillary to our core production activities such as office, laboratory, toilet etc.

Based on the Group's management accounts, for FY2021, FY2022, FY2023 and 6M2024, Kunming Conch attributed for nil, nil, approximately 2.0% and 3.4% of our Group's revenue, respectively, the revenue of which represents the revenue generated by the Kunming Production Plant.

The Huludao Production Plant has only commenced production in late May 2024, and hence generated minimal revenue during the Track Record Period. As at 30 June 2024, the net asset value of the Huludao Production Plant amounted to approximately RMB19.5 million, accounting for 1.9% of our total net asset value (being RMB1,013.2 million).

None of the Temporary Structures were revenue generating arms of our Linyi Production Plant. As at 30 June 2024, the net asset value of the Temporary Structures amounted to approximately RMB7.2 million, accounting for 0.7% of our total net asset value (being RMB1,013.2 million).

3B Legal consequences

As advised by our PRC Legal Advisers, Kunming Conch may be (i) required to dismantle the relevant properties and subject to a maximum penalty of 10% of the construction costs of the Kunming Production Plant due to the failure to obtain the construction work planning permit before commencement of construction (such maximum penalty being approximately RMB4.5 million), (ii) required to return the land to the government due to failure to obtain the construction land planning permit, and (iii) required to reinstate the land into its previous state within a stipulated period and be subject to a penalty of 1-2% of the construction contract price of the Kunming Production Plant, due to failure to obtain the construction work commencement permit (such maximum penalty being RMB0.7 million).

As advised by our PRC Legal Advisers, Huludao Haizhong may be required to reinstate the land into its previous state within a stipulated period and subject to a penalty of the amount representing 1%–2% of the construction contract price of the relevant property, due to the failure to obtain the Construction Work Permit before commencement of construction (such maximum penalty being RMB0.2 million).

As advised by the PRC Legal Advisers, Linyi Conch may also subject to a maximum fine equal to the construction expenses of the temporary construction (such maximum fine being RMB1.0 million).

3C Rectification actions taken and status

1. ***Kunming Conch***. We have obtained confirmation from the relevant competent authorities, confirming, (i) it will not penalise Kunming Conch, (ii) Kunming Conch is in the process of carrying out relevant procedures to obtain such approvals and there is no substantial obstacle for it to obtain such certificates, and (iii) Kunming Conch's commencement of construction without permit does not constitute a material violation of relevant laws and regulations. As at the Latest Practicable Date, we obtained the construction work planning permit, construction land planning permit and the construction work commencement permit for the Kunming Production Plant. In September 2024, we have obtained the building ownership certificate for the Kunming Production Plant.

2. ***Huludao Haizhong***. We have obtained confirmation from the relevant competent authority, confirming, it will not conduct any investigations or impose any administrative penalties against Huludao Haizhong in this respect. As at the Latest Practicable Date, we obtained the construction work permit for the Huludao Production Plant.

3. ***Linyi Conch***. As at the Latest Practicable Date, we have dismantled part of the Temporary Structures, the aggregate gross floor area of which accounts for 363.7 m^2 (being less than 2.3% of the total gross floor area of the buildings/units which made up the Linyi Production Plant before certain parts of the Temporary Structures were dismantled) to restore such areas to an acceptable legally compliant state. As confirmed by our Directors, no material costs or fees were incurred to complete the dismantling work of these Temporary Structures. For the

remaining Temporary Structures that is not dismantled, the aggregate gross floor area of which accounts for 915.8 m^2 (being around 5.7% of the total gross floor area of the buildings/units which made up the Linyi Production Plant before certain parts of the Temporary Structures were dismantled), we have obtained the relevant building ownership certificate. We have obtained a written confirmation from relevant competent authorities, confirming that since 1 January 2020, Linyi Conch has complied with the laws, regulations, rules and normative documents relating to housing and urban-rural construction, and has not been or may be subject to administrative penalties or investigations for violating laws and regulations relating to housing and construction.

Based on the foregoing, our PRC Legal Advisers has advised us the following: (i) such events relating to Kunming Conch and Huludao Haizhong do not constitute a material breach of the relevant laws and regulations; (ii) the risk of penalties being imposed on Kunming Conch, Huludao Haizhong and Linyi Conch is remote; (iii) the risk of relevant authorities demanding us to suspend the production at Kunming Production Plant is remote; and (iv) the confirmation letters above were issued by the relevant competent government authorities.

Our Directors are of the view that such non-compliance incidents relating to the commencement of production without construction permits and construction of plant without construction permits will not have a material operational or financial impact on us for the following reasons: (i) the non-compliance incident relating to Huludao Production Plant has been rectified; (ii) the Kunming Production Plant has obtained the building ownership certificate in September 2024; (iii) the remaining portion of the Temporary Structures has obtained building ownership certificate as at the Latest Practicable Date; and (iv) the confirmation letter obtained from the relevant competent authorities described above. We did not make any provisions during the Track Record Period in respect of these incidents accordingly.

We have internal control policies in connection with the above non-compliance incidents in place, see "Defective Properties — Internal control measures relating to Defective Properties" "Legal non-compliance and proceedings — Non-compliance — 4. Production lines and properties without fire safety acceptance filing or fire safety acceptance" for further details in this section for details.

4. Production lines and properties without fire safety acceptance filing or fire safety acceptance

4A Particulars of non-compliance incident

We have installed production lines at the Qinghai Production Plant and the Guizhou Production Plant. According to the relevant PRC laws and regulations, our installations falls within the scope of construction work. Within five working days from the date of acceptance of the completion of construction project, the fire safety acceptance/filing (消防驗收／備案) should be reported to the competent department. Our lessor for the Qinghai Production Plant (the "**Qinghai Landlord**") and our lessor for the Guizhou Production Plant (the "**Guizhou Landlord**") have not completed the fire safety acceptance/filing for the properties at which our production facilities are located respectively and as such, we cannot file the relevant fire safety acceptance/filing for our production lines at the Qinghai Production Plant and the Guizhou Production Plant.

We have not obtained the completion acceptance and fire safety acceptance* (竣工驗收及消防驗收) (the "**Acceptances**") prior the commencement of our production at the Kunming Production Plant. The aforementioned incident occurred because (i) our relevant staff did not fully appreciate the relevant legal requirements in connection with obtaining and completing these construction related permits and filings; and (ii) we sped up the construction process of our Kunming Production Plant in response to the burgeoning local economic development and to meet customer demands in the area.

We have not filed/obtained the fire safety acceptance/filing for three non-production areas of the Meishan Production Plant (the "**Meishan Areas Lacking Filing**"). The Meishan Areas Lacking Filing accounts for approximately 15.14% of the total gross floor area of the buildings/units which make up the Meishan Production Plant. Such non-compliance incident was due to an inadvertent oversight of the relevant staff in charge of the construction of such Meishan Areas Lacking Filing.

The following table sets out the approximate revenue attributions of Qinghai Conch, Guigang Conch Guizhou Branch and Kunming Conch for our Group's revenue for FY2021, FY2022, FY2023 and 6M2024, respectively, the revenue of which represents the revenue generated by the Qinghai Production Plant, the Guizhou Production Plant, and the Kunming Production Plant based on the Group's management accounts:

	FY2021	**FY2022**	**FY2023**	**6M2024**
Qinghai Conch	nil	0.1%	1.0%	1.3%
Guigang Conch Guizhou Branch(1)	5.7%	2.8%	1.3%	1.3%
Kunming Conch	nil	nil	2.0%	3.4%

For FY2021, FY2022, FY2023 and 6M2024, the Meishan Areas Lacking Filing did not have any revenue contribution to our Group. As at 30 June 2024, the net asset value of the Meishan Areas Lacking Filing amounted to approximately RMB5.9 million, accounting for 0.6% of our total net asset value (being RMB1,013.2 million).

4B Legal consequences

As advised by our PRC Legal Advisers, due to our failure to complete the fire safety acceptance filing or fire safety acceptance, (i) each of Qinghai Conch, Guigang Conch Guizhou Branch and Meishan Conch may be ordered to carry out relevant remedial actions and be imposed of fine of no more than RMB5,000 and (ii) Kunming Conch may be ordered to stop construction, use, or production and business of the Kunming Production Plant and be imposed a fine of no more than RMB300,000.

1. This includes the revenue of Guizhou Conch which was deregistered in November 2023 and transferred its business to Guigang Conch Guizhou Branch

4C Rectification action taken and status

1. Qinghai Conch and Guigang Conch Guizhou Branch

Regarding such non-compliance incidents of our production lines at the Qinghai Production Plant and Guizhou Production Plant, we have obtained the following confirmations from the relevant competent authorities, confirming, (i) Qinghai Conch and Guigang Conch Guizhou Branch has not materially breached relevant laws, and (ii) it has not imposed any administrative penalties against Qinghai Conch and Guigang Conch Guizhou Branch and it will not require Qinghai Conch and Guigang Conch Guizhou Branch to vacate the premises, suspend production or business or impose any administrative penalties against Qinghai Conch and Guigang Conch Guizhou Branch.

We engaged third party inspection institutions to examine the safety conditions of the Qinghai Production Plant and Guizhou Production Plant. As advised by our PRC Legal Adviser, such institutions are qualified and competent institutions to issue such report to our Group.

According to the fire safety report issued by the relevant institution in March 2024, the relevant institution was of the view that the Qinghai Production Plant and Guizhou Production Plant (i) had established complete fire safety systems and procedures, (ii) passed the fire safety assessment, (iii) had no material fire hazards, (iv) the Qinghai Production Plant complied with applicable fire safety laws and regulations and relevant industry standards, and (v) the Guizhou Production Plant generally complied with the applicable fire safety laws and regulations and relevant industry standards.

In the course of the fire safety examination of the Guizhou Production Plant (the "**Examination**"), the relevant institution discovered that Guizhou Production Plant had the following deficiency which remain persisting at the Latest Practicable Date: a lack of indoor fire hydrant system and outdoor fire hydrant system. To combat the deficiency mentioned above which can only be remedied by the Guizhou Landlord, we have equipped the Guizhou Production Plant with a stable reserve of water, in case there is any need to extinguish fire in fire accident and provided trainings to our staff at such production facility so that they are well informed on how to deal with such fire accidents. According to the fire safety consultant, we have taken necessary alternative measures such as installing more fire extinguishers, domestic fire water sources and faucets and such deficiencies do not pose as major fire hazards. As such, we were able to pass the fire safety assessment despite such deficiency being identified during the Examination.

Pursuant to a confirmation of the Qinghai Landlord and Guizhou Landlord in 2024, the Qinghai Landlord and the Guizhou Landlord have confirmed to complete rectification measures so as to complete the fire safety acceptance/filing of the property by June 2025 and by March 2026, respectively. The projected completion time as provided by the Qinghai Landlord has taken into account the relevant procedures that need to be completed for a fire safety acceptance/filing to be obtained for a property of its size. Whereas, the rectification to be carried out by the Guizhou Landlord involves rectifying the deficiency as identified in the Examination, which takes a relatively long period of time to complete owing to the scale of such actions; as such, the projected completion date for the rectification measures of the Guizhou Landlord is in March 2026.

Based on the foregoing, our PRC Legal Advisers are of the view that (i) such incidents do not constitute a material breach of relevant laws and regulations in the PRC; (ii) the risk of penalties being imposed on Qinghai Conch and Guigang Conch in this respect is low; (iii) the risk of Qinghai Conch and Guigang Conch being ordered to vacate the Qinghai Production Plant/Guizhou Production Plant or suspending its operations is remote; (iv) there is no substantive legal impediment for our Group to obtain the relevant fire safety acceptance filing after the Qinghai Landlord or Guizhou Landlord obtains the relevant fire safety acceptance/filing having completed relevant rectification measures in accordance with relevant laws; and (v) the confirmation letters above were issued by the relevant competent authorities.

While we endeavour to obtain the fire safety acceptance filing for the aforementioned production lines as soon as possible, such action is contingent upon the Qinghai Landlord or Guizhou Landlord completing requisite fire safety requirement for the property, which is beyond the control of our Group. Therefore, the expected time for obtaining the fire safety acceptance filing for our production lines at the Qinghai Production Plant is uncertain, and in any event, after the Qinghai Landlord and Guizhou Landlord complete their rectification measures by June 2025 and March 2026, respectively.

2. Kunming Conch and Meishan Conch

We obtained confirmation from the relevant competent authorities, confirming, (i) it will not penalise Kunming Conch or request Kunming Conch to suspend production as Kunming Conch is in the process of obtaining the relevant Acceptances, (ii) there are no substantial obstacles for us to obtain the Acceptances, (iii) the Meishan Areas Lacking Filing can be used in its current state, and (iv) it will not conduct relevant investigations against Meishan Conch for this incident.

We engaged third party inspection institutions to examine the safety conditions of the Kunming Production Plant and the Meishan Areas Lacking Filing. As advised by our PRC Legal Adviser, such institutions are qualified and competent institutions to issue such report to our Group. According to the fire safety reports issued by such institution in March 2024, such institutions were of the view that the aforementioned properties (i) have established complete fire safety systems and procedures, (ii) passed the fire safety assessment, (iii) have no major fire hazards, and (iv) complied with applicable fire safety laws and regulations and relevant industry standards.

Based on the foregoing, our PRC Legal Advisers has advised us that: (i) such events do not constitute a material breach of the relevant laws and regulations; (ii) the risk of penalties being imposed on Kunming Conch is remote; (iii) the risk of penalties being imposed on Meishan Conch in this respect is low; (iv) if Meishan Conch subsequently completes relevant procedures in accordance with relevant laws and regulations, there is no substantive legal impediment for our Group to obtain the fire safety acceptance filings for the Meishan Area Lacking Filing and the Meishan Area Lacking Filing can be used in its current state; (v) the risk of relevant authorities demanding us to suspend the production/operations at Kunming Production Plant and Meishan Area Lacking Filing is remote; (vi) the confirmation letters above were issued by the relevant competent government authorities.

We have obtained the Acceptances as at the Latest Practicable Date and we have obtained the building ownership certificate for the Kunming Production Plant in September 2024.

Save as disclosed in this section, all properties occupied and production lines used by us is equipped with requisite fire safety acceptance/filing or fire safety acceptance.

Our Directors are of the view that such non-compliance incidents relating to such properties without fire safety acceptance filing or fire safety acceptance will not have a material operational or financial impact on us for the following reasons:

(i) we have not been subject to any material administrative penalties during the Track Record Period and up to the Latest Practicable Date and relevant competent authorities have confirmed that they will not be imposing any administrative penalties against us in this respect or order us to relocate or suspend operations;

(ii) we have enhanced our internal control measures and procedures as set out below to prevent the recurrence of such non-compliance incidents;

(iii) our PRC Legal Advisers have confirmed that the risk of relocation from any of these properties is remote, considering the confirmation given by relevant competent authorities;

(iv) our PRC Legal Advisers have advised that the fire safety non-compliance incidents have no impact on the renewals of our licenses according to relevant laws and regulations;

Specifically in relation to the Meishan Areas Lacking Filing:

(v) the use of these properties are not subject to any material safety risk as third party inspection institutions which are qualified and competent institutions to issue fire safety reports have examined our Meishan Areas Lacking Filing and has given relevant view as mentioned above;

(vi) in the very unlikely event that we, for whatever reason, need to vacate or demolish the Meishan Areas Lacking Filing, there will not be any material impact on our financial performance or any material interruptions to our operations given that (i) the aforementioned areas do not contribute to our revenue or production as they are non-production areas of our Meishan Production Plant, (ii) the operations of these areas can be easily absorbed by each of the production facilities in which they are situated, and (iii) the demolition cost as estimated by our management for either area is immaterial to our financial performance;

Specifically in relation to the Qinghai Production Plant and Guizhou Production Plant:

(vii) while the local fire safety consultant has identified certain deficiency in the course of its Examination that continues to be persisting as at the Latest Practicable Date in the Guizhou Production Plant, the Guizhou Landlord has confirmed that it will carry out relevant remedial actions for the purpose of obtaining the fire safety acceptance/filing; further, the fire safety consultant has confirmed that in the course of carrying out remedial actions, we can continue using the Guizhou Production Plant without being subject to material fire safety risk;

(viii) the use of the Qinghai Production Plant is not subject to any material safety risk as third party inspection institutions which are qualified and competent institutions to issue fire safety reports have examined our Qinghai Production Plant and has given aforementioned view;

(ix) the Guizhou Landlord or the Qinghai Landlord has confirmed that they will complete rectification measures so as to complete the fire safety acceptance/filing; and

(x) in the very unlikely event that our remedial attempts at obtaining a fire safety acceptance/filing fails due to the failure of the Guizhou Landlord or the Qinghai Landlord, we believe that given our contingency relocation plan as set out below, it should not be difficult to locate another property to house our current operations at the Guizhou Production Plant and Qinghai Production Plant, as there is only in aggregate three production lines at such properties. We have formulated contingency relocation plans regarding the Qinghai Production Plant and Guizhou Production Plant. Details of such contingency relocation plans are set out below:

- *The new location.* We have located a new possible factory site for our Qinghai Production Plant and Guizhou Production Plant; the size, rental cost and infrastructure of the new possible factory site, is comparable to our current Qinghai Production Plant and Guizhou Production Plant.

- *Estimated time and cost for relocation.* We estimate that it will take approximately three months to relocate to the site of which we have identified. We estimate that the total relocation costs will be approximately RMB6 million, which we intend to fund through internal resources. The relocation cost involves the cost for dismantling and relocation of some equipment and facilities, and the installation and construction in the new location. Having considered the work load involved, our Directors expect that the Qinghai Production Plant and Guizhou Production Plant will cease operations for three and two months, respectively, during the relocation process.

We did not make any provisions during the Track Record Period in respect of these incidents accordingly.

We have internal control policies in connection with the above non-compliance incidents in place, including but not limited to: (i) We have improved internal fire inspection mechanisms through strengthening our communications with building owners to rectify potential fire safety concerns; (ii) We have also adopted internal policies to ensure that our properties will comply with relevant fire safety laws and regulations. We will only lease properties for which the fire safety procedures have been completed; (iii) As previously mentioned, we have formed a compliance committee which is responsible for formulating internal guideline and monitoring procedures for regulatory compliance in our operations and oversee our compliance with the applicable legal requirements; (iv) We provide regular trainings on fire safety to our on-site employees, which cover general fire safety information and regulations and correct use of fire safety equipment. We also participate in fire drills on a regular basis to heighten the awareness of our employees on fire safety; and (v) Our audit committee of the Board will be responsible for overseeing the implementation of relevant internal control measures.

Our Directors are of the view that the suspension of operations due to the relocation plans set out above shall not have a material impact on our overall financial performance for the following reasons: (i) The relocation plans will only take place shall the respective landlords of the Qinghai Production Plant and Guizhou Production Plant fail to rectify the fire safety acceptance/filing for the relevant property, the respective planned completion dates of which fall in different years, only one of the Qinghai Production Plant and Guizhou Production Plant will not suspend operations at the same time; (ii) The production volume contributed by Qinghai Production Plant and Guizhou Production Plant for the 6M2024 accounts for 0.9% and 1.4% of our total production volume, respectively. As such, shall either of these production facilities suspend their operations, there will be no material disruptions to our overall operation; and (iii) Orders to be fulfilled by the Qinghai Production Plant and Guizhou Production Plant during their suspensions will be allocated to other production facilities which have not fully utilised their production capacities. While our Group may incur more delivery cost for the fulfillment of these reallocated orders, considering that (i) based on the Group's management accounts, the revenue contribution of the Qinghai Production Plant (being nil, 0.1%, 1.0% and 1.3% for each year/period during the Track Record Period, respectively) and Guizhou Production Plant (being 5.7%, 2.8%, 1.3% and 1.3% for each year/period during the Track Record Period, respectively) and (ii) the suspension is only expected to last for two or three months, our Directors believe that such temporary arrangement will not have any material impact on our financial performance.

5. The impact of such non-compliance incidents in aggregate

Our Directors, having considered the views given by our PRC Legal Advisers as disclosed in this section, confirm that, such non-compliance incidents, in aggregate, do not have any material adverse impact on our business, operations or financial condition. In addition, on 27 December 2024, Conch Tech Innovation and Conch Holdings (being our controlling shareholders) have entered into the Deed of Indemnity pursuant to which they agree to provide indemnities in respect of, among other matters, claims and liabilities arising from the aforementioned non-compliance incidents. See "D. Other Information — 2. Tax and Other Indemnities" in Appendix IV to this prospectus for further details.

Having considered the nature and reasons for the historical non-compliance incidents disclosed in above, the advice from our PRC Legal Advisers, the rectification actions taken and the internal control measures adopted by us, our Directors are of the view, and the Sole Sponsor concurs, that (i) our enhanced internal control measures mentioned above are adequate and effective having regard to the obligations of our Company and our Directors under the Listing Rules and other relevant legal and regulatory requirements; (ii) the historical non-compliance incidents disclosed above would not affect the suitability of our Directors to act as directors of a listed issuer under Rules 3.08 and 3.09 of the

Listing Rules or the suitability for listing of our Company under Rule 8.04 of the Listing Rules; and (iii) our Directors have the competency, integrity and ability, and are willing to, manage our business in a law-abiding manner, on the following basis:

i. the historical non-compliance incidents disclosed above were generally due to failure of our relevant staff to fully appreciate the relevant legal requirements or inadvertent oversight of our relevant staff;

ii. the occurrence of the historical non-compliance incidents disclosed above was not due to the intentional misconduct or act of dishonesty or fraudulence of our Directors nor did any of these incidents raise any concern on the integrity of our Directors. In particular:

   - certain non-compliance incidents of our Group (namely, the incidents relating to the Temporary Structure of the Linyi Production Plant and the Meishan Areas Lacking Filings) were caused by the predecessor management of the subsidiaries before they were acquired by our Group. Our Directors have implemented internal controls whereby our Group's staff (or external legal advisers) shall review the title documents relating to potential targets so as to ensure the completeness of title for acquired properties;

   - the non-compliant over-production of Xiangyang Production Plant in 2023 during the course of preparation for Listing was due to customer demands and the Directors have actively taken remedial measures including (x) sincerely evaluate the extent of the over-production which will not cause the emissions of major pollutants emitted by the Xiangyang Production Plant to go beyond the permitted range of emission during the Track Record Period; (y) proactively informed the relevant authority of such incidents and took steps to increase the permitted level of production of Xiangyang Production Plant; and (z) obtained written confirmations from the relevant competent authorities which confirmed that such incident did not constitute a major violation of laws and regulations.

iii. none of the rectification measures taken or the historical non-compliance incidents disclosed above has any material impact on the results of our business operations or financial position;

iv. in preparation for the Listing, we have engaged the Internal Control Consultant to perform a review over selected areas of our internal controls in August 2023, our Directors acted upon the advice and internal control measures recommended by the Internal Control Consultant and we adopted substantially all of the recommendations made by the Internal Control Consultant, which based on their observations in follow-up reviews in March 2024, has made the view that measures adopted by our Group are adequate on a general internal control design level to prevent the recurrence of non-compliant incidents relating to our occupation and use of properties with defective titles, commencement of construction or production without relevant permits, exceeding permitted levels of production, production without the pollutant discharge permit, and the lack of fire safety acceptance filings or fire safety acceptance of properties occupied and used by us;

v. in preparation for the Listing, we have engaged third party inspection institutions to examine the safety conditions of our non-compliant production facilities in 2024 and our Directors acted upon the recommendations given by these institutions to combat any identified deficiencies. These institutions have given the view that our non-compliant properties have passed the fire safety assessment and had at least, no material fire hazards;

vi. all our executive Directors have substantial experience in business management and none of them is subject to any legal or administrative proceedings arising from the non-compliance incidents or legal proceedings above; Our executive Directors exercised fiduciary duty, duty of care and skill during the daily operation of our Group and have actively caused our Group to adopt measures to prevent and reduce the occurrence of legal risk incidents that are common in the industry we operate in;

vii. as advised by our PRC Legal Advisers, based on the compliance certificates issued by and/or interviews with the local government authorities governing the business operation of the operating entities in the Group in respect of industry and commerce, quality supervision, work safety, social insurance, housing provident fund, tax, properties and environmental protection, as well as the background search and litigation search conducted by an Independent Third Party engaged by us, save for the non-compliance incidents disclosed in "Legal Non-Compliance and Proceedings — Non-compliance" in this section, our Group has complied with the applicable PRC laws and regulations for our business operations in all material aspects during the Track Record Period and up to the Latest Practicable Date;

viii. since the implementation of the enhanced internal control measures and up to the Latest Practicable Date, our Directors confirmed that we had not had any material breach of applicable laws and regulations. Further, our Directors will monitor the reporting from compliance committee on a regular basis according to our internal control policy;

ix. our Directors attended relevant training provided by the legal advisers to our Company on the duties and responsibilities of the directors of a Hong Kong listed company under the Listing Rules and other applicable securities laws and regulations in Hong Kong to strengthen their awareness and knowledge, and have undertaken to observe and comply with all the relevant rules and regulations;

x. our Directors have been actively involved in and fully support the rectification of identified non-compliance matters and formulation of internal control policy to prevent the recurrence of such non-compliance incidents. All of the non-compliances has been rectified as at the Latest Practicable Date except for the non-compliance incidents relating to the lack of fire safety acceptance/filing for the production lines at the Qinghai Production Plant and the Guizhou Production Plant, and status of rectification relating to the Qinghai Production Plant and Guizhou Production Plant will be further disclosed in our Company's annual report after Listing;

xi. we have appointed a compliance adviser to advise on ongoing compliance with the Listing Rules and other applicable securities laws and regulations in Hong Kong; and

xii. we will engage professional and experienced legal advisers to advise on compliance with relevant laws and regulations and legal matters that we are not familiar with going forward.

INTERNAL CONTROL MEASURES AND RISK MANAGEMENT

Our Board is responsible for the overall effectiveness of our risk management and establishing our internal control system and reviewing its effectiveness. We have established and we maintain risk management and internal control systems consisting of policies and procedures that are appropriate for our business operations, and we are dedicated to continuously improving and implementing these systems to ensure our policies and implementation are effective and sufficient.

Other than the enhanced internal control measures that we adopt to address and prevent the recurrence of non-compliance incidents as disclosed in "Legal Non-compliance and Proceedings — Non-compliance" above, we have also adopted and implemented comprehensive risk management policies in various aspects of our business operations such as corporate governance structure, human resources, financial reporting, compliance, risk assessment, quality control and contract management.

In preparation for the Listing, we have engaged the Internal Control Consultant to perform a review over selected areas of our internal controls in August 2023 (the "**Internal Control Review**"). The scope of the Internal Control Review performed by the Internal Control Consultant was agreed between us and the Internal Control Consultant. The selected areas of our internal controls over financial reporting that were reviewed by the Internal Control Consultant included company-level controls, financial reporting and disclosure controls and business process-level controls, including (1) Control environment; (2) Risk assessment; (3) Internal monitoring; (4) Information and communication; (5) Financial reporting and disclosures; (6) Sales, accounts receivable and collection; (7) Procurement, accounts payable and payment; (8) Production and quality control; (9) Health, safety and environmental protection; (10) Fixed assets management; (11) Construction project management; (12) Human resource and payroll management; (13) Fund management; (14) Investment management; (15) Contract management; (16) Research, development and intangible asset management; (17) Information system management; and (18) Insurance management.

The Internal Control Consultant performed the follow-up reviews in September 2023 and March 2024 to review the status of the management actions taken by us to address the findings of the Internal Control Review (the "**Follow-up Review**"). The Internal Control Consultant did not have any further recommendations on a design level in the Follow-up Review.

Our Directors confirmed that all of the major recommendations provided by the Internal Control Consultant have been followed and corrective actions were taken accordingly to address our internal control deficiencies and weaknesses. Our Directors are of the view that our enhanced internal control measures are adequate and effective to ensure compliance with relevant laws and regulations going forward.

Financial Reporting Risk Management

Our finance department is responsible for overseeing the financial reporting risk management of our Group. We have in place a series of accounting policies in connection with our financial reporting risk management, such as financial report management policies, budget management policies, financial statements preparation policies and financial department and staff management policies. We have various procedures in place to implement accounting policies, such as accounting supervision, assets inspection and approval processes.

Compliance and intellectual property rights management

We have designed and adopted internal procedures to ensure the compliance of our business operations with the relevant laws and regulations, as well as the protection of our intellectual property rights. In accordance with these procedures, our compliance committee is responsible for our compliance management and overseeing business management systems and procedures. We have also established the board of directors' office (legal) and legal management roles to attend to dispute-related legal matters and risk management supervision. During the Track Record Period and up to the Latest Practicable Date, certain incidents of non-compliance with the PRC applicable laws and regulations relating to exceeding the permitted level of production have occurred. In order to address, minimise and prevent the recurrence of such incidents of non-compliance, we have also enhanced our internal control measures accordingly. See "Legal Non-compliance and Proceedings — Non-compliance" above for further details.

Our intellectual property leading group and management office are responsible for making all necessary applications, renewals or filings for patent or other intellectual property rights registration to the relevant authorities in time.

Human resource risk management

We invest in continuing education and training programmes, including regular and tailor-made internal and external training, for our employees in different departments. Through these trainings arranged by our human resources department, we ensure that skill sets of our employees are updated constantly. We maintain strict standard in recruiting to ensure that the quality of the new hires and we conduct periodic performance reviews for all our employees.

We have in place an employee code of conduct approved by our management and distributed to all our employees, which contains internal rules and guidelines regarding confidentiality, reasonable treatment of commercial partners, anti-monopoly and the prohibition against commercial bribery, conflict of interests and insider trading. We also have in place an anti-corruption policy to safeguard against any corruption within our Company. The policy explains potential corruption conducts and our anti-corruption measures. Our internal reporting channel is kept open and available for our staff to report any corruption acts on an anonymous basis. Our party and the masses party department and audit committee are responsible for overseeing the implementation of the anti-corruption policy and investigating the reported incidents in order to take appropriate measures.

IMPACTS OF AND OUR RESPONSE TO COVID-19

Impacts on our Group

Since early 2020, the PRC and certain countries around the world encountered an outbreak of the novel coronavirus named COVID-19. In an attempt to control the outbreak of COVID-19, the PRC government had imposed periodic restriction measures on various PRC cities from time to time until early 2023 (the "**COVID-19 period**"). As our principal business operations are based in the PRC, these control measures had a negative impact on our production activities. Additionally, the construction activities in the PRC, where our products are utilised, was also negatively affected by COVID-19, which resulted in a decrease in demand for our products during the COVID-19 period. Further, the provision of raw material were affected by COVID-19 as there road transportation were restricted due to periodic restriction measures on various PRC cities from time to time implemented by the government, which resulted in an inconsistent supply of upstream raw materials.

We were able to effectively manage any temporary suspensions of production due to government policies and meet our customers' demands by leveraging the production capacity of our network of production facilities which is designed to reflect a nationwide production layout. Specifically, during the early 2020, the government of Hubei Province implemented control measures in response to the COVID-19 pandemic, which led to the temporary suspension of production at our Xiangyang Production Plant for approximately 50 days. In order to ensure the continuity of our operations and fulfill customer orders, we made the necessary adjustments by redirecting the sales orders originally received by our Xiangyang Production Plant to our Linyi and Guizhou Production Plants. Apart from the aforementioned temporary suspension of production at our Xiangyang Production Plant, we did not experience any further disruptions or suspensions of production across our other production plants during the COVID-19 period. As a result, we successfully fulfilled our customers' needs and did not experience any customer loss resulting from the production disruptions during the COVID-19 period. During the Track Record Period, we had not experienced any production suspensions due to the outbreak of COVID-19.

Based on the above, our Directors are of the view that COVID-19 did not result in any material adverse impact on our production, business operation and financial performance during the Track Record Period and up to the Latest Practicable Date.

Our response to COVID-19

In response to the outbreak of COVID-19, we adopted various measures to maintain a hygienic working environment at our office and production facilities. Employees who displayed symptoms of respiratory system diseases were required to report to their senior supervisor and visited a doctor immediately. We encouraged our staff to conducted communication through telephone calls, emails and other communication platforms. We recommended them to maintain good hygiene practices such as washing their hands regularly with soap and water, avoided touching their face with their hands, etc.

We also implemented various measures to mitigate the spread of the virus within our production facilities during the COVID-19 period. In particular, to ensure the continuity of our operation while adhering to safety protocols, we adopted a rotating schedule for our key production and management personnel, allowing them to work on-site in shifts while maintaining normal production levels. These measures were discontinued since early 2023, as COVID-19 had come under control.

OUR CONTROLLING SHAREHOLDERS

Our Company was incorporated as a limited liability company under the laws of the PRC on 28 May 2018 and was converted into a joint stock company with limited liability on 15 July 2022. As at the Latest Practicable Date, our Company was owned as to approximately 48.62% by Conch Tech Innovation. Immediately following the completion of the Global Offering (assuming no exercise of the Over-Allotment Option), Conch Tech Innovation will hold approximately 36.47% of the total issued share capital of our Company.

As at the Latest Practicable Date, Conch Tech Innovation was wholly-owned by Conch Holdings, which was in turn held as to 51% by Anhui Investment Group and 49% by Wuhu Conch Venture, an Independent Third Party, and Anhui Investment Group was wholly-owned by the SASAC of the People's Government of Anhui Province (安徽省人民政府國有資產監督管理委員會). Therefore, Conch Tech Innovation, Conch Holdings and Anhui Investment Group will constitute a group of Controlling Shareholders under the Listing Rules immediately upon completion of the Listing.

INFORMATION OF BUSINESSES OF OUR GROUP AND OUR CONTROLLING SHAREHOLDERS

Our Group

We are principally engaged in the R&D, production and sale of cement admixture, concrete admixture, and their respective in-process intermediaries namely processed alcohol amine, polyether monomers and polycarboxylic acid mother liquor. For further details of our business, see "Business" in this prospectus.

Conch Tech Innovation

Conch Tech Innovation is principally engaged in investment holding. Apart from its interests in our Group, it has investment in companies which are engaged in (i) R&D, production and sales of biomass fuel; (ii) production and sales of new catalytic materials and additives and R&D of new materials; and (iii) R&D of emerging energy technology and sales of energy storage battery systems.

Conch Holdings

Apart from holding interest in our Group and Conch Tech Innovation, Conch Holdings is principally engaged in asset operation, investment, financing, property transactions, production and sale of construction materials, chemical and industrial products (excluding hazardous products), electronic apparatus and instruments and ordinary machinery and equipment, electricity, transportation, warehousing, construction project, import and export trading, sale of mineral products (operated by subsidiaries), metal materials, craftwork and general merchandise, property management, development of technological products, technical services, printing, contracting of overseas building materials project and domestic and international bidding projects, and dispatch of service personnel for implementing the above overseas projects. The above principal activities include (i) production and sales of cement, commodity clinker, aggregate and concrete through a controlling interest held in Conch Cement (the shares of which are listed on the Main Board of the Stock Exchange (stock code: 00914) and the Shanghai Stock Exchange (stock code: 600585)); and (ii) R&D and production and sales of new green construction materials (新型綠色建材) (mainly including plastic profiles, doors and windows) and environmental protection new material (環保新材料) (mainly including catalyst used for flue gas denitration in electric power and steel fields) through a controlling interest held in Conch (Anhui) Energy Saving and Environment Protection New Material Co., Ltd. (海螺(安徽)節能環保新材料股份有限公司) (the shares of which are listed on the Shenzhen Stock Exchange (stock code: 000619)).

Anhui Investment Group

Anhui Investment Group is principally engaged in four main business segments, which are: (i) infrastructure, which mainly consists of railway construction, poverty alleviation and relocation, reconstruction of shanty town and property investment; (ii) investment in companies which are engaged in key industries in Anhui such as new energy, big health, cultural tourism and smart city; (iii) investment in which companies which are engaged in finance businesses; (iv) investment in various publicly listed companies.

Apart from the above principal businesses of our Controlling Shareholders, our Controlling Shareholders are also interested in other investments which do not form part of our Group, and the principal businesses of such investments are separate and distinct from our businesses (together with the above principal businesses of our Controlling Shareholders, collectively, the "**Other Businesses**"), save for certain businesses engaged by Anhui Jinggong Testing and Inspection Center Co., Ltd.* (安徽精公檢測檢驗中心有限公司) ("**Jinggong Testing**"), a subsidiary of Conch Cement, which was in turn held as to approximately 36.4% by Conch Holdings as at the Latest Practicable Date as elaborated below.

One of our subsidiaries, Anhui Haicui, is principally engaged in the production and sales of grinding aids for quality intelligent monitoring system (the "**Grinding Aids Business**"), whereas Jinggong Testing is primarily engaged in offering laboratory testing services for cement clinkers and cement and concrete admixtures. To the best knowledge of our Directors, Jinggong Testing also produces grinding aids testing products for its own use and as complementary offers to its customers for testing. Nonetheless, taking into account that (i) the revenue contribution generated from the Grinding Aids Business from Anhui Haicui only amounted to approximately RMB0.3 million and RMB0.9 million for FY2022 and FY2023, respectively, representing approximately 0.02% and 0.04% of our total revenue for the respective year; (ii) such revenue contribution from Anhui Haicui will continue to remain insignificant; and (iii) Jinggong Testing only produces grinding aids testing products for its own use and as complementary offers to its customers, our Directors are of the view that the potential competition resulting from the abovementioned business between Anhui Haicui and Jinggong Testing is limited and immaterial to our Group.

Save as disclosed above, taking into account the differences between the Other Businesses and the business operations of our Group, our Directors are of the view that there is a clear business delineation between our businesses and Other Businesses. Our Controlling Shareholders confirm that as of the Latest Practicable Date, save as disclosed above, they did not have any interest in any business which competes or is likely to compete, either directly or indirectly with our Company's business which would require disclosure under Rule 8.10 of the Listing Rules.

DEED OF NON-COMPETITION

In order to avoid any potential competition between Conch Tech Innovation and Conch Holdings (being the controlling shareholders of our Group) (the "**Non-Competing Shareholders**") on the one hand and us on the other hand, the Non-Competing Shareholders have entered into the Deed of Non-competition in favour of our Company. Pursuant to the Deed of Non-competition, subject to the exceptions set out below, each of the Non-Competing Shareholders has irrevocably and unconditionally undertaken to our Company (for ourselves and on behalf of each other member of our Group) that it would not, and would procure that its close associates (except any members of our Group) not to, during the Restricted Period (as defined below), directly or indirectly, either on its own account or in conjunction with or on behalf of any person, firm or company (except through any member of our Group), among other things, carry on, participate or be interested or engaged in or acquire or hold (in each case whether as a shareholder, director, partner, agent, employee or otherwise, and whether for profit, reward or otherwise) any Restricted Business (as defined below), whether alone or jointly with another person and whether directly or indirectly or on behalf of or to assist or act in concert with any other person.

The "**Restricted Business**" stated in the Deed of Non-competition refers to any activity or business which competes, or is likely to compete, either directly or indirectly, with:

(a) the existing business activities of our Group as set out in the section headed "Business" in this prospectus; and

(b) any other business from time to time conducted, entered into, engaged in or invested in by any member of our Group or which our Company has otherwise published an announcement on the website of the Stock Exchange stating its intention to conduct, enter into, engage in or invest in, save as disclosed in this prospectus.

The obligation of the Non-Competing Shareholders under the Deed of Non-competition will remain binding on the Non-Competing Shareholders until the earlier of the followings:

(a) the date on which the Shares cease to be listed on the Stock Exchange (except for temporary suspension of trading of the Shares on the Stock Exchange for any reason); or

(b) the date on which the Non-Competing Shareholder(s) and its close associates, collectively cease to be entitled to exercise or control the exercise of not less than 30% in aggregate of the voting power at general meetings of our Company or otherwise cease to be a group of controlling shareholders of our Company.

"**Restricted Period**" shall mean the period commencing on the Listing Date until the earlier of the above events.

Each of the Non-Competing Shareholders has also undertaken to our Company to provide all information requested by our Company which is necessary for the annual review by our Independent Non-executive Directors of the Non-Competing Shareholders' compliance with the undertakings and the enforcement of the Deed of Non-competition. Each of them has further undertaken to our Company (for itself and for the benefit of each other member of our Group) that in the event that it or its close associate(s) (other than any member of our Group) is given/identified/offered/made available any business investment or commercial opportunity relating to the Restricted Business (the "**New Business Opportunity**"), it will and will procure its close associates to refer the New Business Opportunity to our Company as soon as practicable in the following manner:

(a) the relevant Non-Competing Shareholder(s) is required to, and shall procure its close associates (other than any member of our Group) to, refer, or to procure the referral of, the New Business Opportunity to our Company, and shall give written notice (the "**Offer Notice**") as soon as reasonably practicable to our Company of any New Business Opportunity containing all information reasonably necessary for our Company to consider whether (i) such New Business Opportunity would constitute the Restricted Business; and (ii) it is in the interest of our Group to pursue such New Business Opportunity, including but not limited to the nature of the New Business Opportunity, the identity of the target asset(s) or company(ies) (if applicable), and the details of the investment or acquisition costs;

(b) as soon as reasonably practicable after receiving the Offer Notice, our Company shall seek approval from a board committee (comprising only our Independent Non-executive Directors who do not have any interest, actual or potential, direct or indirect in the relevant New Business Opportunity) (the "**Independent Board**") as to whether to pursue or decline the New Business Opportunity. Any Director who has actual or potential, direct or indirect interest in the New Business Opportunity shall not be a member of the Independent Board and shall not attend (unless his/her attendance is specifically requested by the Independent Board), vote at nor be counted towards the quorum for, any meeting or part of a meeting convened to consider such New Business Opportunity;

(c) the Independent Board shall take into account all relevant factors in considering whether our Company shall pursue the New Business Opportunity. Such factors may include, among other things, the financial impact of pursuing the New Business Opportunity, whether the nature of the New Business Opportunity is consistent with our Group's strategies and development plans and the general market conditions. If appropriate, the Independent Board may, at the cost of our Company, appoint independent financial advisers, legal advisers and other professional advisers to assist in the decision-making process in relation to such New Business Opportunity;

(d) the Independent Board shall, within 20 business days upon receipt of the Offer Notice, inform the relevant Non-Competing Shareholder in writing on behalf of our Company of its decision whether to pursue or decline the New Business Opportunity;

(e) the relevant Non-Competing Shareholder and/or its close associates shall be entitled (but not obliged) to pursue such New Business Opportunity (i) if it has received a notice from the Independent Board declining such New Business Opportunity, or (ii) if the Independent Board has failed to respond within such 20 business days period pursuant to sub-paragraph (d) above;

(f) if there is any material change in the nature, terms or conditions of such New Business Opportunity pursued by the relevant Non-Competing Shareholder, it shall refer such New Business Opportunity as so revised to our Company in the manner as outlined in the Deed of Non-competition as if it were a New Business Opportunity; and

(g) any Director who has actual or potential interests in the New Business Opportunity shall not attend meetings convened to consider such New Business Opportunity (unless required by the Independent Board), shall abstain from voting at such meetings and he/she/it shall not be counted in the quorum present in the meetings.

Nothing in the Deed of Non-competition shall preclude any of the Non-Competing Shareholders or their close associates from:

(a) holding interests in the shares of a company provided that:

  (i) any Restricted Business conducted or engaged in by such company or its subsidiaries (or assets relating thereto) accounts for less than 10% of that company's consolidated turnover or consolidated assets, as shown in that company's latest audited consolidated accounts; or

  (ii) the total number of the shares held by the relevant Non-Competing Shareholder(s) and/or its close associates in aggregate does not exceed 30% of the issued shares of that class of the company in question, and such Non-Competing Shareholder(s) and its close associates, whether acting singly or jointly, are not entitled to appoint a majority of the directors of that company and at all times there should exist at least one other shareholder of that company (together, where appropriate, with its close associates) whose shareholdings in that company should be more than the total number of shares held by such Non-Competing Shareholder(s) and its close associates; or

(b) pursuing any business opportunity which may constitute the Restricted Business after our Independent Board has confirmed in writing to the relevant Non-Competing Shareholder(s) that our Independent Board or the relevant member(s) of our Group has declined such business opportunity.

RELATIONSHIP WITH CONCH CEMENT GROUP

Conch Holdings, a member of our Controlling Shareholder group, held owns a controlling stake of more than 30% shares in Conch Cement whose shares are listed on the Stock Exchange (stock code: 00914) and Shanghai Stock Exchange (stock code: 600585) as at the Latest Practicable Date. Our Group has a well-established and ongoing business relationship with Conch Cement Group since 2018. Conch Cement Group is principally engaged in the production and sales of cement, commodity clinker, aggregate and concrete. According to the list of world's top 2000 companies in 2023 as announced by Forbes, Conch Cement ranked the 539th, being the first in the world's cement industry. According to the list of China's top 500 listed companies in 2023 as announced by Fortune China, Conch Cement ranked the 104th with an operating income of approximately RMB132 billion as at 31 December 2022.

Our Group has been providing various admixture products to Conch Cement Group since 2018, and it subsequently became our largest customer throughout the Track Record Period. During the Track Record Period, revenue generated from Conch Cement Group amounted to approximately RMB807.9 million, RMB765.1 million, RMB762.4 million and RMB338.6 million, respectively, representing approximately 52.5%, 41.6%, 31.8% and 30.7% of our total revenue for FY2021, FY2022, FY2023 and 6M2024, respectively. This shows a decreasing trend of our reliance on Conch Cement Group over the years, which reflected our effort in sourcing customers which are not our Controlling Shareholders. For details, see "Independence From Our Controlling Shareholders — Operational independence — Our efforts in sourcing customers other than Conch Cement Group" below.

We consider the business relationship between our Group and Conch Cement Group to be mutually complementary. Over years of cooperation, both our Group and Conch Cement Group have developed a mutual and deep understanding of their respective business operations. Given our stable and close relationship, our Group is familiar with Conch Cement Group's specific requirements and expected deliverables, which helped to reduce communication costs, accumulate tacit knowledge of product and service provisions to Conch Cement Group, build mutual trust and has enabled us to constantly provide the high-quality products that met Conch Cement Group's specific requirements. All these have helped optimise the product quality and production indicators of Conch Cement Group, which have further helped enhance Conch Cement's brand image, thereby attracting more customers to purchase cement and concrete products from Conch Cement, and will in turn likely bring more business to our Group and hence enable us to reinforce our existing market position. Going forward, given Conch Cement's reputation and ranking in the cement industry in the world, and in particular the PRC, we believe we will continue to participate in open tenders conducted by or price negotiation with Conch Cement. Based on our mutual and complementary business relationship with them and our competitive advantage which distinguishes us from our competitors, we believe we will continue to secure future engagements from Conch Cement Group. For details of our continuing connected transactions with Conch Cement, see "Continuing Connected Transactions" in this prospectus.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Having considered the following factors, our Directors are satisfied that we are able to carry on our business independently of our Controlling Shareholders and their respective close associates after the Listing for the reasons set out below.

Management Independence

Our Board comprises two executive Directors, five non-executive Directors and four independent non-executive Directors. We have three Supervisors and a senior management team comprise our executive Directors and three other members.

Upon Listing, Mr. Ding and Mr. Jin, our Directors, and Mr. Yue Jian, our Supervisor, will continue to hold positions in our Controlling Shareholders or companies in which they have 30% or more interests:

Name of Director	Positions within our Group	Positions in our Controlling Shareholders or companies in which they have 30% or more interests
Mr. Ding	Non-executive Director, Chairman of our Board	• Chief economist and vice chief accountant of Conch Holdings • Director of Anhui International Trade Group (Holding) Co., Ltd.* (安徽國貿集團控股有限公司), a company held as to 55% by Conch Holdings • Director of Conch Tech Innovation • Director and general manager of Anhui Conch Capital Management Co. Ltd.* (安徽海螺資本管理有限公司), a company wholly-owned by Conch Holdings • Director of Anhui Conch Private Equity Fund Management Co. Ltd* (安徽海螺私募基金管理有限公司), a company indirectly wholly-owned by Conch Holdings

Name of Director	Positions within our Group	Positions in our Controlling Shareholders or companies in which they have 30% or more interests
Mr. Jin	Non-executive Director	• Director of Anhui Conch Clean Energy Technology Co., Ltd.* (安徽海螺潔能科技有限公司), a company wholly-owned by Conch Tech Innovation • Director and Chairman of State Power Investment Group Anhui Conch Electricity Sales Co., Ltd.* (國家電投集團安徽海螺售電有限公司), a company held as to 50% by Anhui Conch Clean Energy Technology Co., Ltd.* (安徽海螺潔能科技有限公司) • Director and vice general manager of Conch Tech Innovation

Name of Director	Positions within our Group	Positions in our Controlling Shareholders or companies in which they have 30% or more interests
Mr. Yue Jian . .	Shareholder representative Supervisor	• Supervisor of Anhui Conch Clean Energy Technology Co., Ltd. • Supervisor of Anhui Haihan Water treatment Technology Co., Ltd.* (安徽海瀚水處理科技有限公司), a company indirectly wholly-owned by Conch Tech Innovation • Supervisor of Anhui Haixin Mineralisation Material Technology Co., Ltd.* (安徽海鑫礦化材料科技有限公司), a company indirectly wholly-owned by Conch Tech Innovation • Supervisor of Anhui Conch Biomass Energy Technology Co., Ltd.* (安徽海螺生物質能科技有限公司), a company wholly-owned by Conch Tech Innovation • Supervisor of Anhui Conch Preparation Engineering Technology Co., Ltd.* (安徽海螺製劑工程技術有限公司), a company wholly-owned by Conch Tech Innovation • Supervisor of Anhui Haiyi High Fuel Material Technology Co., Ltd* (安徽海燚高燃材料科技有限公司), a company indirectly held as to 55% by Conch Tech Innovation • Director of Anhui Conch Ronghua Energy Storage Technology Co., Ltd.* (安徽海螺融華儲能科技有限公司), a company indirectly held as to 51% by Conch Tech Innovation

Our management and operational decisions are made by our Board and senior management, all of whom have substantial experience in the industry in which we are engaged in and/or in their respective fields of expertise. Most of our Directors and senior management members have a track record of devoting sufficient time and energy to discharge their duties as our Directors and senior management members and they will continue to focus on our Groups' business. For further details of our Directors and senior management, see "Directors, Supervisors and Senior Management" in this prospectus.

Despite the common directorship and overlapping personnel, we believe that the management independence between our Group and our Controlling Shareholder will be maintained. Mr. Ding and Mr. Jin are a non-executive Directors and their roles are non-executive in nature. They will not handle day-to-day operation or management in our Company after the Listing. Each of Mr. Ding and Mr. Jin confirms that his involvement in our Controlling Shareholders will not affect the discharge of his duties nor limit his time devoted to our Group. Apart from Mr. Ding and Mr. Jin, none of our Directors hold any directorship or senior management position or otherwise have any employment relationship with the our Controlling Shareholders or companies in which they have 30% or more interests. Mr. Lu Shumin and Mr. Yue Jian are our Supervisors, who does not hold any management positions in our Group and are not involved in the daily management of our businesses.

Apart from the above, our Directors consider that our Board and senior management will function independently of our Controlling Shareholders due the following reasons:

(a) each Director is aware of his/her fiduciary duties as a director which require, among other things, that he/she acts for the benefit and in the interest of our Company and does not allow any conflict between his/her duties as a Director and his/her personal interests;

(b) in the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective associates, the interested Director(s) is required to declare the nature of such interest before voting at the relevant Board meetings of our Company in respect of such transactions. Further, our Articles provide that a Director shall not vote on any resolution approving any contract or arrangement in which such Director or any of his/her close associates have interest nor shall such Director be counted in the quorum present in the meeting. For details, see "Summary of the Articles of Association" in Appendix III to this prospectus;

(c) we have adopted a series of corporate governance measures to manage conflicts of interest, if any, between our Group and our Controlling Shareholders which would support our independent management. See "Corporate Governance Measures" in this section below for details; and

(d) as only two out of our seven non-independent Directors (including executive Directors and non-executive Directors) hold management positions in our Controlling Shareholders group, the majority of the Board is independent from our Controlling Shareholders group. There are sufficient number of executive Directors, non-executive Directors and independent non-executive Directors who are independent from our Controlling Shareholders to ensure that our Board are able to perform its functions properly; and

(e) we have four independent non-executive Directors, comprising more than one-third of our Board to provide a balance between the number of executive Directors, non-executive Directors and independent non-executive Directors to ensure that there is a strong independent element on our Board and with a view to promoting the best interests of our Company and Shareholders taken as a whole. The independent non-executive Directors have diversified skills and experience in their respective fields of expertise (for details of their biographical details, see "Directors, Supervisors and Senior Management" in this prospectus) and our Directors believe that our independent non-executive Directors are able to bring impartial opinion and sound judgement to the decision-making process of our Board and protect the interest of our Company and Shareholders as a whole. Our Company has established the Audit Committee, the Remuneration Committee and the Nomination Committee. Each committee includes independent non-executive Directors so as to monitor the operation of our Group; and

(f) our senior management members are independent from our Controlling Shareholders. They have substantial experience in the industry which we are engaged in. Accordingly, they are able to discharge their duties independently from our Controlling Shareholders.

Based on the above, our Directors believe that our Board and senior management are able to perform the managerial role in our Group independently from our Controlling Shareholders.

Operational Independence

The business operations of our Group are carried out separately from other businesses operated by our Controlling Shareholders. Save for the IT system support services provided by a wholly-owned subsidiary of Conch Holdings, for instance, the maintenance and rental of certain IT systems, the information technology, human resources department and other administrative support of our Group are separate from those of our Controlling Shareholders. We have full rights, hold and enjoy the benefit of all relevant licences, have sufficient capital and employees necessary to make all decisions on, and to carry out, our own business operation independent from our Controlling Shareholders and their respective close associates and will continue to do so after the Listing.

Licences required for operation

We hold and enjoy the benefit of all relevant licences and permits material to the operation of our business.

Access to customers, suppliers and business partners

We have a large and diversified base of customers that are unrelated to our Controlling Shareholders and/or their respective close associates. We have independent access to such customers, our suppliers as well as other business partners.

Operational facilities

All the properties and facilities necessary for our business operations are independent from our Controlling Shareholders and their respective close associates.

Employees

We have our independent team of quality personnel, among whom have rich industry experience in cement admixture and concrete admixture industry. We recruit our employees independently and primarily through various channels, such as advertising platform, third-party recruitment agency and participation in recruitment events held by schools.

Connected transactions with our Controlling Shareholders or their associates

The section headed "Continuing Connected Transactions" in this prospectus sets out the non-exempted continuing connected transactions between our Group and our Controlling Shareholders or their respective associates which will continue after the completion of the Listing. All such transactions are determined after arm's length negotiations. As such, we expect that we will be able to maintain the aggregate amounts of the continuing connected transaction with our Controlling Shareholders and their respective associates at a reasonable percentage to our total revenues after the Listing. Accordingly, it is expected that such continuing connected transactions will not affect our operational independence as a whole.

Our efforts in sourcing customers other than Conch Cement Group

We began to enhance our efforts in sourcing customers other than Conch Cement Group and which are not our Controlling Shareholders or their associates ("**Non-Controlling Shareholder Customers**") since 2020. We believe our revenue attributable to Non-Controlling Shareholder Customers will further increase in the long run.

During the Track Record Period, there was an increasing trend in the percentage of our revenue attributable to projects from Non-Controlling Shareholder Customers. We have been actively participating in tender and bidding processes organised by Non-Controlling Shareholder Customers, as well as pursuing cooperation opportunities with, and exploring acquisitions of, quality market players with regional competitive strength. We acquire the relevant information from multiple channels and actively communicate with Non-Controlling Shareholder Customers, state-owned enterprises and government agencies, in order to extensively explore potential target projects.

We plan to use approximately 10% of the proceeds from the Global Offering for exploring opportunities in domestic and overseas markets by expanding our sales network, details of which are set out in "Future Plans and Use of Proceeds — Use of Proceeds" in this prospectus. Considering the opportunities in the cement admixture and concrete admixture market, our experience and expertise, our achievement in expanding our services offerings to projects from Non-Controlling Shareholder Customers via organic growth and our development strategy, we believe that we are well-positioned to capture potential opportunities and could further expand our business in respect of projects developed by Non-Controlling Shareholder Customers.

We have established strong management team with extensive industry knowledge and experience and maintained marketing and development team at our headquarters and regional level as well as our subsidiaries, and will continue to increase the resources and efforts in our business development.

Going forward, we intend to, among others, (i) leveraging our brand reputation and track record, continue to secure new contracts by participating in the tendering and bidding process, (ii) enter into strategic cooperation arrangements with other Non-Controlling Shareholder Customers, and (iii) increase our cost on R&D for our products to attract more Non-Controlling Shareholder Customers. As a result, it is expected that we will continue to capture new contracts from Non-Controlling Shareholder Customers, and our revenue generated from products provided to these customers will continue to increase.

Financial Independence

Our Group has an independent financial reporting system and makes financial decisions according to our Group's own business needs. We have internal control and accounting systems and an independent finance department for discharging the treasury function. We manage our bank accounts independently, and do not share any bank accounts with our Controlling Shareholder or their respective close associates.

During the Track Record Period, there were certain other payables to and other receivables from our Controlling Shareholders or their respective close associates, mainly comprise of performance deposits, tender deposits and pre-payment for purchase of admixtures storage containers, supply and logistic system and energy storage system. All the other payables to and other receivables from our Controlling Shareholders or their respective close associates (other than those in the ordinary and usual course of business of our Group) will be settled in accordance with their respective contract terms. See Note 28 to the Accountants' Report in Appendix I, and "Financial Information — Description of Certain Items of Consolidated Statements of Financial Position — Trade and other receivables — Other receivables from related parties" and "— Trade and other payables — Other payables to related parties" in this prospectus for further details. Further, during the Track Record Period, Conch Tech Innovation also provided guarantee for the bank loans of our Group. See Note 19 to the Accountants' Report in Appendix I to this prospectus for further details. As at the Latest Practicable Date, all guarantees provided by our Controlling Shareholders or their respective close associates in favour of our Group had been released, and we did not have any loans due from or due to our Controlling Shareholders or their respective close associates. We have been and are capable of obtaining equity and debt financing from third parties. Our Directors confirm that our Group does not intend to obtain any borrowing or guarantee from any of our Controlling Shareholders or entities controlled by our Controlling Shareholders after the Listing.

Based on the above, our Directors are of the view that our Board and senior management are capable of carrying on our business independently of, and do not place undue reliance on, our Controlling Shareholders and his/its associates after the Listing.

CORPORATE GOVERNANCE MEASURES

Our Company will comply with the provisions of the Corporate Governance Code set out in Appendix C1 to the Listing Rules, which sets out principles of good corporate governance.

Our Directors recognise the importance of good corporate governance in protection of our Shareholders' interests. We will adopt the following measures to safeguard good corporate governance standards and to avoid potential conflict of interests between our Group and our Controlling Shareholders:

(a) where a Shareholders' meeting is to be held for considering proposed transactions in which our Controlling Shareholders or any of its associates has a material interest, our Controlling Shareholders will not vote on the resolutions and shall not be counted in the quorum in the voting;

(b) our Company has established internal control mechanisms to identify connected transactions. Upon the Listing, if our Company enters into connected transactions with a Controlling Shareholder or any of his/its associates, our Company will comply with the applicable Listing Rules;

(c) our Company will disclose decisions (with basis) on matters reviewed by the independent non-executive Directors either in its annual reports or by way of announcements;

(d) where our Directors reasonably request the advice of independent professionals, such as financial advisers, the appointment of such independent professionals will be made at our Company's expenses;

(e) the independent non-executive Directors will review, on an annual basis, compliance with the Deed of Non-competition given by our Controlling Shareholders. Our Company will disclose decisions relating to compliance and enforcement of the Deed of Non-competition (including our independent non-executive Directors' views for such decision) in our annual report;

(f) our Directors will be responsible for reviewing, considering and deciding whether or not to take up any business opportunity under the Deed of Non-competition. Any Directors who have a material interest in such decision shall abstain from voting. Our Company will disclose such decision (including our independent non-executive Directors' views for such decision) in our annual report;

(g) the Non-Competing Shareholders will undertake to provide all information necessary, including all relevant financial, operational and market information and any other necessary information as required by the independent non-executive Directors for the purpose of their annual review referred to in paragraph (e) above; and

(h) we have appointed Somerley Capital Limited as our compliance advisor to provide advice and guidance to us in respect of compliance with the Listing Rules, including various requirements relating to corporate governance.

Based on the above, our Directors are satisfied that sufficient corporate governance measures have been put in place to manage conflicts of interest between our Group and our Controlling Shareholders, and to protect minority Shareholders' interests after the Listing.

OVERVIEW

We have entered into certain transactions with our connected persons, the details of which are set out in this section below. The transactions disclosed in this section will continue to be effective upon the Listing, and hence, upon the Listing, such transactions entered into with such connected persons will constitute continuing connected transactions of our Company under Chapter 14A of the Listing Rules. Our Directors believe that these transactions are conducted in the ordinary and usual course of our Group's business and on normal commercial terms.

RELEVANT CONNECTED PERSONS

The following table sets out the connected persons of our Company which will continue to conduct connected transactions with our Group upon the Listing and their connected relationships with our Company:

Name	Connected relationship
Conch Holdings	It was the holding company of Conch Tech Innovation, our substantial Shareholder, as at the Latest Practicable Date
Conch Cement	It was held as to approximately 36.4% by Conch Holdings as at the Latest Practicable Date
Xintongling	It was held as to 99% by Mr. Feng, our non-executive Director, as at the Latest Practicable Date
TCC International Holdings Ltd. (台泥國際集團有限公司) ("**TCC International**")	It was the indirect holding company of TCC (Guigang) Cement Limited, which is a substantial shareholder of Guigang Conch holding 40% equity interest in it as at the Latest Practicable Date
Gansu Shangfeng Cement Co., Ltd.* (甘肅上峰水泥股份有限公司) ("**Gansu Shangfeng**")	It was the holding company of Zhejiang Shangfeng Building Materials Co., Ltd. (浙江上峰建材有限公司), which is a substantial shareholder of Tongling Conch holding 20% equity interest in it as at the Latest Practicable Date
Anhui Haihui Supply Chain Technology Co., Ltd.* (安徽海慧供應鏈科技有限公司) ("**Haihui Company**")	It was held as to approximately 75.6% by Conch Cement as at the Latest Practicable Date

Name	Connected relationship
Anhui Tech Import & Export	It was held as to approximately 47.9% by Anhui International Trade Group (Holding) Co., Ltd.* (安徽國貿集團控股有限公司) in which Conch Holdings held approximately 55% as at the Latest Practicable Date

FULLY EXEMPT CONTINUING CONNECTED TRANSACTIONS

Trademark Licensing Agreement

Background

We have been using certain trademarks owned by Conch Holdings during the Track Record Period. On 28 December 2023, our Company entered into a trademark licensing agreement (the "**Trademark Licensing Agreement**") with Conch Holdings, pursuant to which our Group was granted a licence to use certain permitted trademarks registered in the PRC and Hong Kong (the "**Permitted Trademarks**") for a period commencing from 1 January 2024 and up to 31 December 2026, with an annual licensing fee determined with reference to our Group's sales volume for the relevant periods. The expected license fees contemplated under the Trademark Licensing Agreement for each of the three years ending 31 December 2026 is under HK$3.0 million. Save for the brand trademark of "CONCH" which our Company used and plans to continue to use on our products, most of the other permitted trademarks are not material to our Group's business or operation as we did not use nor plan to use these permitted trademarks on our products or for any marketing and promotion purposes. Our Directors are of the view that the Trademark Licensing Agreement with a period of three years would not prejudice our Company's interests as: (a) despite we value our business relationship with Conch Holdings and make use of the trademarks licensed by Conch Holdings to our Group, our business performance, reputation and position in the industry are based on our (i) ability to offer quality products to customers, (ii) advanced and mature production technology, (iii) stable relationship with our upstream and downstream partners, and (iv) nationwide presence through numerous production facilities located in various parts in the PRC. Further, our Directors believe that even the products are sold without the "CONCH" mark, our customers would still recognise our products from the characters "海螺" which represent our corporate name as the manufacturer; (b) entering into a Trademark Licensing Agreement with a period of three years was a pure commercial decision as our Company and Conch Holdings would review the terms of the Trademark Licensing Agreement every three years to allow price adjustment based on market conditions. It is in our Company's interests to allow flexibility in adjusting the price and terms of the Trademark Licensing Agreement taking into account the market conditions at the time and our needs on the permitted trademarks from time to time; and (c) taking into account our relationship with Conch Holdings who is our controlling shareholder, our Directors are of the view that it is unlikely Conch Holdings would cease to grant the permitted trademarks to our Company. Details of the licensed trademarks are set out in "Statutory and General Information — B. Further Information about the Business of Our Group — 2. Material intellectual property rights — (a) Trademarks" in Appendix IV to this prospectus.

Listing Rules Implications

As all applicable percentage ratios under the Listing Rules (other than the profit ratio) in respect of the annual cap of the annual licensing fees for using the Permitted Trademarks are expected to be less than 0.1%, the transactions contemplated under the Trademark Licensing Agreement will be within the de minimis threshold provided under Rule 14A.76 of the Listing Rules and therefore they will be exempt from the reporting, annual review, announcement and independent shareholders' approval requirements under Rule 14A.76(1)(a) of the Listing Rules.

PARTIALLY EXEMPT CONTINUING CONNECTED TRANSACTIONS

Xintongling Concrete Admixtures Framework Agreement

Background

We have been selling concrete admixtures to Xintongling Group since 2018. On 23 May 2024, we entered into a framework agreement for the sales of concrete admixtures (the "**Xintongling Concrete Admixtures Framework Agreement**") with Xintongling.

Principal terms

The principal terms of the Xintongling Concrete Admixtures Framework Agreement are set out below:

Term:	From 23 May 2024 and up to 31 December 2025
Products to be provided:	Concrete admixtures
	Our Group will enter into individual sub-contracts with Xintongling Group regarding the sales of concrete admixtures, according to their respective actual needs for concrete production, procurement schedule and other specified arrangements

The major terms of the individual sub-contracts shall be in line with those of the Xintongling Concrete Admixtures Framework Agreement, and the aggregate contract amount under the individual sub-contracts shall not exceed the annual cap in the Xintongling Concrete Admixtures Framework Agreement.

Pricing policy

The unit price of concrete admixtures will be determined on arm's length basis with reference to the unit price of similar products being sold to other Independent Third Party customers by our Group on fair basis, taking into account the cost involved, the complexity level of the techniques and procedures needed to produce the required quality of concrete admixtures and resources required. The unit price should be no less favourable than those offered to other Independent Third Party customers by our Group, or the fair market price (whichever is more favourable).

Historical figures and annual caps

For FY2021, FY2022, FY2023 and 6M2024, the historical transaction amounts (tax inclusive) between Xintongling Group and us for the sales of concrete admixtures are approximately RMB47.8 million, RMB30.0 million, RMB18.2 million and RMB6.2 million, respectively (tax exclusive transaction amounts: RMB42.3 million, RMB26.5 million, RMB16.1 million and RMB5.4 million, respectively).

The annual cap (tax inclusive) for the relevant transactions for the year ended 31 December 2024 was RMB20.0 million. The estimated annual cap (tax inclusive) for the relevant transactions under Xintongling Concrete Admixtures Framework Agreement for the year ending 31 December 2025 is RMB20.0 million.

Basis of annual caps

The above estimated annual cap for the year ending 31 December 2025 was determined based on the following factors and assumptions:

(a) the historical unit price of the concrete admixtures sold to Xintongling Group, and the expected unit price under the Xintongling Concrete Admixtures Framework Agreement which will be determined based on the pricing policy as mentioned above;

(b) the total estimated sales quantity of concrete admixtures according to the Xintongling's concrete production plan for the year ending 31 December 2025 after discussion with Xintongling;

(c) the historical quantity of concrete admixtures procured by Xintongling Group; and

(d) the assumptions that there will be no material changes to (i) the general socio-economic environment of the PRC; and (ii) the demand of the Xintongling's concrete products under their production plans during the year ending 31 December 2025.

Reasons for the transactions

The sales of concrete admixtures is one of our major business segments and thus we provide our products to Xintongling Group in the ordinary and usual course of business.

Implications under the Listing Rules

As all applicable percentage ratios under the Listing Rules (other than the profits ratio) in respect of the annual caps in relation to the Xintongling Concrete Admixtures Framework Agreement are expected to be less than 5%, the transactions contemplated under the Xintongling Concrete Admixtures Framework Agreement are subject to the reporting, annual review and announcement requirements but exempt from the independent shareholders' approval requirements under Rule 14A.76(2)(a) of the Listing Rules.

TCC International Cement Admixtures Framework Agreement

Background

We have been selling cement admixtures to TCC International and/or its subsidiaries since 2020. On 4 December 2024, we entered into a cement admixtures framework agreement (the "**TCC International Cement Admixtures Framework Agreement**") with TCC International and/or its subsidiaries.

Principal terms

The principal terms of the TCC International Cement Admixtures Framework Agreement are set out below:

Term:	From 1 January 2025 and up to 31 December 2025
Products to be provided:	Cement admixtures
	Our Group or our subsidiary(ies) will enter into individual sub-contracts with TCC international and/or its relevant subsidiaries located in Guangdong, Guangxi and Guizhou Province regarding the sales of cement admixtures, according to their respective actual needs for cement production, procurement schedule and other specified arrangements

The major terms of the individual sub-contracts shall be in line with those of the TCC International Cement Admixtures Framework Agreement, and the aggregate contract amount under the individual sub-contracts shall not exceed the annual cap in the TCC International Cement Admixtures Framework Agreement.

Pricing policy

The unit price of cement admixtures will be determined on arm's length basis with reference to the terms of the JV agreement dated 8 August 2020 and entered into among our Predecessor Company, TCC (Guigang) Cement Limited and TCC International, our pricing policies, the fair market price and the unit price of similar products being sold to other customers and Independent Third Parties on fair basis, taking into account the cost involved, the complexity level of the techniques and procedures needed to produce the required quality of cement admixtures and resources required and the quantity to be procured by TCC International and/or its relevant subsidiaries. As such, the unit price for the cement admixtures sold to TCC International and/or its relevant subsidiaries should be no less favourable than those offered to other Independent Third Party customers by our Group, or the fair market price (whichever is more favourable).

Historical figures and annual cap

For FY2021, FY2022, FY2023 and 6M2024, the historical transaction amounts (tax inclusive) between TCC International and its subsidiaries and us for the sales of cement admixtures are approximately RMB62.9 million, RMB66.9 million, RMB53.0 million and RMB22.7 million, respectively (tax exclusive transaction amounts: RMB55.7 million, RMB59.2 million, RMB46.9 million and RMB20.1 million, respectively).

The annual cap (tax inclusive) for the relevant transactions for the year ended 31 December 2024 was RMB55.0 million. The estimated annual cap (tax inclusive) for the relevant transactions under TCC International Cement Admixtures Framework Agreement for the year ending 31 December 2025 is RMB55.0 million.

Basis of annual cap

The above estimated annual cap for the year ending 31 December 2025 was determined based on the following factors and assumptions:

(a) the historical unit price of the cement admixtures sold to TCC International and its subsidiaries, and the expected unit price under the TCC International Cement Admixtures Framework Agreement which will be determined based on the pricing policy as mentioned above;

(b) the total estimated sales quantity of cement admixtures according to the TCC International's cement production plan for the year ending 31 December 2025 after discussion with TCC International;

(c) the historical quantity of cement admixtures procured by TCC International and its subsidiaries; and

(d) the assumptions that there will be no material changes to (i) the general socio-economic environment of the PRC; and (ii) the demand of the TCC International's cement products under their production plans during the year ending 31 December 2025.

Reasons for the transactions

The sales of cement admixtures is one of our major business segments and thus we provide our products to TCC International in the ordinary and usual course of business.

Implications under the Listing Rules

As (i) all applicable percentage ratios under the Listing Rules (other than the profits ratio) in respect of the annual cap in relation to the TCC International Cement Admixtures Framework Agreement are expected to be less than 5%; and (ii) TCC International is a connected person of our Company at the subsidiary level and the terms of the TCC International Cement Admixtures Framework Agreement (a) have been approved by the Board; and (b) have been confirmed by our independent non-executive Directors to be fair and reasonable, on normal commercial terms and in the interests of our Company and our Shareholders as a whole, the transactions contemplated under the TCC International Cement Admixtures Framework Agreement are subject to the reporting, annual review and announcement requirements but exempt from the independent shareholders' approval requirements under Rules 14A.76(2)(a) and 14A.101 of the Listing Rules.

Gansu Shangfeng Cement Admixtures Framework Agreement

Background

We have been selling cement admixtures to Gansu Shangfeng and/or its subsidiaries since 2021. On 23 May 2024, we entered into a framework agreement for the sales of cement admixtures (the "**Gansu Shangfeng Cement Admixtures Framework Agreement**") with Gansu Shangfeng.

Principal terms

The principal terms of the Gansu Shangfeng Cement Admixtures Framework Agreement are set out below:

Term:	From 23 May 2024 and up to 31 December 2025

Products to be provided: Cement admixtures

Our Group will enter into individual sub-contracts with Gansu Shangfeng and/or its relevant subsidiaries regarding the sales of cement admixtures, according to their respective actual needs for cement production, procurement schedule and other specified arrangements

The major terms of the individual sub-contracts shall be in line with those of the Gansu Shangfeng Cement Admixtures Framework Agreement, and the aggregate contract amount under the individual sub-contracts shall not exceed the annual cap in of the Gansu Shangfeng Cement Admixtures Framework Agreement.

Pricing policy

The unit price of cement admixtures will be determined on arm's length basis with reference to the unit price of similar products being sold to other Independent Third Party customers by our Group on fair basis, taking into account the cost involved, the complexity level of the techniques and procedures needed to produce the required quality of cement admixtures and resources required. The unit price should be no less favourable than those offered to other Independent Third Party customers by our Group, or the fair market price (whichever is more favourable).

Historical figures and annual caps

For FY2021, FY2022, FY2023 and 6M2024, the historical transaction amounts (tax inclusive) between Gansu Shangfeng and its subsidiaries and us for the sales of cement admixtures are approximately RMB21.7 million, RMB34.2 million, RMB35.1 million and RMB11.9 million, respectively (tax exclusive transaction amounts: RMB19.2 million, RMB30.3 million, RMB31.1 million and RMB10.5 million, respectively).

The annual cap (tax inclusive) for the relevant transactions for the year ended 31 December 2024 was RMB35.0 million. The estimated annual cap (tax inclusive) for the relevant transactions under Gansu Shangfeng Cement Admixtures Framework Agreement for the year ending 31 December 2025 is RMB35.0 million.

Basis of annual caps

The above estimated annual cap for the year ending 31 December 2025 was determined based on the following factors and assumptions:

(a) the historical unit price of the cement admixtures sold to Gansu Shangfeng and its subsidiaries, and the expected unit price under the Gansu Shangfeng Cement Admixtures Framework Agreement, which will be determined based on the pricing policy as mentioned above;

(b) the total estimated sales quantity of cement admixtures according to the Gansu Shangfeng's cement production plan for the year ending 31 December 2025 after discussion with Gansu Shangfeng;

(c) the historical quantity of cement admixtures procured by Gansu Shangfeng; and

(d) the assumptions that there will be no material changes to (i) the general socio-economic environment of the PRC; and (ii) the demand of the Gansu Shangfeng's cement products under their production plans during the year ending 31 December 2025.

Reasons for the transactions

The sales of cement admixtures is one of our major business segments and thus we provide our products to Gansu Shangfeng in the ordinary and usual course of business.

Implications under the Listing Rules

As (i) all applicable percentage ratios under the Listing Rules (other than the profits ratio) in respect of the annual caps in relation to the Gansu Shangfeng Cement Admixtures Framework Agreement are expected to be less than 5%; and (ii) Gansu Shangfeng is a connected person of our Company at the subsidiary level and the terms of the Gansu Shangfeng Cement Admixtures Framework Agreement (a) have been approved by the Board; and (b) have been confirmed by our independent non-executive Directors to be fair and reasonable, on normal commercial terms and in the interests of our Company and our Shareholders as a whole, the transactions contemplated under the Gansu Shangfeng Cement Admixtures Framework Agreement are subject to the reporting, annual review and announcement requirements but exempt from the independent shareholders' approval requirements under Rules 14A.76(2)(a) and 14A.101 of the Listing Rules.

Supply Chain Logistic Transportation Service Agreement

Background

We have been engaging Haihui Company to provide supply chain logistic transportation service for our Group's admixtures products since 2023. On 23 December 2024, we entered into a supply chain logistic transportation service framework agreement (the "**Supply Chain Logistic Transportation Service Agreement**") with Haihui Company.

Principal terms

The principal terms of the Supply Chain Logistic Transportation Service Agreement are set out below:

Term: 1 January 2025 and up to 31 December 2025

Services to be provided by Haihui Company:	Haihui Company, through its Haihui supply chain logistic platform (the "**Haihui Platform**"), integrates and consolidates logistic resources, identifies transportation service carriers for our Group's products and provides corresponding management services Haihui Company will review the qualifications of transportation service carriers (the "**Carriers**") who have registered on the Haihui Platform, and approved Carriers can bid for and undertake transportation requests announced on the Haihui Platform Haihui Company conduct open tender for our Group in relation to the transportation services through the Haihui Platform. Eligible Carriers will submit tenders. The successful Carrier will provide supply chain logistic transportation services to our Group in accordance with the agreed tender proposal

The relevant subsidiaries of our Company will enter into individual sub-contracts with Haihui Company with respect to supply chain logistic transportation business. The major terms of the individual sub-contracts shall be in line with the agreed tender proposal and the Supply Chain Logistic Transportation Service Agreement, and the aggregate contract amount under the individual sub-contracts shall not exceed the annual cap in the Supply Chain Logistic Transportation Service Agreement.

Pricing policy

The transportation unit price of various types of products was determined through open tender to be conducted by the relevant subsidiaries of our Company through Haihui Company. During the public tender through Haihui Company, our Group will provide tender criteria such as the quantity of consigned products, the mode of transportation and transportation distance. Qualified Carriers will submit their tenders which will be reviewed by Haihui Company. Haihui Company will select the successful bidder and may further negotiate with them on an arm's length basis regarding the proposed transportation unit price.

Before entering into any transactions in relation to Supply Chain Logistic Transportation Service Agreement, we will make reference to the pricing and terms between our Group and the Independent Third Parties for similar services and conduct research on the prevailing market conditions and practices. As such, the transportation unit price of various types of products should be no less favourable than those offered by other Independent Third Party suppliers to our Group, or the fair market price (whichever is more favourable).

Historical figures and annual caps

For FY2023 and 6M2024, the historical transaction amounts (tax inclusive) for the above mentioned services provided by Haihui Company are approximately RMB1.4 million and RMB4.4 million (tax exclusive amount: RMB1.2 million and RMB3.8 million, respectively). Based on our unaudited management accounts, for the 10 months ended 31 October 2024, the historical transaction amounts (tax inclusive) for the above transaction with Haihui Company is approximately RMB12.9 million (tax exclusive amount: RMB11.9 million).

The annual cap (tax inclusive) for the relevant transactions for the year ended 31 December 2024 was RMB26.0 million. The estimated annual cap (tax inclusive) for the relevant transactions under Supply Chain Logistic Transportation Service Agreement for the year ending 31 December 2025 is RMB20.0 million.

Basis of annual caps

The above estimated annual cap for the year ending 31 December 2025 was determined based on the following factors and assumptions:

(a) the reasonable estimation of the required transportation volume (with reference to the production and transportation volume of various products in the previous year) according to our Group's production plans for admixtures products for the year ending 31 December 2025;

(b) the historical transportation unit price for the services provided by Haihui Company, and the expected transportation unit price under the Supply Chain Logistic Transportation Service Agreement, which will be determined based on the pricing policy as mentioned above;

(c) the historical transaction amount as disclosed above, where the services were used by three of our subsidiaries;

(d) the expected increase in amounts to be paid to Haihui Company for its services for the year ending 31 December 2025 as three of our subsidiaries of our Company have entered into contracts with Haihui Company in April 2024 and these subsidiaries are expected to continue to procure supply chain logistics transportation service from Haihui Company in the future. These three subsidiaries would utilise the Haihui Platform and procure the supply chain logistics transportation services from Haihui Company, with reference to the transportation expenses incurred by our Group during the Track Record Period and taking into account the expected average unit price and transportation volume for the transactions between these subsidiaries and Haihui Company; and

(e) the assumptions that there will be no material changes to (a) the general socio-economic environment of the PRC; and (b) the demand and transportation volume of the admixtures products under our Group's production plans during the year ending 31 December 2025.

Reasons for the transactions

Haihui Company is an intelligent logistic supply chain platform established in the PRC. Through the Haihui Platform, Haihui Company integrates and consolidates logistic resources, and provides customers with supply chain logistic transportation service through utilisation of available freight vehicles in the community in an efficient manner. On the one hand, our Group would be able to further reduce its transportation costs and enhance market competitiveness by attracting more transportation service providers to participate in the bidding and tender for transportation service through Haihui Company. On the other hand, our Group would be able to further strengthen its management and control over the cargo transportation process through Haihui Company, so as to reduce the transportation risks while ensuring safety and efficiency of product delivery.

Implications under the Listing Rules

As all applicable percentage ratios under the Listing Rules (other than the profits ratio) in respect of the annual caps in relation to the Supply Chain Logistic Transportation Service Agreement are expected to be less than 5%, the transactions contemplated under the Supply Chain Logistic Transportation Service Agreement are subject to the reporting, annual review and announcement requirements but exempt from the independent shareholders' approval requirements under Rule 14A.76(2)(a) of the Listing Rules.

Export Sales and Services Framework Agreement

Background

To cater to our Company's plan in exploring overseas market, we have been selling cement admixture product and its in-process intermediaries to Anhui Tech Import & Export for export to overseas countries since 2024. On 22 November 2024, we entered into a framework agreement for the export of products (the "**Export Sales and Services Framework Agreement"**) with Anhui Tech Import & Export and/or its subsidiaries, pursuant to which we may sell products to overseas markets through Anhui Tech Import & Export and engage Anhui Tech Import & Export for the export services.

Principal terms

The principal terms of Export Sales and Services Framework Agreement are set out below:

Term: From 22 November 2024 and up to 31 December 2025

Products to be sold:	Our Group will enter into individual export sales and/or services sub-contracts with Anhui Tech Import & Export and/or its relevant subsidiaries regarding the export of our Group's products, including but not limited to admixture products (including cement admixtures and concrete admixtures) and their respective in-process intermediaries, and raw materials (the "**Products**"), according to the actual needs for products, products' specifications, settlement prices for products and other specified arrangements of our overseas customers.
Services to be provided:	Anhui Tech Import & Export and/or its subsidiaries provides export services for our Products, which covers mainly export agency services, custom filing and clearance, settlement services (結算服務) and arrangements for transportation services for the export of Products, if so required ("**Export Services**").
Payment and settlement terms:	(a) Sales of Products to our end customers through Anhui Tech Import & Export (the "**Resale of Products**") Our Group will further enter into individual export sales contracts with Anhui Tech Import & Export for the sales of Products to our end customers through Anhui Tech Import & Export. Anhui Tech Import & Export will pay the contract amount to our Group for the Products exported to our overseas end customers. (b) Export Services provided by Anhui Tech Import & Export Our Group will further enter into individual contracts with (i) our end customers, for the sales of Products, and (ii) Anhui Tech Import & Export and/or its relevant subsidiaries, for its Export Services. Our end customers will make the sales contract sum to us through Anhui Tech Import & Export for the sales of the Products; and we will pay the export service fees to Anhui Tech Import & Export (which is to be deducted from or set-off from the sales contract sum).

The major terms of the individual sub-contracts shall be in line with those of the Export Sales and Services Framework Agreement. The relevant contract amount under the individual sub-contracts in aggregate during the relevant period of the term of the Export Sales and Services Framework Agreement shall not exceed the annual cap set out therein. Anhui Tech Import & Export also agrees to refer any export sales business opportunities it and/or its subsidiaries may have to our Group.

Pricing policy

(a) Resale of Products

The Settlement Sum to be paid by Anhui Tech Import & Export for the Resale of Products will be determined based on arm's length negotiation between our Group and Anhui Tech Import & Export, taking into account of the sales contract sum for the Products to be exported, our pricing policies, the fair market price and the unit price of similar products being sold to other import and export providers under comparable conditions on fair basis.

(b) Export Services provided Anhui Tech Import & Export

The service fee for providing export services for the Products will be determined on arm's length basis with reference to prevailing market rates available from independent third parties under comparable conditions, as well as the pricing and terms between our Group and the Independent Third Parties for similar services. Such service fee should be no less favourable than those offered by Anhui Tech Import & Export to any other third parties under comparable condition/other Independent Third Party suppliers to our Group, or the fair market price (whichever is more favourable).

Historical figures and annual caps

Resale of Products

For 6M2024, the historical transaction amount (tax inclusive) of the products sold to Anhui Tech Import & Export is approximately RMB8.8 million (tax exclusive transaction amount: RMB7.8 million).

The annual cap (tax inclusive) for the relevant transactions for the year ended 31 December 2024 was RMB20.5 million. The estimate annual cap (tax inclusive) for the transaction amount for the Resale of Products under the Export Sales and Services Framework Agreement for the year ending 31 December 2025 is RMB50.0 million.

Export Services provided by Anhui Tech Import & Export

There is no historical transaction amount for the Export Services provided by Anhui Tech Import & Export. As such, there was no annual cap for the Export Services for the year ended 31 December 2024.

The fees for the Export Services provided by Anhui Tech Import & Export to our Group are expected to be less than HK$3.0 million (equivalent to approximately RMB2.8 million) in aggregate for the corresponding period.

Basis of annual caps

The above estimated annual cap for the year ending 31 December 2025 was determined based on the following factors and assumptions:

Resale of Products

(a) the historical transaction amount of the Products sold to Anhui Tech Import & Export, and payment and settlement terms under the Export Service Framework Agreement, which will be determined based on the pricing policy as mentioned above;

(b) our Group's plan to extend our sales coverage in overseas market and expand into overseas market for sales of both admixture product and its in-process intermediaries, including Uzbekistan, Taiwan, Turkey and other countries in Southeast Asia and South America; and

(c) the total estimated sales quantity of the Products according to our potential overseas customers' procurement plan for the year ending 31 December 2025 after discussion with our potential overseas customers, in which our Directors estimated that there will be orders of approximately RMB50.0 million in aggregate in Uzbekistan, Taiwan, Turkey, Vietnam, Thailand, Colombia, Chile and Bolivia, based on the indicative demand of products made by our potential customers that the demand for, with reference to the presence of our existing customers and/or their affiliated companies in these countries, the demand in Uzbekistan before the full operation of our production plant and its production capacity, and our Group's expansion plan;

(d) the assumption that there will be no material changes to (i) general socio-economic environment of the PRC and the location of our potential overseas customers; and (ii) the expected demand of our potential overseas customers for the Products under their procurement plan during the year ending 31 December 2025.

Export Services provided by Anhui Tech Import & Export

(a) the estimated services fee charged by Anhui Tech Import & export for providing Export Services;

(b) the estimated quantity of the Products to be exported through Anhui Tech Import & Export to our overseas end customers based on our Group's expansion plan and discussion with potential end customers in the overseas market; and

(c) the assumption that there will be no material changes to (i) general socio-economic environment of the PRC and the location of our potential overseas customers; and (ii) the expected demand of our potential overseas customers for the Products under their procurement plan during the year ending 31 December 2025.

Reasons for the transactions

Although one of our subsidiaries has obtained the requisite export licence and completed the relevant procedure for direct sales to overseas as at the Latest Practicable Date, due to the geographical restriction as to the overseas destinations for our Products, considering the transportation costs and available modes of transportation, and owing to the fact that export licence was only obtained in May 2024 by Ningbo Conch, we have not yet acquired sufficient experience and resources to cope with the overseas opportunities. As such, we engaged Anhui Tech Import & Export, which is a licensed import and export company in the PRC and experienced in providing general import and export related services. With its experience, it could ensure smooth clearance process for our Products, provide timely services for delivery of Products to our end customers in order to accommodate the operating needs of our Group, catering for our day-to-day business and administrative schedule. Our Group will in turn benefit from organised, efficient and cost-effective export sales and services, which helps enhance our market competitiveness and facilitates our plan to expand into the overseas market.

Implications under the Listing Rules

As all applicable percentage ratio under the Listing Rules (other than the profit ratio) in respect of the annual caps in relation to the Export Sales and Services Framework Agreement are expected to be less than 5%, the transactions contemplated under the Export Sales and Services Framework Agreement are subject to the reporting, annual review and announcement requirements but exempt from the independent shareholders' approval requirements under Rules 14A.76(2)(a) of the Listing Rules.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

We have been selling admixtures products to Conch Cement Group since 2018. In 2024, we entered into an admixture framework agreement with Conch Cement for the sale of various admixture products (including cement admixtures and concrete admixtures) to Conch Cement Group. The annual cap (tax inclusive) for the relevant transactions for the year ended 31 December 2024 was RMB860.0 million. In 2025, we have entered into two separate agreements for sales of (i) cement admixtures, and (ii) concrete and other specific admixtures, with details set out below.

(i) Conch Cement Cement Admixtures Supply Agreement

Background

We have been selling cement grinding aids to Conch Cement Group since 2018. On 23 December 2024, we entered into an agreement on purchase of cement admixtures (grinding aids) (the "**Conch Cement Cement Admixtures Supply Agreement**") with Conch Cement.

Principal terms

The principal terms of the Conch Cement Cement Admixtures Supply Agreement are set out below:

Term:	1 January 2025 to 31 December 2025
Product to be provided:	Cement grinding aid (type 1) and cement grinding aid (type 2), the quantity and quality of which shall be determined by Conch Cement according to its actual needs for its production The sales of the products to Conch Cement and/or its relevant subsidiaries will be based on the purchase order(s) placed by Conch Cement and/or its subsidiaries, according to their respective actual needs of the products, procurement schedule and other specified arrangements. The purchase order shall set out specific terms and arrangements regarding the procurement of products, including product type, price, production and delivery schedule and other arrangements.
Payment terms:	Conch Cement and/or its relevant subsidiaries shall make settlement payment within two months after receiving the invoices of each batch products from our Company

The aggregate contract amount shall not exceed the annual cap of the Conch Cement Cement Admixtures Supply Agreement.

Pricing policy

The unit prices of the cement admixture products in which we quoted in the tender were determined with reference to the our pricing policies, fair market price by conducting research on the prevailing market conditions and practices, as well as, the pricings and terms of similar products being sold to other Independent Third Party customers by our Group, taking into account the cost involved, the complexity level of the techniques and procedures needed to produce the required quality of cement admixture products in which we quoted in the tender and resources required (including human resources and materials) and the quantity to be procured by Conch Cement Group.

Our Company participated in the tender relating to the Conch Cement Cement Admixtures Supply Agreement. The unit prices of the cement admixture products under the Conch Cement Cement Admixtures Supply Agreement were determined based on the results of the tender and on arm's length basis.

Historical figures and annual caps

For FY2021, FY2022, FY2023 and 6M2024, the historical transaction amounts (tax inclusive) between Conch Cement Group and us for the sales of cement grinding aid (type 1) and cement grinding aid (type 2) are approximately RMB902.5 million, RMB820.0 million, RMB824.1 million and RMB355.8 million, respectively (tax exclusive transaction amounts: RMB798.7 million, RMB725.7 million, RMB729.3 million and RMB314.9 million, respectively). Based on our unaudited management accounts, for the 10 months ended 31 October 2024, the historical transaction amounts (tax inclusive) between Conch Cement Group and us for the sales of cement grinding aid (type 1) and cement grinding aid (type 2) is approximately RMB614.9 million (tax exclusive amount: RMB544.12 million).

The annual cap (tax inclusive) for the relevant transactions relating to the sales of cement admixtures for the year ended 31 December 2024 was RMB805.0 million. The estimated annual cap (tax inclusive) for transactions contemplated under the Conch Cement Cement Admixtures Supply Agreement for the year ending 31 December 2025 is RMB720.0 million.

Basis of annual cap

The above estimated annual cap for the year ending 31 December 2025 was determined based on the following factors and assumptions:

(a) the demand indicated by Conch Cement Group on cement grinding aid (type 1) and cement grinding aid (type 2) for the year of 2025 in the tender documents;

(b) the historical quantity and prices of cement grinding aid (type 1) and cement grinding aid (type 2) procured by Conch Cement Group and the historical amounts paid by Conch Cement Group to us for the procurement of these cement grinding aid (type 1) and cement grinding aid (type 2);

(c) the unit price of cement grinding aid (type 1) and cement grinding aid (type 2) stated under the Conch Cement Cement Admixtures Supply Agreement as prepared based on the tender results, which was determined based on the pricing policy as mentioned above; and

(d) the assumptions that there will be no material changes to the demand for cement grinding aid (type 1) and cement grinding aid (type 2) under the production plan of Conch Cement Group for the year of 2025 and the general socio-economic environment of the PRC.

Reasons for the transactions

Conch Cement is principally engaged in the production and sales of cement, commodity clinker, aggregate and concrete. Leverage on Conch Cement's reputation and ranking in the cement and concrete industry in the world and its demand in high-quality cement admixtures which our Group has been capable of providing throughout the past few years, we believe it is beneficial to our Group to continue to provide cement admixtures to Conch Cement Group to generate stable revenue.

(ii) Conch Cement Sales of Concrete Admixtures Framework Agreement

Background

We have been selling concrete admixture products and other admixture products to Conch Cement Group since 2018. On 23 December 2024, we entered into a framework agreement on purchase of concrete and other admixture products (the "**Conch Cement Sales of Concrete Admixtures Framework Agreement**") with Conch Cement.

Principal terms

The principal terms of Conch Cement Sales of Concrete Admixtures Framework Agreement are set out below:

Term:	1 January 2025 to 31 December 2025
Products to be provided:	Concrete and other specific admixtures ("**Concrete and Other Admixture Products**"), the quantity and quality of which shall be determined by Conch Cement according to its actual needs for its production Our Group will enter into individual sub-contracts with Conch Cement and/or its relevant subsidiaries regarding the sales of Concrete and Other Admixture Products, according to their respective actual needs for the production, procurement schedule and other specified arrangements of Concrete and Other Admixture Products. The individual sub-contracts shall set out specific terms and arrangements in relation to the procurement of Concrete Admixtures and Other Admixtures, including product type, final price, production and delivery schedule, packaging and other arrangements.

The major terms of the individual sub-contracts shall be in line with those of the Conch Cement Sales of Concrete Admixtures Framework Agreement, and the aggregate contract amount under the individual sub-contracts shall not exceed the annual cap of the Conch Cement Sales of Concrete Admixtures Framework Agreement.

Pricing Policy

The unit price of the Concrete and Other Admixture Products will be determined by the transaction methods, including open tender, invitation tender or request for quote and negotiation.

Open tender or invitation tender: The unit price of Concrete and Other Admixture Products will be subject to the tender result after taking into account the tender criteria of the Conch Cement Group and conducting market researches to understand the market conditions and prevailing market rate of the relevant products.

Request for quote and negotiation: The unit price of the Concrete and Other Admixture Products will be determined on arm's length basis with reference to the fair market price and the unit price of similar products being sold to other Independent Third Party customers by our Group and negotiation among parties on fair basis, taking into account the cost involved, the complexity level of the techniques and procedures needed to produce the required quality of Concrete and Other Admixture Products and resources required (including human resources and materials) and the quantity to be procured by Conch Cement Group.

Before entering into any transactions in relation to Conch Cement Sales of Concrete Admixtures Framework Agreement, we will take into account our pricing policies, make reference to the pricing and terms between our Group and the Independent Third Parties for similar products, and conduct research on the prevailing market conditions and practices. As such, the unit price for the Concrete and Other Admixture Products sold to Conch Cement Group should be on arm's length basis and at the fair market price.

Historical figures and annual caps

For FY2021, FY2022, FY2023 and 6M2024, the historical transaction amounts (tax inclusive) between Conch Cement Group and us for the sales of Concrete and Other Admixture Products are approximately RMB10.2 million, RMB26.4 million, RMB36.4 million and RMB26.2 million, respectively (tax exclusive transaction amounts: RMB9.0 million, RMB23.4 million, RMB32.3 million and RMB23.2 million, respectively).

The annual cap (tax inclusive) of relevant transactions relating to the sales of concrete and other specific admixtures for the year ended 31 December 2024 was RMB55.0 million. The estimated annual cap (tax inclusive) for the relevant transactions under Conch Cement Sales of Concrete Admixtures Framework Agreement for the year ending 31 December 2025 is RMB60.0 million.

Basis of annual caps

The above estimated annual cap for the year ending 31 December 2025 was determined based on the following factors and assumptions:

(a) the expected unit price of Concrete and Other Admixture Products to be stated under the Conch Cement Sales of Concrete Admixtures Framework Agreement, which will be determined based on the pricing policy as mentioned above;

(b) the estimated total procurement quantity of Concrete and Other Admixture Products demanded by Conch Cement Group according to its production plan for Concrete and Other Admixture Products for the year of 2025;

(c) the historical quantity of Concrete and Other Admixture Products procured by Conch Cement Group and the historical amounts paid by Conch Cement Group to us for the procurement of these Concrete and Other Admixture Products; and

(d) the assumptions that there will be no material changes to the demand for Concrete and Other Admixture Products under the production plan of Conch Cement Group for the year of 2025 and the general socio-economic environment of the PRC.

Reasons for transactions

Conch Cement is principally engaged in the production and sales of cement, commodity clinker, aggregate and concrete. Leveraging on Conch Cement's reputation and ranking in the cement and concrete industry in the world and its demand in high-quality concrete and other admixture products which our Group has been capable of providing throughout the past few years, we believe it is beneficial to our Group to continue to provide Concrete and Other Admixture Products to Conch Cement Group to generate stable revenue.

Implications under the Listing Rules

Pursuant to Rule 14A.81 of the Listing Rules, the transactions contemplated under the Conch Cement Cement Admixtures Supply Agreement and the Conch Cement Sales of Concrete Admixtures Framework Agreement shall be aggregated as if they were one transaction, since they were entered into within a 12-month period by the Group with the same party with similar nature. The aggregate annual cap under the Conch Cement Cement Admixtures Supply Agreement and the Conch Cement Sales of Concrete Admixtures Framework Agreement is RMB780 million. As at least one of the applicable percentage ratios under the Listing Rules (other than the profits ratio) in respect of the aggregate annual caps in relation to the Conch Cement Cement Admixtures Supply Agreement and Conch Cement Sales of Concrete Admixtures Framework Agreement is expected to be more than 5%, the transactions contemplated under the aforesaid two agreements are subject to the reporting, annual review, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

WAIVER

In respect of the transactions contemplated under the Xintongling Concrete Admixtures Framework Agreement, the TCC International Cement Admixtures Framework Agreement, the Gansu Shangfeng Cement Admixtures Framework Agreement, the Supply Chain Logistic Transportation Service Agreement and Export Sales and Services Framework Agreement as all applicable percentage ratios under the Listing Rules (other than the profits ratio) in respect of the respective aggregate estimated annual caps are expected to be less than 5%, the respective transactions contemplated thereunder are subject to reporting, annual review and announcement requirement but exempt from the circular and independent shareholders' approval requirements under Rule 14A.76(2)(a) of the Listing Rules. In respect of the transactions contemplated under the Conch Cement Cement Admixtures Supply Agreement and Conch Cement Sales of Concrete Admixtures Framework Agreement, as at least one of the applicable percentage ratios under the Listing Rules (other than the profits ratio) in respect of the estimated annual cap is expected to be more than 5%, the transactions contemplated thereunder are subject to the reporting, annual review, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

We expect these partially exempt and non-exempt continuing connected transactions to be carried out on a continuing basis and will extend over a period of time, and our Directors consider that strict compliance with the applicable requirement under the Listing Rules would be impractical, unduly burdensome and impose unnecessary administrative costs on our Company.

Accordingly, pursuant to Rule 14A.105 of the Listing Rules, we have applied for, and the Stock Exchange has granted us, a waiver from strict compliance with the announcement requirements under Chapter 14A of the Listing Rules in respect of the abovementioned partially exempt continuing connected transactions, and the circular and Shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the abovementioned non-exempt continuing connected transactions. For details, see "Waivers from Strict Compliance with the Listing Rules — Continuing Connected Transactions" in this prospectus.

Save for the announcement, circular and/or Shareholders' approval requirements for which waivers have been applied, we will comply with the relevant requirements under Chapter 14A of the Listing Rules.

GENERAL

In the event that our Group enters into any new transaction or agreement or renews any transaction or agreement with any connected person in the future, we will comply with all the relevant requirements under Chapter 14A of the Listing Rules, including the announcement and/or independent shareholders' approval requirements, where applicable.

DIRECTORS' VIEW

Our directors, including the independent non-executive Directors, are of the view that (i) the partially exempt and non-exempt continuing connected transactions referred to above have been entered into in the ordinary and usual course of business of our Group, on normal commercial terms or better and such terms are fair and reasonable and in the interests of our Company and our Shareholders as a whole; and (ii) the respective proposal annual caps for such transactions are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

CONFIRMATION BY THE SOLE SPONSOR

Based on the review of the agreements as set out in this section and the relevant information provided by our Company, as well as the discussions with the management of our Company, the Sole Sponsor is of the view that (i) the partially exempt and non-exempt continuing connected transactions referred to above have been entered into in the ordinary and usual course of business of our Group, on normal commercial terms or better, and such terms are fair and reasonable and in the interests of our Company and our Shareholders as a whole; and (ii) the respective proposed annual caps for such transactions are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

INTERNAL CONTROL MEASURES

In order to further safeguard the interests of the Shareholders as a whole (including the minority Shareholders), our Group has implemented the following internal control measures in relation to the continuing connected transactions:

- our Group has adopted internal guidelines which provide that our Company must establish an independent non-executive directors' committee to express its opinion and appoint an independent financial adviser to advise and issue a report for the approval of our Company's general meeting in the event of a non-exempted connected transaction to ensure that we will comply with the applicable requirements under laws and regulations, the Articles of Associations and the Listing Rules;

- our Company will issue continuing connected transactions monitoring reports for the audit committee's review to ensure that the relevant transactions fall within the approved annual cap and corporate with the auditors for the issuance of auditors' reports and annual reports;

- in accordance with the requirements under the Listing Rules, the independent non-executive Directors will provide an annual confirmation in annual reports as to whether the continuing connected transactions have been entered into in the ordinary and usual course of business of our Group, are on normal commercial terms and are in accordance with the agreement governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole; and

- in accordance with the requirements under the Listing Rules and internal guidelines, the auditors will provide an annual confirmation to the Board as to whether anything has come to their attention that causes them to believe that the continuing connected transactions have not been approved by the Board, are not in accordance with the pricing policies of our Group in all material respects, are not entered into in accordance with the relevant agreements governing the transactions in all material respects or have exceeded the cap.

BOARD OF DIRECTORS

Our Board of Directors currently consists of 11 Directors, comprising two executive Directors, five non-executive Directors and four independent non-executive Directors. Our Board of Directors is responsible and has general powers for the management and conduct of our business. The following table sets out certain information of our Directors:

Name	Age	Position	Date of appointment as Director	Time of joining our Group	Roles and responsibilities
Ding Feng (丁鋒) . . .	52	Chairman of our Board and non-executive Director	22 May 2018	May 2018	Responsible for overall strategic planning and development of our Group
Chen Feng (陳烽).	57	Executive Director, general manager and chief executive officer	1 July 2022	August 2018	Responsible for overseeing daily operations and management of our Group
Bai Lin (柏林).	43	Executive Director and chief financial officer	1 July 2022	May 2018	Responsible for financial management and supervision of our Group
Feng Fangbo (馮方波).	49	Non-executive Director and vice chairman of our Board	28 November 2018	November 2018	Responsible for providing strategic advice to the business and operations of our Group
Zhao Hongyi (趙洪義).	61	Non-executive Director and vice chairman of our Board	22 May 2018	May 2018	Responsible for providing strategic advice to the business and operations of our Group
Jin Feng (金峰)	51	Non-executive Director	15 November 2023	November 2023	Responsible for providing strategic advice to the business and operations of our Group
Fan Haibin (范海濱). .	49	Non-executive Director	15 November 2023	November 2023	Responsible for providing strategic advice to the business and operations of our Group

Name	Age	Position	Date of appointment as Director	Time of joining our Group	Roles and responsibilities
Li Jiang (李江)	65	Independent non-executive Director	12 January 2023	January 2023	Responsible for supervising and providing independent advice to our Board
Chen Jiemiao (陳結淼)	58	Independent non-executive Director	12 January 2023	January 2023	Responsible for supervising and providing independent advice to our Board
Xu Xu (許煦).	39	Independent non-executive Director	15 November 2023	November 2023	Responsible for supervising and providing independent advice to our Board, particularly with regard to the financial aspects of our Group
Zeng Xiangfei (曾祥飛).	44	Independent non-executive Director	15 November 2023	November 2023	Responsible for supervising and providing independent advice to our Board, particularly with regard to the financial aspects of our Group

Chairman and Non-executive Director

Mr. Ding Feng (丁鋒), aged 52, was appointed as the chairman of our Board and a Director since our incorporation in May 2018, and was re-designated as a non-executive Director on 15 November 2023. He is primarily responsible for the overall strategic planning and development of our Group.

Mr. Ding has over 30 years of experience in the cement and admixtures industries. Prior to joining our Group and from July 1994 to April 2010, Mr. Ding held various positions in Conch Cement Group, which included (i) accountant and head of finance department of Anhui Tongling Conch Cement Co., Ltd. (安徽銅陵海螺水泥有限公司), (ii) head of finance department of Ningbo Conch Cement Co., Ltd. (寧波海螺水泥有限公司), (iii) chief financial director of Anhui Zongyang Conch Cement Co., Ltd. (安徽樅陽海螺水泥有限公司), (iv) general manager of (a) Nanchang Conch Cement Co., Ltd. (南昌海螺水泥有限責任公司), (b) Guiding Conch Panjiang Cement Co., Ltd. (貴定海螺盤江水泥有限責任公司), (c) Guiyang Conch Panjiang Cement Co., Ltd. (貴陽海螺盤江水泥有限責任公司) and (d) Zunyi Conch Panjiang Cement Co., Ltd. (遵義海螺盤江水泥有限責任公司), (v) chairman of the board of directors of (a) Jianyang Conch Cement Co., Ltd. (建陽海螺水泥有限責任公司), (b) Ningde Conch Cement Co., Ltd. (寧德海螺水泥有限責任公司), (c) Ganjiang Conch Cement Co., Ltd. (贛江海螺水泥有限責任公司) and (d) Yiyang Conch Cement Co., Ltd. (弋陽海螺水泥有限責任公司), and (vi) regional director of Jiangxi Province of Conch Cement. From April 2010 to March 2019, Mr. Ding served successively as a deputy chief accountant, an assistant to the general manager, a member of the disciplinary committee, a director of strategic planning department and a member of the party committee of Conch Holdings. From March 2015 to June 2017, Mr. Ding served as a deputy general manager of Conch Cement. From June 2017 to January 2021, Mr. Ding served as the chairman of the board of directors of State Power Investment Corporation Anhui Conch Power Sales Co., Ltd. (國家電投集團安徽海螺售電有限公司), and from May 2018 to September 2020, Mr. Ding served as the chairman of the board of directors and legal representative of Anhui Conch New Energy Co., Ltd. (安徽海螺新能源有限公司), where he was primarily responsible for convening board meetings to facilitate the efficient execution of corporate operations, development and management.

Mr. Ding has been serving as a member of the party committee, chief economist and deputy chief accountant of Conch Holdings since June 2017, where he is primarily responsible for assisting in the management and operations, overseeing the overall financial management, with a prime focus on budget planning and execution, fund allocation, investment and financing, also providing assistance in the development of the party committee. Since October 2017, Mr. Ding has been serving as a director of Conch Tech Innovation, where he is primarily responsible for coordinating various aspects of daily production and operations.

Mr. Ding graduated from Qufu Normal University (曲阜師範大學) where he majored in Chinese language and literature education in July 2000. Mr. Ding also obtained an Intermediate Level Accounting Qualification Certificate jointly issued by the Ministry of Finance of the PRC (中華人民共和國財政部) and the Ministry of Personnel of the PRC (中華人民共和國人事部) in May 2000.

Executive Directors

Mr. Chen Feng (陳烽), aged 57, is an executive Director, our chief executive officer and general manager. He is responsible for overseeing the daily operations and management of our Group. Mr. Chen joined our Group as the person-in-charge of our Company in August 2018, and then served as a deputy general manager of our Company from October 2018 to August 2024, where he was primarily responsible for assisting in the management of corporate operations and overseeing the overall management. Mr. Chen has been serving as an organisational committee member of the party general branch of our Company since July 2020 and a Director since July 2022, and a general manager since August 2024, and he was re-designated as an executive Director on 15 November 2023. Mr. Chen also holds various directorships in our subsidiaries.

Mr. Chen has over 38 years of experience in the cement and admixtures industries. Prior to joining our Group, Mr. Chen worked for several subsidiaries of Conch Cement. From December 1986 to August 1998, he served as a technician and a deputy director of manufacturing workshop of Anhui Cement Plant Shengli Branch (安徽海螺水泥股份有限公司寧國水泥廠), where he was primarily responsible for cement manufacturing and control over operations. From August 1998 to July 2013, Mr. Chen successively held various positions at Nanjing Conch Cement Co., Ltd. (南京海螺水泥有限公司), which included a director of the manufacturing workshop, a director of the supply and sales department, a director of general administration office, an assistant to the general manager, a deputy general manager and an executive deputy general manager of Nanjing Conch Cement Co., Ltd. (南京海螺水泥

有限公司), where he was primarily responsible for co-managing the corporate operations and coordinating the overall management. From July 2013 to July 2014, Mr. Chen served as an executive deputy general manager of Yangzhou Conch Cement Co., Ltd (揚州海螺水泥有限公司), where he was primarily responsible for assisting in the management of corporate operations and overseeing the overall management. Mr. Chen worked at Bengbu Conch Cement Co., Ltd (蚌埠海螺水泥有限公司) as an executive deputy general manager from July 2014 to December 2015, and then as a general manager from December 2015 to August 2018, where he was primarily responsible for assisting in business operations and overseeing the overall management of various activities relating to production and operations.

Mr. Chen graduated from the Chinese People's Liberation Army Nanjing Army Command College (中國人民解放軍南京陸軍指揮學院) (currently known as the Chinese People's Liberation Army Command College (中國人民解放軍陸軍指揮學院)) where he majored in economic management in June 2013. Mr. Chen also graduated from Nanjing Polytechnic Institute (南京科技職業學院) where he majored in applied chemical engineering technology through a correspondence program in July 2023. Mr. Chen was honoured as an outstanding individual of the key projects in Ningbo City for the year 2021 (2021年度寧波市重點工程優秀個人) by the leading group of Ningbo City's key projects (寧波市重點工程領導小組) in May 2022.

Mr. Bai Lin (柏林), aged 43, is an executive Director and our chief financial officer. He is primarily responsible for the financial management and supervision of our Group. Mr. Bai joined our Group in May 2018 as a supervisor, and then has been serving as our chief financial officer since August 2018. Mr. Bai was appointed as a Director on 1 July 2022, and he was re-designated as an executive Director on 15 November 2023. Mr. Bai has also been serving as a director of Kunming Conch since September 2020, and as a supervisor of other nine subsidiaries of our Group.

Mr. Bai has over 21 years of experience in the field of financial management in the cement and admixtures industries. Prior to joining our Group, Mr. Bai held various positions at Conch Cement and its subsidiaries. From July 2003 to February 2004, Mr. Bai served as a cost accountant of Anhui Tongling Conch Cement Co., Ltd. (安徽銅陵海螺水泥有限公司), where he was primarily responsible for daily expense accounting and verification, provision and allocation of expenditures. From February 2004 to March 2004, Mr. Bai served as a cashier of Anhui Chizhou Conch Cement Co., Ltd. (安徽池州海螺水泥股份有限公司), where he was primarily responsible for managing revenue and expenses-related tasks. From March 2004 to October 2004, Mr. Bai served as an accountant of Anhui Tongling Conch Cement Co., Ltd., where he was responsible for reviewing sales invoices, receipts and purchase orders. From October 2004 to May 2009, Mr. Bai served as a tax and insurance manager of Conch Cement, where he was responsible for the payment of taxes and fees, purchasing insurance and other tax-related matters. From May 2009 to October 2009, Mr. Bai served as an engineering costing manager of Dazhou Conch Cement Co., Ltd. (達州海螺水泥有限公司), where he was primarily responsible for project payments, monitoring the valuation management of project materials and conducting final cost settlement. From October 2009 to March 2015, Mr. Bai served as a tax manager of Conch Cement and a director of the financial department of Conch Cement Baimashan Cement Plant, where he was primarily responsible for financial management, including fund management, contract management, budget planning and cost control, and tax management. From March 2015 to July 2018, Mr. Bai served as an assistant to the general manager at Luangprabang Couch Cement Co., Ltd. (琅勃拉邦海螺水泥有限公司), where he was primarily responsible for managing corporate operations, with a prime focus on financial budget planning and execution, fund allocation, and investment and financing activities.

Mr. Bai graduated from Anhui University (安徽大學) where he majored in economics in December 2005. Mr. Bai obtained a Master's degree in business administration from Asia Metropolitan University in December 2022.

Non-executive Director

Mr. Feng Fangbo (馮方波), aged 49, is a non-executive Director. He is primarily responsible for providing strategic advice to the business and operations of our Group. Mr. Feng was appointed as a non-executive Director and vice chairman of the Board on November 2018.

Mr. Feng has over 21 years of experience in enterprise management of admixtures industries. From January 2003 to March 2008, Mr. Feng served as a deputy general manager of Hubei Tongling Technology Group Co., Ltd. (湖北統領科技集團有限公司), where he was primarily responsible for overseeing the day-to-day management. Mr. Feng has been the chairman of the board and the general manager of Xintongling Building Materials Technology Group Co., Ltd. (鑫統領建材集團有限公司) since March 2008, where he is responsible for providing leadership and advice to the board of directors. From March 2009 to October 2018, Mr. Feng served as the chairman of the board of Hubei Xintongling Wanxiang Technology Co., Ltd. (湖北鑫統領萬象科技有限公司) (currently known as Xiangyang Conch). Mr. Feng has also been serving as the chairman of the board of Meishan Huantian Shangtong Co., Ltd. (眉山環天商砼有限責任公司) since March 2020, and the chairman of the board of Hubei Xintongling Culture Tourism Development Co., Ltd. (湖北鑫統領文化旅遊開發有限公司) since June 2020, where he is primarily responsible for the general corporate management.

Mr. Zhao Hongyi (趙洪義), aged 61, is a non-executive Director. He is primarily responsible for providing strategic advice to the business and operations of our Group. Mr. Zhao was appointed as our non-executive Director and vice chairman of the Board in May 2018.

Mr. Zhao has over 35 years of experience in the cement admixture industry. Prior to joining our Group and from April 1984 to February 1994, Mr. Zhao served as a workshop manager, a manager of the enterprise management office and a member of the party committee of Linyi Region Cement Plant (臨沂地區水泥廠), where he was primarily responsible for production technology and corporate management. From May 1999 to June 2021, Mr. Zhao served as the chairman of the board of Linyi Conch, where he was primarily responsible for corporate management and technology R&D.

Mr. Zhao graduated from Luoyang Construction Materials Industrial Vocational College (洛陽建築材料工業專科學校) (currently known as Luoyang Institute of Science and Technology (洛陽理工學院)) where he majored in cement technology in December 1983. Mr. Zhao obtained a master's degree in business administration from the Hawaii American University in March 2002. Mr. Zhao also obtained a certificate of engineering technology applied researcher (工程技術應用研究員) issued by Shandong Province Engineering Technology Senior Appraisal Committee (山東省工程技術職務高級評審委員會) in February 2006.

Mr. Zhao has also been awarded several recognitions including National Science and Technology Worker (全國科技工作者), Part-time Professor and Doctoral Supervisor at Henan Polytechnic University (河南理工大學), National Model Worker in the Building Materials Industry (全國建材行業勞動模範), and Outstanding Entrepreneur in the Building Materials Industry (全國建築材料行業優秀企業家). Mr. Zhao is also an editor to a number of books and publications on technique applications and production management of cement admixtures. These include, among others, Application Technology of Cement Admixture (水泥工藝外加劑技術) published in 2007, Application Techniques on Cement Grinding Aids (水泥助磨劑應用技術) published in 2010 and Hongyi Lecture — Miscellaneous Talks on Production Management and Practicality of Cement Grinding Aid (洪義講堂 — 水泥助磨劑生產管理及實踐雜談) published in 2011.

Mr. Jin Feng (金峰), aged 51, was appointed as a non-executive Director on 15 November 2023. He is primarily responsible for providing strategic advice to the business and operations of our Group.

Mr. Jin has over 31 years of experience in the cement and admixtures industries. Prior to joining our Group and from August 1993 to November 2004, Mr. Jin successively held various positions in Anhui Tongling Conch Cement Co., Ltd., including technical officer and section chief of raw materials of manufacturing sub-plant, assistant to the manager, deputy manager and manager of the load and transport sub-plant, plant manager of manufacturing sub-plant 2, manager of the production safety department, where he was responsible for overseeing the management of safety, production, environmental protection. Mr. Jin served (i) as an assistant to the general manager of Jiangxi Lushan Conch Cement Co., Ltd. (江西廬山海螺水泥有限公司) from November 2004 to March 2006, (ii) as a deputy plant manager of Conch Cement Baimashan Cement Plant (安徽海螺水泥股份有限公司白馬山水泥廠) from March 2006 to April 2007, and (iii) as an executive deputy manager of (a) Anhui Huaining Conch Cement Co., Ltd. (安徽懷寧海螺水泥有限公司) from April 2007 to March 2008 and (b) Jiangsu Baling Conch Cement Co., Ltd. (江蘇八菱海螺水泥有限公司) from March 2008 to June 2009, where he was primarily responsible for assisting in the management of corporate operations, coordinating the overall management of safety, production, environmental protection and quality control. From June 2009 to November 2011, Mr. Jin served as a general manager of Jiangxi Lushan Conch Cement Co., Ltd., where he was primarily responsible for coordinating all aspects of production and operational management. From November 2011 to May 2017, Mr. Jin served as a general manager of Guizhou Liukuang Ruian Cement Co., Ltd. (貴州六礦瑞安水泥有限公司), where he was responsible for the overall corporate management and operations. From May 2017 to December 2022, Mr. Jin successively served as a party secretary, an executive deputy plant manager and a plant manager of Conch Cement Baimashan Cement Plant, where he was primarily responsible for the overall corporate management and operations. Mr. Jin has been serving as a member of the disciplinary committee of

Conch Cement from September 2021 to December 2022, where he was responsible for disciplinary inspection and supervision activities. Since December 2022, Mr. Jin has been serving as a deputy general manager and party committee member of Conch Tech Innovation and has been serving as a director of Conch Tech Innovation since February 2024, where he is responsible for assisting in managing corporate operations and overseeing personnel administration, overall management and safety operations management. Since January 2023, Mr. Jin has been serving as an executive director of Anhui Conch Clean Energy Technology Co., Ltd. (安徽海螺潔能科技有限公司), where he is responsible for organising the corporate operations, development and management, and coordinating daily production and operations. Since October 2023, Mr. Jin has been serving as the chairmen of the board of State Power Investment Group Anhui Conch Power Sales Co., Ltd. (國家電投集團安徽海螺售電有限公司), where he is responsible for convening and organising board meetings, and carrying out the corporate operation, development and management.

Mr. Jin graduated from Anhui Finance and Trade College (安徽財貿學院)) (currently known as Anhui University of Finance and Economics (安徽財經大學) where he majored in industrial and commercial enterprise management in June 2001. Mr. Jin was awarded the first prize of the Construction Materials Science and Technology Award (建築材料科學技術獎) by China Building Materials Federation (中國建築材料聯合會) and China Silicate Society (中國硅酸鹽協會) in April 2020, and the first prize of the Anhui Provincial Science and Technology Award (安徽省科學技術獎) by Anhui Provincial Government (安徽省人民政府) in March 2021. Mr. Jin also obtained the qualification of senior engineer in building materials (建築材料高級工程師) from Anhui Provincial Department of Human Resources and Social Security (安徽省人力資源和社會保障廳) in December 2022.

Mr. Fan Haibin (范海濱), aged 49, was appointed as a non-executive Director on 15 November 2023. He is primarily responsible for providing strategic advice to the business and operations of our Group.

From January 2007 to January 2017, Mr. Fan served at China Construction Bank Corporation (中國建設銀行股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 601939) and Hong Kong Stock Exchange (stock code: 939). Since January 2019, Mr. Fan has been working at Jianxin Finance Asset Investment Co., Ltd. (建信金融資產投資有限公司).

Mr. Fan graduated from Sichuan Union University (四川聯合大學) (currently known as Sichuan University (四川大學)) where he majored in fine chemical engineering in July 1997.

Independent Non-executive Directors

Mr. Li Jiang (李江), aged 65, was appointed as an independent Director on 12 January 2023, and was re-designated as an independent non-executive Director on 15 November 2023. He is primarily responsible for supervising and providing independent advice to our Board.

Mr. Li has over 19 years of experience in building materials research. Prior to joining our Group and from January 1988 to April 2004, Mr. Li worked at China Building Materials Academy Cement Science Institute (中國建築材料科學研究總院) and successively held positions as an assistant engineer, an engineer and a senior engineer, where he was primarily responsible for building materials research. Mr. Li has been serving as a chief expert of the Institute of Technical Intelligence for the Building Materials Industry (建築材料工業技術情報研究所) in January 2021, where he is primarily responsible for overseeing the technical dissemination and promotion of building materials.

Mr. Li obtained a bachelor's degree in mathematics from Beijing Normal University (北京師範大學) in January 1983. Mr. Li was awarded the title of Senior Engineer with professor-level benefits (享受教授級待遇的高級工程師) by the State-owned Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會) in October 2009.

Mr. Chen Jiemiao (陳結淼), aged 58, was appointed as an independent Director on 12 January 2023, and was re-designated as an independent non-executive Director on 15 November 2023. He is primarily responsible for supervising and providing independent advice to our Board.

Mr. Chen has been working at Anhui University (安徽大學) since July 1993, and his current position is a professor at the School of Law. Furthermore. Mr. Chen has been (i) an independent director of Sinomag Technology Co., Ltd. (安徽龍磁科技股份有限公司, a company listed on the Shenzhen Stock Exchange (stock code: 300835)) since July 2020, (ii) an independent director of Hefei Fengle Seed Co., Ltd. (合肥豐樂種業股份有限公司, a company listed on the Shenzhen Stock Exchange (stock code: 000713)) from April 2021 to June 2024, (iii) an independent director of Hefei Taihe Intelligent Technology Group Co., Ltd. (合肥泰禾智能科技股份有限公司, a company listed on the Shanghai Stock Exchange (stock code: 603656)) from June 2021 to June 2024, and (iv) an independent director of Anhui Fengyuan Pharmaceutical Co., Ltd. (安徽豐原藥業股份有限公司, a company listed on the Shenzhen Stock Exchange (stock code: 000153)) since July 2022.

Mr. Chen obtained a bachelor's degree in optical instruments from Shanghai Institute of Mechanical Technology (上海機械學院) (currently known as the University of Shanghai for Science and Technology (上海理工大學)) in July 1988, and obtained a master's degree in law from Sichuan University (四川大學) in June 1993. Mr. Chen obtained his part-time lawyer licence issued by the Justice Department of Anhui Province (安徽省司法廳) in May 1994. Mr. Chen also received the qualification as an independent director for listed companies issued by the Shanghai Stock Exchange in November 2010.

Ms. Xu Xu (許煦), aged 39, was appointed as an independent non-executive Director on 15 November 2023. She is primarily responsible for supervising and providing independent advice to our Board, particularly with regard to the financial aspects of our Group.

Ms. Xu has over 14 years of experience in the fields of investment banking, asset management and corporate management. Prior to joining our Group and from July 2010 to May 2015, Ms. Xu served at CITIC Securities Corporate Finance (HK) Limited with her last position as a senior manager of corporate finance department where she had experience in reviewing financial statements of various listed companies and listing applicants during her tenure of work. From July 2016 to December 2019, Ms. Xu served at Yunfeng Financial Group (雲鋒金融集團有限公司 (a company listed on the Stock Exchange (stock code: 0376)) with her last position as a director of asset management department, where she was primarily responsible for the establishment, fundraising and management of private debt master funds. From February 2020 to July 2022, Ms. Xu served as a managing director of Lu International (Hong Kong) Limited (陸國際(香港)有限公司), where she was primarily responsible for formulating corporate development and business plans, designing and issuing offshore fund products, and expanding sales channels. Since August 2022, Ms. Xu has been serving as a vice president and chief financial officer of Shenzhen Lacesar Pizza Catering Management Co., Ltd. (深圳市樂凱撒比薩餐飲管理有限公司), where she is primarily responsible for the corporate strategy and financial management and is familiar with internal controls and in preparing, reviewing and analysing of the financial statement individually and on consolidated basis.

Ms. Xu obtained double bachelor's degrees in public finance and law from Wuhan University (武漢大學) in June 2007, and a master's degree in public finance from the Renmin University of China (中國人民大學) in June 2010. Ms. Xu has been a member of the Chartered Financial Analyst Institute since August 2017.

Ms. Zeng Xiangfei (曾祥飛), aged 44, was appointed as an independent non-executive Director on 15 November 2023. She is primarily responsible for supervising and providing independent advice to our Board, also particularly with regard to the financial aspects of our Group.

Ms. Zeng has primarily dedicated her efforts to research in the field of management accounting theory over the past 20 years. She has been working at Anhui University of Technology since July 2003 and was appointed as an associate professor in January 2019. Ms. Zeng is primarily responsible for teaching "Advanced Management Accounting" for undergraduates and postgraduates, and teaching "Theory and Practice of Management Accounting" for postgraduates. She has also published over 20 academic papers in prestigious domestic and international journals.

Ms. Zeng graduated from Anhui University of Technology with a bachelor's degree in accounting (financial management) in July 2003 and a master's degree in accounting in June 2009. She also obtained a doctorate degree in management science and engineering from Southeast University (東南大學) in June 2019.

Our Board of Supervisors

Our Board of Supervisors comprises three members, amongst whom two are Supervisors appointed by Shareholders while one is an employee representative Supervisor. The term of each Supervisor is three years, renewable upon re-election. The functions and powers of the Board of Supervisors include: (i) monitoring our financial activities, (ii) supervising the performance of duties of our Directors and senior management, (iii) requesting our Directors and senior management to take rectification measures when their actions harm our interests, (iv) holding and presiding over Shareholders' general meetings in the event that the Board of Directors fail to perform its functions in accordance with the Articles of Association, (v) proposing resolutions at Shareholders' general meetings, (vi) investigating the irregularities in our operations, and (vii) other functions and powers set out in the Articles of Association and conferred by our Shareholders. The following table sets out certain information of our Supervisors:

Name	Age	Position	Date of appointment as a Supervisor	Time of joining our Group	Roles and responsibilities
Mr. Lu Shumin (盧叔敏)	53	Chairman of the Board of Supervisors and shareholder representative Supervisor	22 May 2018	May 2018	Responsible for leading and chairing the Board of Supervisors, and supervising the Board
Ms. Jin Xiaoli (金曉麗)	39	Employee representative Supervisor	1 July 2022	June 2018	Responsible for supervising our Board and the senior management of our Company
Mr. Yue Jian (樂健) . .	44	Shareholder representative Supervisor	1 July 2022	July 2022	Responsible for supervising our Board

Mr. Lu Shumin (盧叔敏), aged 53, was appointed as the chairman of our Board of Supervisors and a shareholder representative Supervisor on 22 May 2018. He is primarily responsible for leading and chairing the Board of Supervisors, and supervising the Board.

Prior to joining our Group, from July 1992 to September 1997 and from February 2000 to October 2004, Mr. Lu served as a clerk of Anhui Tongling Conch Cement Co., Ltd., and from September 1997 to February 2000, he served as a clerk of Ningbo Conch Cement Co., Ltd. (寧波海螺水泥有限責任公司), where he was primarily responsible for the daily administrative management. From October 2004 to August 2011, Mr. Lu was appointed as a sales manager of Ningbo Conch Cement Co., Ltd., where he was primarily responsible for the market development, strategic research, brand building and establishing a robust sales management system. From August 2011 to May 2012, Mr. Lu served as a financial manager of Jiande Conch Cement Co., Ltd. (建德海螺水泥有限責任公司), where he was primarily responsible for financial management, such as fund management, contract management, budgeting and financial planning, and tax and cost management. From May 2012 to April 2016, Mr. Lu served as an assistant to general manager of Anhui Chizhou Conch Cement Co., Ltd. (安徽池州海螺水泥股份有限公司), where he was primarily responsible for assisting in managing daily operations, and overseeing financial management. From April 2016 to February 2023, Mr. Lu served as a deputy chief of the strategic planning department of Conch Holdings, where he was primarily responsible for formulating medium-term and long-term development plans, conducting project feasibility studies and research, and driving forward and executing investment plans. Mr. Lu has also been the party secretary and plant manager of Conch Cement Baimashan Cement Plant since February 2023.

Ms. Jin Xiaoli (金曉麗), aged 39, was appointed as an employee representative Supervisor on 1 July 2022. She is primarily responsible for supervising our Board and the senior management of our Company.

Ms. Jin joined our Company in June 2018 and successively held various positions which included financial manager, assistant to the director, and deputy director of finance department. Ms. Jin has also been the executive deputy director of our finance department since March 2023, where she is primarily responsible for budget planning, financial statements management, accounting, tax and tax management, and internal control management. Prior to joining our Group and from October 2008 to March 2012, Ms. Jin served as an accountant, and then as a general ledger manager of Quanjiao Conch Cement Co., Ltd. (全椒海螺水泥有限責任公司), where she was primarily responsible for preparing financial statements, budget planning and final accounting, and financial analysis. From March 2012 to September 2015. Ms. Jin served as a supply planning manager of Dazhou Conch Cement Co., Ltd., where she was primarily responsible for developing material supply plans, monitoring the progress of material procurement, and overseeing the status of material reserves. From September 2015 to June 2018, Ms. Jin served as an accounting manager of the supply department of Guangyuan Conch Cement Co., Ltd (廣元海螺水泥有限責任公司), where she was responsible for reviewing material documents and settlement receipts, and tracking inventory reserves and consumption.

Ms. Jin obtained a bachelor's degree in financial management from Tongling University (銅陵學院) in July 2008.

Mr. Yue Jian (樂健), aged 44, was appointed as a shareholder representative Supervisor on 1 July 2022. He is primarily responsible for supervising our Board.

Prior to joining our Group, Mr. Yue served at Wuhu Conch Profiles and Science Company Limited (蕪湖海螺型材科技股份有限公司) (currently known as Conch (Anhui) Energy Saving and Environment Protection New Material Co., Ltd. (海螺(安徽)節能環保材新料股份有限公司)) (a company listed on the Shenzhen Stock Exchange, stock code: 000619) and its subsidiaries successively as an accountant, a budget analysis supervisor, an assistant to the director, a deputy director and a director of the finance department and a deputy director of the supervision and audit department from July 2000 to December 2017. Mr. Yue served as a deputy director of the finance department of Conch Tech Innovation from December 2017 to March 2023. Since March 2023, Mr. Yue has been serving as a director of the finance department of Conch Tech Innovation, where he is primarily responsible for overall management.

Mr. Yue graduated from Sichuan University where he majored in accounting in July 2000, and was admitted as an intermediate accountant by the Ministry of Finance of the PRC (中華人民共和國財政部) in May 2005.

Interests of our Directors, Supervisors and Senior Management

None of our Directors have any interests in any business, other than our Group's business, which competes or is likely to compete, either directly or indirectly, with our Group's business.

Save as disclosed in this section, none of our Directors nor Supervisors hold any other directorships in public companies, the securities of which are listed on any Hong Kong or overseas securities market during the Track Record Period. See "Appendix IV — Statutory and General Information — C. Further Information about our Directors, Supervisors, Chief Executives and Substantial Shareholders" for further information about our Directors and Supervisors, including the particulars of their service contracts and remuneration, and details of the interests of our Directors and Supervisors in the Shares (within the meaning of Part XV of the SFO).

Proceedings involved by Mr. Zhao

It is noted that Mr. Zhao Hongyi, a non-executive Director, has been involved as a defendant in a number of civil proceedings involving certain commercial disputes, all of which have either been withdrawn or settled.

One of the civil proceedings arose due to a loan arrangement between Shandong Hongyi Technology Co., Ltd. (a company where Mr. Zhao was a controlling shareholder and a director) ("**Shandong Hongyi Tech**") and an individual (who is an Independent Third Party) (the "**Lender**") in 2016, whereby Shandong Hongyi Tech owed the Lender RMB10 million. As Shandong Hongyi Tech did not pay the outstanding amount within the prescribed period, an action was brought against Shandong Hongyi Tech by the Lender. In December 2018, Shandong Hongyi Tech was ordered to repay the outstanding borrowed amount. In May 2019, Shandong Hongyi Tech entered into a settlement agreement with the Lender (the "**First Settlement Agreement**"), whereby it was agreed that, among others, Mr. Zhao would act as one of the guarantors for outstanding sum of RMB4.3 million. On 22 November 2021, Shandong Hongyi Tech entered into another settlement agreement with, among others, the Lender (the "**Second Settlement Agreement**"), a corporate guarantor and Mr. Zhao, pursuant to which the corporate guarantor shall transfer two properties to the Lender upon certain conditions were fulfilled and no further claims may be brought against the guarantors (including Mr. Zhao) by the Lender during the term and upon fulfilment of the obligations of the Second Settlement Agreement.

One of the civil proceedings taken out in November 2018 arose due to a contractual dispute between a plaintiff (an individual and Independent Third Party) (the "**Plaintiff**") and Shandong Hongyi Tech under a sales and purchase agreement of a parcel of land whereby Shandong Hongyi Tech agreed to transfer a parcel of land to the Plaintiff at a consideration of RMB20 million, where RMB10 million was paid as first payment by the Plaintiff to a company designated by Shandong Hongyi Tech (the "**Primary Obligor**"). There were disputes on performance of the contract alleged by both parties and the Primary Obligor was ordered to repay an outstanding sum of RMB15.3 million. On 26 December 2018, Mr. Zhao got involved by entering into a settlement agreement with the Plaintiff agreeing to be jointly and severally liable for the relevant outstanding sum. On 13 December 2019, other defendants and Mr. Zhao (as guarantor) were ordered to repay approximately an outstanding sum of RMB13.2 million. Given the Primary Obligor appealed the case to dispute on the then outstanding sum, the sum was not yet settled as per the agreed schedule, but due to the non-performance of the order, Mr. Zhao was imposed a high-consumption restricted order on 18 September 2020, whereby Mr. Zhao was prohibited to engage in certain high consumption activities and unnecessary living and work expenses. On 3 August 2021, parties entered into a settlement agreement to agree on repayment of an updated outstanding sum of approximately RMB3.0 million by the relevant defendants and Mr. Zhao. All outstanding sum had been paid and settled by the end of 2021 and Mr. Zhao has been released from the high-consumption restricted order.

The PRC Legal Advisors confirmed that Mr. Zhao is not adjudged to be unsuitable to be a director under the PRC laws.

Taking into account that there has been no dishonesty involved in the civil proceedings that Mr. Zhao has been involved, and that the civil proceedings have been settled and/or withdrawn, and his experience in admixture industry, our Board consider that Mr. Zhao has the character, experience, integrity and the level of competence required to act as a Director.

Having considered that (i) the Civil Proceeding did not involve any dishonesty or fraudulence on the part of Mr. Zhao in connection with the Civil Proceeding, and was merely a commercial dispute, not a criminal proceeding; (ii) the Civil Proceeding had been settled and Mr. Zhao has been released from the high-consumption restricted order; (iii) Mr. Zhao is not involved in any other outstanding litigation, disciplinary actions, investigation or proceedings based on background search and litigation search conducted by an Independent Third Party; (iv) Mr. Zhao has over 30 years of experience in the cement admixture industry and in-depth understanding of cement admixture technology, which is a convincing endorsement for his tenure at our Group; and (v) the confirmation provided by our PRC Legal Advisers as disclosed above, our Board is of the view and the Sole Sponsor concurs with our Board's view that the Civil Proceeding did not impact Mr. Zhao's suitability to act as a Director under Rules 3.08 and 3.09 of the Listing Rules.

Save as disclosed in this section, to the best knowledge, information and belief of our Directors after having made all reasonable enquiries, as at the Latest Practicable Date, there were no other matters in respect of each of our Directors and Supervisors which are required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules, and there were no other material matters relating to our Directors and Supervisors that need to be brought to the attention of our Shareholders.

Our Senior Management

Our senior management is responsible for the day-to-day management of our business. Our senior management team comprises our executive Directors and the members as set out in the table below. For biographical details of our executive Directors, please refer to their respective biographies above.

Name	Age	Position	Time of joining our Group	Roles and responsibilities
Zhou Yanchang (周焱昌) . .	50	Deputy general manager	October 2021	Responsible for assisting in managing corporate operations, sales management of concrete admixtures and related upstream and downstream products, market development, strategic planning, business model innovation and resolving overdue payments
Guo Junling (郭俊嶺)	46	Deputy general manager	December 2022	Responsible for the sales management of the corporate cement admixture and related products in the upstream and downstream, and the market development and expansion of the processed alcohol amine and cement admixture products, also responsible for sales strategy and strategic planning, business model innovation, sales team development, and improvement of sales service quality
Ning Jitai (寧紀太).	53	Company secretary	August 2018	Responsible for managing corporate information disclosure, facilitating company-investor relations, and overseeing the coordination of board meetings, shareholders' meetings and supervisors' meetings

Mr. Zhou Yanchang (周焱昌), aged 50, was appointed as a deputy general manager of our Company on 8 October 2021. He is responsible for assisting in managing corporate operations, sales management of concrete admixtures and related upstream and downstream products, market development, strategic planning, business model innovation and resolving overdue payments.

Prior to joining our Group and from August 2003 to April 2010, Mr. Zhou worked at Sobute New Materials Co., Ltd (江蘇博特新材料有限公司). From June 2010 to September 2021, Mr. Zhou worked at Sika (China) Ltd. (西卡(中國)有限公司) with his last position as a national sales director in charge of blending-related work.

Mr. Zhou obtained a bachelor's degree in materials science and engineering (construction material) in June 1997 and a master's degree in material science from Southeast University (東南大學) in April 2000. Mr. Zhou also obtained a certificate of senior engineer (construction engineering design) issued by Jiangsu Provincial Department of Human Resources (江蘇省人事廳) in August 2007.

Mr. Guo Junling (郭俊嶺), aged 46, was appointed as a deputy general manager of our Company on 26 December 2022. He is responsible for the sales management of the corporate cement admixture and related products in the upstream and downstream, and the market development and expansion of the processed alcohol amine and cement admixture products, also responsible for sales strategy and strategic planning, business model innovation, sales team development, and improvement of sales service quality.

Mr. Guo has over 22 years of experience in the field of sales management for cement and admixtures enterprises. Prior to joining our Group, Mr. Guo served successively as a clerk and a sales manager of the business office of Shanghai Conch Cement Sales Co., Ltd. (上海海螺水泥銷售有限公司) from December 2002 to October 2006, where he was primarily responsible for organising market research, implementing market expansion plans and customer management. Mr. Guo successively served as an assistant to the head of sales division from October 2006 to March 2008, and a deputy head of the sales division from March 2008 to June 2010 at Shanghai Conch Mingzhu Cement Co., Ltd. (上海海螺明珠水泥有限責任公司), where he was primarily responsible for developing sales strategies and sales plans, sales coordination, scheduling and organisational management. From June 2010 to May 2013, Mr. Guo served as a deputy head, then a head of sales division of Liquan Conch Cement Co., Ltd. (禮泉海螺水泥有限責任公司), where he was primarily responsible for market development, strategy research, brand building and establishing a robust sales management system. From May 2013 to April 2016, Mr. Guo served as a head of sales division and an assistant to the general manager of Qianyang Conch Cement Co., Ltd. (千陽海螺水泥有限責任公司), where he was primarily responsible for assisting in managing corporate operations, and coordinating sales management and supply management. Mr. Guo served as a deputy general manager of Shanghai Conch Building Materials International Trade Co., Ltd. Guangdong Branch (上海海螺建材國際貿易有限公司廣東分公司) from April 2016 to May 2020, and served as a deputy general manager of Zhuhai Haizhong Trade Co., Ltd. (珠海海中貿易有限責任公司) from May 2019 to December 2022, where he was primarily responsible for assisting in managing corporate operations, and coordinating sales management and supply management.

Mr. Guo graduated with a degree in marketing from Zhengzhou University of Aeronautics (鄭州航空工業管理學院) in May 2002.

Mr. Ning Jitai (寧紀太), aged 53, was appointed as the secretary to the Board on 13 August 2018. He is primarily responsible for managing corporate information disclosure, facilitating company-investor relations, and coordinating the coordination of board meetings, shareholders' meetings and supervisors' meetings. Mr. Ning was appointed as one of our joint company secretaries on 15 November 2023.

From November 2018 to October 2023 and from November 2018 to September 2023, Mr. Ning served as a director of Xiangyang Conch and Meishan Conch, respectively, where he was responsible for assisting the board of directors in carrying out the daily operations and management. Mr. Ning also served as a supervisor of Ningbo Conch from July 2019 to September 2023, where he was responsible for supervising and monitoring the company's operations and personnel at all levels.

Mr. Ning obtained a bachelor's degree in grain and oil storage from Zhengzhou Grain College (鄭州糧食學院) (currently known as Henan University of Technology (河南工業大學)) in July 1993. Mr. Ning also obtained a qualification of senior economist (高級經濟師) issued by the Senior Evaluation Committee of Shandong Provincial Economic Professional Positions (山東省經濟專業職務高級評審委員會) in February 2006.

JOINT COMPANY SECRETARIES

Mr. Ning Jitai (寧紀太), aged 53, was appointed as the secretary to the Board on 13 August 2018. Mr. Ning was appointed as our company secretary on 15 November 2023, and will be re-designated as a joint company secretary upon Listing. For biographical details of Mr. Ning, see the subsection "Our senior management" above.

Mr. Lee Leong Yin (李亮賢), aged 36, has been conditionally appointed as our joint company secretary on 15 November 2023 to be taken effect from 6 December 2024. Mr. Lee has over 13 years of experience in the corporate secretarial field. Since October 2021, Mr. Lee has been working as a senior manager for Tricor Services Limited, a global professional services provider specialising in integrated business, corporate and investor services.

Mr. Lee is an associate of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom. Mr. Lee obtained a bachelor's degree in business administration from Hong Kong Metropolitan University (previously known as The Open University of Hong Kong) in August 2010.

BOARD DIVERSITY POLICY

We are committed to promoting the culture of diversity to the extent practicable by taking into consideration a number of factors in our corporate governance structure. We have adopted the board diversity policy which sets out the objectives and approaches to achieve and maintain diversity of our Board in order to enhance the effectiveness of our Board.

Pursuant to the board diversity policy, we seek to achieve Board diversity through the consideration of a number of factors, including but not limited to professional experience, skills, knowledge, gender, age, cultural and educational background and length of service. The ultimate decision of the appointment has to be based on merits and the contribution which the selected candidates are expected to bring to our Board.

Our Board has a balanced mix of knowledge, skills and experiences in various aspects, including business management, business development, finance, accounting and sales management. Our Board also comprises directors of a wide range of age ranging from 30s to 60s. We have also taken, and will continue to take steps to promote gender diversity at all levels of our Group, including but not limited to levels at our Board and management. In particular, we have two female members on our Board, and we recognise that there is room for improvement in terms of the gender diversity of our Board and we will strive to enhance the same. In addition, our Nomination Committee will also from time to time make its best efforts to identify suitable female candidates and recommend the same to our Board for consideration so that our Company will have a pipeline of potential female successors to the Board for ensuring the gender diversity of the Board.

BOARD COMMITTEES

We have established the following committees within our Board of Directors, namely, Audit Committee, Remuneration Committee and Nomination Committee. The committees operate in accordance with the terms of reference adopted by our Board.

Audit committee

We have established our Audit Committee with written terms of reference in compliance with Rules 3.21 of the Listing Rules and the Paragraph D.3 in Part 2 of the Corporate Governance Code as set out in Appendix C1 to the Listing Rules. The Audit Committee consists of four members, namely, Ms. Xu Xu, Ms. Zeng Xiangfei, Mr. Li Jiang and Mr. Chen Jiemiao. With appropriate accounting and financial management expertise, Ms. Xu Xu is the chairperson of the committee. The primary duties of the Audit Committee include (i) making recommendations to our Board on the appointment, re-appointment and removal of external auditors; (ii) reviewing the financial statements; (iii) providing material advice in respect of our financial reporting process; (iv) overseeing our internal control and risk management systems and audit process and discussing the risk management and internal control system with management to ensure that management has performed its duty to have effective systems; and (v) provide advice and comments to our Board on matters relating to corporate governance.

Remuneration Committee

We have established our Remuneration Committee with written terms of reference in compliance with Rule 3.25 of the Listing Rules and the Paragraph E.1 of Part 2 of the Corporate Governance Code as set out in Appendix C1 to the Listing Rules. The Remuneration Committee consists of three members, namely, Ms. Zeng Xiangfei, Mr. Li Jiang and Mr. Chen Feng. Ms. Zeng Xiangfei is the chairperson of the committee. The primary duties of the Remuneration Committee include (i) making recommendations to the Board regarding our policy and structure for the remuneration of our Directors, Supervisors and senior management and on the establishment of a formal and transparent procedure for developing remuneration policies; and (ii) making recommendations to the Board on the remuneration packages of our Directors, Supervisors and senior management and on the employee benefit arrangement.

Nomination Committee

We have established our Nomination Committee with written terms of reference in compliance with the Paragraph B.3 in Part 2 of the Corporate Governance Code as set out in Appendix C1 to the Listing Rules. The Nomination Committee consists of three members, namely, Mr. Ding Feng, Mr. Li Jiang and Mr. Chen Jiemiao. Mr. Ding Feng is the chairman of the committee. The primary duties of the Nomination Committee include (i) making recommendations to review the structure, size and composition (including the skills, knowledge and experience) of our Board; and (ii) reviewing and making recommendations to the Board on appointment of Directors and the management of the Board succession.

REMUNERATION AND COMPENSATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Our Directors, Supervisors and senior management receive compensation from our Group in the form of fees, salaries, bonus and contributions to pension schemes, allowances and benefits in kind.

The aggregate remuneration (including salaries, bonuses, share-based compensations, contributions to pension schemes, other social security costs and other employee benefits) received by our Directors and Supervisors were approximately RMB1.8 million, RMB4.4 million, RMB3.4 million and RMB1.3 million for FY2021, FY2022, FY2023 and 6M2024, respectively. None of our Directors had waived any remuneration during the same period.

No remuneration was paid by our Group to our Directors, Supervisors or the five highest paid individuals as an inducement to join or upon joining us or as a compensation for loss of office during the Track Record Period. Further, none of our Directors or Supervisors had waived any remuneration during the same period.

Save as disclosed above, no other payments had been made or are payable during the Track Record Period by our Group to our Directors, Supervisors or the five highest paid individuals.

Under the arrangements currently in force, we estimate the aggregate remuneration, excluding discretionary bonus, of our Directors for the year ending 31 December 2024 to be approximately RMB3.0 million.

COMPLIANCE ADVISER

We have appointed Somerley Capital Limited as our compliance adviser in compliance with Rules 3A.19 and 19A.05 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, we will consult with and seek advice from our compliance adviser in the following circumstances:

(a) before the publication of any regulatory announcement, circular or financial report;

(b) where a transaction, which might be a notifiable or connected transaction, is contemplated including share issues and share repurchases;

(c) where we propose to use the proceeds of the Global Offering in a manner different from that detailed in this prospectus or where its business activities, developments or results deviate from any forecast, estimate, or other information in this prospectus; and

(d) where the Stock Exchange makes an inquiry of our Company regarding unusual movements in the price or trading volume of the securities of our Company, the possible development of a false market in the securities of our Company or any other matters.

The term of the appointment shall commence on the Listing Date and end on the date on which our Company distributes its annual report in respect of its financial results for the first full financial year commencing after the Listing Date. Our Company may terminate the appointment of our compliance adviser by giving a one-month prior written notice to the compliance adviser.

CONFIRMATION FROM OUR DIRECTORS

Rule 3.09D of the Listing Rules

Each of our Directors confirms that he or she (i) has obtained the legal advice referred to under Rule 3.09D of the Listing Rules on 15 November 2023, and (ii) understands his or her obligations as a director of a listed issuer under the Listing Rules.

Rule 3.13 of the Listing Rules

Each of the independent non-executive Directors has confirmed (i) his or her independence as regards each of the factors referred to in Rules 3.13(1) to (8) of the Listing Rules, (ii) he has no past or present financial or other interest in the business of the Company or its subsidiaries or any connection with any core connected person of the Company under the Listing Rules as of the Latest Practicable Date, and (iii) that there are no other factors that may affect his independence at the time of his/her appointments.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, as at the Latest Practicable Date and immediately following the completion of the Global Offering and the conversion of our Unlisted Shares to H Shares (assuming no exercise of the Over-allotment Option), the following persons will have interests and/or short positions in our Shares or our underlying Shares which would fall to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, will be, directly or indirectly interested in 10% or more of the nominal value of any class of our share capital carrying rights to vote in all circumstances at general meeting of our Company or any other members of our Group:

Interest in our Company

Name of Shareholder	Capacity/Nature of interest	Description of Shares [1]	Number of Shares	Approximate percentage of shareholding in the total share capital [2] as at the Latest Practicable Date	Approximate percentage of shareholding in the total share capital immediately after completion of the Global Offering [3]	Approximate percentage of shareholding in the Unlisted Shares/H Shares immediately following the completion of the Global Offering [4]
Conch Tech Innovation [5]	Beneficial owner	Unlisted Shares	198,470,000	48.62%	36.47%	50.30%
		H Shares	13,000,000			7.01%
Conch Holdings [5]	Interest in controlled corporation	Unlisted Shares	198,470,000	48.62%	36.47%	50.30%
		H Shares	13,000,000			7.01%
Anhui Investment Group [5]	Interest in controlled corporation	Unlisted Shares	198,470,000	48.62%	36.47%	50.30%
		H Shares	13,000,000			7.01%
Wuhu Conch Venture [5]	Interest in controlled corporation	Unlisted Shares	198,470,000	48.62%	36.47%	50.30%
		H Shares	13,000,000			7.01%
China Conch Venture Holdings Limited (“**Conch Venture**”) [5]	Interest in controlled corporation	Unlisted Shares	198,470,000	48.62%	36.47%	50.30%
		H Shares	13,000,000			7.01%
Hubei Xintongling [6]	Beneficial owner	Unlisted Shares	96,101,600	24.10%	18.07%	24.36%
		H Shares	8,698,400			4.69%
Mr. Feng [6]	Interest in controlled corporations	Unlisted Shares	96,101,600	24.10%	18.07%	24.36%
		H Shares	8,698,400			4.69%
Mr. Ming Jinlong [6]	Interest in controlled corporations	Unlisted Shares	96,101,600	24.10%	18.07%	24.36%
		H Shares	8,698,400			4.69%
Ms. Li Yang [7]	Interest of Spouse	Unlisted Shares	96,101,600	24.10%	18.07%	24.36%
		H Shares	8,698,400			4.69%
Ms. Feng Li [8]	Interest of Spouse	Unlisted Shares	96,101,600	24.10%	18.07%	24.36%
		H Shares	8,698,400			4.69%

Name of Shareholder	Capacity/Nature of interest	Description of Shares [(1)]	Number of Shares	Approximate percentage of shareholding in the total share capital [(2)] as at the Latest Practicable Date	Approximate percentage of shareholding in the total share capital immediately after completion of the Global Offering [(3)]	Approximate percentage of shareholding in the Unlisted Shares/H Shares immediately following the completion of the Global Offering [(4)]
Linyi Haihong [(9)]	Beneficial owner	Unlisted Shares	64,661,600	16.87	12.65%	16.38%
		H Shares	8,698,400			4.69%
Mr. Zhao [(9)]	Interest in controlled corporations	Unlisted Shares	64,661,600	16.87	12.65%	16.38%
		H Shares	8,698,400			4.69%
Ms. Han Lili [(10)]	Interest of Spouse	Unlisted Shares	64,661,600	16.87	12.65%	16.38%
		H Shares	8,698,400			4.69%

Notes:

1. For the avoidance of doubt, both Unlisted Shares and H Shares are ordinary Shares in the share capital of our Company, and are considered as one class of Shares.

2. The calculation is based on the total number of 434,920,000 Unlisted Shares in issue as at the Latest Practicable Date.

3. The calculation is based on the total number of 579,894,000 Shares in issue immediately after completion of the Global Offering (without taking into account the H shares which may be issued upon the exercise of the Over-allotment Option).

4. The calculation is based on the total number of 394,523,200 Unlisted Shares and 185,370,800 H Shares in issue immediately after the completion of the Global Offering (without taking into account the H shares which may be issued upon the exercise of the Over-allotment Option).

5. As at the Latest Practicable Date, Conch Tech Innovation was wholly-owned by Conch Holdings, which was in turn owned as to 51% by Anhui Investment Group and 49% by Wuhu Conch Venture, an Independent Third Party. Anhui Investment Group was wholly-owned by the SASAC of the People's Government of Anhui Province, while Wuhu Conch Venture was wholly-owned by Conch Venture (the shares of which are listed on the Main Board of the Stock Exchange (stock code: 586)). By virtue of the SFO, Conch Holdings, Anhui Investment Group, Wuhu Conch Venture and Conch Venture are deemed to be interested in the Shares held by Conch Tech Innovation.

6. As at the Latest Practicable Date, Hubei Xintongling was owned as to 60% by Mr. Feng and 40% by Mr. Ming Jinlong. By virtue of the SFO, Mr. Feng and Mr. Ming Jinlong are deemed to be interested in the Shares held by Hubei Xintongling.

7. Ms. Li Yang is the spouse of Mr. Feng. By virtue of the SFO, Ms. Li Yang is deemed to be interest in the Shares in which Mr. Feng is interested.

8. Ms. Feng Li is the spouse of Mr. Ming. By virtue of the SFO, Ms. Feng Li is deemed to be interest in the Shares in which Mr. Ming is interested.

9. As at the Latest Practicable Date, Linyi Haihong was owned as to 88% by Mr. Zhao and 12% by Mr. Chen Jun. By virtue of the SFO, Mr. Zhao is deemed to be interested in the Shares held by Linyi Haihong.

10. Ms. Han Lili is the spouse of Mr. Zhao. By virtue of the SFO, Ms. Han Lili is deemed to be interest in the Shares in which Mr. Zhao is interested.

Interest in other members in our Group

Shareholders	Name of subsidiaries	Number of shares held as at the Latest Practicable Date	Approximate percentage of interest as at the Latest Practicable Date	Approximate percentage of interest immediately following the completion of Global Offering
Ningbo Industrial Investment Group Co., Ltd. (寧波工業投資集團有限公司)	Ningbo Conch	N/A (Note)	10%	10%
Zhejiang Shangfeng Building Materials Co., Ltd. (浙江上峰建材有限公司)	Tongling Conch	N/A (Note)	20%	20%
North Cement Company Limited (北方水泥有限公司)	Huludao Haizhong	N/A (Note)	30%	30%
Taini (Guigang) Cement Co., Ltd.* (台泥(貴港)水泥有限公司)	Guigang Conch	N/A (Note)	40%	40%
Qinghai Huzhu Jinyuan Cement Co., Ltd.* (青海互助金圓水泥有限公司).	Qinghai Conch	N/A (Note)	49%	49%

Note: As Ningbo Conch, Tongling Conch, Huludao Haizhong, Guigang Conch and Qinghai Conch are limited liability companies established in the PRC, the percentage of shareholding is determined with reference to the percentage of registered capital subscribed by each shareholder.

THE CORNERSTONE PLACING

We have entered into cornerstone investment agreements (each a "**Cornerstone Investment Agreement**", and together the "**Cornerstone Investment Agreements**") with the cornerstone investors set out below (each a "**Cornerstone Investor**", and together the "**Cornerstone Investors**"), pursuant to which the Cornerstone Investors have agreed to, subject to certain conditions, subscribe, or cause their designated entities to subscribe, at the Offer Price for such number of Offer Shares (rounded down to the nearest whole board lot of 1,000 H Shares) that may be purchased for an aggregate amount of approximately RMB$301.8 million (or approximately HK$326.7 million) (the "**Cornerstone Placing**"). The translations of RMB into Hong Kong dollars and vice versa in this section have been made at the rate of HK$1.00 to RMB0.92373.

Assuming an Offer Price of HK$3.0 per Offer Share, being the low-end of the Offer Price range set out in this prospectus, the total number of Offer Shares to be subscribed by the Cornerstone Investors would be 106,519,000 Offer Shares, representing approximately (i) 73.47% of the Offer Shares offered pursuant to the Global offering (assuming that the Over-allotment Option is not exercised); (ii) 18.37% of our total issued share capital immediately upon completion of the Global Offering (assuming the Over-allotment Option is not exercised); and (iii) 17.70% of our total issued share capital immediately upon completion of the Global Offering and the exercise of the Over-allotment Option in full.

Assuming an Offer Price of HK$3.15 per Offer Share, being the mid-point of the Offer Price range set out in this prospectus, the total number of Offer Shares to be subscribed by the Cornerstone Investors would be 101,448,000 Offer Shares, representing approximately (i) 69.98% of the Offer Shares offered pursuant to the Global offering (assuming that the Over-allotment Option is not exercised); (ii) 17.49% of our total issued share capital immediately upon completion of the Global Offering (assuming the Over-allotment Option is not exercised); and (iii) 16.86% of our total issued share capital immediately upon completion of the Global Offering and the exercise of the Over-allotment Option in full.

Assuming an Offer Price of HK$3.3 per Offer Share, being the high-end of the Offer Price range set out in this prospectus, the total number of Offer Shares to be subscribed by the Cornerstone Investors would be 96,835,000 Offer Shares, representing approximately (i) 66.79% of the Offer Shares offered pursuant to the Global offering (assuming that the Over-allotment Option is not exercised); (ii) 16.70% of our total issued share capital immediately upon completion of the Global Offering (assuming the Over-allotment Option is not exercised); and (iii) 16.10% of our total issued share capital immediately upon completion of the Global Offering and the exercise of the Over-allotment Option in full.

We believe that the Cornerstone Placing demonstrates our Cornerstone Investors' confidence in our Company and its business prospect, and that the Cornerstone Placing will help to raise the profile of our Company. Our Company became acquainted with each of the Cornerstone Investors in its ordinary course of operation through the Group's business network or through introduction by the Company's business partners or the Overall Coordinator.

The Cornerstone Placing will form part of the International Offering, and, save as otherwise obtained consent from the Stock Exchange, the Cornerstone Investors and their respective close associates will not subscribe for any Offer Shares under the Global Offering (other than pursuant to the Cornerstone Investment Agreements). The Offer Shares to be subscribed by the Cornerstone Investors will rank pari passu in all respects with the fully paid Shares in issue following the Global Offering of the Company and will be counted towards the public float of our Company under Rule 8.08 of the Listing Rules. Immediately following the completion of the Global Offering, the Cornerstone Investors or their close associates will not, by virtue of their cornerstone investments, have any Board representation in our Company; and none of the Cornerstone Investors and their close associates will become a substantial Shareholder of our Company. Other than a guaranteed allocation of the relevant Offer Shares at the final Offer Price, the Cornerstone Investors do not have any preferential rights under each of their respective Cornerstone Investment Agreements, as compared with other public Shareholders. There are no side arrangements or agreements between our Company and the Cornerstone Investors or any benefit, direct or indirect, conferred on the Cornerstone Investors by virtue of or in relation to the Listing, other than a guaranteed allocation of the relevant Offer Shares at the final Offer Price, following the principles as set out in Chapter 4.15 of the Guide for New Listing Applicants.

To the best knowledge of our Company, each of the Cornerstone Investors is (i) not accustomed to take instructions from our Company or any of our Directors, Supervisors, chief executive, our Controlling Shareholders, substantial Shareholders or existing Shareholders or any of its subsidiaries or their respective close associates in relation to the acquisition, disposal, voting or other disposition of the Shares registered in their name or otherwise held by them; and (ii) not financed by our Company or any of our Directors, Supervisors, chief executive of our Company, our Controlling Shareholders, substantial Shareholders, existing Shareholders or any of its subsidiaries or their respective close associates. Each of the Cornerstone Investor, the qualified domestic institutional investor ("**QDII**", through which the Cornerstone Investor will subscribe for the relevant Offer Shares) and their ultimate beneficial owners is independent of the other Cornerstone Investors, our Group, our connected persons and their respective associates, and is not an existing Shareholder or a close associate of our Group. In addition, to the best knowledge of our Company, each of the Cornerstone Investors is independent from each other and makes independent investment decisions. None of the Cornerstone Investors are customers or suppliers of our Group.

To the best knowledge of our Company and as confirmed by each of the Cornerstone Investors, each of the Cornerstone Investors make independent investment decisions, and their subscription under the Cornerstone Placing would be financed by its own internal financial resources, borrowing or financial resources of its shareholders and it has sufficient funds to settle its respective investment under the Cornerstone Placing. Each of the Cornerstone Investors has confirmed that all necessary approvals have been obtained with respect to the Cornerstone Placing and that no specific approval from any stock exchange (if relevant) is required for the relevant Cornerstone Placing. To the extent that any Cornerstone Investor has engaged a QDII to subscribe for the relevant Offer Shares on its behalf, such Cornerstone Investor will procure the QDII to comply with the terms of its Cornerstone Investment Agreement in order to ensure the compliance of such Cornerstone Investor with its obligations under its Cornerstone Investment Agreement.

The Cornerstone Investors have agreed to pay for the relevant Offer Shares that they have subscribed before dealings in the Company's H Shares commence on the Stock Exchange. Each Cornerstone Investor has agreed that our Company and the Overall Coordinator in its sole discretion may defer the delivery of all or part of the Offer Shares it will subscribe to a date later than the Listing Date. Where delayed delivery takes place, each Cornerstone Investor that may be affected by such delayed delivery has agreed that it shall nevertheless fully pay for the relevant Offer Shares before the Listing. Such delayed delivery arrangement is in place to facilitate the over-allocation in the International Offering. There will be no delayed delivery if there is no over-allocation in the International Offering. For details of the Over-allotment Option and the stabilisation action by the Stabilising Manager, see "Structure of the Global Offering — Over-allotment Option" and "Structure of the Global Offering — Stabilisation" in this prospectus.

The total number of Offer Shares to be subscribed by the Cornerstone Investors may be affected by reallocation of the Offer Shares between the International Offering and the Hong Kong Public Offering. If the total demand for H shares in the Hong Kong Public Offering falls within the circumstance as set out in the section headed "Structure of the Global Offering — The Hong Kong Public Offering — Reallocation" in this prospectus, our Company and the Overall Coordinator have the absolute discretion, but not obliged, to deduct the number of Offer Shares to be subscribed by the Cornerstone Investors on a pro rata basis to satisfy the public demands under the Hong Kong Public Offering pursuant to Practice Note 18 of the Listing Rules. Details of the actual number of Offer Shares to be allocated to the Cornerstone Investors will be disclosed in the allotment results announcement of our Company to be published on or around 8 January 2025.

THE CORNERSTONE INVESTORS

The table below sets forth details of the Cornerstone Placing:

Cornerstone Investor	Subscription amount(2)	Number of Offer Shares(1)	Assuming an Offer Price of HK$3.3 per H Share (being the high-end of the Offer Price range) — Assuming the Over-allotment Option is not exercised		Assuming the Over-allotment Option is exercised in full	
	(RMB in millions)		*Approximate % of the Offer Shares*	*Approximate % of the issued share capital*	*Approximate % of the Offer Shares*	*Approximate % of the issued share capital*
Gotion High-tech Co., Ltd. (國軒高科股份有限公司) (“**Gotion High-tech**”)	52.6	16,758,000	11.56%	2.89%	10.05%	2.79%
Anhui Shengchang Chemical Co., Ltd. (安徽盛昌化工有限公司) (“**Anhui Shengchang**”)	70.0	22,300,000	15.38%	3.85%	13.38%	3.71%
Wuhu Artec Biotechnology Co., Ltd. (蕪湖阿泰克生物科技有限公司) (“**Wuhu Artec**”)	53.0	16,884,000	11.65%	2.91%	10.13%	2.81%
SCGC Capital Holding Company Limited (“**SCGC Capital**”)	46.2(3)	15,000,000	10.35%	2.59%	9.00%	2.49%
Guangdong Zongxing Technology Co., Ltd (廣東縱行科技有限公司) (“**Guangdong Zongxing**”)	20.0	6,453,000	4.45%	1.11%	3.87%	1.07%
Shenzhen Gaodeng Computer Technology Co., Ltd.* (深圳高燈計算機科技有限公司) (“**Shenzhen Gaodeng**”)	60.0	19,440,000	13.41%	3.35%	11.66%	3.23%
Total	**301.8**	**96,835,000**	**66.79%**	**16.70%**	**58.08%**	**16.10%**

Cornerstone Investor	Subscription amount[2]	Number of Offer Shares[1]	Assuming an Offer Price of HK$3.15 per H Share (being the mid-end of the Offer Price range) — Assuming the Over-allotment Option is not exercised		Assuming the Over-allotment Option is exercised in full	
	(RMB in millions)		*Approximate % of the Offer Shares*	*Approximate % of the issued share capital*	*Approximate % of the Offer Shares*	*Approximate % of the issued share capital*
Gotion High-tech	52.6	17,557,000	12.11%	3.03%	10.53%	2.92%
Anhui Shengchang	70.0	23,362,000	16.11%	4.03%	14.01%	3.88%
Wuhu Artec	53.0	17,668,000	12.20%	3.05%	10.61%	2.94%
SCGC Capital	46.2[3]	15,714,000	10.84%	2.71%	9.43%	2.61%
Guangdong Zongxing	20.0	6,761,000	4.66%	1.17%	4.06%	1.12%
Shenzhen Gaodeng	60.0	20,366,000	14.05%	3.51%	12.22%	3.39%
Total	**301.8**	**101,448,000**	**69.98%**	**17.49%**	**60.85%**	**16.86%**

Cornerstone Investor	Subscription amount[2]	Number of Offer Shares[1]	Assuming an Offer Price of HK$3.0 per H Share (being the low-end of the Offer Price range) — Assuming the Over-allotment Option is not exercised		Assuming the Over-allotment Option is exercised in full	
	(RMB in millions)		*Approximate % of the Offer Shares*	*Approximate % of the issued share capital*	*Approximate % of the Offer Shares*	*Approximate % of the issued share capital*
Gotion High-tech	52.6	18,434,000	12.72%	3.18%	11.06%	3.06%
Anhui Shengchang	70.0	24,530,000	16.92%	4.23%	14.71%	4.08%
Wuhu Artec	53.0	18,572,000	12.81%	3.20%	11.14%	3.09%
SCGC Capital	46.2[3]	16,500,000	11.38%	2.85%	9.90%	2.74%
Guangdong Zongxing	20.0	7,099,000	4.90%	1.22%	4.26%	1.18%
Shenzhen Gaodeng	60.0	21,384,000	14.75%	3.69%	12.83%	3.55%
Total	**301.8**	**106,519,000**	**73.47%**	**18.37%**	**63.89%**	**17.70%**

Notes:

\# All share numbers and amounts are for illustrative purposes only.

(1) Subject to rounding down to the nearest whole board lot of 1,000 Offer Shares. Calculated based on the actual exchange rate used at the time of the conversion from RMB to HKD of the relevant cornerstone investor.

(2) The subscription amounts of Gotion High-tech, Anhui Shengchang, Wuhu Artec and SCGC Capital are inclusive of brokerage, the SFC transaction levy, the Stock Exchange trading fee, the AFRC transaction levy, bank charges and fees payable in connection with its subscription of Offer Shares under the Cornerstone Placing. Save as the aforesaid, all other investment amounts are exclusive of brokerage, the SFC transaction levy, the Stock Exchange trading fee and AFRC transaction levy.

(3) The amount is translated from the actual investment amount of HK$50,000,000 into RMB at the exchange rate of HK$1.00 to RMB0.92373.

The information about our Cornerstone Investors set forth below has been provided by the Cornerstone Investors in connection with the Cornerstone Placing.

Gotion High-tech

Gotion High-tech, founded in 1995, with headquarter in Hefei, Anhui Province, is a joint stock company incorporated in the PRC with limited liability. Gotion High-tech is a new energy battery enterprise and green energy solution provider, with global competitiveness. It was successfully listed on the Shenzhen Stock Exchange in May 2015 (Stock code: 002074) and the Swiss Stock Exchange in July 2022 (stock code: GOTION), respectively.

Gotion High-tech principally engages in the business of lithium iron phosphate materials and batteries, ternary materials and batteries, power battery packs, energy storage battery packs and battery management systems, etc. Its products are widely used in new energy vehicles, such as passenger cars, commercial vehicles and special purpose vehicles. Gotion High-tech also provides green energy system solutions for energy storage customers.

As at the Latest Practicable Date, Gotion High-Tech is held as to 16.87% collectively by Li Zhen, Li Chen and Nanjing Gotion Holding Group Co., Ltd. (南京國軒控股集團有限公司), which are the group of shareholders with the largest voting right.

Anhui Shengchang

Anhui Shengchang is a company incorporated in the PRC with limited liability principally engaged in the production and sales of chemical products (including natural gas and ammonia). Anhui Shengchang is held as to (i) 37.5% by Dingyuan County Tiancheng Investment Consulting Co., Ltd. (定遠縣天成投資諮詢有限公司) ("**Tiancheng Investment"**), (ii) 37.5% by Dingyuan County Jinshi Investment Consulting Co., Ltd. (定遠縣金石投資諮詢有限公司) ("**Jinshi Investment**") and (iii) 25.0% by Fuyang Wanyuan Investment Co., Ltd. (阜陽萬源投資有限公司) ("**Fuyang Wanyuan**").

Tiancheng Investment and Jinshi Investment are companies incorporated in the PRC with limited liability that are mainly engaged in project investment consulting services. Tiancheng Investment is held as to 66.67% by Hou Weiguo (侯衛國) and 33.33% by Chen Chuanbing (陳傳兵). Jinshi Investment is held as to 66.67% by Song Hongyong (宋紅勇) and 33.33% by Wu Chaofeng (武朝峰).

Fuyang Wanyuan is an investment holding company held as to 20% by each of (i) Song Wei (宋偉), (ii) Li Hong (李紅), (iii) Yu Yongming (于永明), (iv) Liu Zhaoqun (劉兆群), and (v) Ren Shan (任山), respectively.

Wuhu Artec

Wuhu Artec is a company incorporated in the PRC with limited liability principally engaged in the research and development on bio-based material, as well as technical services, consulting and promotion of bio-based material.

Wuhu Artec is wholly owned by Hubei Artek Biotechnology Co., Ltd. (湖北阿泰克生物科技股份有限公司) ("**Hubei Artec**"), which is in turn held as to (i) 80% by Liang Xiaojun (梁曉軍); (ii) 10% by Zhang Hui (張輝); (iii) 7.5% by Ding Shengfeng (丁聖峰); and (iv) 2.5% by Zhu Zhaoxia (朱朝霞).

SCGC Capital

SCGC Capital is a limited liability company incorporated on 16 November 2006 in the British Virgin Islands principally engaged in asset management and investment. It is an indirect wholly-owned subsidiary of Shenzhen Capital Group Co., Ltd.* (深圳市創新投資集團有限公司).

Shenzhen Capital Group Co., Ltd.*, the controlling shareholder of SCGC Capital, is a venture capital firm in the PRC with over RMB400.0 billion of assets under management, which mainly invests in the consumer goods, information technology, media, biotechnology, and new materials sectors. Shenzhen Capital Group Co., Ltd.* (深圳市創新投資集團有限公司) is held as to (i) approximately 46.63% by the State-owned Assets Supervision and Administration Commission of Shenzhen Municipal Government* (深圳市人民政府國有資產監督管理委員會) directly and indirectly through its subsidiaries; (ii) approximately 20.00% by Shenzhen Galaxy Property Development Limited Company (深圳市星河房地產開發有限公司), which is a company engaged in property development established in the PRC and owned as to approximately 99.85% by Huang Chu-Long (黃楚龍), through his direct and indirect shareholding, and as to approximately 0.15% by Huang De'An (黃德安); (iii) approximately 10.80% by Shanghai Dazhong Utilities (Group) Co., Ltd. (上海大眾公用事業(集團)股份有限公司), which is a company engaged in public utility and financial investment businesses listed on the Shanghai Stock Exchange (Stock Code: 600635) and the Stock Exchange (Stock Code: 1635), which save for its holding entity for employee share ownership scheme, has no substantial shareholders (as defined by the Listing Rules); and (iv) approximately 22.57% are held by various shareholders which are Independent Third Parties.

Guangdong Zongxing

Guangdong Zongxing is a company incorporated in the PRC with limited liability on 24 January 2018 principally engaged in the business of the use of robotic technology to enhance the intelligence level in the work relating to security and sanitation. It provides a full range of services, including intelligent monitoring, automatic patrols and environmental cleaning. Guangdong Zongxing is ultimately controlled by Zhang Dezhao (張德兆). For the purpose of the Cornerstone Investment, Guangdong Zongxing has engaged Zhonghai Trust Co., Ltd. (中海信託股份有限公司), which is a QDII, to subscribe for and hold the relevant Offer Shares on its behalf.

Shenzhen Gaodeng

Shenzhen Gaodeng is a company incorporated in the PRC with limited liability on 5 May 2017 principally engaged in the business of the use of intelligent trading services to enhance experience in various industries, including transport, lifestyle services, digital trading, digital human resources and digital governance. It also provides services to regulatory authorities to promote digital governance and build a credible trading platform for the parties, which reduces cost and increases efficiency in trading and facilitate digital transaction management. Jin Chao (金超), Zhang Minxia (張民遐), Li Di (李迪), Mo Xiaosheng (莫曉勝),Shenzhen Pamir Mountain Technology Partnership (Limited Partnership) (深圳帕米爾山科技合夥企業 (有限合夥)) ("**Shenzhen Pamir Mountain**") and Chengmai Gaodeng Symbiosis Information Technology Center (Limited Partnership) (澄邁高燈共生信息科技中心(有限合夥)) ("**Chengmai Gaodeng**") are a largest group of shareholders acting in concert, which collectively control over 30% of equity interest of Shenzhen Gaodeng. Shenzhen Pamir Mountain is held as to 99.99% by Hu Lili (胡麗麗) and 0.01% by Zhang Minxia (張民遐). To the best information and knowledge of our Directors and based on the public information available, Shenzhen Yizhi Investment Management Centre (Limited Partnership)* (深圳奕致投資管理中心(有限合夥)) ("**Shenzhen Yizhi**") holds 71.9% equity interest of Chengmai Gaodeng, while the ultimate beneficial owners of Shenzhen Yizhi are Chen Jiayu (陳佳昱) and Chen Xuejin (陳學軍). Other than the largest group of shareholders acting in concert, there is no other shareholder which control over 30% of equity interest of Shenzhen Gaodeng.

For the purpose of the cornerstone investment, Shenzhen Gaodeng has engaged Ping An of China Securities (Hong Kong) Co. Ltd. (平安證券股份有限公司), which is a QDII, to subscribe for and hold the relevant Offer Shares on its behalf. As a QDII and the asset manager, Ping An Securities has the sole discretion in making investment decisions for Shenzhen Gaodeng.

CLOSING CONDITIONS

The subscription obligation of each Cornerstone Investor under the respective Cornerstone Investment Agreement is subject to, among other things, the following closing conditions:

(a) the Underwriting Agreements being entered into and having become effective and unconditional (in accordance with their respective original terms or as subsequently waived or varied by agreement of the parties thereto) by no later than the time and date as specified in these Underwriting Agreements, and neither of the aforesaid Underwriting Agreements having been terminated;

(b) the Offer Price having been agreed upon between our Company and the Overall Coordinator (for itself and on behalf of the Underwriters);

(c) the Stock Exchange having granted the listing of, and permission to deal in, the H Shares (including the Investor Shares defined in the Cornerstone Investment Agreements) as well as other applicable waivers and approvals and such approval, permission or waiver having not been revoked prior to the commencement of dealings in the H Shares on the Stock Exchange;

(d) no laws shall have been enacted or promulgated by any governmental authority which prohibits the consummation of the transactions contemplated in the Global Offering or the Cornerstone Investment Agreements, and there shall be no orders or injunctions from a court of competent jurisdiction in effect precluding or prohibiting consummation of such transactions; and

(e) the respective representations, warranties, undertakings, acknowledgements and confirmations of the Cornerstone Investor under the respective Cornerstone Investment Agreements are true in all respects and not misleading and that there is no breach of the Cornerstone Investment Agreement on the part of the Cornerstone Investor.

RESTRICTIONS ON THE CORNERSTONE INVESTORS

Each Cornerstone Investor has agreed that it will not, and will cause its affiliates not to, whether directly or indirectly, at any time during the period of six months from (and inclusive of) the Listing Date (the "**Lock-up Period**"), dispose of, in any way, any of the Offer Shares or any interest in any company or entity holding such Offer Shares that they have purchased pursuant to the relevant Cornerstone Investment Agreement, save for certain limited circumstances, such as transfers to any of its wholly-owned subsidiaries who will be bound by the same obligations of such Cornerstone Investor, including the Lock-up Period restriction.

BEFORE THE COMPLETION OF THE GLOBAL OFFERING

As of the Latest Practicable Date, the issued share capital of our Company was RMB434,920,000, comprising 434,920,000 Unlisted Shares with a nominal value of RMB1.00 each.

IMMEDIATELY FOLLOWING THE COMPLETION OF THE GLOBAL OFFERING

Immediately following the completion of the Global Offering and conversion of Unlisted Shares into H Shares, assuming no exercise of the Over-allotment Option, the issued share capital of our Company will be as follows:

Description of Shares	Number of Shares	Approximate percentage to the total share capital of our Company
		(%)
Unlisted Share in issue [(1)]	394,523,200	68.03%
H Shares converted from Unlisted Shares [(2)]	40,396,800	6.97%
H Shares to be issued under the Global Offering	144,974,000	25.00%
Total	579,894,000	100%

Immediately following the completion of the Global Offering and conversion of Unlisted Shares into H Shares, assuming that the Over-allotment Option is fully exercised, the issued share capital of our Company will be as follows:

Description of Shares	Number of Shares	Approximate percentage to the total share capital of our Company
		(%)
Unlisted Shares in issue [(1)]	394,523,200	65.57%
H Shares converted from Unlisted Shares [(2)]	40,396,800	6.72%
H Shares to be issued under the Global Offering	166,720,000	27.71%
Total	601,640,000	100%

Notes:

1. The Unlisted Shares in issue refer to 198,470,000 Unlisted Shares held by Conch Tech Innovation, 96,101,600 Unlisted Shares held by Hubei Xintongling, 64,661,600 Unlisted Shares held by Linyi Haihong, 17,290,000 Unlisted Shares held by CCB Financial Asset Investment, 8,400,000 Unlisted Shares held by Anhui Huiyuan LP, 4,000,000 Unlisted Shares held by Wuhu Industrial Fund and 5,600,000 Unlisted Shares held by Wuhu Longmen LP.

2. Immediately following the completion of the Global Offering and according to the notification on completion of filing procedures issued by the CSRC on 2 April 2024, 40,396,800 Unlisted Shares will be converted into H Shares on a one-for-one basis and listed on the Stock Exchange for trading.

OUR SHARES

The H Shares, to be issued following the completion of the Global Offering and converted from the Unlisted Shares, and the Unlisted Shares are ordinary Shares in the share capital of our Company, all of which are considered as one class of Shares. Apart from certain qualified domestic institutional investors in the PRC, qualified PRC investors under the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect and other persons entitled to hold H Shares pursuant to the relevant PRC laws and regulations or upon approval by any competent authorities, H Shares generally may not be subscribed for by, or traded between, investors of the PRC. H Shares may only be subscribed for and traded in Hong Kong dollars.

Unlisted Shares and H Shares are regarded as one class of Shares under our Articles of Association and will rank *pari passu* with each other in all other respects and, in particular, will rank equally for all dividends or distributions declared, paid or made after the date of this prospectus. Dividends in respect of our Shares may be paid by us in Hong Kong dollars or Renminbi, as the case may be. In addition to cash, dividends may be distributed in the form of Shares.

CONVERSION OF OUR UNLISTED SHARES INTO H SHARES

According to the regulations issued by the CSRC and our Articles of Association, the holders of our Unlisted Shares may, at their own option, authorise our Company to file to the CSRC for conversion of their respective Unlisted Shares to H Shares, and such converted Shares may be listed and traded on an overseas stock exchange provided that the conversion, listing and trading of such converted Shares have completed the filing procedures with securities regulatory authorities, including the CSRC. Additionally, such conversion, trading and listing shall meet any requirement of internal approval process and in all respects comply with the regulations prescribed by the securities regulatory authorities of the State Council and the regulations, requirements and procedures prescribed by the relevant overseas stock exchange.

If any of the Unlisted Shares are to be converted, listed and traded as H Shares on the Stock Exchange, the filing with the relevant PRC regulatory authorities, including the CSRC, and the approval of the Stock Exchange are necessary for such conversion. Based on the procedures for the conversion of Unlisted Shares into H Shares as set out below, we will apply for the listing of all or any portion of the Unlisted Shares on the Stock Exchange as H Shares in advance of any proposed conversion after the Global Offering to ensure that the conversion process can be completed promptly upon notice to the Stock Exchange and delivery of Shares for entry on the H Share register. As the listing of additional Shares after the Listing on the Stock Exchange is ordinarily considered by the Stock Exchange to be a purely administrative matter, it does not require such prior application for listing at the time of our listing in Hong Kong. No Shareholder voting is required for the conversion of such Shares or the listing and trading of such converted Shares on an overseas stock exchange. Any application for listing of the converted shares on the Stock Exchange after our initial listing is subject to prior notification by way of announcement to inform our Shareholders and the public of any proposed conversion.

After all the requisite approvals have been obtained/filings have been completed, the relevant Unlisted Shares will be withdrawn from the Unlisted Share register, and our Company will re-register such Shares on the H Share register maintained in Hong Kong and instruct the H Share Registrar to issue H Share certificates. Registration on the H Share register of our Company will be on the conditions that (i) the H Share Registrar lodges with the Stock Exchange a letter confirming the entry of the relevant H Shares on the H Share register and the due dispatch of H Share certificates; and (ii) the admission of the H Shares to be traded on the Stock Exchange complies with the Listing Rules and the General Rules of CCASS and the CCASS Operational Procedures in force from time to time.

Until the converted Shares are re-registered on the H Share register of our Company, such Shares would not be listed as H Shares. Below set forth the details of our existing Shareholders' proposed conversion of Unlisted Shares into H Shares:

Shareholders who intend to convert their Shares to H Shares	Number of Converted Shares	Percentage of shareholding immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised)
Conch Tech Innovation	13,000,000	2.24%
Hubei Xintongling	8,698,400	1.50%
Linyi Haihong	8,698,400	1.50%
Anhui Huiyuan LP	3,600,000	0.62%
Wuhu Longmen LP	2,400,000	0.41%
Wuhu Industrial Fund	4,000,000	0.69%
Total	40,396,800	6.97%

RESTRICTION OF SHARE TRANSFER

In accordance with the PRC Company Law, the shares issued prior to any public offering of shares by a company cannot be transferred within one year from the date on which such publicly offered shares are listed and traded on the relevant stock exchange. As such, the Shares issued by our Company prior to the issue of H Shares will be subject to such statutory restriction on transfer within a period of one year from the Listing Date.

Our Directors, Supervisors and members of the senior management of our Company shall declare their shareholdings in our Company and any changes in their shareholdings. Shares transferred by our Directors, Supervisors and members of the senior management each year during their term of office as determined when they assume the posts shall not exceed 25% of their total respective shareholdings in our Company. The Shares that the aforementioned persons held in our Company cannot be transferred within one year from the date on which the Shares are listed and traded, nor within half a year after they leave their positions in our Company. The Articles of Association may contain other restrictions on the transfer of the Shares held by our Directors, Supervisors and members of senior management of our Company.

REGISTRATION OF SHARES NOT LISTED ON AN OVERSEAS STOCK EXCHANGE

According to the Guidelines for the "Full Circulation" Program for Domestic Unlisted Shares of H-share Listed Companies (H股公司境內未上市股份申請"全流通"業務指引) announced by the CSRC, the domestic shareholders of unlisted shares shall handle share transfer registration business in accordance with the relevant business rules of CSDC. Further, H-share companies should submit the relevant status reports to the CSRC within 15 days after the transfer registration with the CSDC of the shares involved in the application is completed.

GENERAL MANDATE TO ISSUE SHARES

Subject to the completion of the Global Offering, our Board has been granted a general mandate to allot and issue H Shares. For further details on this general mandate, see "Statutory and General Information — A. Further Information about our Group — 3. Resolutions of the Shareholders of our Company passed at our Company's extraordinary general meeting" in Appendix IV to this prospectus.

SHAREHOLDERS' APPROVAL FOR THE GLOBAL OFFERING

Approval from our Shareholders is required for our Company to issue H Shares and seek the listing of H Shares on the Stock Exchange. Our Company has obtained such approval at the Shareholders' extraordinary general meeting held on 15 November 2023.

You should read this section in conjunction with our consolidated financial statements, including the notes thereto, as set out in "Appendix I — Accountants' Report" to this prospectus. The consolidated financial statements have been prepared in accordance with IFRSs. You should read the entire Accountants' Report and not merely rely on the information contained in this section.

The following discussion and analysis contains forward-looking statements that reflect our current views with respect to future events and financial performance that involve risks and uncertainties. These statements are based on assumptions and analysis made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, our actual results may differ significantly from those projected in the forward-looking statements. Factors that might cause future results to differ significantly from those projected in the forward-looking statements include those discussed in "Risk Factors" in this prospectus. The following discussion and analysis also contain amounts and percentage figures that have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them and all monetary amounts shown are approximate amounts only.

OVERVIEW

We are a fine chemical materials supplier which produces and sells cement admixture (水泥外加劑), concrete admixture (混凝土外加劑) and their respective upstream raw materials. Leveraging our R&D endeavours and capabilities, we also provide technical support to our customers relating to the products provided by us. According to Frost & Sullivan, we ranked first in the PRC in terms of both sales volume and revenue of cement admixtures in FY2023, with a market share of approximately 28.3% and 32.3%, respectively (in particular, we ranked first in the PRC in terms of sales volume and revenue of cement grinding aids (水泥助磨劑)[1] in FY2023, with a market share of approximately 34.6% and 34.1%, respectively). Our sales volume of concrete admixtures accounted for approximately 0.8% of the total sales volume of concrete admixtures in the PRC in FY2023, whereas our revenue of concrete admixtures accounted for approximately 0.6% of the total revenue of concrete admixtures in the PRC in FY2023. Our sales volume of processed alcohol amines accounted for approximately 4.7% of the total sales volume of processed alcohol amines in the PRC in FY2023, whereas our revenue of processed alcohol amines accounted for approximately 3.9% of the total revenue of processed alcohol amines in the PRC in FY2023. Our sales volume of polyether monomers accounted for approximately 0.9% of the total sales volume of polyether monomers in the PRC in FY2023, whereas our revenue of polyether monomers accounted for approximately 1.0% of the total revenue of polyether monomers in the PRC in FY2023. We were established by Conch Holdings, a Fortune China 500 company that ranks

1 Cement grinding aids is a principal type of cement admixture. The production volume of cement grinding aids accounted for approximately 81.8% of total production volume of cement admixtures in the PRC in FY2023.

the 135th in 2024, to explore the fine chemical materials market as a key enterprise with a full industrial spectrum of abilities to achieve energy conservation and efficiency improvement for the cement and concrete industry.

For each of the FY2021, FY2022 and FY2023, our total revenue was RMB1,537.5 million, RMB1,839.6 million and RMB2,395.5 million, respectively, representing a CAGR of 24.8% over the three years ended 31 December 2023. Our net profit for the year was RMB126.9 million, RMB92.4 million and RMB143.9 million for FY2021, FY2022 and FY2023, respectively.

Our revenue increased by RMB67.9 million or 6.6% from RMB1,035.5 million for 6M2023 to RMB1,103.4 million for 6M2024, while our net profit for the period increased by RMB12.5 million or 26.2% from RMB47.7 million for 6M2023 to RMB60.2 million for 6M2024.

BASIS OF PREPARATION AND PRESENTATION

Our Company was incorporated in the PRC as a limited liability company on 28 May 2018 and converted into a joint stock company with limited liability on 15 July 2022.

The financial statements of our Group has been prepared in accordance with IFRSs, which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards and Interpretations issued by the IASB. The IASB has issued a number of new and revised IFRSs. For the purpose of preparing this historical financial information, our Group has adopted all applicable new and revised IFRSs to the Track Record Period. See Note 1 to the Accountants' Report for more information on the basis of preparation and presentation of our financial statements.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations and financial position have been and will continue to be affected by a number of factors, many of which may not be within our control, including those set out in the section entitled "Risk Factors" in this prospectus and those discussed below:

General economic conditions in the PRC

Our products are primarily applied in the building materials industry in the PRC. During the Track Record Period, we mainly sold our products to customers in the PRC, with majority of such customers being cement and concrete manufacturers. Therefore, economic trends in the PRC have a significant impact on various aspects of our operations, including, but not limited to the demand for our products, the price and supply of raw materials, as well as the selling, distribution and administrative expenses. In addition, changes in national or local policies in building materials industry and cement and concrete industries may affect the level of activities in these industries. As such, both the PRC's macroeconomic trends and policies could affect our procurement, production, sales and other parts of our business, leading to fluctuations in our results of operations.

Cost of raw materials

Our cost of raw materials are major components of our total cost of sales during the Track Record Period. They amounted to approximately RMB1,084.9 million, RMB1,339.6 million, RMB1,759.1 million and RMB807.8 million, representing approximately 90.5%, 90.8%, 90.8% and 90.3% of our total cost of sales for FY2021, FY2022, FY2023 and 6M2024, respectively.

Price of our products is generally determined taking into account various factors, mainly consisting of the price of the raw materials, labour costs, transportation cost, market prospects of the geographical area in which the customer operates, specifications of products requested by customers, our profit margin with reference to the market demand, anticipated market trends, historical sales data and prices of our competitors' products. The cost, including any fluctuation in the cost of raw materials, will be taken into account in determining the selling price for our customers. On the other hand, selling price of our products stipulated in contracts entered into with some of our customers is fixed during the contract period. Thus, any unexpected increase in market price of raw materials during the period when our selling price is not allowed to adjust according to contract term, our cost will increase and our gross profit and gross profit margin will decrease, and vice versa.

The procurement cost of raw materials is typically subject to volatility caused by external conditions such as market supply and demand. As a result, we are exposed to the market risk of price fluctuation. Any unexpected increases in market prices of raw materials may have a material and adverse effect on our business, results of operations and financial condition if we are unable to transfer the increased procurement cost to our customers.

For demonstration purposes, the following sensitivity analysis illustrates the impacts of hypothetical fluctuations in our cost of raw materials on our profit before tax during the Track Record Period, holding all other variables constant. The hypothetical fluctuation for cost of raw materials are set at 5% and 10% during the Track Record Period.

Hypothetical changes in the cost of raw materials	FY2021	FY2022	FY2023	6M2023	6M2024
	RMB' million	*RMB' million*	*RMB' million*	*RMB' million* (Unaudited)	*RMB' million*
+/-5%	-/+54.2	-/+67.0	-/+88.0	-/+37.7	-/+40.4
+/-10%	-/+108.5	-/+134.0	-/+175.9	-/+75.4	-/+80.8

Prospective investors should note that the above analyses on the historical financial information are based on assumptions and for reference only and should not be viewed as the actual effect.

Sales volume and product pricing

Our operating results are principally driven by our sales volume and the selling prices of our cement admixture, concrete admixture, and their respective in-process intermediaries as well as our competitiveness. The sales volume of our products is depending on a number of factors that may or may not be within our control. If for whatever reason we encounter a substantial decrease in the market demand in the PRC, our sales will correspondingly decrease, which could have a significant impact on our profitability. We generally determine the product price of our products taking into account various factors, mainly consisting of the price of the raw materials, labour costs, transportation cost, specifications of products requested by customers, our profit margin with reference to the market demand, anticipated market trends, historical sales data and prices of our competitors' products. If we are unable to pass the impact of the increase in purchase price of raw materials to our customers by adjusting our product price in a timely manner or at all due to price competition with other competitors or if we misjudge the extent of adjustment of our product price, our gross profit, cash flow and results of operations will be materially and adversely affected.

Product mix and gross profit margins

During the Track Record Period, we derived our revenue from sales of cement admixture and concrete admixture and their respective in-process intermediaries. For FY2021, FY2022, FY2023 and 6M2024, sales of cement admixture contributed 62.6%, 49.8%, 38.8% and 37.3% of our total revenue, respectively, and generated gross profit margin of 31.1%, 35.5%, 40.4% and 43.1% for the corresponding periods. As each of the existing product often carries a different cost structure and gross profit margin, our product mix will impact our overall cost structure and gross profit margin. Thus, our results of operation may vary from period to period as a result of the change in the composition of our revenue from different product mix.

Utilisation rates of our production facilities

Our results of operations depend on the utilisation rate of our production facilities. Operations at or near full capacity utilisation have a significant positive effect on our profitability because a portion of our cost of sales is of a fixed nature. If we increase the utilisation rate of our production facilities, the production volume of the products from those production facilities will increase, and therefore our average fixed costs per tonne of those products will decrease. As a result, our utilisation rates have a significant effect on our gross profit margin. The utilisation rate is affected by various factors, including the demand for our products, the overall economic performance in the PRC and the selected segment of the market and other operational disruptions, such as the expansion of production facilities, and our ability to manage our production facilities.

MATERIAL ACCOUNTING POLICIES AND CRITICAL ESTIMATES AND JUDGEMENT

We have identified certain accounting policies that are material to the preparation of our Group's financial statements. Some of our accounting policies involve subjective assumptions and estimates, as well as complex judgements relating to accounting items. In each case, the determination of these items requires management judgements based on information and financial data that may change in future periods. When reviewing our financial statements, you should consider: (i) our selection of critical accounting policies; (ii) the judgements and other uncertainties affecting the application of such policies; and (iii) the sensitivity of reported results to changes in conditions and assumptions. We set out below those accounting policies that we believe are of critical importance to us or involve the critical estimates and judgements used in the preparation of our Group's consolidated financial statements. Our material accounting policies, accounting judgement and estimates, which are important for an understanding of our financial condition and results of operations, are set out in detail in Note 2 and Note 3 to the Accountants' Report in Appendix I to this prospectus.

Material accounting policies

Revenue and other income

Income is classified by our Group as revenue when it arises from the sale of goods and the provision of services in the ordinary course of our Group's business.

Revenue is recognised when control over a product or service is transferred to the customer at the amount of promised consideration to which our Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Where the contract contains a financing component which provides a significant financing benefit to the customer for more than 12 months, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction with the customer, and interest income is accrued separately under the effective interest method. Where the contract contains a financing component which provides a significant financing benefit to our Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method.

Sales of goods

Revenue is recognised when the customer takes possession of and accepts the products. Payment terms and conditions vary by customers and are based on the billing schedule established in the contracts or purchase orders with customers, but our Group generally provides credit terms to customers within three months upon customer acceptance. Our Group take advantage of the practical expedient in paragraph 63 of IFRS 15 and does not adjust the consideration for any effects of a significant financing component as the period of financing is 12 months or less.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs.

Items may be produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management. The proceeds from selling any such items and the related costs are recognised in profit or loss.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

	Useful life
Plant and buildings	30 years
Machinery and equipment	5–15 years
Motor vehicles	5–15 years
Office and other equipment	5 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

Construction in progress represents property, plant and equipment under construction, which is stated at cost less accumulated impairment losses. Capitalisation of construction in progress costs ceases and the construction in progress is transferred to property, plant and equipment when substantially all of the activities necessary to prepare the assets for their intended use are completed. No depreciation is provided in respect of construction in progress until it is substantially completed and ready for its intended use.

Trade and other receivables

A receivable is recognised when our Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before our Group has an unconditional right to receive consideration, the amount is presented as a contract asset.

All receivables are subsequently stated at amortised cost, using the effective interest method and including an allowance for credit losses.

Accounting judgement and estimates

Expected credit losses for receivables

Our Group uses a provision matrix to calculate expected credit losses ("**ECLs**") for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on our Group's historical observed default rates. Our Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e. consumer price index) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At the end of each reporting period, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

Depreciation and amortisation

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets, after taking into account the estimated residual value. Intangible assets are amortised on a straight-line basis over the estimated useful lives. Management reviews annually the useful lives of the assets and residual values, if any, in order to determine the amount of depreciation and amortisation expenses to be recorded during any reporting period. The useful lives and residual values are based on our Group's historical experience with similar assets and taking into account anticipated technological and other changes, as well as the environmental goals. The depreciation and amortisation expenses for future periods are adjusted if there are significant changes from previous estimates.

Inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market condition and the historical experience of manufacturing and selling products of similar nature. In addition, these estimates could change significantly as a result of change in customer preference, environmental goals and competitor actions in response to industry cycles. Management measures these estimates at the end of each reporting period.

RESULTS OF OPERATIONS

The following table summarises the consolidated statements of profit or loss and other comprehensive income from the historical financial information during the Track Record Period, details of which are set out in the Accountants' Report in Appendix I to this prospectus.

	FY2021	FY2022	FY2023	6M2023	6M2024
	RMB' million	*RMB' million*	*RMB' million*	*RMB' million* (Unaudited)	*RMB' million*
Revenue	1,537.5	1,839.6	2,395.5	1,035.5	1,103.4
Cost of sales	(1,199.3)	(1,475.9)	(1,936.3)	(844.4)	(894.3)
Gross profit	338.2	363.7	459.2	191.1	209.1
Other net income	10.9	6.3	13.6	5.0	11.1
Distribution costs	(33.1)	(45.1)	(55.0)	(25.4)	(27.3)
Administrative expenses	(119.1)	(141.5)	(157.1)	(75.1)	(77.0)
Research and development costs	(39.1)	(39.9)	(45.8)	(21.2)	(29.4)
Reversal of/(provision for) impairment losses on trade receivables	2.6	(10.1)	(14.6)	0.0	(2.0)
Profit from operations	160.4	133.4	200.3	74.4	84.5
Finance costs	(10.1)	(23.7)	(30.3)	(15.8)	(13.7)
Profit before taxation	150.3	109.7	170.0	58.6	70.8
Income tax	(23.4)	(17.3)	(26.1)	(10.9)	(10.6)
Profit for the year/period	126.9	92.4	143.9	47.7	60.2
Profit for the year/period attributable to:					
Equity shareholders of the Company	129.7	75.9	116.9	38.3	52.7
Non-controlling interests	(2.8)	16.5	27.0	9.4	7.5
Profit for the year/period	126.9	92.4	143.9	47.7	60.2

DESCRIPTION OF SELECTED ITEMS IN CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Revenue

During the Track Record Period, we derived our revenue from sales of cement admixture and concrete admixture, and their respective in-process intermediaries namely processed alcohol amine, polyether monomers and polycarboxylic acid mother liquor.

Revenue by product

The table below sets out an analysis of our sales volume, average selling price and revenue by product type and customer type during the Track Record Period:

	FY2021				FY2022				FY2023				6M2023				6M2024			
	Sales Volume	Average selling price *(note 3)*	Revenue	% of total revenue	Sales Volume	Average selling price *(note 3)*	Revenue	% of total revenue	Sales Volume	Average selling price *(note 3)*	Revenue	% of total revenue	Sales Volume	Average selling price *(note 3)*	Revenue	% of total revenue	Sales Volume	Average selling price *(note 3)*	Revenue	% of total revenue
	Tonnes ('000)	*RMB per tonne*	*RMB' million*	%	*Tonnes ('000)*	*RMB per tonne*	*RMB' million*	%	*Tonnes ('000)*	*RMB per tonne*	*RMB' million*	%	*Tonnes ('000)*	*RMB per tonne*	*RMB' million* (Unaudited)	%	*Tonnes ('000)*	*RMB per tonne*	*RMB' million*	%
Cement admixture and in-process intermediaries																				
Cement grinding aid (type 2)	**231**	**3,181.7**	**733.6**	**47.7**	**224**	**3,092.6**	**693.5**	**37.7**	**245**	**3,050.0**	**748.4**	**31.2**	**108**	**3,046.4**	**329.8**	**31.8**	**113**	**2,955.3**	**333.8**	**30.3**
Related party customers	212	3,209.1	680.1	44.2	204	3,105.6	635.4	34.5	218	3,079.8	670.5	27.9	95	3,076.4	293.9	28.4	99	2,996.4	296.9	26.9
– Related Party A	212	3,209.1	680.1	44.2	204	3,105.6	635.4	34.5	218	3,079.8	670.5	27.9	95	3,076.4	293.9	28.4	99	2,996.4	296.9	26.9
Third party customers	19	2,869.7	53.5	3.5	20	2,956.7	58.1	3.2	28	2,815.7	77.9	3.3	13	2,820.6	35.9	3.5	14	2,661.3	36.9	3.4
– Non-trader	18	2,918.6	51.1	3.3	19	2,986.7	56.1	3.0	26	2,822.1	73.8	3.1	12	2,834.2	34.3	3.3	14	2,672.6	36.1	3.3
– Trader	1	2,111.7	2.4	0.2	1	2,314.3	2.0	0.2	2	2,705.2	4.1	0.2	1	2,554.8	1.6	0.2	0	2,245.4	0.8	0.1
Cement grinding aid (type 1)	**23**	**8,343.8**	**189.0**	**12.3**	**20**	**8,097.3**	**158.5**	**8.6**	**17**	**7,428.3**	**129.4**	**5.4**	**9**	**7,680.1**	**67.2**	**6.5**	**7**	**7,391.1**	**53.6**	**4.9**
Related party customers	13	9,104.8	118.6	7.7	11	8,146.6	90.2	4.9	7	8,167.2	58.8	2.5	4	8,216.1	32.5	3.1	3	8,227.7	23.1	2.1
– Related Party A	13	9,104.8	118.6	7.7	11	8,146.6	90.2	4.9	7	8,167.2	58.8	2.5	4	8,216.1	32.5	3.1	3	8,227.7	23.1	2.1
Third party customers	10	7,314.8	70.4	4.6	9	7,711.2	68.3	3.7	10	6,907.7	70.6	2.9	5	7,238.7	34.7	3.4	4	6,862.1	30.5	2.8
– Non-trader	8	7,698.1	63.4	4.1	8	8,038.9	61.2	3.3	7	7,291.7	48.0	2.0	3	7,398.3	22.5	2.2	3	6,688.8	21.4	2.0
– Trader	2	5,028.3	7.0	0.5	1	5,699.7	7.1	0.4	3	6,213.9	22.6	0.9	2	6,961.2	12.2	1.2	1	7,306.4	9.1	0.8

	FY2021				FY2022				FY2023				6M2023				6M2024			
	Sales Volume	Average selling price (note 3)	Revenue	% of total revenue	Sales Volume	Average selling price (note 3)	Revenue	% of total revenue	Sales Volume	Average selling price (note 3)	Revenue	% of total revenue	Sales Volume	Average selling price (note 3)	Revenue	% of total revenue	Sales Volume	Average selling price (note 3)	Revenue	% of total revenue
	Tonnes ('000)	*RMB per tonne*	*RMB' million*	*%*	*Tonnes ('000)*	*RMB per tonne*	*RMB' million*	*%*	*Tonnes ('000)*	*RMB per tonne*	*RMB' million*	*%*	*Tonnes ('000)*	*RMB per tonne*	*RMB' million (Unaudited)*	*%*	*Tonnes ('000)*	*RMB per tonne*	*RMB' million*	*%*
Processed alcohol amine	**49**	**9,997.0**	**487.0**	**31.7**	**57**	**7,811.0**	**441.3**	**24.0**	**71**	**7,032.3**	**497.5**	**20.8**	**29**	**7,140.3**	**208.5**	**20.1**	**33**	**6,343.0**	**207.2**	**18.8**
Related party customers	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	0	6,521.6	1.7	0.2
– Related Party A	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	0	6,521.6	1.7	0.2
Third party customers	49	9,997.0	487.0	31.7	57	7,811.0	441.3	24.0	71	7,032.3	497.5	20.8	29	7,140.3	208.5	20.1	33	6,341.6	205.5	18.6
– Non-trader	40	10,118.3	404.0	26.3	41	7,804.8	318.9	17.3	57	7,055.2	401.7	16.8	23	7,164.6	168.3	16.3	28	6,317.3	175.4	15.9
– Trader	9	9,445.8	83.0	5.4	16	7,827.3	122.4	6.7	14	6,937.5	95.8	4.0	6	7,040.2	40.2	3.9	5	6,486.7	30.1	2.7
Others (note 1)	**7**	**5,466.4**	**40.0**	**2.6**	**13**	**4,991.6**	**64.5**	**3.5**	**12**	**4,531.6**	**52.4**	**2.2**	**6**	**4,564.5**	**25.4**	**2.5**	**6**	**3,825.1**	**23.8**	**2.2**
Related party customers	1	8,496.7	4.9	0.3	1	8,709.4	6.1	0.3	1	6,821.9	1.0	0.0	0	8,716.8	0.8	0.1	0	4,801.5	0.4	0.1
– Related Party A	1	8,496.7	4.9	0.3	1	8,709.4	6.1	0.3	1	6,821.9	1.0	0.0	0	8,716.8	0.8	0.1	0	4,801.5	0.4	0.1
Third party customers	6	5,206.4	35.1	2.3	12	4,758.1	58.4	3.2	11	4,503.7	51.4	2.2	6	4,495.7	24.6	2.4	6	3,812.5	23.4	2.1
– Non-trader	6	5,155.0	32.3	2.1	11	4,779.6	55.6	2.7	10	4,692.9	48.2	2.1	6	4,615.5	23.6	2.3	5	3,885.2	22.1	2.0
– Trader	0	5,884.6	2.8	0.2	1	4,719.8	2.8	0.5	1	2,790.7	3.2	0.1	0	2,809.3	1.0	0.1	1	2,904.6	1.3	0.1
Sub total			**1,449.6**	**94.3**			**1,357.8**	**73.8**			**1,427.7**	**59.6**			**630.9**	**60.9**			**618.4**	**56.0**
Concrete admixture and in-process intermediaries																				
Concrete water reducing admixture (type 2)	**32**	**1,652.0**	**52.1**	**3.5**	**43**	**1,388.0**	**59.3**	**3.2**	**74**	**1,185.9**	**88.0**	**3.6**	**32**	**1,224.4**	**38.9**	**3.8**	**32**	**1,121.3**	**35.3**	**3.2**
Related party customers	26	1,733.3	43.6	2.8	22	1,548.3	33.9	1.8	29	1,265.4	36.3	1.5	12	1,346.0	15.9	1.6	15	1,146.4	16.6	1.5
– Related Party A	2	1,879.3	3.4	0.2	6	1,561.7	9.3	0.5	17	1,240.9	21.3	0.9	6	1,336.3	7.7	0.7	11	1,100.9	11.6	0.5
– Related Party B	24	1,722.1	40.2	2.6	16	1,543.3	24.6	1.3	12	1,301.9	15.0	0.6	6	1,355.3	8.2	0.9	4	1,267.2	5.0	1.0
Third party customers	6	1,332.9	8.5	0.7	21	1,219.1	25.4	1.4	45	1,135.7	51.7	2.1	20	1,152.5	23.0	2.2	17	1,099.8	18.7	1.7
– Non-trader	3	1,425.3	4.5	0.4	15	1,240.8	18.3	1.0	21	1,180.7	25.0	1.0	8	1,205.3	10.2	1.0	8	1,181.0	9.9	0.9
– Trader	3	1,243.1	4.0	0.3	6	1,166.9	7.1	0.4	24	1,096.8	26.7	1.1	12	1,113.6	12.8	1.2	9	1,021.0	8.8	0.8
Concrete water reducing admixture (type 1)	**3**	**1,273.2**	**3.7**	**0.2**	**14**	**1,123.6**	**16.4**	**0.9**	**30**	**918.8**	**27.6**	**1.2**	**11**	**961.7**	**10.7**	**1.0**	**29**	**921.1**	**27.2**	**2.5**
Related party customers	0	1,592.9	0	0.0	3	1,461.1	4.7	0.3	9	943.3	8.2	0.3	2	1,014.9	2.6	0.2	7	972.0	6.6	0.6
– Related Party A	0	1,592.9	0	0.0	3	1,461.1	4.7	0.3	9	943.3	8.2	0.3	2	1,014.9	2.6	0.2	7	972.0	6.6	0.6

	FY2021				FY2022				FY2023				6M2023				6M2024			
	Sales Volume	Average selling price *(note 3)*	Revenue	% of total revenue	Sales Volume	Average selling price *(note 3)*	Revenue	% of total revenue	Sales Volume	Average selling price *(note 3)*	Revenue	% of total revenue	Sales Volume	Average selling price *(note 3)*	Revenue	% of total revenue	Sales Volume	Average selling price *(note 3)*	Revenue	% of total revenue
	Tonnes ('000)	*RMB per tonne*	*RMB' million*	*%*	*Tonnes ('000)*	*RMB per tonne*	*RMB' million*	*%*	*Tonnes ('000)*	*RMB per tonne*	*RMB' million*	*%*	*Tonnes ('000)*	*RMB per tonne*	*RMB' million* (Unaudited)	*%*	*Tonnes ('000)*	*RMB per tonne*	*RMB' million*	*%*
Third party customers	3	1,271.5	3.7	0.2	11	1,029.1	11.7	0.6	21	908.9	19.4	0.9	9	946.0	8.1	0.8	22	905.9	20.6	1.9
– Non-trader	2	1,431.4	2.7	0.2	5	1,085.6	5.5	0.3	8	960.5	7.8	0.3	3	1,016.1	2.7	0.3	12	957.3	12.2	1.1
– Trader	1	980.3	1.0	0.0	6	983.6	6.2	0.3	13	877.3	11.6	0.6	6	914.0	5.4	0.5	10	840.0	8.4	0.8
Concrete water reducing admixture (type 3)	**7**	**1,587.9**	**12.4**	**0.8**	**7**	**1,688.3**	**12.3**	**0.7**	**9**	**1,349.0**	**12.5**	**0.5**	**3**	**1,341.1**	**3.4**	**0.3**	**7**	**1,387.6**	**9.9**	**0.9**
Related party customers	0	1,974.0	0.7	0.0	1	2,089.6	3.3	0.2	1	1,404.1	1.7	0.0	–	–	–	–	3	1,436.4	4.6	0.4
– Related Party A	0	1,974.0	0.7	0.0	1	2,089.6	3.3	0.2	1	1,404.1	1.7	0.0	–	–	–	–	3	1,436.4	4.6	0.4
Third party customers	7	1,570.6	11.7	0.8	6	1,577.3	9.0	0.5	8	1,340.4	10.8	0.5	3	1,341.1	3.4	0.3	4	1,347.2	5.3	0.5
– Non-trader	7	1,564.3	11.0	0.8	6	1,583.0	8.5	0.5	4	1,369.2	5.9	0.3	2	1,340.6	2.2	0.2	3	1,375.3	4.0	0.4
– Trader	0	1,677.5	0.7	0.0	0	1,477.9	0.5	0.0	4	1,307.3	4.9	0.2	1	1,342.0	1.2	0.1	1	1,266.0	1.3	0.1
Polyether monomers	**–**	**–**	**–**	**–**	**58**	**5,486.0**	**315.5**	**17.2**	**126**	**5,510.4**	**695.1**	**29.0**	**56**	**5,400.7**	**301.9**	**29.2**	**50**	**6,050.9**	**302.5**	**27.4**
Related party customers	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	0	6,401.2	1.0	0.1
— Related Party A	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	0	6,401.2	1.0	0.1
Third party customers	–	–	–	–	58	5,486.0	315.5	17.2	126	5,510.4	695.1	29.0	56	5,400.7	301.9	29.2	50	6,049.8	301.5	27.3
— Non-trader	–	–	–	–	54	5,407.5	289.7	15.7	110	5,464.4	597.3	24.9	51	5,364.9	274.1	26.5	42	5,981.5	248.9	22.6
— Trader	–	–	–	–	4	6,555.9	25.8	4.1	16	5,808.6	97.8	4.1	5	5,781.0	27.8	2.7	8	6,396.1	52.6	4.8
Polycarboxylic acid mother liquor	**3**	**4,348.7**	**12.9**	**0.8**	**12**	**4,118.7**	**47.5**	**2.6**	**31**	**3,671.8**	**114.1**	**4.8**	**10**	**3,689.6**	**36.2**	**3.5**	**26**	**3,442.7**	**88.7**	**8.0**
Related party customers	0	3,982.3	0.0	0.0	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
— Related Party B	0	3,982.3	0.0	0.0	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Third party customers	3	4,348.8	12.9	0.8	12	4,118.7	47.5	2.6	31	3,671.8	114.1	4.8	10	3,689.6	36.2	3.5	26	3,442.7	88.7	8.0
— Non-trader	2	4,379.9	9.5	0.6	7	4,186.6	29.1	1.6	20	3,739.7	73.5	3.1	5	3,728.2	19.4	1.9	22	3,439.2	75.8	6.8
— Trader	1	4,263.5	3.4	0.2	5	4,015.2	18.4	1.0	11	3,554.9	40.6	1.7	5	3,645.8	16.8	1.6	4	3,463.2	12.9	1.2

	FY2021				FY2022				FY2023			
	Sales Volume	Average selling price (note 3)	Revenue	% of total revenue	Sales Volume	Average selling price (note 3)	Revenue	% of total revenue	Sales Volume	Average selling price (note 3)	Revenue	% of total revenue
	Tonnes ('000)	*RMB per tonne*	*RMB' million*	*%*	*Tonnes ('000)*	*RMB per tonne*	*RMB' million*	*%*	*Tonnes ('000)*	*RMB per tonne*	*RMB' million*	*%*
Others (Note 2)	**3**	**1,402.8**	**3.7**	**0.2**	**5**	**2,142.7**	**9.4**	**0.5**	**11**	**2,297.4**	**25.2**	**1.1**
Related party customers	2	988.2	2.1	0.1	2	1,020.1	2.0	0.1	1	1,008.2	1.1	0.0
— Related Party A	—	—	—	—	—	—	—	—	—	—	—	—
— Related Party B	2	988.2	2.1	0.1	2	1,020.1	2.0	0.1	1	1,008.2	1.1	0.0
Third party customers	1	3,510.7	1.6	0.1	3	3,008.4	7.4	0.4	10	2,434.1	24.1	1.1
— Non-trader	1	3,440.3	1.4	0.1	2	2,935.6	5.5	0.3	5	2,508.9	12.6	0.6
— Trader	0	3,937.9	0.2	0.0	1	3,240.7	1.9	0.1	5	2,356.0	11.5	0.5
Sub total			**84.8**	**5.5**			**460.4**	**25.1**			**962.5**	**40.2**
Total			**1,534.4**	**99.8**			**1,818.2**	**98.9**			**2,390.2**	**99.7**

	6M2023				6M2024			
	Sales Volume	Average selling price (note 3)	Revenue	% of total revenue	Sales Volume	Average selling price (note 3)	Revenue	% of total revenue
	Tonnes ('000)	*RMB per tonne*	*RMB' million* (Unaudited)	*%*	*Tonnes ('000)*	*RMB per tonne*	*RMB' million*	*%*
Others (Note 2)	**4**	**2,282.6**	**8.8**	**0.8**	**8**	**2,290.4**	**19.1**	**1.7**
Related party customers	0	1,012.2	0.4	0.0	0	1,033.1	0.4	0.0
— Related Party A	—	—	—	—	0	42,477.8 (Note 4)	0.0	0.0
— Related Party B	0	1,012.2	0.4	0.0	0	1,005.0	0.4	0.0
Third party customers	3	2,464.2	8.4	0.8	8	2,355.1	18.7	1.7
— Non-trader	2	2,430.9	5.4	0.5	5	2,680.7	12.2	1.1
— Trader	1	2,523.4	3.0	0.3	3	1,919.1	6.5	0.6
Sub total			**399.9**	**38.6**			**482.7**	**43.7**
Total			**1,030.8**	**99.5**			**1,101.1**	**99.8**

Notes:

1. Others mainly comprised other cement admixture with different concentrated content level and different functions. Others include cement hexavalent chromium reducing agents, high-alkali cement special admixtures, raw meal additives and ore powder special admixtures. During the Track Record Period, no models in other products generated revenue over 4% of our total revenue. For the same models sold to related party customers and third party customers, the proportion to total sales volume was small. For different models sold to different related party customers and third party customers, they carried different selling price and different gross profit margin.

2. Others mainly comprised other concrete admixture with different concentrated content level and different functions. Others include accelerating concrete admixtures, retarding concrete admixtures, plasticising concrete admixtures etc. During the Track Record Period, none of the other products generated revenue over 1.8% of our total revenue.

3. Average selling price is calculated by using revenue in absolute amount divided by sales volume in absolute amount.

4. Represented sales of less than 1,000 tonne concrete segregation agent in the amount of less than RMB0.1 million.

Price of our products is generally determined taking into account various factors, mainly consisting of the price of the raw materials, labour costs, transportation cost, market prospects of the geographical area in which the customer operates, specifications of products requested by customers, our profit margin with reference to the market demand, anticipated market trends, historical sales data and prices of our competitors' products. Thus, any change in raw material price may result in adjustment in our selling price. Depending on our ability to pass the impact of the change in purchase price of raw materials to our customers, our selling price may change in a lesser extent than the change in purchase price of raw materials and our gross profit margin may decrease.

Cement admixture and in-process intermediaries

Our revenue from cement admixture decreased by RMB46.1 million or 4.8% from RMB962.6 million for FY2021 to RMB916.5 million for FY2022, mainly due to (i) the decrease in average selling price as a result of the decrease in purchase price of the raw material, namely propylene oxide; and (ii) the slight decrease in sales volume as a result of the decrease in market demand following the outbreak of COVID-19 pandemic and the recession in real estate market. Our Directors expected that the demand for cement admixture will increase from 2023 as the infrastructure investment will continue to grow and the production volume of cement in China is likely to grow with a CAGR of 2.5% from 2023 to 2028, according to Frost & Sullivan. Our revenue from cement admixture slightly increased by RMB13.7 million or 1.5% from RMB916.5 million for FY2022 to RMB930.2 million for FY2023, primarily attributable to the increase in sales volume as a result of commencement of operation of Ningbo Production Plant, Qinghai Production Plant and Xianyang Production Plant in 2022 and Kunming Production Plant in 2023 which (i) expanded our geographical coverage; and (ii) shortened the delivery distance of certain customers, which in turn increased (a) the competitiveness of our products; and (b) sales volume, partially offset by the decrease in average selling price as a result of the decrease in purchase price of raw materials. Our revenue from cement admixture decreased by RMB11.2 million or 2.7% from RMB422.4 million for 6M2023 to RMB411.2 million for 6M2024, primarily owing to the decrease in average selling price as a result of the decrease in purchase price of raw material, namely diethanolamine.

Our revenue from processed alcohol amine then decreased by RMB45.7 million or 9.4% from RMB487.0 million for FY2021 to RMB441.3 million for FY2022, mainly due to the decrease in average selling price as a result of the decrease in purchase price of the raw material, namely propylene oxide, partially offset by the increase in sales volume as a result of the commencement of operation of Ningbo Production Plant in 2022 which (i) expanded our geographical coverage; and (ii) shortened the delivery distance of certain customers, which in turn increased (a) the competitiveness of our products; and (b) sales volume. Our revenue from processed alcohol amine increased by RMB56.2 million or 12.7% from RMB441.3 million for FY2022 to RMB497.5 million for FY2023, primarily attributable to the increase in sales volume after the full year operation of our Ningbo Production Plant which extended our geographical coverage and provided additional production capacity to fulfil customer orders, partially offset by the decrease in average selling price as a result of the decrease in purchase price of raw materials. Our revenue from processed alcohol amine decreased by RMB1.3 million or 0.6% from RMB208.5 million for 6M2023 to RMB207.2 million for 6M2024, primarily owing to the decrease in average selling price as a result of the decrease in purchase price of the raw material, namely diethanolamine, partially offset by the increase in sales volume as (i) we secured orders from new customers by our Kunming Production Plant and Huludao Production Plant, the businesses of which have been ramping up since the commencement of production in May 2023 and May 2024 respectively; and (ii) certain existing customers purchased more processed alcohol amine.

Concrete admixture and in-process intermediaries

Our revenue from concrete admixture increased by RMB25.5 million or 35.5% from RMB71.9 million for FY2021 to RMB97.4 million for FY2022, mainly due to the increase in sales volume as a result of the commencement of operation of Tongling Production Plant and Guigang Production Plant in late 2021 and the commencement of operation of Ningbo Production Plant in 2022 which (i) expanded our geographical coverage to reach customers in approximately five more provinces in 2022 where we could not cover in 2021; and (ii) provided additional production capacity (with maximum production capacity increased from 58 thousand tonnes for FY2021 to 387 thousand tonnes for FY2022) to fulfil customer orders partially offset by the decrease in average selling price as a result of the decrease in (i) market price of concrete admixture; and (ii) purchase price of the raw material, namely polyether monomers in 2022. Our revenue from concrete admixture increased by RMB55.9 million or 57.4% from RMB97.4 million for FY2022 to RMB153.3 million for FY2023, primarily attributable to the increase in sales volume as a result of the commencement of operation of Tongling Production Plant and Guigang Production Plant in late 2021, Ningbo Production Plant in 2022 and Kunming Production Plant in 2023 which allowed us to reach more customers, partially offset by the decrease in average selling price as a result of decrease in purchase price of raw material. Our revenue from concrete admixture increased by RMB29.7 million or 48.1% from RMB61.8 million for 6M2023 to RMB91.5 million for 6M2024, primarily owing to the increase in sales volume as (i) we secured orders from new customers following the commencement of operation of production plants during the Track Record Period (including the Ningbo Production Plant, the Guigang Production Plant, the Tongling Production Plant, the Xianyang Production Plant, the Qinghai Production Plant, the Kunming Production Plant and the Huludao Production Plant); (ii) certain existing customers increased purchase based on their needs and (iii) Related Party A extended to the field of commodity concrete for purpose of enhancing its product offering, which can attract new customers, so as to maintain its competitiveness and control in the market, partially offset by the slight decrease in average selling price which was mainly caused by the decrease in purchase price of raw material, namely polyether monomers.

Despite the decrease in overall production volume of concrete admixtures in the PRC from 22.5 million tonnes in 2021 to 17.0 million tonnes in 2022, we could outperform the market because (i) our maximum production capacity ramped up during the Track Record Period; (ii) we expanded our geographical coverage and enlarged our customer base following commencement of operation of new production plants during the Track Record Period (including the Ningbo Production Plant, the Guigang Production Plant, the Tongling Production Plant, the Xianyang Production Plant, the Qinghai Production Plant, the Kunming Production Plant and the Huludao Production Plant); (iii) leveraging on the brand image and our reputation, we steadily increased our customer base; and (iv) we adopted a more competitive pricing strategy since we began to engage in the business of production of concrete admixture in 2018. During the initial operating period, our maximum production capacity was limited. For FY2021, our maximum production capacity of concrete admixtures was merely 58 thousand tonnes per annum as compared to the industry production volume of 22.5 million tones in 2021. As such, our maximum production capacity in FY2021 limited our performance in the concrete admixture industry. In order to expand our business in different areas of the PRC and enlarge our market share in the concrete admixtures market, we established a number of subsidiaries during the period from 2019 to 2022. Following the commencement of operation of Tongling Production Plant and Guigang Production Plant in late 2021 and Ningbo Production Plant in 2022, our maximum production capacity of concrete admixtures increased to 387 thousand tonnes per annum for FY2022 which enabled our growth in concrete admixtures markets. Also, the establishment of new production plants enabled us to reach new customers in approximately five more provinces in 2022 where we could not cover before. Benefitting from our increased maximum production capacity and our strategy to offer more competitive prices to third party customers, we were able to expand our market share. Accordingly, our sales volume increased from 45 thousand tonnes for FY2021 to 69 thousand tonnes for FY2022, and further increased to 124 thousand tonnes for FY2023.

We generated revenue from polyether monomers of nil and RMB315.5 million for FY2021 and FY2022, respectively, because we (i) started to produce the product in June 2022; and (ii) established strategic cooperation with certain customers in 2022. Our revenue from polyether monomers increased by RMB379.6 million or 120.3% from RMB315.5 million for FY2022 to RMB695.1 million for FY2023, primarily attributable to (i) the full year effect of the production of the product; and (ii) our continued cooperation with certain strategic customers. Our revenue from polyether monomers increased by RMB0.6 million or 0.2% from RMB301.9 million for 6M2023 to RMB302.5 million for 6M2024, primarily owing to the increase in average selling price which was mainly caused by the increase in sales volume of polyether monomers in solid form which normally carried a higher selling price than those in liquid form, partially offset by the decrease in sales volume as demand from certain customers decreased.

Our revenue from polycarboxylic acid mother liquor increased by RMB34.6 million or 268.2% from RMB12.9 million for FY2021 to RMB47.5 million for FY2022, mainly due to the increase in sales volume after (i) we offered a more competitive price in order to capture more market share; and (ii) the commencement of operation of Ningbo Production Plant in 2022 which extended our value chain into production of polyether monomers to (a) reduce the impact of raw material price fluctuations; and (b) meet customer demand. Our revenue from polycarboxylic acid mother liquor increased by RMB66.6 million or 140.2% from RMB47.5 million for FY2022 to RMB114.1 million for FY2023, primarily attributable to the increase in sales volume as a result of (i) the development of customers by production plants that commenced operation in previous year; and (ii) the commencement of operation of Kunming Production Plant in 2023 and Xianyang Production Plant in late 2022, partially offset by the decrease in average selling price due to the decrease in raw material price as we took into consideration the decrease in purchase price of raw materials when setting our selling price. Our revenue from polycarboxylic acid mother liquor increased by RMB52.5 million or 145.0% from RMB36.2 million for 6M2023 to RMB88.7 million for 6M2024, primarily owing to the increase in sales volume as (i) we secured orders from new customers following the commencement of operation of production plants during the Track Record Period (including the Ningbo Production Plant, the Guigang Production Plant, the Tongling Production Plant, the Xianyang Production Plant, the Qinghai Production Plant, the Kunming Production Plant and the Huludao Production Plant); and (ii) certain existing customers increased purchase based on their needs, partially offset by the decrease in average selling price as a result of the decrease in cost of raw material, namely polyether monomers, which were fully self-produced for 6M2024.

Others

We derived insignificant revenue from other products of RMB3.1 million, RMB21.4 million, RMB5.3 million, RMB4.7 million and RMB2.3 million for FY2021, FY2022, FY2023, 6M2023 and 6M2024, respectively, accounting for 0.2%, 1.1%, 0.2%, 0.5% and 0.3% of our total revenue for the corresponding periods. The significant increase in revenue from other products by RMB18.3 million or 590.3% from RMB3.1 million for FY2021 to RMB21.4 million for FY2022, was mainly due to the increase in revenue for desulfuriser. For FY2023, the decrease in revenue from other products by RMB16.1 million, mainly due to the decrease in revenue of desulfuriser as a result of divestiture of sales of the product.

Differences between average selling price between related party customers and third party customers

Cement grinding aid

Average selling prices of cement grinding aid sold to Related Party A were higher than third party customers, primarily due to the following reasons:

- The majority of our revenue from Related Party A is generated from a company engaged in the manufacture and sale of cement and concrete, with a small amount generated in 6M2024 from a company engaged in the provision of export services. As revenue generated from Related Party A is mostly from a relatively large-scale leading enterprise in the cement industry with nationwide business operations, the suppliers of Related Party A are generally required to have nationwide supply guarantee capability. Therefore, our Directors are of the view that the cement admixture suppliers who participate in Related Party A's price inquiry and comparison are mainly suppliers of cement admixture products who can fulfill the technical and commercial assessment requirements of the Conch Cement Group, with nationwide presence. Accordingly, our Group will make reference to the competitive landscape (such as features of our competitors, which generally have requisite scale, large number of technical staff and nationwide coverage) in order to set quotation which is reasonable and competitive so as to maximize our Group's chances of success.

- As Related Party A had a nationwide presence, our Group made higher investment in sales to the Related Party A compared with the third-party customers, including nationwide product supply guarantee, provision of value-added services (including provision of ancillary facilities for products of higher specifications such as the provision and maintenance of flow pump, flow metering system and level meter and storage tank in stainless steel with automatic flow system which could (a) reduce the delivery time and maintain stability of materials and (b) ensure stable supply of materials to the customer), etc. Our Group fully considered the above factors in the pricing of sales to Related Party A and hence the pricing was relatively high.

- Most of our third party customers which engaged us for localised needs, and generally require products of lower complexity or have lower requirements for our services. As such, the products purchased by these smaller scale customers, which are generally third party customers, are less costly than those provided to Related Party Customers.

- The price of the products included transportation expenses. During the year, the number of production plants of our Group that had been put into operation and could supply the products was relatively small. Related Party A had a nationwide presence with long delivery distances and higher transportation expenses, while the third-party customers of our Group generally had regional presence with short delivery distances and lower transportation expenses.

- According to the Related Party A's tender requirement in FY2021, the admixture providers shall adopt selling price adjustment terms whereby the selling price of admixture products may be adjusted upwards or downwards based on raw material fluctuation. Pursuant to the sales contract for FY2021, which reflects the pricing mechanism as adopted by Related Party A in its tender, our Group and Related Party A would adjust the selling price of the products on a quarterly basis taking into consideration the fluctuation of raw material prices. In 2021, the annual selling price to Related Party A increased which was in line with the overall annual increase of raw material prices. However, as majority of the sales orders from third parties in FY2021 were of small quantity or one-off, the sales contracts that were entered into by most of the third-party customers did not contain similar price adjustment mechanism. Some third-party customers entered into long-term sales agreement with our Group have similar pricing adjustment mechanism. Therefore, the annual average selling price of Related Party A was higher than that of the third-party customers.

- For FY2022, some of the subsidiaries of Related Party A who purchased cement grinding aids (type 1) were export traders and the selling price of such orders was higher as (i) the price of the products included the packaging expenses of intermediate bulk containers; and (ii) the higher product price in overseas market, according to Frost & Sullivan.

Processed alcohol amine

For 6M2024, we recorded insignificant revenue from sales of processed alcohol amine to Related Party A of RMB1.7 million, which accounted for 0.2% of total revenue. Our Directors considered that average selling price to Related Party A of RMB6,521.6 per tonne was comparable to third party customers of RMB6,317.3 per tonne.

Concrete water reducing admixture

Our average selling price of concrete water reducing admixture to Related Party A and B was higher than that of third party customers, primarily due to the following reasons:

(i) In order to expand our overall customer base and increase our market share in the concrete admixture industry in the PRC, our Group sold to certain customers, which are generally our third party customers, at a relatively lower price.

(ii) The cost of the products sold to a subsidiary of Related Party A was high due to the complexity of product and delivery requirements and therefore our Group's tender price was higher; and our Group provided local compounding facilities such as the provision and maintenance of floor scale, gear pump and storage tank in polyethylene which could reduce the delivery time and maintain stability of materials and ensure stable supply of materials to the customer.

(iii) Some of the sales contracts entered into between our Group and Related Party B for FY2021 stipulated that the sales price of the product would be adjusted on a monthly basis in accordance with fluctuation of raw material prices. In 2021, due to the overall increase in the prices of raw materials, the selling price of our Group to Related Party B was adjusted upwards; whereas most of the third-party customers did not have similar price adjustment mechanism for the year, and therefore, the annual average selling price of Related Party B was higher than that of third-party customers.

(iv) Our Group provided value-added services (including the provision of product ancillary facilities such as the provision and maintenance of storage tank intelligent monitoring equipment and storage tank in fiberglass which could reduce the delivery time and maintain stability of materials and ensure stable supply of materials) for products sold to Related Party B as compared to the third-party customers and therefore the selling price to Related Party B was relatively higher.

(v) Selling price of our product included transportation expenses. Since certain sales orders had a higher transportation fee due to longer delivery distance, the selling price was relatively high; the third-party customers of our Group generally had shorter delivery distance and lower transportation expenses, thus the selling price was lower.

Polyether monomers

For 6M2024, we recorded insignificant revenue from sales of polyether monomers to Related Party A of RMB1.0 million, which accounted for 0.1% of total revenue. Our Directors considered that average selling price to Related Party A of RMB6,401.2 per tonne was comparable to third party customers of RMB6,049.8 per tonne.

Revenue by customer

The following table sets out the revenue by customer for the periods indicated:

	FY2021		FY2022		FY2023		6M2023		6M2024	
	RMB 'million	*%*	*RMB 'million*	*%*	*RMB 'million*	*%*	*RMB 'million* (Unaudited)	*%*	*RMB 'million*	*%*
Related party customers[(Note)]	850.2	55.3	791.6	43.0	778.5	32.5	346.8	33.5	351.8	31.9
Third party customers	687.3	44.7	1,048.0	57.0	1,617.0	67.5	688.7	66.5	751.6	68.1
Total	1,537.5	100.0	1,839.6	100.0	2,395.5	100.0	1,035.5	100.0	1,103.4	100.0

Note: Related party customers include (i) Related Party A; and (ii) Related Party B.

During the Track Record Period, we recorded an increasing trend from revenue derived from third party customers of RMB687.3 million, RMB1,048.0 million, RMB1,617.0 million, RMB688.7 million and RMB751.6 million, respectively, accounting for 44.7%, 57.0%, 67.5%, 66.5% and 68.1% of our total revenue for the corresponding periods, as we continued to expand our customer base.

Cost of sales

Our cost of sales mainly included cost of raw materials, transportation cost, staff cost which mainly included salary, social insurance and bonus of our production staff and depreciation and amortisation of our plant and buildings and machinery and equipment used in our production.

The following table sets out the breakdown of our cost of sales by nature for the periods indicated:

	FY2021		FY2022		FY2023		6M2023		6M2024	
	RMB 'million	*%*	*RMB 'million*	*%*	*RMB 'million*	*%*	*RMB 'million*	*%*	*RMB 'million*	*%*
							(Unaudited)			
Cost of raw materials	1,084.9	90.5	1,339.6	90.8	1,759.1	90.8	754.1	89.3	807.8	90.3
Transportation cost	83.6	7.0	62.0	4.2	74.4	3.8	41.7	4.9	37.9	4.2
Staff cost	17.1	1.4	30.3	2.1	36.9	1.9	17.6	2.1	15.7	1.8
Depreciation and amortisation	8.2	0.7	30.8	2.1	47.7	2.5	23.1	2.7	24.3	2.7
Utilities	2.5	0.2	11.2	0.8	16.4	0.8	6.7	0.8	6.3	0.7
Others	3.0	0.2	2.0	0.0	1.8	0.2	1.2	0.2	2.3	0.3
Total	1,199.3	100.0	1,475.9	100.0	1,936.3	100.0	844.4	100.0	894.3	100.0

Cost of raw materials mainly included ethylene oxide, propylene oxide and ethanolamine. It amounted to RMB1,084.9 million, RMB1,339.6 million, RMB1,759.1 million, RMB754.1 million and RMB807.8 million for FY2021, FY2022, FY2023, 6M2023 and 6M2024, respectively, accounting for 90.5%, 90.8%, 90.8%, 89.3% and 90.3% of our total cost of sales for the corresponding periods. The increase in cost of raw materials for FY2022 was mainly due to (i) the launch of polyether monomers in June 2022; and (ii) the increase in sales volume of other products due to market expansion. The further increase in cost of raw materials for FY2023 was generally in line with the increase in sales, partially offset by the decrease in raw material price. The increase in cost of raw materials for 6M2024 was generally in line with the increase in revenue.

During the Track Record Period, our Group outsourced limited production to third party suppliers due to (i) the long distance between our Group's production facilities and delivery destinations of certain customers; and (ii) the relatively small orders from such customers. Our Directors considered that it would be more commercially justifiable to outsource such orders to third party suppliers with a closer distance with customers. Such outsourcing arrangement only accounted for less than 2% of our total revenue during the Track Record Period.

Gross profit and gross profit margin

We derived gross profit of RMB338.2 million, RMB363.7 million, RMB459.2 million, RMB191.1 million and RMB209.1 million for FY2021, FY2022 and FY2023, 6M2023 and 6M2024, respectively. Our overall gross profit margin was 22.0%, 19.8%, 19.2%, 18.5% and 19.0% for the corresponding periods.

The following table sets out the breakdown of gross profit and gross profit margin by product and customer type for the periods indicated:

	FY2021		FY2022		FY2023		6M2023		6M2024	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	RMB 'million	*%*	*RMB 'million*	*%*	*RMB 'million*	*%*	*RMB 'million* (Unaudited)	*%*	*RMB 'million*	*%*
Cement admixture and in-process intermediaries										
Cement admixture	***299.7***	***31.1***	***325.7***	***35.5***	***375.8***	***40.4***	***163.2***	***38.6***	***177.3***	***43.1***
Related party customers	263.0	32.7	267.2	36.5	307.8	42.1	134.8	41.2	140.8	44.0
— Related Party A	263.0	32.7	267.2	36.5	307.8	42.1	134.8	41.2	140.8	44.0
Third party customers	36.7	23.1	58.5	31.7	68.0	34.0	28.4	29.9	36.5	40.2
Processed alcohol amine	***17.5***	***3.6***	***18.2***	***4.1***	***18.8***	***3.8***	***8.8***	***4.2***	***7.8***	***3.7***
Related party customers	—	—	—	—	—	—	—	—	0.1	5.8
— Related Party A	—	—	—	—	—	—	—	—	0.1	5.8
Third party customers	17.5	3.6	18.2	4.1	18.8	3.8	8.8	4.2	7.7	3.7
— Non-trader	15.2	3.8	12.6	4.0	15.5	3.9	7.5	4.5	6.4	3.6
— Trader	2.3	2.7	5.6	4.6	3.3	3.5	1.3	3.2	1.3	4.3
Sub-total	317.2	21.9	343.9	25.3	394.6	27.6	172.0	27.3	185.1	29.9
Concrete admixture and in-process intermediaries										
Concrete admixture	***18.1***	***25.1***	***14.9***	***15.3***	***29.8***	***19.4***	***9.0***	***14.6***	***12.7***	***13.9***
Related party customers	14.7	31.8	11.7	26.8	9.9	20.8	4.1	21.4	4.1	14.4
— Related Party A	0.8	20.5	3.9	22.6	4.9	15.5	1.3	12.3	2.7	11.6
— Related Party B	13.9	32.9	7.8	29.6	5.0	31.2	2.8	32.3	1.4	26.4
Third party customers	3.4	12.9	3.2	5.9	19.9	18.8	4.9	11.5	8.6	13.6
Polyether monomers	—	—	***(9.0)***	***(2.9)***	***25.5***	***3.7***	***7.2***	***2.4***	***6.6***	***2.2***
Related party customers	—	—	—	—	—	—	—	—	0.0	1.6
— Related Party A	—	—	—	—	—	—	—	—	0.0	1.6
Third party customers	—	—	(9.0)	(2.9)	25.5	3.7	7.2	2.4	6.6	2.2
— Non-trader	—	—	(6.4)	(2.2)	23.3	3.9	6.7	2.4	6.4	2.6
— Trader	—	—	(2.6)	(9.9)	2.2	2.2	0.5	1.7	0.2	0.3
Polycarboxylic acid mother liquor	***0.9***	***7.0***	***1.8***	***3.9***	***6.6***	***5.8***	***1.9***	***5.3***	***3.9***	***4.3***
Related party customers	0.0	7.7	—	—	—	—	—	—	—	—
— Related Party B	0.0	7.7	—	—	—	—	—	—	—	—
Third party customers	0.9	7.0	1.8	3.9	6.6	5.8	1.9	5.3	3.9	4.3
— Non-trader	0.7	7.2	1.3	4.7	4.2	5.7	1.3	6.8	3.3	4.3
— Trader	0.2	6.5	0.5	2.7	2.4	5.9	0.6	3.5	0.6	4.3
Sub-total	19.0	22.4	7.7	1.7	61.9	6.4	18.1	4.5	23.2	4.8
Others	***2.0***	***64.5***	***12.1***	***56.5***	***2.7***	***50.6***	***1.0***	***20.8***	***0.8***	***34.8***
Total	338.2	22.0	363.7	19.8	459.2	19.2	191.1	18.5	209.1	19.0

Gross profit and gross profit margin by product

Cement admixture and in-process intermediaries

Our gross profit derived from cement admixture amounted to RMB299.7 million, RMB325.7 million, RMB375.8 million, RMB163.2 million and RMB177.3 million for FY2021, FY2022, FY2023, 6M2023 and 6M2024, respectively. Gross profit margin derived from cement admixture increased by 4.4% from 31.1% for FY2021 to 35.5% for FY2022, mainly due to (i) the commencement of operation of two production plants in 2021 (being the Guigang Production Plant and the Tongling Production Plant) and three production plants in 2022 (being the Ningbo Production Plant, the Xianyang Production Plant and the Qinghai Production Plant) which (i) expanded our geographical coverage and reduced our transportation costs for sales to related party customers; and (ii) the decrease in raw material price of propylene oxide while sales price to third party customers was generally fixed during the contract period and sales price to Related Party A was adjusted quarterly based on historical fluctuation of raw material price. During the period when raw material price decrease, gross profit margin increase due to the delay in price adjustment. Our gross profit margin derived from cement admixture increased by 4.9% from 35.5% for FY2022 to 40.4% for FY2023, mainly due to (i) the decrease in purchase price of raw materials; and (ii) the selling price to Related Party A became an annual fixed price as compared to quarterly adjusted selling price based on the historical price fluctuation of raw materials. Our gross profit margin derived from cement admixture increased by 4.5% from 38.6% for 6M2023 to 43.1% for 6M2024, mainly due to the decrease in raw material price while selling price to Related Party A and most of the third party customers was generally fixed during the contract period.

Our gross profit derived from processed alcohol amine amounted to RMB17.5 million, RMB18.2 million, RMB18.8 million, RMB8.8 million and RMB7.8 million for FY2021, FY2022, FY2023, 6M2023 and 6M2024, respectively. Gross profit margin derived from processed alcohol amine remained relatively stable at 3.6%, 4.1%, 3.8%, 4.2% and 3.7% for FY2021, FY2022, FY2023, 6M2023 and 6M2024, respectively.

Concrete admixture and in-process intermediaries

Our gross profit derived from concrete admixture amounted to RMB18.1 million, RMB14.9 million, RMB29.8 million, RMB9.0 million and RMB12.7 million for FY2021, FY2022, FY2023, 6M2023 and 6M2024, respectively. Gross profit margin derived from concrete admixture decreased by 9.8% from 25.1% for FY2021 to 15.3% for FY2022, mainly due to (i) the decrease in selling price of our products sold to customers as market price decreased; and (ii) the increasing competition in the market. Gross profit margin derived from concrete admixture then increased by 4.1% from 15.3% for FY2022 to 19.4% for FY2023, primarily attributable to (i) economies of scale and the decrease in average unit cost as sales volume increased; and (ii) the reduction in cost of raw material as a result of the use of self-produced polyether monomers. Gross profit margin derived from concrete admixture remained relatively stable at 14.6% and 13.9% for 6M2023 and 6M2024, respectively.

During the Track Record Period, we launched polyether monomers for the purpose of (i) maintaining operation stability and reduce the impact of raw material price fluctuation as polyether monomers is the major raw material of concrete admixture; and (ii) extending our position on the value chain into upstream raw materials of concrete admixture in order to enhance our competitive advantage. We derived gross loss and gross loss margin of RMB9.0 million and 2.9% for FY2022 from polyether monomers, mainly due to (i) the low production volume as the product was initially launched in June 2022 and we were a new entrant to polyether monomer market, resulting in higher cost per tonne in its initial rollout as a portion of the cost such as depreciation and amortisation of our newly installed production lines and staff cost was of a fixed nature; (ii) the more competitive price offered to our customers in response to the keen competition in the market due to the increase in the number of industry players in 2022; and (iii) the increased market production capacity and relatively weak market demand leading to the low gross profit margin of polyether monomers in the market, according to the Frost & Sullivan Report. We derived gross profit and gross profit margin of RMB25.5 million and 3.7% for FY2023, mainly due to the decrease in per tonne fixed cost as a result of the increase in sales volume. We derived gross profit of RMB7.2 million and RMB6.6 million for 6M2023 and 6M2024, respectively, which generated relatively stable gross profit margin of 2.4% and 2.2% for the respective periods.

We derived insignificant gross profit from polycarboxylic acid mother liquor of RMB0.9 million, RMB1.8 million, RMB6.6 million, RMB1.9 million and RMB3.9 million for FY2021, FY2022, FY2023, 6M2023 and 6M2024, respectively. Gross profit margin derived from polycarboxylic acid mother liquor decreased by 3.1% from 7.0% for FY2021 to 3.9% for FY2022, mainly due to the offering of a more competitive price to our customers in order to increase sales volume and capture more market share. Our gross profit margin derived from polycarboxylic acid mother liquor increased from 3.9% for FY2022 to 5.8% for FY2023, mainly due to the decrease in per tonne fixed cost as a result of the increase in sales volume. Our gross profit margin derived from polycarboxylic acid mother liquor remained relatively stable at 5.3% and 4.3% for 6M2023 and 6M2024, respectively.

Others

Other products mainly included (i) sales of raw materials; and (ii) desulfuriser and grinding aids sold by one of our operating subsidiaries, Anhui Haicui. We derived insignificant gross profit from other products of RMB2.0 million, RMB12.1 million, RMB2.7 million, RMB1.0 million and RMB0.8 million for FY2021, FY2022, FY2023, 6M2023 and 6M2024, respectively. The increase in gross profit for FY2022 was mainly due to the increase in revenue for desulfuriser.

Gross profit and gross profit margin by customer type

Cement admixture

For the difference of gross profit margin between related party customers and third party customers, see “Summary — Products — Gross profit and gross profit margin for sales to related party customers and third party customers — Cement admixture”.

Concrete admixture

During the Track Record Period, gross profit margin for sales to related party customers was higher than gross profit margin for sales to third party customers, mainly because we offered more competitive price to third party customers in order to expand our market share and develop new customers. During the same period, gross profit margin for sales of concrete water reducing admixture (type 2) to Related Party B was higher than Related Party A, mainly because (i) concrete admixture sold to Related Party B was mainly produced in Meishan Production Plant and Xiangyang Production Plant (both of which commenced operations in 2018), utilisation rate of which was high as compared to other production plants and the per unit fixed cost was relatively low due to the low depreciation cost and high production volume; (ii) for FY2022, FY2023 and 6M2024, a large proportion of sales made to Related Party A was derived by production plants that commenced operation during the Track Record Period (including the Ningbo Production Plant, the Guigang Production Plant, the Tongling Production Plant, the Xianyang Production Plant, the Qinghai Production Plant, the Kunming Production Plant and the Huludao Production Plant), per unit cost of which was higher as a portion of the cost was of a fixed nature; and (iii) we outsourced the production of a portion of products sold to Related Party A to third party suppliers, resulting in the increase in cost for products sold to Related Party A. According to the tender contract, sales price to Related Party B adjusted monthly based on the fluctuation in raw material prices.

Other net income

Other income mainly consisted of (i) interest income on bank deposits and cash at bank; and (ii) government grants which mainly represented subsidies received from local government authorities for encouraging our development in the admixture products in the respective PRC cities. Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that our Group will comply with the conditions attaching to them. Grants that compensate our Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Where the grant relates to an asset, the grant received is credited to a deferred income account and is released to the profit and loss over the expected useful life of the relevant asset by equal annual instalments.

The following table sets out the breakdown of our other net income for the periods indicated:

	FY2021	FY2022	FY2023	6M2023	6M2024
	RMB' million	*RMB' million*	*RMB' million*	*RMB' million* (Unaudited)	*RMB' million*
Interest income on bank deposits and cash at bank	3.0	1.9	1.8	0.8	0.8
Government grants	7.2	3.8	11.8	3.7	9.6
Net loss on disposal of property, plant and equipment	(0.0)*(Note)*	(0.0)*(Note)*	(0.0)*(Note)*	(0.0)*(Note)*	(0.0)*(Note)*
Net gain arising from financial assets measured at fair value through profit and loss ("**FVPL**")	—	—	0.1	0.1	0.0*(Note)*
Others	0.7	0.6	(0.1)	0.4	0.7
Total	10.9	6.3	13.6	5.0	11.1

Note: Less than RMB0.1 million.

Distribution costs

Distributions costs mainly consisted (i) staff cost which mainly included salary, social insurance and performance bonus of our sales staff; (ii) travelling and business entertainment; and (iii) packaging fee which represented the packaging materials used for our products sold.

The following table sets out the breakdown of our distribution costs for the periods indicated:

	FY2021		FY2022		FY2023		6M2023		6M2024	
	RMB' million	%	*RMB' million*	%	*RMB' million*	%	*RMB' million*	%	*RMB' million*	%
							(Unaudited)			
Staff cost	17.4	52.5	27.1	60.1	32.2	58.5	15.4	60.6	15.1	55.3
Travelling and business entertainment	7.9	23.9	9.0	20.0	11.5	20.9	4.5	17.7	4.9	17.9
Packaging fee	2.2	6.6	4.2	9.3	2.7	4.9	0.4	1.6	1.3	4.8
Depreciation and amortisation	2.9	8.8	3.0	6.7	4.7	8.6	2.4	9.4	2.6	9.5
Operating lease charges: minimum lease payments in respect of properties	0.4	1.2	0.4	0.9	1.0	1.8	0.5	2.0	0.3	1.1
Office expenses	0.2	0.6	0.2	0.4	0.2	0.4	0.1	0.4	0.1	0.4
Others	2.1	6.4	1.2	2.6	2.7	4.9	2.1	8.3	3.0	11.0
Total	33.1	100.0	45.1	100.0	55.0	100.0	25.4	100.0	27.3	100.0

Administrative expenses

Administrative expenses mainly included (i) staff cost which mainly represented salary, social insurance and bonus of our administrative staff; (ii) depreciation and amortisation; (iii) tax expenses other than value added tax and PRC income tax; and (iv) safety production fee for (a) the purchase of labour protection supplies; and (b) the maintenance of safety equipment and facilities.

The following table sets out the breakdown of our administrative expenses for the periods indicated:

	FY2021		FY2022		FY2023		6M2023		6M2024	
	RMB' million	%	*RMB' million*	%	*RMB' million*	%	*RMB' million*	%	*RMB' million*	%
							(Unaudited)			
Staff cost	83.2	70.0	94.5	66.8	99.7	63.4	50.5	67.1	51.7	67.1
Depreciation and amortisation	7.9	6.6	11.7	8.3	14.7	9.4	7.1	9.5	7.9	10.3
Travelling and business entertainment	6.2	5.2	6.7	4.7	7.3	4.6	3.0	4.0	2.5	3.2
Tax expenses	8.5	7.1	8.2	5.8	13.5	8.6	6.5	8.7	5.9	7.7
Safety production fee	8.6	7.2	5.7	4.0	5.5	3.5	2.2	2.9	1.7	2.2
Others	4.7	3.9	14.7	10.4	16.4	10.5	5.8	7.8	7.3	9.5
Total	119.1	100.0	141.5	100.0	157.1	100.0	75.1	100.0	77.0	100.0

Research and development costs

Research and development costs mainly included (i) staff cost which mainly represented salary, social insurance and bonus of our R&D staff; (ii) raw materials mainly for testing; and (iii) depreciation and amortisation.

The following table sets out the breakdown of our R&D costs for the periods indicated:

	FY2021		FY2022		FY2023		6M2023		6M2024	
	RMB' million	*%*	*RMB' million*	*%*	*RMB' million*	*%*	*RMB' million* (Unaudited)	*%*	*RMB' million*	*%*
Staff cost	20.8	53.2	27.7	69.3	34.7	75.8	16.6	78.3	21.8	74.3
Raw materials	15.4	39.4	8.0	20.1	5.3	11.6	2.1	9.9	3.9	13.1
Depreciation and amortisation	0.9	2.3	1.3	3.3	2.2	4.8	0.7	3.3	1.7	5.6
Others	2.0	5.1	2.9	7.3	3.6	7.8	1.8	8.5	2.0	6.7
Total	39.1	100.0	39.9	100.0	45.8	100.0	21.2	100.0	29.4	100.0

(Provision)/reversal of impairment losses on trade receivables

We measures loss allowances for trade receivables at an amount equal to lifetime expected credit losses, which is calculated using a provision matrix. The provision rates are based on days past due for each individual customer. The provision matrix is initially based on our historical observed default rates. We will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For details, see Note 2(j)(i) of the Accountants' Report in Appendix I to this prospectus.

We recorded provision of impairment losses on trade receivables of RMB10.1 million for FY2022 as compared to reversal of impairment losses on trade receivables of RMB2.6 million for FY2021, mainly due to the increase in trade receivables from RMB266.1 million as at 31 December 2021 to RMB467.3 million as at 31 December 2022 as a result of the increase in revenue following the launch of our new product, namely polyether monomers in June 2022. Our provision of impairment losses on trade receivables increased by RMB4.5 million or 44.6% from RMB10.1 million for FY2022 to RMB14.6 million for FY2023, primarily attributable to the further increase in trade receivables to RMB606.9 million as at 31 December 2023 as a result of (i) the increase in revenue following the launch of our new product, namely polyether monomers in June 2022; and (ii) the increase in the number of customers following the commencement of operation of new production plants which extended our geographical coverage. We recorded provision of impairment losses on trade receivables of RMB2.0 million for 6M2024 as compared to reversal of impairment losses on trade receivables of RMB20,000 for 6M2023, primarily owing to (i) the upward adjustment of expected loss rate based on various factors including actual loss experience, current conditions and economic conditions; and (ii) the increase in past due trade receivables.

Finance costs

Finance costs comprised interest on loans and borrowings and interest on lease liabilities.

The following table sets out the breakdown of our finance costs for the periods indicated:

	FY2021	FY2022	FY2023	6M2023	6M2024
	RMB' million	*RMB' million*	*RMB' million*	*RMB' million* (Unaudited)	*RMB' million*
Interest on loans and borrowings	17.3	31.4	30.6	16.3	13.4
Interest on lease liabilities	0.2	0.2	0.3	0.1	0.3
Less: interest expense capitalised into construction in progress	(7.4)	(7.9)	(0.6)	(0.6)	—
Total	10.1	23.7	30.3	15.8	13.7

Income tax expense

Our Group is subject to income tax on an individual legal entity basis on profits arising in or derived from the tax jurisdictions in which companies comprising our Group domicile or operate.

Pursuant to the PRC income tax law, all of our Company's PRC subsidiaries are liable to PRC income tax at a rate of 25% except for (i) Linyi Conch, which is entitled to a preferential income tax of 15% as it has been certified as a High and New Technology Enterprise; and (ii) pursuant to "Announcement on the continuation of the corporate income tax policy for the western development project" 《關於延續西部大開發企業所得稅政策的公告》, certain subsidiaries are entitled to a preferential income tax rate of 15% as qualifying industries these entities operated in western areas in the PRC during the years ended 31 December 2021, 2022 and 2023. However, the subsidiaries which were qualifying industries operated in western areas were used PRC income tax rate of 25% to prepare accountants' report for the year ending 31 December 2024 due to the change on new catalog of encouraged industries released by National Development and Reform Commission.

Our income tax expenses were RMB23.4 million, RMB17.3 million, RMB26.1 million, RMB10.9 million and RMB10.6 million for FY2021, FY2022, FY2023, 6M2023 and 6M2024, respectively; the effective tax rate, which was calculated by dividing income tax expense by profit before taxation for the corresponding period was 15.6%, 15.8%, 15.4%, 18.6% and 15.0%, respectively.

During the Track Record Period and up to the Latest Practicable Date, we had fulfilled all our income tax obligations and have not had any unresolved income tax issues or disputes with the relevant tax authorities.

REVIEW OF HISTORICAL RESULTS OF OPERATION

6M2024 compared to 6M2023

Revenue

Our revenue increased by RMB67.9 million or 6.6% from RMB1,035.5 million for 6M2023 to RMB1,103.4 million for 6M2024, mainly due to the following:

Cement admixture and its in-process intermediaries. Our revenue generated from cement admixture and its in-process intermediaries decreased by RMB12.5 million or 2.0% from RMB630.9 million for 6M2023 to RMB618.4 million for 6M2024, mainly owing to the decrease in average selling price of both cement admixture and processed alcohol amine as a result of the decrease in purchase price of raw material, namely diethanolamine.

Concrete admixture and its in-process intermediaries. Our revenue generated from concrete admixture and its in-process intermediaries increased by RMB82.8 million or 20.7% from RMB400.0 million for 6M2023 to RMB482.8 million for 6M2024, mainly because revenue from sales of concrete admixture and polycarboxylic acid mother liquor increased as (i) we secured orders from new customers by our Kunming Production Plant and Huludao Production Plant, the businesses of which have been ramping up since the commencement of production in May 2023 and May 2024 respectively; (ii) certain existing customers increased purchase based on their needs; and (iii) Related Party A extended to the field of commodity concrete for the purpose of enhancing its product offering which can attract new customers, so as to maintain its competitiveness and control in the market.

Others. We recorded insignificant revenue of RMB4.7 million and RMB2.3 million for 6M2023 and 6M2024, respectively.

Cost of sales

Cost of sales increased by RMB49.9 million or 5.9% from RMB844.4 million for 6M2023 to RMB894.3 million for 6M2024, mainly owing to the increase in cost of raw materials which was generally in line with the increase in revenue.

Gross profit and gross profit margin

As a result of the foregoing, our gross profit rose by RMB18.0 million or 9.4% from RMB191.1 million for 6M2023 to RMB209.1 million for 6M2024. Our gross profit margin increased by 0.5% from 18.5% for 6M2023 to 19.0% for 6M2024, mainly owing to the increase in gross profit margin of cement admixture as a result of the decrease in raw material price while selling price to Related Party

A and most of the third party customers was generally fixed during the contract period. During the period when raw material price decrease, gross profit margin increase due to the delay in price adjustment.

Other net income

Other net income increased by RMB6.1 million or 122.0% from RMB5.0 million for 6M2023 to RMB11.1 million for 6M2024, mainly owing to the receipt of operating subsidy from local government authorities.

Distributions costs

Distributions costs increased by RMB1.9 million or 7.5% from RMB25.4 million for 6M2023 to RMB27.3 million for 6M2024, primarily owing to the increase in packaging fee and others which was generally in line with the increase in revenue.

Administrative expenses

Administrative expenses increased by RMB1.9 million or 2.5% from RMB75.1 million for 6M2023 to RMB77.0 million for 6M2024, primarily owing to (i) the increase in Listing expenses; and (ii) the increase in staff cost mainly as a result of the increase in average salary.

Research and development costs

Research and development costs increased by RMB8.2 million or 38.7% from RMB21.2 million for 6M2023 to RMB29.4 million for 6M2024, primarily owing to (i) the increase in staff cost mainly as a result of the increase in the number of R&D staff; and (ii) the increase in raw materials for the research of new products.

Reversal/(provision) of impairment losses on trade receivables

We recorded provision of impairment losses on trade receivables of RMB2.0 million for 6M2024 as compared to reversal of impairment losses of trade receivables of RMB20,000 for 6M2023, mainly owing to (i) the upward adjustment of expected loss rate based on various factors including actual loss experience, current conditions and economic conditions; and (ii) the increase in past due trade receivables.

Finance costs

Finance costs decreased by RMB2.1 million or 13.3% from RMB15.8 million for 6M2023 to RMB13.7 million for 6M2024, mainly owing to the decrease in interest on loans and borrowings as a result of (i) the decrease in average loans and borrowings; and (ii) the decrease in interest rate.

Income tax expense

Income tax expense remained relatively stable at RMB10.9 million and RMB10.6 million for 6M2023 and 6M2024, respectively. Our effective tax rate decreased by 3.6% from 18.6% for 6M2023 to 15.0% for 6M2024, mainly owing to the effect on deferred tax balances at beginning of the period resulting from a change in tax rate for certain subsidiaries due to the change on new catalog of encouraged industries released by National Development and Reform Commission which was effective since 1 February 2024.

Profit for the period

As a result of the foregoing, profit for the period increased by RMB12.5 million or 26.2% from RMB47.7 million for 6M2023 to RMB60.2 million for 6M2024. Our net profit margin increased from 4.6% for 6M2023 to 5.5% for 6M2024, mainly owing to the above-mentioned increase in gross profit margin and decrease in effective tax rate.

FY2023 compared to FY2022

Revenue

Our revenue increased by RMB555.9 million or 30.2% from RMB1,839.6 million for FY2022 to RMB2,395.5 million for FY2023, mainly due to the following:

Cement admixture and in-process intermediaries. Our revenue generated from cement admixture and in-process intermediaries increased by RMB69.9 million or 5.1% from RMB1,357.8 million for FY2022 to RMB1,427.7 million for FY2023, mainly due to the increase in sales of processed alcohol amine as a result of the full year operation of our Ningbo Production Plant which extended our geographical coverage and provided additional production capacity to fulfil customer orders.

Concrete admixture and in-process intermediaries. Our revenue generated from concrete admixture and in-process intermediaries increased by RMB502.1 million or 109.1% from RMB460.4 million for FY2022 to RMB962.5 million for FY2023, mainly due to (i) the increase in revenue from sales of polyether monomers by RMB379.6 million as a result of (a) the full year effect of the production of the product; and (b) our continued cooperation with certain strategic customers; (ii) the increase in revenue from sales of polycarboxylic acid mother liquor as a result of (a) the development of customers by production plants that commenced operation in previous year; and (b) the commencement of operation of Kunming Production Plant in 2023 and Xianyang Production Plant in late 2022; and (iii) the increase in revenue of concrete admixture as a result of the commencement of operation of Tongling Production Plant and Guigang Production Plant in late 2021, Ningbo Production Plant in 2022 and Kunming Production Plant in 2023 which extended our geographical coverage to reach new customers.

Others. Our revenue generated from other products decreased by RMB16.1 million or 75.2% from RMB21.4 million for FY2022 to RMB5.3 million for FY2023, mainly because of the decrease in revenue of desulfuriser as a result of divestiture of sales of desulfuriser.

Cost of sales

Cost of sales increased by RMB460.4 million or 31.2% from RMB1,475.9 million for FY2022 to RMB1,936.3 million for FY2023, mainly due to (i) the increase in cost of raw materials and transportation cost which was generally in line with increase in revenue; and (ii) the increase in depreciation and amortisation as a result of commencement of operation of three production plants in 2022 (being the Ningbo Production Plant, the Xianyang Production Plant and the Qinghai Production Plant) and Kunming Production Plant in 2023.

Gross profit and gross profit margin

As a result of the foregoing, our gross profit rose by RMB95.5 million or 26.3% from RMB363.7 million for FY2022 to RMB459.2 million for FY2023. Our gross profit margin slightly decreased by 0.6% from 19.8% for FY2022 to 19.2% for FY2023, mainly due to (i) the increase in sales of polyether monomers by RMB379.6 million and polycarboxylic acid mother liquor by RMB66.6 million which generated relatively low gross profit margin among our products sold; (ii) the increase in gross profit margin of cement admixtures as a result of (a) the decrease in purchase price of raw materials; and (b) the selling price to Related Party A became an annual fixed price as compared to quarterly adjusted selling price based on the historical price fluctuation of raw materials, which caused to some extent the variability of our gross profit as determined by raw material price; and (iii) the increase in gross profit margin of concrete admixtures as a result of (a) economies of scale and the decrease in average unit cost as sales volume increased; and (b) the reduction in cost of raw material as a result of the use of self-produced polyether monomers.

Other net income

Other net income increased by RMB7.3 million or 115.9% for RMB6.3 million for FY2022 to RMB13.6 million for FY2023, primarily due to the increase in government grant as a result of the receipt of tax related subsidies, special subsidies for manufacturing industry and other subsidies of RMB8.0 million in aggregate.

Distributions costs

Distributions costs increased by RMB9.9 million or 22.0% from RMB45.1 million for FY2022 to RMB55.0 million for FY2023, primarily due to (i) the increase in staff cost mainly as a result of the increase in the number of sales staff; (ii) the increase in travelling and business entertainment as a result of the increased number of sales staff; and (iii) the increase in depreciation and amortisation as a result of commencement of operation of Ningbo Production Plant, Qinghai Production Plant and Xianyang Production Plant in 2022 and Kunming Production Plant in 2023.

Administrative expenses

Administrative expenses increased by RMB15.6 million or 11.0% from RMB141.5 million for FY2022 to RMB157.1 million for FY2023, primarily due to (i) the increase in staff cost mainly as a result of the increase in average salary; (ii) the increase in tax expenses as a result of the payment of land use tax and property tax as the number of operating production plants increased; (iii) the increase in depreciation and amortisation as a result of commencement of operation of Ningbo Production Plant in mid of 2022, Qinghai Production Plant and Xianyang Production Plant in second half of 2022 and Kunming Production Plant in 2023; and (iv) the increase in Listing expenses.

Research and development costs

Research and development costs increased by RMB5.9 million or 14.8% from RMB39.9 million for FY2022 to RMB45.8 million for FY2023, primarily due to the increase in staff cost mainly as a result of (i) the increase in the number of R&D staff; and (ii) the increase in average salary.

Provision of impairment losses on trade receivables

Our provision of impairment losses on trade receivables increased by RMB4.5 million or 44.6% from RMB10.1 million for FY2022 to RMB14.6 million for FY2023, primarily due to the increase in trade receivables from RMB467.3 million as at 31 December 2022 to RMB606.9 million as at 31 December 2023 as a result of (i) the increase in revenue following the launch of our new product, namely polyether monomers in June 2022; and (ii) the increase in the number of customers following the commencement of operation of new production plants (being the Ningbo Production Plant, the Xianyang Production Plant and the Qinghai Production Plant) which extended our geographical coverage.

Finance costs

Finance costs increased by RMB6.6 million or 27.8% from RMB23.7 million for FY2022 to RMB30.3 million for FY2023, mainly due to the decrease in the deduction of interest expense capitalised into construction in progress following the substantial completion of construction of our Ningbo Production Plant, Xianyang Production Plant and Qinghai Production Plant in 2022.

Income tax expense

Income tax expense increased by RMB8.8 million or 50.9% from RMB17.3 million for FY2022 to RMB26.1 million for FY2023, mainly due to the increase in profit before taxation. Our effective tax rate remained relatively stable at 15.8% and 15.4% for FY2022 and FY2023, respectively.

Profit for the period

As a result of the foregoing, profit for the period increased by RMB51.5 million or 55.7% from RMB92.4 million for FY2022 to RMB143.9 million for FY2023. Our net profit margin remained relatively stable at 5.0% and 6.0% for FY2022 and FY2023, respectively.

FY2022 compared to FY2021

Revenue

Our revenue increased by RMB302.1 million or 19.6% from RMB1,537.5 million for FY2021 to RMB1,839.6 million for FY2022, mainly due to the following:

Cement admixture and in-process intermediaries. Our revenue generated from cement admixture and in-process intermediaries decreased by RMB91.8 million or 6.3% from RMB1,449.6 million for FY2021 to RMB1,357.8 million for FY2022, mainly due to the decrease in average selling price of both cement admixture and processed alcohol amine as a result of the decrease in purchase price of our raw material, namely propylene oxide.

Concrete admixture and in-process intermediaries. Our revenue generated from concrete admixture and in-process intermediaries significantly increased by RMB375.6 million or 442.9% from RMB84.8 million for FY2021 to RMB460.4 million for FY2022, mainly because we (i) started to produce polyether monomers in June 2022 which contributed revenue of RMB315.5 million for the year; and (ii) established strategic cooperation with certain customers in 2022.

Others. Our revenue generated from other products increased by RMB18.3 million or 590.3% from RMB3.1 million for FY2021 to RMB21.4 million for FY2022, mainly due to the increase in revenue for desulfuriser.

Cost of sales

Cost of sales increased by RMB276.6 million or 23.1% from RMB1,199.3 million for FY2021 to RMB1,475.9 million for FY2022, mainly due to (i) the increase in cost of raw materials as we launched our new product, namely polyether monomers during the year; and (ii) the increase in depreciation and amortisation as two production plants commenced operation in late 2021 (being the Tongling Production Plant and the Guigang Production Plant) and three production plants commenced operation in 2022 (being the Ningbo Production Plant, the Xianyang Production Plant and the Qinghai Production Plant).

Gross profit and gross profit margin

As a result of the foregoing, our gross profit rose by RMB25.5 million or 7.5% from RMB338.2 million for FY2021 to RMB363.7 million for FY2022. Our gross profit margin decreased by 2.2% from 22.0% for FY2021 to 19.8% for FY2022, mainly due to (i) the commencement of sales of polyether monomers in June 2022 which derived gross loss and gross loss margin of RMB9.0 million and 2.9%, respectively; and (ii) the decrease in gross profit margin of concrete admixture as a result of (a) the decrease in selling price of our products sold to related party customers as market price decreased; and (b) the more competitive price offered to third party customers in order to expand our market share and develop new customers. Such low gross profit margin for polyether monomers was mainly due to (i) the low production volume as the product was initially launched in June 2022, resulting in higher cost per tonne as a portion of the cost was of a fixed nature; and (ii) the more competitive price offered to our customers in response to the keen competition in the market due to the increase in the number of industry players in 2022.

Other net income

Other net income decreased by RMB4.6 million or 42.2% from RMB10.9 million for FY2021 to RMB6.3 million for FY2022, mainly due to (i) the decrease in government grants, because there was a one-off special economic fund of RMB3.3 million received from a local government authority in FY2021, whereas we did not receive such fund in FY2022; and (ii) the decrease in interest income due to repayment from the former shareholder of Linyi Conch.

Distribution costs

Distribution costs increased by RMB12.0 million or 36.3% from RMB33.1 million for FY2021 to RMB45.1 million for FY2022, mainly due to the increase in staff cost as a result of the increase in the number of sales staff.

Administrative expenses

Administrative expenses increased by RMB22.4 million or 18.8% from RMB119.1 million for FY2021 to RMB141.5 million for FY2022, mainly due to (i) the increase in staff cost as a result of the increase in the number of administrative staff; (ii) the increase in others as our business scale expanded; and (iii) the increase in depreciation and amortisation as two production plants commenced operation in late 2021 (being the Guigang Production Plant and the Tongling Production Plant) and three production plants commenced operation in 2022 (being the Ningbo Production Plant, the Xianyang Production Plant and the Qinghai Production Plant).

Research and development costs

Research and development costs remained relatively stable at RMB39.1 million and RMB39.9 million for FY2021 and FY2022, respectively.

Reversal/(provision) of impairment losses on trade receivables

We recorded provision of impairment losses on trade receivables of RMB10.1 million for FY2022 as compared to reversal of impairment losses of trade receivables of RMB2.6 million for FY2021, mainly due to the increase in trade receivables from RMB266.1 million as at 31 December 2021 to RMB467.3 million as at 31 December 2022 as a result of the increase in revenue following the launch of our new product, namely polyether monomers in June 2022.

Finance costs

Finance costs increased by RMB13.6 million or 134.7% from RMB10.1 million for FY2021 to RMB23.7 million for FY2022, mainly due to the increase in interest on loans and borrowings as a result of (i) the increase in average loans and borrowings; and (ii) the substantial completion of construction of Tongling Production Plant and Guigang Production Plant in 2021, resulting in the increase in borrowing costs being expensed.

Income tax expense

Income tax expense decreased by RMB6.1 million or 26.1% from RMB23.4 million for FY2021 to RMB17.3 million for FY2022, mainly due to the decrease in profit before taxation. Our effective tax rate remained relatively stable at 15.6% and 15.8% for FY2021 and FY2022, respectively.

Profit for the year

As a result of the foregoing, profit for the year decreased by RMB34.5 million or 27.2% from RMB126.9 million for FY2021 to RMB92.4 million for FY2022. Our net profit margin decreased from 8.3% for FY2021 to 5.0% for FY2022, mainly due to the above-mentioned decrease in gross profit margin and increase in administrative expenses.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flow

Our primary uses of cash are for the payment of procurement of inventories from suppliers, staff costs, various operating expenses and capital expenditure and have been funded through a combination of cash generated from our operations and loans and borrowings. Upon completion of the Global Offering, we currently expect that there will not be any material change in the sources and uses of cash of our Group in the future, except that we would have additional funds from proceeds of the Global Offering for implementing our future plans as detailed under the section headed "Future Plans and Use of Proceeds" in this prospectus.

The following table summarises, for the periods indicated, our statements of cash flows:

	FY2021	FY2022	FY2023	6M2023	6M2024
	RMB' million	*RMB' million*	*RMB' million*	*RMB' million* (Unaudited)	*RMB' million*
Cash generated from/(used in) operations	290.0	(97.3)	187.1	73.1	44.3
Income tax paid	(27.5)	(25.0)	(23.4)	(10.3)	(13.7)
Net cash generated from/(used in) operating activities	262.5	(122.3)	163.7	62.8	30.6
Net cash used in investing activities	(577.2)	(272.7)	(91.5)	(70.8)	(42.9)
Net cash generated from/(used in) financing activities	428.2	312.4	(37.8)	44.9	(10.3)
Net increase/(decrease) in cash and cash equivalents	113.5	(82.6)	34.4	36.9	(22.6)
Cash and cash equivalents at beginning of year/period	100.8	214.3	131.7	131.7	166.1
Cash and cash equivalents at end of year/period	214.3	131.7	166.1	168.6	143.5

Operating activities

During our Track Record Period, our cash inflow from operating activities was principally from the receipt of proceeds for our sale of cement admixture and concrete admixture and their respective in-process intermediaries. Our cash outflow used in operating activities was principally for acquisition of inventories, payment of staff costs and other operating expenses.

For 6M2024, we had net cash generated from operating activities of RMB30.6 million, primarily consisting of net cash from operating activities before changes in working capital of RMB121.0 million, negative changes in working capital of RMB76.7 million and income taxes paid of RMB13.7 million. Our net cash from operating activities before changes in working capital was attributable to our profit before tax of RMB70.8 million, adjusted for non-cash items primarily including (i) depreciation of owned property, plant and equipment of RMB31.7 million, and (ii) finance costs of RMB13.7 million. Our net cash outflows relating to changes in working capital were primarily attributable to (i) the increase in trade and other receivables of RMB61.4 million; and (ii) the increase in inventories of RMB33.0 million.

For FY2023, we had net cash generated from operating activities of RMB163.7 million, primarily consisting of net cash from operating activities before changes in working capital of RMB269.7 million, negative changes in working capital of RMB82.6 million and income taxes paid of RMB23.4 million. Our net cash from operating activities before changes in working capital was attributable to our profit before tax of RMB170.0 million, adjusted for non-cash items primarily including (i) depreciation of owned property, plant and equipment of RMB61.0 million, and (ii) finance costs of RMB30.3 million. Our net cash outflows relating to changes in working capital were primarily attributable to the increase in trade and other receivables of RMB175.9 million, partially offset by (i) the increase in trade and other payables of RMB48.7 million; and (ii) the increase in inventories of RMB15.7 million.

For FY2022, we had net cash used in operating activities of RMB122.3 million, primarily consisting of net cash from operating activities before changes in working capital of RMB180.1 million, negative changes in working capital of RMB277.4 million and income taxes paid of RMB25.0 million. Our net cash from operating activities before changes in working capital was attributable to our profit before tax of RMB109.6 million, adjusted for non-cash items primarily including (i) depreciation of owned property, plant and equipment of RMB39.4 million; and (ii) finance costs of RMB23.7 million. Our net cash outflows relating to changes in working capital were primarily attributable to (i) the increase in trade and other receivables of RMB265.6 million; and (ii) the increase in inventories of RMB65.7 million, partially offset by the increase in trade and other payables of RMB40.2 million.

For FY2021, we had net cash generated from operating activities of RMB262.5 million, primarily consisting of net cash from operating activities before changes in working capital of RMB180.3 million, positive changes in working capital of RMB109.7 million and income taxes paid of RMB27.5 million. Our net cash from operating activities before changes in working capital was attributable to our profit before tax of RMB150.3 million, adjusted for non-cash items primarily including (i) depreciation of owned property, plant and equipment of RMB13.4 million; and (ii) finance costs of RMB10.1 million. Our net cash inflows relating to changes in working capital were primarily attributable to (i) the increase in trade and other payables of RMB101.4 million; and (ii) the decrease in trade and other receivables of RMB19.1 million, partially offset by the increase in inventories of RMB13.6 million.

Investing activities

During the Track Record Period, our cash inflow from investing activities was principally proceeds from disposal of property, plant and equipment. Our cash outflow used in investing activities was principally for payment for purchase of property, plant and equipment, construction in progress.

For 6M2024, we had net cash used in investing activities of RMB42.9 million, primarily attributable to (i) payment for purchase of property, plant and equipment and construction in progress of RMB43.2 million; and (ii) payment for purchase of financial assets measured at fair value through profit and loss of RMB20.0 million, partially offset by proceeds from disposal of financial assets measured at fair value through profit and loss of RMB20.0 million.

For FY2023, we had net cash used in investing activities of RMB91.5 million, primarily attributable to (i) payment for purchase of property, plant and equipment and construction in progress of RMB70.0 million; and (ii) payment for purchase of financial assets measured at fair value through profit and loss of RMB60.0 million, partially offset by proceeds from disposal of financial assets measured at fair value through profit and loss of RMB60.2 million.

For FY2022, we had net cash used in investing activities of RMB272.7 million, primarily attributable to payment for purchase of property, plant and equipment, construction in progress of RMB277.8 million.

For FY2021, we had net cash used in investing activities of RMB577.2 million, primarily attributable to (i) payment for purchase of property, plant and equipment, construction in progress of RMB584.9 million; and (ii) payment for purchase of right-of-use assets of RMB32.1 million, partially offset by repayment of amount due from the then investor of a subsidiary of RMB39.5 million.

Financing activities

During the Track Record Period, our cash inflow from financing activities was principally from proceeds from loans and borrowings. Our cash outflow used in financing activities was principally for repayment of loans and borrowings.

For 6M2024, we had net cash used in financing activities of RMB10.3 million, primarily attributable to (i) repayments of loans and borrowings of RMB271.7 million; and (ii) interest paid of RMB13.5 million, partially offset by proceeds from loans and borrowings of RMB283.0 million.

For FY2023, we had net cash used in financing activities of RMB37.8 million, primarily attributable to (i) repayments of loans and borrowings of RMB837.6 million; (ii) interest paid of RMB31.6 million; and (iii) dividends paid of RMB29.8 million, partially offset by (i) proceeds from loans and borrowings of RMB681.1 million; and (ii) capital contribution from equity shareholders of RMB202.9 million.

For FY2022, we had net cash generated from financing activities of RMB312.4 million, primarily attributable to proceeds from loans and borrowings of RMB845.0 million, partially offset by repayments of loans and borrowings of RMB494.3 million.

For FY2021, we had net cash generated from financing activities of RMB428.2 million, primarily attributable to proceeds from loans and borrowings of RMB760.1 million, partially offset by repayments of loans and borrowings of RMB277.0 million.

Net Current Liabilities/Assets

We recorded net current liabilities of RMB7.7 million, RMB192.1 million and RMB16.5 million as at 31 December 2021, 2022 and 2023, respectively, while we recorded net current assets of RMB36.6 million and RMB117.0 million as at 30 June 2024 and 31 October 2024. The table below sets out selected information for our current assets and current liabilities as at the dates indicated:

	As at 31 December			As at 30 June	As at 31 October
	2021	2022	2023	2024	2024
	RMB' million	*RMB' million*	*RMB' million*	*RMB' million*	*RMB' million* (Unaudited)
Current Assets					
Inventories	52.9	118.6	102.9	135.9	131.0
Trade and other receivables	359.8	632.8	813.1	878.7	966.5
Restricted bank deposits	0.1	—	—	—	—
Cash and cash equivalents	214.3	131.8	166.1	143.5	124.7
	627.1	883.2	1,082.1	1,158.1	1,222.2
Current Liabilities					
Loans and borrowings	312.0	712.1	701.6	736.5	676.9
Trade and other payables	313.2	343.2	369.4	349.7	387.5
Contract liabilities	2.5	11.4	13.5	18.6	30.5
Lease liabilities	1.7	1.7	1.8	1.7	1.7
Income tax payables	5.4	6.9	12.3	15.0	8.6
	634.8	1,075.3	1,098.6	1,121.5	1,105.2
Net current (liabilities)/assets	(7.7)	(192.1)	(16.5)	36.6	117.0

Our net current liabilities increased from RMB7.7 million as at 31 December 2021 to RMB192.1 million as at 31 December 2022, primarily due to (i) the increase in loans and borrowings of RMB400.1 million for our operation needs; (ii) the decrease in cash and cash equivalents of RMB82.5 million; and (iii) the increase in trade and other payables of RMB30.0 million mainly as a result of (a) the increase in construction and equipment payables for the construction of our production plants; and (b) the increase in trade and bills payables for purchase of raw materials as certain of our production plants commenced operation during 2022 (being the Ningbo Production Plant, the Xianyang Production Plant and the Qinghai Production Plant), partially offset by (i) the increase in trade and other receivables of RMB273.0 million mainly as a result of the increase in revenue following the launch of our new product, namely polyether monomers; and (ii) the increase in inventories of RMB65.7 million because (a) we started operation of three production plants in 2022 (being the Ningbo Production Plant, the Xianyang Production Plant and the Qinghai Production Plant); and (b) we have produced our new product, namely polyether monomers since June 2022.

Our net current liabilities decreased from RMB192.1 million as at 31 December 2022 to RMB16.5 million as at 31 December 2023, primarily due to (i) the increase in trade and other receivables of RMB180.3 million mainly as a result of (a) the increase in revenue following the launch of our new product, namely polyether monomers in June 2022; and (b) the increase in the number of customers following the commencement of operation of new production plants which extended our geographical coverage; and (ii) the increase in cash and cash equivalents of RMB34.3 million, partially offset by the increase in trade and other payables of RMB26.2 million mainly as a result of the increase in trade and bills payables as a result of the increase in demand of raw materials as sales increased.

We recorded net current assets of RMB36.6 million as at 30 June 2024 as compared to net current liabilities of RMB16.5 million as at 31 December 2023, primarily due to (i) the increase in trade and other receivables of RMB65.6 million mainly as a result of (a) the increase in bills which were due within six months from date of issuance; (b) the increase in deposits and prepayments for the purchase of raw materials for the expected increase in sales; and (c) the increase in prepayments for costs incurred in connection with the Listing; and (ii) increase in inventories of RMB33.0 million as a result of purchase of raw materials for production needs of Huludao Production Plant and stocking up of inventories for the expected increase in sales, partially offset by (i) the decrease in cash and cash equivalents of RMB22.6 million; and (ii) the increase in loans and borrowings of RMB34.9 million for our operation needs.

Our net current assets increased from RMB36.6 million as at 30 June 2024 to RMB117.0 million as at 31 October 2024, primarily due to (a) the decrease in loans and borrowings of RMB59.6 million following our repayment; and (b) the increase in trade and other receivables of RMB87.8 million.

Despite the net current liabilities we recorded as at 31 December 2023, our Directors' considered that we will be able to maintain sufficient working capital, taking into account of the facts that: (i) our Group has the ability to (a) obtain new banking and other financing facilities; and (b) renew or refinance banking facilities upon maturity; (ii) our Group can adjust the schedule of certain planned capital expenditure for the next twelve months; and (iii) the available unutilised banking facilities amounted to RMB1,568.0 million as at 31 October 2024.

In order to improve our working capital and liquidity position, we intend to adopt or have adopted the following measures to manage and control our working capital and liquidity position at a prudent level:

- we prepare cash flow forecasts from time to time to project liquidity position of our Group for our management to review so as to ensure the sufficiency of our financial resources. For cash receipt, we manage, monitor and analyse the ageing of trade receivables from time to time, and take follow-up actions on trade receivables when payment conditions are met. For cash payment, we assess the status of settlement of trade receivables and adjust payment schedules to suppliers accordingly. For inventory management, we normally purchase raw materials based on requirement plan to reduce our risk exposure to obsolete stock and working capital requirements;

- we would continue to enhance our working capital management, we seek to manage the level of our liquid assets to ensure the availability of sufficient cash flows to meet any unexpected cash requirements arising from our business. We carefully consider our cash position and ability to obtain further financing when arranging payment for major business plans and transactions. We will continue to assess available resources to finance our business needs on an ongoing basis and proactively adjust our business plans or implement cost control measures if necessitated by our then-existing financial conditions and cash requirements; and

- we would continue to maintain stable relationship with our principal banks so as to timely obtain/renew bank borrowings if so required and on acceptable terms to our Group.

Working Capital

Our Directors confirm, and the Sole Sponsor concurs, that taking into consideration the financial resources presently available to us, including cash flow from operations, the available unutilised banking facilities and other internal resources, and the estimated net proceeds from the Global Offering, we have sufficient working capital for our requirements within at least the next 12 months from the date of this prospectus.

Save as disclosed in this prospectus, our Directors are not aware of any other factors that would have a material impact on our Group's liquidity. Details of the funds necessary to meet our existing operations and to fund our future plans are set out in the section headed "Future Plans and Use of Proceeds" in this prospectus.

DESCRIPTION OF CERTAIN ITEMS OF CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Property, plant and equipment

Our property, plant and equipment mainly consisted of plant and buildings, machinery and equipment and construction in progress. Our property, plant and equipment increased by RMB235.9 million or 30.7% from RMB767.6 million as at 31 December 2021 to RMB1,003.5 million as at 31 December 2022, mainly due to the construction of factory building and machinery and equipment for our production plants including Ningbo Production Plant, Tongling Production Plant, Xianyang Production Plant, Guigang Production Plant and Qinghai Production Plant. Our property, plant and equipment remained relatively stable at RMB1,013.0 million as at 31 December 2023 and RMB998.8 million as at 30 June 2024.

Goodwill

Goodwill was arisen from our acquisition of Xiangyang Conch, Meishan Conch, Linyi Conch and Guizhou Conch in 2018. As at 31 December 2021, 2022 and 2023 and 30 June 2024, we recorded goodwill of RMB28.7 million.

Impairment tests for cash-generating units containing goodwill

Goodwill is allocated to the Group's cash-generation units ("**CGU**") by region as follows:

	Year ended 31 December			As at 30 June
Name of CGU	**2021**	**2022**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Linyi region	10,312	10,312	10,312	10,312
Guizhou region	114	114	114	114
Meishan region	2,950	2,950	2,950	2,950
Xiangyang region	15,315	15,315	15,315	15,315
Total	28,691	28,691	28,691	28,691

The recoverable amounts of the respective CGUs are determined based on the value-in-use ("**VIU**") calculation. As at 31 December 2021, 2022 and 2023 and 30 June 2024, these calculations use cash flow projections based on financial budgets approved by management covering a five-year forecast period. Cash flows beyond the five-year period are extrapolated using an estimated terminal growth rate of 0%. The discount rates used are pre-tax and reflect specific risks relating to the relevant industry, the CGUs themselves and macro-environment of the relevant region. Key assumptions are set out as follows:

	Year ended 31 December			As at 30 June
	2021	**2022**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Annual growth rate of revenue for forecast period *(Note)*	1.0%–6.3%	1.0%–6.3%	2.0%–4.1%	2.0%–6.8%
Long-term growth rate	0%	0%	0%	0%
Pre-tax discount rate	13.8%–15.4%	14.1%–15.5%	13.0%–15.1%	13.5%–15.6%

Note: The basis used to determine the value assigned to the annual growth rate of revenue is based on the average growth levels experienced over the past years and the estimated sales volume and price growth for the next five years.

The headroom measured by the excess of the recoverable amount over the carrying amount of each CGU as at 31 December 2021, 2022 and 2023 and 30 June 2024 were set out below:

	Year ended 31 December			As at 30 June
Name of CGU	**2021**	**2022**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Linyi region	49,884	72,332	69,181	33,396
Guizhou region	27,249	27,417	50,571	33,437
Meishan region	84,989	59,265	22,930	35,571
Xiangyang region	108,108	129,295	82,557	48,839

Management of our Group has undertaken sensitivity analysis on the impairment test of goodwill. The following sensitivity analysis illustrates the impact of reasonable possible changes in each of these factors on the headroom for each CGU respectively as at 31 December 2021, 2022 and 2023 and 30 June 2024:

	Year ended 31 December			As at 30 June
	2021	**2022**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Decrease in annual sales growth rate by two percentage point				
— Linyi region	44,155	47,181	19,001	27,540
— Guizhou region	3,872	6,049	5,153	10,865
— Meishan region	41,683	32,664	5,735	9,912
— Xiangyang region	61,674	54,319	57,803	27,665
Increase in pre-tax discount rate by two percentage point				
— Linyi region	26,072	27,022	26,518	20,233
— Guizhou region	4,798	4,803	8,541	5,893
— Meishan region	19,380	15,429	10,020	11,400
— Xiangyang region	33,625	33,578	31,824	31,482

The management of our Group considered that reasonably possible change in the key assumptions above would not cause each of the CGU's carrying amount at 31 December 2021, 2022 and 2023 and 30 June 2024 to exceed its recoverable amount, respectively. The management of our Group determined that there was no impairment of these CGUs.

Inventories

Our inventories consisted of (i) raw materials which were mainly ethylene oxide, propylene oxide and ethanolamine; and (ii) finished goods which mainly included cement admixture and concrete admixture, and their respective in-process intermediaries that we produced. We source our raw materials for production of our products based on the expected level of production activities taking into consideration the sales orders on hand and the historical trends of sales. If there is an expected shortage of any particular type of raw materials or if the market prices of the raw materials are on an increasing trend, we would increase our inventory level of raw materials. The level of inventory of our finished products is dependent on our production volume as well as the sales orders on hand and the time for delivery of the finished products to our customers. Our products are produced based on the specifications of the sales orders placed by our customers.

The following table sets out the breakdown of our inventories as at the dates indicated:

	As at 31 December			**As at 30 June**
	2021	**2022**	**2023**	**2024**
	RMB' million	*RMB' million*	*RMB' million*	*RMB' million*
Raw materials	30.7	55.4	47.0	67.0
Finished goods	22.2	63.2	55.9	68.9
Total	52.9	118.6	102.9	135.9

The following table sets out the ageing analysis of our inventories by invoice date as at the dates indicated:

	As at 31 December			**As at 30 June**
	2021	**2022**	**2023**	**2024**
	RMB' million	*RMB' million*	*RMB' million*	*RMB' million*
Within one year	52.9	118.6	102.2	135.3
Over one year	—	—	0.7	0.6
Total	52.9	118.6	102.9	135.9

As at 31 December 2021 and 2022, 100% of our inventories aged within one year and as at 31 December 2023 and 30 June 2024, over 99.0% of our inventories aged within one year.

Our inventories increased by RMB65.7 million or 124.2% from RMB52.9 million as at 31 December 2021 to RMB118.6 million as at 31 December 2022, primarily because (i) we started operating our Ningbo Production Plant, Xianyang Production Plant and Qinghai Production Pant in 2022; and (ii) we have produced our new product, namely polyether monomers since June 2022. Our inventories decreased by RMB15.7 million or 13.2% from RMB118.6 million as at 31 December 2022 to RMB102.9 million as at 31 December 2023. Such reduction was affected by the difference in timing of Lunar New Year. The Lunar New Year of 2023 was earlier than that of 2024, and therefore, our inventory stock up preceding the Lunar New Year differed each year; specifically, since Lunar New Year in 2023 was in January, we stocked up inventories in December 2022, while Lunar New Year in 2024 was in February, we purchased inventories after 31 December 2023. Our inventories increased by RMB33.0 million or 32.1% from RMB102.9 million as at 31 December 2023 to RMB135.9 million as at 30 June 2024, mainly due to (i) the purchase of raw materials for the production needs of Huludao Production Plant which commenced operation in the second quarter of 2024; and (ii) stocking up of inventories for the expected increase in sales in the second half of 2024.

We also periodically review our inventory levels for slow-moving inventory, obsolescence or decline in fair value. Allowance is made when the net realisable value of inventories falls below the cost or any of the inventories is identified as obsolete. During the Track Record Period, write-down of inventories of RMB1.8 million, RMB2.8 million, RMB1.4 million and RMB1.8 million was recorded as at 31 December 2021, 2022 and 2023 and 30 June 2024, respectively.

The following table sets out the average turnover days of our inventories for the periods indicated:

	FY2021	**FY2022**	**FY2023**	**6M2024**
Average turnover days of inventories [1]	14.0	21.2	20.9	24.4

(1) Average turnover days of inventories equal the average of the opening and closing balances of inventories divided by total cost of sales for the same year/period and multiplied by 365 days for FY2021, FY2022 and FY2023 or 183 days for 6M2024.

Our average turnover days of inventories increased from 14.0 days for FY2021 to 21.2 days for FY2022, mainly due to the commencement of operation of Ningbo Production Plant in the second quarter of 2022. Our turnover days of inventories remained relatively stable at 20.9 days for FY2023. Our turnover days of inventories further increased to 24.4 days for 6M2024, mainly owing to stocking up of inventories for the expected increase in sales in the second half of 2024.

As at the Latest Practicable Date, RMB130.7 million or 96.2% of our inventories as at 30 June 2024 were utilised or sold.

Trade and other receivables

The following table sets out our trade and other receivables as at the dates indicated:

	As at 31 December			As at 30 June
	2021	2022	2023	2024
	RMB' million	*RMB' million*	*RMB' million*	*RMB' million*
Trade receivables				
— Third parties	92.9	277.3	406.5	385.4
— Related parties	173.6	192.3	203.2	207.2
Bills receivables, carried at amortised cost	47.9	112.8	187.5	234.8
Less: allowance for doubtful debts	(13.4)	(23.5)	(38.0)	(40.1)
Net trade and bills receivables	301.0	558.9	759.2	787.3
Bills receivable, measured at fair value through other comprehensive income ("**FVOCI**")	4.4	31.2	10.8	40.6
Other receivables				
— Deposits and prepayments	12.5	22.1	20.1	27.9
— VAT recoverable	34.9	8.5	7.7	1.1
— Prepayments for costs incurred in connection with the Listing	—	—	9.3	13.5
— Others	4.5	8.0	6.0	8.3
Total other receivables	51.9	38.6	43.1	50.8
Other receivables from related parties				
— Temporary payment on behalf of related party	2.5	4.1	0.0	—
Current portion of trade and other receivables	359.8	632.8	813.1	878.7
Non-current portion of trade and other receivables	37.8	24.1	2.5	3.7
Total current and non-current trade and other receivables	397.6	656.9	815.6	882.4

Trade and bills receivables

Our trade and bills receivables primarily represented outstanding amounts receivables from our customer for the sales of our products. Our trade and bills receivables increased by RMB257.9 million or 86.0% from RMB301.0 million as at 31 December 2021 to RMB558.9 million as at 31 December 2022, mainly due to the increase in revenue following the launch of our new product, namely polyether monomers in June 2022. Our trade and bills receivables further increased by RMB200.3 million or 35.8% to RMB759.2 million as at 31 December 2023, mainly due to (i) the increase in revenue following the launch of our new product, namely polyether monomers in June 2022; and (ii) the increase in the number of customers following the commencement of operation of new production plants which extended our geographical coverage. Our trade and bills receivables remained relatively stable at RMB759.2 million and RMB787.3 million as at 31 December 2023 and 30 June 2024, respectively.

As at 31 December 2021, 2022 and 2023 and 30 June 2024, we endorsed undue bills receivable of RMB53.2 million, RMB44.6 million, RMB135.4 million and RMB97.7 million, respectively to our suppliers to settle trade payables of the same amount and derecognised these bills receivable and payables to suppliers in their entirety from balance sheet as our management considered that the risks and rewards of ownership of these undue bills have been substantially transferred. Our continuous involvement in these derecognised undue bills receivable is limited to when the issuance banks of these undue bills are unable to settle the amounts to the holders of these bills. As at 31 December 2021, 2022 and 2023 and 30 June 2024, the maximum exposure to loss from its continuous involvement represents the amount of bills receivable of RMB53.2 million, RMB44.6 million, RMB135.4 million and RMB97.7 million which we endorsed to our suppliers. These undue bills receivable were due within six months from date of issuance.

The following table sets out the ageing analysis of our net trade and bills receivables based on the past due ageing as at the dates indicated:

	As at 31 December			As at 30 June
	2021	**2022**	**2023**	**2024**
	RMB' million	*RMB' million*	*RMB' million*	*RMB' million*
Current	288.5	508.8	642.2	630.6
One to six months past due	12.4	50.1	116.5	141.8
Seven months to one year past due	0.1	0.0	0.5	14.9
Total	301.0	558.9	759.2	787.3

Our trade and bills receivables aged one to six months past due increased from RMB12.4 million as at 31 December 2021 to RMB50.1 million as at 31 December 2022, and further increased to RMB116.5 million as at 31 December 2023, mainly due to temporary delay in settlement by Customer B and its subsidiaries and another third party customer who were our major customers of polyether monomer. Our trade and bills receivables aged one to six months past due increased from RMB116.5 million as at 31 December 2023 to RMB141.8 million as at 30 June 2024, primarily owing to the increase in past due trade receivables of Customer B and its subsidiaries. As at 30 June 2024, total trade and bills receivables of RMB149.4 million was due from Customer B and its subsidiaries, of which RMB34.6 million or 23.2% was settled as at the Latest Practicable Date. As at the Latest Practicable Date, RMB94.7 million or 63.4% of trade and bills receivables aged one to six months past due as at 30 June 2024 were settled.

Our Directors considered that trade and bills receivables from Customer B and its subsidiaries has no recoverability issue because (i) the customer is a state-owned enterprise and a leading player in its industry with a registered capital of RMB12.1 billion as at the Latest Practicable Date; (ii) the customer had historical payment record with us; (iii) we did not have any material disagreement or disputes with this customer on trade and bills receivables; and (iv) there had not been any significant change in creditability of the customer and the balances were still considered to be fully recoverable.

Our Directors believed that the allowance for doubtful debts from Customer B and its subsidiaries during the Track Record Period was adequate, on the basis that (i) we closely review the balances of trade and bills receivables from Customer B and its subsidiaries on an ongoing basis and assess the collectability of overdue balances from this customer; (ii) we estimate the loss allowances for trade receivables by assessing the expected credit losses, which are based on our historical credit loss experience, adjusted for factors that are specific to the customer and an assessment of both the current and forecast general economic conditions at the reporting date; and (iii) we have dedicated internal teams responsible for continually monitoring the credit profiles and operating and financial conditions of our customers and proactively following up with our customers to ensure recoverability of trade and bills receivables in the foreseeable future.

The following table sets out the ageing analysis of our net trade and bills receivables by invoice date as at the dates indicated:

	As at 31 December			As at 30 June
	2021	**2022**	**2023**	**2024**
	RMB' million	*RMB' million*	*RMB' million*	*RMB' million*
Within six months	301.0	558.9	759.2	772.4
Over six months	—	—	—	14.9
Total	301.0	558.9	759.2	787.3

According to IFRS 9, loss allowances for trade receivables are measured at an amount equal to lifetime ECLs, which is calculated using a provision matrix based on the past due status of our Group's customers at the end of each reporting period. The loss allowances derived from the ECL is assumed to be deducted from the long-aged trade and bills receivables by invoice date. As such, the gross trade and bills receivables aged over six months as at 31 December 2021, 2022 and 2023 were fully impaired and no net trade and bills receivables aged over six months by invoice date. Our net trade and bills receivables aged over six months by invoice date increased from nil as at 31 December 2023 to RMB14.9 million as at 30 June 2024, mainly due to the increase in past due trade and bills receivables which were not fully impaired.

Our Group's trading terms with our customers are either on credit or in cash. Before accepting any new customers, our Group will apply an internal credit assessment policy to assess the potential customer's credit quality and define credit limit by customer. Trade receivables are generally due within 30 days to 120 days from the date of billing. Each customer has a maximum credit limit. Our Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise the credit risk. Overdue balances are reviewed regularly by senior management. We typically do not require any collateral as security.

We measures loss allowances for trade receivables at an amount equal to lifetime expected credit losses, which is calculated using a provision matrix. We established a credit risk management policy under which individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. As at 31 December 2021, 2022 and 2023 and 30 June 2024, allowance for doubtful debts were RMB13.4 million, RMB23.5 million, RMB38.0 million and RMB40.1 million, respectively.

As at the Latest Practicable Date, RMB616.1 million or 78.3% of our trade receivables outstanding as at 30 June 2024 were settled.

The table below sets out a summary of average turnover days of trade receivables as at the dates indicated:

	FY2021	FY2022	FY2023	6M2024
Overall average turnover days of trade receivables [1]	68.8	73.0	82.2	99.7
Average turnover days of trade receivables attributable to third party customers[2]	54.9	64.5	77.2	96.4
Average turnover days of trade receivables attributable to related parties[3]	80.1	84.4	92.7	106.7

(1) Average turnover days of trade receivables equal the average of the opening and closing balances of trade receivables (including value-added tax) divided by total revenue from contracts with customers for the same year/period and multiplied by 365 days for FY2021, FY2022 and FY2023 or 183 days for 6M2024.

(2) Average turnover days of trade receivables attributable to third party customers equal the average of the opening and closing balances of trade receivables attributable to third party customers (including value-added tax) divided by total revenue from contracts with third party customers for the same year/period and multiplied by 365 days for FY2021, FY2022 and FY2023 or 183 days for 6M2024.

(3) Average turnover days of trade receivables attributable to related parties equal the average of the opening and closing balances of trade receivables attributable to related parties (including value-added tax) divided by total revenue from contracts with related parties for the same year/period and multiplied by 365 days for FY2021, FY2022 and FY2023 or 183 days for 6M2024. Trade receivable from related party customers was generally due within two months after receiving VAT invoice, the VAT invoice was generally issued approximately 30 days after delivery of products.

Our turnover days of trade receivables increased from 68.8 days for FY2021 to 73.0 days for FY2022, mainly because we granted longer credit period to customers of polyether monomers for the purpose of expanding the market. Our turnover days of trade receivables further increased to 82.2 days for FY2023, mainly due to (i) the longer credit period granted to certain customers of polyether monomers; and (ii) the increase in the number of customers with credit term following the commencement of operation of new production plants. Our turnover days of trade receivables increased to 99.7 days for 6M2024, primarily owing to (i) the long credit period granted to certain customers; and (ii) the increase in past due trade receivables.

Our average turnover days of trade receivables attributable to third party customers was 54.9 days, 64.5 days, 77.2 days and 96.4 days for FY2021, FY2022, FY2023 and 6M2024, respectively, which was within the credit period ranging from 30 days to 120 days granted to our customers. As such, our Directors considered that there was no significant variance between the turnover period attributable to third party customers and the credit policy granted to the customers.

Our average turnover days of trade receivables attributable to related parties was 80.1 days, 84.4 days and 92.7 days for FY2021, FY2022 and FY2023, respectively, which was generally in line with the fluctuation of our overall average turnover days of trade receivables. Our average turnover days of trade receivables attributable to related parties further increased to 106.7 days for 6M2024, mainly due to the increase in past due trade receivables of Related Party A.

Bills receivables, carried at FVOCI

Our bills receivables, carried at FVOCI represented settlement of trade receivables by customers using bills issued by banks. The fluctuation was affected by the amount of trade receivables to be settled by bills. Our bills receivables, carried at FVOCI increased by RMB26.8 million or 609.1% from RMB4.4 million as at 31 December 2021 to RMB31.2 million as at 31 December 2022, mainly because (i) more customers settled their trade receivables by bills; and (ii) the increase in revenue following the launch of our new product, namely polyether monomers. Our bills receivables, carried at FVOCI decreased to RMB10.8 million as at 31 December 2023, primarily attributable to maturity of the bills. Our bills receivables, carried at FVOCI then increased by RMB29.8 million or 275.9% to RMB40.6 million as at 30 June 2024, mainly because more customers settled their trade receivables by bills.

Other receivables

Our other receivables comprised (i) deposits and prepayments for the purchase of raw materials; (ii) value added tax ("**VAT**") recoverable; (iii) amounts due from the then investor of a subsidiary; and (iv) others which were mainly (a) guarantee deposits receivable from suppliers in relation to construction of our production plant; and (b) tender deposit. VAT recoverable refers to the input VAT in excess of the output VAT that are deductible or recoverable in the future. The amount of input taxes is determined with reference to the applicable VAT tax rate in effect during the period when the purchase from suppliers is made.

Our other receivables decreased by RMB13.3 million or 25.6% from RMB51.9 million as at 31 December 2021 to RMB38.6 million as at 31 December 2022, primarily attributable to the use of VAT recoverable as two production plants commenced operation in late 2021 (being the Tongling Production Plant and the Guigang Production Plant) and three production plants commenced operation in 2022 (being the Ningbo Production Plant, the Xianyang Production Plant and the Qinghai Production Plant) which generated revenue and output VAT, partially offset by the increase in deposits and prepayments as a result of the purchase of more raw materials for our production following the increase in the number of operating production plants.

Our other receivables increased by RMB4.5 million or 11.7% to RMB43.1 million as at 31 December 2023, mainly owing to the increase in the prepayments for costs incurred in connection with the Listing.

Our other receivables increased by RMB7.7 million or 17.9% to RMB50.8 million as at 30 June 2024, mainly owing to (i) the increase in deposits and prepayments as a result of the purchase of raw materials for the expected increase in sales in the second half of 2024; and (ii) the increase in prepayments for costs incurred in connection with the Listing, partially offset by the decrease in VAT recoverable following VAT refund and use of VAT recoverable.

Other receivables from related parties

Other receivables from related parties included temporary payment on behalf of related party which was incurred before our acquisition of Anhui Haicui and was subsequently settled as at the Latest Practicable Date. As at 31 December 2021, 2022 and 2023 and 30 June 2024, other receivables from related parties amounted to RMB2.5 million, RMB4.1 million, RMB0.0 million and nil, respectively. For further details of related party transactions and balances, please refer to Note 28 of the Accountants' Report in Appendix I to this prospectus.

Non-current portion of trade and other receivables

Our non-current portion of trade and other receivables mainly represented prepayment for purchase of property, plant and equipment and non-current VAT recoverable. Our non-current portion of trade and other receivables decreased by RMB13.7 million or 36.2% from RMB37.8 million as at 31 December 2021 to RMB24.1 million as at 31 December 2022, mainly due to the use of VAT recoverable as two production plants commenced operation in late 2021 (being the Guigang Production Plant and the Tongling Production Plant) and three production plants commenced operation in 2022 (being the Ningbo Production Plant, the Xianyang Production Plant and the Qinghai Production Plant) which generated revenue and output VAT. Our non-current portion of trade and other receivables further decreased to RMB2.5 million as at 31 December 2023, primarily attributable to (i) the use of VAT recoverable as two production plants commenced operation in late 2021 (being the Guigang Production Plant and the Tongling Production Plant) and three production plants commenced operation in 2022 (being the Ningbo Production Plant, the Xianyang Production Plant and the Qinghai Production Plant) which generated revenue and output VAT; and (ii) completion of installation of certain equipment. We recorded insignificant non-current portion of trade and other receivables of RMB3.7 million as at 30 June 2024.

Trade and other payables

The following table sets out our trade and other payables as at the dates indicated:

	As at 31 December			As at 30 June
	2021	**2022**	**2023**	**2024**
	RMB' million	*RMB' million*	*RMB' million*	*RMB' million*
Trade payables				
— Third parties	132.4	153.7	193.0	213.1
— Related parties	0.8	0.8	2.7	4.2
Bills payables	15.0	—	—	—
Trade and bills payables	148.2	154.5	195.7	217.3
Other payables and accruals to third parties				
— Construction and equipment payables	65.2	81.7	69.2	50.9
— Deposits	33.4	36.5	32.8	29.2
— Other taxes and surcharges payables	8.1	7.6	5.4	6.1
— Accrued payroll and other benefits	37.6	42.9	46.1	28.0
— Payables for costs incurred in connection with the proposed issuance of the Company's H shares	—	—	6.6	4.8
— Other accrued expenses	7.5	9.2	7.6	6.6
Total other payables and accruals	151.8	177.9	167.7	125.6
Other payables to related parties				
— Construction and equipment payables	13.2	10.8	6.0	6.8
Trade and other payables	313.2	343.2	369.4	349.7

Trade and bills payables

Our trade payables mainly included payable to our suppliers for the purchase of inventories, while our bills payables represented issuance of performance guarantee for acquisition of equipment. Our trading terms with suppliers includes prepayment, cash on delivery or on credit with credit period generally up to two months. The following table sets out the ageing analysis of our trade and bills payables as at the dates indicated:

	As at 31 December			As at 30 June
	2021	**2022**	**2023**	**2024**
	RMB' million	*RMB' million*	*RMB' million*	*RMB' million*
Within one year	147.5	154.5	195.7	217.3
Over one year	0.7	0.0	0.0	0.0
Total	148.2	154.5	195.7	217.3

Trade and bills payables increased by RMB6.3 million or 4.3% from RMB148.2 million as at 31 December 2021 to RMB154.5 million as at 31 December 2022, and further increased by RMB41.2 million or 26.7% to RMB195.7 million as at 31 December 2023, mainly because of the increase in demand of raw materials as sales increased. Trade and bills payables increased by RMB21.6 million or 11.0% to RMB217.3 million as at 30 June 2024, mainly due to (i) the increase in purchase of raw materials for production need; and (ii) the increase in transportation cost as revenue increased.

As at the Latest Practicable Date, RMB189.8 million or 87.1% of trade payables outstanding as at 30 June 2024 were settled. Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, there was no material default in payment of trade payables.

The following table sets out the average turnover days of trade payables for the Track Record Period:

	FY2021	FY2022	FY2023	6M2024
Average turnover days of trade payables [1]	41.3	35.6	33.0	42.3

(1) Average turnover days of trade payables equal the average of the opening and closing balances of trade payables divided by total cost of sales for the same year/period and multiplied by 365 days for FY2021, FY2022 and FY2023 or 183 days for 6M2024.

Average turnover days of trade payables decreased from 41.3 days for FY2021 to 35.6 days for FY2022, mainly due to the increase in purchase from Supplier Group A who required payment before delivery. Average turnover days of trade payables remained relatively stable at 33.0 days for FY2023. Average turnover days of trade payables then increased to 42.3 days for 6M2024, mainly owing to (i) the increase in purchase of raw materials for production need; and (ii) the increase in transportation cost as revenue increased.

Other payables and accruals

Our other payables and accruals comprised (i) construction and equipment payables; (ii) deposits which represented guarantee money received from suppliers; (iii) taxes and surcharges payables other than PRC income tax; (iv) accrued payroll and other benefits payable to our staff; (v) accrued expenses; and (vi) others.

Other payables and accruals increased by RMB26.1 million or 17.2% from RMB151.8 million as at 31 December 2021 to RMB177.9 million as at 31 December 2022, mainly due to (i) the increase in construction and equipment payables as a result of the construction of our production plants; (ii) the increase in deposits as a result of the increase in purchase of raw materials following the commencement of operation of two production plants in late 2021 (being the Tongling Production Plant and the Guigang Production Plant) and three production plants in 2022 (being the Ningbo Production Plant, the Xianyang Production Plant and the Qinghai Production Plant); and (iii) the increase in accrued payroll and other benefits as a result of the increase in headcount.

Other payables and accruals then decreased by RMB10.2 million or 5.7% to RMB167.7 million as at 31 December 2023, primarily attributable to (i) the decrease in construction and equipment payables as a result of settlement made before year end; and (ii) the decrease in deposits as a result of return of deposits to suppliers after completion of certain tendering projects, partially offset by (i) the increase in payables for costs incurred in connection with the Listing; and (ii) the increase in accrued payroll and other benefits as a result of the increase in the number of staff and year end bonus.

Other payables and accruals decreased by RMB42.1 million or 25.1% to RMB125.6 million as at 30 June 2024, primarily owing to (i) the decrease in construction and equipment payables as a result of settlement made before period end; (ii) the decrease in accrued payroll and other benefits as a result of payment of year end bonus; and (iii) the decrease in deposits as a result of refund of deposits to suppliers after completion of certain tendering projects.

As at the Latest Practicable Date, RMB45.6 million or 34.5% of other payables outstanding as at 30 June 2024 were settled.

Other payables to related parties

Other payables to related parties included payable for construction and purchase of equipment (such as admixtures storage containers and energy storage system) for our operations and intangible assets. Other payables to related parties amounted to RMB13.2 million, RMB10.8 million, RMB6.0 million and RMB6.8 million as at 31 December 2021, 2022 and 2023 and 30 June 2024, respectively.

Other payables to related parties were unsecured, interest-free and repayable on demand. According to our contract terms regarding the other payables to related parties arising from the purchase of equipment, our amounts payable are due in installments, generally in three stages (the three stages being (i) on or around the signing of contract, (ii) on or around the completion of installation and (iii) on or around the expiry of warranty). As to the purchase of intangible assets, our amounts payable are due 30 days after the signing of the contract. For further details of related party transactions and balances, please refer to Note 28 of the Accountants' Report in Appendix I to this prospectus. Other payables to related parties will be settled in accordance with the contract term.

Contract liabilities

A contract liability is recognised when the customer pays non-refundable consideration before our Group recognises the related revenue or our Group has an unconditional right to receive non-refundable consideration before our Group recognises the related revenue. Our contract liabilities increased by RMB8.9 million or 356.0% from RMB2.5 million as at 31 December 2021 to RMB11.4 million as at 31 December 2022, and further increased by RMB2.1 million or 18.4% to RMB13.5 million as at 31 December 2023, which was generally in line with our business growth. Our contract liabilities increased by RMB5.1 million or 37.8% to RMB18.6 million as at 30 June 2024, primarily owing to the increase in revenue.

As at the Latest Practicable Date, RMB18.6 million or 100.0% of contract liabilities as at 30 June 2024 were recognised as revenue.

CAPITAL EXPENDITURES

Our Group's capital expenditures consisted of expenditures on payment for purchase of property, plant and equipment and construction in progress. During the Track Record Period, our Group incurred capital expenditures of RMB584.9 million, RMB277.8 million, RMB70.0 million and RMB43.2 million, respectively, majority of which came from addition of construction in progress and machinery and equipment.

Our Group's projected capital expenditures are subject to revision based upon any future changes in our business plan, market conditions, and economic and regulatory environment. See "Future Plans and Use of Proceeds" in this prospectus for further information.

We expect to fund our capital expenditures principally though the net proceeds we receive from the Global Offering, cash generated from our operating activities and proceeds from loans and borrowings. We believe that these sources of funding will be sufficient to finance our contractual commitments and capital expenditure needs for the next 12 months.

PROPERTY INTERESTS AND PROPERTY VALUATION

Our Directors confirm that, as at the Latest Practicable Date, there were no circumstances that would give rise to a disclosure requirement under Rules 5.01 to 5.10 of the Listing Rules. As at the Latest Practicable Date, our property interests do not form part of our property activities and no single property interest that forms part of our non-property activities has a carrying amount of 15% or more of our total assets.

CAPITAL COMMITMENTS

We had the following capital commitments, which were not provided for in our consolidated financial statements:

	As at 31 December			As at 30 June
	2021	**2022**	**2023**	**2024**
	RMB' million	*RMB' million*	*RMB' million*	*RMB' million*
Contracted for	140.0	33.7	10.9	0.9

INDEBTEDNESS

The following table sets out our total debts as at the dates indicated:

	As at 31 December			As at 30 June	As at 31 October
	2021	2022	2023	2024	2024
	RMB' million	*RMB' million*	*RMB' million*	*RMB' million*	*RMB' million* (Unaudited)
Non-current					
Loans and borrowings	441.1	391.7	245.6	222.1	222.1
Lease liabilities.	3.8	2.1	4.0	8.7	8.8
Current					
Loans and borrowings	312.0	712.1	701.6	736.5	676.9
Lease liabilities.	1.7	1.7	1.8	1.7	1.7
Total.	758.6	1,107.6	953.0	969.0	909.5

Loans and borrowings

The following table sets out our bank loans as at the dates indicated:

	As at 31 December			As at 30 June	As at 31 October
	2021	2022	2023	2024	2024
	RMB' million	*RMB' million*	*RMB' million*	*RMB' million*	*RMB' million* (Unaudited)
Guaranteed	50.0	83.5	—	—	—
Unsecured.	703.1	1,020.3	947.2	958.5	899.0
Total	753.1	1,103.8	947.2	958.5	899.0

As at 31 December 2021, 2022 and 2023, 30 June 2024 and 31 July 2024, the guaranteed bank loans amounting to RMB50.0 million, RMB83.5 million, nil, nil and nil, respectively, were generally guaranteed by Conch Tech Innovation, the parent company of our Group and was subsequently repaid. The following table sets out the repayment schedule of our bank loans as at the dates indicated:

	As at 31 December			As at 30 June	As at 31 October
	2021	**2022**	**2023**	**2024**	**2024**
	RMB' million	*RMB' million*	*RMB' million*	*RMB' million*	*RMB' million* (Unaudited)
Within one year	312.0	712.1	701.6	736.5	676.9
After one year but within two years	97.6	77.5	55.0	65.0	65.0
After two years but within five years	217.5	237.5	190.6	157.1	157.1
After five years	126.0	76.7	—	—	—
Total	753.1	1,103.8	947.2	958.5	899.0

The following table sets out the range of interest rates for our bank loans as at the dates indicated:

	As at 31 December			As at 30 June	As at 31 October
	2021	**2022**	**2023**	**2024**	**2024**
					(Unaudited)
Interest rate	2.55%–3.75%	2.85%–3.75%	2.60%–2.95%	2.60%–2.95%	2.50%–2.65%

As at 31 October 2024, being the latest practicable date for the purpose of indebtedness statement, we had aggregate banking facilities of RMB2,529.5 million, of which RMB1,568.0 million was unutilised and RMB961.5 million was utilised. We are not committed to draw down the unutilised amount.

During the Track Record Period, our Directors confirm that we did not experience any delay or default in repayment of bank borrowings nor experience any difficulty in obtaining banking facilities with terms that are commercially acceptable to us. Our Directors further confirm that there was no breach of material covenants, including default in repayment, or difficulty in obtaining bank loans and other borrowings during the Track Record Period and up to the Latest Practicable Date. As at the date of this prospectus, we did not have any plan for material external debt financing.

Lease liabilities

The following table sets out the breakdown of our lease liabilities as at the dates indicated:

	As at 31 December			As at 30 June	As at 31 October
	2021	**2022**	**2023**	**2024**	**2024**
	RMB' million	*RMB' million*	*RMB' million*	*RMB' million*	*RMB' million* (Unaudited)
Non-current	3.8	2.1	4.0	8.7	8.8
Current	1.7	1.7	1.8	1.7	1.7
Total	5.5	3.8	5.8	10.4	10.5

During the Track Record Period, we lease various properties and leasehold land mainly for the use of office, dormitory and production facilities. Our Directors confirmed that there has not been any material change in our indebtedness since the Latest Practicable Date up to the date of this prospectus.

Contingent liabilities

As at 31 October 2024, being the latest practicable date for the purpose of the indebtedness statement, we did not have any material contingent liabilities or guarantees.

Apart from intra-group liabilities, our Group did not have outstanding at Latest Practicable Date any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptable credits, debentures, mortgages, charges, finance leases or hire purchases commitments, guarantees, material covenants, or other material contingent liabilities.

OFF-BALANCE SHEET ARRANGEMENT

As at the Latest Practicable Date, we had not entered into any off-balance sheet transaction.

TRANSACTIONS WITH RELATED PARTIES

With respect to the related party transactions set out in the Accountants' Report in Appendix I to this prospectus, our Directors confirm that all related party transactions during the Track Record Period were conducted on normal commercial terms that are reasonable and in the interest of our Group as a whole. Our Directors further confirm that these related party transactions would not distort our results of operations for the Track Record Period or make our historical result not reflective of our future performance.

KEY FINANCIAL RATIOS

The following table sets out our key financial ratios as at each of the dates indicated:

	FY2021	FY2022	FY2023	6M2024
Gross Profit Margin (%) (1)	22.0	19.8	19.2	19.0
Net Profit Margin (%) (2)	8.3	5.0	6.0	5.5
Return on equity (%) (3)	24.6	15.3	18.0	12.3(10)
Return on total assets (%) (4)	9.5	4.9	6.4	5.1(10)
Interest coverage (times) (5)	22.2	6.0	7.0	6.5

	As at 31 December			As at 30 June
	2021	2022	2023	2024
Current ratio (times) (6)	1.0	0.8	1.0	1.0
Quick ratio (times) (7)	0.9	0.7	0.9	0.9
Gearing ratio (%) (8)	134.4	170.7	99.9	95.0
Net debt to equity ratio (%) (9)	96.1	150.4	82.4	80.8

Notes:

(1) Gross profit margin was calculated based on gross profit divided by revenue for the respective years/period. See "Review of Historical Results of Operation" for more details on our gross profit margins.

(2) Net profit margin was calculated based on profit for the year/period divided by revenue for the respective years/period. See "Review of Historical Results of Operation" for more details on our net profit margins.

(3) Return on equity was calculated based on the profit for the year/period divided by the arithmetic mean of the opening and closing balances of total equity and multiplied by 100%.

(4) Return on total assets was calculated based on the net profit for the respective years/period divided by the arithmetic mean of the opening and closing balances of total assets and multiplied by 100%.

(5) Interest coverage was calculated based on profit before taxation and interest divided by interest for the respective years/period and multiplied by 100%.

(6) Current ratio was calculated based on the total current assets as at the respective dates divided by the total current liabilities as at the respective dates.

(7) Quick ratio was calculated based on total current assets (net of inventories) as at the respective dates divided by the total current liabilities as at the respective date.

(8) Gearing ratio was calculated based on the total interest-bearing debt (being total loans and borrowings) as at the respective date divided by total equity as at the respective date and multiplied by 100%.

(9) Net debt to equity ratio was calculated based on net debts (being total loans and borrowings net of cash and cash equivalents) as at the respective date divided by total equity as at the respective date.

(10) Annualised for 6M2024 by multiplying profit for the period by two.

Return on equity

Our return on equity decreased from 24.6% for FY2021 to 15.3% for FY2022, mainly due to the increase in total equity and the decrease in profit for the year. Our return on equity increased to 18.0% for FY2023, mainly due to the increase in profit for the year outweighed the increase in total equity. Our return on equity decreased to 12.3% for 6M2024, primarily owing to the decrease in annualised profit and the increase in equity.

Return on total assets

Our return on total assets decreased from 9.5% for FY2021 to 4.9% for FY2022, mainly due to the increase in total assets and the decrease in profit for the year. Our return on total assets increased to 6.4% for FY2023, mainly due to the increase in profit for the year outweighed the increase in total assets. Our return on total assets then decreased to 5.1% for 6M2024, primarily owing to the decrease in annualised profit.

Interest coverage

Our interest coverage decreased from 22.2 time for FY2021 to 6.0 times for FY2022, mainly due to the decrease in profit before taxation and the increase in finance costs. Our interest coverage remained relatively stable at 7.0 times for FY2023 and 6.5 times for 6M2024.

Current ratio

Our current ratio remained relatively stable at 1.0 times, 0.8 times, 1.0 times and 1.0 times for FY2021, FY2022, FY2023 and 6M2024, respectively.

Quick ratio

Our quick ratio remained relatively stable at 0.9 times, 0.7 times, 0.9 times and 0.9 times for FY2021, FY2022, FY2023 and 6M2024, respectively.

Gearing ratio

Our gearing ratio increased from 134.4% for FY2021 to 170.7% for FY2022, mainly because the increase in loans and borrowings outweighed the increase in total equity. Our gearing ratio then decreased to 99.9% for FY2023, mainly due to the increase in total equity and the decrease in loans and borrowings. Our gearing ratio further decreased to 95.0% for 6M2024, primarily owing to the increase in total equity.

Net debt to equity ratio

Our net debt to equity ratio increased from 96.1% for FY2021 to 150.4% for FY2022, mainly due to the increase in net debts outweighed the increase in total equity. Our net debt to equity ratio decreased to 82.4% for FY2023, mainly due to the increase in total equity and cash and cash equivalents and the decrease in loans and borrowings. Our net debt to equity ratio remained relatively stable at 80.8% for 6M2024.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

We are exposed to a variety of financial risk including interest rates risk, credit risk and liquidity risk. Details of the risks to which we are exposed are set out in Note 26 to the Accountants' Report in Appendix I to this prospectus.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors confirm that as at the Latest Practicable Date, there were no circumstances that would give rise to the disclosure requirements under Rules 13.13 to 13.19 of the Hong Kong Listing Rules.

LISTING EXPENSES

Assuming an Offer Price of HK$3.15 per Share, being the mid-point of the indicative Offer Price range of HK$3.0 to HK$3.3 per Share, the total estimated Listing expenses in connection with the Global Offering (including underwriting commission for all Offer Shares) was RMB36.1 million (equivalent to HK$39.0 million), representing approximately 8.5% of the estimated gross proceeds from the Global Offering if the Over-allotment Option is not exercised.

During the Track Record Period, we incurred Listing expenses of RMB18.1 million (equivalent to HK$19.9 million), of which RMB4.6 million (equivalent to HK$5.1 million) was charged to our profit or loss, while RMB13.5 million (equivalent to HK$14.8 million) are directly attributable to the issuance of Shares and is expected to be accounted for as a deduction from equity upon completion of the Listing. We expect to incur additional Listing expenses of RMB18.0 million (equivalent to HK$19.1 million), of which an estimated amount of RMB4.2 million (equivalent to HK$4.6 million) will be charged to profit or loss and RMB13.8 million (equivalent to HK$14.5 million), being directly attributable to the issuance of Shares, will be accounted for as a deduction from equity upon successful Listing under relevant accounting standards.

The Listing expenses consist of (i) underwriting-related expenses, including underwriting commission, of RMB6.2 million (equivalent to HK$6.7 million); and (ii) non-underwriting related expenses of RMB29.8 million (equivalent to HK$32.3 million), including (a) fees and expenses of legal advisers and Reporting Accountants of RMB19.6 million (equivalent to HK$21.2 million); and (b) other fees and expenses of RMB10.2 million (equivalent to HK$11.1 million).

The Listing expenses above are the best estimate as at the Latest Practicable Date and for reference only and the actual amount may differ from this estimate.

INVESTMENT POLICY

We have formulated a risk assessment and on-going monitoring policy on the purchase of investment products and place of structured deposit products. A proper approval mechanism is adopted and a thorough monitoring system is in place to control our risks.

At the end of each year, we prepare an investment plan based on our capital plan for the following year to be approved by the Board after going through certain procedures for assessment. Any investment shall be made within the ambit of the investment plan. Investment products or structured deposit will only be purchased or placed to enhance the utilisation of idol cashflow and we may only invest in products with risk ratings of “conservative” or “low-risk” levels. No subsidiary is allowed to make investment in any structured products.

Investment proposal shall be prepared by the finance team (led by Mr. Bai Lin) which sets out including but not limited to the terms of the relevant explanation notes, risk ratings, type of products, product portfolio, investment amount and reasons justifying the choice of the relevant product. The proposal shall be submitted to a selected group of senior management for prior approval. Our investment in these assets will be subject to compliance with Chapter 14 of the Listing Rules after the Listing. Our finance team obtains statements of our structured deposit products and keep track of the performance of the products quarterly.

Mr. Bai Lin is our executive Director and chief financial officer. For biography of Mr. Bai, see “Directors, Supervisors and Senior Management”. In particular, from March 2015 to July 2018, he served as an assistant to the general manager at Luangprabang Couch Cement Co., Ltd. (琅勃拉邦海螺水泥有限公司), where he was primarily responsible for managing corporate operations, with a prime focus on financial budget planning and execution, fund allocation, and investment and financing activities. Mr. Bai’s experience and knowledge in financial management and investment and financing activities will be beneficial for the broad to understand the product nature and risk profile of the structured deposit products.

DIVIDEND POLICY

We declared and paid dividends of RMB49.4 million, RMB23.5 million and RMB29.8 million during FY2021, FY2022 and FY2023, respectively. No dividends were declared or paid for the 6M2024.

The declaration of dividends is subject to the discretion of our Board and the approval of our Shareholders. Our Directors may recommend a payment of dividends in the future after taking into account our operations and earnings, capital requirements and surplus, general financial condition, cash flows, contractual restrictions, capital expenditure and future development requirements, shareholders' interests and other factors which they may deem relevant at such time. Any declaration and payment as well as the amount of the dividends will be subject to our constitutional documents and the PRC Company Law, including the approval of our Shareholders. Subject to the applicable laws and regulations, our dividend policy is as follow: (i) if the debt to asset ratio of our Company (at entity level) is below 50%, we will distribute to our Shareholders no less than 60% of our distributable profits annually; (ii) if the debt to asset ratio of our Company (at entity level) is between 50% and 70%, we will distribute to our Shareholders no less than 40% of our distributable profits annually; and (iii) if the debt to asset ratio of our Company (at entity level) is more than 70%, we will distribute to our Shareholders no more than 30% of our distributable profits annually, after Listing. Despite we have such dividend policy, our Board has discretion to propose the amount of dividends to be distributed and the actual amount of dividends to be distributed is subject to the Shareholder's approval. As such any future declarations of dividends may or may not reflect our historical declarations of dividends.

Any distributable profits that are not distributed in any given year will be retained and available for distribution in subsequent years. To the extent profits are distributed as dividends, such portion of profits will not be available to be reinvested in our operations.

DISTRIBUTABLE RESERVES

As at 30 June 2024, the Company had retained profits of RMB99.8 million. The retained profits are reserves available for distribution to our Shareholders.

UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

See "Unaudited Pro Forma Financial Information" in Appendix II for our unaudited pro forma adjusted consolidated net tangible assets.

NO MATERIAL ADVERSE CHANGE

Save as disclosed in "Summary", our Directors confirm that there have not been any material adverse changes in our financial or trading position or prospects subsequent to the Track Record Period and up to the date of this prospectus. As far as we are aware, there was no material change in the general market conditions that had affected or would affect our business operations or financial conditions materially and adversely.

FUTURE PLANS

See "Business — Our Future Strategy" in this prospectus for a detailed description of our future plans.

USE OF PROCEEDS

We estimate that the aggregate net proceeds to us from the Global Offering (after deducting underwriting fees and estimated expenses payable by us in connection with the Global Offering), assuming an Offer Price of HK$3.15 per Offer Share, being the mid-point of the indicative Offer Price range of HK$3.0 to HK$3.3 per H Share and the Over-allotment Option is not exercised, will be approximately HK$417.6 million. We currently intend to apply the net proceeds from the Global Offering in the following manner:

(i) approximately 35.0%, or HK$146.2 million, will be used on the optimising our Group's production capacity, while effectively extending our geographical presence in the PRC and certain overseas countries to consolidate our position as one of the leading suppliers of fine chemical materials in the PRC:

- We will spend approximately HK$13.2 million (accounting for 3.2% of our net proceeds) on the partial financing of the production activities of our production plant located in Huludao, Liaoning ("**Huludao Production Plant**"). Among the expenditure of HK$13.2 million, HK$6.9 million will be spent on the financing of the acquisition of and installation of production machinery and tools such as compound kettles, reaction kettle and storage tanks, which is expected to be applied in the production process for cement admixture, concrete admixture and polycarboxylic acid mother liquor. The remaining HK$6.3 million is expected to be applied in the purchase of raw materials necessary for the production expected to take place at the Huludao Production Plant after our Listing.

- We will spend approximately HK$75.2 million (accounting for 18.0% of our net proceeds) on acquisition and installation of production machinery in our Ningbo Production Plant, which is expected to be applied in the production process for our upcoming new product, ethylene carbonate (碳酸乙烯酯). We expect that our production capacity for ethylene carbonate after our installation of relevant production machinery to be 20,000 tonnes.

- We will spend approximately HK$45.3 million (accounting for 10.8% of our net proceeds) on the construction of overseas production plants located in Uzbekistan and Indonesia ("**Overseas Plant(s)**"), Among the expenditure of HK$45.3 million, HK$19.2 million will be spent on the establishment of a production plant (including the rental fees for the site on which the production plant will be built for a term of ten years and the costs involved in the construction of the plant), HK$16.7 million is expected to be applied in the purchase of raw materials necessary for the production expected to take place at the Overseas Plants and HK$9.4 million will be spent on the acquisition and installation of machineries such as compound kettles and storage tanks, which is expected to be applied in the combination process for cement admixture and concrete admixture. Overseas Plant in Uzbekistan is expected to complete its establishment by the fourth quarter of 2024, and commence operation from the first quarter of 2025. Overseas Plant in Indonesia is expected to complete its establishment by the second half of 2025, and commence operation from the third quarter of 2025.

- We will spend approximately HK$8.4 million (accounting for 2.0% of our net proceeds) on enhancing the extent of automation and digitalisation in our Group's production processes. Specifically, our Group will acquire systems such as a financial data software, intelligent monitoring and alarm system and the development of automation software for the enhanced automation of our production process to enhance the automation and digitalisation.

- We will spend approximately HK$4.2 million (accounting for 1.0% of our net proceeds) to strengthen the production infrastructure of our Group so as to improve the sustainability and environmental effects of our production processes. In particular, we will enhance the safety and environmental effects of our production process, with the ultimate aim of rendering our production process sustainable with regards to its environmental impact. In particular, the amounts will be applied to (i) the purchase of exhaust gas absorption system or regenerative exhaust gas incinerator and the maintenance expense thereof and (ii) safety consultations by production, environmental protection, fire protection, occupational and health experts.

(ii) approximately 10.0%, or HK$41.8 million, will be used to implement marketing initiatives to increase and reinforce our market presence in the cement and concrete manufacturing industry in the PRC and globally. In order to capture the expected growth from cement and concrete admixture industries in the PRC, Uzbekistan and Indonesia, (for details of the expected growth in respective market, see "Industry Overview" in this prospectus and see "Business — Our Future Strategy — Optimising our Group's production capacity, while effectively extending our geographical presence in the PRC and certain overseas countries to consolidate our position as one of the leading suppliers of fine chemical materials in the PRC" in this prospectus) we plan to expand our sales network by (i) recruiting more than 60 sales staff, some of whom are responsible for devising our marketing plan and identifying new sales channels for our products in the PRC and some of whom are responsible for exploring opportunities more customers in the overseas market. We seek sales staff with at least a tertiary education background, majoring in subjects such as marketing, business management, trading, economics, accounting, etc. We generally have no specific requirement regarding the working experiences of sales staff, since all positions will be entry level upon recruitment and the salary for such sales staff typically falls between RMB0.2 million and RMB0.3 million per year; and (ii) attending more industry exhibitions and trade fairs.

(iii) approximately 15.0% or HK$62.6 million, will be used to devote further resources to our R&D initiatives which underpins our market position;

- We will spend approximately HK$55.7 million (accounting for 13.3% of our net proceeds) on supporting our various R&D initiatives to further research the possibilities of product feature, functionalities and the enhancement of production technologies. Of the HK$55.7 million, we plan to spend approximately HK$13.9 million (accounting for 3.3% of our net proceeds) on upgrading one of our technology centres (including the leasing of a new office and dormitory for R&D personnel) to undertake an additional number of R&D initiatives on top of our ongoing R&D projects. Approximately HK$27.8 million (accounting for 6.7% of our net proceeds) will be applied to our R&D projects undertaken by our upgraded technology centre, composing of raw materials cost, testing fees and patent fees. Approximately HK$13.9 million (accounting for 3.3% of our net proceeds) will be spent on hiring relevant R&D staff with work experience relating to the R&D of admixture products for such R&D initiatives;

  The table below set out our recruitment plan for R&D staff, including the number of hires, as well as selection criteria such as required experience, qualifications and salary range:

Position	Number of Hires	Required experience	Qualifications	Salary range
R&D specialist . .	60	1. Familiar with the production process of cement and concrete admixtures. 2. Capable of conducting products audits, review on the products' functionality performance, etc.	Master's degree or above in applied chemistry, chemical engineering, polymer materials or other related field	Approximately RMB0.2 million per year
R&D managing officer	5	1. Hold a professional engineer title or equivalent in cement or chemical engineering. 2. Capable of managing R&D personnel. 3. Understand the development trend and dynamics in the R&D field of cement and concrete admixture industry.	Master's degree or above in applied chemistry, chemical engineering, polymer materials or other related fields	Approximately RMB0.2 million per year

Position	Number of Hires	Required experience	Qualifications	Salary range
R&D deputy manager	2	1. Hold a professional engineer title or equivalent in cement or chemical engineering. 2. Proficient in training and managing R&D personnel. 3. Possess comprehensive theoretical and practical knowledge related to the cement and concrete admixture industry. 4. Possess in-depth understanding of the development trend and dynamics in the R&D field of cement and concrete admixture industry.	Master's degree or above in applied chemistry, chemical engineering, polymer materials or other related fields	Approximately RMB0.4 million per year
R&D manager . .	1	1. Hold a professional engineer title or equivalent in cement or chemical engineering. 2. Proficient in training and managing R&D personnel. 3. Possess comprehensive theoretical and practical knowledge related to the cement and concrete admixture industry. 4. Possess in-depth understanding of the domestic and international cutting-edge development in the R&D field of cement and concrete admixture industry with the ability to lead our technological advancements.	Master's degree or above in applied chemistry, chemical engineering, polymer materials or other related fields	Approximately RMB0.6 million per year

- We will spend approximately HK$7.0 million (accounting for 1.7% of our net proceeds) on the R&D efforts dedicated to the development and commercialisation of our new product, ethylene carbonate (碳酸乙烯酯) (a principal raw material of lithium and lithium-ion batteries), the production process of which is largely similar to the one for polyether monomers. We intend to spend approximately HK$5.0 million (accounting for 1.2% of our net proceeds) for related patents and/or technologies transfer/assignment fees. For the remaining amounts, we plan to apply it in conducting clinical trials on the production process of different forms of ethylene carbonate (碳酸乙烯酯), which is expected to incur raw materials purchase, machinery maintenance and other miscellaneous costs.

(iv) approximately 15.0%, or HK$62.6 million, will be used to repay certain bank loans. During the Track Record Period, proceeds from our bank loans were generally applied as working capital or for the construction of new production facilities. Though our Directors consider that the utilisation of bank borrowings is less effective as they will increase our gearing ratio, restrict the usage of our available cash under the pledged deposit requirements and increase our finance cost, we had little alternative financing methods due to our nature of being a private company prior to the Listing. Our Directors have been reconsidering our capital structure due to the high gearing ratio of approximately 94.6% as at 30 June 2024 and the annual finance costs incurred of approximately RMB10.1 million, RMB23.7 million, RMB30.3 million and RMB13.7 million for FY2021, FY2022, FY2023 and 6M2024, respectively. The following table sets out the repayment schedule of our bank loans as at the dates indicated:

	As at 31 December			As at 30 June
	2021	**2022**	**2023**	**2024**
	RMB' million	*RMB' million*	*RMB' million*	*RMB' million*
Within one year	312.0	712.1	701.6	736.5
After one year but within two years	97.6	77.5	55.0	65.0
After two years but within five years	217.5	237.5	190.6	157.1
After five years	126.0	76.7	—	—
Total	753.1	1,103.8	947.2	958.5

The following table sets out the range of interest rates for our bank loans as at the dates indicated:

	As at 31 December			As at 30 June
	2021	2022	2023	2024
Interest rate	2.55%–3.75%	2.85%–3.75%	2.60%–2.95%	2.60%–2.95%

Further details of the maturity profile and interest rate of the outstanding bank loans are set out in "Financial Information — Indebtedness — Loans and borrowings" in this prospectus. In view of our high gearing ratio, our Group's financial performance and liquidity may be negatively affected if market uncertainty suddenly arose, e.g. rise in interest rate in the United States and any sudden unexpected deterioration in the prevailing market conditions leading to the imposition of further requirements on debt financing in addition to regular repayment of interest and principal by us regardless of our business performance.

(v) approximately 15.0%, or HK$62.6 million, will be used to further vertically enhance our position on the value chain and improve our competitiveness as the leading player in the cement admixture industry in the PRC through the acquisition of companies or establishment of joint ventures. The target company or joint venture shall create synergy effect with our business and be in line with our strategy. In particular, we are seeking for opportunities to acquire companies preferably with the following features or establish similar joint ventures:

— **Stable market position or market growth potential**: The target company has a sound market position and reputation in China's cement admixture industry or concrete admixture industry as well as a stable customer base and extensive sales channels. We will also consider upstream companies with stable growth potential, such as the capability to expand market share or extending our position on the value chain and meet the increasing needs of China's cement admixture or concrete admixture industries (including market penetration into second-tier and third-tier cities).

— **Technological strengths and R&D capabilities**: The target company has advanced technology and R&D capabilities, and is capable to conduct sustained innovation and develop admixture products with high added value. The target company shall have its own patents and other intellectual property rights.

— **Production and supply chain capabilities**: The production facilities of the target company are beneficial to the geographical coverage and efficient supply chain management of our Group. The target company has the resources and capabilities to expand our Group's geographical coverage into areas where our Group's operations are underdeveloped.

— **Quality control and compliance**: The target company has established standards and processes to ensure its product quality comply with relevant standards and regulatory requirements of the PRC.

— **Sound financial position**: The target company has a sound financial position and stable profitability. We would prioritise acquisition targets with more than RMB180 million of annual revenue and at least a net profit margin of 5%.

As at the Latest Practicable Date, we had yet to identify suitable targets. However, according to F&S, there is over 30 suitable targets available in the market which fit the description of our potential targets as set out above. Shall suitable opportunities arise, in addition to the above-mentioned selection criteria, we will select potential targets based on our industry experience and commercial rationale, whilst taking into account the Shareholders' interests as a whole; and

(vi) approximately 10.0%, or HK$41.8 million, will be used as working capital and other general corporate purposes.

The following table summarises the timeframe for the intended use of our net proceeds from the Global Offering for the period from Listing Date to 30 June 2028:

	From Listing Date to 30 June 2025		1 July 2025 to 31 December 2025		1 January 2026 to 30 June 2026		1 July 2026 to 31 December 2026		1 January 2027 to 30 June 2027		30 June 2027 to 31 December 2027		1 January 2028 to 30 June 2028	
	HKD'000	*%*	*HKD'000*	*%*	*HKD'000*	*%*	*HKD'000*	*%*	*HKD'000*	*%*	*HKD'000*	*%*	*HKD'000*	*%*
Optimise production capacity and extend our geographical presence														
• Partial finance the production activities of a production plant located in Huludao, Liaoning	6,933.4	1.7	2,110.7	0.5	3,566.0	0.9	587.0	0.1	–	–	–	–	–	–
• Acquire and install production machinery in our Ningbo Production Plant	20,233.8	4.8	30,971.8	7.4	23,968.2	5.7	–	–	–	–	–	–	–	–
• Construct overseas production plants located in Uzbekistan and Indonesia	23,406.0	5.6	12,402.0	3.0	5,377.2	1.3	1,347.7	0.3	912.8	0.2	912.8	0.2	912.8	0.2
• Enhance the extent of automation and digitalisation in production processes	1,913.7	0.5	4,819.0	1.2	1,620.0	0.4	–	–	–	–	–	–	–	–
• Strengthen the production infrastructure	1,215.3	0.3	1,357.0	0.3	1,215.7	0.3	388.3	0.1	–	–	–	–	–	–
Subtotal	*53,702.3*	*12.9*	*51,660.4*	*12.4*	*35,747.1*	*8.6*	*2,323.0*	*0.6*	*912.8*	*0.2*	*912.8*	*0.2*	*912.8*	*0.2*
Implement marketing initiatives	12,659.4	3.0	15,874.8	3.8	13,229.0	3.2	–	–	–	–	–	–	–	–
Devote further resources to our R&D initiatives														
• Support our various R&D initiatives	12,309.1	2.9	15,459.5	3.7	18,579.8	4.4	6,725.7	1.6	870.1	0.2	870.1	0.2	870.1	0.2
• develop and commercialise our new product, ethylene carbonate (碳酸乙烯酯)	1,747.4	0.4	2,578.1	0.6	2,144.4	0.5	49,059.2	0.1	–	–	–	–	–	–
Subtotal	*14,056.5*	*3.4*	*18,037.6*	*4.3*	*20,724.2*	*5.0*	*7,216.3*	*1.7*	*870.1*	*0.2*	*870.1*	*0.2*	*870.1*	*0.2*

	From Listing Date to 30 June 2025		1 July 2025 to 31 December 2025		1 January 2026 to 30 June 2026		1 July 2026 to 31 December 2026		1 January 2027 to 30 June 2027		30 June 2027 to 31 December 2027		1 January 2028 to 30 June 2028	
	HKD'000	*%*	*HKD'000*	*%*	*HKD'000*	*%*	*HKD'000*	*%*	*HKD'000*	*%*	*HKD'000*	*%*	*HKD'000*	*%*
Repay certain bank loans	62,644.8	15.0	–	–	–	–	–	–	–	–	–	–	–	–
Acquire companies or establish joint ventures	3,114.2	0.7	–	–	–	–	59,530.6	14.3	–	–	–	–	–	–
General working capital	40,371.1	9.7	1,392.1	0.3	–	–	–	–	–	–	–	–	–	–
Total	**186,548.2**	**44.7**	**86,965.0**	**20.8**	**69,700.3**	**16.7**	**69,070.0**	**16.5**	**1,782.9**	**0.4**	**1,782.9**	**0.4**	**1,782.9**	**0.4**

If the Offer Price is fixed at the high-end of the indicative range of the Offer Price, being HK$3.3 per H Share, the net proceeds we receive from the Global Offering will increase by approximately HK$21.7 million. We intend to apply the additional net proceeds for the above purposes on a pro-rata basis. If the Offer Price is set at the low-end of the indicative range of the Offer Price, being HK$3.0 per H Share, the net proceeds we receive from the Global Offering will decrease by approximately HK$21.7 million. We intend to reduce the net proceeds for the above purposes on a pro-rata basis.

If the Over-allotment Option is exercised in full, we estimate that the additional net proceeds from the offering of these additional Shares to be received by us will be approximately (i) HK$71.8 million, assuming the Offer Price is fixed at the high-end of the indicative range of the Offer Price, being HK$3.3 per H Share; (ii) HK$68.5 million, assuming the Offer Price is fixed at the mid-point of the indicative range of the Offer Price, being HK$3.15 per H Share; and (iii) HK$65.2 million, assuming the Offer Price is fixed at the low-end of the indicative range of the Offer Price, being HK$3.0 per H Share. Any additional proceeds received by us from the exercise of the Over-allotment Option will also be allocated to the above business objectives and future plans on a pro-rata basis.

To the extent that the net proceeds are not immediately applied for the above purposes and to the extent permitted by applicable laws and regulations, we intend to deposit the net proceeds only into short-term interest-bearing accounts at licensed commercial banks, and/or other authorised financial institutions (as defined under the Securities and Futures Ordinance or applicable laws and regulations in other jurisdictions).

We will issue an appropriate announcement if there is any material change in the aforementioned use of proceeds.

HONG KONG UNDERWRITERS

China Securities (International) Corporate Finance Company Limited
China Galaxy International Securities (Hong Kong) Co., Limited
BOCI Asia Limited
ABCI Securities Company Limited
ICBC International Securities Limited
Victory Securities Company Limited
Shenwan Hongyuan Securities (H.K.) Limited
CCB International Capital Limited
Haitong International Securities Company Limited
Star River Securities Limited
Guoyuan Securities Brokerage (Hong Kong) Limited
Orient Securities (Hong Kong) Limited
SPDB International Capital Limited
China Industrial Securities International Capital Limited
BOCOM International Securities Limited
Fosun International Securities Limited
China Sunrise Securities (International) Limited
Hong Tai Securities Limited

UNDERWRITING

This prospectus is published solely in connection with the Hong Kong Public Offering. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters on a conditional basis. The International Offering is expected to be fully underwritten by the International Underwriters.

The Global Offering comprises the Hong Kong Public Offering of initially 14,498,000 Hong Kong Offer Shares and the International Offering of initially 130,476,000 International Offer Shares, subject, in each case, to reallocation on the basis as described in the section headed "Structure of the Global Offering" as well as to the Over-allotment Option (in the case of the International Offering).

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

The Hong Kong Underwriting Agreement was entered into on Monday, 30 December 2024. Pursuant to the Hong Kong Underwriting Agreement, our Company is offering the Hong Kong Offer Shares for subscription on the terms and conditions set out in this prospectus and the Hong Kong Underwriting Agreement at the Offer Price.

Subject to (a) the Listing Committee granting approval for the listing of, and permission to deal in, the H Shares be issued pursuant to the Global Offering (including the additional H Shares which may be issued pursuant to the exercise of the Over-allotment Option) on the Main Board of the Stock Exchange and such approval not having been withdrawn and (b) certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have agreed severally but not jointly to subscribers for, or procure themselves to subscribe for, their respective applicable proportions of the Hong Kong Offer Shares being offered which are not taken up under the Hong Kong Public Offering on the terms and conditions set out in this prospectus and the Hong Kong Underwriting Agreement.

The Hong Kong Underwriting Agreement is conditional upon and subject to, among other things, the International Underwriting Agreement having been executed and becoming unconditional and not having been terminated in accordance with its terms.

Grounds for Termination

The Sole Overall Coordinator (for itself and on behalf of the Hong Kong Underwriters) shall be entitled, in its sole and absolute discretion, by notice in writing to us, terminate the Hong Kong Underwriting Agreement with immediate effect if, at any time at or prior to 8:00 a.m. on the Listing Date:

(A) there develops, occurs, exists or comes into effect:

(i) any new Law (as defined in the Hong Kong Underwriting Agreement) or any change or development involving a prospective change in existing law, or any change or development involving a prospective change in the interpretation or application thereof by any court or other competent Authority (as defined in the Hong Kong Underwriting Agreement) in or affecting the PRC, Hong Kong, Macau, the United States, the United Kingdom or the European Union (or any of its members) (each a "**Relevant Jurisdiction**"); or

(ii) any change or development involving a prospective change or development in local, national, regional or international financial, political, military, industrial, economic, trading, currency market, fiscal or regulatory market conditions, equity securities or any monetary or trading settlement system or other financial markets (including, without limitation, conditions in stock and bond markets, money and foreign exchange markets, inter-bank markets and credit markets) or currency exchange rate or controls in or affecting any Relevant Jurisdiction; or

(iii) any event or a series of events, in the nature of force majeure (including, without limitation, any act of government or order of any court, strike, calamity, crisis, lock-out, fire, explosion, flooding, earthquake, civil commotion, act of war, outbreak or escalation of hostilities (whether or not war is declared), act of God, act of terrorism (whether or not responsibility has been claimed), declaration of a national or international emergency, riot, public disorder, outbreak or outbreak or escalation of disease (including infectious disease, including without limitation COVID-19, SARS, MERS, H5N1, H1N1, swine or avian influenza or such related/mutated forms); or

(iv) the imposition or declaration of any moratorium, suspension or limitation (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) on trading in shares or securities generally on the Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market, the London Stock Exchange, the Shanghai Stock Exchange, or the Shenzhen Stock Exchange; or

(v) (a) any change or prospective change in taxation, foreign exchange controls, currency exchange rates or foreign investment regulations (including, without limitation, a devaluation of the Hong Kong dollar or RMB against any foreign currencies, a change in the system under which the value of the Hong Kong dollar is linked to that of the United States dollar or RMB is linked to any foreign currency or currencies) or the implementation of any exchange control, or (b) any change or prospective change in Taxation (as defined in the Hong Kong Underwriting Agreement) in any Relevant Jurisdiction adversely affecting an investment in the H Shares; or

(vi) any general moratorium on commercial banking activities in any Relevant Jurisdiction or any disruption in commercial banking or foreign exchange trading or securities trading or securities settlement or clearance services, procedures or matters in any Relevant Jurisdictions; or

(vii) the imposition of economic sanctions, in whatever form, directly or indirectly, by, or for, any jurisdiction relevant to the business operations of any member of our Group; or

(viii) the issue or requirement to issue by us of a supplemental or amendment to this prospectus, preliminary offering circular or offering circular or other documents in connection with the offer and sale of the H Shares pursuant to the Companies (WUMP) Ordinance or the Listing Rules or upon any requirement or request of the Stock Exchange or the SFC; or

(ix) any valid demand by creditors for repayment of indebtedness before its maturity or any order or petition for the winding up or liquidation of any member of our Group or any composition or arrangement made by any member of our Group with its creditors or a scheme of arrangement entered into by any member of our Group or any resolution for the winding-up of any member of our Group or the appointment of a provisional liquidator, receiver or manager over all or part of the assets or undertaking of any member of our Group or anything analogous thereto occurring in respect of any member of our Group; or

(x) any Warrantor (as defined in the Hong Kong Underwriting Agreement), any Director, any Supervisor or any member of our Group's senior management being charged with an indictable offence or prohibited by laws or otherwise disqualified from taking part in the management of a company, or any litigation, dispute, legal action, claim, investigation or other action (including arrest or detainment) or proceedings or investigations being commenced by an authority, threatened or instigated against any member of our Group, any Warrantor (as defined in the Hong Kong Underwriting Agreement), any Director, any Supervisor or any member of our Group's senior management; or

(xi) any adverse change or any development involving a prospective adverse change in or affecting the assets, liabilities, business, general affairs, management, prospects, shareholders' equity, profitability, results of operations, position or condition (financial or otherwise) or performance of any member of our Group or our Group as a whole (including any litigation or claim of any third party being threatened or instigated against any member of our Group); or

(xii) any of the chairman or the executive directors or member of our Group's senior management vacating his/her office; or

(xiii) any contravention by any member of our Group of any applicable laws including the Listing Rules and the CSRC Rules (as defined in the Hong Kong Underwriting Agreement); or

(xiv) that any statement contained in any of this prospectus, the application proof, the post-hearing information proof and any notice, announcement, advertisement, communication issued or used (by or on behalf of our Company) in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) was or has become untrue, incomplete, inaccurate, incorrect or misleading or deceptive, or any forecast, estimate, expression of opinion, intention or expectation expressed in any of this prospectus, the application proof, the post-hearing information proof and any notice, announcement, advertisement, communication so issued or used is not fair and honest and made on reasonable grounds or, where appropriate, based on reasonable assumptions, when taken as a whole; or

(xv) either (a) there has been a breach of any of the representations, warranties, undertakings or provisions of either the Hong Kong Underwriting Agreement or the International Underwriting Agreement by our Company or any of the Warrantors (as defined in the Hong Kong Underwriting Agreement) or (b) any of the representations, warranties and undertakings given by us or any of the Warrantors (as defined in the Hong Kong Underwriting Agreement) in the Hong Kong Underwriting Agreement or the International Underwriting Agreement, as applicable, is (or would when repeated be) untrue, inaccurate or misleading; or

(xvi) any non-compliance of this prospectus, the CSRC Filings (as defined in the Hong Kong Underwriting Agreement) (or any other documents used in connection with the contemplated subscription and sale of the Offer Shares) or any aspect of the Global Offering with the Companies (WUMP) Ordinance, the Listing Rules, the CSRC Rules (as defined in the Hong Kong Underwriting Agreement) or any other applicable Laws; or

(xvii) any change or development involving a prospective change in, or a materialization of any of the risks set out in the section headed "Risk Factors" of this prospectus,

which, in any such case individually or in the aggregate, in the sole and absolute opinion of the Sole Overall Coordinator (for itself and on behalf of the Hong Kong Underwriters): (a) is, will be or may be with Material Adverse Effect (as defined in the Hong Kong Underwriting Agreement) or to any present or prospective shareholder of our Company in its capacity as such; or (b) has, will have or may have a material adverse effect on the success or marketability of the Global Offering or the level of Offer Shares being applied for, under the Hong Kong Public Offering or the level of interest under the International Offering; or (c) makes, will make it or may make it impracticable or inadvisable or incapable or inexpedient to proceed with the Hong Kong Public Offering and/or the International Offering or the delivery of the Offer Shares on the terms and in the manner contemplated by this prospectus, the formal notice, the preliminary offering circular or the final offering circular; or (d) would have or may have the effect of making any material part of the Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or which prevents the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof; or

(B) there comes to the notice of any Appointee as at or after the date of the Hong Kong Underwriting Agreement:

(i) a governmental or regulatory prohibition on us for whatever reason from issuing or selling the H Shares (including the Over-allotment Option) pursuant to the terms of the Global Offering; or

(ii) a governmental or regulatory prohibition on us for whatever reason from converting any Unlisted Shares into H Shares upon completion of the Global Offering; or

(iii) any contravention by any member of our Group or any Director or any Supervisor of the Companies (WUMP) Ordinance, the Companies Ordinance, the PRC Company Law, the CSRC Rules (as defined in the Hong Kong Underwriting Agreement) or the Listing Rules, that occur(s) within the aforementioned period; or

(iv) any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, not having been disclosed in this prospectus, constitutes an material omission or misstatement; or

(v) any of the experts named in this prospectus (except the Sole Sponsor) has withdrawn its consent to the issue of the prospectus with the inclusion of its reports, letters, summaries or legal opinions (as the case may be) and references to its name included in the form and context in which they respectively appear; or

(vi) any event, act or omission which gives or is likely to give rise to any material liability of us or the Warrantors (as defined in the Hong Kong Underwriting Agreement) (as the case maybe) pursuant to the indemnities given by us and the Warrantors (as defined in the Hong Kong Underwriting Agreement) under this Agreement; or

(vii) any material breach of any of the obligations of us, the Directors or the Warrantors (as defined in the Hong Kong Underwriting Agreement) under the Hong Kong Underwriting Agreement or the International Underwriting Agreement; or

(viii) a significant portion of the orders in the book-building process at the time the International Underwriting Agreement is entered into, or the investment commitments by any cornerstone investors after signing of the Cornerstone Investment Agreements, has been withdrawn, terminated or cancelled; or

(ix) we have withdrawn this prospectus (and/or any other documents issued or used by or on behalf of us in connection with the Global Offering) or the Global Offering; or

(x) the Approval (as defined in the Hong Kong Underwriting Agreement) by the Listing Committee is refused or not granted, other than subject to customary conditions, on or before the Listing Date, or if granted, the approval is subsequently withdrawn, cancelled, qualified (other than by customary conditions), revoked or withheld.

Undertakings to the Stock Exchange pursuant to the Listing Rules

(A) Undertakings by our Company

Pursuant to Rule 10.08 of the Listing Rules, our Company has undertaken to the Stock Exchange that no further shares or securities convertible into equity securities of our Company (whether or not of a class already listed) shall be issued or form the subject of any agreement to such an issue within six (6) months from the Listing Date (whether or not such issue of shares or securities will be completed within six (6) months from the Listing Date), except for the issue of Shares or securities pursuant to: (1) the Global Offering and the Over-Allotment Option, or (2) any of the circumstances provided under Rule 10.08 of the Listing Rules.

(B) Undertakings by the Controlling Shareholders

In accordance with Rule 10.07(1) of the Listing Rules, each of the Controlling Shareholders has undertaken to our Company and the Stock Exchange respectively that, except pursuant to the Global Offering and the Over-allotment Option, they shall not, and shall procure that the relevant registered shareholder(s) shall not, without the prior written consent of the Stock Exchange or unless otherwise in compliance with the applicable requirement of the Listing Rules:

(a) during the period commencing on the date by reference to which disclosure of their shareholding in our Company is made in this prospectus and ending on the date which is six months from the Listing Date (the "**First Six-month Period**"), dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares or our securities in respect of which they are shown by this prospectus to be the beneficial owners; or

(b) during the period of six months commencing on the date on which the First Six-month Period expires (the "**Second Six-month Period**"), dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares or our securities referred to in (a) above if, immediately following such disposal, or upon the exercise or enforcement of such options, rights, interest or encumbrances, they would cease to be controlling shareholder(s) of our Company.

In addition, in accordance with Note 3 to Rule 10.07(2) of the Listing Rules, each of the Controlling Shareholders has also undertaken to our Company and the Stock Exchange respectively that, during the First Six-month Period and the Second Six-month Period, they will:

(a) when they pledge or charge any securities of our Company beneficially owned by them in favour of an authorised institution (as defined in the Banking Ordinance, Cap. 155 of the Laws of Hong Kong pursuant to Note (2) to Rule 10.07(2) of the Listing Rules) for a bona fide commercial loan, immediately inform our Company of such pledge or charge together with the number of securities so pledged or charged; and

(b) when they receive indications, either verbal or written, from the pledgee or chargee that any of the pledged or charged securities will be disposed of, immediately inform our Company of such indications.

Under Note 3 to Rule 10.07 (2) of the Listing Rules, our Company is required to inform the Stock Exchange as soon as practicable after we have been informed of the matters referred to in (a) or (b) above by any of the relevant Controlling Shareholders and disclose such matters by way of an announcement in compliance with the Listing Rules.

Undertakings pursuant to the Hong Kong Underwriting Agreement

(A) Undertakings by our Company

Pursuant to the Hong Kong Underwriting Agreement, our Company has undertaken to each of the Sole Sponsor, the Sole Overall Coordinator, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Hong Kong Underwriters and the Capital Market Intermediaries that, our Company will not, without the prior written consent of the Sole Sponsor and the Sole Overall Coordinator (for itself and on behalf of the Hong Kong Underwriters), except for the offer, allotment and issue of the Offer Shares by our Company pursuant to the Global Offering (including pursuant to the Over-allotment Option) and unless permitted by and in compliance with the requirements of the Listing Rules, during the period commencing on the date of the Hong Kong Underwriting Agreement and ending on, and including, the date that is six months after the Listing Date (the "**First Six-Month Period**"):

(i) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, mortgage, charge, pledge, hypothecate, hedge, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of or create an Encumbrance (as defined in the Hong Kong Underwriting Agreement) over, or contract or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or any other equity securities of our Company, or any interest in any of the foregoing (including, but not limited to, any securities convertible into or exchangeable or exercisable for, or that represent the right to receive, or any warrants or other rights to subscribe for or purchase, any Shares or any other equity securities of our Company); or

(ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of subscription or ownership of any Shares or other equity securities of our Company, or any interest in any of the foregoing (including, any securities convertible into or exchangeable or exercisable for, or that represent the right to receive, or any warrants or other rights to subscribe for purchase, any Shares or any other equity securities of our Company); or

(iii) enter into any transaction with the same economic effect as any transaction described in paragraphs (i) or (ii) above; or

(iv) offer to or agree to any intention to effect any transaction specified in paragraphs (i), (ii) or (iii) above,

in each case, whether the transaction described in paragraphs (i), (ii) or (iii) above is to be settled by delivery of Shares or such other equity securities of our Company, or in cash or otherwise (whether or not the allotment or issue of Shares or such other equity securities of our Company will be completed within the First Six-Month Period).

In the event that, during the period of six months immediately following the expiry of the First Six-Month Period (the "**Second Six-Month Period**"), our Company enters into any of the transactions specified in paragraphs (i), (ii) or (iii) above or offers to or agrees to, or announces, any intention to, effect any such transaction, our Company undertakes take all reasonable steps to ensure that such transaction, offer, agreement or announcement will not create a disorderly or false market in the H Shares or any other equity securities of our Company.

We have further undertaken to each of the Sole Sponsor, the Sole Overall Coordinator, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Hong Kong Underwriters and the Capital Market Intermediaries that we will comply with the minimum public float requirements specified in the Listing Rules or in any waiver granted to us and not revoked, withdrawn, amended or invalidated by the Hong Kong Stock Exchange (the "**Minimum Public Float Requirement**"). In addition, we have undertaken to each of the Sole Sponsor, the Sole Overall Coordinator, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Hong Kong Underwriters and the Capital Market Intermediaries and that we will not agree to or effect any purchase of H Shares which may reduce the holdings of H Shares held by the public (as defined in Rule 8.24 of the Listing Rules) below the Minimum Public Float Requirement on or before the first anniversary of the Listing Date without the prior written consent of the Sole Overall Coordinator (such consent shall not be unreasonably withheld or delayed).

(B) Undertakings by Conch Tech Innovation

Conch Tech Innovation agrees and undertakes to our Company, the Sole Sponsor, the Sole Overall Coordinator, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Hong Kong Underwriters and the Capital Market Intermediaries that, without the prior written consent of the Sole Sponsor and the Sole Overall Coordinator (for itself and on behalf of the Hong Kong Underwriters) and unless permitted by and in compliance with the requirements of the Listing Rules:

(a) it will not at anytime, during the First Six-Month Period:

(i) sell, offer to sell , pledge, charge, sell, contract or agree to sell, mortgage, charge, pledge, hypothecate, hedge, lend, grant or sell any option, warrant, contract or right to purchase, grant or purchase any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an Encumbrance over either directly or indirectly, conditionally or unconditionally, any Shares or any other equity securities of our Company or any interest in any of the foregoing (including any securities convertible into or exchangeable or exercisable for, or that represent the right to receive, or any warrants or other rights to purchase, any Shares or any other equity securities of our Company) beneficially owned by it as at the Listing Date (the "**Locked-up Securities**"); or

(ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of, any Locked-up Securities; or

(iii) enter into any transaction with the same economic effect as any transaction described in paragraph (i) or (ii) above; or

(iv) offer to agree to or announce any intention to effect any transaction described in paragraph (i), (ii) or (iii) above,

in each case, whether the transaction described in paragraph (i), (ii) or (iii) above is to be settled by delivery of Shares or such other equity securities of our Company, in cash or otherwise (whether or not the transaction will be completed within the First Six-Month Period);

(b) it will not, at any time during the Second Six-month Period, enter into any of the transactions specified in paragraphs (i), (ii) or (iii) above in respect of any Locked-up Securities or offer to or agree to or announce any intention to effect any such transaction if, immediately following any sale, transfer or disposal or upon the exercise or enforcement of any option, right, interest or encumbrance pursuant to such transaction, it will cease to be our Controlling Shareholder; and

(c) until the expiry of the Second Six-month Period, in the event that it enters into any of the transactions specified in paragraphs (i), (ii) or (iii) above in respect of any Locked-up Securities or offers to or agrees to or announces any intention to effect any such transaction, it will take all reasonable steps to ensure that any such transaction, offer, agreement or announcement will not create a disorderly or false market in the Shares or any other equity securities of ours.

The above undertaking shall not prevent Conch Tech Innovation or the relevant registered holder(s), any nominee or trustee holding any H Shares or other securities on trust for him/it or the companies controlled by it from (i) purchasing additional H Shares or other securities of ours and disposing of such additional H Shares or other securities of ours, provided that such purchase does not contravene the lock-up arrangements with our Controlling Shareholders above or compliance by us with the requirement of Rule 8.08 of the Listing Rules to maintain an open market in the securities and a sufficient public float in the H Shares, or (ii) using the H Shares or other securities of ours or any interest therein beneficially owned by them as security (including without limitation a charge or a pledge) in favour of an authorized institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) for a bona fide commercial loan, provided that for the purpose of (ii) above, our Controlling Shareholders agree and undertake to use all reasonable endeavours to ensure that the relevant authorized institution which enforces the relevant security during the First Six-Month Period (if any) will not dispose of the underlying Shares (whether in on market or off market).

The Company has undertaken to the Sole Overall Coordinator, the Sole Sponsor, the Sole Overall Coordinator and the Hong Kong Underwriters that upon receiving such information in writing from any of the Controlling Shareholders, it will, as soon as practicable and if required pursuant to the Listing Rules, notify the Stock Exchange and make a public disclosure in relation to such information by way of an announcement.

Hong Kong Underwriters' Interests in our Company

Save for their respective obligations under the Hong Kong Underwriting Agreement, as at the Latest Practicable Date, none of the Hong Kong Underwriters was interested, legally or beneficially, directly or indirectly, in any Shares or any securities of any member of our Group or had any right or option (whether legally enforceable or not) to subscribe for or purchase, or to nominate persons to subscribe for or purchase, any Shares or any securities of any member of our Group.

Following the completion of the Global Offering, the Hong Kong Underwriters and their affiliated companies may hold a certain portion of the Shares as a result of fulfilling their respective obligations under the Hong Kong Underwriting Agreement.

International Offering

International Underwriting Agreement

In connection with the International Offering, our Company and Conch Tech Innovation expect to enter into the International Underwriting Agreement with the International Underwriters on the Price Determination Date. Under the International Underwriting Agreement and subject to the Over-allotment Option, the International Underwriters would, subject to certain conditions set out therein, agree severally but not jointly to procure subscribers for, or themselves to subscribe for, their respective applicable proportions of the International Offer Shares initially being offered pursuant to the International Offering. It is expected that the International Underwriting Agreement may be terminated on similar grounds as the Hong Kong Underwriting Agreement. Potential investors should note that in the event that the International Underwriting Agreement is not entered into, the Global Offering will not proceed. For details, see "Structure of the Global Offering — The International Offering".

Over-allotment Option

Our Company is expected to grant to the International Underwriters the Over-allotment Option, exercisable by the Sole Overall Coordinator on behalf of the International Underwriters at any time from the Listing Date until 30 days after the last day for lodging applications under the Hong Kong Public Offering, pursuant to which our Company may be required to issue up to an aggregate of 21,746,000 additional H Shares, representing in aggregate approximately 15% of the number of Offer Shares initially available under the Global Offering, at the Offer Price, to, among other things, cover over-allocations in the International Offering, if any. For details, see "Structure of the Global Offering — Over-allotment Option".

Commissions and Expenses

We will pay the Underwriters and the Capital Market Intermediaries a fixed underwriting commission of approximately RMB6.3 million, representing approximately 1.3% of the aggregate Offer Price of all the Offer Shares to be issued by our Company under the Global Offering (assuming an Offer Price of HK$3.15, being the mid-point of the indicative Offer Price Range and including the

Shares to be issued pursuant to the exercise of the Over-allotment Option) (the "**Fixed Fees**") and up to approximately RMB4.2 million discretionary underwriting commission, representing approximately 0.9% of the aggregate Offer Price of all the Offer Shares to be issued by our Company under the Global Offering (assuming an Offer Price of HK$3.15, being the mid-point of the indicative Offer Price Range and including the Shares to be issued pursuant to the exercise of the Over-allotment Option) (the "**Discretionary Fee**").

The ratio of Fixed Fee and Discretionary Fee payable to the Underwriters and the Capital Market Intermediaries is approximately 60:40.

For any unsubscribed Hong Kong Offer Shares reallocated to the International Offering, the underwriting commission will not be paid to the Hong Kong Underwriters but will instead be paid, at the rate applicable to the International Offering, to the relevant International Underwriters.

The aggregate amount of sponsor fee payable by our Company to the Sole Sponsor is approximately HK$5,000,000.

The aggregate underwriting commissions payable to the Underwriters in relation to the Global Offering (assuming the full payment of the discretionary incentive fee and the exercise of the Over-allotment Option in full) will be approximately HK$10.5 million.

The aggregate underwriting commissions and fees together with the Stock Exchange listing fees, the SFC transaction levy, the AFRC transaction levy and the Stock Exchange trading fee, legal and other professional fees and printing and all other expenses relating to the Global Offering are estimated to be approximately HK$39.0 million (assuming an Offer Price of HK$3.15 per Offer Share (which is the mid-point of the Offer Price range).

Indemnity

Our Company and Conch Tech Innovation have agreed to indemnify the Sole Sponsor, the Sole Overall Coordinator, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Hong Kong Underwriters and the Capital Market Intermediaries for certain losses which they may suffer or incur, including losses arising from their performance of their obligations under the Hong Kong Underwriting Agreement and any breach by any of our Company of the Hong Kong Underwriting Agreement.

INDEPENDENCE OF THE SOLE SPONSOR

The Sole Sponsor satisfies the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules.

ACTIVITIES BY SYNDICATE MEMBERS

The underwriters of the Hong Kong Public Offering and the International Offering (together, the "**Syndicate Members**") and their affiliates may each individually undertake a variety of activities (as further described below) which do not form part of the underwriting or stabilising process.

The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own account and for the account of others. In the ordinary course of their various business activities, the Syndicate Members and their respective affiliates may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers. Such investment and trading activities may involve or relate to assets, securities and/or instruments of our Company and/or persons and entities with relationships with our Company and may also include swaps and other financial instruments entered into for hedging purposes in connection with our Group's loans and other debt.

In relation to the H Shares, the activities of the Syndicate Members and their affiliates could include acting as agent for buyers and sellers of the H Shares, entering into transactions with those buyers and sellers in a principal capacity, including as a lender to initial purchasers of the H Shares (which financing may be secured by the Shares) in the Global Offering, proprietary trading in the H Shares, and entering into over the counter or listed derivative transactions or listed or unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have as their underlying assets, assets including the H Shares. Such transactions may be carried out as bilateral agreements or trades with selected counterparties. Those activities may require hedging activity by those entities involving, directly or indirectly, the buying and selling of the H Shares. All such activities could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in the H Shares, in baskets of securities or indices including the H Shares, in units of funds that may purchase the H Shares, or in derivatives related to any of the foregoing.

In relation to issues by Syndicate Members or their affiliates of any listed securities having the Shares as their underlying securities, whether on the Stock Exchange or on any other stock exchange, the rules of the stock exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in the Shares in most cases.

All such activities may occur both during and after the end of the stabilising period described in the section headed "Structure of the Global Offering" in this prospectus. Such activities may affect the market price or value of the H Shares, the liquidity or trading volume in the Shares and the volatility of the price of the H Shares, and the extent to which this occurs from day to day cannot be estimated.

It should be noted that when engaging in any of these activities, the Syndicate Members will be subject to certain restrictions, including the following:

(a) the Syndicate Members (other than the Stabilising Manager or any person acting for it) must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Shares), whether in the open market or otherwise, with a view to stabilising or maintaining the market price of any of the Offer Shares at levels other than those which might otherwise prevail in the open market; and

(b) the Syndicate Members must comply with all applicable laws and regulations, including the market misconduct provisions of the SFO, including the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

Certain of the Syndicate Members or their respective affiliates have provided from time to time, and expect to provide in the future, investment banking and other services to our Company and each of its affiliates for which such Syndicate Members or their respective affiliates have received or will receive customary fees and commissions.

In addition, the Syndicate Members or their respective affiliates may provide financing to investors to finance their subscriptions of Offer Shares in the Global Offering.

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering.

The listing of the H Shares on the Main Board of the Stock Exchange is sponsored by the Sole Sponsor. The Sole Sponsor have made an application on behalf of our Company to the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus.

144,974,000 Offer Shares will initially be made available under the Global Offering comprising:

(a) the Hong Kong Public Offering of initially 14,498,000 H Shares (subject to reallocation) in Hong Kong as described in "— The Hong Kong Public Offering" below; and

(b) the International Offering of initially 130,476,000 H Shares, consisting of the offering of Shares outside the United States in reliance on Regulation S. At any time from the date of the International Underwriting Agreement until 30 days after the last day for the lodging of applications under the Hong Kong Public Offering, the Sole Overall Coordinator, as representative of the International Underwriters, have an option to require us to issue and allot up to 21,746,000 additional Offer Shares, representing approximately 15% of the initial number of Offer Shares to be offered in the Global Offering, at the Offer Price to cover over-allocations in the International Offering, if any. If the Over-allotment Option is exercised in full, the Offer Shares will represent approximately 27.71% of our Company's enlarged share capital immediately following the completion of the Global Offering and the exercise of the Over-allotment Option. In the event that the Over-allotment Option is exercised, a press announcement will be made.

Investors may either (i) apply for Hong Kong Offer Shares under the Hong Kong Public Offering; or apply for or indicate an interest for International Offer Shares under the International Offering, but may not do both.

The Offer Shares will represent approximately 25% of the total Shares in issue immediately following the completion of the Global Offering, assuming the Over-allotment Option is not exercised. If the Over-allotment Option is exercised in full, the Offer Shares will represent approximately 27.71% of the total Shares in issue immediately following the completion of the Global Offering.

The number of Offer Shares to be offered under the Hong Kong Public Offering and the International Offering may be subject to reallocation as described in "— The Hong Kong Public Offering — Reallocation" below.

References in this prospectus to applications, application monies or the procedure for applications relate solely to the Hong Kong Public Offering.

THE HONG KONG PUBLIC OFFERING

Number of Offer Shares initially offered

Our Company is initially offering 14,498,000 H Shares for subscription by the public in Hong Kong at the Offer Price, representing approximately 10.0% of the total number of Offer Shares initially available under the Global Offering. The number of Offer Shares initially offered under the Hong Kong Public Offering, subject to any reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering, will represent approximately 2.5% of the total Shares in issue immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised).

The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities that regularly invest in shares and other securities.

Completion of the Hong Kong Public Offering is subject to the conditions set out in "— Conditions of the Global Offering" below.

Allocation

Allocation of Offer Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which could mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

For allocation purposes only, the total number of Hong Kong Offer Shares available under the Hong Kong Public Offering (after taking into account any reallocation referred to below) will be divided equally (to the nearest board lot) into two pools: pool A and pool B (with any odd lot being allocated to pool A). The Hong Kong Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate subscription price of HK$5 million (excluding the brokerage, the SFC transaction levy, the AFRC transaction levy and the Stock Exchange trading fee payable) or less. The Hong Kong Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate subscription price of more than HK$5 million (excluding the brokerage, the SFC transaction levy, the AFRC transaction levy and the Stock Exchange trading fee payable) and up to the total value in pool B.

Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If any Hong Kong Offer Shares in one (but not both) of the pools are unsubscribed, such unsubscribed Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. For the purpose of the immediately preceding paragraph only, the "price" for Hong Kong Offer Shares means the price payable on application therefor (without regard to the Offer Price as finally determined). Applicants can only receive an allocation of Hong Kong Offer Shares from either pool A or pool B and not from both pools. Multiple or suspected multiple applications under the Hong Kong Public Offering and any application for more than 7,249,000 Hong Kong Offer Shares (being 50% of the 14,498,000 Offer Shares initially available under the Hong Kong Public Offering) is liable to be rejected.

Reallocation

The allocation of the Offer Shares between the Hong Kong Public Offering and the International Offering is subject to reallocation. Paragraph 4.2 of Practice Note 18 of the Listing Rules requires a clawback mechanism to be put in place which would have the effect of increasing the number of Offer Shares under the Hong Kong Public Offering to a certain percentage of the total number of Offer Shares offered under the Global Offering if the International Offering is fully subscribed or oversubscribed and the certain prescribed total demand levels are reached under the Hong Kong Public Offering, subject to the following:

(a) In the event that the International Offer Shares are fully subscribed or oversubscribed under the International Offering:

(i) if the Hong Kong Offer Shares are undersubscribed, the Sole Overall Coordinator, at its sole and absolute discretion (but shall not be under any obligation), may reallocate all or any of the unsubscribed Shares from the Hong Kong Public Offering to the International Offering;

(ii) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents less than 15 times the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then up to 14,497,000 Offer Shares may be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of Offer Shares available under the Hong Kong Public Offering will increase up to 28,995,000 Offer Shares, representing approximately 20% of the Offer Shares initially available under the Global Offering;

(iii) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 15 times or more but less than 50 times the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering so that the total number of Offer Shares available under the Hong Kong Public Offering will be 43,493,000 Offer Shares, representing approximately 30% of the Offer Shares initially available under the Global Offering;

(iv) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 50 times or more but less than 100 times the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased so that the total number of Offer Shares available under the Hong Kong Public Offering will be 57,990,000 Offer Shares, representing approximately 40% of the Offer Shares initially available under the Global Offering; and

(v) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 100 times or more the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased so that the total number of Offer Shares available under the Hong Kong Public Offering will be 72,487,000 Offer Shares, representing 50% of the Offer Shares initially available under the Global Offering.

(b) In the event that the International Offer Shares are undersubscribed under the International Offering:

(i) if the Hong Kong Offer Shares are undersubscribed, the Global Offering shall not proceed unless fully underwritten by the Underwriters; and

(ii) if the Hong Kong Offer Shares are fully subscribed or oversubscribed irrespective of the number of times, then up to 14,497,000 Offer Shares may be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of Hong Kong Offer Shares available for subscription under the Hong Kong Public Offering will increase up to 28,995,000 Offer Shares, representing approximately 20% of the Offer Shares initially available under the Global Offering.

In the case where (xx) the International Offer Shares are fully subscribed or oversubscribed and the Hong Kong Offer Shares are oversubscribed by less than 15 times under paragraph (a)(ii) above or (yy) the International Offer Shares are undersubscribed and the Hong Kong Offer Shares are fully subscribed or oversubscribed irrespective of the number of times under paragraph (b)(ii) above, the final Offer Price shall be fixed at HK$3.0 per Offer Share (being the low-end of the indicative Offer Price range stated in this prospectus) or the downward adjusted final Offer Price if a downward Offer Price adjustment is made in accordance with Chapter 4.14 under the Guide for New Listing Applicants published by the Stock Exchange.

In addition, the Sole Overall Coordinator may, at its sole discretion, reallocate Offer Shares from the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering. In accordance with Chapter 4.14 under the Guide for New Listing Applicants published by the Stock Exchange, if such reallocation is done other than pursuant to Practice Note 18 of the Listing Rules, the maximum total number of Offer Shares that may be allocated to the Hong Kong Public Offering following such reallocation shall be not more than double the initial allocation to the Hong Kong Public Offering (i.e. 28,995,000 Offer Shares).

Applications

Each applicant under the Hong Kong Public Offering will be required to give an undertaking and confirmation in the application submitted by him that he and any person(s) for whose benefit he is making the application has not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any International Offer Shares under the International Offering. Such applicant's application is liable to be rejected if such undertaking and/or confirmation is/are breached and/or untrue (as the case may be) or if he has been or will be placed or allocated International Offer Shares under the International Offering.

Applicants under the Hong Kong Public Offering may be required to pay, on application (subject to application channels), the maximum Offer Price of HK$3.3 per Offer Share in addition to the brokerage, the SFC transaction levy, the AFRC transaction levy and the Stock Exchange trading fee payable on each Offer Share, amounting to a total of HK$3,333.28 for one board lot of 1,000 Shares. If the Offer Price, as finally determined in the manner described in subsection "Pricing and Allocation" below, is less than the maximum Offer Price of HK$3.3 per Offer Share, appropriate refund payments (including the brokerage, the SFC transaction levy, the AFRC transaction levy and the Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants (subject to application channels), without interest. Further details are set out in "How to Apply for Hong Kong Offer Shares."

THE INTERNATIONAL OFFERING

Number of Offer Shares initially offered

The International Offering will consist of an initial offering of 130,476,000 H Shares offered by our Company, representing approximately 90% of the total number of Offer Shares initially available under the Global Offering (subject to reallocation and the Over-allotment Option). The number of Offer Shares initially offered under the International Offering, subject to any reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering, will represent approximately 22.5% of the total Shares in issue immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised).

Allocation

The International Offering will include selective marketing of Offer Shares to institutional and professional investors and other investors anticipated to have a sizeable demand for such Offer Shares in Hong Kong and other jurisdictions outside the United States in reliance on Regulation S. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities that regularly invest in shares and other securities. Allocation of Offer Shares pursuant to the International Offering will be effected in accordance with the "book-building" process described in the subsection headed "— Pricing and Allocation" below and based on a number of factors, including the level and timing of demand, the total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Shares and/or hold or sell its Shares after the Listing. Such allocation is intended to result in a distribution of the Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of our Group and our Shareholders as a whole.

The Sole Overall Coordinator (for itself and on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the International Offering and who has made an application under the Hong Kong Public Offering to provide sufficient information to the Sole Overall Coordinator so as to allow them to identify the relevant applications under the Hong Kong Public Offering and to ensure that they are excluded from any allocation of Offer Shares under the Hong Kong Public Offering.

Reallocation

The total number of Offer Shares to be issued pursuant to the International Offering may change as a result of the clawback arrangement described in "— The Hong Kong Public Offering — Reallocation" above, the exercise of the Over-allotment Option in whole or in part and/or any reallocation of unsubscribed Offer Shares originally included in the Hong Kong Public Offering.

OVER-ALLOTMENT OPTION

In connection with the Global Offering, our Company is expected to grant the Over-allotment Option to the International Underwriters, exercisable by the Sole Overall Coordinator (on behalf of the International Underwriters).

Pursuant to the Over-allotment Option, the International Underwriters will have the right, exercisable by the Sole Overall Coordinator (on behalf of the International Underwriters) at any time from the Listing Date until 30 days after the last day for lodging applications under the Hong Kong Public Offering, to require our Company to issue up to an aggregate of 21,746,000 additional Offer Shares, representing in aggregate approximately 15% of the total number of Offer Shares initially available under the Global Offering, at the Offer Price under the International Offering to, among other things, cover over-allocations in the International Offering, if any.

If the Over-allotment Option is exercised in full, the additional Offer Shares to be issued pursuant thereto will represent approximately 3.61% of the total Shares in issue immediately following the completion of the Global Offering. If the Over-allotment Option is exercised, an announcement will be made.

STABILISATION

Stabilisation is a practise used by underwriters in some markets to facilitate the distribution of securities. To stabilise, the underwriters may bid for, or purchase, the securities in the secondary market during a specified period of time, to retard and, if possible, prevent a decline in the initial public market price of the securities below the offer price. Such transactions may be effected in all jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws and regulatory requirements, including those of Hong Kong. In Hong Kong, the price at which stabilisation is effected is not permitted to exceed the offer price.

In connection with the Global Offering, the Stabilising Manager (or any person acting for it), on behalf of the Underwriters, may over-allocate or effect transactions with a view to stabilising or supporting the market price of the Shares at a level higher than that which might otherwise prevail for a limited period after the Listing Date. However, there is no obligation on the Stabilising Manager (or any person acting for it) to conduct any such stabilising action. Such stabilising action, if taken, (a) will be conducted at the absolute discretion of the Stabilising Manager (or any person acting for it) and in what the Stabilising Manager (or any person acting for it) reasonably regards as the best interest of our Company, (b) may be discontinued at any time, and (c) is required to be brought to an end within 30 days after the last day for lodging applications under the Hong Kong Public Offering.

Stabilisation actions permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilising) Rules of the SFO include (a) over-allocating for the purpose of preventing or minimising any reduction in the market price of the H Shares, (b) selling or agreeing to sell the H Shares so as to establish a short position in them for the purpose of preventing or minimising any reduction in the market price of the Shares, (c) purchasing, or agreeing to purchase, the H Shares pursuant to the Over-allotment Option in order to close out any position established under paragraph (a) or (b) above, (d) purchasing, or agreeing to purchase, any of the H Shares for the sole purpose of preventing or minimising any reduction in the market price of the Shares, selling or agreeing to sell any H Shares in order to liquidate any position established as a result of those purchases, and (e) offering or attempting to do anything as described in paragraph (b), (c), (d) or (e) above.

Specifically, prospective applicants for and investors in the Offer Shares should note that:

(a) the Stabilising Manager (or any person acting for it) may, in connection with the stabilising action, maintain a long position in the Shares;

(b) there is no certainty as to the extent to which and the time or period for which the Stabilising Manager (or any person acting for it) will maintain such a long position;

(c) liquidation of any such long position by the Stabilising Manager (or any person acting for it) and selling in the open market may have an adverse impact on the market price of the Shares;

(d) no stabilising action can be taken to support the price of the Shares for longer than the stabilisation period, which will begin on the Listing Date, and is expected to expire on Wednesday, 5 February 2025, being the 30th day after the last day for lodging applications under the Hong Kong Public Offering. After this date, when no further stabilising action may be taken, demand for the H Shares, and therefore the price of the H Shares, could fall;

(e) the price of the H Shares cannot be assured to stay at or above the Offer Price by the taking of any stabilising action; and

(f) stabilising bids or transactions effected in the course of the stabilising action may be made at any price at or below the Offer Price and can, therefore, be done at a price below the price paid by applicants for, or investors in, the Offer Shares.

Our Company will ensure or procure that an announcement in compliance with the Securities and Futures (Price Stabilising) Rules of the SFO will be made within seven days of the expiration of the stabilisation period.

Over-Allocation

Following any over-allocation of the H Shares in connection with the Global Offering, the Stabilising Manager (or any person acting for it) may cover such over-allocations by, among other methods, exercising the Over-allotment Option in full or in part, by using the Shares purchased by the Stabilising Manager (or any person acting for it) in the secondary market at prices that do not exceed the Offer Price as detailed below.

PRICING AND ALLOCATION

Pricing for the Offer Shares for the purpose of the various offerings under the Global Offering will be fixed on the Price Determination Date, which is expected to be on or about Tuesday, 7 January 2025 and, in any event, no later than 12:00 noon on Tuesday, 7 January 2025, by agreement between the Sole Overall Coordinator (for itself and on behalf of the Underwriters), and our Company, and the number of Offer Shares to be allocated under the various offerings will be determined shortly thereafter.

The Offer Price will not be more than HK$3.3 per Offer Share and is expected to be not less than HK$3.0 per Offer Share, unless otherwise announced, as further explained below. Applicants under the Hong Kong Public Offering may be required to pay, on application (subject to application channels), the maximum Offer Price of HK$3.3 per Offer Share plus brokerage of 1.0%, SFC transaction levy of 0.0027%, AFRC transaction levy of 0.00015% and Stock Exchange trading fee of 0.00565%, amounting to a total of HK$3,333.28 for one board lot of 1,000 Shares. Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the minimum Offer Price stated in this prospectus.

The International Underwriters will be soliciting from prospective investors indications of interest in acquiring Offer Shares in the International Offering. Prospective professional and institutional investors will be required to specify the number of Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price. This process, known as "book-building", is expected to continue up to, and to cease on or about, the last day for lodging applications under the Hong Kong Public Offering.

The Sole Overall Coordinator (for itself and on behalf of the Underwriters) may, where they deem appropriate, based on the level of interest expressed by prospective investors during the book-building process in respect of the International Offering, and with the consent of our Company, reduce the number of Offer Shares offered and/or the Offer Price range below as stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, our Company will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offering, cause to be published on the websites of our Company and the Stock Exchange at **www.conchmst.com** and **www.hkexnews.hk**, respectively, an announcement of the reduction. Supplemental prospectus will also be issued by the Company in the event of a reduction in the number of Offer Shares or the Offer Price. Such supplemental prospectus will also include confirmation or revision, as appropriate, of the working capital statement and the Global Offering statistics as currently set out in this prospectus, and any other financial information which may change as a result of any such reduction. In the absence of any such notice so published, the number of Offer Shares and/or the Offer Price will not be reduced. The Global Offering must first be canceled and subsequently relaunched on FINI pursuant to the supplemental prospectus. Upon the issue of such a notice and supplemental prospectus, the revised number of Offer Shares and/or the Offer Price range will be final and conclusive and the Offer Price, if agreed upon by the Sole Overall Coordinator (for itself and on behalf of the Underwriters) and our Company, will be fixed within such revised Offer Price Range.

The final Offer Price, the level of indications of interest in the International Offering, the level of applications in the Hong Kong Public Offering, the basis of allocations of the Hong Kong Offer Shares and the results of allocations in the Hong Kong Public Offering are expected to be made available through a variety of channels in the manner described in "How to Apply for Hong Kong Offer Shares — B. Publication of Results".

UNDERWRITING

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms and conditions of the Hong Kong Underwriting Agreement and is subject to, among other things, the Sole Overall Coordinator (for itself and on behalf of the Underwriters) and our Company agreeing on the Offer Price.

Our Company expects to enter into the International Underwriting Agreement relating to the International Offering on or around the Price Determination Date.

The terms of the Underwriting Agreements are summarised in the section headed "Underwriting" in this prospectus.

THE H SHARES WILL BE ELIGIBLE FOR CCASS

All necessary arrangements have been made enabling the Shares to be admitted into CCASS. If the Stock Exchange grants the listing of, and permission to deal in, the H Shares and our Company complies with the stock admission requirements of HKSCC, the H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the H Shares on the Stock Exchange or any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second settlement day after any trading day. All activities under CCASS are subject to the General Rules of HKSCC and HKSCC Operational Procedures in effect from time to time.

CONDITIONS OF THE GLOBAL OFFERING

Acceptance of all applications for Offer Shares will be conditional on:

(a) the Listing Committee granting approval for the listing of, and permission to deal in, the H Shares in issue and to be issued pursuant to the Global Offering (including any Shares which may be issued pursuant to the exercise of the Over-allotment Option) on the Main Board of the Stock Exchange and such approval not subsequently having been withdrawn or revoked prior to the Listing Date;

(b) the Offer Price having been agreed between the Sole Overall Coordinator (for itself and on behalf of the Underwriters) and our Company;

(c) the execution and delivery of the International Underwriting Agreement on or around the Price Determination Date; and

(d) the obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement and the obligations of the International Underwriters under the International Underwriting Agreement becoming and remaining unconditional and not having been terminated in accordance with the terms of the respective agreements,

in each case on or before the dates and times specified in the respective Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and, in any event, not later than the date which is 30 days after the date of this prospectus.

If, for any reason, the Offer Price is not agreed between the Sole Overall Coordinator (for itself and on behalf of the Underwriters) and our Company on or before 12:00 noon on Tuesday, 7 January 2025, the Global Offering will not proceed and will lapse.

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived prior to the dates and times specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offering will be published by our Company on the websites of our Company and the Stock Exchange at **www.conchmst.com** and **www.hkexnews.hk**, respectively, on the next day following such lapse. In such a situation, all application monies will be returned, without interest, on the terms set out in "How to Apply for Hong Kong Offer Shares — D. Despatch/Collection of H Share Certificates and Refund of Application Monies." In the meantime, all application monies will be held in separate bank account(s) with the receiving banks or other bank(s) in Hong Kong licenced under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong).

H Share certificates for the Offer Shares will only become valid at 8:00 a.m. on Thursday, 9 January 2025, provided that (a) the Global Offering has become unconditional in all respects at or before that time, and (b) the right of termination as described in "Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Grounds for Termination" in this prospectus has not been exercised.

DEALINGS IN THE SHARES

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8: 00 a.m. in Hong Kong on Thursday, 9 January 2025, it is expected that dealings in the H Shares on the Stock Exchange will commence at 9: 00 a.m. on Thursday, 9 January 2025.

The H Shares will be traded in board lots of 1,000 Shares each and the stock code of the H Shares will be 2560.

IMPORTANT NOTICE TO INVESTORS
FULLY ELECTRONIC APPLICATION PROCESS

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

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

The contents of the electronic version of this prospectus are identical to the printed prospectus as registered with the Registrar of Companies in Hong Kong pursuant to Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

A. APPLICATIONS FOR HONG KONG OFFER SHARES

1. Who Can Apply

You can apply for Hong Kong Offer Shares if you or any person(s) for whose benefit you are applying:

- are 18 years of age or older; and
- have a Hong Kong address *(for the **HK eIPO White Form** service only)*.

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares if you or the person(s) for whose benefit you are applying for:

- are an existing Shareholder or close associates;
- are a Director, supervisor or any of his/her close associates.

2. Application Channels

The Hong Kong Public Offering period will begin at 9:00 a.m. on Tuesday, 31 December 2024 and end at 12:00 noon on Monday, 6 January 2025 (Hong Kong time).

To apply for Hong Kong Offer Shares, you may use one of the following application channels:

Application Channel	Platform	Target Investors	Application Time
HK eIPO White Form service	**www.hkeipo.hk**	Investors who would like to receive a physical H Share certificate. Hong Kong Offer Shares successfully applied for will be allotted and issued in your own name.	From 9:00 a.m. on Tuesday, 31 December 2024 to 11:30 a.m. on Monday, 6 January 2025 (Hong Kong time). The latest time for completing full payment of application monies will be 12:00 noon on Monday, 6 January 2025 (Hong Kong time).
HKSCC EIPO channel	Your broker or custodian who is a HKSCC Participant will submit an EIPO application on your behalf through HKSCC's FINI system in accordance with your instruction.	Investors who would not like to receive a physical H Share certificate. Hong Kong Offer Shares successfully applied for will be allotted and issued in the name of HKSCC Nominees, deposited directly into CCASS and credited to your designated HKSCC Participant's stock account.	Contact your broker or custodian for the earliest and latest time for giving such instructions, as this may vary by broker or custodian.

The **HK eIPO White Form** service and the **HKSCC EIPO** channel are facilities subject to capacity limitations and potential service interruptions and you are advised not to wait until the last day of the application period to apply for Hong Kong Offer Shares.

For those applying through the **HK eIPO White Form** service, once you complete payment in respect of any application instructions given by you or for your benefit through the **HK eIPO White Form** service to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. If you are a person for whose benefit the electronic application instructions are given, you shall be deemed to have declared that only one set of electronic application instructions has been given for your benefit. If you are an agent for another person, you shall be deemed to have declared that you have only given one set of electronic application instructions for the benefit of the person for whom you are an agent and that you are duly authorised to give those instructions as an agent.

For the avoidance of doubt, giving an application instruction under the **HK eIPO White Form** service more than once and obtaining different payment reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you apply through the **HK eIPO White Form** service, you are deemed to have authorised the **HK eIPO White Form** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **HK eIPO White Form** service.

By instructing your broker or custodian to apply for the Hong Kong Offer Shares on your behalf through the **HKSCC EIPO** channel, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant HKSCC Participants) to apply for Hong Kong Offer Shares on your behalf and to do on your behalf all the things stated in this prospectus and any supplement to it.

For those applying through **HKSCC EIPO** channel, an actual application will be deemed to have been made for any application instructions given by you or for your benefit to HKSCC (in which case an application will be made by HKSCC Nominees on your behalf) provided such application instruction has not been withdrawn or otherwise invalidated before the closing time of the Hong Kong Public Offering.

HKSCC Nominees will only be acting as a nominee for you and neither HKSCC nor HKSCC Nominees shall be liable to you or any other person in respect of any actions taken by HKSCC or HKSCC Nominees on your behalf to apply for Hong Kong Offer Shares or for any breach of the terms and conditions of this prospectus.

3. Information Required to Apply

You must provide the following information with your application:

For Individual Applicants	For Corporate Applicants
• Full name(s)[2] as shown on your identity document	• Full name(s)[2] as shown on your identity document
• Identity document's issuing country or jurisdiction	• Identity document's issuing country or jurisdiction

For Individual Applicants

- Identity document type, with order of priority:
  - o Hong Kong identity ("**HKID**") card; or
  - o National identification document; or
  - o Passport; and
- Identity document number

For Corporate Applicants

- Identity document type, with order of priority:
  - o Legal Entity Identifier ("**LEI**") registration document; or
  - o Certificate of incorporation; or
  - o Business registration certificate; or
  - o Other equivalent document; and
- Identity document number

Notes:

1. If you are applying through the **HK eIPO White Form** service, you are required to provide a valid e-mail address, a contact telephone number and a Hong Kong address. You are also required to declare that the identity information provided by you follows the requirements as described in Note 2 below. In particular, where you cannot provide a HKID number, you must confirm that you do not hold a HKID card. The number of joint applicants may not exceed four. If you are a firm, the applicant must be in the individual members' names.

2. The applicant's full name as shown on their identity document must be used. If an applicant's identity document contains both an English and Chinese name, both English and Chinese names must be used. Otherwise, either English or Chinese names will be accepted. The order of priority of the applicant's identity document type must be strictly followed and where an individual applicant has a valid HKID card, the HKID number must be used when making an application to subscribe for shares in a public offer. Similarly for corporate applicants, a LEI number must be used if an entity has a LEI certificate.

3. If the applicant is a trustee, the client identification data ("**CID**") of the trustee, as set out above, will be required. If the applicant is an investment fund (i.e. a collective investment scheme, or CIS), the CID of the asset management company or the individual fund, as appropriate, which has opened a trading account with the broker will be required, as above.

4. The maximum number of joint account holders on FINI is capped at four in accordance with market practice.

5. If you are applying as a nominee, you must provide: (i) the full name (as shown on the identity document), the identity document's issuing country or jurisdiction, the identity document type; and (ii), the identity document number, for each of the beneficial owners or, in the case(s) of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

6. If you are applying as an unlisted company and (i) the principal business of that company is dealing in securities; and (ii) you exercise statutory control over that company, then the application will be treated as being for your benefit and you should provide the required information in your application as stated above.

   "Unlisted company" means a company with no equity securities listed on the Hong Kong Stock Exchange or any other stock exchange.

"Statutory control" means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

For those applying through **HKSCC EIPO** channel, and making an application under a power of attorney, our Company and the Sole Overall Coordinator, as our agent, have discretion to consider whether to accept it on any conditions our Company thinks fit, including evidence of the attorney's authority.

Failing to provide any required information may result in your application being rejected.

4. Permitted Number of Hong Kong Offer Shares for Application

Board lot size: 1,000

Permitted number of Hong Kong Offer Shares for application and amount payable on application/ successful allotment:

Hong Kong Offer Shares are available for application in specified board lot sizes only. Please refer to the amount payable associated with each specified board lot size in the table below.

The maximum Offer Price is HK$3.3 per Share.

If you are applying through the **HKSCC EIPO** channel, you are required to prefund your application based on the amount specified by your broker or custodian, as determined based on the applicable laws and regulations in Hong Kong.

By instructing your broker or custodian to apply for the Hong Kong Offer Shares on your behalf through the **HKSCC EIPO** channel, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant HKSCC Participants) to arrange payment of the final Offer Price, brokerage, SFC transaction levy, the Hong Kong Stock Exchange trading fee and the AFRC transaction levy by debiting the relevant nominee bank account at the designated bank for your broker or custodian.

If you are applying through the **HK eIPO White Form** service, you may refer to the table below for the amount payable for the number of Shares you have selected. You must pay the respective maximum amount payable on application in full upon application for Hong Kong Offer Shares.

No. of Hong Kong Offer Shares applied for	Maximum Amount payable[(2)] on application/ successful allotment	No. of Hong Kong Offer Shares applied for	Maximum Amount payable[(2)] on application/ successful allotment	No. of Hong Kong Offer Shares applied for	Maximum Amount payable[(2)] on application/ successful allotment	No. of Hong Kong Offer Shares applied for	Maximum Amount payable[(2)] on application/ successful allotment
	HK$		*HK$*		*HK$*		*HK$*
1,000	3,333.28	15,000	49,999.21	80,000	266,662.45	900,000	2,999,952.46
2,000	6,666.56	20,000	66,665.61	90,000	299,995.25	1,000,000	3,333,280.50
3,000	9,999.84	25,000	83,332.01	100,000	333,328.06	2,000,000	6,666,561.00
4,000	13,333.13	30,000	99,998.41	200,000	666,656.10	3,000,000	9,999,841.50
5,000	16,666.40	35,000	116,664.82	300,000	999,984.16	4,000,000	13,333,122.00
6,000	19,999.68	40,000	133,331.22	400,000	1,333,312.20	5,000,000	16,666,402.50
7,000	23,332.96	45,000	149,997.62	500,000	1,666,640.26	6,000,000	19,999,683.00
8,000	26,666.24	50,000	166,664.03	600,000	1,999,968.30	7,249,000[(1)]	24,162,950.35
9,000	29,999.52	60,000	199,996.84	700,000	2,333,296.36		
10,000	33,332.80	70,000	233,329.64	800,000	2,666,624.40		

(1) Maximum number of Hong Kong Offer Shares you may apply for and this is 50% of the Hong Kong Offer Shares initially offered.

(2) The amount payable is inclusive of brokerage, SFC transaction levy, the Stock Exchange trading fee and AFRC transaction levy. If your application is successful, brokerage will be paid to the Exchange Participants (as defined in the Listing Rules) or to the **HK eIPO White Form** Service Provider (for applications made through the application channel of the **HK eIPO White Form** Service Provider) while the SFC transaction levy, the Stock Exchange trading fee and the AFRC transaction levy will be paid to the SFC, the Stock Exchange and the AFRC, respectively.

5. Multiple Applications Prohibited

You or your joint applicant(s) shall not make more than one application for your own benefit, except where you are a nominee and provide the information of the underlying investor in your application as required under the paragraph headed "— A. Applications for Hong Kong Offer Shares— 3. Information required to apply" in this section. If you are suspected of submitting or cause to submit more than one application, all of your applications will be rejected.

Multiple applications made either through (i) the **HK eIPO White Form** service, (ii) **HKSCC EIPO** channel, or (iii) both channels concurrently are prohibited and will be rejected. If you have made an application through the **HK eIPO White Form** service or **HKSCC EIPO** channel, you or the person(s) for whose benefit you have made the application shall not apply for any Global Offering Shares.

The H Share Registrar would record all applications into its system and identify suspected multiple applications with identical names and identification document numbers according to the Best Practice Note on Treatment of Multiple/Suspected Multiple Applications ("**Best Practice Note**") issued by the Federation of Share Registrars Limited.

Since applications are subject to personal information collection statements, identification document numbers displayed are redacted.

6. Terms and Conditions of an Application

By applying for Hong Kong Offer Shares through the **HK eIPO White Form** service or **HKSCC EIPO** channel, you (or as the case may be, HKSCC Nominees will do the following things on your behalf):

(a) undertake to execute all relevant documents and instruct and authorise our Company and/or the Sole Overall Coordinator (or its agents or nominees), as agents of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association, and (if you are applying through the **HKSCC EIPO** channel) to deposit the allotted Hong Kong Offer Shares directly into CCASS for the credit of your designated HKSCC Participant's stock account on your behalf;

(b) confirm that you have read the terms and conditions and application procedures set out in this prospectus and on the designated website under the **HK eIPO White Form** service (or as the case may be, the agreement you entered into with your broker or custodian), and agree to be bound by them;

(c) (if you are applying through the **HKSCC EIPO** channel) agree to the arrangements, undertakings and warranties under the participant agreement between your broker or custodian and HKSCC and observe the General Rules of HKSCC and the HKSCC Operational Procedures for giving application instructions to apply for Hong Kong Offer Shares;

(d) confirm that you are aware of the restrictions on the Global Offering set out in this prospectus and they do not apply to you, or the person(s) for whose benefit you have made the application;

(e) confirm that you have read this prospectus and any supplement to it and have relied only on the information and representations contained therein in making your application (or as the case may be causing your application to be made) and will not rely on any other information or representations;

(f) agree that none of our Company, the Sole Sponsor, the Sole Overall Coordinator, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, the Capital Market Intermediaries, any of their or our Company's respective directors, officers, employees, partners, agents, advisors and any other parties involved in the Global Offering (the "**Relevant Persons**"), the H Share Registrar and HKSCC will not be liable for any information and representations not in this prospectus (and any supplement to this prospectus);

(g) agree to disclose the details of your application and your personal data and any other personal data which may be required about you and the person(s) for whose benefit you have made the application to our Company, the Relevant Persons, the H Share Registrar, HKSCC, HKSCC Nominees, the Hong Kong Stock Exchange, the SFC and any other statutory regulatory or governmental bodies or otherwise as required by laws, rules or regulations, for the purposes set out in "— G. Personal Data — 3. Purposes" and "— G. Personal Data — 4. Transfer of personal data" in this section;

(h) agree (without prejudice to any other rights which you may have once your application (or as the case may be, HKSCC Nominees' application) has been accepted) that you will not rescind it because of an innocent misrepresentation;

(i) agree that subject to Section 44A(6) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, any application made by you or HKSCC Nominees on your behalf cannot be revoked once it is accepted, which will be evidenced by the notification of the result of the ballot by the H Share Registrar by way of publication of the results at the time and in the manner as specified in "— B. Publication of Results" in this section;

(j) confirm that you are aware of the situations specified in "— C. Circumstances in which you will not be allocated Hong Kong Offer Shares" in this section;

(k) agree that your application or HKSCC Nominees' application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the laws of Hong Kong;

(l) agree to comply with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the PRC Company Law, the Articles of Association and laws of any place outside Hong Kong that apply to your application and that neither our Company nor the Relevant Persons will breach any law inside and/or outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus;

(m) confirm that (a) your application or HKSCC Nominees' application on your behalf is not financed directly or indirectly by our Company, any of the directors, supervisors, chief executives, substantial Shareholder(s) or existing shareholder(s) of our Company or any of its subsidiaries or any of their respective close associates; and (b) you are not accustomed or will not be accustomed to taking instructions from our Company, any of the directors, supervisors, chief executives, substantial shareholder(s) or existing shareholder(s) of our Company or any of its subsidiaries or any of their respective close associates in relation to the acquisition, disposal, voting or other disposition of the H Shares registered in your name or otherwise held by you;

(n) warrant that the information you have provided is true and accurate;

(o) confirm that you understand that our Company and the Sole Overall Coordinator will rely on your declarations and representations in deciding whether or not to allocate any Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;

(p) agree to accept Hong Kong Offer Shares applied for or any lesser number allocated to you under the application;

(q) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;

(r) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit by giving electronic application instructions to HKSCC directly or indirectly or through the application channel of the **HK eIPO White Form** Service Provider or by any one as your agent or by any other person; and

(s) (if you are making the application as an agent for the benefit of another person) warrant that (1) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person by giving electronic application instructions to HKSCC or the **HK eIPO White Form** Service Provider; and (2) you have due authority to give electronic application instructions on behalf of that other person as its agent.

B. PUBLICATION OF RESULTS

Results of Allocation

You can check whether you are successfully allocated any Hong Kong Offer Shares through:

Platform		Date/Time
Applying through the **HK eIPO White Form** service or **HKSCC EIPO** channel:		
Website	From the "Allotment Results" page at **www.tricor.com.hk/ipo/result** or **www.hkeipo.hk/IPOResult** with a "search by ID" function. The full list of (i) wholly or partially successful applicants using the **HK eIPO White Form** service and **HKSCC EIPO** channel, and (ii) the number of Hong Kong Offer Shares conditionally allotted to them, among other things, will be displayed at **www.hkeipo.hk/IPOResult** or **www.tricor.com.hk/ipo/result**.	24 hours, No later than 11:00 p.m. on Wednesday, 8 January 2025 to 12:00 midnight on Tuesday, 14 January 2025 (Hong Kong time).
	The Hong Kong Stock Exchange's website at **www.hkexnews.hk** and our website at **www.conchmst.com** which will provide links to the above mentioned websites of the H Share Registrar.	No later than 11:00 p.m. on Wednesday, 8 January 2025 (Hong Kong time).
Telephone	+852 3691 8488 — the allocation results telephone enquiry line provided by the H Share Registrar.	between 9:00 a.m. and 6:00 p.m. from Thursday, 9 January 2025 to Tuesday, 14 January 2025 (excluding Saturday, Sunday and public holiday in Hong Kong) (Hong Kong time).

For those applying through **HKSCC EIPO** channel, you may also check with your broker or custodian from 6:00 p.m. on Tuesday, 7 January 2025 (Hong Kong time).

HKSCC Participants can log into FINI and review the allotment result from 6:00 p.m. on Tuesday, 7 January 2025 (Hong Kong time) on a 24-hour basis and should report any discrepancies on allotments to HKSCC as soon as practicable.

Allocation Announcement

Our Company expects to announce the results of the final Offer Price, the level of indications of interest in the Global Offering, the level of applications in the Hong Kong Public Offering and the basis of allocations of Hong Kong Offer Shares on the Hong Kong Stock Exchange's website at **www.hkexnews.hk** and our website at **www.conchmst.com** by no later than 11:00 p.m. on Wednesday, 8 January 2025 (Hong Kong time).

C. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOCATED HONG KONG OFFER SHARES

You should note the following situations in which Hong Kong Offer Shares will not be allocated to you or the person(s) for whose benefit you are applying for:

1. If your application is revoked:

Your application or the application made by HKSCC Nominees on your behalf may be revoked pursuant to Section 44A(6) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

2. If our Company or our agents exercise our discretion to reject your application:

Our Company, the Sole Overall Coordinator, the H Share Registrar and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

3. If the allocation of Hong Kong Offer Shares is void:

The allocation of Hong Kong Offer Shares will be void if the Hong Kong Stock Exchange does not grant permission to list the H Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Hong Kong Stock Exchange notifies us of that longer period within three weeks of the closing date of the application lists.

4. If:

- you make multiple applications or suspected multiple applications. You may refer to "— A. Applications for Hong Kong Offer Shares — 5. Multiple applications prohibited" in this section on what constitutes multiple applications;
- your application instruction is incomplete;
- your payment (or confirmation of funds, as the case may be) is not made correctly;
- the Underwriting Agreements do not become unconditional or are terminated;
- our Company or the Sole Overall Coordinator believes that by accepting your application, it or our Company would violate applicable securities or other laws, rules or regulations.

5. If there is money settlement failure for allotted Shares:

Based on the arrangements between HKSCC Participants and HKSCC, HKSCC Participants will be required to hold sufficient application funds on deposit with their designated bank before balloting. After balloting of Hong Kong Offer Shares, the Receiving Bank will collect the portion of these funds required to settle each HKSCC Participant's actual Hong Kong Offer Share allotment from their designated bank.

There is a risk of money settlement failure. In the extreme event of money settlement failure by a HKSCC Participant (or its designated bank), who is acting on your behalf in settling payment for your allotted shares, HKSCC will contact the defaulting HKSCC Participant and its designated bank to determine the cause of failure and request such defaulting HKSCC Participant to rectify or procure to rectify the failure.

However, if it is determined that such settlement obligation cannot be met, the affected Hong Kong Offer Shares will be reallocated to the Global Offering. Hong Kong Offer Shares applied for by you through the broker or custodian may be affected to the extent of the settlement failure. In the extreme case, you will not be allocated any Hong Kong Offer Shares due to the money settlement failure by such HKSCC Participant. None of us, the Relevant Persons, the H Share Registrar and HKSCC is or will be liable if Hong Kong Offer Shares are not allocated to you due to the money settlement failure.

D. DESPATCH/COLLECTION OF H SHARE CERTIFICATES AND REFUND OF APPLICATION MONIES

You will receive one H Share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made through the **HKSCC EIPO** channel where the H Share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the H Shares. No receipt will be issued for sums paid on application.

H Share certificates will only become valid at 8:00 a.m. on Thursday, 9 January 2025 (Hong Kong time), provided that the Global Offering has become unconditional and the right of termination described in the section headed "Underwriting" has not been exercised. Investors who trade H Shares prior to the receipt of H Share certificates or the H Share certificates becoming valid do so entirely at their own risk.

The right is reserved to retain any H Share certificate(s) and (if applicable) any surplus application monies pending clearance of application monies.

The following sets out the relevant procedures and time:

	HK eIPO White Form service	HKSCC EIPO channel
Despatch/collection of H Share certificate[1]		
For application of 1,000,000 Hong Kong Offer Shares or more	Collection in person at the H Share Registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong **Time**: from 9:00 a.m. to 1:00 p.m. on Thursday, 9 January 2025 (Hong Kong time) If you are an individual, you must not authorise any other person to collect for you. If you are a corporate applicant, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation's chop.	H Share certificate(s) will be issued in the name of HKSCC Nominees, deposited into CCASS and credited to your designated HKSCC Participant's stock account. No action by you is required.

1 Except in the event of a tropical cyclone warning signal number 8 or above, a black rainstorm warning and/or Extreme Conditions in force in Hong Kong in the morning on Wednesday, 8 January 2025 rendering it impossible for the relevant H Share certificates to be despatched to HKSCC in a timely manner, our Company shall procure the H Share Registrar to arrange for delivery of the supporting documents and H Share certificates in accordance with the contingency arrangements as agreed between them. You may refer to "— E. Bad Weather Arrangements" in this section.

	HK eIPO White Form service	HKSCC EIPO channel
	Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the H Share Registrar. **Note**: If you do not collect your H Share certificate(s) personally within the time above, it/they will be sent to the address specified in your application instructions by ordinary post at your own risk.	
For application of less than 1,000,000 Hong Kong Offer Shares	Your H Share certificate(s) will be sent to the address specified in your application instructions by ordinary post at your own risk. **Date**: Wednesday, 8 January 2025	
Refund mechanism for surplus application monies paid by you		
Date	Thursday, 9 January 2025	Subject to the arrangement between you and your broker or custodian.
Responsible party	H Share Registrar	Your broker or custodian
Application monies paid through single bank account	**HK eIPO White Form** e-Auto Refund payment instructions to your designated bank account.	Your broker or custodian will arrange refund to your designated bank account subject to the arrangement between you and it.
Application monies paid through multiple bank accounts	Refund cheque(s) will be despatched to the address as specified in your application instructions by ordinary post at your own risk.	

E. BAD WEATHER ARRANGEMENTS

The Opening and Closing of the Application Lists

The application lists will not open or close on Monday, 6 January 2025 if, there is:

- a tropical cyclone warning signal number 8 or above;
- a black rainstorm warning; and/or
- Extreme Conditions,

(collectively, "**Bad Weather Signals**"),

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Monday, 6 January 2025. Instead they will open between 11:45 a.m. and 12:00 noon and/or close at 12:00 noon on the next business day which does not have **Bad** Weather Signals in force at any time between 9:00 a.m. and 12:00 noon.

Prospective investors should be aware that a postponement of the opening/closing of the application lists may result in a delay in the Listing Date. Should there be any changes to the dates mentioned in the section headed "Expected Timetable" in this prospectus, an announcement will be made and published on the Hong Kong Stock Exchange's website at **www.hkexnews.hk** and our website at **www.conchmst.com** of the revised timetable.

If a **Bad** Weather Signal is hoisted on the business day before the Listing Date (i.e. Wednesday, 8 January 2025), the H Share Registrar will make appropriate arrangements for the delivery of the H Share certificates to the CCASS depository's service counter so that they would be available for trading on Thursday, 9 January 2025.

If a **Bad** Weather Signal is hoisted on Wednesday, 8 January 2025, for application of less than 1,000,000 Hong Kong Offer Shares, the despatch of physical H Share certificate(s) will be made by ordinary post when the post office re-opens after the **Bad** Weather Signal are lowered or cancelled (e.g. in the afternoon of Wednesday, 8 January 2025 or on Thursday, 9 January 2025).

If a **Bad** Weather Signal is hoisted on Thursday, 9 January 2025, for application of 1,000,000 Hong Kong Offer Shares or more, physical H Share certificate(s) will be available for collection in person at the H Share Registrar's office after the **Bad** Weather Signal is lowered or cancelled (e.g. in the afternoon of Thursday, 9 January 2025 or on Friday, 10 January 2025).

Prospective investors should be aware that if they choose to receive physical H Share certificates issued in their own name, there may be a delay in receiving the H Share certificates.

F. ADMISSION OF THE H SHARES INTO CCASS

If the Hong Kong Stock Exchange grants the listing of, and permission to deal in, the H Shares on the Hong Kong Stock Exchange and our Company complies with the stock admission requirements of HKSCC, the H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the H Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second settlement day after any trading day.

All activities under CCASS are subject to the General Rules of HKSCC and HKSCC Operational Procedures in effect from time to time.

All necessary arrangements have been made enabling the H Shares to be admitted into CCASS.

You should seek the advice of your broker or other professional advisor for details of the settlement arrangement as such arrangements may affect your rights and interests.

G. PERSONAL DATA

The following Personal Information Collection Statement applies to any personal data collected and held by our Company, the H Share Registrar, the receiving bank(s) and the Relevant Persons about you in the same way as it applies to personal data about applicants other than HKSCC Nominees. This personal data may include client identifier(s) and your identification information. By giving application instructions to HKSCC, you acknowledge that you have read, understood and agree to all of the terms of the Personal Information Collection Statement below.

1. Personal Information Collection Statement

This Personal Information Collection Statement informs the applicant for, and holder of, Hong Kong Offer Shares, of the policies and practices of our Company and the H Share Registrar in relation to personal data and the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong).

2. Reasons for the collection of your personal data

It is necessary for applicants and registered holders of Hong Kong Offer Shares to ensure that personal data supplied to our Company or its agents and the H Share Registrar is accurate and up-to-date when applying for Hong Kong Offer Shares or transferring Hong Kong Offer Shares into or out of their names or in procuring the services of the H Share Registrar.

Failure to supply the requested data or supplying inaccurate data may result in your application for Hong Kong Offer Shares being rejected, or in the delay or the inability of our Company or the H Share Registrar to effect transfers or otherwise render their services. It may also prevent or delay registration or transfers of Hong Kong Offer Shares which you have successfully applied for and/or the despatch of H Share certificate(s) to which you are entitled.

It is important that applicants for and holders of Hong Kong Offer Shares inform our Company and the H Share Registrar immediately of any inaccuracies in the personal data supplied.

3. Purposes

Your personal data may be used, held, processed, and/or stored (by whatever means) for the following purposes:

- processing your application and refund cheque and **HK eIPO White Form** e-Auto Refund payment instruction(s), where applicable, verification of compliance with the terms and application procedures set out in this prospectus and announcing results of allocation of Hong Kong Offer Shares;
- compliance with applicable laws and regulations in Hong Kong and elsewhere;
- registering new issues or transfers into or out of the names of the holders of the H Shares including, where applicable, HKSCC Nominees;
- maintaining or updating the register of members of our Company;
- verifying identities of applicants for and holders of the H Shares and identifying any duplicate applications for the H Shares;
- facilitating Hong Kong Offer Shares balloting;
- establishing benefit entitlements of holders of the H Shares, such as dividends, rights issues, bonus issues, etc.;
- distributing communications from our Company and its subsidiaries;
- compiling statistical information and profiles of the holder of the H Shares;
- disclosing relevant information to facilitate claims on entitlements; and
- any other incidental or associated purposes relating to the above and/or to enable our Company and the H Share Registrar to discharge their obligations to applicants and holders of the H Shares and/or regulators and/or any other purposes to which applicants and holders of the H Shares may from time to time agree.

4. Transfer of personal data

Personal data held by our Company and the H Share Registrar relating to the applicants for and holders of Hong Kong Offer Shares will be kept confidential but our Company and the H Share Registrar may, to the extent necessary for achieving any of the above purposes, disclose, obtain or transfer (whether within or outside Hong Kong) the personal data to, from or with any of the following:

- our Company's appointed agents such as financial advisers, receiving bank(s) and overseas principal share registrar;
- HKSCC or HKSCC Nominees, who will use the personal data and may transfer the personal data to the H Share Registrar, in each case for the purposes of providing its services or facilities or performing its functions in accordance with its rules or procedures and operating FINI and CCASS (including where applicants for the Hong Kong Offer Shares request a deposit into CCASS);
- any agents, contractors or third-party service providers who offer administrative, telecommunications, computer, payment or other services to our Company or the H Share Registrar in connection with their respective business operation;
- the Hong Kong Stock Exchange, the SFC and any other statutory regulatory or governmental bodies or otherwise as required by laws, rules or regulations, including for the purpose of the Hong Kong Stock Exchange's administration of the Listing Rules and the SFC's performance of its statutory functions; and
- any persons or institutions with which the holders of Hong Kong Offer Shares have or propose to have dealings, such as their bankers, solicitors, accountants or brokers etc.

5. Retention of personal data

Our Company and the H Share Registrar will keep the personal data of the applicants and holders of Hong Kong Offer Shares for as long as necessary to fulfil the purposes for which the personal data were collected. Personal data which is no longer required will be destroyed or dealt with in accordance with the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong).

6. Access to and correction of personal data

Applicants for and holders of Hong Kong Offer Shares have the right to ascertain whether our Company or the H Share Registrar hold their personal data, to obtain a copy of that data, and to correct any data that is inaccurate. Our Company and the H Share Registrar have the right to charge a reasonable fee for the processing of such requests. All requests for access to data or correction of data should be addressed to our Company and the H Share Registrar, at their registered address disclosed in the section headed "Corporate Information" in this prospectus or as notified from time to time, for the attention of the company secretary of our Company, or the H Share Registrar for the attention of the privacy compliance officer.

The following is the text of a report set out on pages I-1 to I-79, received from the Company's reporting accountants, KPMG, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.

KPMG

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF ANHUI CONCH MATERIAL TECHNOLOGY CO., LTD. AND CHINA SECURITIES (INTERNATIONAL) CORPORATE FINANCE COMPANY LIMITED

INTRODUCTION

We report on the historical financial information of Anhui Conch Material Technology Co., Ltd. (the "**Company**") and its subsidiaries (together, the "**Group**") set out on pages I-4 to I-79, which comprises the consolidated statements of financial position of the Group and the statements of financial position of the Company as at 31 December 2021, 2022 and 2023 and 30 June 2024, the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated cash flow statements, for each of the years ended 31 December 2021, 2022 and 2023 and the six months ended 30 June 2024 (the "**Relevant Periods**"), and a summary of material accounting policies and other explanatory information (together, the "**Historical Financial Information**"). The Historical Financial Information set out on pages I-4 to I-79 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 31 December 2024 (the "**Prospectus**") in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

DIRECTORS' RESPONSIBILITY FOR HISTORICAL FINANCIAL INFORMATION

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANTS' RESPONSIBILITY

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that give a true and fair view in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

OPINION

In our opinion, the Historical Financial Information gives, for the purpose of the accountants' report, a true and fair view of the Company's and the Group's financial position as at 31 December 2021, 2022 and 2023 and 30 June 2024 and the Group's financial performance and cash flows for the Relevant Periods in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information.

REVIEW OF STUB PERIOD CORRESPONDING FINANCIAL INFORMATION

We have reviewed the stub period corresponding financial information of the Company and the Group which comprises the statements of profit or loss and other comprehensive income, the statements of changes in equity and the statements of cash flows for the six months ended 30 June 2023 and other explanatory information (the "**Stub Period Corresponding Financial Information**"). The directors of the Company are responsible for the preparation and presentation of the Stub Period Corresponding Financial Information in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information.

Our responsibility is to express a conclusion on the Stub Period Corresponding Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Corresponding Financial Information, for the purpose of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information.

REPORT ON MATTERS UNDER THE RULES GOVERNING THE LISTING OF SECURITIES ON THE STOCK EXCHANGE OF HONG KONG LIMITED AND THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to Note 25(b) to the Historical Financial Information which contains information about the dividend paid by the Company in respect of the Relevant Periods.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

31 December 2024

HISTORICAL FINANCIAL INFORMATION

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The consolidated financial statements of the Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by KPMG Huazhen LLP Shanghai Branch in accordance with Hong Kong Standards on Auditing issued by the HKICPA ("**Underlying Financial Statements**").

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(Expressed in Renminbi)

		Year ended 31 December			Six months ended 30 June	
		2021	2022	2023	2023	2024
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Revenue	4	1,537,525	1,839,589	2,395,471	1,035,535	1,103,390
Cost of sales		(1,199,279)	(1,475,945)	(1,936,349)	(844,384)	(894,278)
Gross profit		338,246	363,644	459,122	191,151	209,112
Other net income	5	10,921	6,323	13,639	5,040	11,108
Distribution costs		(33,191)	(45,097)	(54,908)	(25,409)	(27,322)
Administrative expenses		(119,077)	(141,479)	(157,106)	(75,109)	(77,033)
Research and development costs		(39,084)	(39,943)	(45,843)	(21,230)	(29,371)
Reversal/(provision) of impairment losses on trade receivables	6	2,556	(10,058)	(14,590)	20	(2,029)
Profit from operations		160,371	133,390	200,314	74,463	84,465
Finance costs	6(a)	(10,073)	(23,746)	(30,285)	(15,843)	(13,654)
Profit before taxation	6	150,298	109,644	170,029	58,620	70,811
Income tax	7(a)	(23,408)	(17,261)	(26,095)	(10,879)	(10,627)
Profit for the year/period		126,890	92,383	143,934	47,741	60,184

		Year ended 31 December			Six months ended 30 June	
		2021	2022	2023	2023	2024
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Attributable to:						
Equity shareholders of the Company.		129,651	75,881	116,953	38,343	52,652
Non-controlling interests		(2,761)	16,502	26,981	9,398	7,532
Profit for the year/period		126,890	92,383	143,934	47,741	60,184
Other comprehensive income for the year (after tax and reclassification adjustments)		—	—	—	—	—
Total comprehensive income for the year/period		126,890	92,383	143,934	47,741	60,184
Attributable to:						
Equity shareholders of the Company.		129,651	75,881	116,953	38,343	52,652
Non-controlling interests		(2,761)	16,502	26,981	9,398	7,532
Total comprehensive income for the year/period		126,890	92,383	143,934	47,741	60,184
Earnings per share						
Basic and diluted (RMB)		0.36	0.21	0.27	0.09	0.12

The accompanying notes form part of the Historical Financial Information.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Expressed in Renminbi)

		As at 31 December			As at 30 June
		2021	2022	2023	2024
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets					
Property, plant and equipment	*11*	767,618	1,003,521	1,012,990	998,833
Right-of-use assets	*12*	170,558	165,268	181,279	184,064
Intangible assets	*13*	13,487	11,437	13,850	12,586
Goodwill	*14*	28,691	28,691	28,691	28,691
Deferred tax assets	*22(b)*	15,186	22,925	24,100	29,577
Non-current portion of trade and other receivables	*17*	37,851	24,053	2,503	3,710
		1,033,391	1,255,895	1,263,413	1,257,461
Current assets					
Inventories	*16*	52,943	118,597	102,897	135,939
Trade and other receivables	*17*	359,700	632,813	813,057	878,645
Restricted bank deposits	*18*	129	—	—	—
Cash and cash equivalents	*18*	214,305	131,757	166,103	143,515
		627,077	883,167	1,082,057	1,158,099
Current liabilities					
Loans and borrowings	*19*	312,000	712,079	701,636	736,464
Trade and other payables	*20*	313,165	343,234	369,422	349,778
Contract liabilities	*21*	2,455	11,386	13,452	18,625
Lease liabilities	*23*	1,672	1,743	1,775	1,704
Income tax payables	*22(a)*	5,461	6,864	12,311	14,960
		634,753	1,075,306	1,098,596	1,121,531
Net current liabilities		(7,676)	(192,139)	(16,539)	36,568
Total assets less current liabilities		1,025,715	1,063,756	1,246,874	1,294,029

The accompanying notes form part of the Historical Financial Information.

		As at 31 December			As at 30 June
		2021	2022	2023	2024
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Non-current liabilities					
Loans and borrowings	*19*	441,085	391,701	245,644	222,067
Lease liabilities	*23*	3,797	2,054	4,018	8,733
Deferred income	*24*	5,155	9,617	36,410	42,515
Deferred tax liabilities	*22(b)*	15,270	13,903	12,334	12,062
		465,307	417,275	298,406	285,377
Net assets		560,408	646,481	948,468	1,008,652
Capital and reserves	*25*				
Paid-in capital		138,000	—	—	—
Share capital		—	361,560	434,920	434,920
Reserves		393,322	229,383	430,037	482,689
Equity attributable to equity shareholders of the Company		531,322	590,943	864,957	917,609
Non-controlling interests		29,086	55,538	83,511	91,043
Total equity		560,408	646,481	948,468	1,008,652

The accompanying notes form part of the Historical Financial Information.

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

(Expressed in Renminbi)

		As at 31 December			As at 30 June
		2021	2022	2023	2024
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets					
Property, plant and equipment		2,757	2,282	2,175	2,055
Right-of-use assets		1,607	964	321	—
Intangible assets		—	—	4,464	4,225
Investments in subsidiaries	*15*	414,473	445,979	479,320	479,320
Deferred tax assets		3,116	455	54	—
		421,953	449,680	486,334	485,600
Current assets					
Trade and other receivables	*17*	184,474	289,976	370,704	498,766
Cash and cash equivalents	*18*	171,340	83,442	93,983	108,367
		355,814	373,418	464,687	607,133
Current liabilities					
Loans and borrowings	*19*	290,000	330,000	140,000	153,000
Trade and other payables	*20*	182,431	70,147	143,630	203,771
Lease liabilities		680	711	216	—
Income tax payables		—	—	1,046	6,852
		473,111	400,858	284,892	363,623
Net current (liabilities)/assets		(117,297)	(27,440)	179,795	243,510
Total assets less current liabilities		304,656	422,240	666,129	729,110

		As at 31 December			As at 30 June
		2021	2022	2023	2024
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Non-current liabilities					
Lease liabilities		927	216	—	—
Deferred tax liabilities		402	241	80	—
		1,329	457	80	—
Net assets		303,327	421,783	666,049	729,110
Capital and reserves	*25*				
Paid-in capital		138,000	—	—	—
Share capital		—	361,560	434,920	434,920
Reserves		165,327	60,223	231,129	294,190
Total equity		303,327	421,783	666,049	729,110

The accompanying notes form part of the Historical Financial Information.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Expressed in Renminbi)

		Attributable to equity shareholders of the Company							
		Paid-in capital	Capital reserve	PRC statutory reserves	Other reserve	Retained earnings	Sub-total	Non-controlling interests	Total equity
	Note	*RMB'000 (Note 25(c))*	*RMB'000 (Note 25(e)(i))*	*RMB'000 (Note 25(e)(ii))*	*RMB'000 (Note 25(e)(iii))*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at 1 January 2021		138,000	3,160	13,103	15,422	276,034	445,719	23,938	469,657
Profit/(loss) for the year		—	—	—	—	129,651	129,651	(2,761)	126,890
Other comprehensive income		—	—	—	—	—	—	—	—
Total comprehensive income		—	—	—	—	129,651	129,651	(2,761)	126,890
Capital contribution from non-controlling interests		—	—	—	—	—	—	14,400	14,400
Capital contribution from the parent company		—	2,800	—	—	—	2,800	—	2,800
Acquisition of non-controlling interests		—	2,546	—	—	—	2,546	(6,491)	(3,945)
Appropriation to statutory reserves	*25(e)(ii)*	—	—	11,624	—	(11,624)	—	—	—
Profit distribution	*25(b)*	—	—	—	—	(49,394)	(49,394)	—	(49,394)
Safety production fund	*25(e)(iii)*	—	—	—	2,141	(2,141)	—	—	—
Balance at 31 December 2021		138,000	8,506	24,727	17,563	342,526	531,322	29,086	560,408

The accompanying notes form part of the Historical Financial Information.

		Attributable to equity shareholders of the Company									
		Paid-in capital	Capital reserve	Share capital	Share premium	PRC statutory reserves	Other reserve	Retained earnings	Sub-total	Non-controlling interests	Total equity
	Note	*RMB'000* *(Note 25(c))*	*RMB'000* *(Note 25(e)(i))*	*RMB'000* *(Note 25(d))*	*RMB'000* *(Note 25(d))*	*RMB'000* *(Note 25(e)(ii))*	*RMB'000* *(Note 25(e)(iii))*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at 1 January 2022		138,000	8,506	—	—	24,727	17,563	342,526	531,322	29,086	560,408
Profit for the year		—	—	—	—	—	—	75,881	75,881	16,502	92,383
Other comprehensive income		—	—	—	—	—	—	—	—	—	—
Total comprehensive income		—	—	—	—	—	—	75,881	75,881	16,502	92,383
Issue of ordinary shares upon conversion into a joint stock limited liability company	*25(d)*	(138,000)	(1,686)	361,560	57,777	(24,727)	—	(254,924)	—	—	—
Capital contribution from non-controlling interests		—	—	—	—	—	—	—	—	9,950	9,950
Capital contribution from the parent company		—	7,200	—	—	—	—	—	7,200	—	7,200
Appropriation to statutory reserves	*25(e)(ii)*	—	—	—	—	—	—	—	—	—	—
Profit distribution	*25(b)*	—	—	—	—	—	—	(23,460)	(23,460)	—	(23,460)
Safety production fund	*25(d)(iii)*	—	—	—	—	—	6,218	(6,218)	—	—	—
Balance at 31 December 2022		—	14,020	361,560	57,777	—	23,781	133,805	590,943	55,538	646,481

The accompanying notes form part of the Historical Financial Information.

		Attributable to equity shareholders of the Company									
	Note	Paid-in capital	Capital reserve	Share capital	Share premium	PRC statutory reserves	Other reserve	Retained earnings	Sub-total	Non-controlling interests	Total equity
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
		(Note 25(c))	*(Note 25(e)(i))*	*(Note 25(d))*	*(Note 25(d))*	*(Note 25(e)(ii))*	*(Note 25(e)(iii))*				
Balance at 1 January 2023		–	14,020	361,560	57,777	–	23,781	133,805	590,943	55,538	646,481
Profit for the year		–	–	–	–	–	–	116,953	116,953	26,981	143,934
Other comprehensive income		–	–	–	–	–	–	–	–	–	–
Total comprehensive income		–	–	–	–	–	–	116,953	116,953	26,981	143,934
Issue of ordinary shares to the new shareholders of the Company	*25(d)*	–	–	73,360	129,532	–	–	–	202,892	–	202,892
Acquisition of non-controlling interests		–	–	–	–	–	–	(492)	(492)	(3,758)	(4,250)
Non-controlling interests arising from establishment of subsidiaries		–	–	–	–	–	–	–	–	4,750	4,750
Deemed distribution		–	(14,020)	–	–	–	–	(1,489)	(15,509)	–	(15,509)
Appropriation to statutory reserves	*25(e)(ii)*	–	–	–	–	7,120	–	(7,120)	–	–	–
Profit distribution	*25(b)*	–	–	–	–	–	–	(29,830)	(29,830)	–	(29,830)
Safety production fund	*25(e)(iii)*	–	–	–	–	–	9,256	(9,256)	–	–	–
Balance at 31 December 2023		–	–	434,920	187,309	7,120	33,037	202,571	864,957	83,511	948,468

The accompanying notes form part of the Historical Financial Information.

		Attributable to equity shareholders of the Company							
		Share capital	Share premium	PRC statutory reserves	Other reserve	Retained earnings	Sub-total	Non-controlling interests	Total equity
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
		(Note 25(c))	*(Note 25(d))*	*(Note 25(e)(ii))*	*(Note 25(e)(iii))*				
Balance at 1 January 2024		434,920	187,309	7,120	33,037	202,571	864,957	83,511	948,468
Changes in equity for the six months ended 30 June 2024:									
Profit for the period		–	–	–	–	52,652	52,652	7,532	60,184
Other comprehensive income		–	–	–	–	–	–	–	–
Total comprehensive income		–	–	–	–	52,652	52,652	7,532	60,184
Safety production fund	*25(e)(iii)*	–	–	–	6,754	(6,754)	–	–	–
Balance at 30 June 2024		434,920	187,309	7,120	39,791	248,469	917,609	91,043	1,008,652

The accompanying notes form part of the Historical Financial Information.

		Attributable to equity shareholders of the Company									
		Paid-in capital	Capital reserve	Share capital	Share premium	PRC statutory reserves	Other reserve	Retained earnings	Sub-total	Non-controlling interests	Total equity
	Note	*RMB'000* *(Note 25(c))*	*RMB'000* *(Note 25(e)(i))*	*RMB'000* *(Note 25(d))*	*RMB'000* *(Note 25(d))*	*RMB'000* *(Note 25(e)(ii))*	*RMB'000* *(Note 25(e)(iii))*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
(Unaudited)											
Balance at 1 January 2023		—	14,020	361,560	57,777	—	23,781	133,805	590,943	55,538	646,481
Changes in equity for the six months ended 30 June 2023:											
Profit for the period		—	—	—	—	—	—	38,343	38,343	9,398	47,741
Other comprehensive income		—	—	—	—	—	—	—	—	—	—
Total comprehensive income		—	—	—	—	—	—	38,343	38,343	9,398	47,741
Issue of ordinary shares to the new shareholders of the Company	*25(d)*	—	—	73,360	129,532	—	—	—	202,892	—	202,892
Non-controlling interests arising from establishment of subsidiaries		—	—	—	—	—	—	—	—	4,750	4,750
Deemed distribution		—	(14,020)	—	—	—	—	(1,489)	(15,509)	—	(15,509)
Profit distribution	*25(b)*	—	—	—	—	—	—	(29,830)	(29,830)	—	(29,830)
Safety production fund	*25(e)(iii)*	—	—	—	—	—	4,743	(4,743)	—	—	—
Balance at 30 June 2023		—	—	434,920	187,309	—	28,524	136,086	786,839	69,686	856,525

The accompanying notes form part of the Historical Financial Information.

CONSOLIDATED CASH FLOW STATEMENTS

(Expressed in Renminbi)

		Year ended 31 December			Six months ended 30 June	
		2021	2022	2023	2023	2024
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Operating activities:						
Cash generated from/(used in) operations	*18(b)*	290,015	(97,270)	187,084	73,069	44,341
Income tax paid	*22(a)*	(27,522)	(24,964)	(23,392)	(10,286)	(13,727)
Net cash generated from/(used in) operating activities		262,493	(122,234)	163,692	62,783	30,614
Investing activities:						
Payment for purchase of property, plant and equipment, construction in progress		(584,882)	(277,826)	(69,979)	(48,872)	(43,187)
Payment for purchase of intangible assets		—	—	(4,783)	(4,783)	—
Payment for purchase of right-of-use assets		(32,098)	—	(16,997)	(7,291)	—
Payment for purchase of financial assets measured at FVPL		—	—	(60,000)	(60,000)	(20,000)
Proceeds from disposal of financial assets measured at FVPL		—	—	60,153	50,131	20,041
Repayment of amount due from the then investor of a subsidiary		39,509	—	—	—	—
Proceeds from disposal of property, plant and equipment		270	5,104	63	49	286
Net cash used in investing activities		(577,201)	(272,722)	(91,543)	(70,766)	(42,860)

The accompanying notes form part of the Historical Financial Information.

		Year ended 31 December			Six months ended 30 June	
		2021	2022	2023	2023	2024
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Financing activities:						
Proceeds from loans and borrowings	*18(c)*	760,067	845,012	681,055	234,073	283,000
Repayments of loans and borrowings	*18(c)*	(276,982)	(494,317)	(837,555)	(361,899)	(271,749)
Payment for purchase non-controlling interests of subsidiaries		(3,945)	—	(4,250)	—	—
Payment of listing expense		—	—	(4,425)	—	(6,126)
Dividends paid		(49,394)	(23,460)	(29,830)	—	—
Interest paid	*18(c)*	(16,965)	(30,135)	(31,575)	(17,164)	(13,465)
Capital contribution from equity shareholders		—	—	202,892	202,892	—
Capital contribution from non-controlling interests		14,400	9,950	4,750	4,750	—
Capital contribution from the parent company		2,800	7,200	—	—	—
Deemed distribution	*15*	—	—	(15,509)	(15,509)	—
Capital element of lease rentals paid	*18(c)*	(1,569)	(1,672)	(3,072)	(2,142)	(1,734)
Interest element of lease rentals paid	*18(c)*	(174)	(170)	(284)	(148)	(268)
Net cash generated from/(used in) financing activities		428,238	312,408	(37,803)	44,853	(10,342)
Net increase/(decrease) in cash and cash equivalents		113,530	(82,548)	34,346	36,870	(22,588)
Cash and cash equivalents at the beginning of the year/period		100,775	214,305	131,757	131,757	166,103
Cash and cash equivalents at the end of the year/period	*18(a)*	214,305	131,757	166,103	168,627	143,515

The accompanying notes form part of the Historical Financial Information.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1 Basis of preparation and presentation of historical financial information

Anhui Conch Material Technology Co., Ltd. (安徽海螺材料科技股份有限公司) (the "**Company**"), formerly known as Anhui Conch New Material Technology Company Ltd. (安徽海螺新材料科技有限公司), was incorporated in the People's Republic of China (the "**PRC**") as a limited liability company on 28 May 2018, pursuant to a cooperation agreement signed between Anhui Conch Technology Innovation Material Co., Ltd. ("**Conch Tech Innovation**") and Linyi Haihong New Material Technology Co., Ltd. ("**Linyi Haihong**").

The Company subsequently acquired Linyi Conch New Material Technology Co., Ltd. (formerly known as Shandong Hongyi Technology Co., Ltd.) and Guizhou Conch New Material Technology Co., Ltd. (formerly known as Guizhou Hongyi Technology Co., Ltd.) in June 2018 as the first step to enter into the cement and concrete admixtures market. The Company further acquired Meishan Conch New Material Technology Co., Ltd. (formerly known as Sichuan Xintongling New Material Co., Ltd.) and Xiangyang Conch New Material Technology Co., Ltd. (formerly known as Hubei Xintongling Wanxiang Technology Co., Ltd.) in October 2018 to build a solid foundation for the Group's future development. Then the Company established nine subsidiaries to further expand its business in different regions of the PRC and Uzbekistan ("**UZB**"). The Company was converted into a joint stock company with limited liability on 15 July 2022. The detailed information is set forth in the section headed "History and Corporate Development" in the Prospectus.

On 28 February 2023, the Company entered into a sale and purchase agreement with Anhui Conch Formulation Engineering Technology Co., Ltd. ("**Anhui Formulation Engineering**"), a wholly-owned subsidiary of Conch Tech Innovation, and completed the acquisition of 100% equity interests in Anhui Haicui Industrial Preparations Co., Ltd. ("**Anhui Haicui**"), at a total consideration of RMB15,509,000, which is accounted for as deemed distribution. Accordingly, Anhui Haicui has since became a subsidiary of the Company.

As both the Company and Anhui Haicui are controlled by Conch Tech Innovation before and after the acquisition and the control is not transitory, the acquisition has been regarded as business combination of entities under common control. The consolidated financial statements incorporate the financial statement items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling shareholders.

The assets and liabilities of the combining entities or businesses are combined at the carrying amounts previously recognised in the respectively controlling shareholder's financial statements. The consolidated statements of profit or loss and comprehensive income and cash flow include the results and cash flow of each of the combining entities or businesses from the earliest date presented or since the date when combining entities or businesses first came under common control, where this is a shorter period, regardless of the date of common control combination. The amounts in the consolidated statements of financial position are presented as if the entities or businesses had been combined at the earliest balance sheet date presented or when they first came under common control, whichever is later.

The Company and its subsidiaries (collectively, the "**Group**") are principally engaged in research and development, production and sales of cement admixture, concrete admixture together with their respective in-process intermediaries. The parent company of the Company is Conch Tech Innovation and the intermediate holding company of the Company is Anhui Conch Group Co., Ltd. ("**Anhui Conch Group**"), both of which are the limited liability companies incorporated in the PRC. The Group is ultimately controlled by the State-owned Assets Supervision and Administration Commission of Anhui Province. The address of the Company's registered office is No. 1-301, Zone G, Jiangbei New Area Construction Headquarters in Tongjiang Avenue, Wuhu, Anhui Province.

As at the date of this report, the Company has direct or indirect interests in the following subsidiaries, all of which are private companies:

Name of company	Place and date of incorporation/ establishment	Particulars of issued and paid-up capital	Proportion of ownership interest		Principal activities	Name of statutory auditor and periods covered		
			Held by the Company	Held by the subsidiary		31 December 2021	31 December 2022	31 December 2023
Anhui Conch New Material Technology Trading Co., Ltd. 安徽海螺新材料科技貿易有限公司	The PRC 14 April 2022	RMB100,000,000/ RMB10,000,000	100%	–	Trading of cement and concrete admixtures and their respective in-process intermediaries	*Note (a)*	*Note (a)*	Da Hua Certified Public Accountants LLP
Kunming Conch New Material Technology Co., Ltd. ("**Kunming Conch New Material**") 昆明海螺新材料科技有限公司	The PRC 15 September 2020	RMB30,000,000/ RMB30,000,000	100%	–	Research and development ("**R&D**"), production and sales of cement admixtures, concrete admixtures and polycarboxylic acid mother liquor	Zhonghua Certified Public Accountants LLP	RSM China Certified Public Accountants LLP	Da Hua Certified Public Accountants LLP
Xiangyang Conch New Material Technology Co., Ltd. ("**Xiangyang Conch New Material**") 襄陽海螺新材料科技有限公司	The PRC 13 October 2008	RMB50,000,000/ RMB50,000,000	100%	–	R&D, production and sales of cement admixtures and its in-process intermediaries, concrete admixtures and polycarboxylic acid mother liquor	Zhonghua Certified Public Accountants LLP	RSM China Certified Public Accountants LLP	Da Hua Certified Public Accountants LLP
Meishan Conch New Material Technology Co., Ltd. ("**Meishan Conch New Material**") 眉山海螺新材料科技有限公司	The PRC 30 July 2018	RMB29,000,000/ RMB29,000,000	100%	–	R&D, production and sales of cement admixtures, concrete admixtures and polycarboxylic acid mother liquor	Zhonghua Certified Public Accountants LLP	RSM China Certified Public Accountants LLP	Da Hua Certified Public Accountants LLP
Xianyang Conch New Material Technology Co., Ltd. ("**Xianyang Conch New Material**") 咸陽海螺新材料科技有限公司	The PRC 23 March 2020	RMB30,000,000/ RMB30,000,000	100%	–	R&D, production and sales of cement admixtures, concrete admixtures and polycarboxylic acid mother liquor	Zhonghua Certified Public Accountants LLP	RSM China Certified Public Accountants LLP	Da Hua Certified Public Accountants LLP
Guizhou Conch New Material Technology Co., Ltd. ("**Guizhou Conch New Material**") 貴州海螺新材料科技有限公司 *(note (c))*	The PRC 5 July 2013	RMB2,000,000/ RMB2,000,000	100%	–	R&D, production and sales of cement admixtures	Zhonghua Certified Public Accountants LLP	RSM China Certified Public Accountants LLP	Da Hua Certified Public Accountants LLP.
Linyi Conch New Material Technology Co., Ltd. ("**Linyi Conch New Material**") 臨沂海螺新材料科技有限公司	The PRC 27 May 1999	RMB67,000,000/ RMB67,000,000	100%	–	R&D, production and sales of cement admixtures and its in-process intermediaries	Zhonghua Certified Public Accountants LLP	RSM China Certified Public Accountants LLP	Da Hua Certified Public Accountants LLP

Name of company	Place and date of incorporation/ establishment	Particulars of issued and paid-up capital	Proportion of ownership interest		Principal activities	Name of statutory auditor and periods covered		
			Held by the Company	Held by the subsidiary		31 December 2021	31 December 2022	31 December 2023
Ningbo Conch New Material Technology Co., Ltd. 寧波海螺新材料科技有限公司 . . .	The PRC 15 July 2019	RMB180,000,000/ RMB180,000,000	90%	–	R&D, production and sales of cement admixture and concrete admixture and their respective in-process intermediaries	Zhonghua Certified Public Accountants LLP	RSM China Certified Public Accountants LLP	Da Hua Certified Public Accountants LLP
Tongling Conch New Material Technology Co., Ltd. 銅陵海螺新材料科技有限公司 . . .	The PRC 2 June 2020	RMB30,000,000/ RMB30,000,000	80%	–	R&D, production and sales of cement admixtures, concrete admixtures and polycarboxylic acid mother liquor	Zhonghua Certified Public Accountants LLP	RSM China Certified Public Accountants LLP	Da Hua Certified Public Accountants LLP
Qinghai Conch Jinyuan New Material Technology Co., Ltd. 青海海螺金圓新材料科技有限公司	The PRC 24 February 2022	RMB5,000,000/ RMB5,000,000	51%	–	R&D, production and sales of cement and concrete admixtures	*Note (a)*	RSM China Certified Public Accountants LLP	Da Hua Certified Public Accountants LLP
Guigang Conch TCC New Material Technology Co., Ltd. ("**Guigang Conch New Material**") 貴港海螺台泥新材料科技有限公司	The PRC 14 August 2020	RMB24,000,000/ RMB24,000,000	60%	–	R&D, production and sales of cement admixtures, concrete admixtures and polycarboxylic acid mother liquor	Zhonghua Certified Public Accountants LLP	RSM China Certified Public Accountants LLP	Da Hua Certified Public Accountants LLP
Huludao Haizhong New Material Technology Co., Ltd. ("**Huludao Haizhong**") 葫蘆島海中新材料科技有限公司 . .	The PRC 10 October 2022	RMB25,000,000/ RMB25,000,000	68%	–	Production and sales of cement and concrete admixtures	*Note (a)*	RSM China Certified Public Accountants LLP	Da Hua Certified Public Accountants LLP
Anhui Haicui Industrial Preparation Co., Ltd. 安徽海萃工業製劑有限公司	The PRC 13 August 2021	RMB10,000,000/ RMB10,000,000	100%	–	Production and sales of grinding aids for quality intelligent monitoring system	RSM China Certified Public Accountants LLP	RSM China Certified Public Accountants LLP	Da Hua Certified Public Accountants LLP
Toshkent Conch New Material Technology Co., Ltd.* 塔什幹海螺新材料科技外國企業有限責任公司	The UZB 1 May 2024	RMB16,000,082.85/ RMB 0	100%	–	Production and sales of grinding aids for quality intelligent monitoring system	*Note (a)*	*Note (a)*	*Note (a)*

Notes:

(a) No statutory financial statements have been prepared for the relevant entities as they have not yet been established in the relevant years.

(b) The official names of these entities are in Chinese and Uzbekistan. The English translations are for identification purpose only.

(c) Guizhou Conch New Material was deregistered on 23 November 2023.

All companies now comprising the Group have adopted 31 December as their financial year end date.

The Historical Financial Information has been prepared in accordance with all applicable IFRS Accounting Standards ("**IFRSs**") issued by the International Accounting Standards Board ("**IASB**"). Further details of the material accounting policies adopted are set out in Note 2.

The IASB has issued a number of new and revised IFRSs. For the purpose of preparing this Historical Financial Information, the Group has adopted all applicable new and revised IFRSs to the Relevant Periods. The revised and new accounting standards and interpretations issued but not yet effective and have not been adopted for the Relevant Periods are set out in Note 29.

The Historical Financial Information also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

The accounting policies set out below have been applied consistently to all periods presented in the Historical Financial Information.

The Stub Period Corresponding Financial Information has been prepared in accordance with the same basis of preparation and presentation adopted in respect of the Historical Financial Information.

2 MATERIAL ACCOUNTING POLICIES

(a) Basis of measurement

The measurement basis used in the preparation of the financial statements is the historical cost basis except that certain financial instruments and bills receivable are stated at their fair value as explained in Note 2(e) and 2(l).

Items included in the financial statements of each entity in the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to the entity (the "**Functional Currency**"). The Historical Financial Information is presented in Renminbi ("**RMB**"), rounded to the nearest thousand except for earnings per share information.

(b) Use of estimates and judgements

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in Note 3.

(c) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the Historical Financial Information from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the Historical Financial Information. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position in accordance with Notes 2(n) or 2(o) depending on the nature of the liability.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see Note 2(i)(ii)).

(d) Goodwill

Goodwill represents the excess of

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over

(ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see Note 2(i)(ii)).

On disposal of a cash generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(e) Other investments in securities

The Group's policies for investments in securities, other than investments in subsidiaries, are set out below:

(i) Non-equity investments

Non-equity investments are classified into one of the following measurement categories:

— Amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method (see Note 2(s)(ii)).

— Fair value through other comprehensive income ("**FVOCI**") — recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognized in other comprehensive income, except for the recognition in profit or loss of expected credit losses and interest income (calculated using the effective interest method). When the investment is derecognised, the amount accumulated in OCI is recycled from equity to profit or loss.

— Fair value through profit or loss ("**FVPL**") if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognized in profit or loss.

(f) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see Note 2(i)(ii)).

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see Note 2(t)).

Items may be produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management. The proceeds from selling any such items and the related costs are recognised in profit or loss.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

	Useful life
Plant and buildings	30 years
Machinery and equipment	5–15 years
Motor vehicles	5–15 years
Office and other equipment	5 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

Construction in progress represents property, plant and equipment under construction, which is stated at cost less accumulated impairment losses (see Note 2(i)(ii)). Capitalisation of construction in progress costs ceases and the construction in progress is transferred to property, plant and equipment when substantially all of the activities necessary to prepare the assets for their intended use are completed. No depreciation is provided in respect of construction in progress until it is substantially completed and ready for its intended use.

(g) Intangible assets (other than goodwill)

Intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see Note 2(i)(ii)).

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

	Useful life
Pollutant discharge licences	5 years
Patent	10 years

Patents are capitalised on the basis of the cost incurred to acquire and bring to use the specific patent. The patents relate to admixture production technologies developed by the Group. The useful lives of the patents were estimated by the Group based on the respective periods over which economic benefits are expected to be derived from the underlying technologies. The estimation of the useful lives has taken into account the patent protection period, the historical life of similar products, the characteristics of such technologies, their update frequency and market requirement and competition. Based on the different production commencement dates and the expected lifespan of economic benefits of individual technologies, the useful lives of the Group's patents have been assessed to 10 years.

Both the period and method of amortisation are reviewed annually.

Expenditure on research and development activities is recognised as an expense in the period in which it is incurred.

(h) Leased assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

(i) As a lessee

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets which, for the Group are primarily leased apartment for employees. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset are subsequently stated at cost less accumulated depreciation and impairment losses (see Note 2(i)(ii)).

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("**lease modification**") that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification. The only exceptions are rent concessions that occurred as a direct consequence of the COVID-19 pandemic and met the conditions set out in paragraph 46B of IFRS 16, *Leases*. In such cases, the Group has taken advantage of the practical expedient not to assess whether the rent concessions are lease modifications, and recognised the change in consideration as negative variable lease payments in profit or loss in the period in which the event or condition that triggers the rent concessions occurred.

In the consolidated statement of financial position, the current portion of long-term lease liabilities is determined as the present value of contractual payments that are due to be settled within twelve months after the reporting period.

(i) Credit losses and impairment of assets

(i) Credit losses from financial instruments

The Group recognises a loss allowance for expected credit losses ("**ECLs**") on financial assets measured at amortised cost (including cash and cash equivalents and trade and other receivables).

Other financial assets measured at fair value are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

— fixed-rate financial assets, trade and other receivables and contract assets: effective interest rate determined at initial recognition or an approximation thereof;

— variable-rate financial assets: current effective interest rate;

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

— 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

— lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held). The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

— failure to make payments of principal or interest on their contractually due dates;

— an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

— an actual or expected significant deterioration in the operating results of the debtor; and

— existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Basis of calculation of interest income

Interest income recognised in accordance with Note 2(s)(ii) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

— Significant financial difficulties of the debtor;

— A breach of contract, such as a default or past due event;

— It becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;

— Significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or

— The disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(ii) Impairment of other non-current assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

— property, plant and equipment;

— right-of-use assets;

— intangible assets;

— goodwill; and

— investments in subsidiaries in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, the recoverable amount is estimated annually whether or not there is any indication of impairment.

— *Calculation of recoverable amount*

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit). A portion of the carrying amount of a corporate asset is allocated to an individual cash-generating unit if the allocation can be done on a reasonable and consistent basis, or to the smallest group of cash-generating units if otherwise.

— *Recognition of impairment losses*

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

— *Reversals of impairment losses*

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(j) Inventories

Inventories are assets which are held for sale in the ordinary course of business, in the process of production for such sale or in the form of materials or supplies to be consumed in the production process or in the rendering of services.

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised.

The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(k) Contract liabilities

A contract liability is recognised when the customer pays non-refundable consideration before the Group recognises the related revenue (see Note 2(s)). A contract liability would also be recognised if the Group has an unconditional right to receive non-refundable consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see Note 2(l)).

For a single contract with the customer, either a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method (see Note 2(s)(ii)).

(l) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset.

Except for certain bills receivable measured at FVOCI, receivables are subsequently stated at amortised cost, using the effective interest method and including an allowance for credit losses (see Note 2(i)(i)).

(m) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Cash and cash equivalents are assessed for ECLs in accordance with the policy set out in Note 2(i)(i).

(n) Trade and other payables

Trade and other payables are initially recognised at fair value. Subsequent to initial recognition, trade and other payables are stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at invoice amounts.

(o) Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with the Group's accounting policy for borrowing costs (see Note 2(t)).

(p) Employee benefits

(i) Short-term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognises restructuring costs involving the payment of termination benefits.

(q) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of each reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purpose, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

— in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

— in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

    — the same taxable entity; or

    — different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(r) Provisions and contingent liabilities

Provisions are recognised when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, a separate asset is recognised for any expected reimbursement that would be virtually certain. The amount recognised for the reimbursement is limited to the carrying amount of the provision.

(s) Revenue and other income

Income is classified by the Group as revenue when it arises from the sale of goods and the provision of services in the ordinary course of the Group's business.

Revenue is recognised when control over a product or service is transferred to the customer at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Where the contract contains a financing component which provides a significant financing benefit to the customer for more than 12 months, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction with the customer, and interest income is accrued separately under the effective interest method. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method.

Further details of the Group's revenue and other income recognition policies are as follows:

(i) Sales of goods

Revenue is recognised when the customer takes possession of and accepts the products. Payment terms and conditions vary by customers and are based on the billing schedule established in the contracts or purchase orders with customers, but the Group generally provides credit terms to customers within 30 days to 120 days upon customer acceptance. The Group take advantage of the practical expedient in paragraph 63 of IFRS 15 and does not adjust the consideration for any effects of a significant financing component as the period of financing is 12 months or less.

(ii) Interest income

Interest income is recognised as it accrues under the effective interest method using the rate that exactly discounts estimated future cash receipt through the expected life of the financial asset to the gross carrying amount of the financial asset. For financial assets measured at amortised cost or FVOCI (recycling) that are not credit-impaired financial assets, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to amortised cost (i.e. gross carrying amount net of loss allowance) of the asset (see Note 2(i)(i)).

(iii) Government grants

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Where the grant relates to an asset, the grant received is credited to a deferred income account and is released to the profit and loss over the expected useful life of the relevant asset by equal annual instalments.

(t) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditures for the asset are being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(u) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same Group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a Group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third party.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a Group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(v) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3 ACCOUNTING JUDGEMENT AND ESTIMATES

(a) Sources of estimation uncertainty

(i) Expected credit losses for receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e. consumer price index) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At the end of each reporting period, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

(ii) Depreciation and amortisation

As described in Note 2(f), property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets, after taking into account the estimated residual value. As described in Note 2(g), intangible assets are amortised on a straight-line basis over the estimated useful lives. Management reviews annually the useful lives of the assets and residual values, if any, in order to determine the amount of depreciation and amortisation expenses to be recorded during any reporting period. The useful lives and residual values are based on the Group's historical experience with similar assets and taking into account anticipated technological and other changes, as well as the environmental goals. The depreciation and amortisation expenses for future periods are adjusted if there are significant changes from previous estimates.

(iii) Inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market condition and the historical experience of manufacturing and selling products of similar nature. In addition, these estimates could change significantly as a result of change in customer preference, environmental goals and competitor actions in response to industry cycles. Management measures these estimates at the end of each reporting period.

4 REVENUE AND SEGMENT REPORTING

(a) Revenue

The principal activities of the Group are the research and development, production and sales of cement admixture, concrete admixture together with their respective in-process intermediaries.

(i) Disaggregation of revenue

Disaggregation of revenue from contracts with customers by major products is as follows:

	Year ended 31 December			Six months ended 30 June	
	2021	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Revenue from contracts with customers within the scope of IFRS 15 and recognised at a point in time					
— Cement admixture and in-process intermediaries	1,449,680	1,357,840	1,427,725	630,872	618,373
— Concrete admixture and in-process intermediaries	84,753	460,424	962,520	399,973	482,760
— Others	3,092	21,325	5,226	4,690	2,257
	1,537,525	1,839,589	2,395,471	1,035,535	1,103,390

The Group customers base is diversified. There was only one customer of which the revenue from it accounted for 10% or more of the Group's revenue for the years ended 31 December 2021, 2022 and 2023 and the six months ended 30 June 2023 and 2024 respectively, and the revenue from this customer amounted to approximately RMB807,858,000, RMB765,107,000, RMB762,420,000, RMB338,240,000 (unaudited), RMB338,584,000 respectively.

The Group applies the practical expedient in paragraph 121(a) of IFRS 15 of not disclosing the transaction price allocated to the remaining performance obligation as the original expected duration of substantially all the contracts of the Group are within one year or less.

(b) Segment reporting

(i) Disaggregation of revenue

Information reported to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance is more focused on the Group as a whole, as all of the Group's activities are considered to be primarily dependent on the performance on admixture product. Resources are allocated based on what is beneficial for the Group in enhancing its admixture product activities as a whole rather than any specific products. Performance assessment is based on the results of the Group as a whole. Therefore, management considers there is only one operating segment under the requirements of IFRS 8, *Operating segments*.

(ii) Geographic information

The following table sets out information about the geographical location of the Group's revenue from external customers at which the services were provided or the goods were delivered. All of the Group's revenue from external customers is from the PRC. The geographical location of the specified non-current assets (primarily property, plant and equipment, right-of-use assets and intangible assets) is based on the physical location of the assets, in the case of property, plant and equipment and right-of-use assets, and the location of the operation to which they are allocated, in the case of intangible assets and goodwill. During the Relevant Periods, all of the Group's specified non-current assets are physically located in the PRC.

	Year ended 31 December			Six months ended 30 June	
	2021	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Mainland China	1,537,525	1,839,589	2,395,471	1,035,535	1,103,075
Asia (except Mainland China)	—	—	—	—	315
	1,537,525	1,839,589	2,395,471	1,035,535	1,103,390

5 OTHER NET INCOME

	Year ended 31 December			Six months ended 30 June	
	2021	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Interest income on bank deposits and cash at bank	2,971	1,941	1,795	833	780
Government grants (i)	7,164	3,835	11,838	3,702	9,586
Net loss on disposal of property, plant and equipment	(21)	(46)	(65)	(13)	(28)
Net gain arising from financial assets measured at FVPL	—	—	153	134	41
Others	807	593	(82)	384	729
	10,921	6,323	13,639	5,040	11,108

(i) Government grants mainly represented subsidies received from the local government authorities for encouraging the Group's development in the admixture products in the respective PRC cities.

6 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

(a) Finance costs:

	Year ended 31 December			Six months ended 30 June	
	2021	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Interest on loans and borrowings *(Note 18(c))*	17,255	31,458	30,602	16,296	13,386
Interest on lease liabilities *(Note 18(c))*	174	170	284	148	268
Less: interest expense capitalised into construction in progress*	(7,356)	(7,882)	(601)	(601)	—
	10,073	23,746	30,285	15,843	13,654

* *For the years ended 31 December 2021, 2022 and 2023, the borrowing costs were capitalised at the rate range from 3.52% to 3.75%, 3.32% to 3.75% and a rate of 3.32% per annum respectively.*

(b) Staff costs:

	Year ended 31 December			Six months ended 30 June	
	2021	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Salaries, wages and other benefits	135,897	173,498	186,853	92,503	97,307
Contributions to defined contribution plans (i)	11,928	14,676	17,325	8,287	9,730
	147,825	188,174	204,178	100,790	107,037

(i) Employees of the Group's PRC subsidiaries are required to participate in a defined contribution retirement scheme administered and operated by the local municipal government. The Group's PRC subsidiaries contribute funds which are calculated on certain percentages of the average employee salary as agreed by the local municipal government to the scheme to fund the retirement benefits of the employees.

The Group has no other material obligation for the payment of retirement benefits associated with the scheme beyond the annual contributions described above.

(c) Other items:

	Year ended 31 December			Six months ended 30 June	
	2021	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Cost of inventories#	1,115,690	1,413,945	1,743,844	802,645	807,867
Depreciation of owned property, plant and equipment	13,439	39,426	60,990	29,245	31,659
Depreciation of right-of-use assets	4,496	5,290	6,054	2,918	3,593
Amortisation of intangible assets	2,050	2,050	2,370	1,105	1,264
Loss allowance (reversal)/recognised for trade receivables	(2,556)	10,058	14,590	(20)	2,029
Short-term lease payments not included in the measurement of lease liabilities	588	867	1,338	716	511
Listing expenses	—	—	3,375	—	1,240
Auditors' remuneration	201	354	179	90	92

For the years ended 31 December 2021, 2022 and 2023 and the six months ended 30 June 2023 and 2024, cost of inventories includes RMB25,280,000, RMB61,240,000, RMB83,315,000, RMB40,667,000 (unaudited) and RMB39,882,000, respectively relating to staff costs and depreciation and amortisation expenses, which amount is also included in the respective total amounts disclosed separately above or in Note 6(b) for each of these types of expenses.

7 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF PROFIT AND LOSS

(a) Current taxation in the consolidated statements of profit and loss represents:

	Year ended 31 December			Six months ended 30 June	
	2021	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Current tax:					
Provision for the year	28,906	23,677	27,804	9,030	18,138
(Over)/under provision in respect of prior years/period	(988)	2,690	1,035	1,144	(1,762)
	27,918	26,367	28,839	10,174	16,376
Deferred tax:					
Origination and reversal of temporary differences *(Note 22(b))*	(4,510)	(9,106)	(2,744)	705	(3,615)
Effect on deferred tax balances at 1 January resulting from a change in tax rate *(Note 22(b))*	—	—	—	—	(2,134)
	23,408	17,261	26,095	10,879	10,627

(i) The provision for PRC income tax is based on a statutory rate of 25% of the assessable income of the Company's mainland China subsidiaries as determined in accordance with the relevant income tax rules and regulations of the PRC.

Pursuant to the PRC income tax law, all of the Company's PRC subsidiaries are liable to PRC income tax at a rate of 25% except for Linyi Conch New Material, which is entitled to a preferential income tax rate of 15% during the years ended 31 December 2021, 2022 and 2023 and six months ended 30 June 2024, as it is certified as "High and New Technology Enterprise" ("**HNTE**"). According to Guoshuihan 2009 No. 203, if an entity is certified as an HNTE, it is entitled to a preferential income tax rate of 15% during the certified period.

(ii) Pursuant to Notice No. 23 issued by the State Administration of Taxation on 23 April 2020 and relevant local tax authorities' notices, certain subsidiaries are entitled to a preferential income tax rate of 15% as qualifying industries these entities operated in western areas in the PRC during the years ended 31 December 2021, 2022 and 2023. However, these subsidiaries are liable to PRC income tax at a rate of 25% for the year ending 31 December 2024 due to the change on new catalog of encouraged industries released by National Development and Reform Commission.

(iii) Effect from 1 January 2021 to 30 September 2022, an additional 75% of qualified research and development expenses incurred is allowed to be deducted from taxable income under the PRC income tax law and its relevant regulations. Effective from 1 October 2022 to 30 June 2024, an additional 100% of qualified research and development expenses incurred is allowed to be deducted from taxable income under the Enterprise Income Tax (the "**EIT**") law and its relevant regulations.

(b) Reconciliation between income tax expense and accounting profit at applicable tax rates:

	Year ended 31 December			Six months ended 30 June	
	2021	**2022**	**2023**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Profit before taxation	150,298	109,644	170,029	58,620	70,811
Notional tax on profit before taxation, calculated at the rates applicable to profit in the tax jurisdictions concerned	37,253	26,241	40,357	13,533	17,028
Tax effect of non-deductible expenses	1,183	2,134	2,954	1,585	1,079
Super-deduction of research and development expenses	(5,221)	(5,514)	(6,580)	(2,898)	(2,973)
Effect on deferred tax balances at 1 January resulting from a change in tax rate *(Note 7(a)(ii))*	—	—	—	—	(2,134)
Statutory tax concession	(8,819)	(8,290)	(11,671)	(2,485)	(611)
(Over)/under provision in prior years/period	(988)	2,690	1,035	1,144	(1,762)
Actual tax expense	23,408	17,261	26,095	10,879	10,627

8 DIRECTORS' EMOLUMENTS

Directors' emoluments during the Relevant Periods are disclosed as follows:

Year ended 31 December 2021

	Notes	Directors' fees	Salaries allowance and benefits in kind	Discretionary bonuses	Contributions to retirement scheme	Total
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Directors:						
Mr. Xu Gengyou	*(i)*	—	461	783	32	1,276
Mr. Li Qunfeng	*(ii)*	—	—	—	—	—
Mr. Zhao Hongyi	*(iii)*	—	—	—	—	—
Mr. Feng Fangbo	*(iii)*	—	—	—	—	—
Mr. Ding Feng	*(iv)*	—	—	—	—	—
Supervisor:						
Mr. Lu Shumin	*(x)*	—	—	—	—	—
Mr. Chen Jun	*(xi)*	—	—	—	—	—
Mr. Wang Shangpu	*(xi)*	—	340	179	37	556
		—	801	962	69	1,832

Year ended 31 December 2022

	Notes	Directors' fees	Salaries allowance and benefits in kind	Discretionary bonuses	Contributions to retirement scheme	Total
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Directors:						
Mr. Xu Gengyou	*(i)*	—	665	659	37	1,361
Mr. Li Qunfeng	*(ii)*	—	—	—	—	—
Mr. Zhao Hongyi	*(iii)*	—	—	—	—	—
Mr. Feng Fangbo	*(iii)*	—	—	—	—	—
Mr. Ding Feng	*(iv)*	—	—	—	—	—
Mr. Wu Tiejun	*(v)*	—	—	—	—	—
Mr. Chen Feng	*(vi)*	—	585	653	40	1,278
Mr. Bai Lin	*(vi)*	—	431	414	40	885
Supervisor:						
Mr. Lu Shumin	*(x)*	—	—	—	—	—
Mr. Yue Jian	*(xii)*	—	—	—	—	—
Mr. Chen Jun	*(xi)*	—	—	—	—	—
Ms. Jin Xiaoli	*(xii)*	—	235	193	36	464
Mr. Wang Shangpu	*(xi)*	—	184	214	21	419
		—	2,100	2,133	174	4,407

Year ended 31 December 2023

	Notes	Directors' fees	Salaries allowance and benefits in kind	Discretionary bonuses	Contributions to retirement scheme	Total
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Non-executive directors:						
Mr. Ding Feng	*(iv)*	—	—	—	—	—
Mr. Feng Fangbo	*(iii)*	—	—	—	—	—
Mr. Zhao Hongyi	*(iii)*	—	—	—	—	—
Mr. Jin Feng	*(vii)*	—	—	—	—	—
Mr. Fan Haibin	*(vii)*	—	—	—	—	—
Executive directors:						
Mr. Xu Gengyou	*(i)*	—	345	603	—	948
Mr. Chen Feng	*(vi)*	—	488	705	38	1,231
Mr. Bai Lin	*(vi)*	—	352	395	38	785
Independent non-executive directors:						
Mr. Li Jiang	*(viii)*	—	—	—	—	—
Mr. Chen Jiemiao	*(viii)*	—	—	—	—	—
Ms. Xu Xu	*(ix)*	—	—	—	—	—
Mr. Zeng Xiangfei	*(ix)*	—	—	—	—	—
Supervisor:						
Mr. Lu Shumin	*(x)*	—	—	—	—	—
Mr. Yue Jian	*(xii)*	—	—	—	—	—
Ms. Jin Xiaoli	*(xii)*	—	257	188	38	483
		—	1,442	1,891	114	3,447

Six months ended 30 June 2024

	Notes	Directors' fees	Salaries allowance and benefits in kind	Discretionary bonuses	Contributions to retirement scheme	Total
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Non-executive directors:						
Mr. Ding Feng	*(iv)*	—	—	—	—	—
Mr. Feng Fangbo	*(iii)*	—	—	—	—	—
Mr. Zhao Hongyi	*(iii)*	—	—	—	—	—
Mr. Jin Feng	*(vii)*	—	—	—	—	—
Mr. Fan Haibin	*(vii)*	—	—	—	—	—
Executive directors:						
Mr. Chen Feng	*(i)*	—	262	352	19	633
Mr. Bai Lin	*(vi)*	—	181	198	19	398
Independent non-executive directors:						
Mr. Li Jiang	*(viii)*	—	—	—	—	—
Mr. Chen Jiemiao	*(viii)*	—	—	—	—	—
Ms. Xu Xu	*(ix)*	—	—	—	—	—
Mr. Zeng Xiangfei	*(ix)*	—	—	—	—	—
Supervisor:						
Mr. Lu Shumin	*(x)*	—	—	—	—	—
Mr. Yue Jian	*(xii)*	—	—	—	—	—
Ms. Jin Xiaoli	*(xii)*	—	138	94	19	251
		—	581	644	57	1,282

Six months ended 30 June 2023 (unaudited)

	Notes	Directors' fees	Salaries allowance and benefits in kind	Discretionary bonuses	Contributions to retirement scheme	Total
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Non-executive directors:						
Mr. Ding Feng	*(iv)*	—	—	—	—	—
Mr. Feng Fangbo	*(iii)*	—	—	—	—	—
Mr. Zhao Hongyi	*(iii)*	—	—	—	—	—
Mr. Jin Feng	*(vii)*	—	—	—	—	—
Mr. Fan Haibin	*(vii)*	—	—	—	—	—
Executive directors:						
Mr. Xu Gengyou	*(i)*	—	262	357	—	619
Mr. Chen Feng	*(vi)*	—	296	331	18	645
Mr. Bai Lin	*(vi)*	—	177	201	18	396
Independent non-executive directors:						
Mr. Li Jiang	*(viii)*	—	—	—	—	—
Mr. Chen Jiemiao	*(viii)*	—	—	—	—	—
Ms. Xu Xu	*(ix)*	—	—	—	—	—
Mr. Zeng Xiangfei	*(ix)*	—	—	—	—	—
Supervisor:						
Mr. Lu Shumin	*(x)*	—	—	—	—	—
Mr. Yue Jian	*(xii)*	—	—	—	—	—
Ms. Jin Xiaoli	*(xii)*	—	128	92	17	237
		—	863	981	53	1,897

Notes:

(i) Mr. Xu Gengyou was appointed as a director of the Company on 22 May 2018 and re-designated as an executive director on 15 November 2023. Mr. Xu Gengyou retired and resigned as the executive director on 30 November 2023.

(ii) Mr. Li Qunfeng was appointed as a director of the Company on 28 May 2018 and resigned as director on 22 February 2022. During the years ended 31 December 2021 and 2022 before his resignation, Mr. Li Qunfeng was not paid directly by the Group but received remuneration from a shareholder of the Company or its related parties other than the Group, in respect of the service to the shareholder. No apportionment has been made as the qualifying service provided by Mr. Li to the Group is incidental to his responsibility to the shareholder.

(iii) Mr. Zhao Hongyi and Mr. Feng Fangbo were appointed as the non-executive directors of the Company on 22 May 2018 and 28 November 2018, respectively. During the years ended 31 December 2021, 2022 and 2023 and six months ended 30 June 2024, Mr. Zhao Hongyi and Mr. Feng Fangbo were not paid directly by the Group but received remuneration from shareholders of the Company or its related parties other than the Group respectively, in respect of the services they provided to these shareholders and their related parties. No apportionment has been made as the qualifying service provided by them to the Group is incidental to their responsibility to the shareholders.

(iv) Mr. Ding Feng was appointed as a director of the Company on 22 May 2018 and re-designated as a non-executive director on 15 November 2023. During the years ended 31 December 2021, 2022 and 2023 and six months ended 30 June 2024, Mr. Ding Feng was not paid directly by the Group but received remuneration from shareholders of the Company or its related parties other than the Group, in respect of the services they provided to these shareholders and its related parties. No apportionment has been made as the qualifying service provided by him to the Group is incidental to his responsibility to the shareholders.

(v) Mr. Wu Tiejun was appointed as a director of the Company on 22 February 2022 and resigned as director on 1 July 2022. Mr. Wu Tiejun was not paid directly by the Group but received remuneration from a shareholder of the Company or its related parties other than the Group, in respect of the service to the shareholder. No apportionment has been made as the qualifying service provided by Mr. Wu to the Group is incidental to his responsibility to the shareholder.

(vi) Mr. Chen Feng and Mr. Bai Lin were appointed as directors of the Company on 1 July 2022 and re-designated as the executive directors on 15 November 2023.

(vii) Mr. Jin Feng and Mr. Fan Haibin were appointed as the non-executive directors of the Company on 15 November 2023.

(viii) Mr. Li Jiang and Mr. Chen Jiemiao were appointed as the independent directors on 12 January 2023 and re-designated as the independent non-executive directors on 15 November 2023.

(ix) Ms. Xu Xu and Mr. Zeng Xiangfei were appointed as the independent non-executive directors on 15 November 2023.

(x) Mr. Lu Shumin was appointed as a supervisor of the Company on 22 May 2018. Mr. Lu Shumin was not paid directly by the Group but received remuneration from a shareholder of the Company or its related parties other than the Group, in respect of the service to the shareholder.

(xi) Mr. Chen Jun and Mr. Wang Shangpu were appointed as the supervisors of the Company on 22 May 2018 and resigned on 1 July 2022. Mr. Chen Jun was not paid directly by the Group but received remuneration from a shareholder of the Company or its related parties other than the Group, in respect of the service to the shareholder.

(xii) Ms. Jin Xiaoli and Mr. Yue Jian were appointed as the supervisors of the Company on 1 July 2022. Mr. Yue Jian was not paid directly by the Group but received remuneration from a shareholder of the Company or its related parties other than the Group, in respect of the service to the shareholder.

The emoluments shown above represent emoluments received by these directors in the capacity as directors/employees of the companies comprising the Group during the Relevant Periods.

During the Relevant Periods, no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office.

9 INDIVIDUALS WITH HIGHEST EMOLUMENTS

During the Relevant Periods, of the five individuals with the highest emoluments, one, three, one, one and one are directors, whose emoluments are disclosed in Note 8 for each of the years ended 31 December 2021, 2022 and 2023 and the six months ended 30 June 2023 and 2024. The aggregate of the emoluments in respect of the remaining four, two, four, four and four individuals for each of the years ended 31 December 2021, 2022 and 2023 and the six months ended 30 June 2023 and 2024, respectively, are as follows:

	Year ended 31 December			Six months ended 30 June	
	2021	**2022**	**2023**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Salaries, allowances and benefits in kind	1,798	1,044	2,265	985	1,231
Discretionary bonuses	2,236	1,138	2,227	1,114	1,113
Contributions to retirement benefit schemes	126	78	151	58	78
	4,160	2,260	4,643	2,157	2,422

The emoluments of the individuals who are not directors and who are amongst the five highest paid individuals of the Group are within the following bands:

	Year ended 31 December			Six months ended 30 June	
	2021	**2022**	**2023**	**2023**	**2024**
	Number of individuals	*Number of individuals*	*Number of individuals*	*Number of individuals* (Unaudited)	*Number of individuals*
Hong Kong Dollar ("**HKD**")					
Nil-500,000	—	—	—	—	—
500,001–1,000,000	—	—	—	—	—
1,000,001–1,500,000	4	2	4	4	4

10 EARNINGS PER SHARE

(a) Basic earnings per share

As set out in Note 1, the Company was converted from a limited liability company into a joint stock company with limited liability on 15 July 2022. By reference to the Company's net asset value on 30 April 2022, amounting to RMB419,337,000 were converted into 361,560,000 ordinary shares with a par value of RMB1 each. For the purpose of determining basic and diluted earnings per share, the number of shares in issue before the Company's conversion into a joint stock limited liability company were deemed to be the weighted average number of ordinary shares as if the above conversion had occurred on 1 January 2021 at the conversion ratio established in July 2022.

In addition, the weighted average number of ordinary shares during the Relevant Periods has been adjusted retrospectively to reflect a subdivision of shares on 1:0.862219 that the Company's board of directors has approved on 30 June 2022 as set out in Note 25(d).

The basic earnings per share for the Relevant Periods are calculated as follows:

	Year ended 31 December			Six months ended 30 June	
	2021	2022	2023	2023	2024
				(Unaudited)	
Profit attributable to equity shareholders of the Company for the year *(in RMB'000)*	129,651	75,881	116,953	38,343	52,652
Weighted average number of ordinary shares *(in '000)*	361,560	361,560	428,807	422,693	434,920
Basic earnings per share *(in RMB)*	0.36	0.21	0.27	0.09	0.12

Weighted average number of ordinary shares:

	Year ended 31 December			Six months ended 30 June	
	2021	2022	2023	2023	2024
				(Unaudited)	
Issued ordinary shares at beginning of year/period *(Note 25(d))*	361,560	361,560	361,560	361,560	434,920
Effect of ordinary shares issued *(Note 25(d)(ii))*	—	—	67,247	61,133	—
Weighted average number of ordinary shares at end of the year	361,560	361,560	428,807	422,693	434,920

(b) Diluted earnings per share

The Company had no dilutive potential ordinary shares outstanding during the years ended 31 December 2021, 2022 and 2023 and the six months ended 30 June 2023 and 2024, respectively, therefore, diluted earnings per share is the same as the basic earnings per share.

11 PROPERTY, PLANT AND EQUIPMENT

	Plant and buildings	Machinery and equipment	Motor vehicles	Office and other equipment	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost:						
At 1 January 2021	73,364	113,988	7,420	8,570	71,690	275,032
Additions	324	10,608	1,190	4,115	554,422	570,659
Transfer from construction in progress	102,261	95,897	—	5,336	(203,494)	—
Disposals	(43)	(165)	(428)	(130)	—	(766)
At 31 December 2021 and 1 January 2022	175,906	220,328	8,182	17,891	422,618	844,925
Additions	990	5,423	3,518	12,088	258,460	280,479
Transfer from construction in progress	274,751	354,950	412	3	(630,116)	—
Disposals	—	(3,645)	(155)	(1,556)	—	(5,356)
At 31 December 2022 and 1 January 2023	451,647	577,056	11,957	28,426	50,962	1,120,048
Additions	481	7,607	636	7,797	54,066	70,587
Transfer from construction in progress	48,386	39,941	—	369	(88,696)	—
Disposals	—	(103)	—	(374)	—	(477)
At 31 December 2023 and 1 January 2024	500,514	624,501	12,593	36,218	16,332	1,190,158
Additions	199	1,495	256	831	15,035	17,816
Transfer from construction in progress	20,964	8,982	—	280	(30,226)	—
Disposals	(124)	(33)	—	(295)	—	(452)
At 30 June 2024	521,553	634,945	12,849	37,034	1,141	1,207,522

	Plant and buildings	Machinery and equipment	Office and other equipment	Motor vehicles	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Accumulated depreciation:						
At 31 December 2020 and 1 January 2021	(21,208)	(36,376)	(2,993)	(3,766)	—	(64,343)
Charge for the year	(2,987)	(7,779)	(1,033)	(1,640)	—	(13,439)
Written back on disposals	41	55	336	43	—	475
At 31 December 2021 and 1 January 2022	(24,154)	(44,100)	(3,690)	(5,363)	—	(77,307)
Charge for the year	(9,327)	(24,662)	(1,392)	(4,045)	—	(39,426)
Written back on disposals	—	113	7	86	—	206
At 31 December 2022 and 1 January 2023	(33,481)	(68,649)	(5,075)	(9,322)	—	(116,527)
Charge for the year	(14,846)	(38,762)	(1,860)	(5,522)	—	(60,990)
Written back on disposals	—	80	—	269	—	349
At 31 December 2023 and 1 January 2024	(48,327)	(107,331)	(6,935)	(14,575)	—	(177,168)
Charge for the period	(7,807)	(20,065)	(833)	(2,954)	—	(31,659)
Written back on disposals	124	11	—	3	—	138
At 30 June 2024	(56,010)	(127,385)	(7,768)	(17,526)	—	(208,689)
Net book value:						
At 31 December 2021	151,752	176,228	4,492	12,528	422,618	767,618
At 31 December 2022	418,166	508,407	6,882	19,104	50,962	1,003,521
At 31 December 2023	452,187	517,170	5,658	21,643	16,332	1,012,990
At 30 June 2024	465,543	507,560	5,081	19,508	1,141	998,833

12 RIGHT-OF-USE ASSETS

The analysis of the net book value of the Group's right-of-use assets by class of underlying asset at the end of each reporting period is as follows:

		As at 31 December			Six months ended 30 June	
		2021	2022	2023	2023	2024
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Properties leased for own use, carried at depreciated cost	*(i)*	5,836	4,151	6,946	7,335	11,722
Leasehold land for own use, carried at depreciated cost	*(ii)*	164,722	161,117	174,333	166,587	172,342
		170,558	165,268	181,279	173,922	184,064

The analysis of expense items in relation to leases recognised in profit or loss is as follows:

	Year ended 31 December			Six months ended 30 June	
	2021	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Depreciation charge of right-of-use assets by class of underlying asset:	1,195	1,685	2,273	1,097	1,602
Leasehold land for own use, carried at depreciated cost	3,301	3,605	3,781	1,821	1,991
	4,496	5,290	6,054	2,918	3,593
Interest on lease liabilities *(Note 6(a))*	174	170	284	148	268
Expenses relating to short-term leases	588	867	1,338	716	511

Details of total cash outflow for leases and the maturity analysis of lease liabilities are set out in Note 18(d) and Note 23 respectively.

(i) Properties leased for own use

The Group has obtained the right to use properties as its office buildings through tenancy agreements. The leases typically run for an initial period of 2 to 20 years.

Some leases include an option to renew the lease for an additional period after the end of the contract term. Where practicable, the Group seeks to include such extension options exercisable by the Group to provide operational flexibility. The Group assesses at lease commencement date whether it is reasonably certain to exercise the extension options. If the Group is not reasonably certain to exercise the extension options, the future lease payments during the extension periods are not included in the measurement of lease liabilities.

(ii) Leasehold land for own use

	Other leasehold land for own use
	RMB'000
Cost:	
At 1 January 2021	141,827
Additions	32,098
At 31 December 2021 and 1 January 2022	173,925
Additions	—
At 31 December 2022 and 1 January 2023	173,925
Additions	16,997
At 31 December 2023 and 1 January 2024	190,922
Additions	—
At 30 June 2024	190,922
Accumulated depreciation:	
At 1 January 2021	(5,902)
Charge for the year	(3,301)
At 31 December 2021 and 1 January 2022	(9,203)
Charge for the year	(3,605)
At 31 December 2022 and 1 January 2023	(12,808)
Charge for the year	(3,781)
At 31 December 2023 and 1 January 2024	(16,589)
Charge for the period	(1,991)
At 30 June 2024	(18,580)
Net book value:	
At 31 December 2021	164,722
At 31 December 2022	161,117
At 31 December 2023	174,333
At 30 June 2024	172,342

The Group has obtained land use rights in the PRC with lease period of no more than 50 years when granted.

As at 31 December 2021, 2022 and 2023 and 30 June 2024, no leasehold land for own use was pledged as collaterals for bank loans.

13 INTANGIBLE ASSETS

	Pollutant discharge licenses	Patents	Total
	RMB'000	*RMB'000*	*RMB'000*
Cost:			
At 1 January 2021	400	23,365	23,765
Additions	—	—	—
At 31 December 2021 and 1 January 2022	400	23,365	23,765
Additions	—	—	—
At 31 December 2022 and 1 January 2023	400	23,365	23,765
Additions	—	4,783	4,783
At 31 December 2023 and 1 January 2024	400	28,148	28,548
Additions	—	—	—
At 30 June 2024	400	28,148	28,548
Accumulated amortisation:			
At 1 January 2021	(33)	(8,195)	(8,228)
Charge for the year	(80)	(1,970)	(2,050)
At 31 December 2021 and 1 January 2022	(113)	(10,165)	(10,278)
Charge for the year	(80)	(1,970)	(2,050)
At 31 December 2022 and 1 January 2023	(193)	(12,135)	(12,328)
Charge for the year	(80)	(2,290)	(2,370)
At 31 December 2023 and 1 January 2024	(273)	(14,425)	(14,698)
Charge for the period	(40)	(1,224)	(1,264)
At 30 June 2024	(313)	(15,649)	(15,962)
Net book value:			
At 31 December 2021	287	13,200	13,487
At 31 December 2022	207	11,230	11,437
At 31 December 2023	127	13,723	13,850
At 30 June 2024	87	12,499	12,586

14 GOODWILL

	As at 31 December			As at 30 June
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cost	28,691	28,691	28,691	28,691
Accumulated impairment loss	—	—	—	—
Total	28,691	28,691	28,691	28,691

Goodwill was arisen from the Group's acquisition of Xiangyang Conch New Material, Meishan Conch New Material, Linyi Conch New Material and Guizhou Conch New Material in 2018.

Impairment tests for cash-generating units containing goodwill

Goodwill is allocated to the Group's cash-generation units ("**CGU**") by region as follows:

	Year ended 31 December			As at 30 June
Name of CGU	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Linyi region	10,312	10,312	10,312	10,312
Guizhou region	114	114	114	114
Meishan region	2,950	2,950	2,950	2,950
Xiangyang region	15,315	15,315	15,315	15,315
Total	28,691	28,691	28,691	28,691

The recoverable amounts of the respective CGUs are determined based on the value-in-use ("**VIU**") calculation. As at 31 December 2021, 2022 and 2023 and 30 June 2024, these calculations use cash flow projections based on financial budgets approved by management covering a five-year forecast period. Cash flows beyond the five-year period are extrapolated using an estimated terminal growth rate of 0%. The discount rates used are pre-tax and reflect specific risks relating to the relevant industry, the CGUs themselves and macro-environment of the relevant region. Key assumptions are set out as follows:

	Year ended 31 December			As at 30 June
	2021	2022	2023	2024
Annual growth rate of revenue for forecast period *(note (i))*	1.0%–6.3%	1.0%–6.3%	2.0%-4.1%	2.0%-6.8%
Long-term growth rate	0%	0%	0%	0%
Pre-tax discount rate	13.8%–15.4%	14.1%–15.5%	13.0%–15.1%	13.5%-15.6%

(i) The basis used to determine the value assigned to the annual growth rate of revenue is based on the average growth levels experienced over the past years and the estimated sales volume and price growth for the next five years.

The headroom measured by the excess of the recoverable amount over the carrying amount of each CGU as at 31 December 2021, 2022 and 2023 and 30 June 2024 were set out below:

	Year ended 31 December			As at 30 June
Name of CGU	**2021**	**2022**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Linyi region	49,884	72,332	69,181	33,396
Guizhou region	27,249	27,417	50,571	33,437
Meishan region	84,989	59,265	22,930	35,571
Xiangyang region	108,108	129,295	82,557	48,839

Management has undertaken sensitivity analysis on the impairment test of goodwill. The following sensitivity analysis illustrates the impact of reasonable possible changes in each of these factors on the headroom for each CGU respectively as at 31 December 2021, 2022 and 2023 and 30 June 2024:

	Year ended 31 December			As at 30 June
	2021	**2022**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Decrease in annual sales growth rate by two percentage point				
— Linyi region	44,155	47,181	19,001	27,540
— Guizhou region	3,872	6,049	5,153	10,865
— Meishan region	41,683	32,664	5,735	9,912
— Xiangyang region	61,674	54,319	57,803	27,665
Increase in pre-tax discount rate by two percentage point				
— Linyi region	26,072	27,022	26,518	20,233
— Guizhou region	4,798	4,803	8,541	5,893
— Meishan region	19,380	15,429	10,020	11,400
— Xiangyang region	33,625	33,578	31,824	31,482

The management of the Group considered that reasonably possible change in the key assumptions above would not cause each of the CGU's carrying amount at 31 December 2021, 2022 and 2023 and 30 June 2024 to exceed its recoverable amount, respectively. The management of the Group determined that there was no impairment of these CGUs.

15 INVESTMENTS IN SUBSIDIARIES

	As at 31 December			As at 30 June
The Company	**2021**	**2022**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cost	414,473	445,979	479,320	479,320
Accumulated impairment loss	—	—	—	—
Total	414,473	445,979	479,320	479,320

On February 2023, the Company entered into a sale and purchase agreement with a fellow subsidiary to acquire the 100% equity interests in Anhui Haicui at the consideration of RMB15,509,000, which was regarded as the business combination under common control. The cost of investment was determined based on the carrying amount of Anhui Haicui's net assets at the acquisition date. Accordingly, the Company recorded an amount of RMB10,000,000, being the total paid-in capital issued by Anhui Haicui on the acquisition date, as investment in subsidiary. The excess of the consideration over the cost of investment in the subsidiary was recorded in reserve.

On 29 May 2023, the Company paid up the remaining capital of Xianyang Conch New Material, of RMB15,000,000.

On 31 July 2023, the Company entered into a share transfer agreement with Hainan Qingyuan Corporate Management Centre (Limited Partnership) ("**Hainan Qingyuan**"), one of the minority shareholders of Huludao Haizhong, pursuant to which Hainan Qingyuan transferred 17% equity interests in Huludao Haizhong to the Company at a total consideration of RMB4,250,000, which was with reference to the registered capital of Huludao Haizhong and was fully settled on 5 September 2023.

On 17 November 2023, the Company paid up the additional capital of Kunming Conch New Material of RMB6,000,000.

On 23 November 2023, one of the Company's subsidiaries, Guizhou Conch New Material, was deregistered, which resulted in the decrease of the investment in subsidiary of RMB1,909,000.

The following table lists out the information relating to Guigang Conch New Material, the only subsidiary of the Group which has a material non-controlling interest ("**NCI**"). The summarised financial information presented below represents the amounts before any inter-company elimination.

	Year ended 31 December			Six months ended 30 June	
Guigang Conch New Material	**2021**	**2022**	**2023**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
NCI percentage	40%	40%	40%	40%	40%
Current assets	30,834	112,585	109,641	114,237	97,614
Non-current assets	85,700	87,871	86,407	87,920	84,806
Current liabilities	46,108	149,325	93,767	130,239	62,823
Non-current liabilities	50,000	56	56	—	506
Net assets	20,426	51,075	102,225	71,919	119,091
Carrying amount of NCI	8,170	20,430	40,890	28,768	47,636
Revenue	25,665	203,742	249,784	109,330	114,479
(Loss)/profit for the year	(2,899)	31,261	51,150	17,806	16,714
Total comprehensive income	(2,899)	31,261	51,150	17,806	16,714
(Loss)/profit allocated to NCI	(1,160)	12,504	20,460	7,122	6,686
Dividend paid to NCI	—	—	—	—	—
Cash flows (used in)/generated from operating activities	(17,900)	73,901	45,803	7,989	26,802
Cash flows used in investing activities	(74,366)	(16,339)	(502)	—	(691)
Cash flows generated from/(used in) financing activities	93,494	(53,361)	(48,678)	(2,115)	(26,287)

16 INVENTORIES

(a) Inventories in the consolidated statements of financial position comprise:

	As at 31 December			As at 30 June
	2021	**2022**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Raw materials	30,769	55,411	47,033	67,069
Finished goods	22,174	63,186	55,864	68,870
Total	52,943	118,597	102,897	135,939

(b) The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	As at 31 December			As at 30 June	
	2021	**2022**	**2023**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Carrying amount of inventories sold	1,113,918	1,412,888	1,745,231	804,541	807,479
Write-down of inventories	1,772	2,829	1,442	933	1,830
Reversal of write-down of inventories	—	(1,772)	(2,829)	(2,829)	(1,442)
	1,115,690	1,413,945	1,743,844	802,645	807,867

17 TRADE AND OTHER RECEIVABLES

The Group	As at 31 December 2021	2022	2023	As at 30 June 2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables				
— Third parties	92,927	277,326	406,505	385,432
— Related parties	173,652	192,263	203,234	207,215
Bills receivable, carried at amortised cost	47,875	112,828	187,488	234,767
Less: allowance for doubtful debts *(Note 17(b))*	(13,392)	(23,450)	(38,040)	(40,069)
Trade and bills receivables	301,062	558,967	759,187	787,345
Bills receivable, measured at fair value through other comprehensive income ("**FVOCI**")	4,371	31,245	10,819	40,579
Other receivables				
— Deposits and prepayments	12,511	22,079	20,091	27,803
— VAT recoverable	34,890	8,455	7,651	1,086
— Prepayments for costs incurred in connection with the proposed issuance of the Company's H Shares	—	—	9,343	13,545
— Others	4,415	8,004	5,948	8,287
	357,249	628,750	813,039	878,645
Other receivables from related parties				
— Temporary payment on behalf of related party	2,451	4,063	18	—
Current portion of trade and other receivables	359,700	632,813	813,057	878,645
Non-current portion of trade and other receivables	37,851	24,053	2,503	3,710
Total current and non-current trade and other receivables	397,551	656,866	815,560	882,355

The Company	As at 31 December 2021	2022	2023	As at 30 June 2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables				
— Subsidiaries	1,909	10,553	24,281	49,108
— Related parties	169,047	—	—	—
Less: allowance for doubtful debts	(8,100)	—	—	—
Trade receivables	162,856	10,553	24,281	49,108
Prepayments for costs incurred in connection with the proposed issuance of the Company's H Shares	—	—	9,343	13,545
Other receivables	5,069	22	776	938
Non-trade amounts due from subsidiaries	16,549	279,401	336,304	435,175
Total trade and other receivables	184,474	289,976	370,704	498,766

All of the current portion of trade and other receivables are expected to be recovered within one year.

As at 31 December 2021, 2022 and 2023 and 30 June 2024, the Group endorsed undue bills receivable of RMB53,154,000, RMB44,639,000, RMB135,377,000, RMB97,651,000 respectively to its suppliers to settle trade payables of the same amount and derecognised these bills receivable and payables to suppliers in their entirety from balance sheet as the Group's management considered that the risks and rewards of ownership of these undue bills have been substantially transferred. The Group's continuous involvement in these derecognised undue bills receivable is limited to when the issuance banks of these undue bills are unable to settle the amounts to the holders of these bills. As at 31 December 2021, 2022 and 2023 and 30 June 2024, the maximum exposure to loss from its continuous involvement represents the amount of bills receivable of RMB53,154,000, RMB44,639,000, RMB135,377,000 and RMB97,651,000, which the Group endorsed to its suppliers. These undue bills receivable was due within six months from date of issuance.

All of the amounts due from subsidiaries of the Company are unsecured, interest-bearing at 3.25% to 3.52%, 3.32% to 3.52%, 3.12% to 3.32% and 3.12% to 3.32% p.a. and due within one year during the years ended 31 December 2021, 2022 and 2023 and six months ended 30 June 2024, respectively.

(a) Ageing analysis

The following table sets out an ageing analysis of trade and bills receivables, net of loss allowance based on the due date indicated:

	As at 31 December			As at 30 June
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current	288,474	508,818	642,145	630,647
1-6 months past due	12,386	50,111	116,546	141,791
7-9 months past due	113	38	379	14,602
10-12 months past due	89	—	117	305
	301,062	558,967	759,187	787,345

Details of the Group's credit policy and credit risk arising from trade and bills receivables are set out in Note 26(a).

(b) Loss allowance for trade and bills receivables

Movement in the loss allowance account in respect of trade receivables during the Relevant Periods is as follows:

	As at 31 December			As at 30 June
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At the beginning of the year/period	(15,948)	(13,392)	(23,450)	(38,040)
Loss allowances reversal/(recognised)	2,556	(10,058)	(14,590)	(2,029)
At the end of the year/period	(13,392)	(23,450)	(38,040)	(40,069)

18 CASH AND CASH EQUIVALENTS

(a) Cash and cash equivalents comprise:

The Group	As at 31 December 2021	As at 31 December 2022	As at 31 December 2023	As at 30 June 2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash at bank and on hand	214,434	131,757	166,103	143,515
Less: Restricted bank deposits (i)	(129)	—	—	—
Cash and cash equivalents in the consolidated statement of financial position and the consolidated cash flow statement	214,305	131,757	166,103	143,515

The Company	As at 31 December 2021	As at 31 December 2022	As at 31 December 2023	As at 30 June 2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash at bank and on hand	171,340	83,442	93,983	108,367
Less: Restricted bank deposits	—	—	—	—
Cash and cash equivalents in the statement of financial position of the Company	171,340	83,442	93,983	108,367

(i) Restricted bank deposits mainly represent security deposits placed at bank for letter of guarantee. The restriction on deposits was released upon the letter of guarantee expires.

(b) **Reconciliation of profit before taxation to cash generated from operations:**

		Year ended 31 December			Six months ended 30 June	
		2021	**2022**	**2023**	**2023**	**2024**
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Profit before taxation		150,298	109,644	170,029	58,620	70,811
Adjustments for:						
Depreciation of owned property, plant and equipment	*6(c)*	13,439	39,426	60,990	29,245	31,659
Depreciation of right-of-use assets	*6(c)*	4,496	5,290	6,054	2,918	3,593
Amortisation of intangible assets	*6(c)*	2,050	2,050	2,370	1,105	1,264
Net loss on disposal of property, plant and equipment	*5*	21	46	65	13	28
Net gain from financial assets measured at FVPL		—	—	(153)	(134)	(41)
Finance costs	*6(a)*	10,073	23,746	30,285	15,843	13,654
Operating profit before changes in working capital		180,377	180,202	269,640	107,610	120,968
(Increase)/decrease in inventories		(13,592)	(65,654)	15,700	(11,618)	(33,042)
Decrease in restricted bank deposits		700	129	—	—	—
Decrease/(increase) in trade and other receivables		19,054	(265,564)	(175,819)	(52,226)	(61,386)
Increase in trade and other payables		101,439	40,224	48,704	11,229	6,523
(Decrease)/increase in contract liabilities		(1,152)	8,931	2,066	5,678	5,173
Increase in deferred income		3,189	4,462	26,793	12,396	6,105
Cash generated from/(used in) operations		290,015	(97,270)	187,084	73,069	44,341

(c) Reconciliation of liabilities arising from financing activities:

	Loans and borrowings	Interest payable	Lease liabilities	Total
	RMB'000	RMB'000	RMB'000	RMB'000
	(Note 19)	*(Note (i))*	*(Note 23)*	
At 1 January 2021	270,000	99	2,257	272,356
Changes from financing cash flows:				
Proceeds from loans and borrowings	760,067	—	—	760,067
Repayments of loans and borrowings	(276,982)	—	—	(276,982)
Capital element of lease rentals paid	—	—	(1,569)	(1,569)
Interest element of lease rentals paid	—	—	(174)	(174)
Interest of loans and borrowings paid	—	(16,965)	—	(16,965)
Total changes from financing cash flows	483,085	(16,965)	(1,743)	464,377
Other changes:				
Interest expenses	—	9,899	174	10,073
Capitalised borrowing cost	—	7,356	—	7,356
Increase in lease liabilities from entering into new leases during the year	—	—	4,781	4,781
Total other changes	—	17,255	4,955	22,210
At 31 December 2021 and 1 January 2022	753,085	389	5,469	758,943
Changes from financing cash flows:				
Proceeds from loans and borrowings	845,012	—	—	845,012
Repayments of loans and borrowings	(494,317)	—	—	(494,317)
Capital element of lease rentals paid	—	—	(1,672)	(1,672)
Interest element of lease rentals paid	—	—	(170)	(170)
Interest of loans and borrowings paid	—	(30,135)	—	(30,135)
Total changes from financing cash flows	350,695	(30,135)	(1,842)	318,718
Other changes:				
Interest expenses	—	23,576	170	23,746
Capitalised borrowing cost	—	7,882	—	7,882
Total other changes	—	31,458	170	31,628

	Loans and borrowings	Interest payable	Lease liabilities	Total
	RMB'000	RMB'000	RMB'000	RMB'000
	(Note 19)	*(Note (i))*	*(Note 23)*	
At 31 December 2022 and 1 January 2023	1,103,780	1,712	3,797	1,109,289
Changes from financing cash flows:				
Proceeds from loans and borrowings	681,055	—	—	681,055
Repayments of loans and borrowings	(837,555)	—	—	(837,555)
Capital element of lease rentals paid	—	—	(3,072)	(3,072)
Interest element of lease rentals paid	—	—	(284)	(284)
Interest of loans and borrowings paid	—	(31,575)	—	(31,575)
Total changes from financing cash flows	(156,500)	(31,575)	(3,356)	(191,431)
Other changes:				
Interest expenses	—	30,001	284	30,285
Capitalised borrowing cost	—	601	—	601
Increase in lease liabilities from entering into new leases during the year	—	—	5,068	5,068
Total other changes	—	30,602	5,352	35,954
At 31 December 2023	947,280	739	5,793	953,812
Changes from financing cash flows:				
Proceeds from loans and borrowings	283,000	—	—	283,000
Repayments of loans and borrowings	(271,749)	—	—	(271,749)
Capital element of lease rentals paid	—	—	(1,734)	(1,734)
Interest element of lease rentals paid	—	—	(268)	(268)
Interest of loans and borrowings paid	—	(13,465)	—	(13,465)
Total changes from financing cash flows	11,251	(13,465)	(2,002)	(4,216)
Other changes:				
Interest expenses	—	13,386	268	13,654
Increase in lease liabilities from entering into new leases during the period	—	—	6,378	6,378
Total other changes	—	13,386	6,646	20,032
At 30 June 2024	958,531	660	10,437	969,628

Note (i): Interest payable is included in trade and other payables as disclosed in Note 20.

(d) Total cash outflow for leases

Amounts included in the cash flow statement for leases comprise the following:

	Year ended 31 December			Six months ended 30 June	
	2021	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Within operating cash flows	588	867	1,338	716	511
Within financing cash flows	1,743	1,842	3,356	2,290	2,002
	2,331	2,709	4,694	3,006	2,513

These amounts relate to the following:

	Year ended 31 December			Six months ended 30 June	
	2021	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Lease rentals paid	2,331	2,709	4,694	3,006	2,513

19 LOANS AND BORROWINGS

The Group

	As at 31 December			As at 30 June
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current	312,000	712,079	701,636	736,464
Non-current	441,085	391,701	245,644	222,067
Total	753,085	1,103,780	947,280	958,531

(i) As at the end of each reporting period, the bank loans were repayable as follows:

	As at 31 December			As at 30 June
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	312,000	712,079	701,636	736,464
After one year but within two years	97,584	77,500	55,000	65,000
After two years but within five years	217,500	237,467	190,644	157,067
After five years	126,001	76,734	—	—
Total	753,085	1,103,780	947,280	958,531

(ii) As at the end of each reporting period, the bank loans were secured as follows:

	As at 31 December			As at 30 June
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Bank loans				
— Guaranteed.	50,000	83,467	—	—
— Unsecured	703,085	1,020,313	947,280	958,531
Total	753,085	1,103,780	947,280	958,531

As at 31 December 2021 and 2022, the bank loans of the Group amounting to RMB50,000,000 and RMB83,467,000 respectively were guaranteed by Conch Tech Innovation, the parent company of the Group, which have been released in November 2023.

The Company:

	As at 31 December			As at 30 June
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Unsecured bank loans	290,000	330,000	140,000	153,000
Total	290,000	330,000	140,000	153,000

20 TRADE AND OTHER PAYABLES

The Group	As at 31 December 2021	As at 31 December 2022	As at 31 December 2023	As at 30 June 2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables				
— Third parties	132,369	153,676	192,986	213,198
— Related parties	732	777	2,726	4,234
Bills payable	15,000	—	—	—
Trade and bills payables	148,101	154,453	195,712	217,432
Other payables and accruals to third parties				
— Construction and equipment payables	65,240	81,650	69,205	50,927
— Deposits	33,358	36,484	32,783	29,167
— Other taxes and surcharges payables	8,127	7,636	5,432	6,085
— Accrued payroll and other benefits	37,572	42,887	46,135	27,999
— Payables for costs incurred in connection with the proposed issuance of the Company's H Shares	—	—	6,630	4,782
— Other accrued expenses	7,559	9,355	7,567	6,557
	299,957	332,465	363,464	342,949
Other payables to related parties				
— Construction and equipment payables	13,208	10,769	5,958	6,829
Trade and other payables	313,165	343,234	369,422	349,778

The Company	As at 31 December 2021	As at 31 December 2022	As at 31 December 2023	As at 30 June 2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables				
— Third parties	—	5	—	12
— Subsidiaries	175,434	62,360	128,130	194,800
	175,434	62,365	128,130	194,812
Other payables and accruals				
— Other taxes and surcharges payables	229	18	30	91
— Accrued payroll and other benefits	6,652	6,861	7,915	3,781
— Payables for costs incurred in connection with the proposed issuance of the Company's H shares	—	—	6,630	4,782
— Others	102	903	925	305
	182,417	70,147	143,630	203,771
Other payables to related parties	14	—	—	—
Trade and other payables	182,431	70,147	143,630	203,771

As at 31 December 2021, 2022 and 2023 and 30 June 2024, the ageing analysis of trade and bills payables presented is as follows:

	As at 31 December			As at 30 June
The Group	**2021**	**2022**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	147,444	154,428	195,695	217,360
Over 1 year	657	25	17	72
	148,101	154,453	195,712	217,432

	As at 31 December			As at 30 June
The Company	**2021**	**2022**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	175,434	62,365	128,130	194,812

The amounts due to related parties are unsecured, non-interest bearing and repayable on demand.

21 CONTRACT LIABILITIES

	As at 31 December			As at 30 June
	2021	**2022**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Sales of goods	2,455	11,386	13,452	18,625

Contract liabilities are expected to be settled within the Group's normal operating cycle and will be recognised as revenue when the related performance obligations are satisfied. The management of the Group expects the contract liabilities at the reporting period end will be recognised as revenue within one year.

Revenue recognised during the Relevant Periods included the whole amount of contract liabilities at the beginning of the Relevant Periods. There was no revenue recognised during the year that related to performance obligations that were satisfied in prior years.

22 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(a) Income tax payable in the consolidated statements of financial position represent:

	As at 31 December			As at 30 June
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Balance at the beginning of the year/period	5,065	5,461	6,864	12,311
Provision for current income tax for the year/period *(Note 7(a))*	27,918	26,367	28,839	16,376
Payments during the year/period	(27,522)	(24,964)	(23,392)	(13,727)
Balance at the end of the year/period	5,461	6,864	12,311	14,960

(b) Deferred tax assets and liabilities recognised:

(i) Movement of each component of deferred tax assets and liabilities:

The components of deferred tax assets/(liabilities) recognised in the consolidated statement of financial position and the movements during the Relevant Periods are as follows:

	Credit loss allowance	Provision for inventory	Deductible losses	Fair value adjustment in relation to business combination	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Deferred tax assets/(liabilities) arising from:						
At 1 January 2021	3,618	—	6,779	(10,656)	(4,335)	(4,594)
(Charged)/credited to profit or loss	(675)	418	3,738	819	210	4,510
At 31 December 2021 and 1 January 2022	2,943	418	10,517	(9,837)	(4,125)	(84)
Credited to profit or loss	2,369	276	3,591	819	2,051	9,106
At 31 December 2022 and 1 January 2023	5,312	694	14,108	(9,018)	(2,074)	9,022
Credited/(charged) to profit or loss	3,401	(377)	(8,349)	819	7,250	2,744
At 31 December 2023 and 1 January 2024	8,713	317	5,759	(8,199)	5,176	11,766
Effect on deferred tax balances resulting from a change in tax rate *(note 7(a))*	400	13	2,058	—	(337)	2,134
Credited/(charged) to profit or loss	258	101	845	411	2,000	3,615
At 30 June 2024	9,371	431	8,662	(7,788)	6,839	17,515

(ii) *Reconciliation to the consolidated statements of financial position:*

	As at 31 December			As at 30 June
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Net deferred tax assets recognised on the consolidated statement of financial position	15,186	22,925	24,100	29,577
Net deferred tax liabilities recognised on the consolidated statement of financial position	(15,270)	(13,903)	(12,334)	(12,062)
	(84)	9,022	11,766	17,515

23 LEASE LIABILITIES

At the end of each reporting period, the lease liabilities were payable:

	As at 31 December			As at 30 June
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	1,672	1,743	1,775	1,704
After one year but within two years	1,743	1,187	1,512	1,074
After two years but within five years	2,054	867	2,506	7,659
Balance at the end of the year/period	5,469	3,797	5,793	10,437

24 DEFERRED INCOME

Deferred income represents government grants received to subsidize the construction of property, plant and equipment for the Group and is accounted for in accordance with the accounting policy set out in Note 2(s)(iii).

25 CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity during the Relevant Periods is set out in the consolidated statements of changes in equity. Details of the changes in the Company's individual components of equity are set out below:

	Note	Paid-in capital	Capital reserve	Share capital	Share premium	PRC Statutory reserves	Retained profits	Total equity
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at 1 January 2021		138,000	1,686	—	—	13,103	83,697	236,486
Profit for the year		—	—	—	—	—	116,235	116,235
Other comprehensive income		—	—	—	—	—	—	—
Total comprehensive income		—	—	—	—	—	116,235	116,235
Capital injection		—	—	—	—	—	—	—
Appropriation to statutory reserves		—	—	—	—	11,624	(11,624)	—
Profit distribution		—	—	—	—	—	(49,394)	(49,394)
Balance at 31 December 2021 and 1 January 2022		138,000	1,686	—	—	24,727	138,914	303,327
Profit for the year		—	—	—	—	—	141,916	141,916
Other comprehensive income		—	—	—	—	—	—	—
Total comprehensive income		—	—	—	—	—	141,916	141,916
Issue of ordinary shares upon conversion into a joint stock limited liability company	*25(d)*	(138,000)	(1,686)	361,560	57,777	(24,727)	(254,924)	—
Profit distribution		—	—	—	—	—	(23,460)	(23,460)
Balance at 31 December 2022 and 1 January 2023		—	—	361,560	57,777	—	2,446	421,783

	Note	Paid-in capital	Capital reserve	Share capital	Share premium	PRC Statutory reserves	Retained profits	Total equity
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Profit for the year		—	—	—	—	—	71,204	71,204
Other comprehensive income		—	—	—	—	—	—	—
Total comprehensive income		—	—	—	—	—	71,204	71,204
Issue of ordinary shares to the new shareholders of the Company	*25(d)*	—	—	73,360	129,532	—	—	202,892
Appropriation to statutory reserves		—	—	—	—	—	7,120	(7,120)
Profit distribution		—	—	—	—	—	(29,830)	(29,830)
Balance at 31 December 2023 and 1 January 2024		—	—	434,920	187,309	7,120	36,700	666,049
Profit for the period		—	—	—	—	—	63,061	63,061
Other comprehensive income		—	—	—	—	—	—	—
Total comprehensive income		—	—	—	—	—	63,061	63,061
Balance at 30 June 2024		—	—	434,920	187,309	7,120	99,761	729,110

(b) Dividends

On 28 April 2021, the Company declared and approved the profit distribution of RMB49,394,000 to shareholders.

On 26 April 2022, the Company declared and approved the profit distribution of RMB23,460,000 to shareholders.

On 19 June 2023, the Company declared and approved the profit distribution of RMB29,830,000 to shareholders.

The directors consider that the dividends declared during the Relevant Periods are not indicative of the future dividend policy of the Group.

(c) Paid-in capital

Paid-in capital from investors/ordinary shares are classified as equity. A summary of movements in the Company's paid-in capital/share capital is as follows:

	Note	Total
		RMB'000
At 31 December 2021 and 1 January 2022		138,000
Conversion into a joint stock limited liability company	*25(a)*	(138,000)
At 31 December 2022 and 2023 and 30 June 2024		—

(d) Share capital and share premium

	Note	Numbers of ordinary shares	Share capital	Share premium	Total
		('000)	*RMB'000*	*RMB'000*	*RMB'000*
Issued and fully paid					
At 1 January 2021, 31 December 2021 and 1 January 2022		—	—	—	—
Issue of ordinary shares upon conversion into a joint stock limited liability company	*(i)*	361,560	361,560	57,777	419,337
At 31 December 2022 and 1 January 2023		361,560	361,560	57,777	419,337
Issue of ordinary shares to the new shareholders of the Company	*(ii)*	73,360	73,360	129,532	202,892
At 31 December 2023 and 1 January 2024		434,920	434,920	187,309	622,229
Issue of ordinary shares to the new shareholders of the Company		—	—	—	—
At 30 June 2024		434,920	434,920	187,309	622,229
(Unaudited)					
At 31 December 2022 and 1 January 2023		361,560	361,560	57,777	419,337
Issue of ordinary shares to the new shareholders of the Company		73,360	73,360	129,532	202,892
At 30 June 2023		434,920	434,920	187,309	622,229

(i) Pursuant to the shareholders' resolution on 30 June 2022, the shareholders of the Company agreed to convert the Company into a joint stock limited liability company. The net assets of the Company as at the conversion base date, which is 30 April 2022, including paid-in capital, capital reserve, PRC statutory reserve and retained profits were converted into 361,560,000 ordinary shares with a par value of RMB1 each. The excess of the net assets converted over the nominal value of the ordinary shares was credited to the Company's share premium.

(ii) On 13 January 2023, the Company entered into investment agreements with several independent investors, pursuant to which the investors made a total investment of RMB202,892,000 into the Company based on the valuation report provided by an independent qualified valuer, with RMB73,360,000 and RMB129,532,000 credited to the Company's share capital and share premium respectively, and the Company received all capital injection on 18 January 2023.

(e) Nature and purpose of reserves

(i) Capital reserve

Capital reserve comprises the following:

— The historical book value of the net assets of the subsidiary under common control transferred to the Company during the Relevant Periods less consideration; and

— the difference between the consideration paid and net assets acquired by the Company for acquisition of non-controlling interests in subsidiaries; and

— the excess of the net considerations from the shareholders of the Company over the total paid-in capital issued.

(ii) PRC statutory reserves

PRC statutory reserves were established in accordance with the relevant PRC rules and regulations and the articles of association of the companies comprising the Group which are incorporated in the PRC. Appropriations to the reserves were approved by the respective boards of directors' meeting.

For the entity concerned, PRC statutory reserves can be used to make good previous years' losses, if any, and may be converted into capital in proportion to the existing equity interests of investors, provided that the balance of the reserve after such conversion is not less than 25% of the entity's registered capital.

(iii) Other reserve

Pursuant to certain regulations issued by the Ministry of Finance and the State Administration of Work Safety, the Group is required to set aside from profit after tax an amount to a legal reserve for the safety production purpose. The reserve could be utilised for improvements of safety on the manufacturing work, and the amounts are generally expenses in nature and charged to the consolidated statement of profit or loss as incurred, and at the same time the corresponding amounts of safety reserve fund were utilised and transferred back to retained profits until such special reserve was fully utilised.

(iv) Capital risk management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for equity shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure on the basis of debt to asset ratio. The Group defines debt to asset ratio as total liabilities divided by total assets.

The Group's strategy was to maintain the debt to asset ratio at a reasonable level. The Group's debt to asset ratio at 31 December 2021, 2022 and 2023 and 30 June 2024 was as follow:

	As at 31 December			As at 30 June
	2021	**2022**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Total liabilities	1,100,060	1,492,581	1,397,002	1,406,908
Total assets	1,660,468	2,139,062	2,345,470	2,415,560
Debt to asset ratio	66.25%	69.78%	59.56%	58.24%

Neither the Company nor its subsidiaries are subject to externally imposed capital requirements.

26 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity and interest rate risks arises in the normal course of the Group's business.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade receivables and other receivables. The Group's exposure to credit risk arising from cash and restricted bank deposits and bills receivable is limited because the counterparties are banks and financial institutions with high credit standing, for which the Group considers to have low credit risk.

The Group does not provide any guarantees which would expose the Group to credit risk.

Trade receivables

The Group has established a credit risk management policy under which Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are generally due within 30 days to 120 days from the date of billing. Normally, the Group does not obtain collateral from customers.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. As at 31 December 2021, 2022 and 2023 and 30 June 2024, 63%, 40%, 33% and 33% of the total trade receivables were due from the Group's largest customer respectively, 83%, 73%, 68% and 69% of the total trade receivables were due from the Group's five largest customers respectively.

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables:

	As at 31 December 2021		
	Expected loss rate	**Gross carrying amount**	**Loss allowance**
	%	*RMB'000*	*RMB'000*
Current (not past due)	5.0%	253,142	(12,543)
1-6 months past due	5.5%	13,101	(715)
7-9 months past due	27.1%	155	(42)
10-12 months past due	50.8%	181	(92)
		266,579	(13,392)

	As at 31 December 2022		
	Expected loss rate	**Gross carrying amount**	**Loss allowance**
	%	*RMB'000*	*RMB'000*
Current (not past due)	4.9%	416,271	(20,281)
1-6 months past due	5.8%	53,183	(3,072)
7-9 months past due	15.6%	45	(7)
10-12 months past due	0.0%	—	—
More than 12 months past due	100.0%	90	(90)
		469,589	(23,450)

	As at 31 December 2023		
	Expected loss rate	**Gross carrying amount**	**Loss allowance**
	%	*RMB'000*	*RMB'000*
Current (not past due)	6.0%	483,655	(28,998)
1-6 months past due	6.7%	124,885	(8,339)
7-9 months past due	18.7%	466	(87)
10-12 months past due	67.3%	358	(241)
More than 12 months past due	100.0%	375	(375)
		609,739	(38,040)

	As at 30 June 2024		
	Expected loss rate	Gross carrying amount	Loss allowance
	%	*RMB'000*	*RMB'000*
Current (not past due)	6.2%	421,884	(26,004)
1-6 months past due	6.9%	152,357	(10,566)
7-9 months past due	14.0%	16,973	(2,371)
10-12 months past due	73.5%	1,153	(848)
More than 12 months past due	100.0%	280	(280)
		592,647	(40,069)

Expected loss rates are based on actual loss experience over the past years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

Other receivables

Credit risk in respect of other receivables is limited since the balance mainly includes deposits, value-added-tax recoverable, and amounts due from related parties.

The Group has assessed that during the Relevant Periods, other receivables have not had a significant increase in credit risk since initial recognition. Thus, a 12-month expected credit loss approach that results from possible default event within 12 months of each reporting date is adopted by management. The Group do not expect any losses from non-performance by the counterparties of other receivables and no loss allowance provision for other receivables was recognised.

(b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short-term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the shareholders of the Company when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following tables show the remaining contractual maturities at the end of the reporting period of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the reporting date) and the earliest date the Group and can be required to pay:

	As at 31 December 2021					
	Contractual undiscounted cash outflow					
	Within one year or on demand	More than one year but less than two years	More than two years but less than five years	More than five years	Total	Carrying amount
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Loans and borrowings	332,477	105,712	256,963	138,210	833,362	753,085
Trade and other payables	313,165	—	—	—	313,165	313,165
Lease liabilities	1,863	1,744	2,835	—	6,442	5,469
	647,505	107,456	259,798	138,210	1,152,969	1,071,719

	As at 31 December 2022					
	Contractual undiscounted cash outflow					
	Within one year or on demand	More than one year but less than two years	More than two years but less than five years	More than five years	Total	Carrying amount
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Loans and borrowings	740,348	87,159	274,629	79,150	1,181,286	1,103,780
Trade and other payables	343,234	—	—	—	343,234	343,234
Lease liabilities	1,744	1,069	1,767	—	4,580	3,797
	1,085,326	88,228	276,396	79,150	1,529,100	1,450,811

	As at 31 December 2023					
	Contractual undiscounted cash outflow					
	Within one year or on demand	More than one year but less than two years	More than two years but less than five years	More than five years	Total	Carrying amount
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Loans and borrowings	720,020	62,982	214,591	—	997,593	947,280
Trade and other payables	369,422	—	—	—	369,422	369,422
Lease liabilities	1,806	1,621	1,575	1,239	6,241	5,793
	1,091,248	64,603	216,166	1,239	1,373,256	1,322,495

	As at 30 June 2024					
	Contractual undiscounted cash outflow					
	Within one year or on demand	More than one year but less than two years	More than two years but less than five years	More than five years	Total	Carrying amount
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Loans and borrowings. . . .	751,412	72,413	175,601	—	999,426	958,531
Trade and other payables . .	349,778	—	—	—	349,778	349,778
Lease liabilities.	2,028	1,145	2,628	6,531	12,332	10,437
	1,103,218	73,558	178,229	6,531	1,361,536	1,318,746

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group's interest rate risk arises primarily from cash and cash equivalents, restricted bank deposits, amounts due from the then investor of a subsidiary, loans and borrowings and lease liabilities. The Group's interest-bearing financial instruments at variable rates as at 31 December 2021, 2022 and 2023 and 30 June 2024 are the cash and cash equivalents and restricted bank deposits, and the cash flow interest risk arising from the change of market interest rate on these balances is not considered significant. The Group's interest rate profile as monitored by management is set out below.

(i) Interest rate profile

The following table details the interest rate profile of the Group's receivables, loans and borrowings, lease liabilities, cash and cash equivalents and restricted bank deposits as at the end of reporting period:

	As at 31 December						As at 30 June	
	2021		2022		2023		2024	
	Interest rate %	*RMB'000*	*Interest rate %*	*RMB'000*	*Interest rate %*	*RMB'000*	*Interest rate %*	*RMB'000*
Fixed rate:								
Loans and borrowings. .	2.55%–3.75%	(753,085)	2.85%–3.75%	(1,103,780)	2.60%-2.95%	(947,280)	2.60%-2.95%	(958,531)
Lease liabilities	3.75%–4.65%	(5,469)	4.3%–4.5%	(3,797)	4.3%-4.5%	(5,793)	4.3%-4.5%	(10,437)
		(758,554)		(1,107,577)		(953,073)		(968,968)
Variable rate:								
Cash at bank	0.30%–0.35%	214,305	0.30%–0.35%	131,757	0.20%-0.35%	166,103	0.20%-0.35%	143,515
Restricted bank deposits.	0.30%–0.35%	129	—	—	—	—	—	—
		214,434		131,757		166,103		143,515

(ii) Sensitivity analysis

At 31 December 2021, 2022 and 2023 and 30 June 2024, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have decreased/increased the Group's profit after tax and retained profits by approximately RMB1,632,000, RMB1,007,000, RMB1,259,000 and RMB 1,086,000 respectively.

The sensitivity analysis above indicates the instantaneous change in the Group's profit after tax (and retained profits) that would arise assuming that the change in interest rates had occurred at the end of the reporting period. The impact on the Group's profit after tax (and retained profits) is estimated as an annualised impact on interest expense of such a change in interest rates. Fixed rate financial instruments are excluded for the above analysis. The analysis is performed on the same basis for each reporting period.

(d) Fair value measurement

(i) Financial instruments carried at fair value

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in IFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available
- Level 3 valuations: Fair value measured using significant unobservable inputs

	Fair value at 31 December 2021	Fair value measurements as at 31 December 2021 categorised into		
		Level 1	Level 2	Level 3
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets measured at FVOCI				
Bills receivable	4,371	—	4,371	—

	Fair value at 31 December 2022	Fair value measurements as at 31 December 2022 categorised into		
		Level 1	Level 2	Level 3
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets measured at FVOCI				
Bills receivable	31,245	—	31,245	—

	Fair value at 31 December 2023	Fair value measurements as at 31 December 2023 categorised into		
		Level 1	Level 2	Level 3
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets measured at FVOCI				
Bills receivable	10,819	—	10,819	—

	Fair value at 30 June 2024	Fair value measurements as at 30 June 2024 categorised into		
		Level 1	Level 2	Level 3
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets measured at FVOCI				
Bills receivable	40,579	—	40,579	—

During the years ended 31 December 2021, 2022 and 2023 and 30 June 2024, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3.

Valuation techniques and inputs used in Level 2 fair value measurements

For bills receivable that are measured at FVOCI, the fair value is estimated as the present value of the future cash flows, discounted at the market interest rates at the balance sheet date.

(ii) Fair values of financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's financial assets and liabilities carried at amortised cost were not materially different from their fair values as at 31 December 2021, 2022 and 2023 and 30 June 2024.

27 COMMITMENTS

Capital commitments for purchase of property, plant and equipment outstanding at 31 December 2021, 2022 and 2023 and 30 June 2024 not provided for in the Historical Financial Information were as follows:

	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contracted for	139,950	33,729	10,890	923

28 MATERIAL RELATED PARTY TRANSACTIONS

(a) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's executive directors as disclosed in Note 8 is as follows:

	Year ended 31 December			Six months ended 30 June	
	2021	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Short-term employee benefits . . .	1,244	3,407	2,385	1,624	993
Post-employment benefits	32	117	114	36	38
	1,276	3,524	2,499	1,660	1,031

(b) Name and relationship with related parties

During the Relevant Periods, transactions with the following parties are considered as related party transactions.

Name of party[(i)]	Relationship
Anhui Conch Cement Company Limited and its subsidiaries 安徽海螺水泥股份有限公司及其附屬公司	Fellow subsidiary
Anhui Conch Group and its subsidiaries 安徽海螺集團及其附屬公司	Intermediate holding company
Xintongling Building Materials Group and its subsidiaries 鑫統領建材集團及其附屬公司	Entities controlled by a director of the Company
China Conch Venture Holdings Limited and its subsidiaries 中國海螺創業控股有限公司及其附屬公司	Investor of Anhui Conch Group

(i) The English translation of the names is for reference only. The official names of these entities are in Chinese.

(c) Material related party transactions

Particulars of material transactions between the Group and the above related parties during the Relevant Periods are as follows:

	Year ended 31 December			Six months ended 30 June	
	2021	**2022**	**2023**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Sales of goods to *(Note (i))*:					
Anhui Conch Cement Company Limited and its subsidiaries	807,656	749,058	761,515	337,942	338,065
Anhui Conch Group and its subsidiaries	—	—	—	—	7,807
Xintongling Building Materials Group and its subsidiaries	42,335	26,540	16,099	8,635	5,449
	849,991	775,598	777,614	346,577	351,321
Sales of goods to *(Note (ii))*:					
Anhui Conch Cement Company Limited and its subsidiaries	202	16,049	889	298	519

	Year ended 31 December			Six months ended 30 June	
	2021	**2022**	**2023**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Service rendered to:					
Anhui Conch Cement Company Limited and its subsidiaries	600	—	—	—	—
	600	—	—	—	—

	Year ended 31 December			Six months ended 30 June	
	2021	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Purchase of goods from:					
China Conch Venture Holdings Limited and its subsidiaries	1	32	—	—	—
Anhui Conch Cement Company Limited and its subsidiaries	980	1,704	859	415	292
Anhui Conch Group and its subsidiaries	3,636	1,638	577	50	380
	4,617	3,374	1,436	465	672

	Year ended 31 December			Six months ended 30 June	
	2021	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Purchase of property, plant and equipment from:					
China Conch Venture Holdings Limited and its subsidiaries	25,035	8,618	1,757	961	1,011
Anhui Conch Cement Company Limited and its subsidiaries	—	—	—	—	1,794
Anhui Conch Group and its subsidiaries	4,012	15,587	13,593	9,172	407
	29,047	24,205	15,350	10,133	3,212

	Year ended 31 December			Six months ended 30 June	
	2021	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Services received from:					
China Conch Venture Holdings Limited and its subsidiaries	—	169	—	—	43
Anhui Conch Cement Company Limited and its subsidiaries	352	128	1,315	411	5,659
Anhui Conch Group and its subsidiaries	976	1,383	764	763	511
	1,328	1,680	2,079	1,174	6,213

	Year ended 31 December			Six months ended 30 June	
	2021	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Guarantee provided by related parties in respect of the Group's bank loans:					
Anhui Conch Group and its subsidiaries *(Note (iii))*	50,000	83,467	52,000	52,000	—

	Year ended 31 December			Six months ended 30 June	
	2021	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Consideration paid for acquisition of entity under common control					
Anhui Conch Group and fellow subsidiaries	—	—	15,509	15,509	—

	Year ended 31 December			Six months ended 30 June	
	2021	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Purchase patents					
Anhui Conch Group and fellow subsidiaries	—	—	4,783	4,783	—

(i) The related party transactions in respect of the sales of cement admixtures and concrete admixtures to Anhui Conch Cement Company Limited, Anhui Conch Group and Xintongling Building Materials Group and their respective subsidiaries constitute the non-exempt continuing connected transactions with the Group under the Chapter 14A of Listing Rules upon the Listing.

(ii) The related party transactions in respect of the sales of other products to Anhui Conch Cement Company Limited and its subsidiaries do not constitute non-exempt continuing connected transactions with the Group.

(iii) The loan guarantee has been released in November 2023.

(d) Balances with related parties

Balances with related parties at the end of each reporting period are as follows:

The Group:

	At 31 December			At 30 June
	2021	**2022**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables				
Anhui Conch Cement Company Limited and its subsidiaries	167,072	186,992	200,692	198,865
Anhui Conch Group and its subsidiaries	185	—	—	6,314
Xintongling Building Materials Group and its subsidiaries	6,395	5,271	2,542	2,036
	173,652	192,263	203,234	207,215
Other receivables				
Anhui Conch Cement Company Limited and its subsidiaries	—	110	—	—
Anhui Conch Group and its subsidiaries	2,451	3,953	18	—
	2,451	4,063	18	—

The other receivables (non-trade) from related party as at 31 December 2023 has been settled in March 2024.

	At 31 December			At 30 June
	2021	**2022**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables				
Anhui Conch Cement Company Limited and its subsidiaries	87	162	871	2,691
China Conch Venture Holdings Limited and its subsidiaries	139	266	967	360
Anhui Conch Group and its subsidiaries	506	349	888	1,183
	732	777	2,726	4,234
Other payables				
Anhui Conch Cement Company Limited and its subsidiaries	—	—	—	2,284
China Conch Venture Holdings Limited and its subsidiaries	11,297	8,470	1,635	2,843
Anhui Conch Group and its subsidiaries	1,911	2,299	4,323	1,702
	13,208	10,769	5,958	6,829

The other payables to related parties as at 30 June 2024 will be settled in accordance with the respective contract term.

29 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE ACCOUNTING PERIOD BEGINNING ON 1 JANUARY 2024

Up to the date of issue of these financial statements, the IASB has issued a few of amendments, new standards and interpretations which are not yet effective for the accounting period beginning on 1 January 2024 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group:

	Effective for accounting periods beginning on or after
Amendments to IAS 21, *The effects of changes in foreign exchange rates: Lack of exchangeability*	1 January 2025
Amendments to IFRS 9 and IFRS 7: *Amendments to the Classification and Measurement of Financial Instruments*	1 January 2026
Annual Improvements to IFRS Accounting Standards – Volume 11	1 January 2026
IFRS 18, *Presentation and Disclosure in Financial Statement*	1 January 2027
IFRS 19, *Subsidiaries without Public Accountability: Disclosures*	1 January 2027
Amendments to IFRS 10 and IAS 28, *Sale or contribution of assets between an investor and its associate or joint venture*	To be determined

The Group is in the process of making an assessment of what the impact of these amendments, new standards and interpretations is expected to be in the period of initial application. So far the Group has concluded that the adoption of them is unlikely to have a significant impact on its consolidation financial statements.

30 SUBSEQUENT EVENT

The Group does not have any material subsequent event after 30 June 2024.

SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company and its subsidiaries comprising the Group in respect of any period subsequent to 30 June 2024.

The following information does not form part of the Accountants' Report received from the Company's reporting accountants, KPMG, Certified Public Accountants, Hong Kong, as set out in Appendix I to this prospectus, and is included herein for illustrative purposes only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the Accountants' Report set out in Appendix I to this prospectus.

A UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted consolidated net tangible assets of the Group prepared in accordance with paragraph 4.29 of the Listing Rules is to illustrate the effect of the Global Offering on the consolidated net tangible assets of the Group attributable to equity shareholders of the Company as at 30 June 2024 as if the Global Offering had taken place on that date.

The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not provide a true picture of the consolidated financial position of the Group had the Global Offering been completed as at 30 June 2024 or at any future date.

	Consolidated net tangible assets attributable to equity shareholders of the Company as at 30 June 2024	Estimated net proceeds from the Global Offering	Unaudited pro forma adjusted consolidated net tangible assets attributable to the equity shareholders of the Company	Unaudited pro forma adjusted consolidated net tangible assets attributable to the equity shareholders of the Company per share	
	RMB'000	*RMB'000*	*RMB'000*	*RMB*	*HK$ equivalent*
	(Note 1)	*(Note 2 and 4)*		*(Note 3)*	*(Note 4)*
Based on an Offer Price of HK$3.00 per Share . . .	876,332	370,308	1,246,640	2.15	2.33
Based on an Offer Price of HK$3.30 per Share . . .	876,332	410,481	1,286,813	2.22	2.40

Notes:

1. The consolidated net tangible assets attributable to equity shareholders of the Company as at 30 June 2024 is based on the total equity attributable to equity shareholders of the Company of 917,609,000 less intangible assets of RMB12,586,000 and goodwill of RMB28,691,000 as at 30 June 2024, which is extracted from the Accountants' Report as set out in Appendix I to the Prospectus.

2. The estimated net proceeds from the Global Offering are based on 144,974,000 shares to be issued at the estimated offer prices of HK$3.00 per share (being the low-end price) and HK$3.30 per share (being the high-end price), after deduction of the estimated underwriting fees and other estimated related expenses payable by the Company (excluding the listing expenses which have been charged to profit or loss up to 30 June 2024), assuming the Over-allotment Option is not exercised.

3. The unaudited pro forma adjusted consolidated net tangible assets attributable to equity shareholders of the Company per Share is arrived at by dividing the unaudited pro forma adjusted consolidated net tangible assets attributable to equity shareholders of the Company by 579,894,000 Shares, being the number of shares expected to be in issue following the completion of the Global Offering, and does not take into account any shares which may be issued upon the exercise of the Over-allotment Option.

4. For illustrative purpose, the estimated net proceeds from the Global Offering and the unaudited pro forma adjusted consolidated net tangible assets per share are converted from or into Hong Kong dollar at the exchange rate of HK$1.00 to RMB0.92373, the exchange rate set by the People's Bank of China prevailing on 9 December 2024. No representation is made that the Hong Kong dollar amounts have been, could have been or may be converted to Renminbi, or vice versa, at the rate or at any rates or at all.

5. No adjustment has been made to the unaudited pro forma statement of adjusted consolidated net tangible assets to reflect any trading results or other transactions entered into subsequent to 30 June 2024.

B REPORT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from the reporting accountants, KPMG, Certified Public Accountants, Hong Kong, in respect of the Group's pro forma financial information for the purpose in this prospectus.

KPMG

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION

TO THE DIRECTORS OF ANHUI CONCH MATERIAL TECHNOLOGY CO., LTD.

We have completed our assurance engagement to report on the compilation of pro forma financial information of Anhui Conch Material Technology Co., Ltd. (the "**Company**") and its subsidiaries (collectively the "**Group**") by the directors of the Company (the "**Directors**") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted consolidated net tangible assets as at 30 June 2024 and related notes as set out in Part A of Appendix II to the prospectus dated 31 December 2024 (the "**Prospectus**") issued by the Company. The applicable criteria on the basis of which the Directors have compiled the pro forma financial information are described in Part A of Appendix II to the Prospectus.

The pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed offering of the ordinary shares of the Company (the "**Global Offering**") on the Group's financial position as at 30 June 2024 as if the Global Offering had taken place at 30 June 2024. As part of this process, information about the Group's financial position as at 30 June 2024 has been extracted by the Directors from the Group's historical financial information included in the Accountants' Report as set out in Appendix I to the Prospectus.

Directors' Responsibilities for the Pro Forma Financial Information

The Directors are responsible for compiling the pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("**AG 7**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**").

Our Independence and Quality Management

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

The firm applies Hong Kong Standard on Quality Management 1 "Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements", which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements ("**HKSAE**") 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the pro forma financial information in accordance with paragraph 4.29 of the Listing Rules, and with reference to AG 7 issued by the HKICPA.

For purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of events or transactions as at 30 June 2024 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our procedures on the pro forma financial information have not been carried out in accordance with attestation standards or other standards and practices generally accepted in the United States of America, auditing standards of the Public Company Accounting Oversight Board (United States) or any overseas standards and accordingly should not be relied upon as if they had been carried out in accordance with those standards and practices.

We make no comments regarding the reasonableness of the amount of net proceeds from the issuance of the Company's shares, the application of those net proceeds, or whether such use will actually take place as described in the section headed "Future Plans and Use of Proceeds" in the Prospectus.

Opinion

In our opinion:

a) the pro forma financial information has been properly compiled on the basis stated;

b) such basis is consistent with the accounting policies of the Group, and

c) the adjustments are appropriate for the purposes of the pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

KPMG
Certified Public Accountants
Hong Kong
31 December 2024

The main purpose of this appendix is to provide investors with an overview of the Articles of Association to be implemented following the Company's H shares offering. The following is only a summary and may not contain all the information that is important to investors.

Shares and Registered Capital

The shares of the Company shall be in registered form, and all shares issued are ordinary shares.

Shares of the Company shall be issued in accordance with the principles of openness, fairness and impartiality. Shares of the same class shall rank pari passu with each other. For same class of shares issued in the same tranche, each share shall be issued at the same price and subject to the same conditions. For the shares subscribed by any entity or individual, the price payable for each of such shares shall be the same.

Subject to filing with the CSRC, the Company may issue shares to domestic and foreign investors. Shares issued by the Company shall be denominated in RMB with a par value of RMB1 per share.

Increase and Reduction of Shares, Repurchase of Shares

Increase and Reduction of Shares

The Company may, based on its business and development needs and in accordance with the requirement of laws, regulations, and listing rules of the stock exchange(s) of the places where the shares of Company are listed, increase its capital in the following manners upon respective resolutions being adopted by the general meetings:

(I) by public offering of shares;

(II) by non-public offering of shares;

(III) by allotting bonus shares to its existing shareholders;

(IV) by capitalising its capital common reserve;

(V) by other means prescribed by laws and administrative regulations and approved or filed by the CSRC.

The Company's increase of capital by issuing new shares shall, after being approved in accordance with the provisions of the Articles of Association and listing rules of the places where the shares of Company are listed, be conducted in accordance with the procedures stipulated in the relevant laws, administrative regulations, department rules and listing rules of the stock exchange(s) of the places where the Company's shares are listed.

The Board of Directors may, in accordance with the Articles of Association or by authorisation of the general meeting, decide to issue shares not exceeding 50% of the issued shares within three years. However, the capital contribution in the form of non-monetary property shall be resolved at the general meeting.

In the event that the Board of Directors decides to issue shares in accordance with the above provisions, resulting in a change in the registered capital or the number of issued shares of the Company, amendments to the relevant provisions of the Articles of Association do not need to be approved by the general meeting again. Where the Articles of Association or the general meeting authorises the Board of Directors to decide on the issuance of new shares, the resolution of the Board of Directors shall be passed by at least two-thirds of all Directors.

The Company may reduce its registered capital. The Company's reduction of registered capital shall be conducted in accordance with the procedures stipulated in the Company Law and other relevant regulations, listing rules of the places where the shares of Company are listed, other securities regulatory rules and the Articles of Association. The registered capital of Company after such reduction shall not be lower than the statutory minimum amount of registered capital.

Repurchase of Shares

The Company shall not acquire its shares. However, subject to the approval by the procedures specified in the Articles of Association, the Company can repurchase its shares in accordance with the laws, administrative regulations, listing rules of the stock exchange(s) of the places where the Company's shares are listed, department rules, and the Articles of Association under the following circumstances:

(I) reducing its registered capital;

(II) merging with other companies which hold the Company's shares;

(III) using shares for employee stock ownership plans or share incentives;

(IV) acquiring shares held by shareholders who vote against any resolution proposed in any general meeting on the merger or division of the Company upon their request;

(V) using shares for converting convertible corporate bonds issued by the listed company;

(VI) being necessary for the Company to protect the corporate value and the rights and interests of shareholders;

(VII) in other circumstances as stipulated by laws, administrative regulations and listing rules of the stock exchange(s) of the places where the Company's shares are listed.

The repurchase of the Company's shares shall adopt the method of open and centralised trading or by other means recognised by the laws, administrative regulations, listing rules of the places where the shares of Company are listed, other securities regulatory rules and the CSRC.

Any repurchase of the Company shares for the reasons stated in items (III), (V) and (VI) referred to above shall adopt the method of open and centralised trading; any repurchase of the Company shares for the reasons stated in items (I) and (II) referred to above shall be resolved at a general meeting, any repurchase of the Company shares for the reasons stated in items (III), (V) and (VI) referred to above shall resolved at a Board meeting attended by more than two-thirds of the Directors in accordance with the provisions as stated herein or pursuant to the mandate granted by the general meetings.

For any repurchase of the Company's shares pursuant to the Articles of Association, shares repurchased pursuant to item (I) shall be cancelled within ten (10) days from the date of the buy-back; for those circumstances described in items (II) and (IV), the shares shall be transferred or cancelled within six (6) months; for those circumstances described in items (III), (V) and (VI), the total number of the Company's shares held by the Company shall not exceed 10% of the total issued shares of the Company, and shall be transferred or cancelled within three (3) years.

The Company shall apply to the original company registration authority for registration of the change in registered capital after it cancels the portion of shares repurchased by the Company. The amount of the Company's registered capital shall be reduced by the total par value of the shares cancelled.

Transfer of Shares

Unless otherwise provided by laws, administrative regulations, listing rules of the places where the shares of Company are listed, or the Articles of Association, the Company's shares may be transferred in accordance with the law. The transfer of shares of the Company requires registration by the share registrar appointed by the Company. All transfers of overseas listed foreign shares shall be effected by instruments of transfer in writing in an ordinary or usual form or in any other form acceptable to the Board of Directors (including the standard transfer format or ownership transfer form as prescribed by the Hong Kong Stock Exchange from time to time). If the transferor or the transferee of the shares of the Company is a recognized clearing house ("**Recognized Clearing House**") or proxy thereof as defined by relevant provisions of the Hong Kong laws in force from time to time, the written instrument of transfer may be signed by hand or in a machine-printed form. All the instruments of transfer shall be kept at the legal address of the Company or such other address as the Board of Directors may specify from time to time.

The Company shall not accept its shares as the subject of a pledge.

The shares of the Company issued prior to the Company's public offering of shares shall not be transferred within 1 year from the date the shares of the Company being listed and traded on the stock exchange(s).

The Directors, Supervisors and senior management of the Company shall report to the Company the shares held by them and the changes thereof. During the term of their office as determined when they assume the posts, the shares transferred by any of them each year shall not exceed 25% of the total number of shares of the same class of the Company that he holds. The shares of the Company held by the aforesaid persons shall not be transferred within one year from the date when the shares of the Company are listed and traded in a stock exchange. Where the shares are pledged within the time limit for restricted transfer as provided for by laws and administrative regulations, the pledgee may not exercise the pledge right within such restricted period. If any of the aforesaid persons leaves from his post, he shall not transfer the shares of the Company that he holds within six months from such departure. If listing rules of the stock exchange(s) of the places where the Company's shares are listed provide otherwise on restrictions on transfers of H shares, such rules shall prevail.

Upon filing with the CSRC, Shareholders holding unlisted shares of the Company may have all or part of their shares listed and traded on overseas stock exchanges; Shareholders holding domestic unlisted shares of the Company may transfer all or part of their shares to foreign investors and have them listed and traded on overseas stock exchanges; and all or part of the domestic unlisted shares of the Company may be converted into overseas listed shares that are listed and traded on overseas stock exchanges. The listing and trading of the transferred or converted shares on overseas stock exchanges shall also comply with the regulatory procedures, regulations and requirements of the overseas securities markets.

Any gains from sale of shares or other securities of equity nature in the Company by any shareholders holding 5% or more of the shares, Directors, Supervisors or senior management in the Company within six (6) months after their purchase of the same, and any gains from purchase of shares in the Company by any of the aforesaid parties within six (6) months after sale of the same shall belong to the Company. The Board shall forfeit such gains from the abovementioned parties. However, the securities company holds more than five percent of the shares as a result of the purchase of the remaining shares after the underwriting, or other circumstances stipulated by the CSRC are excluded.

Shares or other securities of equity nature in the Company held by the Directors, Supervisors, senior management and natural person shareholders as referred to above include the shares or other securities of equity nature in the Company held by their spouses, parents, children and held by them using others' accounts. Should the Board of the Company does not observe the provisions as prescribed above, the Shareholders shall be entitled to request the Board of Directors to effect the same within thirty (30) days. If the Board of Directors of the Company fails to do so within the aforesaid time limit, the Shareholders may directly initiate court proceedings in the People's Court in their own name for the interests of the Company. Should the Board of the Company does not observe the provisions as prescribed above, responsible Directors shall be liable joint and severally.

Shareholders and General Meeting

Shareholders

The Company shall establish a register according to the certificates provided by the securities registry and the register shall be the ample evidence that the shareholders hold any shares in the Company. The Hong Kong branch register must be available for inspection by shareholders, but the Company may be permitted to close the register of members on terms equivalent to those of section 632 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong). The shareholders of the Company shall be the parties who legally hold the Company's shares and whose names have been registered on the register. A shareholder shall enjoy rights and assume obligations pursuant to the class and quantity of shares held; holders of the same class of share shall enjoy equal rights and assume equal obligations.

The Company shall protect the rights of shareholders in accordance with the law, emphasising the protection of the legitimate rights and interests of minority shareholders, and shall not deprive or restrict shareholders of their legitimate rights. When two or more persons are registered as joint shareholders of any shares, they shall be deemed to be joint holders of such shares, subject to the relevant provisions of the Articles of Association.

When the Company convenes a general meeting, distributes dividends, commences liquidation or participates in other activities requiring the identification of shareholders, the Board of Directors or conveners of a general meeting shall decide the record date. The Shareholders whose names appear on the register at the close of trading on the record date shall enjoy the relevant rights.

The register of members may not be changed within 20 days prior to the convening of the general meeting or within 5 days prior to the date on which the Company decides to distribute dividends. Where laws, administrative regulations or securities regulatory authorities have other provisions on the change of the register of members of the Company, such provisions shall prevail.

The Shareholders of the Company shall have the following rights:

(I) to receive dividends and other profit distributions according to the number of shares held;

(II) to request, convene, hold, participate or send proxy to attend general meetings and to exercise the corresponding speaking and voting rights according to the law, unless individual shareholders are required by the listing rules of the stock exchange(s) of the places where the Company's shares are listed, or other applicable laws, regulations and administrative regulations, to abstain from voting in respect of any matter to be considered at the general meeting;

(III) to supervise and manage business operations of the Company and to raise proposals or address inquiries accordingly;

(IV) to transfer, donate or pledge the shares held by him pursuant to the provisions of laws, administrative regulations and the Articles of Association;

(V) to review or copy the Articles of Association, register, minutes of general meetings, resolutions of Board meetings, resolutions of meetings of the Board of Supervisors, and financial accounting Reports;

(VI) to participate in, upon the Company's termination or liquidation, the distribution of the Company's remaining assets according to the quantity of shares held;

(VII) with respect to shareholders voting against any resolution adopted at the general meetings on the merger or division of the Company, the right to demand the Company to acquire the shares held by them;

(VIII) other rights as stipulated in laws, administrative regulations, departmental regulations, listing rules of the stock exchange(s) of the places where the Company's shares are listed and the Articles of Association.

When a shareholder requests to have access to the information mentioned in the preceding Article, he shall comply with the Securities Law and other laws and administrative regulations and present evidence to prove the class and amount of shareholding in writing. The Company shall comply with the shareholder's request after verifying his identity.

If a shareholder who holds individually or collectively more than 3% of the shares of the Company for more than 180 consecutive days may request to review the accounting books and accounting vouchers of the Company. When he/she do so, he/she shall submit a written request to the Company stating the purpose thereof. If the Company has reasonable grounds to believe that the shareholder's requests to review the accounting books and accounting vouchers has improper purposes and may impair the legitimate interests of the Company, it may reject the request of the shareholder to review the accounting books and accounting vouchers and shall, within 15 days from the shareholder's written request, respond to the shareholder in writing, which shall include an explanation. If the Company rejects the request of any shareholder to review the accounting books and accounting vouchers, the shareholder may initiate proceedings in the People's Court.

The shareholder may retain an accounting firm, a law firm, or other intermediaries to review the materials specified in the preceding paragraph.

The shareholder and the accounting firm, the law firm, or other intermediaries retained by it shall comply with the provisions of the Securities Law of the PRC and the laws and administrative regulations relating to the protection of state secrets, commercial secrets, personal privacy and personal information, etc., when reviewing and duplicating the relevant material.

If a shareholder requests to review or duplicate the relevant materials of the Company's wholly-owned subsidiaries, the above provisions shall apply.

The shareholders of the Company shall assume the following obligations:

(I) to abide by the law, administrative regulation, listing rules of the stock exchange(s) of the places where the Company's shares are listed and the Articles of Association;

(II) to pay for the shares pursuant to the quantity and the method of subscription;

(III) not to divest the shares except as required by the law or statutory regulations;

(IV) not to abuse his rights as a shareholder to damage the Company's or other shareholder's interests; not to abuse the independent legal person status of the Company and the limited liability of the shareholders to damage the interests of creditors;

(V) other obligations as stipulated in laws, administrative regulations, listing rules of the stock exchange(s) of the places where the Company's shares are listed and the Articles of Association.

Shareholders of the Company who abuse their shareholders' rights and thereby causing damage to the Company or other shareholders shall be liable for indemnity according to the laws. Where shareholders of the Company abuse the independent legal person status of the Company and the limited liability of shareholders for the purpose of evading repayment of debts, thereby materially impairing the interests of the creditors of the Company, such shareholders shall be jointly and severally liable for the debts owed by the Company.

The controlling shareholders and actual controller of the Company shall not use their affiliation to jeopardise the interests of the Company. They shall be liable for indemnity if, as a result of violating such provisions, they cause damage to the Company. The controlling shareholders and actual controllers of the Company shall have fiduciary duties towards the Company and its public shareholders. The controlling shareholders shall exercise their rights as contributors in strict compliance with the laws, shall not infringe the legitimate rights and interests of the Company and other shareholders through profit distribution, asset restructuring, foreign investment, appropriation of capital, offering security for loans, and shall not make use of their controlling status to jeopardise the interests of the Company and other shareholders.

If a resolution passed at the general meeting or Board meeting of the Company violates the laws or administrative regulations, the shareholders shall have the right to submit a petition to the People's Court to render the same as invalid. If the procedures for convening, or the methods of voting at, a general meeting or Board meeting violate the laws, administrative regulations or the Articles of Association, or the contents of a resolution violate the Articles of Association, shareholders shall be entitled to submit a petition to the People's Court to rescind such resolution within 60 days from the date on which such resolution is passed, except where the procedures for convening a meeting of the general meeting or the Board of Directors or the voting method only has some minor defects, which produces no substantial effect on the resolution.

Directors, supervisors and senior management shall be liable for any loss caused to the Company as a result of any violation of laws, administrative regulations or the Articles of Association in the course of performing their duties with the Company. In the event that the above situation happens to Directors or senior management members, shareholder(s) individually or jointly holding 1% or more of the shares of the Company for more than 180 consecutive days shall be entitled to request in writing the Board of Supervisors to initiate proceedings to the People's Court. In the event that the above situation happens to supervisors, the shareholder(s) individually or jointly holding 1% or more of the shares of the Company for more than 180 consecutive days shall be entitled to make a request in writing to the Board of Directors to initiate proceedings to the People's Court.

In the event that the Board of Supervisors or the Board of Directors refuses to initiate proceedings after receiving the written request of shareholders stated in the foregoing paragraphs, or fails to initiate such proceedings within 30 days from the date on which such request is received, or in case of emergency where failure to initiate such proceedings immediately will result in irreparable damage to the Company's interests, shareholders described in the preceding paragraphs shall have the right to initiate proceedings to the People's Court directly in their own names for the interest of the Company. If any other person infringes upon the lawful rights and interests of the Company, thereby resulting in the Company incurring any loss, shareholder(s) individually or jointly holding 1% or more of the shares of the Company for more than 180 consecutive days may institute legal proceedings to the People's Court.

If any director or senior management violates the laws, administrative regulations or the Articles of Association, thereby resulting in the shareholders incurring any loss, the shareholders may institute legal proceedings to the People's Court.

General Meeting

The general meeting is the organ of authority of the Company and shall exercise the following functions and powers according to the laws:

(I) to elect and replace directors and supervisors, and to determine matters relating to the remuneration of the directors and supervisors;

(II) to consider and approve the reports of the Board of Directors;

(III) to consider and approve the reports of the Board of Supervisors;

(IV) to consider and approve the Company's profit distribution plans and loss recovery plans;

(V) to resolve on the increase or reduction of the Company's registered capital;

(VI) to resolve on the issuance of corporate bonds or other securities and public listing plans;

(VII) to resolve on matters such as the merger, division, dissolution, liquidation or transformation of corporate form of the Company;

(VIII) to amend the Articles of Association, and to approve the Procedures of General meetings, the Procedures of the Board of Directors and the Procedures of the Board of Supervisors;

(IX) to resolve on the Company's appointment, removal of accounting firms and determination of the remuneration of accounting firms and the manner in which it is determined;

(X) to consider and approve external guarantees required to be considered and passed at the general meeting pursuant to the Articles of Association;

(XI) to consider matters relating to the purchase and sale of material assets by the Company within one year valued at more than 30% of the audited total assets of the Company as at the latest period;

(XII) to consider and approve matters relating to changes in the use of funds raised;

(XIII) to consider equity incentive plans and employee stock ownership plans;

(XIV) to consider other matters which, in accordance with the laws, administrative regulations, departmental rules, listing rules of the stock exchange where the shares of the Company are listed and the Articles of Association, shall be approved by the general meeting.

The general meeting can authorise or entrust the Board of Directors to handle the matters authorised or entrusted thereby, provided that the laws and regulations, and the mandatory the laws and regulations of the place where the shares of the Company are listed are not violated.

Except in the case of crisis or other special circumstances of the Company, unless prior approval by special resolution is obtained in a general meeting, the Company shall not enter into any contract with any party other than the directors, supervisors, general manager and other senior management, pursuant to which such party shall be responsible for managing the whole or any substantial part of the Company's business.

General meetings shall be divided into annual general meeting and extraordinary general meetings. The Company shall convene general meetings in strict accordance with the laws, administrative regulations, departmental rules, listing rules of the stock exchange where the shares of the Company are listed and the Articles of Association to ensure that shareholders are able to exercise their rights in accordance with the laws. Annual general meetings are held once every year and within 6 months from the end of the preceding accounting year.

The Company shall convene an extraordinary general meeting within 2 months after the occurrence of any one of the following circumstances:

(I) where the number of directors falls short of the minimum number required by the Company Law or is no more than two-thirds of the number required by the Articles of Association;

(II) where the unrecovered losses of the Company amount to one-third of its total paid up share capital;

(III) where shareholder(s) individually or jointly holding 10% or more of the shares of the Company request(s) in writing;

(IV) where the Board of Directors considers it necessary;

(V) where the Board of Supervisors so request;

(VI) where more than two independent directors (i.e. independent non-executive directors under the Listing Rules) so request;

(VII) other circumstances as stipulated in the laws, administrative regulations, departmental rules, listing rules of the stock exchange where the shares of the Company are listed or the Articles of Association.

The number of shares held by a shareholder in sub-paragraph (III) above shall be based on the number of shares held on the date of written request by the shareholder.

Convening of General Meeting

General meetings shall be convened by the Board of Directors in accordance with the laws. Independent directors (i.e. independent non-executive directors under the Listing Rules) and the Board of Supervisors shall have the right to propose to the Board of Directors to convene an extraordinary general meeting, and the Board of Supervisors shall propose to the Board of Directors in writing. In respect of a proposal by an independent director and the Board of Supervisors to convene an extraordinary general meeting, the Board of Directors shall give a written reply on whether or not it agrees to hold such extraordinary general meeting within 10 days after receipt of the request, in accordance with laws, administrative regulations, the listing rules of the stock exchange where the Company's shares are listed and the Articles of Association. If the Board of Directors agrees to convene the extraordinary general meeting, a notice for convening such meeting shall be issued within five days after the date of the resolution of the Board of Directors. Where the Board of Supervisors proposes to convene an extraordinary general meeting, any changes to the original proposal contained in the notice shall be subject to the approval of the Board of Supervisors.

If the Board of Directors does not agree to convene such extraordinary general meeting proposed by independent directors, reasons shall be explained and the announcement shall be made. If the Board of Directors does not agree to convene such extraordinary general meeting, or fails to give a response within ten days after receipt of the proposal of the Board of Supervisors, the Board of Directors shall be deemed to be unable to or have failed to perform its duty to convene the general meeting, and the Board of Supervisors shall have the right to convene and preside over such meeting on its own.

Shareholder(s) individually or jointly holding 10% or more of the shares of the Company shall have the right to request the Board of Directors to hold an extraordinary general meeting, and shall put forward such request to the Board of Directors in writing and state the resolution of the meeting. The Board of Directors shall give a written reply on whether or not it agrees to hold such extraordinary general meeting within 10 days after receipt of the request, in accordance with laws, administrative regulations, the listing rules of the stock exchange where the Company's shares are listed and the Articles of Association. If the Board of Directors agrees to convene the extraordinary general meeting, a notice for convening such meeting shall be issued within five days after the date of the resolution of the Board of Directors and any changes to the original proposal contained in the notice shall be subject to the approval of the relevant shareholders. If the Board of Directors does not agree to convene such meeting, or fails to give a response within ten days after receipt of the request, shareholder(s) individually or jointly holding 10% or more of the shares of the Company shall have the right to propose to the Board of Supervisors to convene an extraordinary general meeting, and shall put forward such request to the Board of Supervisors in writing. The board of supervisors shall, within 10 days after the receipt of such request, decide whether to hold an extraordinary general meeting and reply to the shareholders in writing. If the Board of Supervisors agrees to convene an extraordinary general meeting, a notice for convening such meeting shall be issued within five days after receipt of the request and any changes to the original proposal contained in the notice shall be subject to the approval of the relevant shareholders. If the Board of Supervisors fails to issue a notice convening the general meeting by the prescribed period, the Board of Supervisors shall be deemed to refuse to convene and preside over such meeting, and shareholder(s) individually or jointly holding 10% or more of the shares of the Company for no less than 90 consecutive days shall have the right to convene and preside over the meeting on their own.

If the Board of Supervisors or shareholders decide(s) to convene a general meeting on its/their own, they shall notify the Board of Directors in writing and file with the securities regulatory authority of the place where the Company is located and relevant stock exchange in accordance with the applicable requirements.

A resolution shall be considered and approved at the general meeting where the convening shareholder shall hold no less than 10% of the shares of the Company. The Board of Supervisors or shareholders that convene the meeting shall, when circulating a notice of meeting and making an announcement on the resolution of a general meeting, submit the relevant certification materials to the stock exchange.

Proposals and Notices of General Meeting

When a general meeting is convened by the Company, the Board of Directors, the Board of Supervisors and shareholder(s) individually or jointly holding 1% or more of the shares of the Company shall be entitled to put forward proposals to the Company. The content of proposals shall fall within the scope of responsibility of the general meeting, shall contain clear subjects for discussion and specific matters to be resolved and shall comply with relevant provisions of the laws, administrative regulations, listing rules of the stock exchange where the shares of the Company are listed and the Articles of Association, and shall be submitted or delivered to the convener in writing.

Shareholder(s) individually or jointly holding 1% or more of the shares of the Company may submit ad hoc proposals in writing to the convener of the general meeting 10 days before the convening of the general meeting. The convener shall issue a supplemental notice of general meeting within 2 days upon receipt of the proposals and announce the contents of the ad hoc proposals. The supplementary notice shall include the names of the shareholders making the ad hoc proposals, their shareholdings and the contents of the ad hoc proposals. The contents of the ad hoc proposals shall fall within the scope of responsibility of the general meeting, shall contain clear subjects for discussion and specific matters to be resolved. Save those specified in the preceding paragraph, the convener shall neither revise the proposals stated in the notice of general meetings nor add new proposals after issuing the announcement on the notice of general meeting. No voting shall be carried out and no resolution shall be made over the proposals that are not specified in the notice of general meeting or not fulfil the proposal required in the Articles of Association.

The convener shall notify all shareholders at least 21 days prior to the convening of the annual general meetings by publishing an announcement, at least 15 days prior to the convening of the extraordinary general meetings by publishing an announcement.

After the notice of general meeting is issued, the same meeting shall not be postponed or cancelled and the proposals set out in the notice shall not be cancelled without proper reasons. In the case of any postponement or cancellation of the meeting, the convener shall make an announcement and give the reasons therefore at least two workdays prior to the date on which the meeting is originally scheduled, and for the general meeting postponed, the convening date of the meeting shall also be included in the notice, unless otherwise prescribed in listing rules of the stock exchange where the shares of the Company are listed (if so, the latter shall prevail).

Holding of General Meeting

All shareholders whose names appear on the register of shareholders on the registration date or their proxies shall be entitled to attend the general meeting, and exercise their voting rights pursuant to the relevant laws, regulations, listing rules of the stock exchange where the shares of the Company are listed and the Articles of Association. Shareholders may attend in person or appoint proxies to attend and vote at general meetings on their behalf. Any shareholder who has the right to attend and vote at the general meeting shall be entitled to appoint one or more persons (who may not necessarily be shareholders) as his/her proxy(ies) to attend and vote at the meeting on his/her behalf. Shareholders are entitled to speak and vote at general meetings, unless individual shareholders are required to abstain from voting on individual matters in accordance with the Listing Rules).

The convener, the lawyers engaged by the Company (if any) or share registrar shall verify the validity of the qualifications of shareholders based on such shareholders' register as provided by the securities registration and clearing institution, and shall register the names of the shareholders as well as the amount of their voting shares. The registration for a meeting shall be completed before the chairman of the meeting announces the number of shareholders and proxies attending the meeting and the total number of their voting shares.

All directors, supervisors and the Secretary to the Board of Directors shall attend general meetings of the Company, while the managers and other senior management shall be present at the meetings.

The general meeting is presided over by the chairman of the Board of Directors. In the event that the chairman of the Board of Directors is unable to or fails to fulfil the duty thereof, the vice chairman shall preside over the meeting, where there are more than one vice chairmen, the chairman of the meeting shall be the vice chairman of the Board of Directors jointly elected by more than half of the directors. In the event that even the vice chairman is unable to or fails to fulfil the duty thereof, the majority of the Directors shall jointly elect a Director to preside over the meeting. A general meeting convened by the Board of Supervisors itself shall be presided over by the chairman of the Board of Supervisors. In the event that the chairman of the Board of Supervisors is unable to or fails to fulfil the duty thereof, the meeting shall be presided over by the vice chairman of the Board of Supervisors. In the event that the vice chairman of the Board of Supervisors is unable to or fails to fulfil the duty thereof, more than half of the supervisors shall jointly elect a supervisor to preside over the meeting. Where a general meeting is convened by shareholders themselves, the general meeting shall be presided over by the representative elected by the conveners.

The convener shall ensure that the general meeting is held continuously until final resolutions are arrived at. In the event that the general meeting is terminated or fails to reach any resolution owing to force majeure or for other special reasons, immediate action shall be taken to resume the general meeting as soon as possible or the general meeting shall be directly terminated, and such circumstances shall be announced and reported in a timely manner according to laws, administrative regulations, departmental rules, normative documents or securities regulatory rules of the place where the Company's shares are listed.

Voting and Resolutions of General Meetings

Shareholders (including their proxies) shall exercise their voting rights according to the number of voting shares that they represent. Each share shall carry one voting right. On a poll, a shareholder (including proxy thereof) entitled to two or more votes needs not cast all his/her votes in the same way of pros, cons or abstention. When the general meeting considers matters that could materially affect the interest of middle and small investors, the votes by middle and small investors shall be counted separately, and the results of such separate vote counting shall be disclosed promptly. Shares held by the Company do not carry voting rights, and shall not be counted in the total number of voting shares represented by shareholders present at a general meeting.

The Board of Directors, independent directors, and any shareholder holding more than 1% of the voting shares of the Company or an investor protection institution established in accordance with the laws, administrative regulations or regulations of the CSRC may publicly solicit proxies from the Company's shareholders. In soliciting voting rights of shareholders, information such as specific voting intention shall be sufficiently disclosed to the shareholders from whom voting rights are being solicited. Solicitation of voting rights at any consideration, whether in direct or indirect form, is prohibited. Saved as prescribed by the laws, the Company shall not propose any minimum shareholding restriction on the solicitation of voting rights.

Resolutions of the general meeting shall be divided into ordinary resolutions and special resolutions. An ordinary resolution of a general meeting shall be passed by more than one half of the voting rights held by the shareholders (including their proxies) present at the meeting. A special resolution of a general meeting shall be passed by two-thirds of the voting rights held by the shareholders (including their proxies) present at the meeting.

The following matters shall be passed by ordinary resolution at a general meeting:

(I) work reports of the Board of Directors and the board of supervisors;

(II) proposals for profit distribution and for making up accrued losses formulated by the Board of Directors;

(III) appointment and removal of members of the Board of Directors and the board of supervisors, their remuneration and method of payment;

(IV) annual report of the Company;

(V) appointment or removal of accounting firms of the Company;

(VI) any matters not otherwise required by the laws, administrative regulations, regulatory rules of the place where the shares of the Company are listed or the Articles of Association to be passed by special resolution.

The following matters shall be passed by special resolution of a general meeting:

(I) the increase or reduction of registered capital of the Company;

(II) the de-merger, spin-off, merger, dissolution and liquidation (including voluntary winding-up) or transformation of the Company;

(III) any amendment to the Articles of Association;

(IV) acquisition or disposal of substantial assets within one year or providing guarantee to others in an amount exceeding 30% of the total assets of the Company as shown in its audited financial statements for the most recent period;

(V) equity incentive scheme;

(VI) variation or abrogation of the rights of the class shareholders;

(VII) such other matter provided by the laws, administrative regulations, listing rules of the stock exchange(s) where the shares of the Company are listed or the Articles of Association and matter which has been determined by way of any ordinary resolution by shareholders in general meeting to have a material effect on the Company and shall be subject to the passing by way of special resolution.

A connected shareholder shall not vote in respect of any motion on connected transactions at the general meeting, where the number of shares with voting rights represented by such connected shareholder shall not be counted in effective voting; the announcement of a resolution of general meeting shall fully disclose the voting of non-connected shareholders. The connected shareholder shall abstain from voting on relevant matters voluntarily. If the connected shareholder does not abstain voluntarily, any other shareholder who is aware of the fact may request him to abstain therefrom. When the general meeting is considering connected transaction matters, chairman of the general meeting shall announce the list of connected shareholders and whether they are entitled to vote. The chairman shall also announce the total number of voting shares being held by the non-connected shareholders and its percentage to the total number of shares of the Company before voting takes place.

Unless the Company is in a crisis or any special circumstance, the Company may not enter into any contract with anyone other than a director, manager or other senior management officer to have all or significant part of the Company's business in the care of the said person, unless with the approval by special resolutions at a general meeting.

Lists of nominations for the candidates for directors or supervisors shall be put forward by way of proposal at the general meetings for voting. Resolutions in respect of the election of directors or supervisors at the general meeting may be passed by way of cumulative voting pursuant to the requirements of the Articles of Association or resolutions of the general meeting, i.e. a system of voting for the election of directors or supervisors at the general meeting under which voting rights of each share is equal to the number of directors or supervisors to be elected and the shareholder can cast all his votes in the same manner. The Board of Directors shall announce to the shareholders the resumes and basic information of candidates for directors and supervisors.

Except for the cumulative voting system, the general meeting will vote all motions one by one. If there are different motions on the same issue, the motion will be voted in chronological order according to the time they are proposed. Except for the reason of force majeure or other special reason causing the general meeting to be adjourned or no resolutions can be made, the general meeting will not shelve or refuse to vote the motions.

When the motion is being considered at the general meeting, no amendment to the motion shall be made, otherwise such amendment shall be considered as a new motion which cannot be voted at the general meeting of this time. When a vote is cast, it may be cast by only one of the following methods, in person, online or by other voting means. If one vote is cast by more than one method, the first vote shall prevail.

The voting at the general meeting shall be in open ballot. Before a poll on the motions is taken at the general meeting, two shareholder representatives shall be invited to participate in the vote count and scrutiny. If shareholders are interested in or connected with certain issues, the relevant shareholders and proxy thereof shall not take part in the vote count or scrutiny. When the motions are voted at the general meeting, the lawyer (if any) or share registrar, shareholder representatives and supervisor representatives shall jointly count and scrutinise the votes, the voting result shall be announced on the spot and recorded in the minutes of the meeting. Shareholders of the Company or their proxies who cast their votes over the network or by another method shall have the right to inspect their own voting results through an appropriate voting system.

Board of Directors

Directors

Directors of the Company shall be natural persons. A natural person who falls into any of the following circumstances shall not serve as director of the Company:

(I) a person who suffers from any incapacity or restricted capacity from undertaking civil liabilities;

(II) a person who has been convicted of and sentenced for offences relating to corruption, bribery, trespass to assets, misappropriation of assets or causing socialist market economy disorder and a period of 5 years has not elapsed since the completion of the term of the sentence or deprivation or who has been deprived of his political rights and imposed a suspended sentence as a result of he/she having committed an offence and a period of 2 years has not elapsed since the completion of the term of the suspended sentence;

(III) a person who is a director or factory manager or manager of a company or enterprise which has become insolvent and liquidated and who incurs personal liability for the insolvency of that company or enterprise, and a period of 3 years has not elapsed since the date of completion of insolvent liquidation of that company or enterprise;

(IV) a person who is a legal representative of a company or enterprise, the business licence of which is revoked and ordered to close down on the grounds of contravention of law, and who incur personal liability therefor, and a period of 3 years has not elapsed since the date of revocation of the business licence of that company or enterprise or that company or enterprise being ordered to close down;

(V) a person who has been as a dishonest party by the People's Court due to with comparatively large debts that have fallen due but have not been settled;

(VI) a person who is currently being prohibited from participating in securities market by the CSRC and who has been publicly determined by a stock exchange to be not suitable to act as a director of the Company, where the term has not yet expired;

(VII) other matters stipulated by laws, administrative regulations, departmental rules or listing rules of the stock exchange(s) where the shares of the Company are listed.

For any election and appointment of a Director in contravention of the provisions prescribed by this Article, such election, appointment or employment shall be void and null. Where a Director falls into any of the aforesaid circumstances in his term of office, the Director shall be removed from office.

Directors shall be elected or changed by the general meeting and serve a term of three years. A director may serve consecutive terms if re-elected upon the expiry of his term, unless otherwise stipulated by the relevant laws, regulations, Articles of Association and listing rules of the stock exchange where the Company's shares are listed. A director, before his term of office expires, may be dismissed by the general meeting. A director's term of service commences from the date he takes up the appointment, until the current term of service of Board of Directors ends. If a director's term of service expires but a new director is not yet appointed, the original director shall continue to carry out the director's duties according to the laws, administrative regulations, departmental regulations, listing rules of the stock exchange(s) where the shares of the Company are listed and the Articles of Association until the newly elected director's appointment comes into effect.

The manager or other senior executives may concurrently serve as directors of the Company, provided that the total number of directors who concurrently serve as the manager or other senior executives shall not exceed half of the total directors of the Company. No employee representatives are to be appointed as directors on the Board of Directors.

The directors shall comply with the laws, administrative regulations, listing rules of the stock exchange(s) where the Company's shares are listed and Articles of Association and shall diligently perform the loyalty and diligence obligations stipulated in the Articles of Association to the Company. Gains of directors arising out of activities in violation of the loyalty obligations shall belong to the Company. The directors shall be liable for compensation for any loss caused to the Company.

A director who cannot attend Board of Directors' meetings in person twice consecutively, nor appointed any other directors to attend on his behalf is deemed as failure in performing the duties, and shall be subject to replacement as recommended by the Board of Directors at a general meeting. The directors may, prior to expiration of their terms of office, resign and submit their resignation report in writing to the Board of Directors. The Board of Directors shall disclose the relevant information within two days thereafter.

If any directors resign such that the membership of the Board of Directors of the Company falls short of the number of directors required, such director shall continue to fulfil his/her duties as director pursuant to laws, administrative regulations, departmental rules and the Articles of Association until a new director is elected. The notice of resignation of the resigning director will only become effective until a new director is appointed to fill the vacancy. Save for the circumstances referred above, the director's resignation takes effect upon delivery of his/her resignation notice to the Board of Directors.

A director shall conduct handover procedures with the Board of Directors upon resignation or expiration of his term of office. His fiduciary duties towards the Company and the shareholders shall remain valid within three years after expiration of his term of office; the obligation of the director to keep in confidentiality the trade secret of the Company shall be valid after the expiration of his term of office till such trade secret becomes public information. Other obligations may continue for such period as the principle of fairness may require depending on the time lapse between the termination of tenure and the occurrence of the event concerned and the circumstances under which the relationships between them and the Company are terminated.

A Director whose term of office has not yet expired shall be liable for compensation for any loss caused to the Company due to his/her unauthorised resignation or his/her violation of laws, administrative regulations, departmental rules or the Articles of Association in performing his/her duties. If a controlling shareholder or a de facto controller of the Company instructs a director to engage in acts that harm the interests of the Company or shareholders, he/she shall be liable jointly and severally with the director. The Company shall be liable for any damages to others caused by a director of the Company while he/she is performing his/her duties. The director in question shall also be liable if such damages are intentional or caused by his/her gross negligence.

The Company has at least three independent directors. Save as otherwise provided in Chapter 6 of the Articles of Association under the section titled "Directors", independent directors shall be subject to the provisions of Chapter 6 under the section titled "Directors" relating to the qualifications and obligations of directors. One third or more of the members of the Board of Directors shall be independent directors, of which at least one person shall have financial professional qualifications or accounting or related financial management expertise as required under the listing rules of the place where the shares of the Company are listed. Independent directors shall carry out their duties honestly and faithfully, safeguard the Company's interest and in particular prevent encroachment of the legitimate rights and interests of public shareholders, in order to ensure the sufficient representation of the interests of all shareholders.

Where an independent director is unqualified for being independent or other circumstances arise making him/her unqualified for performing duties, resulting in the number of independent directors of the Company falling below the number required by the Articles of Association, the Company shall add additional independent directors to fill up the quorum as required by the regulations.

The Articles of Association do not specifically provide for the manner in which directors may own or exercise borrowing rights, but in connection with the issuance of corporate bonds, the Articles of Association contain an understanding that (1) the Board of Directors will formulate a plan for the issuance of corporate bonds, and (2) the issuance of corporate bonds will be authorised by a resolution of the general meeting.

Board of Directors

The Company shall establish a board of directors, which shall be accountable to the general meeting. The board of directors consists of 11 directors, including 4 independent directors, who are elected by shareholders at general meetings.

The board of directors shall exercise the following functions and powers:

(I) to convene general meetings and to report on its work at the general meetings;

(II) to implement resolutions of the general meetings;

(III) to decide on the business plans and investment proposals of the Company;

(IV) to prepare proposals for profit distribution and for making up accrued losses of the Company;

(V) to prepare proposals for the increase or reduction of share capital and the issue of bonds of the Company or other securities and listing plans;

(VI) to formulate proposals for major acquisitions, purchase of the Company's shares or the merger, demerger, dissolution or change in the form of the Company;

(VII) to decide on external investment, acquisition and disposal of assets, asset mortgage, external guarantee, consigned financial management, connected transactions, donations, etc. of the Company within the scope authorised by the general meetings;

(VIII) to decide on the establishment of internal management organisation of the Company;

(IX) to appoint or dismiss the general manager, secretary to the board of directors and other senior management members of the Company and at the recommendation of the general manager, to appoint or dismiss deputy general managers, chief financial officer and other senior management members of the Company, and to determine matters relating to their remuneration, rewards and punishments;

(X) to formulate the basic management system of the Company;

(XI) to prepare proposals for the amendment of the Company's Articles of Association;

(XII) to manage disclosure of information concerning the Company;

(XIII) to propose to general meeting for the engagement or change of the accounting firm that provides audit for the Company;

(XIV) to receive reports and examine the work of the general manager of the Company;

(XV) to evaluate and determine the nature and extent of risks that the Company is willing to take in achieving its strategic objectives and to ensure that the Company establishes and maintains appropriate and effective risk management and internal control systems;

(XVI) to design, implement and monitor the risk management and internal control systems, the effectiveness of which shall be provided by the management to the Board of Directors;

(XVII) to review the effectiveness of the risk management and internal control systems of the Company and its subsidiaries at least once a year and to report to shareholders in the corporate governance report that such review has been completed;

(XVIII) to ensure that the Company's resources, staff qualifications and experience, and the training programmes and related budgets received by the staff in respect of the Company's accounting, internal audit and financial reporting functions and in relation to the Company's environmental, social and governance performance and reporting are adequate;

(XIX) to decide on major matters and administrative affairs other than those that shall be resolved by the general meeting of the Company as stipulated in the laws, administrative regulations, departmental rules, the Articles of Association and the listing rules of the stock exchange where the Company's shares are listed, and to enter into other important agreements;

(XX) such other functions and power as authorised by the laws, administrative regulations and departmental rules, regulatory rules of the place where the Company's shares are listed or the Articles of Association.

The above matters of authority exercised by the board of directors or any transaction or arrangement of the Company which shall be reviewed by a general meeting according to the listing rules of the stock exchange where the Company's shares are listed, shall be submitted to the general meeting for consideration. Matters beyond the scope of authorisation by the general meeting shall also be submitted to the general meeting for consideration.

In addition, the board of directors shall have the right to approve external guarantees other than those shall be approved by the general meeting as stipulated in the Articles of Association. When the board of directors decides to enter into an external guarantee, it shall obtain the consent of at least two-thirds of all the directors.

The board of directors of the Company shall establish an audit committee and, as necessary, a nomination committee and a remuneration committee. These special committees shall be accountable to the board of directors and shall perform their duties as authorised by the Articles of Association and the board of directors. These special committees shall submit proposals to the board of directors for consideration and approval. All such special committees shall consist of directors. The majority of the members of the audit committee, nomination committee and remuneration committee shall be independent directors, who shall convene the meetings of such committees. The convener of the audit committee shall be a professional accountant. The board of directors is responsible for formulating the working procedures of the special committees and regulating the operation of the special committees.

The board of directors shall have a chairman and two vice chairmen. The chairman and vice chairmen shall be elected by the board of directors by more than half of all directors.

The chairman shall exercise the following functions and powers:

(I) to preside over the general meetings and convene and preside over board meetings;

(II) to supervise and check on the implementation of resolutions of the board;

(III) such other functions and powers as authorised by the laws, regulations, regulatory documents, the listing rules of the stock exchange where the Company's shares are listed, the Articles of Association and the board of directors.

The vice chairman shall assist the chairman of the board of directors in work. When the chairman is unable to or does not carry out his duties, they shall be carried out by the vice chairman (if the Company has two or more vice chairmen, then these duties shall be carried out by the vice chairman nominated by more than one half of the directors). If the vice chairman is unable to or does not carry out his duties, more than one half of the directors shall nominate a director to carry out the duties.

The board meetings include regular meetings and extraordinary meetings. No less than four (4) board meetings shall be held each year. Such meetings shall be convened by the chairman of the board, with the notice thereof being given in writing to all directors and supervisors fourteen (14) days prior to the meeting date and the documents to be used in the meeting being served on all directors and supervisors three (3) days prior to the meeting date.

The chairman of the board shall convene and preside over the extraordinary board meeting within ten (10) days under any of the following circumstances where:

(I) more than one third of the directors jointly propose;

(II) the board of supervisors proposes;

(III) any shareholder holding more than 10% voting rights propose;

(IV) Any other circumstances as stipulated in the Articles of Association.

When the board of directors convenes an extraordinary meeting, the secretary of the board of directors shall send a written notice of the meeting and the documents to be used in the meeting to all directors and supervisors five (5) days prior to the meeting date by hand, express courier, or facsimile or e-mail. If there is a need to convene an extraordinary board meeting as soon as possible, notice of the meeting may be given by telephone or other verbal means at any time, and with the unanimous consent of all directors, the convening of an extraordinary board meeting may not be subject to the limitation of the time, but the convenor shall make an explanation at the meeting and record it in the minutes of the meeting. Notice of a meeting shall be deemed to have been given to any director who attends the meeting without protesting against, before or at its commencement, any lack of notice.

The quorum for any meeting of the board of directors (those that authorise other directors to attend shall be deemed to be present at the meeting) is more than half of the directors present at the meeting. Each director shall have one vote. Any resolution to be passed by the board of directors shall be subject to affirmative votes of more than half of all the directors.

The manner of voting of a board resolution shall be open ballot. No director shall vote for any resolution regarding any contracts, or arrangements in which he or any of his/her close associates (as defined by the applicable listing rules effective from time to time) is approved to have significant interests, including a resolution concerning a connected corporation or person. If any director has connected relationship with the enterprises or individuals involved in matters resolved at board meetings, the said director shall promptly report in writing to the board of directors and shall not exercise voting rights on behalf of other directors, and shall not be counted towards the quorum of the meeting. The quorum for such board meeting shall be more than half of the directors who do not have any interest or connected relationship, and any resolution to be passed by the board of directors shall be subject to affirmative votes of more than half of the directors without such interest or connected relationship. Where the number of directors without such interest or connected relationship present at such board meeting is less than 3, such matter shall be submitted to the general meeting for consideration.

Regular and extraordinary board meetings shall be held by the way of on-site meetings or electronic communications. Subject to the full and adequate expression of opinions by the directors, they may be held by means of teleconference or video conference. For any proposal which is to be considered and approved by way of a board resolution but does not really need on-site communication and discussion among directors, relevant resolution can be made by way of written resolutions.

The directors shall attend the meeting of the board of directors in person. If a director is unable to attend for any reason, he or she shall prudently appoint another director in writing to attend the meeting on his or her behalf, and an independent director shall not appoint a non-independent director to attend the meeting on his or her behalf. Any director shall not be appointed as the proxy to attend the same board meeting by more than two directors. When considering connected transactions, a non-connected director shall not appoint a connected director to attend the meeting on his/her behalf.

The directors shall sign and take responsibility for the resolutions of the board of directors. Where a resolution of the board of directors is in violation of laws, administrative regulations, the Articles of Association or the shareholders' resolutions, thereby causing serious losses to the Company, the directors who took part in the resolution shall be liable to the Company for damages. However, where a director can prove that he/she had expressed his/her opposition to such resolution when it was put to the vote, and that such opposition was recorded in the minutes of the meeting, such director may be relieved from such liability.

Each director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years.

If an independent non-executive director serves more than nine years, his/her further appointment should be subject to a separate resolution to be considered and approved by shareholders. The papers to shareholders accompanying such resolution should state why the board of directors (or nomination committee) believes the director is still independent and should be re-elected, including the factors considered, the process and discussion of the board of directors (or nomination committee) in arriving at such determination.

Where all the independent non-executive directors of the board of directors serve more than nine years, then the Company shall:

(I) disclose the name and the length of tenure of each existing independent non-executive director in the circular to shareholders and/or explanatory statement accompanying the notice of the annual general meeting; and

(II) appoint a new independent non-executive director at the forthcoming annual general meeting.

Secretary to the Board of Directors

The Company shall have a secretary to the board of directors, who is a member of the senior management members of the Company, and shall be accountable to the board of directors.

The secretary to the board of directors shall be a natural person with the requisite professional knowledge and experience, and shall be appointed by board of directors. A director or other senior management members of the Company may concurrently act as the secretary to the board of directors. An accountant of a firm of accountants retained by the Company shall not concurrently act as the secretary to the board of directors. Where a director also holds the office of the secretary to the board of directors and if an act is required to be done by a director and the company secretary separately, then that director holding the office of the secretary to the board of directors may not perform the act in his/her dual capacity.

The secretary of the board of directors shall be nominated by the chairman and shall be appointed and dismissed by the board of directors.

General Manager and Other Senior Management Members

The Company shall have one general manager, one secretary to the Board, one chief accountant (the personnel in charge of financial affairs) and a number of other senior management members, who shall be appointed or dismissed by the board of directors. A director may concurrently serve as the general manager or other senior management members.

The circumstances under which a director is not allowed to act as a director and the provisions on the director's duty of loyalty and diligence as stipulated in the Articles of Association shall also apply to the senior management members.

Officer who holds administrative positions (other than directors or supervisors in the Company's controlling shareholders or de facto controllers) shall not be senior management members of the Company. The Company's senior management members shall receive remuneration only from the Company, and shall not receive any salary from controlling shareholder.

Each term of office of a general manager shall be three (3) years, and the general manager may be reappointed for consecutive terms.

The general manager shall be accountable to the board of directors and shall exercise the following functions and powers:

(I) to take charge of the production, operations and management of the Company, to organise the implementation of resolutions of the board of directors, and to report to the board of directors;

(II) to organise the implementation of the annual business plans and investment proposals of the Company;

(III) to formulate plans for the establishment of the internal management structure of the Company;

(IV) to formulate the basic management system of the Company;

(V) to establish the bask rules and regulations of the Company;

(VI) to propose to the board of directors the appointment or dismissal of deputy general managers and personnel in charge of financial affairs of the Company;

(VII) to appoint or dismiss management staff other than those required to be appointed or dismissed by the board of directors;

(VIII) to propose salaries, welfare, reward and penalty, and determine employment and dismissal of the Company's staff;

(IX) organise the implementation of resolutions of the board of directors;

(X) to prepare the annual budget and final accounts of the Company;

(XI) to prepare proposals for profit distribution and for making up accrued losses of the Company;

(XII) to consider and approve the scheduling of large sums of money and the payment of financial expenditures of the Company in accordance with the decisions of the board of directors;

(XIII) to conduct external negotiations and handle business, and sign contracts and agreements on behalf of the Company under the entrustment of the chairman;

(XIV) to propose the convening of an extraordinary board meeting;

(XV) such other duties and functions as authorised by the Articles of Association and the board of directors.

The general manager may present at the Board meetings. The general manager shall report to the Board or the board of supervisors on matters concerning the Company's entering into material contracts, status of implementation, application of funds, profit and loss reports and so forth. The general manager shall ascertain the authenticity of the report.

On the matters related to the personal interests of the employees, the general manager shall consult the labour union and the employee representatives' meetings, prior to drafting plans for wages, benefits, safe-production procedures and workers' protection and labour insurance, disengagement (or dismissal) of employees.

The general manager may resign before the expiry of his/her terms of office and detailed procedure and methods in relation to resignation shall be referred to the service contracts between such manager and the Company. In the event that the general manager cannot perform his/her duties, the Board shall appoint a deputy general manager to perform such duties on his/her behalf.

The deputy general manager and financial officer of the Company shall be nominated by the general manager and appointed by the Board. The deputy general manager and financial officer shall be responsible to the general manager, report their work to him/her, and fulfil relevant responsibilities according to the assigned business scope.

Senior management shall be liable for any loss caused to the Company as a result of any violation of laws, administrative regulations or the Articles of Association in the course of performing their duties with the Company. If a controlling shareholder or a de facto controller of the Company instructs a senior management member to engage in acts that harm the interests of the Company or shareholders, he/she shall be liable jointly and severally with the senior management member. Senior management shall not use their connected relationship to prejudice the interests of the Company. They shall be liable for any losses caused to the Company as a result of such violation. The senior management shall be liable for compensation in accordance with law for any damage caused to the interests of the Company and public shareholders as a result of their failure to perform duties with honesty or violation of their fiduciary duties. The Company shall be liable for any damages to others caused by the senior management member of the Company while he/she is performing his duties. The senior management member in question shall also be liable if such damages are intentional or caused by his/her gross negligence.

Board of Supervisors

Supervisor

The circumstances in which a person shall not be appointed as a director provided by the Articles of Association shall be applicable to the supervisory. Directors, manager(s) and other senior management shall not act concurrently as supervisors.

Each supervisor shall serve for a term of three years. The term is renewable upon re-election and re-appointment. If re-election of a supervisor has not taken place prior to the end of the appointment term, or a supervisor has resigned during his appointment term resulting in the board of supervisors members to be less than quorum, before the re-elected supervisor takes office, the outgoing supervisor shall nevertheless perform his duties as a supervisor in accordance with the law, administrative rules, the listing rules of the stock changes where the Shares are listed and the Articles of Association.

The supervisors shall abide by the laws, administrative rules, the listing rules of the stock exchange(s) where the Shares are listed and the Articles of Association and perform the obligations faithfully and diligently. They shall not abuse their authority of office to obtain bribes or other illegal income and not to misappropriate the property of the Company. The provisions relating to the director's duty of loyalty and diligence as stipulated in the Articles of Association shall also apply to the supervisors.

The supervisors may attend Board meetings as non-voting participants, and deliver enquiry or suggestion regarding resolutions at Board meetings. The supervisors shall not use their connected relationship to prejudice the Company's interests and shall be liable for compensation to any loss caused to the Company. Any supervisor who violates any laws, administrative regulations, departmental rules, the listing rules of the place where the Shares are listed or the Articles of Association during the course of performing his/her duties and causes losses to the Company shall be liable for compensation to any loss caused to the Company.

Board of Supervisors

The Company shall have a board of supervisors. The board of supervisors shall be composed of 3 supervisors, among whom, one shall act as the chairman of the board of supervisors. Anhui Conch Technology Innovation Material Co., Ltd. recommends 2 of them, and the remaining 1 is the employee representative supervisor. Shareholders' representative supervisors in the board of supervisors shall be elected democratically by the general meeting, and employee representative supervisors shall be elected democratically by the Company's employees at employee representatives' meetings.

The board of supervisors has a chairman recommended by Anhui Conch Technology Innovation Material Co., Ltd. and elected by a majority of all supervisors.

The board of supervisors shall be accountable to the general meeting and shall perform the following duties:

(I) to review the securities issuance documents and the Company's periodical reports prepared by the Board and to express its comments in writing;

(II) to inspect the Company's financial position;

(III) to supervise the behaviours of the Directors and senior management members in performing their duties, and to advise on dismissal of any Directors and senior management members who are in breach of laws, administrative regulations, the Articles of Association, the listing rules of the place where the Shares are listed or resolutions of the general meeting;

(IV) to demand the Directors and senior management members to rectify their errors if they have acted in a harmful manner to the Company's interest;

(V) to propose to convene an extraordinary general meeting, and where the Board fails to perform the duties in relation to convening or presiding over a general meeting as required by the Company Law, to convene and preside over the general meeting;

(VI) to propose motions in a general meeting;

(VII) to take legal actions against Directors and senior management members in accordance with Article 189 of the Company Law;

(VIII) to supervise the Company's compliance operations, management and the administration of managers according to laws;

(IX) to conduct investigations whenever unusual conditions of operation of the Company arise and if necessary, to engage professional institutions such as firms of accountants and lawyers to assist in the investigations. Any costs arising therefore shall be borne by the Company;

(X) to exercise other authorities as authorised by laws, administrative regulations, departmental rules, the listing rules of the place where the Shares are listed, the Articles of Association and the general meeting.

The board of supervisors may engage professional institutions such as firms of lawyers and accountants for assistance in the performance of its duties, and all relevant expenses incurred thereof shall be borne by the Company.

Board of supervisors include the regular meeting and the extraordinary meeting. The board of supervisors shall meet at least once every six months, and the supervisors may propose to convene an extraordinary meeting of the board of supervisors. Written notices of meetings bearing the seal of the board of supervisors shall be submitted to all supervisors at least 10 days in advance of the convening of a regular meeting of the Board of Supervisors and at least 5 days in advance of the convening of an extraordinary meeting of the Board of Supervisors. In case of emergency, an extraordinary meeting of the board of supervisors must be held urgently, the notice of meeting can be given through verbal notice, telephone or by fax but the convener must give an explanation at the meeting.

Meetings of the board of supervisors shall be convened and presided over by the chairman of the board of supervisors. If the chairman of the board of supervisors cannot fulfil the duty thereof, he/she shall designate a supervisor to convene and preside over the meeting of the board of supervisors on his/her behalf. If the chairman of the board of supervisors fails to fulfil the duty thereof without any reason and fails to designate a specific person to exercise his/her duties on his/her behalf, the majority of the supervisors may elect a supervisor to convene and preside. A meeting of the board of supervisors shall be held with the attendance of more than two-thirds of the supervisors. Resolutions made by the board of supervisors must be passed by more than half of all supervisors and signed by the supervisors present at the meeting.

A supervisor shall attend meetings of the board of supervisors in person, or appoint in writing another supervisor to attend the meeting on his/her behalf due to his/her absence, and the supervisor attending the meeting on his/her behalf shall exercise the supervisor's rights within the scope of the authorisation. A supervisor who fails to attend a meeting of the board of supervisors and fails to appoint a proxy to attend the meeting shall be deemed to have waived his/her right to vote at that meeting.

Resolutions of the board of supervisors are voted on by show of hands or by ballot. Each supervisor has one vote.

Financial and Accounting Systems, Profit Distribution and Auditing

Financial and Accounting Systems

The Company shall formulate its own financial and accounting systems in accordance with provisions of the laws, administrative regulations and financial department under the State Council. The listing rules of the stock changes where the Shares are listed have other provisions, such provisions shall prevail.

The Company's accounting shall adopt the debit and credit method, with Renminbi as its bookkeeping base currency, and adopt the Gregorian calendar year as its fiscal year, which shall commence on January 1 and end on December 31 of the same Gregorian calendar year.

The Company prepares an annual financial accounting report within two months after the end of each fiscal year in accordance with the provisions of the national financial and tax system, describing the Company's financial status, production and operation, and the status of preservation and appreciation of the value of the assets, which shall be audited by an accounting firm in accordance with the law.

The Company prepares a financial accounting report at the end of each fiscal year, which shall be audited by an accounting firm in accordance with the law. The Company's financial reports shall be made available for shareholders' inspection at the Company twenty days prior to the meeting of the annual general meeting.

The Company's annual financial accounting report includes, but is not limited to, the following:

(I) balance sheets;

(II) income statements;

(III) profit distribution statements;

(IV) cash flow statements;

(V) notes to the accounting statements or statement of financial position.

The Company shall not maintain any account books other than statutory account books. Assets of the Company shall not be held in any accounts opened in the name of any individuals.

Profit Distribution

The Company's profit after tax for the year is distributed in the following order:

(I) to make up for the losses of the previous year;

(II) to withdraw statutory reserve fund;

(III) to withdraw discretionary reserve fund as resolved by general meeting;

(IV) to distribute profits to shareholders.

When the Company distributes its after-tax profit for the year, 10% of the profit should be withdrawn and included in the Company's statutory reserve fund. The Company can stop withdrawing the statutory reserve fund when the total amount withdrawn exceeds 50% of the Company's registered capital. After the withdrawal of the statutory reserve fund, whether to withdraw the discretionary reserve fund shall be decided by the general meeting.

If the Company's statutory reserve fund is not enough to make up for the losses of the Company of the previous year, the current year's profits shall be used first for making up the losses before the statutory reserve fund is drawn therefrom according to the above provisions in accordance with the law.

After the Company draws the statutory reserve fund from the after-tax profits, it may, upon a resolution made by the general meeting, draw a discretionary reserve fund from the after-tax profits.

After the losses have been made up and reserve fund has been drawn, the remaining after-tax profits shall be distributed to shareholders in light of their proportions of shares held, except where the Articles of Association provide otherwise. The Board of a joint-stock company shall formulate a profit distribution plan with reference to the following criteria in light of the cash flow, production and operation and project development, and submit it to the general meeting for approval and implementation.

(I) If the Company's gearing ratio is below 50%, cash distribution will be made annually in the proportion of not less than 60% of the distributable profit;

(II) If the Company's gearing ratio is in the range of 50% to 70%, cash distribution will be made annually in the proportion of not less than 40% of the distributable profit;

(III) If the Company's gearing ratio is above 70%, cash distribution will be made annually in the proportion of no more than 30% of the distributable profit.

Profit distribution is based on the equity ratio formed by the paid-in registered capital of each shareholder, except when resolved by the annual general meeting of the Company (i.e. not subject to the above proportion).

If the Company distributes profits to shareholders in violation of laws and regulations, the shareholders shall return the profits distributed in violation of the provisions to the Company. Shareholders and responsible Directors, Supervisors, and senior management members who cause losses to the Company shall be liable for compensation.

The Company's shares held by the Company shall not be subject to profit distribution.

Reserve fund of the Company is used for offsetting losses sustained by the Company, expanding the Company's production and operation or increasing the registered capital of the Company. The discretionary reserve fund and statutory reserve fund shall be used first to make up the Company's losses; if it cannot be covered, the capital reserve fund shall be used in accordance with relevant provisions. When the general meeting resolves to transfer the reserve fund to additional registered capital, it will be distributed in proportion to the shareholders' original capital contribution. When the statutory reserve fund is converted into additional registered capital, the balance of the statutory reserve fund shall not fall below 25% of the Company's registered capital before the increase of the registered capital.

After the profit distribution plan has been resolved at the general meeting, the Board shall complete the dividend (or share) distribution within six months after the holding of the general meeting.

The Company shall appoint one or more receiving agents in Hong Kong for shareholders holding H shares, who shall be responsible for the receipt of dividends declared by the Company and other moneys payable in respect of the H shares and hold such moneys on behalf of such shareholders pending payment to such holders.

Appointment of an Accounting Firm

The Company shall appoint an independent accounting firm which is qualified under the Securities Law and the relevant regulations of China to audit the financial statements, verify the net assets and provide other relevant consultancy services. The term of appointment of the accounting firm shall commence from the conclusion of the annual general meeting until the conclusion of the next annual general meeting. The appointment may be renewed.

The Company's appointment, removal or non-reappointment of an accounting firm must be considered and resolved by the shareholders holding more than one-half of the voting rights of the Company or by an organisation independent of the Company's Board of Directors (e.g., the Board of Supervisors), and the Board of Directors shall not appoint an accounting firm before the general meeting has made its decision. The audit fee of the accounting firm must be considered and resolved by the shareholders holding more than one-half of the voting rights of the Company or by an organisation independent of the Company's Board of Directors (e.g., the Board of Supervisors).

20 days' prior notice shall be given to the accounting firm if the Company decides to remove such accounting firm or not to renew the appointment thereof. The accounting firm shall be entitled to make representations when the resolution regarding the removal of the accounting firm is considered at the general meeting of the Company. Where the accounting firm resigns, it shall make clear to the general meeting whether there is any impropriety on the part of the Company.

Merger, Division, Capital Increase and Capital Reduction

The Company may undergo merger, division, increase or reduction of registered capital in compliance with the law.

The procedures of a merger or division of the Company are as follows:

(I) the Board drafts a proposal for the merger or division;

(II) the general meeting resolves in accordance with the provisions of the Articles of Association;

(III) parties to the merger or division shall sign a merger or division agreement;

(IV) the relevant approval procedures shall be completed in accordance with the law;

(V) handle all matters in relation to merger or division including creditors' rights and indebtedness;

(VI) complete dissolution registration, change or establishment registration.

Merger of the Company may take the form of absorption or incorporation of a new company. Merger by absorption means that a company absorbing another company and the company being absorbed shall be dissolved. Merger by incorporation means that a merger of two or more companies through the establishment of a new company and the companies being consolidated shall be dissolved. If the price paid for the Company's merger does not exceed 10% of the Company's net assets, approval by resolution of the general meeting is not required, unless otherwise required by the Articles of Association. Where the Company's merger is exempt from approval by resolution of the general meeting in accordance with the preceding provisions, such merger shall be subject to approval by resolution of the Board. In the event of a merger of the Company, the parties to the merger shall execute a merger agreement and prepare a balance sheet and an inventory of assets. The Company shall give notice to its creditors within 10 days of the date of the resolution for merger and shall make an announcement in the newspaper or the National Enterprise Credit Information Publicity System within 30 days of the date of such resolution. A creditor has the right within 30 days of receipt of notice or within 45 days of the date of announcement if notice is not received, to require the Company to settle its debts or to provide a corresponding guarantee for such debt. Upon the merger of the Company, claims and debts of each of the merged parties shall be assumed by the company which survives or the newly established company after the merger.

When the Company is divided, its assets shall be split up accordingly. In the event of a division, the parties to the division shall execute a division agreement and prepare a balance sheet and an inventory of assets. The Company shall notify its creditors within ten days from the date of the Company's resolution to divide and shall publish an announcement in the newspaper or the National Enterprise Credit Information Publicity System within 30 days from the date of the Company's resolution to divide. Debts of the Company prior to division shall be jointly assumed by the companies which exist after the division, except provided otherwise in the written agreement between the Company and the creditors relating to the settlement of debt before the division.

Where the Company is required to reduce its registered capital, it shall prepare a balance sheet and an inventory of assets. The Company shall notify its creditors within 10 days from the date of the resolution for reduction of registered capital and shall publish an announcement in the newspapers recognised by the stock exchange(s) on which the Company's shares are listed or the National Enterprise Credit Information Publicity System within 30 days from the date of such resolution. A creditor has the rights, within 30 days after receipt of the notice or, within 45 days of the date of announcement if notice is not received, to demand the Company to repay its debts or to provide a guarantee for such debt. The Company may reduce its registered capital by decreasing its shares in proportion to the number of shares held by the shareholders. The Company may also reduce its registered capital not in proportion to the number of shares held by the shareholders, with only some shareholders participating in the capital reduction while others not participating in the capital reduction. The registered capital of Company after such reduction shall not be lower than the statutory minimum amount of registered capital.

When a company issues new shares to increase its registered capital, shareholders shall subscribe for new shares in accordance with the relevant provisions of the Company Law and relevant laws and regulations regarding the establishment of a joint-stock company for payment of shares.

Dissolution and Liquidation of the Company

The Company shall be dissolved upon the occurrence of the following events:

(I) a resolution on dissolution is passed by shareholders at a general meeting;

(II) dissolution is necessary due to the merger or division;

(III) the Company's business licence is revoked or the Company is ordered to close down or de-registered according to laws;

(IV) where the Company gets into serious trouble in operation and management and its continuation may cause substantial loss to the interests of shareholders, and no solution can be found through any other channel, shareholders representing more than 10% of the voting rights of the Company may apply to the People's Court to dissolve the Company;

(V) if the term of operation expires and the general meeting does not decide to extend the term of operation, or if other reasons for dissolution stipulated in the Articles of Association occur. If any of the situations as mentioned in the preceding paragraph arises, a company shall publicize the situations through the National Enterprise Credit Information Publicity System within ten days.

Where the Company is dissolved in accordance with items (I) or (V) above, and it has not distributed the assets to its shareholders yet, it may survive by amending its Articles of Association or upon a resolution of the shareholders' meeting. Amendments to the Articles of Association in accordance with items (I) or (V) above shall be approved by more than two-thirds of the voting rights held by the shareholders present at the general meeting. Where the Company is dissolved in accordance with items (I), (III), (IV) and (V) above, it shall be liquidated, and Directors, being the liquidation obligors, shall establish a liquidation committee within 15 days from the date of occurrence of events giving rise to dissolution. If the liquidation obligors fail to fulfil their liquidation obligations in a timely manner and causes losses to the Company or creditors, they shall be liable for compensation. In case no liquidation committee is established within the specified period to commence liquidation, the creditors may apply to the People's Court to designate relevant persons to form a liquidation committee and commence liquidation.

After liquidating the properties of the Company and preparation of a balance sheet and an inventory of assets, if the liquidation committee finds the assets of the Company to be insufficient for the settlement of its debts, the liquidation committee shall apply to the People's Court for a declaration of bankruptcy liquidation in accordance with the law. After the People's Court accepts the bankruptcy application, the liquidation committee shall refer the liquidation matters to the designated bankruptcy administrator.

The liquidation committee shall exercise the following powers during the period of liquidation:

(I) liquidating the properties of the Company, and preparing the balance sheets and inventory of assets separately;

(II) informing creditors by a notice or public announcement;

(III) disposing of and liquidating the ongoing businesses of the Company;

(IV) settling the outstanding taxes and the taxes incurred from the process of liquidation;

(V) settling credits and debts;

(VI) distributing the surplus properties after settling the Company's debt;

(VII) representing the Company in any civil proceedings.

The liquidation committee shall, within 10 days of its formation, notify the creditors, and shall, within 60 days, make a public announcement on the newspaper recognised by the stock exchange(s) on which the Company's shares are listed or the National Enterprise Credit Information Publicity System. Creditors shall, within 30 days of the receipt of the notice or within 45 days of the release of the public announcement in the case of failure to receive said notice, file their creditors' rights with the liquidation committee. Where creditors file their creditors' rights, they shall explain about the matters related to creditors' rights, and shall provide the evidentiary materials. The liquidation committee shall register the creditors' rights. The liquidation committee may not settle any of the debts of any creditors during the period of filing creditors' rights.

After the liquidation committee has liquidated the assets of the Company and has prepared the balance sheets and inventory of assets, it shall prepare a plan of liquidation, and report it to the general meeting or the People's Court for confirmation. The remaining assets after paying off the liquidation expenses, wages of employees, social insurance premiums and statutory compensation, the outstanding taxes and the debts of the Company may be distributed in proportion to shareholding of the shareholders.

During the period of liquidation, the Company continues to exist but may not carry out any business operation that is not related to liquidation. The Company's assets shall not be distributed to shareholders before the settlement of debts in accordance with the proceeding provision.

After the completion of the liquidation of the Company, the liquidation committee shall prepare a liquidation report and submit the same to a general meeting or the People's Court for confirmation, and shall file the aforesaid documents with the company registration authority for the purpose of applying for the deregistration of the Company. An announcement of the termination of the Company shall be made.

The members of the liquidation committee shall perform their liquidation duties with loyalty and diligence. If the members of the liquidation committee are negligent in performing their liquidation duties and cause losses to the Company, they shall be liable for compensation. The members of the liquidation committee shall be liable to compensate the creditors in respect of any loss caused by willful or material default.

If the Company is declared bankruptcy pursuant to law, bankruptcy liquidation shall be carried out in accordance with the law regarding enterprise bankruptcy.

A. FURTHER INFORMATION ABOUT OUR GROUP

1. Incorporation of our Company

Our Predecessor Company was established as a limited liability company under the laws of the PRC on 28 May 2018 under the name of "Anhui Conch New Materials Technology Co., Ltd."* (安徽海螺新材料科技有限公司) with an initial registered capital of RMB100,000,000. On 15 July 2022, our Predecessor Company was converted into a joint stock company with limited liability and its Chinese name was renamed from "安徽海螺新材料科技有限公司" to "安徽海螺材料科技股份有限公司". Our registered office is at No. 1-301, G Zone, Jiangbei New District Construction Headquarters, Wuhu City, 150 Meters South of Tongjiang Avenue, Wanjiang Jiangbei Emerging Industry Concentration Zone (except the Trusteeship Area), Wuhu City, Anhui Province, the PRC (中國安徽省蕪湖市皖江江北新興產業集中區(除託管區域外)通江大道南側150米蕪湖市江北新區建設指揮部G區1-301號). Our Company has established a place of business in Hong Kong at Room 1920, 19/F, Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong and have been registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance on 6 December 2023. Mr. Lee Leong Yin has been appointed as the authorised representatives of our Company for the acceptance of service of process and notices on behalf of our Company in Hong Kong. The address for service of process on our Company in Hong Kong is the same as its principal place of business in Hong Kong as set out above.

As a company incorporated in the PRC, our operations, corporate structure and Articles of Association are subject to the relevant PRC laws and regulations. A summary of the relevant provisions of our Articles of Association is set out in Appendix III.

2. Changes in share capital of our Company

Upon the establishment of our Predecessor Company under the laws of the PRC on 28 May 2018, our initial registered capital was RMB100,000,000, which has been fully paid up. Set out below are the changes of our registered capital/share capital since the date of incorporation up to the date of this prospectus:

(a) pursuant to a capital injection agreement dated 28 October 2018, the registered capital of our Predecessor Company was increased from RMB100,000,000 to RMB138,000,000, where Hubei Xintongling contributed RMB38,000,000;

(b) on 15 July 2022, our Predecessor Company was converted from a limited liability company into a joint stock company with limited liability with a registered capital of RMB361,560,000 divided into 361,560,000 Shares of RMB1.00 per Share;

(c) pursuant to a capital injection agreement dated 13 January 2023, our Company issued and allotted a total of 73,360,000 Shares with a nominal value of RMB1.00 each to Kegai Ceyuan LP, CCB Financial Asset Investment, Anhui Huiyuan LP, Anhui Zhongan LP, Wuhu Industrial Fund and Wuhu Longmen LP and hence the total issued share capital of our Company was increased to RMB434,920,000 divided into 434,920,000 Shares;

Upon completion of the Global Offering and assuming that the Over-allotment Option is not exercised, our total issued share capital will be 579,894,000 Shares, consisting of 394,523,200 Unlisted Shares and 185,370,800 H Shares, which represent approximately 68.03% and 31.97% of our total issued share capital, respectively.

Upon completion of the Global Offering and assuming that the Over-allotment Option is fully exercised, our total issued share capital will be 601,640,000 Shares, consisting of 394,523,200 Unlisted Shares and 207,116,800 H Shares, which represent approximately 65.57% and 34.43% of our total issued share capital, respectively.

For further details, see "History and Corporate Development" in this prospectus. Save as disclosed above, there has been no alteration in our share capital since our establishment.

3. Resolutions of our Shareholders passed at our Company's extraordinary general meeting

At the extraordinary general meeting held on 15 November 2023, among other things, the following resolutions were passed by our Shareholders:

(a) the issue by our Company of not more 144,974,000 H Shares with a nominal value of RMB1.0 each (representing approximately 25% of the total number of issued Shares of our Company immediately following the competition of the Global Offering) and the granting of the Over-allotment Option in respect of no more than 21,746,000 H Shares (representing 15% of the number of H Shares issued as abovementioned), and the listing of such H Shares on the Main Board of the Stock Exchange;

(b) subject to CSRC's notification on completion of filing procedure, upon completion of the Global Offering, the conversion of 40,396,800 Unlisted Shares held by our existing Shareholders into H Shares and the listing of such H Shares on the Main Board of the Stock Exchange;

(c) subject to the completion of the Global Offering, the Articles has been approved and adopted with effect from the Listing Date, and our Board be authorised to amend our Articles in accordance with any comments from the Stock Exchange and the relevant PRC regulatory authorities;

(d) subject to the completion of the Global Offering, our Board has been granted a general mandate to allot and issue H Shares at anytime within a period up to the date of the conclusion of the next annual general meeting of the Shareholders or the date on which our Shareholders pass a resolution to revoke or change such mandate, whichever is earlier, upon such terms and conditions and for such purposes as our Board in their absolute discretion deem fit, provided that, the number of H Shares to be issued shall not exceed 20% of the number of H Shares in issue as at the Listing; and

(e) our Board be and was thereby authorised to handle all relevant matters relating to, among other things, the issue and listing of the H Shares.

4. Change in share capital of our subsidiaries

Our subsidiaries are referred to in the Accountants' Report set out in Appendix I to this prospectus and "History and Corporate Development" in this prospectus.

On 6 June 2023, the registered capital of Xianyang Conch increased from RMB15 million to RMB30 million.

On 16 January 2024, the registered capital of Kunming Conch increased from RMB24 million to RMB30 million.

Saved as disclosed above, there has been no alteration in the share capital of our subsidiaries within the two years immediately preceding the date of this prospectus.

B. FURTHER INFORMATION ABOUT THE BUSINESS OF OUR GROUP

1. Summary of material contracts

The following contracts (not being contracts entered into in the ordinary course of business) were entered into by our Company/or Predecessor Company or its subsidiaries within the two years preceding the date of this prospectus and are or may be material:

(a) a capital increase agreement dated 13 January 2023 entered into among our Company, Conch Tech Innovation, Hubei Xintongling, Linyi Haihong, Anhui Zhongan LP, CCB Financial Asset Investment, Anhui Huiyuan LP, Kegai Ceyuan LP, Wuhu Industrial Fund and Wuhu Longmen LP, pursuant to which Anhui Zhongan LP, CCB Financial Asset Investment, Anhui Huiyuan LP, Kegai Ceyuan LP, Wuhu Industrial Fund and Wuhu Longmen LP agreed to subscribe for 10,000,000, 17,290,000, 12,000,000, 18,070,000, 8,000,000 and 8,000,000 Shares with a consideration of RMB27,657,000, RMB47,818,953, RMB33,188,400, RMB49,976,199, RMB22,125,600 and RMB22,125,600, respectively;

(b) a share equity transfer agreement dated 28 February 2023 entered into between Anhui Conch Formulation Engineering Technology Co., Ltd.* (安徽海螺製劑工程技術有限公司) and our Company, pursuant to which, Anhui Conch Formulation Engineering Technology Co., Ltd.* (安徽海螺製劑工程技術有限公司) agreed to transfer 100% equity interest in Anhui Haicui to our Company at a consideration determined with reference to Anhui Haicui's then valuation of RMB15,055,053.83;

(c) a share equity transfer agreement dated on 31 July 2023 entered into between our Company and Hainan Qingyuan Corporate Management Centre (Limited Partnership)* (海南清源企業管理中心(有限合夥)), pursuant to which, Hainan Qingyuan Corporate Management Centre (Limited Partnership)* (海南清源企業管理中心(有限合夥)) agreed to transfer 17% equity interest in Huludao Haizhong to our Company at a consideration of RMB4,250,000;

(d) a cornerstone investment agreement dated 27 December 2024 entered into among our Company, Gotion High-tech Co., Ltd.* (國軒高科股份有限公司) and the Sole Sponsor, pursuant to which, Gotion High-tech Co., Ltd.* (國軒高科股份有限公司) agreed to subscribe for such number of H Shares at the Offer Price in an aggregate investment amount of RMB52,600,000;

(e) a cornerstone investment agreement dated 27 December 2024 entered into among our Company, Anhui Shengchang Chemical Co., Ltd.* (安徽盛昌化工有限公司) and the Sole Sponsor, pursuant to which, Anhui Shengchang Chemical Co., Ltd.* (安徽盛昌化工有限公司) agreed to subscribe for such number of H Shares at the Offer Price in an aggregate investment amount of RMB70,000,000;

(f) a cornerstone investment agreement dated 27 December 2024 entered into among our Company, Wuhu Artec Biotechnology Co., Ltd.* (蕪湖阿泰克生物科技有限公司) and the Sole Sponsor, pursuant to which, Wuhu Artec Biotechnology Co., Ltd.* (蕪湖阿泰克生物科技有限公司) agreed to subscribe for such number of H Shares at the Offer Price in an aggregate investment amount of RMB53,000,000;

(g) a cornerstone investment agreement dated 22 December 2024 entered into among our Company, SCGC Capital Holding Company Limited and the Sole Sponsor, pursuant to which, SCGC Capital Holding Company Limited agreed to subscribe for such number of H Shares at the Offer Price in an aggregate investment amount of HK$50,000,000;

(h) a cornerstone investment agreement dated 27 December 2024 entered into among our Company, Guangdong Zongxing Technology Co., Ltd* (廣東縱行科技有限公司) and the Sole Sponsor, pursuant to which, Guangdong Zongxing Technology Co., Ltd* (廣東縱行科技有限公司) agreed to subscribe or procure a qualified domestic institutional investor to subscribe for such number of H Shares at the Offer Price in an aggregate investment amount of RMB20,000,000;

(i) a cornerstone investment agreement dated 27 December 2024 entered into among our Company, Shenzhen Gaodeng Computer Technology Co., Ltd.* (深圳高燈計算機科技有限公司) and the Sole Sponsor, pursuant to which, Shenzhen Gaodeng Computer Technology Co., Ltd.* (深圳高燈計算機科技有限公司) agreed to subscribe or procure a qualified domestic institutional investor to subscribe for such number of H Shares at the Offer Price in an aggregate investment amount of RMB60,000,000;

(j) the Deed of Non-Competition;

(k) the Deed of Indemnity; and

(l) the Hong Kong Underwriting Agreement.

2. Material intellectual property rights

As at the Latest Practicable Date, we have registered or have applied for the registration of the following intellectual property rights which are material in relation to our business.

(a) Trademarks

As at the Latest Practicable Date, we had registered the following trademarks which are material to our business:

No.	Trademark	Class	Registered Owner	Place of Registration	Registration Number	Expiry Date
1	宏艺 HONGYI	1	Our Company	The PRC	6842869	13 June 2030
2	宏艺科技 HONGYI TECHNOLOGY	1	Our Company	The PRC	6842851	13 July 2030
3	Hongyi 宏艺	1	Our Company	The PRC	1496096	27 December 2030

As at the Latest Practicable Date, our Group was granted a licence by Conch Holdings to use the following trademarks:

No.	Trademark	Class	Registered Owner	Place of Registration	Registration Number	Date of Registration	Expiry Date
1.	CONCH[1]	1	Conch Holdings	The PRC	1612021	7 August 2001	6 August 2031
2.	海螺	1	Conch Holdings	The PRC	54807092A	7 March 2022	6 March 2032
3.		1	Conch Holdings	The PRC	936016	28 January 1997	27 January 2027
4.		1	Conch Holdings	The PRC	54772513	21 February 2022	20 February 2032
5.	CONCH[1]	1	Conch Holdings	The PRC	54777870	21 January 2022	20 January 2032
6.	海螺新材料	1	Conch Holdings	The PRC	54784234A	7 March 2022	6 March 2032
7.	HAILUO	1	Conch Holdings	The PRC	54805762	28 October 2021	27 October 2031
8.		1	Conch Holdings	The PRC	54792970A	7 March 2022	6 March 2032
9.	海螺科技[1]	1	Conch Holdings	Hong Kong	306350922	15 September 2023	14 September 2033
10.	海螺	1	Conch Holdings	Hong Kong	306350913	15 September 2023	14 September 2033
11.	CONCH[1]	1	Conch Holdings	Hong Kong	306350904	15 September 2023	14 September 2033

Note:

1. The trademark is material to our business.

(b) Domain Name

As at the Latest Practicable Date, we had registered the following domain name which is material to our business:

No.	Domain Name	Registration Number	Registered owner	Expiry date
1	**www.conchmst.com**	皖ICP備2023027221號-1	Our Company	11 October 2028

(c) Patents

As at the Latest Practicable Date, we had registered the following patents which are material to our business:

No.	Patent	Registered Owner	Registration Number	Place of Registration	Date of Filing (dd/mm/yyyy)	Expiry Date (dd/mm/yyyy)
1	A preparation method for liquid cement grinding aids (一種液體水泥助磨劑的製備方法)	Our Company	201010136641.1	The PRC	29/03/2010	28/03/2030
2	A cement grinding aid (一種水泥助磨劑)	Our Company	201010571258.9	The PRC	03/12/2010	02/12/2030
3	A preparation method for enhanced fly-ash cement grinding aids (一種增強型粉煤灰水泥助磨劑的製備方法)	Our Company	201010585447.1	The PRC	10/12/2010	09/12/2030
4	A fire coal combustion improver (一種燃煤助燃劑)	Our Company	201110215082.8	The PRC	29/07/2011	28/07/2031
5	The cement grinding aid enhancer and its preparation method (水泥助磨增強劑及其製備方法)	Our Company	201110353937.3	The PRC	09/11/2011	08/11/2031
6	The cement dechromisation grinding aid and its preparation method (水泥除鉻助磨劑及其製備方法)	Our Company	201110404406.2	The PRC	07/12/2011	06/12/2031

No.	Patent	Registered Owner	Registration Number	Place of Registration	Date of Filing (dd/mm/yyyy)	Expiry Date (dd/mm/yyyy)
7	The steel slag grinding aid and its preparation method (鋼渣助磨劑及其製備方法)	Our Company	201110459096.4	The PRC	31/12/2011	30/12/2031
8	A macromolecule synthetic cement grinding aid (一種高分子合成水泥助磨劑)	Our Company	201210443448.1	The PRC	08/11/2012	07/11/2032
9	A concrete water reducing admixture and its preparation method (一種混凝土減水劑及其製備方法)	Linyi Conch	201210513902.6	The PRC	04/12/2012	03/12/2032
10	A retarded grinding aid for retarded cement and its preparation method (一種用於緩凝水泥的緩凝助磨劑及其製備方法)	Linyi Conch	201210512511.2	The PRC	04/12/2012	03/12/2032
11	A modified anolamine and its preparation method (一種改性醇胺及其製備方法)	Our Company	201310225868.7	The PRC	07/06/2013	06/06/2033
12	The method for concurrent production of isopropanolamine (聯合生產異丙醇胺的方法)	Our Company	201410132525.0	The PRC	02/04/2014	1/04/2034
13	A cement grinding aid and its preparation method (一種水泥助磨劑及其製備方法)	Linyi Conch	201410508148.6	The PRC	28/09/2014	27/09/2034
14	An enhanced cement grinding aid (一種增強型水泥助磨劑)	Linyi Conch	201410755667.2	The PRC	11/12/2014	10/12/2034
15	A grinding aid for vertical mill grinding steel slag (一種用於立磨粉磨鋼渣的助磨劑)	Linyi Conch	201510108385.8	The PRC	12/03/2015	11/03/2035

No.	Patent	Registered Owner	Registration Number	Place of Registration	Date of Filing (dd/mm/yyyy)	Expiry Date (dd/mm/yyyy)
16	The production method for triisopropanolamine (三異丙醇胺的生產方法)	Our Company and Xiangyang Conch	201510220328.9	The PRC	04/05/2015	03/05/2035
17	A high-alkali cement grinding aid and its preparation method (一種高鹼水泥助磨劑及其製備方法)	Meishan Conch	201510220330.6	The PRC	04/05/2015	03/05/2035
18	The reaction device for producing cement grinding aids (生產水泥助磨劑的反應裝置)	Our Company and Xiangyang Conch	201520318586.6	The PRC	18/05/2015	17/05/2025
19	The production equipment for cement grinding aids (水泥助磨劑的生產設備)	Our Company and Xiangyang Conch	201520318569.2	The PRC	18/05/2015	17/05/2025
20	The production equipment for cement grinding aids (水泥助磨劑的生產設備)	Our Company and Xiangyang Conch	201520318652.X	The PRC	18/05/2015	17/05/2025
21	The equipment for preparing polycarboxylate macromonomers (製備聚羧酸酯類大單體的設備)	Meishan Conch	201520908663.3	The PRC	13/11/2015	12/11/2025
22	The method of preparing polycarboxylate macromonomers (製備聚羧酸酯類大單體的方法)	Meishan Conch	201510780537.9	The PRC	13/11/2015	12/11/2035
23	A cement grinding aid and its preparation method (一種水泥助磨劑及其製備方法)	Linyi Conch	201610001031.8	The PRC	04/01/2016	03/01/2036
24	A cement grinding aid dosing device (一種水泥助磨劑配料裝置)	Linyi Conch	201620232604.3	The PRC	24/03/2016	23/03/2026

No.	Patent	Registered Owner	Registration Number	Place of Registration	Date of Filing (dd/mm/yyyy)	Expiry Date (dd/mm/yyyy)
25	The method of dehydrating polyether initiator (聚醚起始劑脫水的方法)	Meishan Conch	201610325341.5	The PRC	17/05/2016	16/05/2036
26	A method of producing diethanol monoisopropanolamine (一種生產二乙醇單異丙醇胺的方法)	Our Company	201610413071.3	The PRC	14/06/2016	13/06/2036
27	The general equipment for producing triisopropanolamine and trolamine (生產三異丙醇胺、三乙醇胺的通用設備)	Our Company and Xiangyang Conch	201620694114.5	The PRC	05/07/2016	04/07/2026
28	A permeable concrete additive and its preparation method (一種透水混凝土添加劑及其製備方法)	Linyi Conch	201610859361.0	The PRC	28/09/2016	27/09/2036
29	A modified propanolamine production device and its production method (一種改性丙醇胺生產裝置及其生產方法)	Our Company and Xiangyang Conch	201711463094.6	The PRC	28/12/2017	27/12/2037
30	A reduced hexavalent chromium type grinding aid and its preparation method (一種還原六價鉻型助磨劑及其製備方法)	Our Company	201810817548.3	The PRC	24/07/2018	23/07/2038
31	A preparation method for the slump retaining polycarboxylic acid water reducing admixture mother liquor (一種保坍型聚羧酸減水劑母液的製備方法)	Our Company and Xiangyang Conch	201811330921.9	The PRC	09/11/2018	08/11/2038
32	A preparation method for the early-strength alkali-free liquid accelerator (一種早強型無鹼液體速凝劑的製備方法)	Linyi Conch	201811492517.1	The PRC	07/12/2018	06/12/2038

No.	Patent	Registered Owner	Registration Number	Place of Registration	Date of Filing (dd/mm/yyyy)	Expiry Date (dd/mm/yyyy)
33	A liquid cement dechromisation grinding aid and its preparation method (一種液體水泥除鉻助磨劑及其製備方法)	Linyi Conch	201811492520.3	The PRC	07/12/2018	06/12/2038
34	A ceramic ball grinding cement grinding aid and its preparation method (一種陶瓷球粉磨水泥助劑及其製備方法)	Linyi Conch	201811633679.2	The PRC	29/12/2018	28/12/2038
35	A liquid cement dechromisation grinding aid (一種液體水泥除鉻助磨劑)	Linyi Conch	201811636276.3	The PRC	29/12/2018	28/12/2038
36	A special grinding aid for phosphorus slag cement and its preparation method (一種磷渣水泥專用助磨劑及其製備方法)	Linyi Conch	201811633455.1	The PRC	29/12/2018	28/12/2038
37	A high-alkali cement excitant and its preparation method (一種高鹼水泥激發劑及其製備方法)	Linyi Conch	201811633501.8	The PRC	29/12/2018	28/12/2038
38	An active excitation type of grinding aid for vertical mill grinding slag (一種立磨粉磨礦渣用活性激髮型助磨劑)	Our Company and Linyi Conch	201910589860.6	The PRC	02/07/2019	01/07/2039
39	A cement grinding aid and its preparation method (一種水泥助磨劑及其製備方法)	Our Company and Linyi Conch	201910590342.6	The PRC	02/07/2019	01/07/2039
40	A low-dosage cement dechromisation grinding aid and its preparation method (一種低摻量水泥除鉻助磨劑及其製備方法)	Our Company and Linyi Conch	201910871054.8	The PRC	16/09/2019	15/09/2039
41	The production system of polyether (聚醚的生產系統)	Our Company	201921646084.0	The PRC	29/09/2019	28/09/2029

No.	Patent	Registered Owner	Registration Number	Place of Registration	Date of Filing (dd/mm/yyyy)	Expiry Date (dd/mm/yyyy)
42	The preparation and application for 2, 2'[(2-hydroxy ethyl)-amino] dicyclohexanol (2，2'-[(2-羥基乙基)-氨基]二環己醇的製備及應用)	Our Company	201910936986.6	The PRC	29/09/2019	28/09/2039
43	A nickel iron slag masonry cement and its preparation method (一種鎳鐵渣砌築水泥及其製備方法)	Our Company	201911319221.4	The PRC	19/12/2019	18/12/2039
44	A cement raw material additive (一種水泥生料外加劑)	Our Company and Linyi Conch	201911331697.X	The PRC	21/12/2019	20/12/2039
45	A liquid cement grinding aid storage tank (一種液體水泥助磨劑儲存罐)	Our Company	202020211230.3	The PRC	26/02/2020	25/02/2030
46	The cement grinding aid loading device (水泥助磨劑裝車裝置)	Our Company and Linyi Conch	202020375229.4	The PRC	23/03/2020	22/03/2030
47	A silicon ether-terminated polyether and its preparation method, an efficient anti-clay water reducing admixture (一種硅醚封端的聚醚及其製備方法、一種高效抗泥型減水劑)	Our Company	202010245021.5	The PRC	31/03/2020	30/03/2040
48	The preparation method and application for alcohol amine compounds which can improve the early strength of cement (具有提高水泥早期強度的醇胺化合物的製備方法及應用)	Our Company and Xiangyang Conch	202010327064.8	The PRC	23/04/2020	22/04/2040
49	A continuous synthesis device (一種連續合成裝置)	Our Company and Xiangyang Conch	202021079038.X	The PRC	11/06/2020	10/06/2030

No.	Patent	Registered Owner	Registration Number	Place of Registration	Date of Filing (dd/mm/yyyy)	Expiry Date (dd/mm/yyyy)
50	A chromium-reducing cement grinding aid and its preparation method (一種降鉻型水泥助磨劑及其製備方法)	Our Company and Meishan Conch	202010544593.3	The PRC	15/06/2020	14/06/2040
51	A composite reducing chromium-reducing cement grinding aid and its preparation method (一種複合降鉻型水泥助磨劑及其製備方法)	Our Company and Meishan Conch	202010543412.5	The PRC	15/06/2020	14/06/2040
52	A polycarboxylic acid water reducing admixture and its preparation method (一種聚羧酸減水劑及其製備方法)	Our Company and Linyi Conch	202010582568.4	The PRC	23/06/2020	22/06/2040
53	The preparation method for nano-ettringite particles and modified nano-ettringite particles and their application in polyurethane films (納米鈣礬石顆粒與改性納米鈣礬石顆粒的製備方法及其在聚氨酯薄膜中的應用)	Our Company	202010626607.6	The PRC	01/07/2020	30/06/2040
54	A preparation method for diethanol monoisopropanolamine (一種二乙醇單異丙醇胺的製備方法)	Our Company and Xiangyang Conch	202010801247.9	The PRC	11/08/2020	10/08/2040
55	A super early-strength concrete admixture and its preparation method (一種超早強型混凝土外加劑及其製備方法)	Our Company and Meishan Conch	202010941333.X	The PRC	09/09/2020	08/09/2040

No.	Patent	Registered Owner	Registration Number	Place of Registration	Date of Filing (dd/mm/yyyy)	Expiry Date (dd/mm/yyyy)
56	The preparation method and application for the special polycarboxylic acid water reducing admixture for pipe piles (一種管樁用聚羧酸減水劑及其製備方法與應用)	Our Company and Xiangyang Conch	202011016273.7	The PRC	24/09/2020	23/09/2040
57	A preparation method for the ethanol diisopropanolamine using chloropropanol as the raw material (一種以氯丙醇為原料的羥乙基二異丙醇胺的製備方法)	Our Company	202011079805.1	The PRC	10/10/2020	09/10/2040
58	The coal burning additive for cement clinker calcination and its preparation method (水泥熟料鍛燒燃煤助劑及其製備方法)	Our Company	202011139593.1	The PRC	22/10/2020	21/10/2040
59	A cement raw material additive with both grinding and decomposition promoting effects (一種兼具助磨、分解促進作用的水泥生料外加劑)	Our Company and Linyi Conch	202011621301.8	The PRC	31/12/2020	30/12/2040
60	A high-strength cement-based inorganic nano repair material and its preparation method (一種高強度水泥基無機納米修復材料及其製備方法)	Our Company and Linyi Conch	202011616813.5	The PRC	31/12/2020	30/12/2040
61	A salt erosion resistant marine concrete admixture and its preparation method (一種抗鹽侵蝕的海工混凝土外加劑及其製備方法)	Our Company and Linyi Conch	202011621292.2	The PRC	31/12/2020	30/12/2040
62	An environmentally friendly cement and its preparation method (一種環保型水泥及其製備方法)	Our Company and Linyi Conch	202011621346.5	The PRC	31/12/2020	30/12/2040

No.	Patent	Registered Owner	Registration Number	Place of Registration	Date of Filing (dd/mm/yyyy)	Expiry Date (dd/mm/yyyy)
63	A preparation method for the early strength polycarboxylic acid water reducing admixture (一種早強型聚羧酸減水劑的製備方法)	Our Company	202110144243.2	The PRC	02/02/2021	01/02/2041
64	A production device with the continuous cement additive process (一種連續性水泥外加劑工藝生產裝置)	Our Company and Linyi Conch	202121413489.7	The PRC	24/06/2021	23/06/2031
65	A stabiliser for the vertical mill grinding abrasive layer and its preparation method and application (一種立磨粉磨料層穩定劑及其製備方法和應用)	Our Company and Ningbo Conch	202110772268.7	The PRC	08/07/2021	07/07/2041
66	A special grinding aid for vertical mill grinding cement and its application (一種立磨粉磨水泥專用助磨劑及其應用)	Our Company and Ningbo Conch	202111248862.2	The PRC	26/10/2021	25/10/2041
67	A steel slag activator and its preparation method and application (一種鋼渣活化劑及其製備方法和應用)	Our Company and Xiangyang Conch	202111363140.1	The PRC	17/11/2021	16/11/2041
68	A reinforcing admixture for high-strength and wear-resistant permeable concrete, high-strength and wear-resistant permeable concrete and its preparation method and application (一種高強度耐沖磨透水混凝土用增強劑、高強度耐沖磨透水混凝土及其製備方法和應用)	Our Company and Xiangyang Conch	202111360875.9	The PRC	17/11/2021	16/11/2041

No.	Patent	Registered Owner	Registration Number	Place of Registration	Date of Filing (dd/mm/yyyy)	Expiry Date (dd/mm/yyyy)
69	The preparation method for the ecological concrete water reducing admixture (一種生態型混凝土減水劑的製備方法)	Our Company and Linyi Conch	202111549316.2	The PRC	17/12/2021	16/12/2041
70	An admixture for producing cement with the vertical mill final grinding process and its preparation method (一種立磨終粉磨工藝生產水泥用外加劑及其製備方法)	Our Company and Linyi Conch	202111577592.X	The PRC	22/12/2021	21/12/2041
71	A cement strength anti-attenuating admixture and its preparation method and application (一種水泥強度抗衰減劑及其製備方法和應用)	Our Company	202210374429.1	The PRC	11/04/2022	10/04/2042
72	A fluorine-free and alkali-free liquid accelerator with resistance to chloride ion permeation and its preparation method (一種抗氯離子滲透型無氟無鹼液體速凝劑及其製備方法)	Our Company	202210740664.6	The PRC	27/06/2022	26/06/2042
73	A material compounding system (一種物料復配系統)	Our Company and Linyi Conch	202223001947.3	The PRC	10/11/2022	09/11/2032
74	A cement grinding and strengthening agent and its preparation method (一種水泥助磨增強劑及其製備方法)	Our Company and Linyi Conch	202211606622.X	The PRC	14/12/2022	13/12/2042
75	A pre-treatment device for the moisture detection of ethylene oxide (一種環氧乙烷水分檢測的前處理裝置)	Our Company and Ningbo Conch	202321629104.X	The PRC	26/06/2023	25/06/2033

No.	Patent	Registered Owner	Registration Number	Place of Registration	Date of Filing (dd/mm/yyyy)	Expiry Date (dd/mm/yyyy)
76	An automatic spray device for slowing down the decomposition of hydrogen peroxide in the storage tank (一種用於減緩儲罐中雙氧水分解的自動噴淋裝置)	Our Company and Guigang Conch	202320803406.8	The PRC	12/04/2023	11/04/2033
77	A catalyst for synthesizing cyclic carbonate and its preparation method and application (一種合成環狀碳酸酯用催化劑及其製備方法和應用)	Our Company	202410607160.6	The PRC	16/05/2024	15/05/2044
78	A viscosity reducing polycarboxylic acid water reducing admixture for high-strength concrete and its preparation method (一種高強混凝土用降粘型聚羧酸減水劑及其製備方法)	Our Company and Xiangyang Conch	202110913998.4	The PRC	10/08/2021	09/08/2041
79	An early strength water reducing admixture and its preparation method and application (一種早強減水劑及其製備方法和應用)	Our Company	202111543480.2	The PRC	16/12/2021	15/12/2041
80	Device used for the synthesis and dropping of polycarboxylic acid mother liquor (用於聚羧酸母液的合成滴料裝置)	Our Company and Guigang Conch	202321069772.1	The PRC	06/05/2023	05/05/2033
81	A shrinkage reducing admixture and its preparation method and application (一種減縮劑及其製備方法和應用)	Our Company	202211217936.0	The PRC	30/09/2022	29/09/2042
82	A solid polycarboxylic acid water reducing admixture and its preparation method and application (一種固體聚羧酸減水劑及其製備方法和應用)	Our Company	202410795994.4	The PRC	20/06/2024	19/06/2044

As at the Latest Practicable Date, we have filed the following patent applications which are pending, published and material to our business:

No.	Patent	Applicant	Place of Application	Application Number	Filing Date (dd/mm/yyyy)
1.	A universal high-performance polycarboxylic acid concrete water reducing admixture and its preparation method (一種通用型高性能聚羧酸混凝土減水劑及其製備方法)	Our Company	The PRC	202111636748.7	29/12/2021
2.	A reactor for the synthesis of polycarboxylic acid water reducing admixture (一種聚羧酸減水劑合成反應釜)	Our Company	The PRC	202211211150.8	30/09/2022
3.	A detection method for cement admixture based on near infrared spectrum (一種基於近紅外光譜的水泥外加劑檢測方法)	Our Company and Ningbo Conch	The PRC	202211212115.8	30/09/2022
4.	A polycarboxylic acid water reducing admixture and its preparation method (一種聚羧酸減水劑及其製備方法)	Our Company and Ningbo Conch	The PRC	202211212188.7	30/09/2022
5.	A grind auxiliary agent and its preparation method (一種研磨助劑及其製備方法)	Anhui Haicui	The PRC	202211525222.6	30/11/2022
6.	A solid polycarboxylic acid water reducing admixture and its preparation method (一種固體聚羧酸減水劑及其製備方法)	Our Company and Ningbo Conch	The PRC	202310352672.8	04/04/2023

No.	Patent	Applicant	Place of Application	Application Number	Filing Date (dd/mm/yyyy)
7.	A polyether macromonomer, its preparation method, and its application in the polycarboxylic acid water reducing admixture (一種聚醚大單體、製備方法及其在聚羧酸減水劑中的應用)	Our Company and Ningbo Conch	The PRC	202310352667.7	04/04/2023
8.	A polyether macromonomer and its preparation method (一種聚醚大單體及其製備方法)	Our Company and Ningbo Conch	The PRC	202310371917.1	04/04/2023
9.	A slump retaining polycarboxylic acid water reducing admixture with high steric hindrance effect and its preparation method (一種具有高空間位阻效應的保坍型聚羧酸減水劑及其製備方法)	Our Company and Tongling Conch	The PRC	202310758933.6	26/06/2023
10.	A viscosity reducing polycarboxylic acid water reducing admixture and its preparation method (一種降黏型聚羧酸減水劑及其製備方法)	Our Company and Ningbo Conch	The PRC	202311143576.9	05/09/2023
11.	A long-acting water retaining admixture and its preparation method (一種長效保水劑及其製備方法)	Our Company and Ningbo Conch	The PRC	202311137679.4	05/09/2023

No.	Patent	Applicant	Place of Application	Application Number	Filing Date (dd/mm/yyyy)
12.	Purification system used for electronic grade ethylene carbonate and the preparation method for the ethylene carbonate (電子級碳酸乙烯酯用提純系統以及碳酸乙烯酯製備方法)	Our Company and Ningbo Conch	The PRC	202311165694.X	11/09/2023
13.	A new cement grinding aid (一種新型水泥助磨劑)	Linyi Conch and Our Company	The PRC	202311226455.0	22/09/2023
14.	A concrete reinforcing admixture with Janus structure and its preparation method and application (一種Janus結構混凝土增強劑及其製備方法和應用)	Our Company and Tongling Conch	The PRC	202311251552.5	26/09/2023
15.	A cement grinding aid and its preparation method (一種水泥助磨劑及其製備方法)	Linyi Conch and Our Company	The PRC	202410667794.0	28/05/2024
16.	A mud-resisting and viscosity-reducing polycarboxylic acid water reducing admixture and its preparation method (一種抗泥降粘型聚羧酸減水劑及其製備方法)	Linyi Conch and Our Company	The PRC	202410799282.X	20/06/2024
17.	A concrete water retaining admixture containing cyclic aromatic amide and its preparation method and application (一種含環芳醯胺的混凝土保水劑及其製備方法和應用)	Our Company and Meishan Conch	The PRC	202410828394.3	25/06/2024

No.	Patent	Applicant	Place of Application	Application Number	Filing Date (dd/mm/yyyy)
18.	An automatic production monitoring system for cement grinding aids (一種水泥助磨劑自動生產監控系統)	Linyi Conch and Our Company	The PRC	202421464849.X	25/06/2024
19.	An excitant for cements containing high-volume slag and its preparation method (一種大摻量礦渣水泥用激發劑及其製備方法)	Linyi Conch and Our Company	The PRC	202410843506.2	27/06/2024
20.	A viscosity reducer synthesized at room temperature for concretes and its preparation method (一種常溫合成的混凝土降粘劑及其製備方法)	Our Company and Guigang Conch	The PRC	202410859066.X	28/06/2024
21.	A method for preparing manufactured sand concrete and workability regulator (一種機制砂混凝土和易性調節劑的製備方法)	Our Company and Guigang Conch	The PRC	202410859061.7	28/06/2024
22.	A cement activator and its preparation method, use method and application (一種水泥活化劑及其製備方法、使用方法和應用)	Our Company	The PRC	202410999042.4	24/07/2024
23.	A new composite cement grinding aid and its preparation method (一種新型複合水泥助磨劑及其製備方法)	Linyi Conch and our Company	The PRC	202411027016.1	30/07/2024
24.	Catalysts for synthesizing cyclic carbonates, preparation methods and uses thereof (一種合成環狀碳酸酯用催化劑及其製備方法與應用)	Our Company	The U.S.	18/809,602	20/08/2024

C. FURTHER INFORMATION ABOUT OUR DIRECTORS, SUPERVISORS, CHIEF EXECUTIVES AND SUBSTANTIAL SHAREHOLDERS

1. Disclosure of interests

(a) Interests and short positions of our Directors, Supervisors and chief executive of our Company in the share capital of our Company

Immediately following completion of the Global Offering and the conversion of our Unlisted Shares to H Shares (assuming the Over-allotment Option is not exercised), the interests and short positions of our Directors, Supervisors and chief executive of our Company in our Shares, underlying Shares or debentures of our Company or any of our associated corporations (within the meaning of Part XV of the SFO) (i) which will have to be notified to us and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are taken or deemed to have under such provisions of the SFO), or (ii) which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or (iii) which will be required to be notified to us and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, in each case once our Shares are listed on the Stock Exchange:

(i) Interests in the Shares

Name of Director/chief executive	Capacity/Nature of interest	Description of Shares [(1)]	Number of Shares Held or Interested	Approximate percentage of shareholding in the Unlisted Shares/ H Shares [(1)]	Approximate percentage of shareholding in the total issued share capital of our Company [(2)]
Mr. Feng [(3)] . .	Interest in controlled corporations	Unlisted Shares	96,101,600	24.36%	18.07%
		H Shares	8,698,400	4.69%	
Mr. Zhao [(4)] . .	Interest in controlled corporations	Unlisted Shares	64,661,600	16.38%	12.65%
		H Shares	8,698,400	4.69%	

Notes:

1. The calculation is based on the total number of 394,523,200 Unlisted Shares and 185,370,800 H Shares in issue immediately after the completion of the Global Offering (assuming that the Over-allotment Option is not exercised).

2. The calculation is based on the total number of 579,894,000 Shares in issue immediately after the completion of the Global Offering (assuming that the Over-allotment Option is not exercised).

3. As at the Latest Practicable Date, Hubei Xintongling was owned as to 60% by Mr. Feng and 40% by Mr. Ming Jinlong. By virtue of the SFO, Mr. Feng are deemed to be interested in the Shares held by Hubei Xintongling.

4. As at the Latest Practicable Date, Linyi Haihong was owned as to 88% by Mr. Zhao and 12% by Mr. Chen Jun. By virtue of the SFO, Mr. Zhao is deemed to be interested in the Shares held by Linyi Haihong.

(b) Interests of the substantial shareholders in the Shares and underlying shares of our Company or any member of our Group

Save as disclosed in "Substantial Shareholders" in this prospectus, our Directors are not aware of any other person (not being a Director, Supervisor or chief executive of our Company) who will, immediately following the completion of the Global Offering and assuming no exercise of the Over-allotment Option, have an interest and/or short position in our Shares, underlying shares which would fall to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of our Company or any other member of our Group.

2. Particulars of service contracts and letters of appointment

Our Company entered into a service contract with each of our executive Directors, non-executive Directors and Supervisors and a letter of appointment with each of our independent non-executive Directors on 16 December 2024, for an initial term of three years from the date of Listing.

Save as disclosed above, none of our Directors or Supervisors has or is proposed to have a service contract or letter of appointment (as the case may be) with our Company or any subsidiaries other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation).

3. Directors' and Supervisors' remuneration

The aggregate amounts of remuneration (including fees, salaries, contributions to pension schemes, discretionary bonuses, housing and other allowances and other benefits in kind) paid to our Directors and Supervisors for FY2021, FY2022, FY2023 and 6M2024 were approximately RMB1.8 million, RMB4.4 million, RMB3.4 million and RMB1.2 million respectively. None of our Directors or Supervisors had waived any remuneration during the same period.

Save as disclosed above, no other payments have been made or are payable in respect of the three years ended 31 December 2023 and the six months ended 30 June 2024 by any member of our Group to any of our Directors or Supervisors.

During the Track Record Period, no remuneration was paid to our Directors or Supervisors as an inducement to join, or upon joining, our Group. No compensation was paid to, or receivable by, our Directors, or our Supervisors for the Track Record Period for the loss of office as director or supervisor of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group.

Under the arrangements currently in force, we estimate the aggregate remuneration, excluding discretionary bonus, of our Directors and Supervisors for the year ending 31 December 2024 to be approximately RMB3.0 million, respectively.

4. Agency Fees or commissions paid or payable

Save as disclosed in "Underwriting" in this prospectus, no commissions, discounts, agency fee, brokerages or other special terms in connection with the issue or sale of any capital of our Company or any of our subsidiaries have been granted within two years immediately preceding the issue of this prospectus.

5. Disclaimers

(a) None of our Directors, Supervisors nor any of the parties listed in "— D. Other information — 7. Qualifications of experts" below has any direct or indirect interest in the promotion of any member of our Group or in any assets which have been, within the two years immediately preceding the date of this prospectus, acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group.

(b) Save in connection with the Underwriting Agreements, none of our Directors nor Supervisors is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group taken as a whole.

(c) Save as disclosed in "Substantial Shareholders" and "— C. Further Information about our Directors, Supervisors, Chief Executives and Substantial Shareholders" above, none of our Directors or Supervisors is aware of any person (not being a Director, Supervisor or chief executive of our Company) who will, immediately following completion of the Global Offering, have an interest and/or short position in the Shares or underlying Shares of our Company which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO.

D. OTHER INFORMATION

1. Estate duty

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of our subsidiaries.

2. Tax and Other Indemnities

Conch Tech Innovation and Conch Holdings (being our controlling shareholders) (the "**Indemnifying Shareholders**") have entered into the Deed of Indemnity with our Company (for itself and the other members of our Group) (being a contract referred to in "B. Further Information about the Business of Our Group — 1. Summary of materials contracts" above). Under the Deed of Indemnity, the Indemnifying Shareholders will jointly and severally indemnify and keep indemnified our Company (for itself and the other members of our Group) against, among other things, (i) all taxation falling on any member of our Group resulting from, or relating to, or in consequence of, or by reference to any income, profits or gains earned, accrued or received (or deemed to be so earned, accrued or received) and/or assets acquired by any member of our Group on or before the date on which the Global Offering becomes unconditional (the "**Effective Date**"); and (ii) any loss or expense that may be incurred by our Group as a results of certain non-compliance incidents as set out in "Business — Legal Non-compliance and Proceedings — Non-compliance" in this prospectus.

The Indemnifying Shareholders will, however, not be liable under the Deed of Indemnity where, among other things, (a) specific provision or reserve has been made for such liability in the Accountants' Report set out in Appendix I to this prospectus; or (b) the liability arises or is increased as a result only of a retrospective change in law or a retrospective increase in tax rates coming in force after the Effective Date; or (c) the liability would not have arisen but for any voluntary act of any member of our Group after the Effective Date which the relevant member of our Group ought reasonably to have known would give rise to such liability; or (d) in respect of any liability under the taxation indemnity given, and any claim in relation to taxation as specified under the Deed of Indemnity, the liability arises in the ordinary course of business of our Group after 30 June 2024 and up to the Effective Date.

3. Litigation

As at the Latest Practicable Date, no member of our Group was engaged in any litigation, claim or arbitration of material importance and no litigation, claim or arbitration of material importance was known to our Directors to be pending or threatened against our Group, that would have a material adverse effect on its business, financial condition or results of operations.

4. Sole Sponsor's fees

The Sole Sponsor is China Securities (International) Corporate Finance Company Limited. The Sole Sponsor satisfies the criteria of independence applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

The Sole Sponsor has made an application on our behalf to the Listing Committee of the Stock Exchange for a listing of, and permission to deal in, the H shares to be issued as mentioned in this prospectus. Our Company has agreed to pay the Sole Sponsor a fee of HK$5.0 million to act as sponsor in connection with the Listing.

5. Compliance Adviser

Our Company has appointed Somerley Capital Limited as the compliance adviser effective upon the Listing in compliance with Rules 3A.19 and 19A.05 of the Listing Rules.

6. Preliminary Expenses

Our Company did not incur any material preliminary expenses.

7. Qualification of experts

The qualifications of the experts (as defined under the Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance) who have given opinions or advice which are contained in, or referred to in this prospectus, (the "**Experts**") are set out below:

Name	Qualifications
China Securities (International) Corporate Finance Company Limited	Licensed to conduct Type 1 (dealing in securities), and Type 6 (advising on corporate finance) of the regulated activities under the SFO
KPMG	*Certified Public Accountants* *Public Interest Entity Auditor registered in accordance with the Accounting and Financial Reporting Council Ordinance*
Beijing Grandway Law Offices	PRC legal advisers
Frost & Sullivan (Beijing) Inc.	Industry consultant

8. Consents of experts

Each of the Experts has given and has not withdrawn its consent to the issue of this prospectus with the inclusion of its report and/or letter and/or legal opinion (as the case may be), all of which are dated the date of this prospectus and made for incorporation in this prospectus, and references to its name included in the form and context in which it respectively appears.

9. Promoter

The promoter of our Company are Conch Tech Innovation, Linyi Haihong and Hubei Xintongling.

Save as disclosed in "History and Corporate Development" in this prospectus, no cash, securities or other benefit has been paid, allotted or given or is proposed to be paid, allotted or given to any promoter within the two years immediately preceding the date of this prospectus in connection with the Global Offering or the related transactions described in this prospectus.

10. Taxation of H Shares Holders

Dealings in H Shares registered on our Company's H Shares register of members will be subject to Hong Kong stamp duty. Intending holders of H Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in H Shares. It is emphasised that none of our Company, Directors, Supervisors or the other parties involved in the Global Offering can accept responsibility for any tax effect on, or liabilities of, holders of H Shares resulting from their subscription for, purchase, holding or disposal of or dealing in H Shares.

Profits from dealings in H Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

The sale, purchase and transfer of H Shares are subject to Hong Kong stamp duty, the current rate charged on each purchaser and seller is 0.10% of the consideration or, if higher, the value of the H Shares being sold or transferred.

11. Binding effect

This prospectus shall have the effect, if an application is made in pursuance of this prospectus, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance insofar as applicable.

12. Bilingual prospectus

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

13. Miscellaneous

(a) Save as disclosed in "History and Corporate Development" in this prospectus and "— A. Further Information about Our Group — 2. Changes in share capital of our Company" and "4. Changes in share capital of our subsidiaries" above, within the two years immediately preceding the date of this prospectus, (i) no share or loan capital of any member of our Group has been issued or agreed to be issued or is proposed to be fully or partly paid either for cash or a consideration other than cash; (ii) no commissions, discount, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share of our Group; and (iii) no commissions has been paid or payable to any person subscribing, agreeing to subscribe, or procuring or agreeing to procure subscription, for any shares in or debentures of our Group.

(b) No founder, management or deferred shares of our Group or any of our Subsidiaries have been issued or agreed to be issued.

(c) Our Group has no outstanding convertible debt securities or debentures.

(d) No share or loan capital of our Group, if any, is under option or agreed conditionally or unconditionally to be put under option.

(e) There is no arrangement under which future dividends are waived or agreed to be waived.

(f) There has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 12 months immediately preceding the date of this prospectus.

(g) No part of the equity and debt securities of our Company, if any, is currently listed on or dealt in on any other stock exchange or trading system nor is any listing or permission to list on any stock exchange other than the Stock Exchange is currently being or agreed to be sought.

(h) There has been no material adverse change in the financial or trading position of our Group since 30 June 2024 (being the date to which the latest audited consolidated financial statements of our Group were made up).

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to a copy of this prospectus and delivered to the Registrar of Companies in Hong Kong for registration were:

(a) the written consents referred to in "Appendix IV — Statutory and General Information — D. Other information — 8. Consents of experts" in this prospectus; and

(b) copies of each of the material contracts referred to "Appendix IV — Statutory and General Information — B. Further information about the business of our Group — 1. Summary of material contracts" in this prospectus.

DOCUMENTS ON DISPLAY

Copies of the following documents will be available on display on the website of the Stock Exchange at **www.hkexnews.hk** and our website at **www.conchmst.com** during a period of 14 days from the date of this prospectus:

(a) the Articles of Association;

(b) the Accountants' Report of our Group from KPMG, the text of which is set out in Appendix I;

(c) the report on the unaudited pro forma financial information of our Group from KPMG, the text of which is set out in Appendix II to this prospectus;

(d) the audited consolidated financial statements our Company for the three financial years ended 31 December 2021, 2022 and 2023 and 6M2024;

(e) the PRC legal opinion issued by our Beijing Grandway Law Offices, our legal adviser on PRC law in respect of certain general corporate matters of our Group and the property interests of our Group;

(f) the industry report issued by Frost & Sullivan, our industry research consultant, from which information in "Industry Overview" in this prospectus is extracted;

(g) the PRC Company Law, the PRC Securities Law and the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies together with their unofficial English translations;

(h) the written consents referred to in "Appendix IV — Statutory and General Information —D. Other information — 8. Consents of Experts" in this prospectus;

(i) the material contracts referred to in “Appendix IV — Statutory and General Information — B. Further information about the business of our Group — 1. Summary of material contracts” in this prospectus; and

(j) the service contracts and letters of appointment with our Directors and Supervisors (as the case may be) referred to in “Appendix IV — Statutory and General information — C. Further information about our Directors, Supervisors, Chief Executives and Substantial Shareholders — 2. Particulars of service contracts and letters of appointment” in this prospectus.

Anhui Conch Material Technology Co., Ltd.
安徽海螺材料科技股份有限公司