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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: 02560)

PROPOSED CHANGE IN USE OF PROCEEDS

References are made to (i) the prospectus of Anhui Conch Material Technology Co., Ltd. (the "**Company**") dated 31 December 2024 (the "**Prospectus**") in relation to the global offering (the "**Global Offering**") of the Company; and (ii) the interim report of the Company for the six months ended 30 June 2025 (the "**2025 Interim Report**") in relation to, among other things, the status of the use of net proceeds as of 30 June 2025. Unless otherwise defined, terms used in this announcement shall have the same meaning as defined in the Prospectus.

THE PROPOSED CHANGE IN USE OF PROCEEDS

In order to enhance the efficiency of the use of proceeds, the Board has considered and approved to adjust the intended use of HK$143.8 million allocated from the net proceeds from the Global Offering, from being used to partially finance the production activities of a production plant located in Huludao, Liaoning, to construct overseas production plants located in Uzbekistan and Indonesia, to implement marketing initiatives, to repay certain bank loans and for general working capital, to being used for the project to establish a production plant for cement grinding aids and concrete grinding aids in Maoming City, Guangdong Province (the "**Maoming Project**"), (the "**Proposed Change**").

According to the articles of association of the Company, Shareholders' approval is required to be obtained for the change of the use of unutilised net proceeds. Accordingly, the Proposed Change is subject to the approval by way of ordinary resolution by the Shareholders at the general meetings of the Company.

As disclosed in the 2025 Interim Report, the Company's net proceeds from the Global Offering were approximately HK$395.9 million. As of the date of this announcement, net proceeds of approximately HK$113.4 million have been utilized, and approximately HK$282.5 million remains unutilized. Details of the allocation of net proceeds, the net proceeds utilized and unutilized as of the date of this announcement before the Proposed Change are set out in the following table:

Intended use (based on the Prospectus and before the Proposed Change)	**Percentage of net proceeds**	**Allocation before the change** *(HK$ millions)*	**Utilized as of the date of this announcement** *(HK$ millions)*	**Unutilized as of the date of this announcement** *(HK$ millions)*
Optimise production capacity and extend our geographical presence	**35.0%**	**138.5**	**84.1**	**54.4**
— Partially finance the production activities of a production plant located in Huludao, Liaoning	3.2%	12.5	—	12.5
— Acquire and install production machinery in our Ningbo Production Plant	18.0%	71.3	71.3	—
— Construct overseas production plants located in Uzbekistan and Indonesia	10.8%	42.8	12.8	30.0
— Enhance the extent of automation and digitalisation in production processes	2.0%	7.9	—	7.9
— Strengthen the production infrastructure	1.0%	4.0	—	4.0
Implement marketing initiatives	**10.0%**	**39.6**	**—**	**39.6**
Devote further resources to our R&D initiatives	**15.0%**	**59.4**	**—**	**59.4**
— Support our various R&D initiatives	13.3%	52.7	—	52.7
— Develop and commercialise our new product, ethylene carbonate (碳酸乙烯酯)	1.7%	6.7	—	6.7
Repay certain bank loans	**15.0%**	**59.4**	**20.0**	**39.4**
Acquire companies or establish joint ventures	**15.0%**	**59.4**	**—**	**59.4**
General working capital	**10.0%**	**39.6**	**9.3**	**30.3**
Total	100.0%	395.9	113.4	282.5

Note: The difference between the final net proceeds received from the Global Offering and the estimated net proceeds disclosed in the Prospectus has been adjusted in the same manner and in the same proportion as the use of proceeds disclosed in the Prospectus.

Subject to the approval of the Proposed Change by the Shareholders, details of the allocation of the net proceeds after the Proposed Change and the expected timeline for utilisation are set out in the table below：

Proposed Change of intended use	Percentage of the unutilized net proceeds after the change	Allocation after the change *(HK$ millions)*	Expected timeline of full utilization after the change
Optimise production capacity and extend our geographical presence	**58.0%**	**163.7**	**December 2028**
— Construct overseas production plants located in Uzbekistan and Indonesia	2.9%	8.0	June 2028
— Enhance the extent of automation and digitalisation in production processes	2.8%	7.9	June 2026
— Strengthen the production infrastructure	1.4%	4.0	December 2026
— Construct production plants located in Maoming City, Guangdong Province	50.9%	143.8	December 2028
Devote further resources to our R&D initiatives	**21.0%**	**59.4**	**June 2028**
— Support our various R&D initiatives	18.7%	52.7	June 2028
— Develop and commercialise our new product, ethylene carbonate (碳酸乙烯酯)	2.4%	6.7	December 2026
Acquire companies or establish joint ventures	**21.0%**	**59.4**	**December 2026**
Total	100.0%	282.5	

REASONS FOR AND BENEFITS OF THE CHANGE IN THE USE OF NET PROCEEDS FROM THE GLOBAL OFFERING

The intended use of proceeds from the Global Offering as disclosed in the Prospectus was formulated based on the Company's estimation of the then-current and future market conditions as of the date of the Prospectus. The Board assesses the plans for the use of the unutilized net proceeds on an ongoing basis and revises or modifies such plans where necessary in response to the developing trends of global and domestic economic conditions, so as to determine the most effective use of the net proceeds with a view to promoting a better growth and development of the Group.

After comprehensively considering the Group's current financial position and business plans, the Board proposes to adjust the use of the unutilized net proceeds as follows:

- The remaining balance of the proceeds originally intended for "repaying certain bank loans" is approximately HK$39.4 million. As the interest-bearing bank loans of the parent company have been fully repaid, there are currently no applicable interest-bearing bank loans within the Group available for repayment. Therefore, there is no longer a need for this portion of the proceeds to be used for the original intended purpose.

- The remaining balance of the proceeds originally intended for "partial financing the production activities of a production plant located in Huludao, Liaoning" is approximately HK$12.5 million. Given that the plan to invest in and establish the production plant in Huludao, Liaoning has been completed, the proceeds will no longer be utilized for these original projects, and there is no longer a need for the relevant proceeds to be used for the original intended purpose.

- The remaining balance of the proceeds originally intended for "constructing overseas production plants located in Uzbekistan and Indonesia" is approximately HK$30.0 million. Given that the construction of the production plant in Uzbekistan has been completed, and part of the investment for the overseas production plant in Indonesia has been paid using proceeds and self-owned funds, the estimated remaining funding requirement is approximately HK$8 million. To avoid idle funds and duplication of allocation, upon the Board's prudent evaluation, it is proposed to make a reduction of HK$22.0 million in the remaining net proceeds originally allocated to such project and reallocate them to the Maoming Project.

- The net proceeds originally intended for "implementing marketing initiatives" amount to approximately HK$39.6 million. Given that the Group has, based on business development needs, proactively commenced relevant marketing and promotional activities using self-owned funds and achieved the expected results. To avoid duplication of resource allocation and enhance the efficiency of the use of proceeds, upon the Board's prudent evaluation, there is no longer a need for this portion of the proceeds to be used for the original intended purpose. Therefore, it is proposed to reallocate this portion of unutilized funds to other more urgent and strategically significant projects under construction, in order to optimise the capital allocation structure, ensure that limited resources generate maximum benefits, and align with the overall best interests of the Company and its Shareholders.

To enhance the efficiency in the utilization of proceeds, the Board proposes to reallocate the net proceeds totaling approximately HK$113.5 million for which the original intended use is no longer required, as described above, together with approximately HK$30.3 million originally intended for general working capital, to the "Construction of a Production Plant in Maoming City, Guangdong Province" project. According to the progress plan of the Maoming Project, the expected timeline for the full utilization of the unutilized net proceeds allocated to the construction of the production plant in Maoming City, Guangdong Province, is December 2028. These funds will be used specifically for land acquisition, equipment procurement, and plant construction for the Maoming Project. This will help ensure the timely progress of key projects, enhance the efficiency in the utilisation of proceeds, and align with the overall best interests of the Company and its Shareholders. The expansion project of the Maoming Project aligns with the Group's long-term development strategy, helps expand production capacity, enhance market competitiveness, and is expected to bring better economic benefits to the Group.

Apart from the above changes, there are no other changes to the use of the unutilized net proceeds. The nature of the Group's business remains unchanged from that previously disclosed. The Board considers that the Proposed Change is fair and reasonable, will enhance the effectiveness of resource utilization, and align with the overall interests of the Group and its Shareholders.

The Company will continue to disclose and provide Shareholders with updates on the progress of utilizing the remaining proceeds through future annual reports and interim reports. The Company will make further announcements as and when appropriate in accordance with the requirements of the Listing Rules.

BACKGROUND OF THE MAOMING PROJECT

To further improve the Group's industrial layout and enhance its core competitive advantages, following prudent evaluation, it is proposed to use the proceeds to establish the Maoming Project, which will be specifically responsible for the construction and operation of the Maoming Project. The specific reasons are as follows:

Maoming is located in the western wing of Guangdong, adjacent to the Beibu Gulf city cluster, and is an important node connecting the Guangdong-Hong Kong-Macao Greater Bay Area with the ASEAN economic circle. Establishing a plant in Maoming can effectively cover core markets such as South China, Southwest China, and ASEAN, significantly shortening product delivery cycles, reducing transportation costs, and improving customer response speed and supply chain resilience. This locational advantage is highly consistent with the Group's strategic layout to expand into the South China and overseas markets.

Maoming is a national-level petrochemical industry base, possessing a complete industrial infrastructure and a mature upstream and downstream supporting system. In particular, the Maoming Green Chemical and Hydrogen Energy Industrial Park has attracted a cluster of high-quality new material enterprises. Selecting Maoming allows for full utilization of the local well-established raw material supply network, public utility support, and logistics system, significantly reducing project construction and operating costs and achieving synergistic industrial chain development.

In recent years, Maoming City has vigorously promoted the development of new energy and new material industry clusters, introducing a series of industrial support policies, providing strong support for high-quality enterprises in terms of project approval, land guarantee, and talent introduction. By choosing to invest and construct in Maoming, the Group can fully benefit from local policy advantages, providing a good guarantee for the rapid implementation of the project and its long-term stable operation.

Regarding the establishment of the Maoming Project and the specific use of the HK$143.8 million in proceeds, the Group intends to use these funds specifically for the first phase of construction of the Guangdong Maoming plant. Among this, HK$43.8 million will be used to pay for the land use rights acquisition costs for the project site; HK$50.0 million will be used to procure the main production equipment and related auxiliary equipment required for the first phase of the production line; and HK$50.0 million will be used to pay for the engineering and construction costs of the plant and ancillary facilities. The above funding arrangements are reasonably planned based on the actual needs for the first phase of the Maoming plant construction, which will help ensure the project is completed and commissioned on schedule, enhance the Group's production capacity and market competitiveness, and align with the overall best interests of the Company and its Shareholders.

The Group has organised a professional team to conduct systematic research and feasibility studies on the site selection conditions, market demand, and economic benefits of the Maoming plant. The research results indicate that the Maoming area has complete industrial supporting facilities and significant locational advantages, and the project's expected economic benefits are positive. Currently, project site selection, capacity planning, and preliminary preparatory work are progressing orderly, providing a solid foundation for implementation.

The Group will subsequently establish production bases and operation centres in other key domestic and international cities as appropriate, progressively advancing the domestic and international production capacity layout. By building an industrial network covering major global markets, the Group will further enhance its production capacity coverage, customer service efficiency, and brand influence, consolidate its leading position in the industry, and achieve long-term sustainable development. If necessary, the Company will make further announcements in due course in accordance with the Listing Rules and/or the Securities and Futures Ordinance.

The change in the use of proceeds as described above is based on a prudent assessment of the Group's actual operating conditions and funding needs, which will help optimise resource allocation and enhance the efficiency in the utilization of proceeds, and aligns with the overall best interests of the Company and its Shareholders. The Board considers that the change in the use of net proceeds will not have any material adverse impact on the Group's existing business and operations and aligns with the overall best interests of the Company and its Shareholders. The Board will continue to evaluate the plans for the use of the unutilized net proceeds and may further revise or modify such plans when necessary to respond to changing market conditions, thereby striving for better performance for the Group.

ANNUAL GENERAL MEETING

The Proposed Change is subject to the approval by way of ordinary resolution by the Shareholders at the annual general meeting of the Company to be held on 20 May 2026. A circular containing, among other things, details of the Proposed Change and the notice of the annual general meeting of the Company is expected to be published on the website of the Company at (www.conchmst.com) and the website of the Stock Exchange at (www.hkexnews.hk) on 27 April 2026, and despatched to the Shareholders (where applicable).

By Order of the Board
Anhui Conch Material Technology Co., Ltd.
Ding Feng
Chairman of the Board and Non-executive Director

Anhui Province, the People's Republic of China
31 March 2026

As at the date of this announcement, the Board comprises Mr. Ding Feng as the chairman of the Board and non-executive Director; Mr. Chen Feng and Mr. Bai Lin as executive Directors; Mr. Feng Fangbo, Mr. Zhao Hongyi, Mr. Jin Feng and Mr. Fan Haibin as non-executive Directors; and Mr. Li Jiang, Mr. Chen Jiemiao, Ms. Xu Xu and Ms. Zeng Xiangfei as independent non-executive Directors.