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OVERVIEW

We are a leading manufacturer and supplier of concrete-based building materials in Xiamen, Fujian Province of the PRC. Our principal products can be broadly categorised into two types, namely, (i) ready-mixed concrete and (ii) PC components. During the Track Record Period and up to the Latest Practicable Date, all of our Group's products were sold in the PRC with primary focus in Fujian Province. According to the Frost & Sullivan Report, our Group was the largest manufacturer in terms of production volume for PC components in Fujian Province and Xiamen, and the largest manufacturer in terms of production volume for ready-mixed concrete in Xiamen, in 2019.

Established in April 2007, we have over 13 years of experience working with construction companies for various types of building and construction projects including (i) infrastructure, (ii) residential, (iii) commercial and industrial and (iv) municipal whereby we have established sound reputation in the construction industry in Fujian Province. For a decade, our Group was predominately a manufacturer of commercial concrete products. Embarking on the rapid development and urbanisation of Xiamen, our experienced management team has contributed to our successful growth from a humble batching plant to a major ready-mixed concrete supplier in Xiamen under the leadership and visionary of Mr. Ye, our founder, chairman of our Board and executive Director.

In September 2014, in the wake of advancement and maturity of prefabricated construction techniques in western countries and its penetration rate in northern China, our Group seized the opportunity and began our capital investments into the production of PC components for prefabricated constructions by acquiring the land use right of a parcel of land that was later used for the construction of our PC Plant and became amongst the first batch of enterprises in Xiamen to expand into the PC component manufacturing industry. Our PC Plant was put into commercial operation gradually in the second half of 2017. Up to 31 October 2020, we have invested totalling approximately RMB162.7 million in land use right and property, plant and equipment in Zhixin Construction Technology, for the PC component segment, since 2014.

Our Group currently owns and operates two production plants, namely the RMC Plant and PC Plant and leases one production workshop, namely the Jimei Workshop, in Xiamen, with a current aggregate annual production capacity of approximately 1,439,000 m³ of ready-mixed concrete and approximately 119,800 m³ of PC components. Given that transportation limitations and costs are important factors in making purchase decision for concrete-related products, the proximity of our production plants to customers and our truck fleet capabilities provide our Group with competitive advantages in terms of delivery time and logistics costs as compared to suppliers from further areas within Fujian Province.

Our customers are generally construction companies in Fujian Province. For the Track Record Period, approximately 99.9%, 98.2%, 88.9% and 77.4% of our revenue were derived from Xiamen, respectively. During the Track Record Period, our ready-mixed concrete and PC components were primarily sold on project basis. However, depending on our production capacity, we may occasionally accept small-scale ad hoc orders for our standard ready-mixed concrete products.

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Set out below is an analysis of our Group's revenue contribution by product categories during the Track Record Period:

	Year ended 31 December						Ten months ended 31 October			
	2017		2018		2019		2019		2020	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Ready-mixed concrete⁽¹⁾										
— Low grade	190,711	47.7	164,441	32.2	237,845	40.2	160,215	36.6	190,885	31.6
— Standard grade	151,939	38.0	179,079	35.0	133,205	22.5	97,414	22.3	141,991	23.6
— High grade	43,779	11.0	97,868	19.1	52,414	8.9	45,722	10.5	37,903	6.3
— CTB	7,453	1.9	11,684	2.3	23,368	4.0	16,855	3.9	37,109	6.2
Subtotal	393,882	98.6	453,072	88.6	446,832	75.6	320,206	73.3	407,888	67.7
PC components										
— Tunnel segments	—	—	31,303	6.1	43,583	7.4	35,789	8.2	1,230	0.2
— Other construction components ⁽²⁾	5,637	1.4	26,892	5.3	100,382	17.0	81,110	18.5	193,037	32.1
Subtotal	5,637	1.4	58,195	11.4	143,965	24.4	116,899	26.7	194,267	32.3
Total	399,519	100.0	511,267	100.0	590,797	100.0	437,105	100.0	602,155	100.0

Notes:

- Actual compressive strength of ready-mixed concrete is determined by test of compressive strength on test cubes made after curing for 28 days.
- Other construction components primarily include floor slabs, square piles, beams and utility tunnel segments.

For the three years ended 31 December 2019 and the ten months ended 31 October 2020, our total revenue amounted to approximately RMB399.5 million, RMB511.3 million, RMB590.8 million and RMB602.2 million, respectively, while our aggregate sales volume amounted to approximately 1,086,382 m³, 1,129,299 m³, 1,104,321 m³ and 1,002,218 m³, respectively.

Our revenue derived from ready-mixed concrete for the three years ended 31 December 2019 and the ten months ended 31 October 2020 amounted to approximately RMB393.9 million, RMB453.1 million, RMB446.8 million and RMB407.9 million respectively, representing approximately 98.6%, 88.6%, 75.6% and 67.7% of our Group's revenue, respectively. The increase in revenue from ready-mixed concrete for the year ended 31 December 2018 was mainly attributable to the (i) the overall increase in average selling price of our ready-mixed concrete products from approximately RMB363.4 per m³ for the year ended 31 December 2017 to approximately RMB417.1 per m³ for the year ended 31 December 2018 as a result of the increase in price of raw materials, mainly price of cement; and (ii) the increase in sales volume of standard and high grade ready-mixed concrete mainly due to the increased demand from certain rail transit projects requiring ready-mixed concrete of high compressive strength, which was partially offset by the decrease in sales volume of low grade ready-mixed concrete. The decrease in revenue from ready-mixed concrete for the year ended 31 December 2019 was mainly attributable to (i) the

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significant increase in average monthly rainfall in Xiamen from approximately 49.3 millimetres for the year ended 31 December 2018 to approximately 147.7 millimetres for the year ended 31 December 2019, which reduced the level of construction activities due to prolonged adverse weather condition; and (ii) our on-going projects were at different construction stages which affected the grade strength of ready-mixed concrete required and the overall demand of our ready-mixed concrete. The increase in revenue from ready-mixed concrete from approximately RMB320.2 million for the ten months ended 31 October 2019 to approximately RMB407.9 million for the ten months ended 31 October 2020 was primarily due to (i) the overall increase in sales volume of ready-mixed concrete, in particular CTB due to the increase in demand from projects performing road works and standard grade ready-mixed concrete due to different construction stages of our on-going projects which affected the demand of the grade strength of our ready-mixed concrete; and (ii) the overall increase in average selling price of our ready-mixed concrete products from approximately RMB426.5 per m³ for the ten months ended 31 October 2019 to approximately RMB439.7 per m³ for the ten months ended 31 October 2020 mainly attributable to our ability to negotiate favourable pricing terms with our customers, which is in line with the industry pricing trend in Xiamen. Please refer to the section headed “Financial information — Gross profit and gross profit margin — Ready-mixed concrete” in this prospectus for details.

Our revenue derived from PC components for the three years ended 31 December 2019 and the ten months ended 31 October 2020 amounted to approximately RMB5.6 million, RMB58.2 million, RMB144.0 million and RMB194.3 million respectively, representing approximately 1.4%, 11.4%, 24.4% and 32.3% of our Group’s revenue, respectively. The increase in revenue from PC components for the year ended 31 December 2018 was primarily due to the increase in sales volume of PC components from approximately 2,433 m³ for the year ended 31 December 2017 to approximately 42,990 m³ for the year ended 31 December 2018. The increase in sales volume of PC components was primarily attributable to our Group’s success in winning new PC components projects, in particular rail transit projects to provide tunnel segments, floor slabs and square piles, which in aggregate contributed approximately RMB39.4 million to our total revenue for the year ended 31 December 2018. The increase in revenue from PC components for the year ended 31 December 2019 was primarily due to the (i) increase in average selling price of other construction components from approximately RMB1,575.2 per m³ for the year ended 31 December 2018 to approximately RMB2,363.0 per m³ for the year ended 31 December 2019 as a result of an increase in sales of floor slabs and utility tunnel segments which were priced relatively higher per m³; and (ii) increase in sales volume of PC components from approximately 42,990 m³ for the year ended 31 December 2018 to approximately 78,587 m³ for the year ended 31 December 2019 as we had secured 28 new PC components projects during the year ended 31 December 2019. The increase in revenue from PC components from approximately RMB116.9 million for the ten months ended 31 October 2019 to approximately RMB194.3 million for the ten months ended 31 October 2020 was primarily due to the combined effects of (i) increase in revenue from sale of other construction components by approximately RMB111.9 million; and (ii) decrease in revenue from sale of tunnel segments by approximately RMB34.6 million. The increase in revenue from sale of other construction components was mainly due to the (i) increase in average selling price of other construction components from approximately RMB2,390.0 per m³ for the ten months ended 31 October 2019 to approximately RMB2,623.9 per m³ for the ten months ended 31 October 2020 as a

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result of an increase in sale of floor slabs and utility tunnel segments which were on average priced relatively higher per m³; and (ii) increase in sales volume of other construction components from approximately 33,937 m³ for the ten months ended 31 October 2019 to approximately 73,570 m³ for the ten months ended 31 October 2020 as our tunnel segments production lines had been modified to produce other construction components since January 2020 due to our tunnel segment projects on hand were close to their completion and the increase in demand for our other construction component products, given we had secured 34 new PC components projects of other construction components during the ten months ended 31 October 2020. The decrease in revenue from sale of tunnel segments was mainly due to the decrease in sales volume of tunnel segments from approximately 29,650 m³ for the ten months ended 31 October 2019 to approximately 1,028 m³ for the ten months ended 31 October 2020 as our tunnel segments projects on hand were close to their completion.

OUR COMPETITIVE STRENGTHS

We believe that the following competitive strengths are the key factors contributing to our Group's success:

We are a leading manufacturer in Xiamen offering high quality ready-mixed concrete with solid track record

We are the largest ready-mixed concrete manufacturer and supplier in Xiamen in terms of production volume in 2019, with market share of approximately 7.2%, according to the Frost & Sullivan Report.

We have supplied ready-mixed concrete in Xiamen for more than 13 years since 2007. The high quality of our ready-mixed concrete products is demonstrated by our success of being repeatedly granted Excellent Enterprises in the China Concrete Industry* (中國混凝土行業優秀企業) between 2008 and 2019, certifying that our production facilities and product quality have complied with the ready-mixed concrete national standard in the PRC. With over 13 years of experience in manufacturing and supplying ready-mixed concrete and working with construction companies for various types of building and construction projects including (i) infrastructure, (ii) residential, (iii) commercial and industrial, and (iv) municipal, we have established sound reputation in the construction industry in Xiamen. During the Track Record Period, our Group had supplied ready-mixed concrete for over 480 construction projects in Xiamen. Our Directors believe that the quality of our products is essential to maintain the reputation of our Group.

Leveraging our extensive industry experience, established market position and our capability to produce wide range of ready-mixed concrete products, we believe that we are well positioned to capture the potential growth of ready-mixed concrete industry brought by the increasing urbanisation and industry consolidation and continue to lead the market in Xiamen.

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We, as a pioneer in the PC component industry in Xiamen, are well prepared and positioned to capture new opportunities in the fast-growing prefabricated construction industry

Our Group has invested in PC components production since 2014, which was put into commercial operation gradually in the second half of 2017. According to the Frost & Sullivan Report, we are a pioneer of the PC component industry in Xiamen. In 2019, we were the largest PC components provider in Fujian Province and Xiamen in terms of production volume, with market share of approximately 15.4% and 88.8% respectively. Due to the supportive PRC government policies towards green building, as well as citizens' increasing demand for high quality residence driven by the general trend of consumption upgrade, the traditional construction methods are no longer sustainable. There are huge growth potentials in the prefabricated construction industry in the PRC, the total production volume of PC components in Xiamen increased from approximately 4,500 m³ in 2015 to approximately 95,000 m³ in 2019 at a CAGR of approximately 114.4%, according to the Frost & Sullivan Report. As such, we believe that prefabricated construction will become an inevitable trend of the construction industry as there are multiple advantages that prefabricated construction has over traditional construction in terms of efficiency, cost, environment protection and quality. Please refer to the section headed "Industry overview — Comparison of prefabricated construction method and traditional construction method" for more details.

We have independent proprietary intellectual properties for PC production methods and equipment in relation to the production of the tunnel segments and utility tunnel segments, which are designed to be used in underground rail transit and integrated underground utility tunnels respectively. For the accelerating progress of urbanisation in Xiamen, AMTR is one of the key development projects in Xiamen. The Chinese Government regards the integrated underground utility tunnels as an important carrier for escalating the urban transformation, it has presented the new growth potentials.

According to the nation's "The 13th Five-year Plan for the Development of Construction Industry in Fujian Province" (《福建省建築業發展「十三五」發展規劃》), it indicated that the need to promote prefabrication as part of the construction industrialisation and green building action plan. It has proposed 25% of newly-built buildings will be prefabricated in Xiamen by 2020. The prefabricated construction plays an indispensable role in China's national economy and is an inevitable trend. We believe our leading market position in Xiamen, equipped with extensive technology capabilities, ability to develop tailor-made products to meet our customers' special requirements as well as rapidly-expanding business model will allow us to continue to capitalise on the growth opportunities in our target markets. As such, we are well positioned to seize the opportunities arising from the explosive growth of prefabricated construction industry in China.

We adopt a comprehensive and stringent quality control system

We endeavour to deliver quality and carefully produced ready-mixed concrete and PC component products to our customers. We imposed rigorous quality control measures and adopt a comprehensive set of stringent quality control procedures throughout our production cycle, including product design, raw material examination, production process and product delivery to ensure the product quality. Our management system was certified in accordance with the standard

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required under ISO9001:2015 (quality management), OHSAS18001:2007 (occupational health and safety management), ISO14001:2015 (environmental management) and ISO50001 (energy management). For further details, please refer to the paragraph headed “Quality control” in this section for our Group’s quality control measures.

Our stringent quality control measures, backed by our standardised operational procedures, have enabled us to ensure consistently high quality and efficiency of our products and reduce the operational risks inherent in our operation. Our ability to deliver our products with industry standards has enhanced our brand recognition among our customers and has further solidified our market leadership in Xiamen. Our Directors believe that the quality of our products is essential to maintain the reputation of our Group, which is the key factor for us to remain competitive and differentiate ourselves from our competitors, and hence our Group is devoted and committed to maintain the quality of our products and our high standard on quality management at both PRC national and industry standards could increase our customers’ confidence in our products and further attract new customers, especially SOEs in the PRC which have tight quality requirements on the ready-mixed concrete and PC component products.

We have an experienced management team with in-depth industry knowledge and skilled employees

Mr. Ye, our founder, the chairman of the Board and an executive Director, has over 13 years of experience in ready-mixed concrete industry. His in-depth industry knowledge and extensive management experience have ensured quality production and timely delivery of our products, which smoothen the project’s progression and enhance the customers’ confidence. His experience and leadership will continue to play a key role in the future growth of our Group. Mr. Huang, our chief executive officer and executive Director, has over 15 years of experience in the construction and construction material industry. Mr. Huang is mainly responsible for our Group’s strategic planning and supervision of implementation of our Group’s policies. He brings a strong base of knowledge to our day-to-day operations. Our executive Directors and senior management possess relevant operational expertise and experience and are familiar with ready-mixed concrete and PC component manufacturing industry. They have enabled us to successfully achieve a competitive position in the industry. Please refer to the section headed “Directors and senior management” to this prospectus for the biographical details of our executive Directors and senior management.

In addition, our management team is supported by a team of skilled employees across all levels within our Group. We recognise the important roles that our employees contribute to the success of our business and place great emphasis in recruitment and training of our employees. We believe that the management team’s technical expertise and professional knowledge of ready-mixed concrete and PC component industry and together with our well-trained employees are important to our business and will continue to strengthen and increase our competitiveness in the industry.

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BUSINESS STRATEGIES

Our primary objectives are to strengthen our leading market position in Fujian Province and continue to expand our scale of operations to achieve long-term sustainable business growth and increase our market share in the fast-growing PC component industry by pursuing the following strategies:

Expansion of production capacity of PC components with greater production automation to achieve better production efficiency

Our Directors consider that it is crucial to capture business opportunities in order to reinforce our leading position in the PC component industry. We intend to achieve this by increasing our production capacity by approximately 150,000 m³, improving our operational efficiency through digitalisation and automation, having considered the following:

- (1) we were among the first batch of enterprises in Xiamen to enter into the PC component market in 2017. According to the Frost & Sullivan Report, our Group ranked first in terms of product volume of PC components for both Fujian Province and Xiamen in 2019, with market share of approximately 15.4% and 88.8% respectively;
- (2) our Group's PC component business experienced significant growth during the Track Record Period, it contributed approximately RMB5.6 million, RMB58.2 million, RMB144.0 million and RMB194.3 million, or approximately 1.4%, 11.4%, 24.4% and 32.3% of our total revenue respectively;
- (3) we expect that there will be a strong demand for our PC components going forward, as our (i) number of on-going projects for PC components had increased from 21 as at 31 December 2019 to 36 as at 31 October 2020; and (ii) ending value of backlog projects had increased from approximately RMB185.2 million as at 31 December 2019 to approximately RMB401.6 million as at 31 October 2020;
- (4) the advantages of prefabrication method of construction as compared to traditional methods as detailed in the section headed "Industry overview — Overview of the PC component industry in Fujian Province and Xiamen — Comparison of prefabricated construction method and traditional construction method" are widely recognised, and the prefabrication method of construction is an inevitable trend in the PRC. The PRC Government acknowledged this by specifying both short-term and long-term development goals to encourage the use of PC components. Pursuant to the action plan promulgated by the MOHURD in "The 13th Five-Year Plan of Construction Industry" (《建築業發展「十三五」規劃》) in April 2017, which introduced the development goal of increasing the new floor areas of prefabricated buildings to more than 15% of the total new floor areas in the PRC by 2020, the Fujian Provincial and Xiamen municipal governments had subsequently promulgated specific development plans to increase new floor areas of prefabricated buildings to more than 20% and 25% by 2020 respectively and more than 35% for the entire Fujian Province by 2025. As such, it is expected that the penetration

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rate of prefabricated building in Fujian Province and Xiamen will increase significantly in the coming years due to keen promotion of the government. For details regarding the government policies on the PC component industry, please refer to the section headed “Regulatory overview — I. The concrete and PC component industry — PC components”;

- (5) according to Frost and Sullivan Report (i) new floor areas of prefabricated building in Fujian Province increased from approximately 900,000 m² to 13,400,000 m² from 2015 to 2019, respectively, representing a CAGR of approximately 96.4%, and it is expected to increase at a CAGR of approximately 28.0% during 2019 to 2024, reaching approximately 46,000,000 m² by 2024; and (ii) the total production volume of PC components in (a) Fujian Province increased from approximately 22,400 m³ in 2015 to approximately 548,000 m³ in 2019 at a CAGR of approximately 122.4%, and it is expected to increase at a CAGR of approximately 50.0% during 2019 to 2024, reaching approximately 4,166,200 m³ by 2024; and (b) Xiamen increased from approximately 4,500 m³ in 2015 to approximately 95,000 m³ in 2019 at a CAGR of approximately 114.4%, and it is expected to increase at a CAGR of approximately 41.0% during 2019 to 2024, reaching approximately 530,000 m³ by 2024. According to Frost and Sullivan Report, the aforesaid decrease in CAGRs in 2019 to 2024, is due to the PC component market in Fujian Province is in its early development phase of the industry life cycle, with a relatively trivial base of new floor areas of prefabricated buildings and production volume in 2015, resulting in exceptionally high CAGRs during 2015 to 2019 as compared to the CAGR from 2019 to 2024 due to the effect of diminish return on each unit of growth;
- (6) our Group’s existing production capacity for PC component is insufficient to support our business expansion and keep up with market growth:
- a. for the Track Record Period, the utilisation rate of our PC Plant increased rapidly at approximately 12.6%, 42.9%, 70.1% and 84.7% respectively. So as to keep up with the increasing demand from our PC component projects, we have leased Jimei Workshop in June 2019, and equipped it with a stationary PC component production line with an annual production capacity of approximately 34,500 m³. We believe that while stationary PC component production lines are relatively less capital-intensive to establish, their cost and production efficiency are significantly lower than that of carousel production lines, and thus can only serve as a temporary solution to our Group’s foreseeable demand. Given the stationary production line at our Jimei Workshop will provide our Group with greater flexibility with our PC component production and enable us to fulfil small batch orders without disrupting the production efficiency of our carousel production lines, we expect to continue to utilise the production and storage facilities at Jimei Workshop after our expansion and we will carry out assessment on Jimei Workshop based on its utilisation rate to determine our renewal with the landlord upon expiry of the lease agreement (i.e. 31 May 2024);

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- b. we service the market demand in Fujian Province, (i) for the ten months ended 31 October 2020 approximately 30.1% and 69.9% of our revenue from PC components were derived from projects in Xiamen and outside of Xiamen respectively; (ii) approximately 30.1% and 69.9% of the ending value of backlog PC component projects as at 31 October 2020 belong to projects within Xiamen and outside of Xiamen respectively; and (iii) approximately 28.5% and 71.5% of our new contract value of PC component projects from 1 November 2020 to the Latest Practicable Date belong to projects in Xiamen and outside of Xiamen respectively.

According to Frost & Sullivan, given PC components are customised products produced to order, its consumption volume will be similar to its production volume. The following table sets forth the consumption volume of PC component in Fujian Province and Xiamen for periods indicated:

	Consumption volume (m ³)							
	2017	2018	2019	2020E	2021E	2022E	2023E	2024E
Fujian Province	133,100	332,900	548,000	802,400	1,520,300	2,536,500	3,326,600	4,166,200
Xiamen	29,700	47,800	95,000	132,200	218,800	322,300	426,300	530,000

Source: Frost & Sullivan

Due to the fast-growing demand for PC components in Fujian Province and Xiamen, by the end of 2021, in order to maintain our market share in 2019 of approximately 15.4% and 88.8% respectively, we will require a production volume of approximately 234,126 m³ and 194,294 m³ respectively and our current aggregate annual production capacity of our PC Plant and Jimei Workshop of approximately 119,800 m³ will not be sufficient for our Group to keep up with the growing consumption demand. We expect that our market position will be eroded if we are unable to timely expand our production capacity; and

- c. the demand for our PC component products is bounded by seasonality, we consider the necessity to have sufficient production capacity buffer available to fulfil peak season demand during periods with high level of construction activities and tight production schedules, given PC components are customised products and normally unable to produce in advance. Moreover, we can generally negotiate favourable pricing terms during peak seasons, which could potentially increase our profitability. If we plan our business expansion without leaving sufficient production capacity buffer to fulfil peak season demand during certain months during the year, we may need to turn down potential projects in order to relieve production stress which may hinder our profitability.

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- (7) based on the competitive landscape of the PC component industry in Fujian Province and Xiamen is concentrated and dominated by a few manufacturers and the high entry barriers for new entrants to the industry (i.e. capital, technical, managerial and practical industry experience and environmental compliance) as detailed in the section headed “Industry overview — Overview of the PC component industry in Fujian Province and Xiamen — Key entry barriers of the ready-mixed concrete and PC component industry in the PRC” in this prospectus, we do not expect a large influx of competitors to enter the market in the near future;
- (8) our Group is confident that we will be able to seize the growing market demand in Fujian Province, based on our (i) experience, position and reputation in the market; (ii) network of established customers including large SOEs; (iii) sales team’s ability to secure PC component projects during the Track Record Period and up to the Latest Practicable Date; and (iv) non-legally binding strategic cooperation agreements and memoranda of understanding entered into between our Group and our existing or potential customers, in relation to specific cooperation projects or cooperation for projects in certain cities in Fujian Province in the future; and
- (9) based on an analysis carried out by Frost & Sullivan and a holistic review by our Directors regarding the impact of the outbreak of COVID-19, the outbreak of COVID-19 is not expected to bring any permanent or material impact to our business operation and financial performance and any negative effects are believed to be short-term and will not have a material impact on the PC component industry in Fujian Province or the future demand for PC component products. For details, please refer to the sections headed “Business — Outbreak of COVID-19” and “Industry overview — Impact of the outbreak of COVID-19 on the ready-mixed concrete and PC component industries in the PRC and Fujian Province” in this prospectus.

In view of (i) the significant historical and expected growth in market demand; (ii) our current production capacity will be insufficient to allow us to keep up with the expected market growth; (iii) the competitive landscape of the PC component industry in Fujian Province and Xiamen; (iv) our ability to seize the growing market demand; and (v) the expected efficiency through digitalisation and automation, our Directors believe there is a strong commercial rationale for our Group to expand our PC component production capacity in order to capture the well-supported and fast-growing demand of the PC component industry, so as to reinforce our leading position and maintain our market share in Fujian Province.

a. *Expanding our PC Plant with fully automatic production lines*

We intend to expand the PC component production facilities of our PC Plant by establishing two fully automatic carousel production lines and one stationary production line with an aggregate estimate annual production capacity of approximately 150,000 m³. We plan to construct factory and buildings with gross floor area of approximately 12,000 sq.m. to house the new production lines and ancillary facilities on an existing parcel of land within our PC Plant with a site area of approximate 6,000 sq.m., which is currently being used as a storage site for our PC components. It

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is expected that the total cost for the new PC component production facilities will be approximately RMB105.2 million, which will be funded by the net proceeds of the Share Offer, and we expect the new production lines will commence trial production in October 2022 and commercial production in February 2023 respectively.

b. *Leasing of storage site(s) for PC components*

Given we intend to utilise a parcel of land at our PC Plant, which is currently being used as our storage site for PC components, for our expansion plan to accommodate a factory and ancillary facilities for our new production lines, we will need to identify and lease new storage site(s) in proximity to our PC Plant with adequate storage capacity to serve our storage requirements before and after expansion.

Based on our experience, we estimate that it would require an aggregate site area of approximately 55,000 sq.m. of storage capacity to cope with our enlarged production capacity at the beginning of production for the new PC component production facilities.

We expect the total cost of leasing storage sites(s) with aggregate site area of approximately 55,000 sq.m. in proximity to our PC Plant will be approximately RMB4.3 million, which will be funded by the net proceeds of the Share Offer, the cost is expected to cover up to approximately 13 months' rental charges at approximately RMB6.0 per sq.m. per annum. Our Directors consider that our Group should secure funding to cover the rental charges for the replacement and additional storage capacity required for our PC component operation for a period at least from the commencement of construction of our new production facilities up to the time when the new production facilities is able to generate sufficient additional income that enables us to operate past our estimated breakeven period.

c. *Purchase of raw materials for new production lines*

Given our Group is in the building material industry, we are exposed to similar liquidity risks to construction companies in relation to the mismatch between the time of receipt of payments from our customers and payments to our suppliers for raw materials. Our Directors consider during the production ramp-up period of our proposed new productions lines and before a full collection cycle has completed, our cash flow may become predicament to manage.

In order to ease off and mitigate the liquidity risks, we intend to allocate approximately RMB41.3 million from the net proceeds of the Share Offer to purchase raw materials for the production of PC components in our new production lines, the cost is expected to cover up to approximately 13 months' raw material purchases for our production.

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d. *Acquire flatbed trucks to support our expansion*

We currently rely on third party service providers for product delivery and logistical needs of our PC components. With the proposed new production lines and the expected increase in demand for PC component products, we intend to acquire 20 flatbed trucks to support our increased logistical needs.

Our Directors believe that our Group will be in a better position in terms of competitiveness, to establish our own flatbed truck fleet in order to expand our PC component business. We have carried on the business of sale of PC components since second half of 2017. During the Track Record Period, we did not own any flatbed trucks and we relied on third party service providers for delivery of products to our customers and transfer finished goods to our storage sites. However, the number of flatbed trucks available for rent or use in the market is limited and its availability is beyond our control. There is no guarantee that our Group can engage third party logistics service providers in accordance with our customers' delivery schedule, on reasonable pricing and other commercially acceptable terms. Due to the limitation of relying on flatbed trucks provided by third parties, our ability to satisfy customers' demand and respond to their delivery schedule and requirement could be impaired and our ability to secure customers' order may be adversely affected. This may constitute a bottleneck for us to expand our PC component business, as we expect the logistical demand to increase due to our plan to relocate our PC component storage off-site as part of our expansion and as our PC component business continues to grow. Furthermore, during the Track Record Period, we have engaged nine logistics service providers to handle our PC component logistical needs, but only two of them had recurred engagement with our Group, the reason was mainly attributable to the unsatisfactory quality of services provided by some of the logistics service providers and the logistics service providers' inability to meet our Group's growing demand as we became the largest PC component provider in Xiamen in terms of production volume in 2019. To truly develop our PC component business, it is in our Group's interest to purchase and operate our own flatbed truck fleet, so that we are in a better position to devise suitable delivery schedules and to provide customers with flexible, reliable and timely delivery services in the future, which would be tough to achieve in our Directors' opinion if we rely solely on external service providers for transportation of PC component on a long-term basis. Therefore, it is part of our Group's business strategies to acquire and operate our own flatbed truck fleet to capture future business opportunities.

In order to cater for the business growth of our PC component operations, we intend to acquire 20 flatbed trucks, to handle the transportation of PC components from our factory to our storage sites and customers.

We expect the total cost of expanding our truck fleet to support our expansion will be approximately RMB18.0 million, which is to be funded by net proceeds of the Share Offer. We plan to acquire the new flatbed trucks progressively over 18 months based on our actual logistical needs.

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e. *Enhance and expand our workforce to keep up with our business expansion*

As at the 31 October 2020, our PC component production team consisted of 252 staff which were employed by our Group and an average of approximately 362 factory workers outsourced by employment agents for the ten months ended 31 October 2020. Given that the new PC component production facilities will commence its trial production in October 2022, and commercial production in February 2023, we expect to recruit additional staff to support the business expansion as follows:

Quality control, laboratory and design

In light of the increase in production capacity, our Group will require additional product designers to draft and review shop drawings and mould designs for new projects, laboratory technicians and quality control officers to perform tests and prepare reports on raw materials to be used for production and finished goods.

Production

Our new production lines will require additional production supervisors, officers and managers for production planning, overall production process monitoring and the management of factory workers. Additional factory workers are also required to operate and monitor production machineries to ensure the production process at each station operates in accordance with product shop drawings at required specifications.

Technical

Our Group will require additional staff to maintain the new production lines and machineries to ensure the safety of our production.

Finance and administration

We will require additional finance and administrative staff to handle the increase in operation scale from our business expansion.

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Based on (i) our experience for the operation of our current production facilities; and (ii) the assumption that the fully-automatic production lines will reduce our demand for staff to perform labour-intensive tasks (which were primarily outsourced to employment agents during the Track Record Period), we plan to progressively recruit up to 180 additional staff during the first 13 months of production. According to our estimated production volume during the first 13 months of production, we estimated that approximately 80 staff is required during the trial production, approximately 130 staff is required for the first five months of commercial production and 180 staff from the sixth month of commercial production. The breakdown of the estimated number of additional staff to be recruited by positions and their respective estimated average monthly salary per staff are as follows:

<u>Position</u>	<u>Estimated average monthly salary per staff</u>	<u>Estimated number of staff to be recruited</u>
	RMB	
Supervisor	10,780	6
Production officer	9,788	5
Production deputy manager	9,530	1
Technical officer	9,323	1
Shift manager	8,397	3
Equipment operator	8,000	12
Factory worker	7,625	98
Inventory management officer	7,620	5
Production coordinator	7,381	6
Product designer	7,263	6
Quality inspection officer	6,801	20
Engineer	6,707	1
Laboratory technician	6,384	2
Clerk	6,265	4
Maintenance personnel	6,241	<u>10</u>
		<u><u>180</u></u>

We expect the total cost for enhancing and expanding our workforce will be approximately RMB12.7 million, which will be funded by the net proceeds of the Share Offer, the cost is expected to cover up to approximately 13 months' basic salaries of the additional staff. Our Directors consider that our Group should secure funding to cover the basic salary of such additional staff for a period at least from the expect time of hiring up to the time when the new production facilities are able to generate sufficient additional income that enables us to operate past our estimated breakeven period.

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Estimated breakeven period and investment payback period for expanding our PC component capacity

For reference and illustration purpose only, set forth below is a highly hypothetical analysis on the payback period and breakeven point in respect of our new production facilities to be constructed at our PC Plant.

We consider that the new production facilities achieve breakeven when the revenue it generated is able to cover its operating costs and expenses arising in the same month on accounting basis. The production scale required to achieve breakeven varies depending on various factors, including but not limited to general economic and market conditions, market demands, utilisation rate of our production lines, market competition and price of raw materials. We consider that the new production facilities achieve investment payback whereby the accumulated future profit before tax from operating activities since the commencement of commercial production is able to cover the total investment amount. The time required to achieve investment payback varies depending on various factors, including those mentioned above and the capital expenditure such as costs of machinery and equipment.

Upon completion of the expansion of our PC component production facilities at our PC Plant by establishing two fully automatic carousel production lines and one stationary production line with an aggregate estimated maximum annual capacity of approximately 150,000 m³. It is estimated that, based on the (i) current operating model of our Group; (ii) historical sales volume growth of our PC components during the Track Record Period with the assumption of a slower growth rate during its ramp-up period; (iii) average selling price of PC components for the year ended 31 December 2019; (iv) estimated influence of seasonality on product demand; (v) estimated future market size of the PC component in the Fujian Province; (vi) historical market share of our Group in Fujian Province; (vii) estimated number of staff to be recruited for the expansion and the salary of employees of similar positions for the year ended 31 December 2019; (viii) historical rate of depreciation on the additional machineries and equipment to be acquired for the expansion; and (ix) historical cost per revenue for other operating expenses with the assumption of lower cost efficiency during its ramp-up period, the payback period for the additional production capacity will be approximately 61 months and that breakeven could be achieved at approximately 13 months, from the date of commencement of production.

We believe our expansion plan fits our Group's strategic direction and are reasonable and feasible for the following key reasons:

- (1) the additional production capacity, together with the existing capacity of our PC Plant and Jimei Workshop, will assist our Group to seize the growing future demand for PC component products in Fujian Province and allow us to participate in large scale projects of higher contractual value;
- (2) greater production efficiency and cost savings can be achieved through sharing of existing ancillary facilities and manpower of our PC Plant;

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- (3) as changing moulds frequently during the production process of PC components would cause disruption to our production schedule, the increase in the number of production lines will allow greater flexibility and optimisation in planning our production for better production efficiency; and
- (4) in view of the i4.0 model, we believe that continuing to embrace and adopt new advance technologies is the key factor for us to remain competitive and differentiate us from existing and future competitors. In particular, we believe that a greater implementation of production automation is essential such that our man-to-machine ratio and our reliance on employment agents can be further reduced and thus our cost efficiency and product quality can be further improved.

Enhancing our information technology system

Having considered our expansion plan and the associated increasing complexity in managing our business operation, we intend to introduce an ERP system so that our business operations can be better maintained and monitored through the system.

In addition, our Directors believe an ERP system will complement well with the new PC component production lines we intend to acquire as part of our expansion plan, which will further enhance our operating efficiency through our adoption of the i4.0 model by embracing digitalisation and automation. In particular, the system can enable us to enhance the accuracy and efficiency of our production plan, reduce production lead time and improve our product development cycle. Besides, under the system, sales data will be stored which in turn will assist us in analysing sales trends of our products and thus assist our management in formulating suitable business plans to capture market opportunities. The system will also allow us to perform real-time management of our financial data and enhance our cost management as well as to enhance our supply chain management.

We expect the total cost for the implementation of an ERP system will be approximately RMB8.0 million, which will be funded by the net proceeds of the Share Offer. We expect the implementation and adoption of an ERP system for our Group will take approximately 23 months.

Further improve our environmental protection system

We regard ourselves as a green manufacturer of construction material. In response to the expected increase in waste discharge and pollutants emission arising from our expansion plans, which will increase in production output through the implementation of new production lines and enhancement of our overall production efficiency, we intend to make improvements to our existing environmental protection system so as to maintain our current waste discharge and pollutants emission levels or within the approved levels required by the local environmental protection bureau.

In order to uphold our commitment to environmental responsibility, we plan to construct and install additional waste water, emission, noise and solid waste treatment facilities at our PC Plant.

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We expect the total cost to further improve our environmental protection system will be approximately RMB7.0 million, which will be funded by the net proceeds of the Share Offer. We expect the implementation of the improved system will take approximately 10 months.

Truck fleet expansion and replacement strategy

We principally utilise our in-house delivery capability through Zhixin Logistics for our ready-mixed concrete operation's logistical needs. Zhixin Logistics has been in operation since 2012 and it has been an integral part of our business. As at 31 October 2020, our fleet consisted 76 mixer trucks, of which 52 mixer trucks are due for replacement as these vehicles had been utilised beyond their useful lives. During the Track Record Period, we disposed of 20 mixer trucks as they endured the normal wear and tear beyond their normal operating condition, and we purchased 14 mixer trucks as replacement. Moreover, our Group recorded an increasing number of on-going ready-mixed concrete projects as of the end of each of the three years ended 31 December 2019 and the ten months ended 31 October 2020 of 78, 89, 102 and 125 respectively. Thus, during the Track Record Period, we experienced a shortage of mixer and concrete pump trucks to meet customers' demand and had resorted to third party service providers to assist us with our deliveries and pump truck rental and service needs. In order to keep up with our customers' demand, we intend to purchase additional mixer trucks and concrete pump trucks as follows:

	<u>No. of units</u>	<u>Estimated average cost per unit</u>	<u>Total amount</u>
		<u>RMB'000</u>	<u>RMB'000</u>
Mixer trucks	5	450	2,250
Concrete pump trucks	2	2,740	<u>5,480</u>
			<u><u>7,730</u></u>

Our Directors strongly believe our truck fleet is closely tie to our corporate image, given our truck fleet work closely with our customers. Being representatives of our Group at the front line of operation, our truck drivers and concrete pump truck operators are provided with clear standard of conduct which abide to our Group's values and are attired in uniforms when on duty and our self-owned trucks are branded with our name and logo.

As a leading manufacturer and supplier of the ready-mixed concrete industry in Xiamen, we consider the value adding role of our truck fleet and our reputation in the industry outweigh the monetary gains derived from the operation of our truck fleet and we consider it is in our Group's best interest to execute our expansion and replacement strategy for our truck fleet the following reasons:

- (1) we believe that the ability for our Group to provide concrete pump rental is one of the factors that affect our customers' decision to source ready-mixed concrete from our Group. Based on our management's best knowledge, the supply of concrete pump trucks of high horsepower and long vertical placing boom is scarce among third party service

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providers due to their high cost. Since the number of these concrete pump trucks available for rent or use in the market is limited and its availability is beyond our control, it may hinder our opportunity to participate in certain ready-mixed concrete projects;

- (2) to reduce our reliance on third party service providers as there are no control over (i) their quality of service; (ii) the condition of their vehicles are in good operation condition to provide reliable services to our customers; (iii) their compliance to traffic laws and environmental protection regulations in disposing waste wash water; (iv) truck availability; and (v) the reasonableness of their pricing and terms;
- (3) it would become increasingly costly to maintain older vehicles due to the rise in (i) insurance costs; (ii) maintenance and repairs; and (iii) breakdown rate which could possibly result in downtime;
- (4) vehicles of good operation condition will ensure reliability, efficiency and quality of our services to our customers and the safety of our employees and the public at large; and
- (5) new vehicles with higher emission standards are more fuel efficient and will lower our carbon footprint as compared to older vehicles.

We expect the total cost for the expansion and obsolescence replacement will be approximately RMB7.7 million, of which approximately RMB1.0 million, will be funded by the net proceeds of the Share Offer and the balance approximately RMB6.7 million will be funded by internal resources. We plan to acquire the new mixer and concrete pump trucks progressively over 17 months based on our actual logistical needs.

BUSINESS MODEL AND OUR OPERATION

We principally supply our ready-mixed concrete and PC components to construction companies for the use in building and construction projects.

Due to the logistical constraints of our products and the regional nature of the industry we operate in, our market is primarily focused on surrounding areas within proximity of Xiamen, where our production facilities are situated, details of which are set out in the paragraph headed “Production facilities” in this section.

Our customers consist mainly of construction companies in Fujian Province. During the Track Record Period, approximately 59.8%, 69.9%, 67.2% and 54.9% of our revenue were derived from SOE customers.

During the Track Record Period, approximately 95.3%, 98.1%, 99.0% and 99.4% of our revenue were made on project basis. We usually enter into a master contract with our customer for a given project, the master contract stipulates the general terms of the engagement, such as duration, type of products, specification, estimated unit price and expected volume of products required and other additional services required.

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For ready-mixed concrete products, customers who have signed a master contract with our Group are generally able to place orders with us at least 12 to 24 hours before the requested delivery time, and due to the semi-finished nature of ready-mixed concrete which hardens over time, we only manufacture to order and do not keep any inventory. At the request of our customers, we also provide concrete pump rental and services.

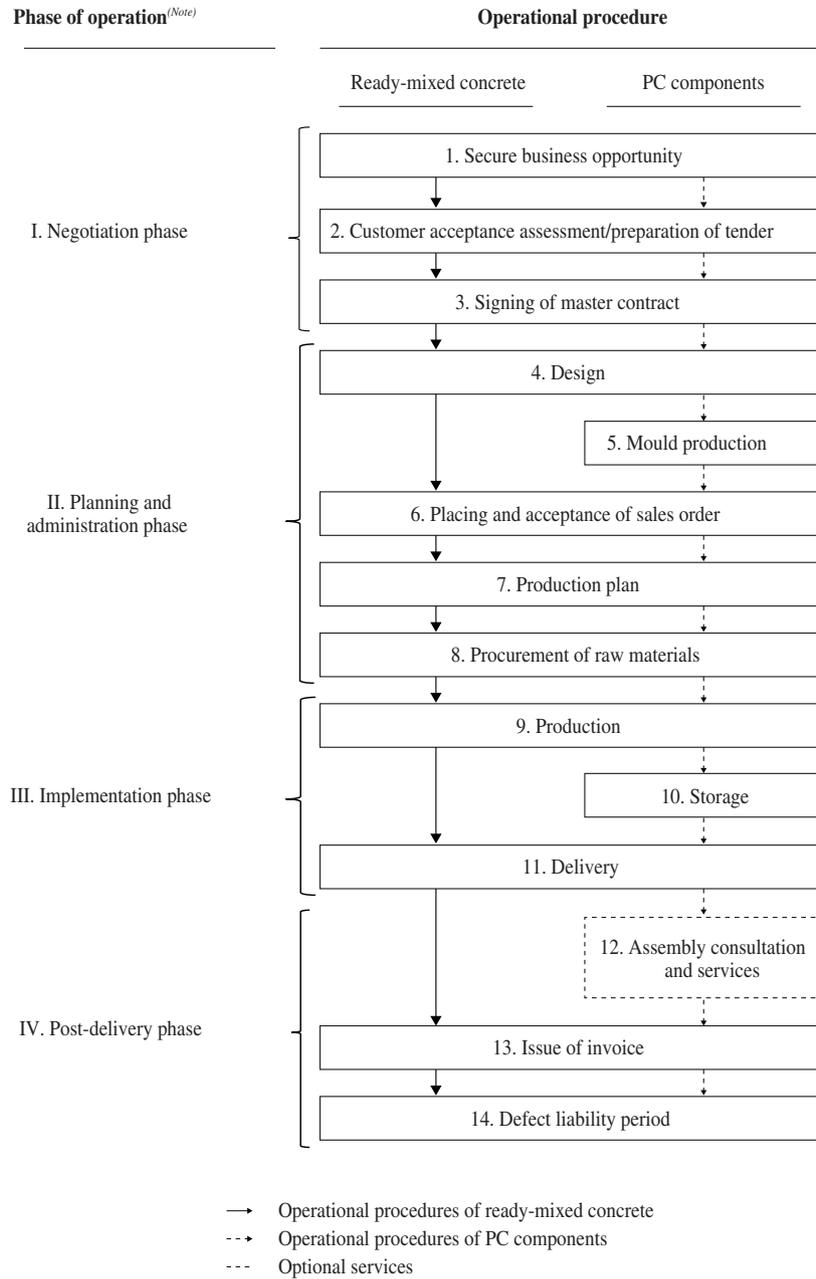
We provide comprehensive solutions for our PC components customers that are customised to meet the technical specifications and requirements of the projects, spanning from component design, mould production, manufacturing and assembly consultation. We generally manufacture PC components in accordance with our production schedule. The finished components will be stored in our storage yards until delivery instructions had been given by our customers.

Subject to our production schedule, our Group may accept small-scale ad hoc orders for standard ready-mixed concrete from customers with no master contract entered with our Group. We require full prepayment on ad hoc sales orders prior to delivery.

Our Group owns and operates a truck fleet to handle our logistical needs in our operations. For details, please refer to the paragraph headed “Logistics and product delivery” in this section.

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For illustration purposes, a simplified flow diagram of our key operational procedures for our projects is set out below:



Note: The diagram above is for general reference only, and the actual timeframe may vary from order to order depending on the complexity of the products required and the requirement of individual customers.

I. Negotiation phase

1. *Secure business opportunity*

Our sales team is the primary contact point and is responsible for liaising with our existing and potential customers, which maintains regular contacts with industry players so as to obtain the latest market information and track new potential projects. During the Track Record Period, we obtained projects either by tender arrangements or direct negotiation with potential customers. For details regarding our sales and marketing strategies, please refer to the paragraph headed “Customers, sales and marketing — Sales and marketing activities” in this section.

2. *Customer acceptance assessment/preparation of tender*

In deciding whether to participate in a project, we will review and evaluate the technical and financial feasibility as well as the commercial viability of potential projects before our final acceptance or tender submission. It requires the efforts from members of our various teams in our assessment process, which involves work such as (i) negotiating contract terms; (ii) studying the technical specifications required by the potential project; (iii) production capacity simulation; (iv) budgeting; and (v) customer assessment.

3. *Signing of master contract*

When the terms of the contract are mutually agreed, our Group enters into master contract with our customers and our sales team arranges the relevant signing procedures. For SOE customers, their internal procedures for signing of master contract can be lengthy and may take longer period to process.

Our Group may accept small-scale ad hoc orders for standard ready-mixed concrete from customers with no master contract entered with our Group. For details, please refer to the paragraph headed “Business model and our operation — II. Planning and administration phase — 6. Placing and acceptance of sales order” in this section.

II. Planning and administration phase

4. *Design*

Ready-mixed concrete

Our laboratory team is responsible for the mix design of our ready-mixed concrete. To achieve an optimal concrete mix that meets customers’ specifications (i.e. grade strength and slump value) and the national standards at an acceptable cost, several factors such as strength-to-cementitious content, water-to-cement ratio and air content are considered when designing the concrete mix before deciding on the mix proportion.

PC components

Product design is the key to our PC components manufacturing. Besides having an optimal concrete mix for our production, PC component design requires the application of structure engineering technology, electromechanical engineering technology and materials science to realise the architecture design in the form of PC components under different specifications. The manufacturing process and assembling process of these PC components designed shall also be taken into consideration at the design phase. Thus, manufacturing craft, assembling and construction technology are also required for product design.

We have a strong design team of engineers capable of understanding the needs of our customers' architectural design and transforming it into industrial manufactory design that focuses on ease of transportation and assembly, safety and cost-efficiency. Our customers may provide construction drawings to us. Our design team is involved at different levels of our project's design phase, including the drafting of, review and/or commenting on, shop drawings and mould designs. The design of a given project generally depends on the nature, requirements and complexity of the project. The final design, usually in form of shop drawings, will be approved by our customer's designated licensed independent design institution.

5. *Mould production — applicable to PC components only*

Our PC Plant is equipped with a mould production workshop and a production team capable of fabricating reusable steel moulds to be utilised in our PC components production. We generally fabricate our own mould, but depending on our mould production capacity or the requirements of our customers, we may outsource the prefabrication of mould to independent manufacturers.

6. *Placing and acceptance of sales order*

Ready-mixed concrete

Our ready-mixed concrete customers are generally able to place orders with our sales team through our mobile application or in written form, at least 12 to 24 hours before the requested delivery time throughout the contractual period.

PC components

Our customers of PC components generally place orders with our sales team, specifying details such as product type, quantity and expected delivery date, to facilitate our planning of production.

7. *Production plan*

Our production team formulates monthly production plans in accordance with sales data provided by our sales team. The information will assist our production and procurement teams to appropriately allocate resources and make necessary procurement plans.

8. *Procurement of raw materials*

Our procurement team is responsible for the purchase of cement, aggregates and other key raw materials used in our production. Raw materials are ordered according to our production plans and existing inventory level. For details regarding our procurement process, please refer to the paragraph headed “Procurement — Raw material purchase” in this section.

III. Implementation phase

9. *Production*

Our production team will carry out the production process according to the monthly production plans in our respective production facilities. For further details on our production process, please refer to paragraphs headed “Production process” in this section.

During the Track Record Period, our Group engaged independent employment agents to source some of our factory workers for our PC component production lines. For details on our outsourcing arrangement, please refer to paragraphs headed “Procurement — Employment agents” in this section.

10. *Storage— applicable to PC components only*

Upon passing our quality control procedures, the finished PC components will be transported to and kept in our warehouses and storage yards.

11. *Delivery*

Our transportation team is responsible for co-ordination of our fleet drivers and trucks with the assistance of our transportation despatch system.

Ready-mixed concrete

We generally handle the delivery of our ready-mixed concrete by our own truck fleet. Freshly produced ready-mixed concrete will be loaded onto mixer trucks directly, for delivery to construction sites. Our customer conducts on-site inspection of our ready-mixed concrete and endorses on the delivery note as acceptance.

PC components

We generally outsource the delivery of our PC components to independent logistics services providers. When our sales team receives delivery instructions from our customers, our transportation team will arrange our warehouse operatives and truck fleet to hoist the necessary components onto the trucks for delivery to construction sites. Our customer conducts on-site inspection of our PC components and endorses on the delivery note as acceptance.

For further details on our delivery process, please refer to the paragraphs headed “Logistics and product delivery” in this section.

IV. Post-delivery phase

12. *Assembly consultation and services — optional services applicable to PC components only*

Since prefabrication construction method is relatively new to contractors in Fujian Province, our construction and installation team provides optional assembly consultation and assembly services to our customers, terms of which are mutually agreed at the negotiation phase with the level of service required specified in the master contract.

(1) *Assembly consultation:*

- (i) on-site assembly consultation — we will despatch technical advisers to station at our customers’ construction sites to oversee and assist them with the assembly of PC components; and
- (ii) off-site troubleshooting — we will provide customers with off-site support to resolve problems relating to the assembly of PC components.

(2) *Assembly services:*

Our Group offers assembly services for certain integrated underground utility tunnel projects. We generally outsource the on-site PC components assembly works to qualified independent services providers. We will despatch technical adviser to our customer’s construction sites to oversee and assist with the assembly process.

13. *Issue of invoice*

Our Group requires our customers to make progressive payments, generally on a monthly basis, based on the actual products delivered during the period. Depends on the project size or product nature, we may require our customers to make a deposit on each sales order before delivery. Our sales team prepares monthly billing statements to our customers to confirm the sales transaction records. After the billing statement is confirmed by our customers, our finance team will then issue invoices to them.

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14. *Defect liability period*

The terms and conditions in relation to defect liability period vary from contract to contract, normally ranging from 3 months to 24 months from the date of the practicable completion of the construction project, during which our Group is liable to rectify any product defects. During the Track Record Period, we did not experience any material claim by our customers in respect of product defects, and we did not make provision for any repair and maintenance cost in respect of product defects during the defects liability period.

15. *Release of retention money*

In general, our customers may hold up retention money from the progress payment as stipulated under the contract terms. The retention money normally ranges from 5% to 20% of the total progress payment amount. The release of the retention money is normally due after the end of the defect liability period.

OUR PRODUCTS

We are a manufacturer and supplier of concrete-based building materials. Our principal products include (i) ready-mixed concrete; and (ii) PC components. During the Track Record Period, our Group's products were mainly applied in construction sites in Fujian Province, which were produced in accordance with our customers' specifications and construction requirements, whilst conforming to the relevant PRC national and/or industry standards.

Concrete is a widely used composite construction material generally produced by combining cement, water and aggregates to form a fluid paste, which can be poured and moulded into any desirable shape before it cures and hardens over time to form a stone-like material. Hardened concrete possesses high compressive strength, durability, wind and water resistance and it is non-combustible, which is used extensively in buildings, bridges, roads and dams. The grade strength of concrete can be modified, depending on its intended structural application, by proportioning ingredients of the concrete mixture ratio and/or by adding admixtures and supplementary cementitious materials (such as PFA and mineral powder). However, compared to other binding materials, the tensile strength of concrete is relatively low, and is more prone to cracks and can even snap when exposed to enough flexural tensile stress, but when reinforced with rebar, it can be used to create solid, earthquake proof structures.

(i) Ready-mixed concrete

Ready-mixed concrete refers to concrete that is mixed from a batching plant for delivery in its plastic or unhardened state, which will be poured, shaped and cured at the construction site instead of being mixed on-site.

Each batch of our ready-mixed concrete is tailor-made to the specifications agreed with our customers, which will be delivered by our mixer truck fleet to construction sites in accordance to our customers' orders and instructions. We offer concrete pumping service at our customers'

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discretion, our service includes the leasing and operation of our concrete pump trucks from our fleet made up of about 14 trucks, as at 31 October 2020, of various specifications, with a maximum vertical reach with placing boom up to 63 meters in height, which are operated by our licensed operators. The ready-mixed concrete we produce generally conform with the relevant national and industrial standards. For further details, please refer to the paragraphs headed “Quality control” in this section. The table below sets out the particulars of our ready-mixed concrete, which is categorised by its respective grade level:

Grade level	Strength class ⁽¹⁾	Compressive strength ⁽²⁾	Applications	Price range of products per m ³ during the Track Record Period ⁽³⁾
Low grade	Between C15–C30	Between 15 MPa to 34 MPa	Usually used in non-structural applications where support and strength are not critical, such as pathways, roads, drainage works, backing and haunching and so forth	RMB237 to RMB586
Standard grade	Between C35–C45	Between 35 MPa to 49 MPa	Usually used in commercial constructions for creating external walls, slabs, structural piling, foundations and beams for structural support and so forth	RMB284 to RMB877
High grade	Over C50	Over 50 MPa	Usually used in special structures to withstand high compressive loads such as shear walls and foundations of high-rise structures and highway bridges	RMB380 to RMB2,776
CTB	C10 or below	14 MPa or below	Usually used as a pavement base for highways, roads and airports to provide a stiffer and stronger base to reduce deflection	RMB155 to RMB291

Notes:

1. Grades of concrete are defined by the number next to the letter “C”, which indicates the minimum compressive strength the concrete must possess after curing for 28 days. The grade number ascends at an interval of 5 and is understood in measurements of MPa, which denotes the overall compressive strength of the concrete.
2. Actual compressive strength of ready-mixed concrete is determined by test of compressive strength on test cubes made after curing for 28 days.
3. The price may include the cost of delivery, concrete pumping service and other surcharge levied on the customer, net of VAT.

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Conversion rates of raw materials

The following table sets forth the conversion rates of raw materials into our ready-mixed concrete by grade during the Track Record Period and the industry conversion rates:

	Year ended 31 December						Ten months ended 31 October		Industry conversion rates ⁽³⁾ (tonne/m ³)
	2017		2018		2019		2020		
	Consumption volume ⁽¹⁾ (tonne)	Conversion rates ⁽²⁾ (tonne/m ³)	Consumption volume ⁽¹⁾ (tonne)	Conversion rates ⁽²⁾ (tonne/m ³)	Consumption volume ⁽¹⁾ (tonne)	Conversion rates ⁽²⁾ (tonne/m ³)	Consumption volume ⁽¹⁾ (tonne)	Conversion rate ⁽²⁾ (tonne/m ³)	
Low grade									
— aggregates	1,102,203	1.93	847,035	1.95	1,117,167	2.02	846,205	1.98	1.94
— cement	145,945	0.26	116,152	0.27	144,220	0.26	112,104	0.26	0.25
— admixtures	4,647	0.01	3,809	0.01	3,806	0.01	3,409	0.01	0.01
— PFA	27,476	0.05	16,485	0.04	24,751	0.04	21,247	0.05	0.06
— mineral powder	20,323	0.04	12,876	0.03	18,760	0.03	15,019	0.04	—
	<u>1,300,594</u>	<u>2.29</u>	<u>996,357</u>	<u>2.30</u>	<u>1,308,704</u>	<u>2.36</u>	<u>997,983</u>	<u>2.34</u>	<u>2.26</u>
Production volume ⁽⁴⁾ (m ³)	571,313		434,177		552,818		427,577		
Standard grade									
— aggregates	744,125	1.89	802,917	1.92	521,437	1.85	549,179	1.90	1.86
— cement	112,590	0.29	119,769	0.29	82,583	0.29	84,446	0.29	0.36
— admixtures	3,369	0.01	4,549	0.01	2,426	0.01	3,059	0.01	0.01
— PFA	29,580	0.08	27,295	0.07	17,477	0.06	18,360	0.06	0.07
— mineral powder	19,531	0.05	16,818	0.04	12,402	0.04	12,686	0.04	—
	<u>909,195</u>	<u>2.32</u>	<u>971,348</u>	<u>2.33</u>	<u>636,325</u>	<u>2.25</u>	<u>667,730</u>	<u>2.30</u>	<u>2.30</u>
Production volume ⁽⁴⁾ (m ³)	394,381		417,370		281,493		288,751		
High grade									
— aggregates	178,479	1.91	359,300	1.91	174,471	1.85	120,361	1.87	1.85
— cement ⁽⁵⁾	29,795	0.32	63,826	0.34	33,105	0.35	22,743	0.35	0.47
— admixtures	475	0.01	1,036	0.01	452	0.01	407	0.01	0.01
— PFA	7,573	0.08	12,473	0.07	6,104	0.06	3,692	0.06	0.06
— mineral powder	6,055	0.06	9,327	0.05	4,810	0.05	3,468	0.05	—
	<u>222,377</u>	<u>2.38</u>	<u>445,962</u>	<u>2.38</u>	<u>218,942</u>	<u>2.32</u>	<u>150,671</u>	<u>2.34</u>	<u>2.39</u>
Production volume (m ³)	93,430		187,955		94,274		64,475		
CTB									
— aggregates ⁽⁶⁾	36,264	1.06	48,396	0.95	83,359	0.86	136,966	0.85	0.86
— cement	2,806	0.08	4,688	0.09	9,289	0.10	14,572	0.09	0.10
— stone powder	34,872	1.02	58,862	1.15	113,834	1.17	189,902	1.18	1.14
	<u>73,942</u>	<u>2.16</u>	<u>111,946</u>	<u>2.19</u>	<u>206,482</u>	<u>2.13</u>	<u>341,440</u>	<u>2.12</u>	<u>2.10</u>
Production volume (m ³)	34,061		51,047		97,249		160,799		

Notes:

- Consumption volume represents the amount of raw materials (except water) used for production of our ready-mixed concrete during the respective year/period.
- Conversion rates is calculated by dividing the total consumption volume of raw materials for the year/period by the total production volume for the year/period.
- Industry conversion rates were calculated by Frost & Sullivan based on the (i) industry guide “Specification for mix proportion design of semi-finished construction materials, such as concrete and mortar, in Fujian Province (2017)” (《福建省建设工程混凝土、砂浆等半成品配合比(2017版)》), published by Fujian

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Construction Engineering Cost Management Station (福建省建設工程造價管理總站), which is formulated in accordance to the industry standard “Specification for mix proportion design of ordinary concrete” (《普通混凝土配合比設計規程》(JGJ55-2011)), published by MOHURD (the “**Industry Guide**”); and (ii) data collected from accredited certification institution for CTB. As advised by Frost & Sullivan, the industry guide for mix proportion design of ordinary concrete serves as a reference point for concrete manufacturers, however, the mix proportion design used in the industry may vary depending on its intended application, and it is a common industry practice to use chemical or mineral admixtures as addition to the mix proportion design or use PFA as replacement for cement. Provided that the relevant sampling, testing and quality control methods required by the national standard as stipulated in their relevant contracts are adhered to, and the technical specifications are fulfilled and certified by Independent Third Party accredited certification institutions, there is no specific mandatory requirements stipulating the mix proportion design for ready-mixed concrete should be based on the industry standard for mix proportion design of ordinary concrete.

4. For the year ended 31 December 2019, approximately 2,668 m³ and 5,470 m³ of low grade and standard grade ready-mixed concrete were utilised for the production of our PC components, respectively.
5. During the Track Record Period, our Group primarily used P.052.5 cement in our mix proportion design for our high grade ready-mixed concrete, whereas the Industry Guide used P.042.5 cement, which is a relatively lower quality cement as compared to P.052.5 cement, therefore our Group was able to achieve the same grade strength with lower cement mix proportion and thus, the conversation rate of cement for high-grade ready-mixed concrete was lower than that of the industry conversation rate.
6. During the Track Record Period, our Group produced various types of CTB to be used in different projects. In order to achieve the desirable specifications, stones of different specifications (primarily ranging from 5 to 31.5 mm) and volume were used to produce CTB, and thus our conversion rate of aggregates for CTB may differ from project-to-project.

(ii) PC components

PC components are concrete-based building material used in modern prefabricated method of construction, it is a process in which a structure is manufactured off-site in a controlled factory environment. The PC components are produced using codes and standards of conventional production facilities, which may include concrete batching, casting, reinforcement and curing, the finished PC components will then be delivered and assembled on-site where the structure is located. Comparing to traditional construction method, prefabricated construction using PC components (i) creates higher quality structures by strict production in a controlled casting environment, where it is easier to control the mixture, placement and curing; (ii) increases productivity with a lower demand of labour force with highly organised operation and some degree of automation; (iii) streamlines the construction schedule by preparing building components at a plant and performing on-site construction works simultaneously; (iv) reduces construction waste by tightly managed material flow; and (v) minimises dust and water pollution by implementing environmental control in a factory environment.

Our Group offers comprehensive solutions to our customers to cater for their construction needs. Besides the production and delivery of PC components, we work closely with our customers and provide our expertise throughout our operating phases. Our value-added services may include the review and recommendation on the overall prefabrication structural design, its specifications, as well as the design of PC moulds and components. We also provide optional post-delivery services such as technical and assembly consultation and assembly services.

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During the Track Record Period, we were involved in construction projects of various types and sizes, based on the different types of project, our major PC component products can be further divided into (i) tunnel segments; and (ii) other construction components.

Tunnel segments

Our PC tunnel segments are designed to be used in underground rail transit construction projects, which are manufactured, cured and tested in our PC Plant, before being delivered, erected and assembled on-site, to form segmental rings and lining (i.e. underground tunnels), which become the support structure of the tunnel.



During the Track Record Period, all of our PC tunnel segments were tailor-made for and sold to subsidiaries of CSCEC, being the main contractors, among others, for the construction of AMTR in Xiamen.



The price of our tunnel segments may include delivery and other surcharge levied on our customers, net of VAT. Details of our pricing policy are set out in the paragraph headed “Customers, sales and marketing — Pricing policy” in this section. During the Track Record Period, the average unit price of our tunnel segments generally ranged from RMB1,207 per m³ to RMB1,213 per m³.

Other construction components

Other construction components primarily include floor slabs, square piles, beams and utility tunnel segments.

<u>Type</u>	<u>Description</u>	<u>Price range of products per m³ during the Track Record Period</u>
Floor slabs	<p>Our floor slabs refer to composite floor slabs which consist of concrete board, longitudinal and transverse reinforcement and trusses in a lateral direction. They will be assembled horizontally completed with in-situ concrete to form floors and ceilings of buildings.</p> <p>According to different designs, elements such as junction boxes, horizontal conduits and bottom cases can be embedded in the floor slabs.</p>	RMB2,478 to RMB3,733

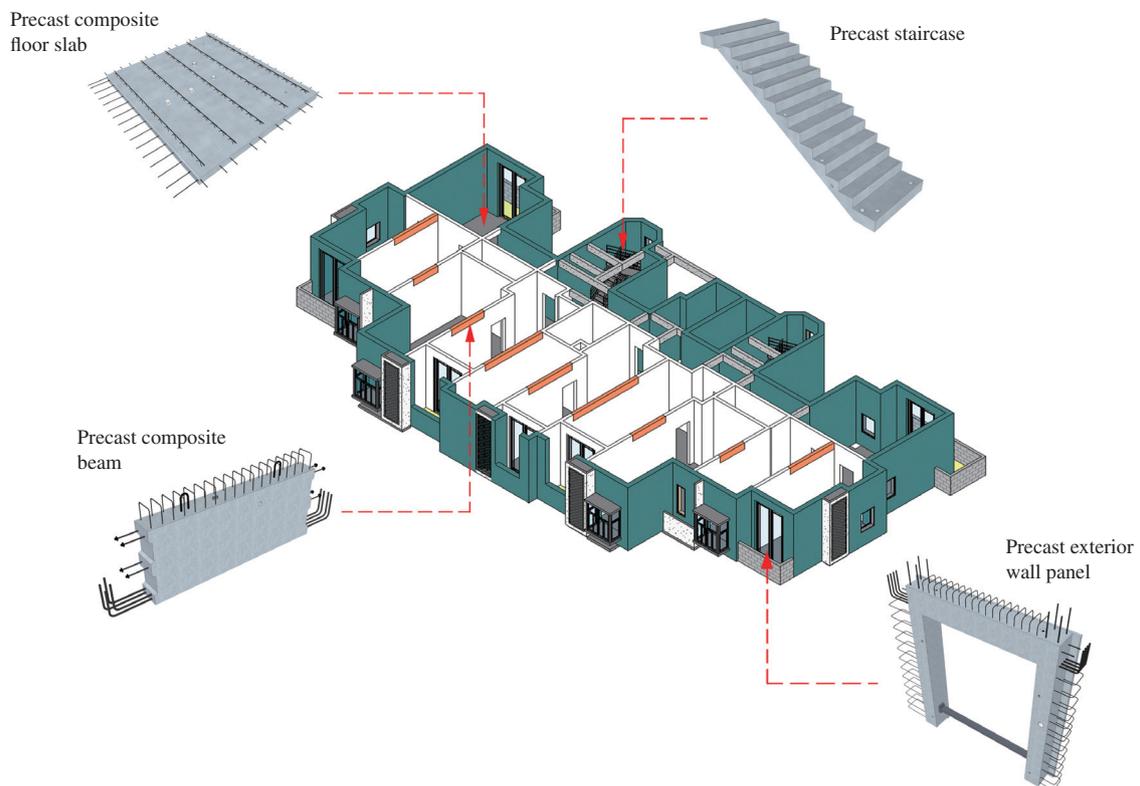


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<u>Type</u>	<u>Description</u>	<u>Price range of products per m³ during the Track Record Period</u>	
Square piles	Our square piles are reinforced concrete piles that will be assembled vertically as foundations to provide support for buildings and structures.	RMB914 to RMB1,625	
Beams	Our beams mainly include precast composite beams that will be assembled horizontally as structural elements to resist loads applied laterally to their axis.	RMB2,514 to RMB3,733	
Utility tunnel segments	Our precast utility tunnel segments are reinforced and constructed into integrated underground utility tunnels through assembly and cast-in-situ partly. The integrated underground utility tunnels are placed underground for laying municipal pipelines centrally to provide connections for utilities, such as electricity, communication, television, water supply, drainage and gas. They provide an accessible and safe space for multiple services' infrastructures and allow regular inspections, maintenance and easy replacement.	RMB1,110 to RMB2,994	
Other miscellaneous products	Apart from the major construction components products described above, we also offer other miscellaneous products, such as precast staircase, wall panel, paving slabs and trench cover.	RMB677 to RMB3,733	 

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Our other construction components are manufactured in modules which can be connected to each other at reserved joints according to the architectural design. They are assembled by the construction workers using construction craft on the construction sites and constructed into buildings in various structures, appearances and functions. During the Track Record Period, our other construction components were used in prefabricated building construction projects including residential buildings, business parks and educational institutions. The following picture illustrates a prefabricated building using some of our other construction components and their respective installation positions:



The price of our PC constructional components may include delivery, relevant service charges and other surcharge levied on the customers, net of VAT. Details of our services and our pricing policy are set out in the paragraph headed “Customers, sales and marketing — Pricing policy” in this section.

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Conversion rates of raw materials

The following table sets forth the conversion rates of raw materials into our PC components by types during the Track Record Period and the industry conversion rates:

	Year ended 31 December						Ten months ended 31 October		Industry conversion rates ⁽³⁾ (tonne/m ³)
	2017		2018		2019		2020		
	Consumption volume ⁽¹⁾ (tonne)	Conversion rates ⁽²⁾ (tonne/m ³)	Consumption volume ⁽¹⁾ (tonne)	Conversion rates ⁽²⁾ (tonne/m ³)	Consumption volume ⁽¹⁾ (tonne)	Conversion rates ⁽²⁾ (tonne/m ³)	Consumption volume ⁽¹⁾ (tonne)	Conversion rate ⁽²⁾ (tonne/m ³)	
Tunnel segments									
— aggregates	N/A	N/A	53,601	1.87	63,053	1.82	N/A	N/A	1.80
— cement ⁽⁵⁾	N/A	N/A	9,454	0.33	11,069	0.32	N/A	N/A	0.45
— rebars ⁽⁴⁾	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0.18
— admixtures	N/A	N/A	109	0.01	138	0.01	N/A	N/A	0.01
— PFA	N/A	N/A	1,838	0.06	1,633	0.05	N/A	N/A	0.06
— mineral powder	N/A	N/A	1,444	0.05	1,460	0.04	N/A	N/A	—
	N/A	N/A	66,446	2.32	77,353	2.24	N/A	N/A	2.50
Production volume (m ³)	N/A		28,734		34,722		N/A		
Other construction components									
— aggregates	9,038	1.96	31,393	1.88	88,869	1.79	146,368	1.88	1.88
— cement	1,681	0.36	5,537	0.33	15,601	0.31	27,218	0.35	0.32
— rebars	579	0.13	2,102	0.13	6,848	0.14	11,127	0.14	0.15
— admixtures	19	0.01	65	0.01	193	0.01	696	0.01	0.01
— PFA	85	0.02	1,076	0.06	2,301	0.05	4,376	0.06	0.07
— mineral powder	236	0.05	846	0.05	2,056	0.04	1,106	0.01	—
	11,638	2.53	41,019	2.46	115,868	2.34	190,891	2.45	2.43
Production volume (m ³)	4,623		16,742		49,706		77,811		

Notes:

- Consumption volume represents the amount of raw materials (except water) used for production of our PC components during the respective year/period.
- Conversion rates are calculated by dividing the total consumption volume of raw materials for the year/period by the total production volume for the year/period.
- Industry conversion rates were calculated by Frost & Sullivan based on the (i) industry guide “Specification for mix proportion design of semi-finished construction materials, such as concrete and mortar, in Fujian Province (2017)” (《福建省建設工程混凝土、砂漿等半成品配合比(2017版)》), published by Fujian Construction Engineering Cost Management Station (福建省建設工程造價管理總站), which is formulated in accordance to the industry standard “Specification for mix proportion design of ordinary concrete” (《普通混凝土配合比設計規程》(JGJ55-2011)), published by MOHURD (the “**Industry Guide**”); and (ii) data collected from various research institutions in the PRC for rebar conversion rates for 1.2m and 1.5m tunnel segments, floor slabs, square piles, columns, staircases, beams, utility tunnel segments, paving slabs and frame columns. As advised by Frost & Sullivan, the industry guide for mix proportion design of ordinary concrete is applicable to the ready-mixed concrete use in PC component production, details of which are set out in note 3 to the paragraph headed “(i) Ready-mixed concrete — Conversion rates of raw materials” of this subsection. Provided PC components are produced in accordance to shop drawings approved by the designated licensed Independent Third Party design institutions, ready-mixed concrete and rebars used in the PC component production are certified by Independent Third Party accredited certification institutions using

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the relevant sampling, testing and quality control methods required by the industry and national standards as stipulated in their relevant contracts, there is no specific mandatory requirements to adhere to the industry conversion rates.

4. Rebars used to manufacture tunnel segments were provided by our customers.
5. For the two years ended 31 December 2019, our Group's tunnel segment was produced using high-grade ready-mixed concrete and we primarily used P.052.5 cement in our mix proportion design for our high grade ready-mixed concrete, whereas the Industry Guide used P.042.5 cement, which is a relatively lower quality cement as compared to P.052.5 cement, therefore our Group was able to achieve the same grade strength with lower cement mix proportion and thus, the conversation rate of cement for high-grade ready-mixed concrete was lower than that of the industry conversation rate.

Seasonality

We normally record lower sales during the period from January to March due to Chinese New Year, when the construction activities are less active than other months of the year. Additionally, certain climatic conditions, such as heavy or prolonged rainfall, also negatively affect market demand of our products because the level of activity in the construction industry is relatively low under such conditions. We expect our operating results will continue to be influenced by such seasonality trend in the future. Please refer to the paragraph headed "Risk factors — Risks relating to our business and industry — The demand for our concrete products is bounded by seasonality, in particular, climatic seasonality, hence the weather conditions may impinge on the process of construction activities" for details.

OUR PROJECTS

Our products can be applied in construction projects of different nature, which can be broadly categorised into (i) infrastructure, (ii) residential, (iii) commercial and industrial, and (iv) municipal. The table below sets out the principal types of construction our concrete-based products were applied in, which are categorised by their respective project nature:

<u>Project nature</u>	<u>Types of construction</u>
Infrastructure	Consists of rail transit, integrated underground utility tunnels and roads and highways projects
Residential	Consists of private housing estates and residential buildings projects
Commercial and industrial	Consists of business parks, software parks, industrial parks and manufacturing plants projects
Municipal	Consists of public housing and educational institutions projects

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The following table sets forth the breakdown of our Group's revenue generated by product and by project nature⁽¹⁾ during Track Record Period:

	Year ended 31 December						Ten months ended 31 October			
	2017		2018		2019		2019		2020	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
							(Unaudited)			
Ready-mixed concrete										
— Infrastructure	165,537	41.4	200,041	39.1	143,074	24.2	116,734	26.7	123,334	20.5
— Residential	125,683	31.5	108,346	21.2	86,176	14.6	57,806	13.2	65,670	10.9
— Commercial and industrial	34,461	8.6	15,935	3.1	103,228	17.5	51,777	11.8	177,749	29.5
— Municipal	49,551	12.4	118,797	23.2	108,586	18.4	90,982	20.8	37,166	6.2
— Others ⁽²⁾	18,650	4.7	9,953	2.0	5,768	0.9	2,907	0.8	3,969	0.6
Subtotal	393,882	98.6	453,072	88.6	446,832	75.6	320,206	73.3	407,888	67.7
PC components										
— Infrastructure	1,479	0.4	40,794	8.0	53,937	9.1	45,292	10.4	47,824	7.9
— Residential	4,158	1.0	12,501	2.4	59,576	10.1	46,729	10.7	146,389	24.3
— Commercial and industrial	—	—	53	0.1	24,613	4.2	23,367	5.3	34	0.1
— Municipal	—	—	4,842	0.9	5,839	1.0	1,511	0.3	—	—
— Others ⁽²⁾	—	—	5	—	—	—	—	—	20	—
Subtotal	5,637	1.4	58,195	11.4	143,965	24.4	116,899	26.7	194,267	32.3
Total	399,519	100.0	511,267	100.0	590,797	100.0	437,105	100.0	602,155	100.0

Notes:

1. Project nature is categorised based on the project description as stipulated in their respective master contracts and the principal utilisation of our products.
2. Others refer to sales with no master contracts for project nature categorisation.

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The demand of our ready-mixed concrete and PC components is largely driven by the development of the construction industry and progress of urbanisation in Fujian Province, particularly Xiamen.

During the Track Record Period, AMTR and integrated underground utility tunnels were key development plans for Xiamen's urbanisation. With additional AMTR lines opening and utility facilities reaching further parts of the city, more residential buildings and commercial and industrial parks are built in Xiamen which triggers a larger demand for ready-mixed concrete and PC components as a result.

Consequently, our projects were predominately infrastructure and residential in nature during the Track Record Period, and the revenue generated from these projects amounted to approximately RMB296.9 million, RMB361.7 million, RMB342.8 million and RMB383.2 million, representing approximately 74.3%, 70.7%, 58.0% and 63.6% of our revenue, respectively. Moreover, the demand of commercial and industrial projects has been growing during the Track Record Period and the revenue generated from these projects amounted to approximately RMB34.5 million, RMB16.0 million, RMB127.8 million and RMB177.8 million, representing approximately 8.6%, 3.2%, 21.7% and 29.6% of our revenue, respectively.

During the Track Record Period and up to the Latest Practicable Date, we completed 418 and 72 projects for our ready-mixed concrete and PC components respectively. As at the Latest Practicable Date, we had 92 and 33 on-going projects (either in progress or yet to commence) for our ready-mixed concrete and PC components respectively.

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The following table sets out the movement in the number of projects during the Track Record Period and up to the Latest Practicable Date:

	Year ended 31 December			Ten months ended 31 October	From 1 November 2020 to the Latest Practicable Date
	2017	2018	2019	2020	
For ready-mixed concrete:					
Number of opening projects	77	78	89	102	125
Number of new projects ⁽¹⁾	68	73	164	105	23
Number of completed projects ⁽²⁾	67	62	151	82	56
Number of on-going projects as of the end of the year/period ⁽³⁾	78	89	102	125	92
For PC components:					
Number of opening projects	—	2	17	21	36
Number of new projects ⁽¹⁾	6	28	28	34	9
Number of completed projects ⁽²⁾	4	13	24	19	12
Number of on-going projects as of the end of the year/period ⁽³⁾	2	17	21	36	33
Total number of on-going projects as of the end of the year/period ⁽³⁾	80	106	123	161	125

Notes:

1. Number of new projects refers to the total number of (i) projects with contracts entered into by our Group during the relevant year/period indicated; and (ii) projects commenced during the relevant year/period indicated with contracts signed in the following year/period.
2. Number of completed projects refers to projects completed by our Group during the relevant year/period indicated.
3. Number of on-going projects refers to the total number of (i) projects with contracts entered into by our Group and either in progress or yet to commence as at the relevant year/period indicated; and (ii) projects in progress as at the relevant year/period indicated with contracts signed in the following year/period.

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Major projects

The following tables set forth particulars of our major projects⁽¹⁾ by product categories during the Track Record Period in terms of revenue contribution:

For ready-mixed concrete

For the ten months ended 31 October 2020

Rank	Project	Customer	Location	Project nature	Commencement date ⁽²⁾	Completion date ⁽³⁾	Contract sum ⁽⁴⁾ RMB'000	Revenue recognised for the period RMB'000	% of our revenue of ready-mixed concrete for the period ⁽⁶⁾
1.	Project Y	Fujian No.5 Construction Engineering Company (福建省第五建築工程公司)	Xiamen	Commercial and industrial	August 2019	On-going	73,301	54,714	13.4%
2.	Project AF	CSCEC Strait Construction and Development Co., Ltd. (中海海峽建設發展有限公司)	Xiamen	Commercial and industrial	July 2020	On-going	58,252	27,638	6.8%
3.	Project Z	CSCEC Strait Construction and Development Co., Ltd. (中海海峽建設發展有限公司)	Xiamen	Commercial and industrial	July 2019	On-going	38,835	24,139	5.9%
4.	Project P	China Construction Eighth Engineering Division (Xiamen) Construction Co., Ltd.* (中建八局(廈門)建設有限公司)	Xiamen	Residential	January 2019	On-going	49,009	21,083	5.2%
5.	Project O	CSCEC Strait Construction and Development Co., Ltd. (中海海峽建設發展有限公司)	Xiamen	Commercial and industrial	June 2019	On-going	47,573	17,969	4.4%
6.	Project AA	Xiamen Sizong Construction Co., Ltd. (廈門思總建設有限公司)	Xiamen	Residential	November 2019	On-going	23,301	17,151	4.2%
7.	Project AG	China Railway 11th Bureau Group City Rail Engineering Co., Ltd. (中鐵十一局集團城市軌道工程有限公司)	Xiamen	Infrastructure	June 2020	On-going	41,749	16,750	4.1%
8.	Project AH	Fangyuan Construction Group Co., Ltd. (方遠建設集團股份有限公司)	Xiamen	Municipal	February 2020	On-going	14,563	15,493	3.8%
9.	Project AI	CSCEC Railway Investment Transit Construction Co., Ltd. (中鐵投軌道交通建設有限公司)	Xiamen	Commercial and industrial	October 2019	On-going	38,835	14,465	3.5%

For the year ended 31 December 2019

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Rank	Project	Customer	Location	Project nature	Commencement date ⁽²⁾	Completion date ⁽³⁾	Contract sum ⁽⁴⁾ RMB'000	Revenue recognised for the year RMB'000	% of our revenue of ready-mixed concrete for the year ⁽⁶⁾
1.	Project M	Fujian Sijian Construction Engineering Co., Ltd.* (廈門特房建設工程集團有限公司)	Xiamen	Municipal	February 2019	On-going	48,542	53,079	11.9%
2.	Project B	China Railway 24th Bureau Group Co., Ltd. (中鐵二十四局集團有限公司)	Xiamen	Infrastructure	November 2013	On-going ⁽⁵⁾	N/A	37,039	8.3%
3.	Project N	A wholly owned subsidiary of China Railway First Group Co., Ltd. (中鐵一局集團有限公司)	Xiamen	Infrastructure	January 2018	On-going	77,910	36,883	8.3%
4.	Project O	CSCEC Strait Construction and Development Co., Ltd. (中建海峽建設發展有限公司)	Xiamen	Commercial and industrial	June 2019	On-going	47,573	32,468	7.3%
5.	Project P	China Construction Eighth Engineering Division (Xiamen) Construction Co., Ltd.* (中建八局(廈門)建設有限公司)	Xiamen	Residential	January 2019	On-going	49,009	22,641	5.1%
6.	Project J	A wholly owned subsidiary of China Construction Fourth Engineering Division Corp. Ltd. (中國建築第四工程局有限公司)	Xiamen	Municipal	December 2017	On-going	94,348	19,767	4.4%
7.	Project Q	China Construction First Group Corp. Ltd. (中國建築一局(集團)有限公司)	Xiamen	Residential	March 2019	On-going	14,682	16,232	3.6%
8.	Project R	Fujian Xingyan Construction Group Co., Ltd.* (福建省興岩建設集團有限公司)	Xiamen	Residential	May 2019	On-going	8,738	15,084	3.4%

For the year ended 31 December 2018

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Rank	Project	Customer	Location	Project nature	Commencement date ⁽²⁾	Completion date ⁽³⁾	Contract sum ⁽⁴⁾ RMB'000	Revenue recognised for the year RMB'000	% of our revenue of ready-mixed concrete for the year ⁽⁶⁾
1.	Project B	China Railway 24th Bureau Group Co., Ltd. (中鐵二十四局集團有限公司)	Xiamen	Infrastructure	November 2013	On-going ⁽⁵⁾	N/A	69,284	15.3%
2.	Project J	A wholly owned subsidiary of China Construction Fourth Engineering Division Corp. Ltd. (中國建築第四工程局有限公司)	Xiamen	Municipal	December 2017	On-going	94,348	55,645	12.3%
3.	Project K	CSCEC Strait Construction and Development Co., Ltd. (中建海峽建設發展有限公司)	Xiamen	Residential	January 2018	On-going	58,252	52,684	11.6%
4.	Project I	A wholly owned subsidiary of CCCC Fourth Harbor Engineering Co., Ltd. (中交第四航務工程局有限公司)	Xiamen	Infrastructure	August 2016	August 2019	42,024	31,356	6.9%
5.	Project L	Xiamen Haitou Engineering Construction Company (廈門海投工程建設有限公司)	Xiamen	Residential	April 2017	September 2019	43,689	30,679	6.8%

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For the year ended 31 December 2017

Rank	Project	Customer	Location	Project nature	Commencement date ⁽²⁾	Completion date ⁽³⁾	Contract sum ⁽⁴⁾ RMB'000	Revenue recognised for the year RMB'000	% of our revenue of ready-mixed concrete for the year ⁽⁶⁾
1.	Project A	Xiamen Jianan Group Co., Ltd.* (廈門市建安集團有限公司)	Xiamen	Municipal	April 2016	December 2019	N/A	34,341	8.7%
2.	Project B	China Railway 24th Bureau Group Co., Ltd. (中鐵二十四局集團有限公司)	Xiamen	Infrastructure	November 2013	On-going ⁽⁵⁾	N/A	32,489	8.2%
3.	Project C	China Construction Fourth Engineering Division Corp. Ltd. (中國建築第四工程局有限公司)	Xiamen	Residential	March 2016	February 2019	N/A	24,420	6.2%
4.	Project D	China Railway First Group Co., Ltd. (中鐵一局集團有限公司)	Xiamen	Infrastructure	May 2015	On-going	58,374	23,688	6.0%
5.	Project E	China Construction Third Engineering Bureau Group Co., Ltd. (中建三局集團有限公司)	Xiamen	Residential	July 2016	October 2019	24,051	21,123	5.4%
6.	Project F	Guangxi Construction Engineering Group No.1 Architecture and Engineering Co., Ltd. (廣西建工集團第一建築工程有限責任公司)	Xiamen	Infrastructure	April 2016	December 2018	N/A	21,026	5.3%
7.	Project G	CCCC Fourth Harbor Engineering Co., Ltd. (中交第四航務工程局有限公司)	Xiamen	Infrastructure	August 2016	December 2019	42,024	18,534	4.7%
8.	Project H	Zhongtian Construction Group Co., Ltd. (中天建設集團有限公司)	Xiamen	Residential	April 2017	September 2018	N/A	15,009	3.8%
9.	Project I	A wholly owned subsidiary of CCCC Fourth Harbor Engineering Co., Ltd. (中交第四航務工程局有限公 司)	Xiamen	Infrastructure	August 2016	August 2019	42,024	14,437	3.7%

* For identification purposes only

Notes:

1. The aggregate revenue of major projects for each of the three years ended 31 December 2019 and the ten months ended 31 October 2020 representing not less than 50% of the total revenue derived from the sale of ready-mixed concrete for the respective year/period, which amounting approximately 52.0%, 52.9%, 52.3% and 51.3% of our revenue of ready-mixed concrete during the Track Record Period.
2. Commencement date refers to the contract date.
3. Completion date is determined based on the delivery date of the last order of products.
4. Contract sum refers to the estimated contract value of our project specified in the contract, while “N/A” represents the contract with no specified contract value. Revenue to be recognised is subject to the actual volume of products ordered by our customers for the year/period and price adjustment based on the prevailing market unit price for each of our products specified in the contracts, which may result in a difference from the estimated contract value.
5. Since November 2013 and up to the Latest Practicable Date, our Group has supplied ready-mixed concrete to China Railway 24th Bureau Group Co., Ltd. (中鐵二十四局集團有限公司) for the consumption in several rail transit projects that China Railway 24th Bureau Group Co., Ltd. involved in, including Line 1, 2, 3, 4 and 6 of AMTR.
6. Percentage of our revenue of ready-mixed concrete is calculated by dividing the revenue of the relevant project recognised for the relevant year/period by the total revenue derived from the sale of ready-mixed concrete during the relevant year/period.

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For PC components

For the ten months ended 31 October 2020

Rank	Project	Customer	Location	Project nature	Commencement date ⁽²⁾	Completion date ⁽³⁾	Contract sum ⁽⁴⁾ RMB'000	Revenue recognised for the period RMB'000	% of our revenue of PC components for the period ⁽⁵⁾
1.	Project AB	Zhongjian Xinhongding Environment Group Ltd.* (中建鑫宏鼎環境集團有限公司)	Xiamen	Infrastructure	February 2019	On-going	64,148	33,721	17.4%
2.	Project AJ	Xintai Construction Group Co., Ltd.* (鑫泰建設集團有限公司)	Zhangzhou	Residential	April 2020	On-going	29,435	29,560	15.2%
3.	Project W	Customer A	Fuzhou	Residential	March 2019	On-going	58,407	10,396	5.4%
4.	Project AD	A wholly owned subsidiary of China Construction Fourth Engineering Division Corp. Ltd. (中國建築第四工程局有限公司)	Longyan	Residential	November 2019	November 2020	9,035	10,395	5.4%
5.	Project AK	Nanli Construction Group Co., Ltd.* (南力建設集團有限公司)	Quanzhou	Residential	March 2020	On-going	10,491	9,360	4.8%
6.	Project X	Yongfu Construction Group Co., Ltd. (永富建工集團有限公司) (formerly known as Fujian Yongfu Construction Group Co., Ltd. (福建省永富建設集團有限公司))	Xiamen	Infrastructure	September 2018	On-going	22,759	8,366	4.3%

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For the year ended 31 December 2019

Rank	Project	Customer	Location	Project nature	Commencement date ⁽²⁾	Completion date ⁽³⁾	Contract sum ⁽⁴⁾ RMB'000	Revenue recognised for the year RMB'000	% of our revenue of PC components for the year ⁽⁵⁾
1.	Project T	Customer A	Xiamen	Infrastructure	June 2018	On-going	59,470	39,339	27.3%
2.	Project V	China Construction First Group Corp. Ltd. (中國建築一局(集團)有限公司)	Xiamen	Commercial and industrial	April 2019	December 2019	14,161	13,466	9.4%
3.	Project W	Customer A	Fuzhou	Residential	March 2019	On-going	58,407	10,058	7.0%
4.	Project X	Yongfu Construction Group Co., Ltd. (永富建工集團有限公司) (formerly known as (Fujian Yongfu Construction Group Co., Ltd. (福建省永富建設集團有限公司)))	Xiamen	Infrastructure	September 2018	On-going	22,759	9,755	6.8%

For the year ended 31 December 2018

Rank	Project	Customer	Location	Project nature	Commencement date ⁽²⁾	Completion date ⁽³⁾	Total contract sum ⁽⁴⁾ RMB'000	Revenue recognised for the year RMB'000	% of our revenue of PC components for the year ⁽⁵⁾
1.	Project T	Customer A	Xiamen	Infrastructure	June 2018	On-going	59,470	19,665	33.8%
2.	Project U	China Construction Sixth Engineering Division Corp. Ltd. (中國建築第六工程局有限公司)	Xiamen	Infrastructure	September 2018	On-going	17,203	11,638	20.0%

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For the year ended 31 December 2017

Rank	Project	Customer	Location	Project nature	Commencement date ⁽²⁾	Completion date ⁽³⁾	Contract sum ⁽⁴⁾ RMB'000	Revenue recognised for the year RMB'000	% of our revenue of PC components for the year ⁽⁵⁾
1.	Project S	CSCEC Strait Construction and Development Co., Ltd. (中建华城建設發展有限公司)	Xiamen	Residential	May 2017	May 2018	5,983	3,289	58.3%

* For identification purposes only

Notes:

1. The aggregate revenue of major projects for each of the three years ended 31 December 2019 and the ten months ended 31 October 2020 represents not less than 50% of the total revenue derived from the sale of PC components for the respective year/period, approximately 58.3%, 53.8%, 50.5% and 52.4%, respectively, of our revenue of PC components during the Track Record Period.
2. Commencement date refers to the contract date.
3. Completion date is determined based on the delivery date of the last order of products.
4. Contract sum refers to the estimated contract value of our project specified in the contract, while "N/A" represents the contract with no specified contract value. Revenue to be recognised is subject to the actual volume of products ordered by our customers for the year/period and price adjustment based on the prevailing market unit price for each of our products specified in the contracts, which may result in a difference from the estimated contract value.
5. Percentage of our revenue of PC components is calculated by dividing the revenue of the relevant project recognised for the relevant year/period by the total revenue derived from the sale of PC components during the relevant year/period.

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New contract value

New contract value represents the aggregate value of contracts that we entered into during a specified period and have a specified contract value. The value of a contract is the amount that we expect to receive (net of estimated VAT) based on the estimated demand of products as mutually agreed by us and our customers at the time of entering into the contract, subject to the actual volume of products ordered by our customers and price adjustment based on prevailing market unit price for each of our products specified in the contracts.

The following table sets forth our new contract value by product categories for the periods indicated:

	Year ended 31 December			Ten months ended 31 October	From 1 November 2020 to the Latest Practicable Date
	2017	2018	2019	2020	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Ready-mixed concrete	162,062	266,037	511,885	438,578	142,600
PC components	<u>14,687</u>	<u>161,564</u>	<u>196,312</u>	<u>413,109</u>	<u>98,523</u>
Total	<u><u>176,749</u></u>	<u><u>427,601</u></u>	<u><u>708,197</u></u>	<u><u>851,687</u></u>	<u><u>241,123</u></u>

Backlog

Backlog is the estimate of the remaining contract value of our products yet to be completed as of a certain date. The contract value represents the amount that we expect to receive (net of estimated VAT) based on the estimated demand of products as mutually agreed by us and our customers at the time of entering into the contract, subject to the actual volume of products ordered by our customers and price adjustment based on prevailing market unit price for each of our products specified in the contracts. Backlog is not a measurement defined by generally accepted accounting principles.

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The following table sets forth our backlog movement in terms of contract value by product categories for the periods indicated:

	Year ended 31 December			Ten months ended 31 October 2020	From 1 November 2020 up to 31 January 2021
	2017	2018	2019	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)
Ready-mixed concrete:					
Opening value of backlog projects	121,814	173,045	205,993	367,854	414,552
New contract value	162,062	266,037	511,885	438,578	86,039
Revenue recognised ⁽¹⁾	(141,429)	(249,560)	(358,250)	(372,093)	(178,384)
Value of subsequent rectifications, modifications or adjustments ⁽²⁾	<u>30,598</u>	<u>16,471</u>	<u>8,226</u>	<u>(19,787)</u>	<u>(19,002)</u>
Ending value of backlog projects ⁽³⁾	<u>173,045</u>	<u>205,993</u>	<u>367,854</u>	<u>414,552</u>	<u>303,205</u>
PC components:					
Opening value of backlog projects	—	6,486	115,401	185,202	401,562
New contract value	14,687	161,564	196,312	413,109	93,880
Revenue recognised ⁽¹⁾	(5,637)	(49,827)	(122,669)	(192,213)	(66,546)
Value of subsequent rectifications, modifications or adjustments ⁽²⁾	<u>(2,564)</u>	<u>(2,822)</u>	<u>(3,842)</u>	<u>(4,536)</u>	<u>(6,275)</u>
Ending value of backlog projects ⁽³⁾	<u>6,486</u>	<u>115,401</u>	<u>185,202</u>	<u>401,562</u>	<u>422,621</u>
Total	<u><u>179,531</u></u>	<u><u>321,394</u></u>	<u><u>553,056</u></u>	<u><u>816,114</u></u>	<u><u>725,826</u></u>

Notes:

- Not all of our revenue is recorded in our backlog for a number of reasons, including (i) some contracts entered into between our Group and the customers do not have a specified contract value; and (ii) small-scale ad hoc orders with no master contracts.

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2. The actual revenue of certain contracts may differ from its original contract value because the revenue that we recognise is subject to the actual volume of products ordered by our customers and price adjustment based on prevailing market unit price for each of our products specified in the contracts. This may result in addition or deduction of the original contract value of our projects during the Track Record Period, which was represented as the value of subsequent rectifications, modifications or adjustments.
3. During the Track Record Period and for the three months ended 31 January 2021, we had 62, 51, 30, 23 and 12 on-going contracts for ready-mixed concrete with unspecified contract values and nil, three, one, nil and nil on-going contracts for PC components with unspecified contract values, respectively, and thus they were not accounted for in our backlog calculation.
4. Our backlog may not be indicative of our future operating results. Please refer to the section headed “Risk factors — Our backlog and new contract value may not be indicative of our future results of operation” of this prospectus for details.

For ready-mixed concrete, we had approximately RMB173.0 million, RMB206.0 million, RMB367.9 million, RMB414.6 million and RMB303.2 million in terms of contract value in our backlog as of 31 December 2017, 31 December 2018, 31 December 2019, 31 October 2020 and 31 January 2021, respectively. For PC components, we had approximately RMB6.5 million, RMB115.4 million, RMB185.2 million, RMB401.6 million and RMB422.6 million in terms of contract value in our backlog as of 31 December 2017, 31 December 2018, 31 December 2019, 31 October 2020 and 31 January 2021, respectively.

CUSTOMERS, SALES AND MARKETING

Sales and marketing activities

Our Directors believe that our continuous efforts to maintain high quality products, competitive prices and on-time delivery are the key to building up and maintaining our customer base.

As at the Latest Practicable Date, our sales team consisted of 15 full time staff organised into two sales teams for the business development activities for our ready-mixed concrete and PC component products respectively.

Our sales representatives are responsible for sales administration matters including liaising on production schedule and product delivery with our respective departments, preparation of sales agreements, price setting, handling tendering arrangements, reconciliation of trade receivables with our finance department and provide post-sales services.

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Our Group usually procures new customers through the following methods:

- (1) Customers' direct approach: As the timing of delivery and transportation cost are major factors influencing the purchase decision for our potential customers. Being a major player of concrete products with sound reputation in Fujian Province, our Group is often directly approached by potential customers with projects in neighbouring regions to source ready-mixed concrete and/or PC components.
- (2) Customer site visit: Our sales team visit existing and potential customers from time to time to increase our Group's exposure and explore new business opportunities. Customer site visit is one of our key channels in receiving invitations to tender and obtaining feedback on our Group's products and information on market trends, including changes in customers' demand, specifications and business conditions.
- (3) Participate in tenders: Our sales team monitors and keeps track of new open tender notices in the media such as the government and customer websites, local newspapers and public gazettes for potential projects and we occasionally receive invitations for tender from potential customers as well.

Our design and finance teams will preliminary assess the technical and financial feasibility of tendering projects, and if we decide to tender, we will obtain quotations from our suppliers for budgeting and approval by our various departments, the sales team will then prepare the tender for submission to the potential customer.

During the Track Record Period, approximately 23.3%, 37.0%, 29.5% and 25.1% of our total revenue, respectively, were generated from projects secured through tender process. The following table sets forth the number of bids submitted for tendering, the number of projects secured through tender process and the tender success rate during the Track Record Period:

	Year ended 31 December			Ten months ended 31 October
	2017	2018	2019	2020
Number of tenders submitted	14	13	24	49
Number of projects secured through tender process	5	4	9	20
Tender success rate (%) ⁽¹⁾	36	31	38	41

Note: Tender success rate is calculated as the number of projects secured through tender process during a financial year/period, divided by the number of tenders submitted during that financial year/period.

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- (4) Conferences and meetings: Our management team frequently participates in conference and industry meetings organised by various government organisations and industry committees. Our Group has established connections with potential customers through these events.
- (5) Business referral: Occasionally our Group receives business referrals from existing customers and through social and business network of the management team.

Customers

During the Track Record Period, SOE customers were our principal source of revenue. Our revenue generated from SOE customers amounted to approximately RMB238.9 million, RMB357.4 million, RMB397.3 million and RMB330.9 million representing approximately 59.8%, 69.9%, 67.2% and 54.9% respectively.

The following table sets forth the proportion of our revenue generated from SOEs and non-SOEs during the Track Record Period:

	Year ended 31 December						Ten months ended 31 October			
	2017		2018		2019		2019		2020	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(unaudited)									
Ready-mixed concrete										
SOE	233,268	58.4	314,524	61.5	311,573	52.7	217,548	49.8	272,191	45.2
Non-SOE	160,614	40.2	138,548	27.1	135,259	22.9	102,658	23.5	135,697	22.5
	<u>393,882</u>	<u>98.6</u>	<u>453,072</u>	<u>88.6</u>	<u>446,832</u>	<u>75.6</u>	<u>320,206</u>	<u>73.3</u>	<u>407,888</u>	<u>67.7</u>
PC components										
SOE	5,637	1.4	42,924	8.4	85,686	14.5	68,892	15.8	58,686	9.8
Non-SOE	—	—	15,271	3.0	58,279	9.9	48,007	10.9	135,581	22.5
	<u>5,637</u>	<u>1.4</u>	<u>58,195</u>	<u>11.4</u>	<u>143,965</u>	<u>24.4</u>	<u>116,899</u>	<u>26.7</u>	<u>194,267</u>	<u>32.3</u>
Total	<u>399,519</u>	<u>100.0</u>	<u>511,267</u>	<u>100.0</u>	<u>590,797</u>	<u>100.0</u>	<u>437,105</u>	<u>100.0</u>	<u>602,155</u>	<u>100.0</u>

Our revenue generated from SOE customers increased from approximately RMB238.9 million for the year ended 31 December 2017 to approximately RMB357.4 million for the year ended 31 December 2018. The increase was mainly attributable to the increase in revenue from the supply of ready-mixed concrete and PC components to infrastructure projects, in particular rail transit projects, of approximately RMB34.5 million and RMB39.3 million, respectively.

Our revenue generated from SOE customers increased from approximately RMB357.4 million for the year ended 31 December 2018 to approximately RMB397.3 million for the year ended 31 December 2019. The increase was mainly attributable to the increase in revenue from the supply of PC components to infrastructure projects, in particular rail transit projects and underground utility tunnels projects, of approximately RMB13.1 million.

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Our revenue generated from SOE customers increased from approximately RMB286.4 million for the ten months ended 31 October 2019 to approximately RMB330.9 million for the ten months ended 31 October 2020. The increase was mainly attributable to the increase in revenue from the supply of ready-mixed concrete to commercial and industrial projects in particular the software park and industrial park projects, of approximately RMB78.0 million.

During the Track Record Period, all of our revenue were generated from Fujian Province. Given Fujian Province is our Group's primary market, our production plants are strategically situated in close proximity to our major customers, which are connected to an extensive network of highways, allowing our Group to provide cost-effective and timely delivery to our customers.

As at 31 December 2017, 31 December 2018, 31 December 2019 and 31 October 2020, we had a total of 133, 140, 240 and 208 customers, respectively, out of whom 71, 87, 116 and 119 were recurring customers, representing approximately 53.4%, 62.1%, 48.3% and 57.2%, of our total customers for these respective periods. During the Track Record Period, our revenue generated from the recurring customers were approximately RMB316.7 million, RMB437.3 million, RMB472.5 million and RMB436.0 million, representing approximately 79.2%, 85.5%, 80.0% and 72.4% of our Group's total revenue, respectively.

During the Track Record Period, the total revenue attributable to the five largest customers of our Group amounted to approximately RMB169.7 million, RMB253.1 million, RMB242.3 million and RMB238.0 million, representing approximately 42.5%, 49.5%, 41.0% and 39.5% of our total revenue respectively. The total revenue attributable to the largest customer for the same period amounted to approximately RMB39.3 million, RMB69.5 million, RMB61.3 million and RMB93.1 million, representing approximately 9.8%, 13.6%, 10.4% and 15.5% of our Group's total revenue, respectively.

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The following table sets forth basic information of our five largest customers during the Track Record Period:

For the ten months ended 31 October 2020

Rank	Customer	Principal business activities	Major products sold	Commencement year of business relationship	Credit term	Revenue contributed RMB'000	Approximate % of our total revenue %
1	CSCEC Strait Construction and Development Co., Ltd. (中海海峽建設發展 有限公司) ⁽¹⁾	A SOE principally engaged in construction contracting works for building and municipal public utilities in the PRC	Ready-mixed concrete and PC components	2017	Within 10 to 20 days from the date of issue of the payment certificate by the customer or the invoice date (as the case may be).	93,124	15.5
2	Fujian No.5 Construction Engineering Company (福建省第五建築工程 公司)	A SOE principally engaged in construction engineering contracting works for building and municipal public utilities in the PRC	Ready-mixed concrete	2011	Within 15 days from the date of issue of the payment certificate by the customer	54,714	9.1
3	China Construction Xinhongding Environmental Group Co., Ltd. (中建鑫宏鼎 環境集團有限公司)	A private company principally engaged in construction contracting works for building and municipal public utilities in the PRC	Ready-mixed concrete and PC components	2015	Within 20 days from the date of issue of the payment certificate by the customer	35,581	5.9
4	Xintai Construction Group Co., Ltd. Zhangzhou Branch* (鑫泰建設集團 有限公司漳州分公司)	A private company principally engaged in construction contracting works for building and municipal public utilities in the PRC	PC components	2020	Within 30 days from the date of issue of the payment certificate by the customer	29,560	4.9
5	Xiamen Sizong Construction Co., Ltd. (廈門思總建設 有限公司)	A private company principally engaged in construction engineering contracting works for building and municipal public utilities in the PRC	Ready-mixed concrete and PC components	2009	Within 25 days from the date of issue of the payment certificate by the customer	25,027	4.1
		Five largest customers				238,006	39.5
		All other customers				364,149	60.5
		Total revenue				602,155	100.0

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For the year ended 31 December 2019

Rank	Customer	Principal business activities	Major products sold	Commencement year of business relationship	Credit term	Revenue contributed RMB'000	Approximate % of our total revenue %
1	CSCEC Strait Construction and Development Co., Ltd. (中海海峽建設發展 有限公司) ⁽¹⁾	A SOE principally engaged in construction contracting works for building and municipal public utilities in the PRC	Ready-mixed concrete and PC components	2017	Within 10 to 20 days from the date of issue of the payment certificate by the customer or the invoice date (as the case may be).	61,255	10.4
2	Fujian Sijian Construction Engineering Co., Ltd.* (廈門特房建設工程集團 有限公司)	A SOE principally engaged in construction contracting works for building and municipal public utilities in the PRC	Ready-mixed Concrete and PC components	2010	Within 15 days from the invoice date.	53,083	9.0
3	Customer A	A SOE principally engaged in construction contracting works for municipal public utilities and sale and manufacturing of PC components in the PRC	PC components	2018	Within 30 days from the invoice date.	49,397	8.4
4	China Railway First Group Co., Ltd. (中鐵 一局集團有限公司) ⁽²⁾	A SOE principally engaged in construction contracting works for railway, municipal public utilities and building in the PRC	Ready-mixed concrete and PC components	2011	Within 15 to 30 days from the date of issue of the payment certificate by the customer or the invoice date (as the case may be).	41,507	7.0
5	China Railway 24th Bureau Group Co., Ltd. (中鐵二十四局集團 有限公司) ⁽³⁾	A SOE principally engaged in construction contracting works for railway, municipal public utilities and building in the PRC	Ready-mixed concrete	2008	Within seven to 14 days from the invoice date.	37,039	6.2
		Five largest customers				242,281	41.0
		All other customers				348,516	59.0
		Total revenue				590,797	100.0

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For the year ended 31 December 2018

Rank	Customer	Principal business activities	Major products sold	Commencement year of business relationship	Credit term	Revenue contributed RMB'000	Approximate % of our total revenue %
1.	China Railway 24th Bureau Group Co., Ltd. (中鐵二十四局集團有限公司) ⁽³⁾	A SOE principally engaged in construction contracting works for railway, municipal public utilities and building in the PRC	Ready-mixed concrete	2008	Within seven to 14 days from the invoice date.	69,545	13.6
2.	China Construction Fourth Engineering Division Corp. Ltd. (中國建築第四工程局有限公司) ⁽⁴⁾	A SOE principally engaged in construction contracting works for building and municipal public utilities in the PRC	Ready-mixed concrete and PC components	2013	10 days from the invoice date.	58,181	11.4
3.	CSCEC Strait Construction and Development Co., Ltd. (中建海峽建設發展有限公司)	A SOE principally engaged in construction contracting works for building and municipal public utilities in the PRC	Ready-mixed concrete and PC components	2017	Within 10 to 20 days from the date of issue of the payment certificate by the customer or the invoice date (as the case may be).	55,542	10.9
4.	CCCC Fourth Harbor Engineering Co., Ltd. (中交第四航務工程局有限公司) ⁽⁵⁾	A SOE principally engaged in construction contracting works for municipal public utilities and sale and manufacturing of PC components in the PRC	Ready-mixed concrete	2016	30 days from the invoice date.	39,191	7.6
5.	Xiamen Haitou Engineering Construction Company* (廈門海投工程建設有限公司)	A SOE principally engaged in construction contracting works for building in the PRC	Ready-mixed concrete	2010	20 days from the invoice date.	30,679	6.0
		Five largest customers				253,139	49.5
		All other customers				258,128	50.5
		Total revenue				511,267	100.0

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For the year ended 31 December 2017

Rank	Customer	Principal business activities	Major products sold	Commencement year of business relationship	Credit term	Revenue contributed RMB'000	Approximate % of our total revenue %
1.	China Construction Third Engineering Bureau Group Co., Ltd (中建三局集團有限公司) ⁽⁶⁾	A SOE principally engaged in construction engineering contracting works for municipal public utilities and building in the PRC	Ready-mixed concrete and PC components	2012	Within five to 30 days from the date of issue of the payment certificate or the invoice date (as the case may be).	39,300	9.8
2.	Xiamen Jianan Group Co., Ltd.* (廈門市建安集團有限公司)	A private company principally engaged in construction engineering contracting works for building and municipal public utilities in the PRC	Ready-mixed concrete	2009	Within 15 to 30 days from the date of issue of the payment certificate by the customer or the invoice date (as the case may be).	35,389	8.9
3.	CCCC Fourth Harbor Engineering Co., Ltd. (中交第四航務工程局有限公司) ⁽⁵⁾	A SOE principally engaged in construction contracting works for municipal public utilities and sale and manufacturing of PC components in the PRC	Ready-mixed concrete	2016	30 days from the invoice date.	32,970	8.3
4.	China Railway 24th Bureau Group Co., Ltd. (中鐵二十四局集團有限公司) ⁽⁷⁾	A SOE principally engaged in construction contracting works for railway, municipal public utilities and building in the PRC	Ready-mixed concrete	2008	Within seven to 14 days from the date of the invoice date.	32,815	8.2
5.	China Railway First Group Co., Ltd. (中鐵一局集團有限公司) ⁽⁷⁾	A SOE principally engaged in construction contracting works for railway, municipal public utilities and building in the PRC	Ready-mixed concrete and PC components	2011	Within 15 to 30 days from the date of issue of the payment certificate by the customer or the invoice date (as the case may be).	29,268	7.3
		Five largest customers				169,742	42.5
		All other customers				229,777	57.5
		Total revenue				399,519	100.0

* *For identification purposes only*

Notes:

- Consists of two entities namely, CSCEC Strait Construction and Development Co., Ltd. (中建海峽建設發展有限公司) and its wholly owned subsidiary, both of which are affiliates of CSCEC.
- Consists of three entities namely, China Railway First Group Co., Ltd. (中鐵一局集團有限公司) and its wholly owned subsidiaries, affiliates of China Railway.

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3. Consists of two entities namely, China Railway 24th Bureau Group Co., Ltd. (中鐵二十四局集團有限公司) and its wholly owned subsidiary, both of which are affiliates of CRCC.
4. Consists of two entities namely, China Construction Fourth Engineering Division Corp. Ltd. (中國建築第四工程局有限公司) and its wholly owned subsidiary, affiliates of CSCEC.
5. Consists of two entities namely, CCCC Fourth Harbor Engineering Co., Ltd. (中交第四航務工程局有限公司) and its wholly owned subsidiary, affiliates of CCCC.
6. Consists of three entities namely, China Construction Third Engineering Bureau Group Co., Ltd (中建三局集團有限公司) and two of its wholly owned subsidiaries, affiliates of CSCEC.
7. Consists of two entities namely, China Railway First Group Co., Ltd. (中鐵一局集團有限公司) and its wholly owned subsidiary, affiliates of China Railway.

Our Directors have confirmed that all of the above five largest customers of our Group are Independent Third Parties and none of our Directors or their respective close associates or any Shareholders who, to the best knowledge of our Directors own more than 5% of the issued Shares immediately after completion of the Share Offer and the Capitalisation Issue, has any interests in any of such five largest customers and none of our Group's five largest customers have any past or present relationships (including but not limited to employment, trust, financing, or family relationship) with our Group, our Directors, Shareholders, senior management or their respective associates.

During the Track Record Period, our Group did not experience any major disruption that may materially affect our business due to material delays or defaulting payments by our customers by reason of their financial difficulties.

Discontinued connected transactions

During the Track Record Period, our Group made certain sale of ready-mixed concrete to Xiamen Jichang, which are not expected to continue after Listing. The amounts of sale of ready-mixed concrete made to Xiamen Jichang by our Group during the Track Record Period are summarised as follows:

		<u>Connected transaction historical amounts</u>			
		<u>Year ended 31 December</u>			<u>Ten months ended</u>
		<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>31 October 2020</u>
<u>Ceased connected transaction since</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	
Sale of ready-mixed concrete to Xiamen Jichang	December 2019	<u>42</u>	<u>—</u>	<u>4,803</u>	<u>—</u>

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Xiamen Jichang is a limited liability company established in the PRC which is principally engaged in construction works. It is owned as to 80% and 20% by Mr. Ye Zhixiong and his son, Mr. Ye Xiaojian, respectively. Mr. Ye Zhixiong is the elder brother of Mr. Ye and the uncle of Mr. Ye Dan. Mr. Ye Xiaojian is the nephew of Mr. Ye and the cousin of Mr. Ye Dan, therefore a connected person of our Company.

Our Directors consider that the terms and pricing of our transactions with Xiamen Jichang were fair, reasonable and on normal commercial terms. We have not made any sales to Xiamen Jichang since December 2019. As at the Latest Practicable Date, the relevant trade receivables due from Xiamen Jichang had been settled.

Key terms of master sales contracts entered into with our customers

We generally enter into master sales contracts with our customers on project basis, which our Directors believe is in line with the general market practice of the industry. The master contract sets out the terms and conditions including the specifications of products, the estimated unit price, the expected volume and the delivery and payment methods. The terms of each master contract entered into between our Group and the customers may vary significantly as they depend on various factors such as the duration, nature and complexity of the project, the terms and conditions agreed between our customers and the respective project owner or developer etc.. The duration of the projects generally ranges from one to three years. The following table sets forth the summary of the typical key terms and conditions of the agreement with our customers:

Unit price, volume/quantity and specification of products and services:	The contract specifies the specifications of products (e.g. grading level measurements), services required (e.g. concrete pumping, installation consultation etc.), estimated unit price (the price may include the cost of delivery, concrete pumping service and other surcharge levied on the customer, net of VAT.), expected volume/quantity to be purchased by our customers.
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The value of a contract is the amount that we expect to receive (net of estimated VAT) based on the estimated demand of products as mutually agreed by us and our customers at the time of entering into the contract.

Pricing:	All of our sales are denominated in RMB on fixed price per unit basis, and the total contract value is calculated on the actual quantity of products delivered. However, the actual unit price of ready-mixed concrete will be determined on an order-by-order basis, with reference to the prevailing Guidance Price issued by the local government. For details, please refer to the paragraph headed “Pricing policy” in this section below.
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- Price adjustment:** The unit price can be negotiated for adjustment when certain criteria (such as change in raw material price (such as cement and aggregates), or local government guidance price of raw materials beyond a certain percentage) had been met.
- Mutual agreement with parties is generally required before adjusted unit price becomes effective.
- Delivery terms:** We are generally responsible for the delivery of our products to the construction site through road transportation according to the agreed delivery schedule. The contract stipulates the delivery location and manner of delivery.
- Transfer of liability:** The liability is generally transferred from us to the customer upon acceptance at the designated construction sites. As for tunnel segments, the acceptance procedure will be conducted by our customers at their designated storage sites.
- Quality control:** We are typically required to adhere to the agreed design specifications and relevant national standards in relation to the construction projects we undertaken.
- Payment terms:** We adopt various payment methods in our sales contracts, including, among others: (i) full or partial prepayment; (ii) payment on delivery if the project period is within one month; or (iii) 70%–100% of the progress payment amount (actual sales orders completed) for the previous month shall be settled on a monthly basis, 5%–20% of the total progress payment amount shall be settled upon practical completion of the construction project and the balance of 5%–20% of the total progress payment amount will be retained by our customers as retention money and will be paid to us within six months upon expiration of the defect liability period.
- Defect liability period:** Our Group may be required to provide a defects liability period ranging from 3 to 24 months for the practical completion of the construction project. During the defects liability period, our Group is responsible for remedial works which may arise from the defective works or materials used.

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Defaults/termination: Our customer may be entitled to terminate the contract if there is a breach of contract by us, and we might also pay the customer 0.05% to 20% of the total contract value under the agreement.

Our customers usually settle payments by way of bank transfer and our sales team is responsible for collecting the outstanding payments from our customers. During the Track Record Period, we did not experience any material difficulty in collecting payments which caused a significant adverse impact on our business operation.

Pricing policy

Our pricing policy aims to facilitate a profitable and sustainable growth for our business. Our Group adopts a cost-plus pricing model in preparing our bid or quotation prices. For our ready-mixed concrete, the price will be determined primarily expressed as a certain percentage (typically within 13%) below the Guidance Price as set out in the Xiamen Construction Engineering Information in effect from time to time. As advised by our PRC Legal Advisers, there is no specific mandatory provision stipulating that the price for ready-mixed concrete products should be based on the relevant Guidance Price as set out in the Xiamen Construction Engineering Information published by the management organisation which is responsible for determining and publishing the comprehensive market price of ready-mixed concrete products in Xiamen under applicable PRC laws and regulations. In accordance with the Frost & Sullivan Report, although the Guidance Price is not a mandatory price control measure imposed by the PRC government authorities, professional associates, or the applicable PRC laws and regulations, it is an industry practice that the ready-mixed concrete manufacturers in Xiamen adopt the Guidance Price as a reference point in determining the price of the products. The level of spread from the Guidance Price above is generally determined with reference to various factors such as (i) prevailing market price; (ii) specification and volume of products required; (iii) customer relationship; (iv) complexity of the project; and (v) our Group's production capacity and resources at a relevant time. The unit price of our PC components is determined based on an estimated cost of (i) raw materials; (ii) labour; (iii) production; and (iv) transportation floating by a reasonable margin.

The prices of some raw materials are sensitive to the fluctuations of market prices. As such, some of our contracts contain a price adjustment clause that will trigger price adjustment review after a certain date or in case the market price of raw materials or guidance price of raw materials issued by the local government has experienced a significant fluctuation. We may negotiate with the customers over the increased price of the raw material to determine the adjustment on the unit price, a mutual agreement needs to be reached before a price adjustment will become effective. Whether or to what extent we are able to successfully negotiate the price adjustment to cover our increased cost of raw materials are mainly subject to our negotiations with our customers in each case. Please refer to the section headed "Risk factors — Risks relating to our business and industry — Fluctuation in the prices of our major raw materials may have adverse impact on our financial results".

Credit policy and credit management

In our risk evaluation process, we would consider the reputation of the potential customer and whether the project has obtained the necessary approvals. In determination of our price quotation or bid for a project, we take into account factors including the profile and prestige of the project, the payment schedule, duration of the project and cost and resources required to complete the project. We would also carry out certain procedures which may include conducting background search on the customer and the project through public and industry information available to us and performing site visits to potential customers. Only when we have completed our risk assessment process will our Group submit bids or indicate interest for potential projects and commence drafting of master contracts.

Credit terms given to our customers are generally set out in the relevant contract. The credit period offered to our customers generally within 40 days from the date of issue of the payment certificate by the customer or the invoice date (as the case may be). We closely monitor the payment from our customers pursuant to the terms of each respective project. In order to collect overdue trade receivables and retention receivables, our finance team monitors overdue payments closely and prepares a monthly ageing report showing the customers' overdue amounts. Our sales team will evaluate on a case-by-case basis and carry out appropriate follow-up actions to collect the overdue trade receivable.

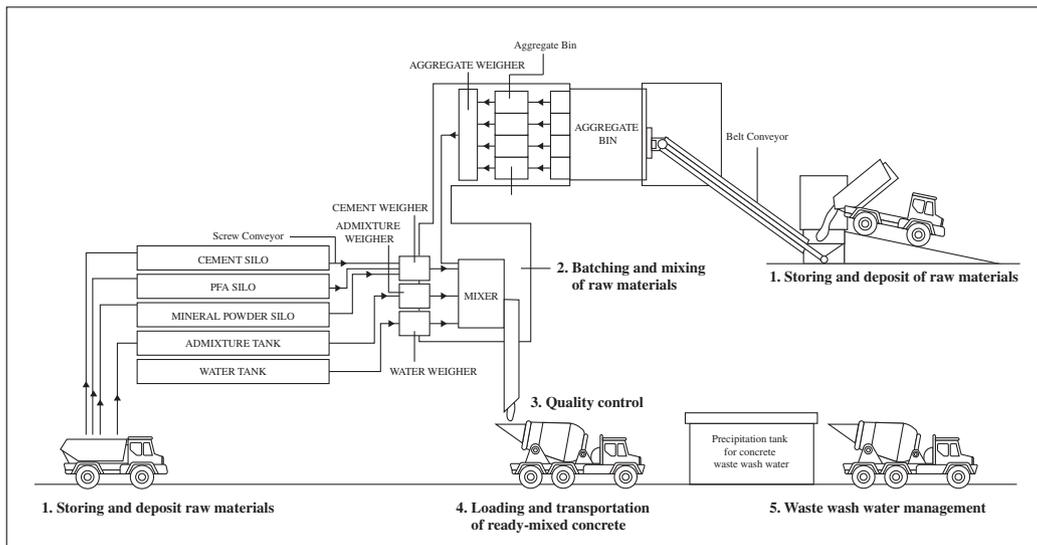
Our trade receivables turnover days is approximately 220.6 days, 196.9 days, 223.3 days and 242.6 days for the three years ended 31 December 2019 and the ten months ended 31 October 2020, respectively. Further details on our trade receivables turnover days are set out in the section headed "Financial information — Discussion on major items of the consolidated statements of financial position — Trade and other receivables" in this prospectus.

Under our credit policy, in case of outstanding trade receivables, we may discontinue to supply the products and take follow-up actions to collect the outstanding trade receivables. If the outstanding trade receivables are not paid after further liaison, on a case-by-case basis, we may take legal actions against our customers to recover the outstanding trade receivables if necessary.

PRODUCTION PROCESS

Ready-mixed concrete

The following diagram illustrates the major steps of the production process of ready-mixed concrete of our Group:



Note: The diagram is illustrative only, which is simplified and not drawn the scale

1. *Storing and deposit of raw materials*

Raw materials of our ready-mixed concrete consist mainly of cement, aggregates, PFA, mineral powder and admixtures. Our raw materials are usually stored in our warehouses when received, aggregates will be transferred and deposited into the aggregate bins of our batching stations as required by the production schedule. Our cement, admixtures, PFA and mineral powder are directly stored in the silos or tanks at our batching stations to protect them against rain, air moisture and wind.

2. *Batching and mixing of raw materials*

Each of our batching stations is deployed with a batching system to assist our plant operatives to monitor our production formulation, raw material, inventory usage and any abnormal conditions. The automated production process is initiated by our plant operatives through our batching system in accordance with our sales orders and batching notices.

Raw materials will be dispensed, weighted and mixed in proportion according to the pre-set formula from the batching system. The mixing process generally takes approximately 30 to 45 seconds.

3. *Quality control*

Samples of the ready-mixed concrete would be taken upon completion of mixing, which are made into test cubes for curing for 28 days. Testing of grade strength is conducted on cured test cubes, where pressure is applied steadily on the test cubes and the maximum load applied to the test cubes before failure occurs are recorded as a mean of quality control. Samples of test cube which had been cured for 56 days would also be sent to an Independent Third Party accredited certification institution for testing to ensure the technical specifications are fulfilled.

4. *Loading and transportation of ready-mixed concrete*

Upon completion of production, ready-mixed concrete will be immediately loaded onto the mixer drum of our mixer trucks for delivery. In general, owing to its curing nature, the length of delivery of ready-mixed concrete of our Group to the designated construction sites are within three hours.

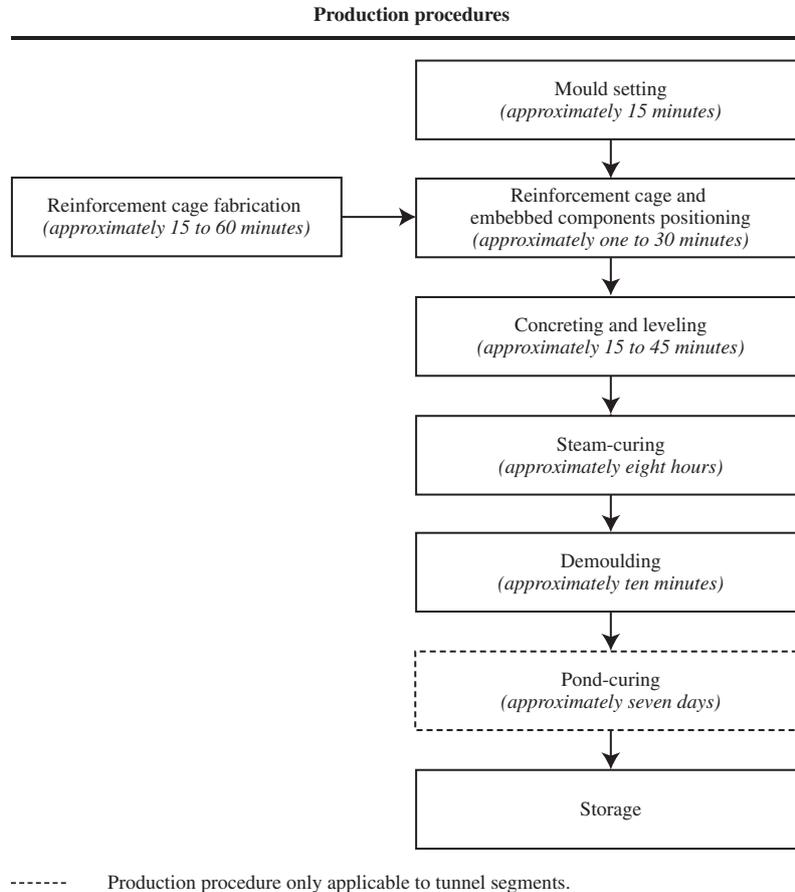
5. *Waste wash water management*

Waste wash water can generally be collected during the recycling of concrete and during cleaning of batching plant and equipment. We mainly acquire our waste wash water from rinsing (i) the tank of our mixer truck after each delivery; (ii) mixing equipment; and (iii) trucks and transporters of raw materials. The collected waste wash water will then be discharged to our precipitation tanks set up in our production facility for sedimentation. The precipitation process of waste wash water will separate the aggregates and PFA from other non-recyclable materials for reuse in our production process.

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PC components

The major steps of the production process of PC components of our Group are outlined below:



Description of each of the key production steps of our PC components is set forth below:

Mould setting

Moulds are inspected, cleaned and fixed before production.

Reinforcement cage fabrication

Reinforcement cages are used to strengthen the structural integrity of our PC components. The fabrication process of reinforcement cage is semi-automated with the assistance of machineries and equipment. The process consists mainly of cutting, bending and welding.

Reinforcement cage and embedded components positioning

The prefabricated reinforcement cage, water and electricity pipes and other auxiliary embedded components are positioned into the mould, which will be inspected by members of our quality control team prior to concreting.

Concreting and leveling

Our production team will instruct the operative at our dedicated batching station to commence concrete mixing. The ready-mixed concrete will be poured into the mould and vibration equipment will be used on the fresh concrete for compaction, spreading and leveling. The surface of the concrete will then be chiseled and polished to eliminate any rough formations.

Steam-curing

Curing plays an important role on strength development and durability of concrete. Curing involves maintenance of desired moisture and temperature conditions, both at depth and near the surface, for extended periods of time. Properly cured concrete has an adequate amount of moisture for continued hydration and development of strength, volume stability, resistance to freezing and thawing, and abrasion and scaling resistance.

Moulds are then transferred to a closed-end steam curing chamber in a streamlined manner for steam-curing. The process usually takes approximately eight hours to enable the concrete to achieve the desirable strength level.

Demoulding

The PC components will be taken out of the steam curing chambers for demoulding once the steam-curing process is complete. Members of our quality control team will then carry out tests and inspection on the PC components and QR codes will be generated and attached on each of the PC components upon achieving satisfactory test results.

The QR code contains a web address, which opens up a detailed production record of the PC component when scanned.

Pond-curing — applicable to tunnel segments only

Tunnel segments will undergo the pond-curing process to further strengthen its load resistance. The process require the finished PC components to be immersed in our curing tanks for approximately seven days.

Storage

The finished products are transferred to our storage sites for storage. Spray-curing, a process of sprinkling of water on the finished PC components at set intervals, will continue for up to approximately 28 days to prevent drying and surface cracking.

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PRODUCTION FACILITIES, CAPACITY AND UTILISATION

Wholly-owned production facilities

As at the Latest Practicable Date, our Group owns and operates two production plants, namely the RMC Plant and the PC Plant, both of which are strategically located in Xiamen, Fujian Province of the PRC. With the accessibility to well-developed highway transportation networks within Xiamen, it enables our Group to deliver products to our customers efficiently and facilitate the opportunity to development new customers in other major cities in Fujian Province.

The table below sets forth details of our RMC Plant:

Site area (sq.m.)	Commencement of operations	Production and ancillary facilities detail	Production capacity (in '000 m ³) ⁽¹⁾				Capacity utilisation rate (%) ⁽²⁾			
			Ten months ended 31 December		October		Ten months ended 31 December		October	
			2017	2018	2019	2020	2017	2018	2019	2020
36,411.7	2007	<ul style="list-style-type: none"> • one batching station with: <ul style="list-style-type: none"> — three 3.0 m³ ready-mixed production lines — one 4.5 m³ ready-mixed production line • one batching station with: <ul style="list-style-type: none"> — one 2.0 m³ ready-mixed production line • one testing laboratory • one concrete recycling centre • one waste water treatment system • one power generator • one storage warehouse • storage yards • one office building 	1,439.0	1,439.0	1,439.0	1,200.0	76.0	75.8	71.9	78.5

Notes:

1. The production capacity refers to the aggregate estimated production capacity of our ready-mixed concrete production lines for the year/period, and is determined on the following assumptions:
 - (i) 8 operating hours per shift, 2 shifts per day and 300 days per year basis after taking into account of routine inspections and maintenance;
 - (ii) the production lines work under optimal conditions of the production facilities without any unexpected breakdown or interruptions;
 - (iii) the average mixer truck preparation time (which includes the time for a mixer truck to get into position for loading, communicate with operator to confirm the order for loading and leaving the loading dock) is approximately 180 seconds on the basis of actual production experience;

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- (iv) each batch of ready-mixed concrete produced will fully utilise the maximum designed production volume of each of the mixers under each production line (i.e. a production line with a 3.0 m³ mixer will produce 3.0 m³ of ready-mixed concrete per batch), provided it will not overflow the mixer truck;
 - (v) the average loading time (which includes the input of raw materials, batching, weighting and mixing) for each batch of ready-mixed concrete is approximately 100 seconds on the basis of actual production experience;
 - (vi) mixer trucks will be fully loaded at their maximum drum capacity;
 - (vii) to fully load a mixer truck with drum capacity of 8 m³, 12 m³ and 8 m³, 3, 3 and 4 batches of ready-mixed concrete is needed from our 3.0 m³, 4.5 m³, and 2.0 m³ product lines, respectively;
 - (viii) the average production time per batch (includes mixer truck preparation time and loading time) of our 3.0 m³, 4.5 m³, and 2.0 m³ product lines, is approximately 160 seconds, 160 seconds and 145 seconds, respectively (i.e. on average 157 seconds) on the basis of actual experience;
 - (ix) 7 mixer trucks with drum capacity of 8 m³, 7 mixer trucks with drum capacity of 12 m³ and 6 mixer trucks with drum capacity of 8 m³, could be dispatched from our 3.0 m³, 4.5 m³ and 2.0 m³ ready-mixed concrete production lines per hour, respectively; and
 - (x) the hourly output of ready-mixed concrete of approximately 56 m³, 84 m³ and 48 m³, for each of our 3.0 m³, 4.5 m³ and 2.0 m³ ready-mixed concrete production line, respectively.
2. The capacity utilisation rate is derived from dividing the actual production volume by the production capacity for the year/period.
3. During the Track Record Period, the ready-mixed concrete produced by our RMC Plant were mainly sold to our customers.

During the Track Record Period, the utilisation rate of our RMC Plant was approximately 76.0%, 75.8%, 71.9% and 78.5%, respectively. The utilisation rate remained stable at approximately 76.0% and 75.8% for two years ended 31 December 2018, respectively, but decreased to approximately 71.9% for the year ended 31 December 2019. The decrease of utilisation rate for the year ended 31 December 2019 was in line with the decrease in sales volume of our ready-mixed concrete, which is mainly driven by the decrease in demand for our ready-mixed concrete, primarily attributable to (i) the significant increase in average monthly rainfall in Xiamen from approximately 49.3 millimetres for the year ended 31 December 2018 to approximately 147.7 millimetres for the year ended 31 December 2019, which reduced the level of construction activities due to prolonged adverse weather condition; and (ii) our on-going projects were at different construction stages which affected the grade strength (in particular standard and high grade) of ready-mixed concrete required by our customers and the overall demand of our ready-mixed concrete. The utilisation rate for the ten months ended 31 October 2020 slightly increased as compared to the year ended 31 December 2019 of approximately 71.9% to approximately 78.5% was mainly resulted from increase in the demand of our products, in particular CTB due to the increase in demand from projects performing road works and standard grade ready-mixed concrete due to different stage of our on-going projects.

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The table below sets forth details of our PC Plant:

Site area (sq.m.)	Commencement of operations	Production and ancillary facilities detail	Production capacity (in '000 m ³) ⁽¹⁾				Capacity utilisation rate (%) ⁽³⁾			
			Ten months ended 31 December		October	Ten months ended 31 December		October		
			2017	2018	2019	2020	2017	2018	2019	2020
52,221.8	2017	<ul style="list-style-type: none"> • three PC component carousel production lines • one stationary PC component production line • two semi-automated rebar processing lines • one batching station with two 4.0 m³ ready-mixed concrete production lines⁽⁴⁾ • one mould production workshop • three steam-curing chambers • one steam-curing unit • one curing tank • storage yards • one office building 	36.7	105.9	111.1	71.2	12.6	42.9	70.1	84.7

Notes:

1. The production capacity refers to the aggregate estimated production capacity of our PC component production lines for the year/period, and is determined on the following assumptions:
 - (i) 8 operating hours per shift, 1 shift per day for our carousel production lines and 300 days per year basis after taking into account of routine inspections and maintenance;
 - (ii) our steam-curing chambers of our carousel production lines takes 8 hours to cure a batch of PC components;
 - (iii) 8 operating hours per shift and 2 shifts per day for our and stationary production line and 300 days per year basis after taking into account of routine inspections and maintenance;
 - (iv) stationary production line requires 8 hours of manual steam-curing per batch;
 - (v) the production lines work under optimal conditions of the production facilities without any unexpected breakdown or interruptions;
 - (vi) the two 4.0 m³ ready-mixed concrete production lines will be sufficient and will not create a bottleneck for our PC component production;
 - (vii) for the three years ended 31 December 2019, a carousel production line is dedicated to produce tunnel segments and two carousel production lines are dedicated to produce floor slabs and utility tunnel segments, while stationary production line is dedicated to produce as square piles, beams and stairs on the basis of historical production mix of major products. Since January 2020, our tunnel segments carousel production line was modified to produce other construction components as the production for our rail transit projects on hand had been completed;

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- (viii) for the three years ended 31 December 2019, our carousel production lines on average can produce approximately 37.4 m³ of PC components per hour on the basis of actual production experience that, we are able to process 16.6 pallets with 2.5 unit per pallet and 0.9 m³ per unit of PC components per hour. For the ten months ended 31 October 2020, subsequent to the modifications made to our tunnel segments carousel production line, our carousel production lines on average can produce approximately 26.8 m³ of PC components per hour on the basis of actual production experience that, we are able to process 11.4 pallets with 4.7 units per pallet and 0.5 m³ per unit of PC components per hour; and
- (ix) our stationary production line on average can produce approximately 4.5 m³ of PC components per hour on the basis of actual production experience that, we are able to process 3 pallets with 3 units per pallet and 0.5 m³ per unit of PC components per hour during the Track Record Period.
2. Considering that the production lines at our PC Plant commenced operation at different times during the two years ended 31 December 2017 and 2018, their respective production capacity was calculated on a pro-rata basis in their respective year of commencement of operation.
 3. The capacity utilisation rate is derived from dividing the actual production volume by the production capacity for the year/period.
 4. During the Track Record Period, the batching station at our PC Plant was dedicated to supply ready-mixed concrete for our PC component production.

During the Track Record Period, the utilisation rate of our PC Plant was approximately 12.6%, 42.9%, 70.1% and 84.7%, respectively. As our PC Plant was put into commercial operation gradually since the second half of 2017, the production scale was comparatively lower than the estimated production capacity and resulted in low utilisation rate. The utilisation rate of our PC Plant gradually increased from approximately 12.6% for the year ended 31 December 2017 to approximately 42.9% for the year ended 31 December 2018, and further increased to approximately 70.1% for the year ended 31 December 2019, primarily reflected the increase in our actual production volume as a result of the increase in demand for our PC components. The utilisation rate for the ten months ended 31 October 2020 increased from approximately 70.1% for the year ended 31 December 2019 to approximately 84.7% was mainly due to the (i) increased in number of on-going PC component projects; and (ii) change in product mix as more utility tunnel segments, which generally have a relatively large volume per unit, were produced during the period.

To continue support our growth, we plan to expand our production capacity for our PC components through greater production automation. For details, please refer to the section headed “Future plans and use of proceeds” in this prospectus.

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Leased production facilities

During the Track Record Period, our Group leased various locations in close proximity to our PC Plant from Independent Third Parties, for production and storage purposes to keep up with the increasing production demand of our PC component projects. As at the Latest Practicable Date, we leased a property with total gross floor area of approximately 12,360.4 sq.m. of production facility and a parcel of land, located on the east of the production facility, with site area of approximately 13,250 sq.m. for the production and storage of our PC components. For details, please refer to subsection headed “Properties — Leased properties” in this section.

The table below sets forth details of our leased production workshops:

Production workshop	Approximate gross floor area (sq.m.)	Duration of the lease	Production and ancillary facilities detail	Production capacity (in '000 m ³) ⁽¹⁾				Capacity utilisation rate (%) ⁽³⁾			
				Year ended 31 December		Ten months ended 31 October		Year ended 31 December		Ten months ended 31 October	
				2017	2018	2019	2020	2017	2018	2019	2020
Jimei Workshop	12,360.4 ⁽⁴⁾	1 June 2019 – 31 May 2024	<ul style="list-style-type: none"> • one stationary PC component production line • one semi-automated rebar processing line • one steam-curing unit 	—	—	17.2	28.7	—	—	28.6	61.2
Haicang Workshop	3,120.0	22 March 2019 – 15 July 2019 ⁽⁵⁾	<ul style="list-style-type: none"> • one stationary PC component production line • one semi-automated rebar processing line • one steam-curing unit 	—	—	2.7	—	—	—	58.8	—

Notes:

1. The production capacity refers to the aggregate estimated production capacity of each stationary PC component production line for the period and is determined on the following assumptions:
 - (i) 8 operating hours per shift, 1 shift per day and 300 days per year basis for our Haicang Workshop;
 - (ii) 8 operating hours per shift, 1 shift per day and 300 days per year basis for our Jimei Workshop;
 - (iii) stationary production lines require 8 hours of manual steam-curing per batch;
 - (iv) the production lines work under optimal conditions of the production facilities without any unexpected breakdown or interruptions;
 - (v) the ready-mixed concrete will be supplied by the two 4.0 m³ ready-mixed concrete production lines at our PC Plant and its capacity will be sufficient and timing of deliveries will not create a bottleneck for our PC component production;
 - (vi) stationary production lines at Haicang Workshop and Jimei Workshop are dedicated to produce square piles, beams and stairs on the basis of historical production mix of major products;

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- (vii) our stationary production lines at Haichang Workshop on average can produce approximately 4.5 m³ of PC components per hour on the basis of actual production experience that, we are able to process 3 pallets with 3 units per pallet and 0.5 m³ per unit of PC components per hour; and
 - (viii) our stationary production lines at Jimei Workshop on average can produce approximately 14.4 m³ of PC components per hour on the basis of actual production experience that, we are able to process 9.6 pallets with 3 units per pallet and 0.5 m³ per unit of PC components per hour.
2. Considering that the production lines of Haichang Workshop and Jimei Workshop commenced operation at different times during the year ended 31 December 2019, their respective production capacity was calculated on a pro-rata basis in their respective year of commencement of operation.
 3. The capacity utilisation rate is derived from dividing the actual production volume by the production capacity for the period.
 4. In addition to the gross floor area of approximately 12,360.4 sq.m. of our production facility, our Jimei Workshop contains a parcel of land, located on the east of the production facility, with site area of approximately 13,250.0 sq.m. leased by our Group. For details, please refer to subsection headed “Properties — Leased properties” in this section.
 5. The original lease term of Haichang Workshop was from 22 March 2019 to 21 March 2020. As our Group requires a larger workshop to meet our production needs, we rented Jimei Workshop which has a larger site area, the lease agreement of Haichang Workshop was early terminated by our Group and the lease was ended on 15 July 2019.

The utilisation rate of our Jimei Workshop was approximately 28.6% and 61.2% for the period ended 31 December 2019 and the ten months ended 31 October 2020, respectively. The low utilisation rate for the period ended 31 December 2019 was mainly due to the production of our Jimei Workshop was newly commenced in October 2019, which involved trial production period in the beginning of operation, and therefore the production volume was comparatively low and yet to achieve the production scale. Given the utilisation rate of our PC Plant reached approximately 70.0% for the year ended 31 December 2019, Jimei Workshop provides additional production capacity to support the demand and potential growth of our PC components business, especially during the peak season.

Major machinery and equipment

Ready-mixed concrete

Our ready-mixed concrete production lines are fully automated and consist of five main systems: material storage system, material conveying system, material weighing system, batching and mixing system and control system.

PC components

We produce PC components under the following production systems:

(a) *Stationary production system*

Under the stationary production system, production pallets are mounted onto the floor and workers need to carry equipment and machineries from one pallet to another in order to carry out each of the production processes. Stationary production lines provide greater flexibility with our PC component products in terms of size and shape, require relatively less time and capital to establish and ideal for small batch production. However, the production process is relatively less efficient and labour-intensive with slower product availability.



Our PC component stationary production line

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(b) *Carousel production system*

Under carousel production system, production pallets are placed on a circulatory system, where pallets rotate to workstations automatically and workers remain at their workstations to complete the required production process(es). Our carousel production lines are computer controlled and production processes are semi-automated, which means less manual labour involvement, higher efficiency, quality, consistent products and ideal for large batch production. However, carousel production lines are more machinery and equipment reliant and takes longer to establish.



Our PC component carousel production line (tunnel segments)^(Note)



Our PC component carousel production line (other construction components)

Note: Our tunnel segments carousel production line had been modified to produce other construction components since January 2020.

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We possess our own machinery and equipment to manufacture of our products. The following table sets forth information of the major machinery and equipment our Group owned and used in the course of our operation as at 31 October 2020:

<u>Type</u>	<u>Core components</u>	<u>Functions</u>	<u>Quantity</u> (unit)
Batching and mixing system	<ul style="list-style-type: none"> ● Mixer 	For batching and mixing of raw materials to produce concrete	7
Rebar processing system	<ul style="list-style-type: none"> ● Digital rebar straightening and cutting machine 	For straightening and cutting of rebar materials to produce reinforcement cages	3
	<ul style="list-style-type: none"> ● Digital rebar bending machine 	For bending of rebar materials to produce reinforcement cages	3
	<ul style="list-style-type: none"> ● Digital mesh welding machine 	For welding mesh to produce reinforcement cages	1
Concrete spreader system	<ul style="list-style-type: none"> ● Concrete spreader 	For pouring fresh concrete into the mould	3
	<ul style="list-style-type: none"> ● Vibration table 	For compaction, spreading and leveling of wet concrete	3
Curing system	<ul style="list-style-type: none"> ● Closed-end steam curing chamber 	For steam-curing of PC components	3
Demoulding system	<ul style="list-style-type: none"> ● Hydraulic panel turnover machine 	For demoulding PC components automatically using hydraulic power	3
Circulatory system	<ul style="list-style-type: none"> ● Side-shifter 	For transversal transport of PC components within the production line	7
	<ul style="list-style-type: none"> ● Electric crane 	For transport of PC components	28

As at 31 December 2017, 31 December 2018, 31 December 2019 and 31 October 2020, the aggregate net carrying value of our machineries amounted to approximately RMB33.9 million, RMB79.1 million, RMB76.4 million and RMB81.1 million, respectively. The expected useful life of our machinery and equipment is ranged from 3 to 15 years. For details of the depreciation method of major machinery and equipment, please refer to Notes 28 and 14 to the Accountant's Report as set out in Appendix I to this prospectus.

Repair and maintenance

We conduct checks and carry out repair and maintenance works on our machineries and equipment on a regular basis to maximise production efficiency and avoid unexpected interruption of our operations. Our technical department generally carry out scheduled maintenance inspections on fixed intervals, the interval and duration of maintenance depends on the nature and category of the machineries to be serviced. We normally carry out scheduled maintenance works without interruption to our production.

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During the Track Record Period, the costs of repair and maintenance amounted to approximately RMB2.7 million, RMB1.2 million, RMB1.9 million and RMB2.4 million, respectively. During the Track Record Period and up to the Latest Practicable Date, we did not experience any significant or prolonged interruptions of our manufacturing operations arising from breakdowns or failure of machineries or equipment which materially or adversely affect our operations or financial position.

PROCUREMENT

Raw material purchase

Raw material cost is the largest component in our Group's production cost structure and accounted for approximately 80.9%, 80.7%, 79.3% and 74.8% respectively of our total production cost for the Track Record Period. Raw materials for our Group's production include cement, aggregates, admixtures, PFA, mineral powder and rebars. During the Track Record Period, save for the rebars used to manufacture tunnel segments and some utility tunnel segments which were provided by our customers, all of our raw materials were sourced from suppliers in Fujian Province which enables us to shorten our lead time and reduce transportation costs.

Our procurement team is responsible for formulating our procurement plan and budget in accordance to our production plan on monthly basis. Our Group carries out procurement process according to the procurement plan. Quotations from various suppliers from our suppliers list will be obtained to compare the prices and quality prior to order placements. To ensure the quality of our concrete products, we have stringent quality control procedures for incoming raw materials. For details, please refer to the sub-section headed "Quality control — Incoming quality assurance" in this section.

The following table sets forth the breakdown of our Group's purchases by type of raw materials during the Track Record Period:

	Year ended 31 December									Ten months ended 31 October					
	2017			2018			2019			2019			2020		
	Purchase volume	Purchase amount	% of total purchases	Purchase volume	Purchase amount	% of total purchases	Purchase volume	Purchase amount	% of total purchases	Purchase volume	Purchase amount	% of total purchases	Purchase volume	Purchase amount	% of total purchases
(tonne)	RMB'000	%	(tonne)	RMB'000	%	(tonne)	RMB'000	%	(tonne)	RMB'000	%	(tonne)	RMB'000	%	
	(unaudited)														
Aggregates	1,896,548	132,774	45.1	2,061,470	140,617	38.6	2,087,230	173,190	44.3	1,604,515	126,999	44.4	1,871,952	171,275	44.2
Cement	270,320	97,648	33.2	330,176	137,752	37.8	289,710	120,773	30.9	218,540	86,718	30.3	267,442	107,901	27.8
Rebars	1,421	6,198	2.1	2,789	10,524	2.9	8,922	33,010	8.4	6,592	24,239	8.5	12,885	44,486	11.5
Admixtures	9,047	16,913	5.7	9,355	19,833	5.4	6,566	13,366	3.4	4,864	10,658	3.7	8,060	12,573	3.2
PFA	72,027	15,373	5.2	70,200	16,738	4.6	47,678	11,637	3.0	34,338	8,240	2.9	56,063	13,777	3.6
Mineral powder	49,006	12,583	4.3	43,881	15,625	4.3	38,837	13,861	3.5	28,590	9,498	3.3	35,697	12,962	3.3
Others ^(Note)	N/A	12,690	4.4	N/A	23,015	6.4	N/A	24,993	6.5	N/A	19,383	6.9	N/A	24,785	6.4
Total purchases		<u>294,179</u>	<u>100.0</u>		<u>364,104</u>	<u>100.0</u>		<u>390,830</u>	<u>100.0</u>		<u>285,735</u>	<u>100.0</u>		<u>387,759</u>	<u>100.0</u>

Note: Other purchases primarily consisted of fuel oil, embedded components and stone powder. Since some of the embedded components are in unit of pieces, the purchases volume in tonne is not applicable.

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During the Track Record Period, our total purchases amounted to approximately RMB294.2 million, RMB364.1 million, RMB390.8 million and RMB387.8 million, respectively. Our total purchases increased by approximately RMB69.9 million or 23.8% for the year ended 31 December 2018 as compared to the year ended 31 December 2017, which was mainly attributable to the increase in purchases of cement by approximately RMB40.1 million. Such increase was primarily due to the (i) increase in demand for high grade ready-mixed concrete, which generally requires higher cement ratio in its mixture; (ii) increase in average purchases cost of cement from approximately RMB361.2 per tonne for the year ended 31 December 2017 to approximately RMB417.2 per tonne for the year ended 31 December 2018; and (iii) overall increase in purchases volume of cement to cope with our increase in PC component production.

Our total purchases increased by approximately RMB26.7 million or 7.3% for the year ended 31 December 2019 as compared to the year ended 31 December 2018, which was mainly attributable to (i) increase in purchases of aggregates by approximately RMB32.6 million primarily due to the increase in average purchases cost of aggregates from approximately RMB68.2 per tonne for the year ended 31 December 2018 to approximately RMB83.0 per tonne for the year ended 31 December 2019; and (ii) increase in purchases of rebars by approximately RMB22.5 million to cope with our production of other construction components. Such increase was partially offset by the decrease in purchases of cement by approximately RMB17.0 million for the year ended 31 December 2019 primarily due to the decrease in demand for high grade ready-mixed concrete.

Our total purchases increased by approximately RMB102.0 million or 35.7% for the ten months ended 31 October 2020 as compared to the ten months ended 31 October 2019, which was mainly attributable to (i) increase in purchases of rebars by approximately RMB20.2 million due to the increase in demand for our other construction components; and (ii) increase in purchases of aggregates and cement by approximately RMB44.3 million and RMB21.2 million respectively, primarily due to the (i) overall increase in production volume of ready-mixed concrete and PC components; and (ii) increase in average purchases cost of aggregates and cement from approximately RMB79.2 per tonne and RMB396.8 per tonne for the ten months ended 31 October 2019 to approximately RMB91.5 per tonne and RMB403.5 per tonne for the ten months ended 31 October 2020, respectively.

For the sensitivity analysis of the impact of hypothetical changes in the raw material cost on our Group's net profit during the Track Record Period, please refer to the section headed "Financial information — Discussion on major items of the consolidated statements of comprehensive income — Sensitivity analysis — Cost of raw materials" in this prospectus.

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Suppliers

Our Group's procurement team sources new suppliers through (i) direct approach from potential suppliers; (ii) referrals; and (iii) online search. When selecting a supplier, our Group considers several factors, including the quality of raw materials, price, reputation, supply and delivery capability, scale of supply and geographic location. Our procurement team will also conduct site visits to potential suppliers and obtain samples of raw material from them. Following our management review of the assessment with satisfactory result, our Group will include the new supplier in our supplier list.

As at 31 December 2017, 31 December 2018, 31 December 2019 and 31 October 2020, we had a total of 297, 362, 284 and 188 raw material suppliers, respectively, out of whom 63, 99, 114 and 115 were recurring suppliers, representing approximately 21.2%, 27.3%, 40.1% and 61.2% of our total suppliers for these respective periods.

For the Track Record Period, the total purchase from our Group's five largest suppliers amounted to approximately RMB89.2 million, RMB152.5 million, RMB187.5 million and RMB216.7 million, representing approximately 30.3%, 41.9%, 48.0% and 55.9% of our Group's total purchase, respectively. The total purchase from our Group's largest supplier for the same period amounted to approximately RMB32.6 million, RMB91.3 million, RMB71.2 million and RMB71.6 million, representing approximately 11.1%, 25.1%, 18.2% and 18.5% of our Group's total purchase, respectively. We have established close business relationships with our five largest suppliers, ranging from one year to 12 years, all of whom are domestic suppliers in the PRC.

The following table sets forth the breakdown of our purchase from our five largest suppliers during the Track Record Period:

For the ten months ended 31 October 2020

Rank	Supplier	Principal business activities	Major products supplied	Commencement year of business relationship	Credit term	Purchase amount RMB'000	Approximate % of our total purchase amount %
1	Fujian Yongding Minfu Construction Materials Co., Ltd. (福建省永定閩福建材有限公司) ⁽¹⁾	A private company principally engaged in manufacturing and sale of cement	Cement and mineral powder	2008	Within 30 days from the invoice date	71,615	18.5
2	Longyan City Yongding District Longxia Building Materials Business Department* (龍岩市永定區龍夏建材經營部) ⁽²⁾	A sole proprietorship enterprise principally engaged in the trading of construction materials	Aggregates and stone powder	2019	Within 60 days from the invoice date	61,705	15.9
3	Longyan City Yongding District Fengfa Building Materials Business Department* (龍岩市永定區楓發建材經營部) ⁽³⁾	A sole proprietorship enterprise principally engaged in the trading of cement and other construction materials	Aggregates and stone powder	2019	Within 60 days from the invoice date	43,980	11.3

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Rank	Supplier	Principal business activities	Major products supplied	Commencement year of business relationship	Credit term	Purchase amount RMB'000	Approximate % of our total purchase amount %
4	Putian Shunlei Building Materials Co., Ltd.* (莆田順磊建材有限公司) ⁽⁴⁾	A private company principally engaged in the trading of construction materials	Stones and stone powder	2018	Within 30 days from the invoice date	24,302	6.3
5	Zhangzhou Road & Bridge Materials Development Co., Ltd.* (漳州路橋物資發展有限公司) ⁽⁵⁾	A SOE principally engaged in the trading of construction materials	Rebars	2018	Within 15 days from the invoice date	15,085	3.9
		Five largest suppliers				216,687	55.9
		All other suppliers				171,073	44.1
		Total purchases				387,760	100.0

For the year ended 31 December 2019

Rank	Supplier	Principal business activities	Major products supplied	Commencement year of business relationship	Credit term	Purchase amount RMB'000	Approximate % of our total purchase amount %
1.	Fujian Yongding Minfu Construction Materials Co., Ltd. (福建省永定閩福建材有限公司) ⁽¹⁾	A private company principally engaged in manufacturing and sale of cement	Cement and mineral powder	2008	Within 30 days from the invoice date	71,224	18.2
2.	Longyan City Yongding District Fengfa Building Materials Business Department* (龍岩市永定區楓發建材經營部) ⁽³⁾	A sole proprietorship enterprise principally engaged in the trading of cement and other construction materials	Aggregates and stone powder	2019	Within 60 days from the invoice date	42,713	11.0
3	Longyan City Yongding District Longxia Building Materials Business Department* (龍岩市永定區龍夏建材經營部) ⁽²⁾	A sole proprietorship enterprise principally engaged in the trading of construction materials	Aggregates and stone powder	2019	Within 60 days from the invoice date	32,147	8.2
4.	Putian Shunlei Building Materials Co., Ltd.* (莆田順磊建材有限公司) ⁽⁴⁾	A private company principally engaged in the trading of construction materials	Stones and stone powder	2018	Within 30 days from the invoice date	23,106	5.9
5.	Xiamen Chuanpei Industrial Co., Ltd.* (廈門川佩實業有限公司) ⁽⁶⁾	A private company principally engaged in the trading of construction materials	Cement and mineral powder	2019	Within 60 days from the invoice date	18,321	4.7
		Five largest suppliers				187,511	48.0
		All other suppliers				203,319	52.0
		Total purchases				390,830	100.0

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For the year ended 31 December 2018

Rank	Supplier	Principal business activities	Major products supplied	Commencement year of business relationship	Credit term	Purchase amount RMB'000	Approximate % of our total purchase amount %
1.	Fujian Yongding Minfu Construction Materials Co., Ltd. (福建省永定閩福建材有限公司) ⁽¹⁾	A private company principally engaged in manufacturing and sale of cement	Cement and mineral powder	2008	Within 30 days from the invoice date	91,264	25.1
2.	Yaohe Trading ⁽⁷⁾	A private company principally engaged in the trading of construction materials	Cement and mineral powder	2009	Within 60 days from the invoice date	23,647	6.5
3.	Changtai County Banling Building Material Processing Factory* (長泰縣半嶺建材加工廠) ⁽⁸⁾	An individual industrial and commercial household principally engaged in the selling of aggregates, PFA and other construction materials	Stones	2016	Within 60 days from the invoice date	14,094	3.9
4.	Fujian Bajun Building Material Co., Ltd.* (福建八駿建材有限公司) ⁽⁹⁾	A private company principally engaged in the trading of construction materials	Cement	2013	Within 60 days from the invoice date	13,241	3.6
5.	Shishi Mingjian Building Materials Trading Co., Ltd.* (石獅市明建建材貿易有限公司) ⁽¹⁰⁾	A private company principally engaged in processing and sales of PFA, aggregates and other construction materials	PFA	2016	Within 50 days from the invoice date	10,219	2.8
		Five largest suppliers				152,465	41.9
		All other suppliers				211,639	58.1
		Total purchases				<u>364,104</u>	<u>100.0</u>

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For the year ended 31 December 2017

Rank	Supplier	Principal business activities	Major products supplied	Commencement year of business relationship	Credit term	Purchase amount RMB'000	Approximate % of our total purchase amount %
1.	Fujian Yongding Minfu Construction Materials Co., Ltd. (福建省永定閩福建材有限公司) ^(Note 1)	A private company principally engaged in manufacturing and sale of cement	Cement and mineral powder	2008	Within 30 days from the invoice date	32,623	11.1
2.	Yaohe Trading ^(Note 7)	A private company principally engaged in the trading of construction materials	Cement and mineral powder	2009	Within 60 days from the invoice date	17,474	5.9
3.	Changtai County Banling Building Material Processing Factory* (長泰縣半嶺建材加工廠) ^(Note 8)	A private company principally engaged in the selling of aggregates, PFA and other construction materials	Stones	2016	Within 60 days from the invoice date	14,589	5.0
4.	Xiamen Ayihong Trading Co., Ltd.* (廈門啊一紅貿易有限公司) ^(Note 11)	A private company principally engaged in the trading of construction materials	Cement	2016	Within 30 days from the invoice date	13,404	4.5
5.	Supplier A ^(Note 12)	A private company principally engaged in the trading of construction materials	Cement	2013	Within 40 days from the invoice date	11,121	3.8
		Five largest suppliers				89,211	30.3
		All other suppliers				204,968	69.7
		Total purchases				294,179	100.0

* *For identification purposes only*

Notes:

1. Fujian Yongding Minfu Construction Materials Co., Ltd. (“**Minfu Construction Materials**”) is a limited liability company established in the PRC in 2005 with registered and paid-up capital of RMB28.0 million, it became acquainted with our Group through direct approach by the supplier.
2. Longyan City Yongding District Longxia Building Materials Business Department (“**Longxia Building Materials**”) is a sole proprietorship enterprise established in the PRC in 2018 with capital contribution of RMB2.0 million, it became acquainted with our Group by referral from the local people’s government of Longyan City.
3. Longyan City Yongding District Fengfa Building Materials Business Department (“**Fengfa Building Materials**”) is a sole proprietorship enterprise established in the PRC in 2018 with capital contribution of RMB20.0 million, it became acquainted with our Group by referral from the local people’s government of Longyan City.
4. Putian Shunlei Building Materials Co., Ltd (“**Shunlei Building Materials**”) is a limited liability company established in the PRC in 2016 with registered and paid-up capital of RMB20.0 million, it became acquainted with our Group through direct approach from the supplier.

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5. Zhangzhou Road & Bridge Materials Development Co. Ltd. (“**Zhangzhou Road & Bridge**”) is a SOE established in PRC in 2012 with registered and paid-up capital of RMB200.0 million, it became acquainted with our Group through the direct approach by our Group.
6. Xiamen Chuanpei Industrial Co., Ltd (“**Chuanpei Industrial**”) is a limited liability company established in PRC in 2017 with registered and paid-up capital of RMB30.0 million and RMB10.0 million respectively, it became acquainted with our Group through referral by Mr. Huang.
7. Yaohe Trading is a company established in the PRC with limited liability on 6 June 2008, and was a connected supplier of our Group. For details, please refer to the subsection headed “Discontinued connected transactions — 1. Purchase of raw materials from Yaohe Trading”.
8. Changtai County Banling Building Material Processing Factory (“**Banling Building Material**”) is an individual industrial and commercial household business established in PRC in 2015 without statutory requirements for capital contribution, it became acquainted with our Group through direct approach from the supplier.
9. Fujian Bajun Building Material Co., Ltd. (“**Bajun Building Material**”) is a limited liability company established in PRC in 2010 with registered and paid-up capital of RMB20.0 million, it became acquainted with our Group through the direct approach from the supplier.
10. Shishi Mingjian Building Materials Trading Co., Ltd. (“**Mingjian Building Materials**”) is a limited liability company established in PRC in 2011 with registered and paid-up capital of RMB10.0 million and nil respectively, it became acquainted with our Group through direct approach from the supplier.
11. Xiamen Ayihong Trading Co., Ltd. (“**Ayihong Trading**”) is a limited liability company established in PRC in 2013 with registered and paid-up capital of RMB50.0 million and RMB10.0 million respectively, it became acquainted with our Group through direct approach from the supplier.
12. Supplier A is a limited liability company established in PRC in 2013 with registered and paid-up capital of RMB40.0 million, it became acquainted with our Group through direct approach from the supplier.

Major suppliers during the Track Record Period

Our Group does not place significant reliance on any of our major suppliers due to the availability of raw materials we use in our production is generally in abundance on the market. During the Track Record Period, we mainly purchased cement, aggregates, PFA and rebars from our major suppliers, and we select our suppliers based on criteria as mentioned in the paragraph headed “Suppliers” above. Our Group’s changes in major suppliers during the Track Record Period was affected by a number of factors, including those set out below:

Cement

Our Group normally avoids mixing cement from different manufacturers into the same batch of concrete due to the properties of different cement may vary widely, which may create complications in our mixture formulation process and increase the standard deviation in obtaining the desire product strength and durability.

Minfu Construction Materials had been our supplier since 2008 and our Group had grown accustomed in working with their cement, and thus Minfu Construction Materials was our largest cement supplier throughout the Track Record Period. However, depending on the intended

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structural application of our products and customers' request, we may source other brands of cement from other suppliers, but since the volume and frequency of such purchases are relatively low, we generally purchase other brands of cement indirectly through their authorised distributors or other construction material trading companies instead of directly from the manufacturer.

Ayihong Trading is an authorised distributor of a certain brand of cement, during the Track Record Period, our total purchase from Ayihong Trading amounted to approximately RMB13.4 million, RMB9.1 million, RMB0.8 million and nil, respectively. The significant decrease in purchase was primarily attributable to that (i) our Group has commenced purchasing directly from the manufacturer of such brand of cement since 2018; and (ii) we reduced our purchase of this particular brand of cement since 2019.

Bajun Building Material is an authorised distributor of a certain brand of cement, during the Track Record Period, our total purchase from Bajun Building Material amounted to approximately RMB7.4 million, RMB13.2 million, RMB9.9 million and RMB1.3 million, respectively. The decrease in purchase since 2019 was primarily attributable to that (i) our Group purchased directly from the manufacturer of such brand of cement in 2019; and (ii) we reduced our purchase of this particular brand of cement since 2019.

Yaohe Trading is a trader of construction material and a connected person of our Group, for the two years ended 31 December 2018, we purchased cement and mineral powder from Yaohe Trading amounted to approximately RMB17.5 million and RMB23.6 million respectively. In order to reduce our reliance on connected suppliers, we have ceased our purchase from Yaohe Trading since November 2018. For details, please refer to the subsection headed "Discontinued connected transactions — 1. Purchase of raw materials from Yaohe Trading".

Chuanpei Industrial is a trader of construction material and an authorised distributor of certain brands of cement and mineral powder. Our Group became acquainted with Chuanpei Industrial through referral by Mr. Huang in 2019. Mr. Huang first became acquainted with the sole shareholder of Chuanpei Industrial ("**Chuanpei Shareholder**") in September 2018 before Chuanpei Shareholder acquired Chuanpei Industrial, when the Chuanpei Shareholder and an Independent Third Party acquired 51% and 49% equity interest in Lianhui Construction Material, a connected supplier of our Group during the Track Record Period, from Mr. Huang and his spouse respectively. In July 2019, with an urgent need of a company wholly owned by himself to develop his own cement and mineral powder supply business, Chuanpei Shareholder decided to acquire the entire equity interest in Chuanpei Industrial, which was dormant at the relevant time, rather than establishing a new company. Between July and September 2019, Chuanpei Industrial managed to secure a mineral powder dealership and a cement distributorship in Xiamen from two separate construction raw material suppliers. After assessing the quality, price, scale, reputation, and going through our standard supplier selection procedures, we began procuring cement and mineral powder from Chuanpei Industrial, and it became one of our major suppliers in 2019. In July 2019, Chuanpei Shareholder lent a total of approximately RMB4.0 million to Chuanpei Industrial as initial working capital, which was funded by his personal savings and part of the proceeds from the sale of his spouse's property in Xiamen. In December 2019, Chuanpei Shareholder decided to inject

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RMB5.0 million into Chuanpei Industrial. Such capital injection was funded partly by Chuanpei Shareholder's personal savings and partly by recalling the aforementioned borrowings from Chuanpei Industrial. In April 2020, Chuanpei Shareholder decided to make a further capital injection of RMB5.0 million into Chuanpei Industrial, which was funded by obtaining a loan of RMB5.0 million from Chuanpei Industrial. For the year ended 31 December 2019 and the ten months ended 31 October 2020, we purchased cement and mineral powder from Chuanpei Industrial amounted to approximately RMB18.3 million and RMB8.4 million, respectively. The decrease in purchases from Chuanpei Industrial for the ten months ended 31 October 2020 was mainly attributable to the decrease in purchases of cement from Chuanpei Industrial as we (i) reduced the purchases of a certain brand of cement sold by Chuanpei Industrial; and (ii) started to purchase such particular brand of cement from a new cement supplier with purchases amounted to approximately RMB9.8 million for the ten months ended 31 October 2020 as it granted a longer credit period to our Group.

Supplier A is a trader of construction material and had supplied a certain brand of cement to our Group during the Track Period. For the two years ended 31 December 2018, our total purchase from Supplier A amounted to approximately RMB11.1 million and RMB3.1 million respectively. The decrease in purchase was primarily attributable to that Supplier A had discontinued in trading cement in 2018 to focus on trading of other construction materials.

Aggregates

According to the Frost & Sullivan Report, the aggregates industry in the PRC is highly fragmented. During the Track Record Period, pursuant to various policies issued by the PRC Government, led to a sluggish supply of aggregates to satisfy the concrete-based building material industry in Xiamen, and in order to secure the aggregates required for our production and to reduce the burden of our procurement team to identify and manage an overwhelmingly large amount of small aggregates suppliers in a highly fragmented market, a clause was introduced in our purchase contracts, which requires aggregates suppliers to refer suitable suppliers to our Group in case they are unable to meet our Group's planned monthly purchase volume. For the two years ended 31 December 2018, we relied heavily on the supply guarantee arrangement clause to source sufficient aggregates to satisfy our growing production needs. For details, please refer to the paragraph headed "Supply guarantee arrangement with aggregate suppliers" in this section.

In 2018, the local people's government of Longyan City in support of its small and micro enterprises, referred to our Group two aggregates suppliers, namely, Fengfa Building Materials and Longxia Building Materials. According to the Longyan City Yongding District Longtan Town People's Government ("**Longtan Town Government**"), in its effort to consolidate the fragmented aggregates market in Longtan Town, the Longtan Town Government encouraged the owners of Fengfa Building Materials and Longxia Building Materials, who are both regarded as resourceful and experienced, to establish sole proprietorship enterprises in December 2018 to engage in the trading of aggregates and other construction materials by sourcing from fragmented suppliers in Longtan Town. Since June 2013, the owner of Fengfa Building Materials, Ms. Huang Lin (黄琳), has been working as an operating manager responsible for the purchase and sales of construction

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materials and tiles at an individual industrial and commercial household located in downtown Longyan City and principally engaged in the trading of construction materials and tiles, where she had become acquainted with a vast number of aggregates traders, aggregates processing plant operators and stone quarry operators. The owner of Longxia Building Materials, Mr. Lai Xiaohui (賴曉輝), has approximately five years of experience in the aggregates trading industry prior to the establishment of Longxia Building Materials. Mr. Lai Xiaohui worked at a company located in Longyan City principally engaged in the processing and selling of recycled aggregates, from May 2017 to May 2019, where he assisted in the founding of the company and served as the major operating personnel responsible for the sale of recycled aggregates. Prior to that, Mr. Lai Xiaohui was engaged in the trading of aggregates for approximately three years as an individual industrial and commercial household. Drawing on his experience in the industry, Mr. Lai Xiaohui has familiarised himself with and established his network in the aggregates market with a number of small aggregate suppliers in Longyan City, including some of his friends, former classmates and fellow villagers.

Furthermore, both Fengfa Building Materials and Longxia Building Materials were classified as small and micro enterprises under the PRC laws and regulations prior to their referral to our Group in 2018 and therefore were eligible to enjoy the supportive policies available to small and micro enterprises from time to time. According to the Longtan Town Government, the purpose of introducing such policies was to encourage the selling of construction materials to locations outside Longyan City, consolidate the fragmented aggregates market in Longyan City and ultimately increase the town's tax revenue. Longyan City is a naturally resourceful city located approximately 150 kilometres away from Xiamen and surrounded by mountain ranges with an abundant supply of aggregates but with comparatively low level of construction activities, which created an excess supply of aggregates in the Longyan City market, while there is an excess demand for aggregates in Xiamen due to its rapid growth of urbanisation and development. However, due to the distance between Longyan City and Xiamen, increase in transportation costs generally outweighs the price difference of aggregates between Longyan City and Xiamen. Since the introduction of the supportive policies by Longtan Town Government in or about November 2018, both Fengfa Building Materials and Longxia Building Materials are small and micro enterprises eligible for supportive policies including tax reliefs, therefore they are in a better position than other aggregates suppliers to consolidate the local fragmented aggregates market and to bridge the price gap between Longyan City and Xiamen by offering more competitive price to enterprises in Xiamen.

In view of (i) the similar fragmented aggregates market in Xiamen; (ii) our heavy reliance on supply guarantee arrangement with our suppliers in sourcing sufficient aggregates for our production; and (iii) our satisfactory assessment of the quality, price, scale, reputation, and going through our standard supplier selection procedures, our Group shifted some of our aggregates purchases from smaller aggregates suppliers in Xiamen to Fengfa Building Materials and Longxia Building Materials in 2019, and they became our major suppliers in the same year, given the respective owner of both suppliers had related experience in the industry and established supplier networks prior to their establishment of sole proprietorship enterprises. For the year ended 31 December 2019 and the ten months ended 31 October 2020, our Group purchased approximately 473,107 tonnes and 467,695 tonnes of aggregates, amounted to approximately RMB42.3 million

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and RMB42.7 million, from Fengfa Building Materials respectively and approximately 363,421 tonnes and 661,912 tonnes of aggregates, amounted to approximately RMB32.1 million and RMB61.1 million, from Longxia Building Materials respectively.

To the best of our Directors' knowledge, information and belief having made all reasonable enquiries, (a) Fengfa Building Materials had (i) three customers; (ii) 16 employees; (iii) revenue of approximately RMB49.9 million and net profit of approximately RMB2.9 million for the year ended 31 December 2019, and revenue of approximately RMB18.9 million and net profit of approximately RMB0.6 million for the six months ended 30 June 2020; (iv) approximately 85.6% and 41.2% of its revenue were derived from our Group for the year ended 31 December 2019 and the six months ended 30 June 2020, respectively; and (v) the ultimate beneficial owner of Fengfa Building Materials has been Ms. Huang Lin (黃琳), an Independent Third Party, since its establishment; and (b) Longxia Building Materials had (i) five customers; (ii) 19 employees; (iii) revenue of approximately RMB46.0 million and net profit of approximately RMB1.1 million for the year ended 31 December 2019, and revenue of approximately RMB63.2 million and net profit of approximately RMB1.0 million for the six months ended 30 June 2020; (iv) approximately 69.8% and 79.9% of its revenue were derived from our Group for the year ended 31 December 2019 and the six months ended 30 June 2020, respectively; and (v) the ultimate beneficial owner of Longxia Building Materials has been Mr. Lai Xiaohui (賴曉輝), an Independent Third Party, since its establishment. The decrease in sales from Fengfa Building Materials to our Group for the six months ended 30 June 2020 was mainly because Fengfa Building Materials's suppliers were unable to maintain stable supply of aggregates due to the impact of COVID-19 and, as a result, we reduced our purchases from Fengfa Building Materials.

To the best of our Directors' knowledge, information and belief having made all reasonable enquiries, Fengfa Building Materials operates on a matched trade sales model while Longxia Building Materials operates on a back-to-back order sales model, whereby (i) Fengfa Building Materials and Longxia Building Materials would locate the source of supply only after receiving order for product type and specification; (ii) Fengfa Building Materials would approach its network of suppliers to gather sufficient stock for onward sales to its customers; and (iii) Longxia Building Materials would normally first approach its major supplier, a company located in Longyan City and principally engaged in the processing and selling of recycled aggregates ("**Longxia's Major Supplier**"), and if Longxia's Major Supplier is unable to provide the quantity or type of products, it would then approach other smaller aggregates traders to back against its customers' order. Once the source of supply is identified, Fengfa Building Materials and Longxia Building Materials would organise transportation for direct delivery from their respective suppliers to their customers and no inventory will be kept by Fengfa Building Materials and Longxia Building Materials. Moreover, our Group's average purchase size from Fengfa Building Materials and Longxia Building Materials were normally in small manageable batches. For the year ended 31 December 2019, our average purchase size of aggregates and stone powder from (i) Fengfa Building Materials was approximately 54.3 tonnes and 43.7 tonnes respectively; and (ii) Longxia Building Materials was approximately 52.3 tonnes and 48.1 tonnes respectively. For the ten months ended 31 October

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2020, our average purchase size of aggregates and stone powder from (i) Fengfa Building Materials was approximately 46.1 tonnes and 42.1 tonnes respectively; and (ii) Longxia Building Materials was approximately 49.2 tonnes and 44.9 tonnes respectively.

Longxia Building Materials had a total of 17 and 23 suppliers for the year ended 31 December 2019 and the ten months ended 31 October 2020 respectively. Longxia Building Materials had been the Xiamen distributor of Longxia's Major Supplier since December 2018. Longxia's Major Supplier possesses a processing plant of approximately 70,000 sq.m. with annual production capacity of approximately 1.2 million tonnes. For the year ended 31 December 2019 and the ten months ended 31 October 2020, Longxia Building Materials sourced approximately 67.9% and 62.5% of its total aggregates from Longxia's Major Supplier respectively, and its remaining suppliers are small individual industrial and commercial household and sole proprietorship aggregate suppliers located in or within close proximity of Longyan City. Fengfa Building Materials had a total of 45 and 36 suppliers for the year ended 31 December 2019 and the ten months ended 31 October 2020, respectively. Fengfa Building Materials's largest supplier, a company located in Longyan City and principally engaged in the processing and selling of aggregates, ("**Fengfa's Major Supplier**"). Fengfa's Major Supplier possesses a processing plant of approximately 24,000 sq.m. with annual production capacity of approximately 0.6 million tonnes. For the year ended 31 December 2019 and the ten months ended 31 October 2020, Fengfa Building Materials sourced approximately 44.6% and 41.0% of its aggregates from Fengfa's Major Supplier respectively, and its remaining suppliers are small individual industrial and commercial household and sole proprietorship aggregate suppliers located in or in close proximity of Longyan City. As confirmed by our Directors, our Group had not previously purchased any aggregates from Longxia's Major Supplier and Fengfa's Major Supplier. To the best of our Directors' knowledge having made all reasonable enquiries, both Fengfa's Major Supplier and Longxia's Major Supplier do not own or operate any aggregate mines.

Banling Building Material sources its stones from a stone quarry in Changtai County, during the Track Record Period, our total purchase from Banling Building Material amounted to approximately RMB14.6 million, RMB14.1 million, RMB4.4 million and nil respectively. The decrease in purchase was primarily attributable to that the stone quarry which Banling Building Material sources from, reduced its production output during 2019 to satisfy local environment protection policies, and as a result, our Group increased our stone purchases from another supplier, namely Shunlei Building Materials since 2019 to fulfil our production demand. For the two years ended 31 December 2019 and the ten months ended 31 October 2020, our total purchase from Shunlei Building Materials amounted to approximately RMB4.3 million, RMB23.1 million and RMB24.3 million respectively.

Our Group considers that it is impractical to impose policies to require our aggregates suppliers to be corporate entities, as the aggregates market in Fujian Province is fragmented and dominated by individual industrial and commercial household and sole proprietorship suppliers. As such, we believe that we would not be able to source sufficient aggregates for our daily production needs if we restrict ourselves to purchase aggregates from corporate entities only. We believe that the risks associated with the procurement of raw materials from non-corporate entities are different

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and lower than that from other suppliers including labour suppliers, and we have sufficient internal control and assessment procedures to manage the risks associated with procurement of raw materials from non-corporate entities such as product quality.

PFA

During the Track Record Period, we primarily sourced PFA, among others, from Mingjian Building Materials and two other PFA suppliers, our total purchase from Mingjian Building Materials amounted to approximately RMB7.2 million, RMB10.2 million, RMB4.9 million and RMB6.4 million respectively. Since we generally select our PFA suppliers based on criteria as mentioned in the paragraph headed “Suppliers” above, the amount purchased from any given supplier may change from year-to-year.

Rebars

Zhangzhou Road & Bridge is a SOE and a trader of, among other things, rebars and other construction materials. During the Track Record Period, our total purchase from Zhangzhou Road & Bridge amounted to approximately nil, RMB2.6 million, RMB7.3 million and RMB15.1 million respectively. During the ten months ended 31 October 2020, Zhangzhou Road & Bridge became one of our five largest suppliers, it was mainly attributable to the increase in demand for rebars for our PC component production and the modification made to our tunnel segment production line to produce other PC components since January 2020 as the production for our rail transit projects on hand had been completed (rebars used to manufacture tunnel segments were provided by our customers).

During the Track Record Period, Mr. Huang had more than 5% of the interests in one of our five largest suppliers, namely Yaohe Trading. Saved as disclosed above, none of our Directors or their respective close associates or any Shareholders who, to the best knowledge of our Directors own more than 5% of the issued Shares immediately after completion of the Share Offer and the Capitalisation Issue, has any interests in any of our five largest suppliers during the Track Record Period.

During the Track Record Period, we did not enter into any long-term contracts with any of our suppliers and have not experienced any significant shortage of raw materials and accessories causing material disruption to our operations.

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Discontinued connected transactions

During the Track Record Period, we have made certain purchases with our connected persons, which are not expected to continue or resume after Listing.

Set out below is a summary of the discontinued connected transactions:

Item	Connected person	Nature of transactions	Ceased connected transaction since	Connected transaction historical amounts			
				Year ended 31 December			Ten months ended
				2017	2018	2019	31 October
				RMB'000	RMB'000	RMB'000	2020
							RMB'000
1	Yaohe Trading	Purchase of raw materials	November 2018	17,474	23,647	—	—
2	Lianhui Construction Material	Purchase of raw materials	February 2018	2,875	132	N/A	N/A
3	Ms. Du	Purchase of raw materials	May 2018	500	1,753	—	—
4	Guishun Logistics	Provision of logistics services	March 2019	310	326	77	—

1. *Purchase of raw materials from Yaohe Trading*

During the Track Record Period, we purchased cement and mineral powder from Yaohe Trading. Yaohe Trading is a company established in the PRC with limited liability on 6 June 2008 with a registered capital and paid-up capital of RMB28.0 million, and owned as to 70% and 30% by Mr. Huang and his spouse Ms. Lin Lingling respectively. Yaohe Trading is principally engaged in the trading of building materials, and had been a major supplier of our Group since 2009. In February 2015, Mr. Huang, envisaged the potential in the PC component business and became an equity holder of Zhixin Construction Technology. Subsequently, Mr. Huang became an equity holder of Zhixin Construction Material in December 2017. Yaohe Trading had 18, 19, 14 and 10 employees as at 31 December 2017, 2018, 2019 and 31 October 2020, respectively. Yaohe Trading had 45, 49, 38 and 30 customers and recorded revenue of approximately RMB109.2 million, RMB116.0 million, RMB91.8 million and RMB68.2 million, and net profit of approximately RMB0.9 million, RMB1.4 million, RMB1.1 million and RMB1.6 million, and net profit margin of approximately 0.8%, 1.3%, 1.2% and 2.4%, for the three years ended 31 December 2019 and the ten months ended 31 October 2020, respectively. Yaohe Trading's net profit margin increased from approximately 0.8% for the year ended 31 December 2017 to approximately 1.3% for the year ended 31 December 2018 was mainly due to the decrease in finance costs from approximately RMB1.1 million for the year ended 31 December 2017 to approximately RMB0.7 million for the year ended 31 December 2018 mainly due to repayment of bank borrowings of approximately RMB5.5 million during 2018. The increase in Yaohe Trading's net profit margin for the ten months ended 31 October 2020 was mainly attributable to the increase in the non-operating income.

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For the three years ended 31 December 2019 and the ten months ended 31 October 2020, the aggregate purchases made by us from Yaohe Trading amounted to approximately RMB17.5 million, RMB23.6 million, nil and nil, which accounted for approximately 5.9%, 6.5%, nil and nil of our purchase, respectively. Our purchase accounted for approximately 16.0% and 20.4% of Yaohe Trading's revenue, respectively, for the two years ended 31 December 2018. Our Directors consider that the terms and pricing of the said transactions were fair, reasonable and on normal commercial terms. In order to reduce our reliance on connected suppliers, we have not made any purchases from Yaohe Trading since November 2018. As at the Latest Practicable Date, Yaohe Trading continues to operate independently from our Group.

2. Purchase of raw materials from Lianhui Construction Material

During the Track Record Period, we purchased mineral powder and PFA from Lianhui Construction Material. Lianhui Construction Material is a company established in the PRC with limited liability on 20 August 2013 with a registered and paid-up capital of RMB10.0 million, which (i) was owned as to 70% and 30% by Mr. Huang and his son, namely Mr. Huang Kaining, respectively, from establishment to 31 May 2018; (ii) was owned as to 70% and 30% by Mr. Huang and, his spouse, Ms. Lin Lingling, respectively, from 1 June 2018 to 4 September 2018; and (iii) has been owned by two Independent Third Parties since 5 September 2018. One of the Independent Third Party is Chuanpei Shareholder, who acquired the entire equity interest of Chuanpei Industrial and became its director in July 2019. Chuanpei Industrial was the fifth largest supplier of our Group for the year ended 31 December 2019. The other Independent Third Party ("**Party B**") is a friend of Mr. Huang. Save as disclosed above and the paragraph headed "Suppliers' relationship among themselves" below, the Chuanpei Shareholder and Party B do not have any past or present relationship (including but not limited to employment, trust, financing, or family relationship) with our Group, Directors, Shareholders, senior management or their respective associates. In order to obtain funds for their other business ventures (including Yaohe Trading and Guishun Logistics), on 4 September 2018, (i) Mr. Huang disposed of 51% and 19% equity interest in Lianhui Construction Material held by him to Chuanpei Shareholder and Party B at a consideration of RMB5.1 million and RMB1.9 million, respectively; and (ii) Ms. Lin Lingling disposed of 30% equity interest in Lianhui Construction Material held by her to Party B at a consideration of RMB3.0 million. After such transfers of equity interest, Chuanpei Shareholder and Party B were interested in Lianhui Construction Material as to 51% and 49%, respectively. The consideration of such transfer of equity interest was determined with reference to the registered capital and net asset value of Lianhui Construction Material as at 31 August 2018 and was settled in the following manner:

- (1) Chuanpei Shareholder settled the consideration of (i) RMB3.1 million on 5 September 2018 which was funded from part of the proceeds from the sale of his spouse's property in Xiamen; and (ii) RMB2.0 million on 19 May 2020 which was funded by his spouse's savings, by bank transfer; and

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- (2) Party B settled in full the consideration of RMB4.9 million in aggregate on 5 September 2018 by bank transfer.

As at 31 December 2017, Lianhui Construction Material had 16 customers and two employees. For the year ended 31 December 2017, Lianhui Construction Material recorded revenue of approximately RMB7.4 million and net profit of approximately RMB0.1 million. For the three years ended 31 December 2019 and the ten months ended 31 October 2020, the aggregate purchases made by us from Lianhui Construction Material amounted to approximately RMB2.9 million, RMB0.1 million, nil and nil respectively. Our Directors consider the terms and pricing of the said transactions were fair, reasonable and on normal commercial terms. We have not made any purchases from Lianhui Construction Material since February 2018 to reduce our reliance on connected transaction. Further, on 5 September 2018, Mr. Huang and his spouse, Ms. Lin Lingling disposed of all their interest in Lianhui Construction Material to two Independent Third Parties, namely Chuanpei Shareholder and Party B. Despite the fact that Lianhui Construction Material would no longer constitute a connected person subsequent to the disposal by Mr. Huang and his spouse in September 2018, given that our Group was contemplating an application for Listing in or around late 2018, Mr. Ye considered purchasing from Lianhui Construction Material again would give a false impression that Mr. Huang disposed Lianhui Construction Material to continue selling raw materials to our Group through Chuanpei Shareholder and Party B, and thus, there were no reasons for our Group to purchase from Lianhui Construction Material subsequent to Mr. Huang's disposal. As at the Latest Practicable Date, Lianhui Construction Material continues to operate independently from our Group.

3. Purchase of raw materials from Ms. Du

During the Track Record Period, we purchased aggregates from Ms. Du. Ms. Du is the niece of Mr. Ye, and the cousin of Mr. Ye Dan, therefore a connected person of our Company. For the three years ended 31 December 2019 and ten months ended 31 October 2020, the aggregate purchases made by us from Ms. Du amounted to approximately RMB0.5 million, RMB1.8 million, nil and nil respectively. Our Directors consider the terms and pricing of the said transactions were fair, reasonable and on normal commercial terms. We have not made any purchases from Ms. Du since May 2018.

4. Provision of logistics services by Guishun Logistics

During the Track Record Period, our Group engaged Guishun Logistics to provide us with logistics services. Guishun Logistics is a company established in the PRC with limited liability on 6 June 2007 with a registered and paid-up capital of RMB10.0 million, which (i) was owned as to 80% and 20% by Mr. Huang and his son, Mr. Huang Kaining, respectively from 3 March 2016 to 18 June 2018; (ii) was respectively owned as to 80% and 20% by Mr. Huang and his spouse, Ms. Lin Lingling from 19 June 2018 to 24 October 2019 and (iii) has been owned as to 30% and 70% by Mr. Huang and Ms. Lin Lingling since 25 October 2019. Guishun Logistics had 46, 23, 18 and 20 employees as at 31 December 2017, 2018 and 2019 and 31 October 2020, respectively. For the three years ended 31 December 2019 and the ten

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months ended 31 October 2020, Guishun Logistics had 18, 16, 21 and 17 customers and recorded revenue of approximately RMB8.2 million, RMB8.9 million, RMB11.6 million and RMB5.7 million, and net profit of approximately RMB0.1 million, RMB0.1 million, RMB0.7 million and RMB0.3 million, respectively. For the three years ended 31 December 2019 and the ten months ended 31 October 2020, the total fee paid made by us to Guishun Logistics amounted to approximately RMB0.3 million, RMB0.3 million, RMB0.1 million and nil, representing approximately 3.8%, 3.7%, 0.7% and nil of Guishun Logistics' revenue, respectively. Our Directors considered the fees charged by Guishun Logistics were comparable with the fees charged by other logistics providers of similar services, and that the fees were reasonable, fair and on normal commercial terms. This arrangement between our Group and Guishun Logistics has ceased since March 2019. As at the Latest Practicable Date, Guishun Logistics continues to operate independently from our Group.

During the Track Record Period and up to the Latest Practicable Date, our Group had not experienced any difficulties in sourcing raw materials and logistics services from Independent Third Parties and accessing water for our production process. Moreover, our major raw materials are common raw materials readily available in the markets, our Directors do not foresee any significant difficulty in our sourcing procurement activities.

Equity interest in certain suppliers held under trust arrangement by our Group during the Track Record Period

Xiamen Tongwang Construction Material Technology Co., Ltd.

Xiamen Tongwang Construction Material Technology Co., Ltd. (廈門砗旺建材科技有限公司) (“**Tongwang Construction Material**”) is a limited company established in PRC on 30 October 2012, which (i) was owned as to 38% by our Group (on trust for an Independent Third Party (“**Tongwang Co-Founder**”) as explained further below) and 62% by various employees of our Group (“**Co-investing Employees**”) since its establishment until 31 May 2018; (ii) was owned as to 28% by our Group (on trust for the Tongwang Co-Founder) and 72% by the Co-investing Employees from 1 June 2018 to 4 December 2018; and (iii) has been owned by Tongwang Co-Founder and another Independent Third Party since 5 December 2018. Tongwang Construction Material is principally engaged in the trading of admixtures. Prior to setting up Tongwang Construction Material, the Tongwang Co-Founder had worked in a company for about seven years, whose principal business is manufacturing and trading of cements and limestone. His last position in such company was quality control manager and he was well-experienced in admixture processing. Through prior transactions between such company and our Group, the Tongwang Co-Founder became acquainted with one of the Co-investing Employees who was responsible for handling the transactions between such company and our Group. The Tongwang Co-Founder was later introduced to the rest of the Co-investing Employees, who were employees of our Group responsible for production of ready-mixed concrete. In 2012, the Tongwang Co-Founder was interested in establishing a business to engage in processing and sale of admixture. He approached the Co-investing Employees and Mr. Ye at or around the same time to explore the cooperation model as he considered that our Group would be a good customer of his business. The Tongwang

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Co-Founder learnt that the Co-investing Employees were interested in investing in the business venture of the Tongwang Co-Founder. After considering (i) the technical capabilities in relation to admixture processing of Tongwang Co-Founder; (ii) our Group's need for a stable supply of admixture for our ready-mixed concrete production; (iii) greater transparency in purchasing from people whom Mr. Ye is familiar with; and (iv) the gratitude Mr. Ye has towards the Co-investing Employees for the services to our Group, Mr. Ye (on behalf of Zhixin Construction Material) agreed to source admixture from Tongwang Co-Founder and the Co-investing Employees' business venture on the condition that (i) Zhixin Construction Material should become a nominal equity holder and hold the equity interest in Tongwang Construction Material on behalf of Tongwang Co-Founder so as to procure Tongwang Construction Material to timely and stable supply admixture under prevailing market prices (i.e. similar to those offered by other independent suppliers of admixture) which would attain compatible standard to Zhixin Construction Material and (ii) Tongwang Co-Founder would assume responsibility for any loss caused to us as result of Tongwang Construction Material's failure to supply admixture in a timely and stable manner under prevailing market prices. It is also believed that the trust arrangement could mitigate the potential risk of abuse by the Co-investing Employees due to their conflict of interest, and the good reputation of Zhixin Construction Material would help Tongwang Construction Material to develop customer network and secure more customer orders, thereby increasing the revenue of Tongwang Construction Material. Therefore, Zhixin Construction Material and the Tongwang Co-Founder entered into a written trust agreement pursuant to which our Group agreed to hold 38% equity interest in Tongwang Construction Material on behalf of the Tongwang Co-Founder since October 2012.

Our Group (including Zhixin Construction Material) was uninterested to invest in Tongwang Construction Material in view of its trivial businesses and our intention to focus on the development of our principal business at the relevant time, i.e. production and sale of ready-mixed concrete. In late 2018, our Group was contemplating an application for Listing. As our Group was able to source admixture from other suppliers with comparable terms, we negotiated with the Tongwang Co-Founder to terminate the trust arrangement and the trust arrangement was terminated in December 2018. At the relevant time, the Co-investing Employees also wanted to divest their investment in Tongwang Construction Material due to (i) the investment return of Tongwang Construction Material was not very lucrative; and (ii) taking into account our Group's proposed application for Listing and our Group's intention to avoid potential conflict of interest upon successful application for Listing, and they disposed of their interest in the company in December 2018. All of the Co-investing Employees remained as employees of our Group as at the Latest Practicable Date.

For the three years ended 31 December 2019 and the six months ended 30 June 2020, Tongwang Construction Material had approximately 10, nine, six and five employees, and five, five, four and four customers, respectively. For the three years ended 31 December 2019, Tongwang Construction Material recorded revenue of approximately RMB16.2 million, RMB14.3 million and RMB9.3 million, of which approximately 68.2%, 70.5% and nil were derived from our Group, and net profit of approximately RMB0.2 million, RMB0.3 million and RMB0.3 million respectively. Our total purchase from Tongwang Construction Material amounted to approximately

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RMB11.0 million, RMB10.1 million, nil and nil, respectively, representing approximately 3.7%, 2.8%, nil and nil of our total purchase of materials, respectively during the Track Record Period. We have not made any purchases from Tongwang Construction Material since January 2019. Save as disclosed above, there is no other cooperation between Zhixin Construction Material, Tongwang Construction Material, Tongwang Co-founder and the Co-investing Employees. During the two years ended 31 December 2018, we did not experience any shortages or delivery delays of admixture from Tongwang Construction Material causing disruptions to our production. During the two years ended 31 December 2018, the price and terms offered by Tongwang Construction Material were fair and reasonable and based on normal commercial terms.

Fujian Zhixin Shuanghui Mineral Co., Ltd.

Fujian Zhixin Shuanghui Mineral Co., Ltd. (福建智欣雙惠礦業有限公司) (“**Shuanghui Mineral**”) is a limited company established in PRC on 22 August 2008, which (i) was owned as to two Independent Third Parties since establishment until 14 January 2010; (ii) was owned as to three Independent Third Parties from 15 January 2010 to 30 May 2013; (iii) was owned as to 60% by our Group (on trust for an Independent Third Party as further explained below) and 40% by an Independent Third Party from 31 May 2013 to 19 November 2018; and (iv) has been owned by an Independent Third Party since 20 November 2018. Shuanghui Mineral is principally engaged in exploitation, processing of stones and sales of construction materials. Pursuant to a written trust agreement, a trust arrangement was entered into between Zhixin Construction Material and an Independent Third Party (the “**Then Shuanghui Mineral Beneficial Owner**”) between May 2013 and November 2018 pursuant to which our Group held 60% equity interest in Shuanghui Mineral on behalf of the Then Shuanghui Mineral Beneficial Owner, who is a friend of Mr. Ye and a supplier of stones, in view of (i) the strategic benefits which could bring about to Shuanghui Mineral by the good reputation of Zhixin Construction Material if it became a nominal equity holder of Shuanghui Mineral; and (ii) the potential cooperation opportunity between Zhixin Construction Material and Shuanghui Mineral arising from our Group’s need for a long-term supplier of certain types of stones. It is believed that the good reputation of Zhixin Construction Material would help Shuanghui Mineral to develop customer network and secure more customer orders, thereby increasing the revenue of Shuanghui Mineral.

Our total purchase from Shuanghui Mineral amounted to approximately RMB7.2 million, nil, nil and nil respectively, representing approximately 2.5%, nil, nil and nil of our total purchase of materials during the Track Record Period, respectively. We have not made any purchases from Shuanghui Mineral since August 2017. In 2018, following the expiration of the mining right of Shuanghui Mineral, our Group expected that Shuanghui Mineral would not be able to continue to supply raw materials to our Group, hence our Group and the Then Shuanghui Mineral Beneficial Owner agreed to terminate the trust arrangement in November 2018. During the year ended 31 December 2019, our Group obtained certain entrusted loans with total principals amounting to approximately RMB68.8 million from a company established in the PRC which is wholly owned by the Then Shuanghui Mineral Beneficial Owner for working capital purpose. For further details, please refer to the section headed “Financial information — Discussion on major items of the

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consolidated statements of financial position — Borrowings” in this prospectus. Save as disclosed above, there is no other cooperation between Zhixin Construction Material, Shuanghui Mineral and the Then Shuanghui Mineral Beneficial Owner.

Suppliers’ relationship among themselves

KZJ New Materials Group Co., Ltd., and Kezhijie New Material Group Fujian Co., Ltd.

During the Track Record Period, KZJ New Materials Group Co., Ltd. (科之杰新材料集團有限公司), and Kezhijie New Material Group Fujian Co., Ltd. (科之杰新材料集團福建有限公司), (collectively the “**New Materials Group**”), both are our suppliers. They are limited liability companies established in the PRC on 10 August 2004 and 1 February 2008 respectively, wholly owned subsidiaries of a listed company which is listed on the Shenzhen Stock Exchange (Stock code: 002398), an Independent Third Party. Our total purchase from New Materials Group amounted to approximately RMB3.7 million, RMB4.9 million, RMB3.5 million and RMB3.0 million respectively, representing approximately 1.3%, 1.3%, 0.9% and 0.8% of our total purchase during the Track Record Period, respectively.

Xiamen Lishunxiang Logistics Co., Ltd.

Chuanpei Shareholder was also the shareholder of Xiamen Lishunxiang Logistics Co., Ltd. (廈門麗順祥物流有限公司) (“**Lishunxiang Logistics**”), one of our Group’s logistics supplier, during the period between 1 February 2019 to 8 April 2020. Lishunxiang Logistics is a limited company established in the PRC on 1 February 2019, which (i) owned as to 51% by Chuanpei Shareholder and 49% by an Independent Third Party (“**Lishunxiang Co-founder**”) from 1 February 2019 to 8 April 2020; and (ii) has been owned by the Lishunxiang Co-founder and her sister, both Independent Third Parties, since 9 April 2020. Chuanpei Shareholder became acquainted with the Lishunxiang Co-founder and her sister, who engaged in the provision of logistics services to businesses as individuals, in 2015 through their provision of logistics services to Chuanpei Shareholder’s former employer, a company principally engaged in the trading of construction materials and the provision of logistics services. In April 2020, Chuanpei Shareholder offered to dispose of his 51% equity interest in Lishunxiang Logistics to the Lishunxiang Co-founder and her sister, as Chuanpei Shareholder (i) wanted to devote more time and resources to his construction material businesses, especially Chuanpei Industrial which is his wholly-owned business; and (ii) believed trading construction materials would potentially provide a more attractive financial return than the provision of logistics services.

As at 31 December 2019, Lishunxiang Logistics had 28 employees with revenue of approximately RMB14.1 million and net profit of approximately RMB0.5 million, of which approximately 77.3% of revenue was derived from our Group. Lishunxiang Logistics is principally engaged in transportation service, the total fee paid made by us to Lishunxiang Logistics amounted to approximately nil, nil, RMB10.9 million and RMB5.2 million respectively, representing approximately nil, nil, 2.8% and 1.3% of our total purchase during the Track Record Period, respectively. The decrease in fees paid by our Group to Lishunxiang Logistics for the ten months ended 31 October 2020 was mainly attributable to the impact of COVID-19 as some of Lishunxiang

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Logistics' drivers were not able to return to Xiamen from their hometown after the Chinese New Year holiday and thus Lishunxiang Logistics' delivery capacity reduced. As a result, we (i) engaged a new logistics service provider in late February 2020; and (ii) increased the employment of the services of an existing logistics service provider to meet our demand in cement logistics. For the ten months ended 31 October 2020, our Group engaged six other service providers of cement logistics apart from Lishunxiang Logistics and the total fee paid to them during the period amounted to approximately RMB9.4 million. Our Directors consider that the terms and pricing of the logistics services provided by Lishunxiang Logistics compared to those of such other logistics service providers were fair, reasonable and on normal commercial terms.

Zhangzhou Road & Bridge and Xiamen Road & Bridge International Trade Co., Ltd.

During the Track Record Period, Zhangzhou Road & Bridge and Xiamen Road & Bridge International Trade Co., Ltd. ("**Xiamen Road & Bridge**"), both are our suppliers. They are limited liability companies established in the PRC on 16 February 2012 and 25 October 2000 respectively, indirectly owned by Xiamen State-owned Assets Supervision and Administration Commission as to 98.8% and 100%, respectively. Our total purchase from Zhangzhou Road & Bridge amounted to approximately nil, RMB2.6 million, RMB7.3 million and RMB15.1 million, representing nil, 0.7%, 1.9% and 3.9% of our total purchase during the Track Record Period, respectively. Our total purchase from Xiamen Road & Bridge amounted to approximately RMB0.5 million, RMB0.5 million, nil and RMB11.0 million, representing 0.2%, 0.1%, nil and 2.8% of our total purchase during the Track Record Period, respectively. The increase in purchase from Zhangzhou Road & Bridge and Xiamen Road & Bridge for the ten months ended 31 October 2020 was mainly attributable to the increase in demand for rebars for our PC component production and the modification made to our tunnel segment production line to produce other PC components since January 2020 as the production for our rail transit projects on hand had been completed (rebars used to manufacture tunnel segments were provided by our customers).

Bajun Building Material and Xiamen Nianhua Building Material Co., Ltd.

During the Track Record Period, both Bajun Building Material and Xiamen Nianhua Building Material Co., Ltd. ("**Xiamen Nianhua Building**") are our suppliers. They are limited liability companies established in the PRC on 20 January 2010 and 8 January 2015, respectively. Bajun Building Material has been owned as to 90% and 10% by an Independent Third Party and his spouse respectively (collectively "**Bajun Building Material's Shareholders**") since 1 July 2019. Xiamen Nianhua Building has been owned as to 95% and 5% by the daughter of the Bajun Building Material's Shareholders, which is an Independent Third Party, and another Independent Third Party since 28 August 2019, respectively. Our total purchase from Bajun Building Material amounted to approximately RMB7.4 million, RMB13.2 million, RMB9.9 million and RMB1.3 million respectively, representing approximately 2.5%, 3.6%, 2.5% and 0.3% of our total purchase during the Track Record Period, respectively. Our total purchase from Xiamen Nianhua Building amounted to approximately nil, nil, nil and RMB9.8 million respectively, representing approximately nil, nil, nil and 2.5% of our total purchase during the Track Record Period, respectively.

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To the best knowledge of our Directors, save as disclosed in this section, our Directors have confirmed that the (i) twenty largest suppliers of our Group (representing approximately 59.6%, 61.2%, 76.7% and 84.0% of our total purchase during the Track Record Period respectively) have no past or present relationships (including but not limited to employment, trust, financing, or family relationship) (“**Past or Present Relationships**”) with our Group, our Directors, Shareholders, senior management or their respective associates during the Track Record Period; and (ii) ten largest suppliers of our Group (representing approximately 44.8%, 51.8%, 62.9% and 69.0% of our total purchase during the Track Record Period respectively) have no Past or Present Relationships among themselves.

Key terms of framework purchase contracts entered into with our suppliers

We have not entered into any long-term agreement with our suppliers, which our Directors believe is in line with the general market practice of the industry. However, we generally enter into framework purchase contracts with our suppliers, which would stipulate purchase terms such as the specifications of products, the unit price and the expected purchase volume over a period of time and general terms and conditions of the sale and purchase of products. The following table sets forth the summary of the typical key terms and conditions of our contracts with our suppliers:

Duration:	The duration of contracts generally ranges from one to two years.
Unit price, volume and specification of products:	The contract specifies the specification of products, unit price, expected volume (where applicable) to be purchased by our Group. There is no minimum purchase commitment on our Group.
Pricing:	A price per unit will generally be stipulated in the master contract for reference, however, the exact price per unit is generally fixed in separate purchase order at prevailing market price or with reference to guidance price issued by the local government (where applicable). All of our purchases are denominated in RMB.
Price adjustment:	<p>Certain contracts may have a price adjustment clause that will trigger in case the market price of raw materials or guidance price issued by the local government has changed beyond a certain percentage.</p> <p>Mutual agreement with parties is generally required before the adjusted unit price becomes effective.</p>

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Delivery terms:	<p>Delivery locations and manner of delivery using one of the following transport arrangements as agreed between the parties:</p> <ol style="list-style-type: none">1. the supplier delivers the raw materials to us; or2. we pick up the raw materials from the supplier; or3. an Independent Third Party logistics service provider is engaged for pick-up and delivering the raw materials to us;
Transfer of liability:	<p>The liability is transferred from the supplier to us when:</p> <ol style="list-style-type: none">1. we have completed quality check of the raw materials; or2. the raw materials are transferred from the suppliers' trucks to our designated trucks, tanks or warehouse.
Payment terms:	<p>Our Group is generally required to settle payment within 12 to 90 days from the first day of the succeeding month of the invoice date.</p> <p>We are generally required to settle our purchases on a monthly basis for purchases made in the previous month. We make payment for raw materials by way of bank transfers and bank's acceptance bill.</p>
Product return:	<p>If the quality falls below the specified requirements under the relevant agreement, the supplier will be liable to replace the products.</p>
Default/termination:	<p>We are entitled to terminate the contract if there is a breach of contract by the supplier.</p>
Supply guarantee arrangement^{Note}:	<p>If the supplier is unable to supply sufficient aggregates to satisfy our Group's planned monthly purchase volume, the supplier must coordinate with other suppliers to satisfy our purchase volume</p>

Note: Applicable only to framework purchase contracts entered into between our Group and aggregates suppliers.

Supply guarantee arrangement with aggregate suppliers

According to the Frost & Sullivan Report, the aggregates industry in the PRC is highly fragmented. During the Track Record Period, due to the implementation of strict environmental protection policies such as the (i) “Notice on Launching the National Special Rectification Action for Sand Mining in Rivers and Lakes” (關於開展全國河湖採砂專項整治行動的通知) issued by the Ministry of Water Resources which specified the scope of forbidden mining areas and further strengthened the management of sand mining in rivers and lakes; and (ii) the “Interpretation of Several Issues Concerning the Application of Law in Criminal Cases of Illegal Mining and Destructive Mining” 《關於辦理非法採礦、破壞性採礦刑事案件適用法律若干問題的解釋》 issued by Supreme People’s Court and the “Overall Planning of Mineral Resources in Xiamen (2016–2020)” 《廈門市礦產資源總體規劃(2016–2020)》 issued by the Xiamen Municipal People’s Government to crack down on illegal sand and gravel mining, the fragmentation of the aggregates industry was further worsen as the industry was closely regulated and monitored, leading to the shutdown of many aggregates suppliers. Accordingly, this led to a sluggish supply of aggregates to satisfy the concrete-based building material industry in Xiamen.

In order to secure the aggregates required for our production and to reduce the burden of our procurement team to identify and manage an overwhelmingly large amount of small aggregates suppliers in a highly fragmented market, a clause was introduced in our purchase contracts, which requires aggregates suppliers to refer suitable suppliers to our Group in case they are unable to meet our Group’s planned monthly purchase volume. In accordance with the Frost & Sullivan Report, it is an industry norm that in the event that the aggregates supplier is unable to supply sufficient aggregates to satisfy ready-mixed company’s planned purchase volume, the supplier could coordinate with other suppliers who also meet the qualification to satisfy that purchase volume according to the agreement. The terms of our supply guarantee arrangement with aggregate suppliers are in line with industry practice. We normally determine, in tripartite agreements with the aggregates suppliers and the referred suppliers, the terms such as the supply volume, product specification, pricing, quality, delivery and payment terms, to be on equivalent terms as stipulated in the purchase contracts entered into between our Group and the respective aggregates suppliers. Additionally, to simplify the payment process, pursuant to the tripartite agreements, our Group is able to complete our purchases from referred suppliers by collectively settling our balances with the aggregates suppliers for their distribution to the respectively referred suppliers. Our Group will not be liable for settlement to the referred suppliers and we are free from any obligations or responsibilities for any payment disputes between the aggregates suppliers and the referred suppliers.

During the Track Record Period, approximately 1,191,203 tonnes, 1,322,404 tonnes, 39,728 tonnes and nil of aggregates were purchased through referred aggregates suppliers, which amounted to approximately RMB84.7 million, RMB88.4 million, RMB2.5 million and nil, representing approximately 28.8%, 24.3%, 0.6% and nil of our total purchases, with 51, 67, 9 and nil aggregates suppliers and 139, 126, 8 and nil referred suppliers involved in the supply guarantee arrangement, respectively. For the two years ended 31 December 2018, our Group relied heavily on the supply guarantee arrangement in sourcing sufficient aggregates for our growing production need. For the

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year ended 31 December 2019, in our effort to reduce reliance on referred suppliers, our Group (i) sourced from four new aggregates suppliers, whom were able to provide the quantity and quality required by our Group on terms equivalent to other aggregates suppliers, namely Fengfa Building Materials, Longxia Building Materials, Zhangzhou Taiwan Business Investment Zone Jiaomei Jinglin Materials Business Department (漳州台商投資區角美璟林建材經營部) and Xianyou County Xinkai Trading Company (仙遊縣欣凱貿易商行) with an aggregate purchase amounted to approximately RMB90.4 million; and (ii) increased our stone purchases from an existing supplier, Shunlei Building Materials, by approximately RMB17.4 million as compared to 2018. For details, please refer to the paragraph headed “Major suppliers during the Track Record Period — Aggregates” in this section. During the Track Record Period, our Group purchased approximately 705,345 tonnes, 739,066 tonnes, 1,210,974 tonnes and 742,345 tonnes of aggregates, amounted to approximately RMB48.1 million, RMB52.2 million, RMB96.3 million and RMB67.5 million, respectively, from our aggregates suppliers except referred aggregates suppliers, Fengfa Building Materials and Longxia Building Materials.

During the Track Record Period and up to the Latest Practicable Date, we have not experienced any material interruptions of operations as a result of any disputes or claims between us, aggregates suppliers or referred suppliers, or other uncertainties and contingencies which may materially and adversely affect the business of our Group.

Employment agents

During the Track Record Period, our Group outsourced some factory workers for our PC component production lines from seven independent employment agents. The employment agents engaged by us are corporate entities, principally engaged in providing labour outsourcing services. When selecting an employment agent or whether to continue to engage an employment agent, our Group considers several factors, including but not limited to, its background, technical capability, experience, price, service quality, labour resources, reputation and safety record. We believe that by engaging employment agents, our Group can circumvent tedious administrative processes and minimise the risks of labour shortage. According to the Frost & Sullivan Report, the labour workforce in the PRC has high levels of mobility, and it is common to engage employment agents or source labour from other provinces within the PRC, including PC components production sector in Xiamen, due to more skilled and experienced workforce compared to local workers. In particular, majority of the employment in Xiamen are migrant workers. According to the Frost & Sullivan Report, approximately 70% of the employment in Xiamen in the first half of 2020 are migrant workers. The majority of the employment agents we engaged during the Track Record Period were established and sourced their factory workers in northern China, given that (i) Xiamen lacks the workforce that is willing to accept low-skilled labour-intensive jobs; (ii) prefabricated construction industry in southern China was developing at rapid pace under supportive government policies; (iii) development of prefabricated constructions in northern China is more advanced than southern China; and (iv) level of construction activities is lower during winter in northern China due to the harsh weather conditions, which results in significantly fewer jobs and less income for construction workers in northeast China during winter, the employment agents from northern China have larger labour resources and more experience in PC components production than that sourced locally,

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which enables local factory workers with less experience to have access to their skills, ensures stable supply of skilful labour and minimises the risks of labour shortage. Our Directors believe that skill level is a highly preferable factor to consider when recruiting factory workers for our PC component production. Notwithstanding that factory workers are generally deploy to complete low-skilled labour-intensive procedures, skilled workers are more efficient in completing such procedures, hence require less training and reduce the burden of our Group's supervisors and quality control personnel to closely monitor inexperienced and unskilled workers. Moreover, employment agents generally deploy factory workers at our production plants based on our production schedules and the turnover rate of factory workers may fluctuation during the year, so workers who are proficient with the relevant skills are more preferable.

We have maintained business relationships ranging from one to two years with our employment agents during the Track Record Period. The outsourced factory workers were mainly deployed together with our self-hired factory workers to perform low-skilled labour-intensive procedures, such as rebar processing, concreting and various production procedures at our PC component production lines. As our Group's PC component operation was still in its early development phase, we consider the outsource arrangements will enhance our workforce flexibility, manageability and cost-efficiency in allocating our manpower than maintaining a large full-time workforce.

The following table sets forth the breakdown of our outsourcing cost by employment agents during the Track Record Period:

For the ten months ended 31 October 2020

Rank	Employment agent	Principal business activities	Commencement year of business relationship	Credit term	Outsourcing amount attributable to employment agent	Approximate % of our total outsourcing amount attributable to employment agents	Average factory workers dispatched during the period ⁽⁸⁾
					RMB'000	%	
1	Employment Agent F ⁽¹⁾	Construction labour subcontracting, manufacturing of PC components	2019	25 days	25,811	70.0	300
2	Employment Agent G ⁽²⁾	Construction and construction machinery and equipment leasing	2019	25 days	10,675	29.0	58
3	Employment Agent C ⁽³⁾	Construction labour subcontracting, manufacturing of PC components	2018	30 days	352	1.0	4
Total					36,838	100.0	362

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For the year ended 31 December 2019

Rank	Employment agent	Principal business activities	Commencement year of business relationship	Credit term	Outsourcing amount attributable to employment agents	Approximate % of our total outsourcing amount attributable to employment agents	Average factory workers dispatched during the year ⁽⁸⁾
					RMB'000	%	
1.	Employment Agent C ⁽³⁾	Construction labour subcontracting, manufacturing of PC components	2018	30 days	4,975	44.3	67
2.	Employment Agent F ⁽¹⁾	Construction labour subcontracting, manufacturing of PC components	2019	25 days	4,683	41.7	111
3.	Employment Agent G ⁽²⁾	Construction and construction machinery and equipment leasing	2019	25 days	1,243	11.1	22
4.	Employment Agent D ⁽⁴⁾	Construction labour subcontracting, manufacturing of PC components	2018	15 days	323	2.9	65
Total					11,224	100.0	265

For the year ended 31 December 2018

Rank	Employment agent	Principal business activities	Commencement year of business relationship	Credit term	Outsourcing amount attributable to employment agents	Approximate % of our total outsourcing amount attributable to employment agents	Average factory workers dispatched during the year ⁽⁸⁾
					RMB'000	%	
1.	Employment Agent C ⁽³⁾	Construction labour subcontracting, manufacturing of PC components	2018	30 days	4,504	87.1	66
2.	Employment Agent B ⁽⁵⁾	Construction labour subcontracting, manufacturing of PC components, construction machinery and equipment leasing	2017	25 days	413	8.0	39
3.	Employment Agent D ⁽⁴⁾	Construction labour subcontracting, manufacturing of PC components	2018	15 days	244	4.7	53
4.	Employment Agent E ⁽⁶⁾	Construction labour subcontracting, green management	2018	N/A	10	0.2	7
Total					5,171	100.0	165

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For the year ended 31 December 2017

Rank	Employment agent	Principal business activities	Commencement year of business relationship	Credit term	Outsourcing amount attributable to employment agents	Approximate % of our total outsourcing amount attributable to employment agents	Average factory workers dispatched during the year ⁽⁸⁾
					RMB'000	%	
1.	Employment Agent A ⁽⁷⁾	Construction labour subcontracting and construction machinery and equipment leasing	2017	25 days	1,209	85.3	25
2.	Employment Agent B ⁽⁵⁾	Construction labour subcontracting, manufacturing of PC components and equipment leasing	2017	25 days	209	14.7	25
Total					1,418	100.0	50

Notes:

- Employment Agent F is a limited liability company established in the PRC in 2019 and based in Lingyuan City with registered and paid-up capital of RMB3.0 million and nil respectively, it became acquainted with our Group through the referral by Employment Agent D and had approximately 240 employees. The factory workers dispatched by Employment Agent F were primarily responsible for the production of PC components, the processing of rebar and general labour. The outsourcing cost was calculated based on a fixed price per unit of (i) PC component produced (by type); and (ii) rebar processed. The production volume of PC components and rebar processed attributable to factory workers dispatched by Employment Agent F amounted to approximately 21,908.65 m³ and 23,491.4 m for the year ended 31 December 2019, and 63,699.4 m³ and 17,890.9 m³ for the ten months ended 31 October 2020, respectively. During the Track Record Period, our Group was the only customer of Employment Agent F. For the year ended 31 December 2019, Employment Agent F recorded revenue of approximately RMB4.7 million and net profit of approximately RMB0.4 million. For the six months ended 30 June 2020, Employment Agent F recorded revenue of approximately RMB10.7 million and net profit of approximately RMB0.9 million.
- Employment Agent G is a limited liability company established in the PRC in 2010 and based in Xiamen with registered and paid-up capital of RMB10.0 million and nil respectively, it became acquainted with our Group through direct approach by the employment agent. The factory workers dispatched by Employment Agent G were primarily responsible for the processing of rebar, on-site formwork and installation of PC components. The outsourcing costs was calculated based on a fixed price per unit of utility tunnel segment installed.
- Employment Agent C is a limited liability company established in the PRC in 2014 and based in Haimen City with registered and paid-up capital of RMB5.0 million and RMB5.0 million respectively, it became acquainted with our Group through direct approach by our Group and had approximately 70 employees. The factory workers dispatched by Employment Agent C were primarily responsible for the production of PC components and general labour. The outsourcing cost was calculated based on a fixed price per unit of PC component produced (by type). For the two years ended 31 December 2019 and the ten months ended 31 October 2020, the production volume of PC components attributable to factory workers dispatched by Employment Agent C amounted to approximately 28,926.8 m³, 32,041.3 m³ and 158.0 m³ of PC components, respectively.
- Employment Agent D was a limited liability company established in the PRC in 2018 and based in Dalian City with registered and paid-up capital of RMB3.0 million and nil respectively and dissolved in 2019, it became acquainted with our Group through direct approach by the employment agent and had approximately 12 employees at the time of deregistration in 2019. The factory workers dispatched by Employment Agent D were primarily responsible for the production of PC components, the processing of rebar and general labour.

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The outsourcing cost was calculated based on a fixed price per unit of (i) PC component produced (by type); and (ii) rebar processed. The production volume of PC components and rebar processed attributable to factory workers dispatched by Employment Agent D amounted to approximately 1,678.9 m³ and 15,467.8 m for the year ended 31 December 2018 and approximately 3,013.5 m³ and 12,877.2 m for the year ended 31 December 2019, respectively. During the Track Record Period, our Group was the only customer of Employment Agent D. For the year ended 31 December 2018, Employment Agent D recorded revenue of approximately RMB0.2 million and net profit of approximately RMB0.02 million. For the year ended 31 December 2019, Employment Agent D recorded revenue of approximately RMB0.3 million and net profit of approximately RMB0.03 million.

5. Employment Agent B is a limited liability company established in the PRC in 2017 and based in Shijiazhuang City with registered and paid-up capital of RMB3.0 million and nil respectively, it became acquainted with our Group through direct approach by the employment agent and had approximately 200 employees. The factory workers dispatched by Employment Agent B were primarily responsible for the production of PC components. The outsourcing cost was calculated based on a fixed price per unit of PC component produced (by type). For the two years ended 31 December 2018, the production volume of PC components attributable to factory workers dispatched by Employment Agent B amounted to approximately 525.1 m³, 630.4 m³, respectively. Employment Agent B had 2 customers including our Group during the Track Record Period. For the year ended 31 December 2017, Employment Agent B recorded revenue of approximately RMB1.4 million and net profit of approximately RMB0.1 million. For the year ended 31 December 2018, Employment Agent B recorded revenue of approximately RMB2.0 million and net profit of approximately RMB0.1 million.
6. Employment Agent E is a limited liability company established in the PRC in 2015 and based in Xiamen with registered and paid-up capital of RMB2.0 million and RMB2.0 million respectively, it became acquainted with our Group through direct approach by the employment agent and had approximately 63 employees. The factory workers dispatched by Employment Agent E were primarily responsible for the production of PC components. The outsourcing cost was calculated on an hourly basis.
7. Employment Agent A is a limited liability company established in the PRC in 2016 and based in Changsha City with registered and paid-up capital of RMB3.0 million and nil respectively, it became acquainted with our Group through direct approach by the employment agent and had approximately 60 employees. The factory workers dispatched by Employment Agent A were primarily responsible for the production of PC components. The outsourcing cost was calculated on an hourly rate basis. For the year ended 31 December 2017, the production volume of PC components attributable to factory workers dispatched by Employment Agent A amounted to approximately 1,162.1 m³.
8. Average factory workers dispatched during the year/period is calculated based on the total headcount for the year/period, divided by the number of months of the respective employment agent engaged during the year/period.

Key terms of outsourcing contracts entered into with our employment agents

We have not entered into any long-term agreement with our employment agents, we generally engage employment agents on a project-by-project basis for factory workers. We select the employment agents from our list of qualified employment agents. The following table sets forth the summary of the typical key terms and conditions of the agreement with our employment agents:

Duration:	The duration of the engagement normally varies depending on the scope of our projects.
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Our responsibilities:	We are responsible for providing training related to operational techniques and production safety.
Employment agents responsibilities:	The employment agents are responsible for recruiting and arranging their own workers to undertake the labour work at our PC component production lines as required and determined by us and under the supervision of our production and project managers and in compliance with all applicable laws and regulations. The employment agents are responsible for any safety accidents arising from their failure to follow our safety procedures. The employment agents shall engage their own works and bear the social insurance and housing funds, other welfare benefits of the factory workers in accordance with relevant PRC laws and regulations.
Pricing:	The pricing of the contract is primarily calculated based on a fixed price per unit of PC component produced (by type) or rebar processed. We make payments directly to our employment agents, who are then responsible for paying their workers.
Payments terms:	The employment agents are paid in accordance with the status of the respective projects. In general, 80%–90% of the progress payment amount (actual sales orders completed) for the previous month shall be settled on a monthly basis, 10%–12% of the total progress payment amount shall be settled upon practical completion of the construction project and the balance of 5%–20% of the total progress payment amount will be retained by us as retention money and will be paid to the employment agents upon expiration of the defect liability period. Except one employment agent is partially prepaid according to our production schedule.
Default/termination:	We are entitled to terminate the contract if there is a breach of contract by the employment agents.

For the three years ended 31 December 2019 and the ten months ended 31 October 2020, the cost of outsourcing amounted to approximately RMB1.5 million, RMB6.0 million, RMB14.7 million and RMB40.3 million, respectively of which approximately RMB1.4 million, RMB5.2 million, RMB11.2 million and RMB36.8 million were attributable to outsourcing cost of employment agents. The increase of outsourcing cost during the Track Record Period was in line

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with our PC component operation growth, as we mainly relied on employment agents to supplement factory worker labour resources for our PC component production. During the Track Record Period, we had a total of 111, 304, 438 and 459 factory workers (including existing and former factory workers) involved in our PC components production, of which 50, 165, 265 and 362 were outsourced factory workers provided by our employment agents. For details please refer to the section headed “Financial information — Discussion on major items of the consolidated statements of comprehensive income — Cost of sales — Outsourcing cost”. The outsourced factory workers were involved in the production of approximately 1,687.2 m³, 31,236.1 m³, 56,963.4 m³ and 76,738.9 m³ of PC components, representing approximately 36.5%, 68.7%, 67.5% and 98.6% of our Group’s total production volume for the three years ended 31 December 2019 and the ten months ended 31 October 2020, respectively. The production of PC components involve key steps as detailed in the paragraph headed “Production Process — PC Components” in this section, and our production procedures generally involves both self-hired and outsourced factory workers. Therefore, the production volume attributable to self-hired factory workers will overlap with the production volume attributable to outsourced factory workers. During the Track Record Period, our direct labour cost attributable to the production of PC components were approximately RMB5.6 million, RMB12.4 million, RMB18.0 million and RMB18.9 million, respectively, of which approximately RMB1.7 million, RMB5.4 million, RMB7.3 million and RMB3.5 million were attributable to the factory workers directly hired by our Group respectively.

Set forth below is the outsourcing fee charged by our employment agents:

<u>Type of PC components (Unit)</u>	<u>Outsourcing fee charged by our employment agents</u>	<u>Industry range of outsourcing fee of PC components</u>
Floor slabs (RMB/m ³)	420	348–480
Square pile (RMB/m ³)	70	70–80
Beams (RMB/m ³)	500	348–550
Tunnel segments (RMB/piece)	1,248–1,360	1,248–1,574
Rebar processing (RMB/m)	7.6	7.6–9.0
Other miscellaneous products (RMB/m ³)	300–809	300–809
Daywork (RMB/day)	290	180–350

Source: Frost & Sullivan

In view of the above, our Directors believe, and Frost & Sullivan concurs that the outsourcing fees charged by each of the employment agents engaged by our Group during the Track Record Period were reasonable and comparable to those charged by industry peers providing similar services.

For details regarding our quality control on outsourced factory workers, please refer to paragraph headed “Quality control — Quality assurance on employment agents and outsourced factory workers” in this section. Our PRC Legal Advisers are of the view that these arrangements with employment agents are in compliance with the applicable PRC laws and regulations in all

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material respects. During the Track Record Period and up to the Latest Practicable Date, we have not experienced any material interruption of operations as a result of any disputes between us and the employment agents or other uncertainties and contingencies which may materially and adversely affect the business of our Group.

Our Directors confirmed that all of the above employment agents of our Group are Independent Third Parties and none of our Directors or their respective close associates or any Shareholders who, to the best knowledge of our Directors own more than 5% of the issued Shares immediately after completion of the Share Offer and the Capitalisation Issue, has any interests in any of such employment agents and none of above employment agents have any past or present relationships (including but not limited to employment, trust, financing, or family relationships) with our Group, our Directors, Shareholders, senior management or their respective associates during the Track Record Period.

LOGISTICS AND PRODUCT DELIVERY

We principally utilise our in-house delivery capability through Zhixin Logistics as well as independent logistics service providers to ensure efficient (i) delivery of our products to customers; and (ii) pick up of purchases from suppliers.

As at 31 October 2020, our truck fleet consisted of 76 concrete mixer trucks and 14 pump trucks. Our truck fleet is equipped with positioning satellite systems. It enables us to track and monitor our trucks instantly or at regular intervals. We can track the trucks' real-time location during each phase of the ready-mix cycle, including the waiting time, pouring time, idle time, loading time, deadhead and travel time, thus we can allocate our trucks efficiently and allow us to optimise our service schedules. With our own truck fleet, we are able to plan the delivery route in advance based on the customers' orders in order to ensure timely delivery of the products to our customers. Our logistics department can track the delivery of finished products to our customers and accurate estimated-time-of-arrival, this allows for better customer service and enhance flexibility and efficiency.

Our Group primarily relies on our truck fleet for our logistical needs, however, depending on our transportation capacity and availability, we may occasionally engage Guishun Logistics and Independent Third Parties logistics service providers. The logistics service providers shall be responsible for all risks relating to the products in transit upon completion of loading.

In addition, we maintain close liaison with our customers. In the event that we foresee that there would be delays in the delivery of our products to our customers, we will discuss alternative arrangement with our customers as soon as possible. During the Track Record Period and up to the Latest Practicable Date, our Group did not experience any material loss or delay in delivery of our products and no material dispute or claims were made against our logistics service providers.

For details of our business relationship with Guishun Logistics, please refer to paragraph headed "Procurement — Discontinued connected transactions — 4. Provision of logistics services by Guishun Logistics" in this section.

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We do not have a fixed replacement cycle policy for our trucks, therefore, there is no pre-determined period of use for our trucks but instead we assess on a vehicle-by-vehicle basis. To ensure our trucks are well maintained and operating efficiently, we conduct annual inspection and maintenance for all the trucks.

INVENTORY MANAGEMENT

Our inventory is comprised primarily of raw materials, work-in-progress and finished goods. Our raw materials mainly include cement, aggregates, admixtures, PFA, mineral powder and rebars. Work-in-progress refers to PC components which are under production process. Finished goods comprised only PC components as our ready-mixed concrete are semi-finished products in nature, and we only manufacture to order and do not keep any inventory.

Our Group maintains and procures raw materials in accordance with our anticipated production schedules while taking into account the transportation lead time for different raw materials. This is to assure sufficient supply of raw materials to support the continuous production needs, minimise wastage and avoid accumulation of obsolete inventories. We store raw materials in accordance with their categories and in a way to protect the environment. Aggregates are stored in the closed yard with automatic water spraying system and insulation board to prevent the spread of dust and reduce the noise pollution at work. Cement, PFA and mineral powder are stored separately in sealed storage silos with dust collectors and audible high-level alarms to minimise the dust emissions and to avoid over-filling.

The following table sets forth the movement of our Group's raw materials in terms of volume during the Track Record Period:

For the ten months ended 31 October 2020

	As at the beginning of period	Purchases volume	Consumption volume¹	Used for mould production²	Shrinkage^{3, 4, 5}	As at the end of period
	(tonne)	(tonne)	(tonne)	(tonne)	(tonne)	(tonne)
— Aggregates ⁴	36,381	1,871,952	(1,799,078)	—	(25,635)	83,620
— Cement	2,456	267,442	(261,083)	—	(4,864)	3,951
— Rebars ⁵	662	12,868	(11,127)	(1,143)	(725)	535
— Admixtures	231	8,060	(7,570)	—	(161)	560
— PFA	1,036	56,063	(47,675)	—	(5,038)	4,386
— Mineral powder	639	35,697	(32,279)	—	(1,662)	2,395
— Stone powder	3,033	192,581	(189,902)	—	(2,689)	3,023
	<u>44,438</u>	<u>2,444,663</u>	<u>(2,348,714)</u>	<u>(1,143)</u>	<u>(40,774)</u>	<u>98,470</u>

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For the year ended 31 December 2019

	As at the beginning of year	Purchases volume	Consumption volume ¹	Used for mould production ²	Shrinkage ^{3, 4, 5}	As at the end of year
	(tonne)	(tonne)	(tonne)	(tonne)	(tonne)	(tonne)
— Aggregates ⁴	34,735	2,087,230	(2,048,356)	—	(37,228)	36,381
— Cement	8,680	289,710	(295,867)	—	(67)	2,456
— Rebars ⁵	269	8,922	(6,848)	(1,049)	(632)	662
— Admixtures	682	6,566	(7,015)	—	(2)	231
— PFA	10,131	47,678	(52,266)	—	(4,507)	1,036
— Mineral powder	3,225	38,837	(39,488)	—	(1,935)	639
— Stone powder	3,183	115,392	(113,834)	—	(1,708)	3,033
	<u>60,905</u>	<u>2,594,335</u>	<u>(2,563,674)</u>	<u>(1,049)</u>	<u>(46,079)</u>	<u>44,438</u>

For the year ended 31 December 2018

	As at the beginning of year	Purchases volume	Consumption volume ¹	Used for mould production ²	Shrinkage ^{3, 4, 5}	As at the end of year
	(tonne)	(tonne)	(tonne)	(tonne)	(tonne)	(tonne)
— Aggregates ⁴	124,225	2,061,470	(2,142,642)	—	(8,318)	34,735
— Cement	2,911	330,176	(319,426)	—	(4,981)	8,680
— Rebars ⁵	123	2,789	(2,102)	(511)	(30)	269
— Admixtures	911	9,355	(9,568)	—	(16)	682
— PFA	3,636	70,200	(59,167)	—	(4,538)	10,131
— Mineral powder	1,807	43,881	(41,311)	—	(1,152)	3,225
— Stone powder	7,237	56,022	(58,862)	—	(1,214)	3,183
	<u>140,850</u>	<u>2,573,893</u>	<u>(2,633,078)</u>	<u>(511)</u>	<u>(20,249)</u>	<u>60,905</u>

For the year ended 31 December 2017

	As at the beginning of year	Purchases volume	Consumption volume ¹	Used for mould production ²	Shrinkage ^{3, 4, 5}	As at the end of year
	(tonne)	(tonne)	(tonne)	(tonne)	(tonne)	(tonne)
— Aggregates ⁴	309,631	1,896,548	(2,070,109)	—	(11,845)	124,225
— Cement	25,642	270,320	(292,817)	—	(234)	2,911
— Rebars ⁵	12	1,421	(579)	(190)	(541)	123
— Admixtures	389	9,047	(8,510)	—	(15)	911
— PFA	813	72,027	(64,714)	—	(4,490)	3,636
— Mineral powder	456	49,006	(46,145)	—	(1,510)	1,807
— Stone powder	20,488	21,680	(34,872)	—	(59)	7,237
	<u>357,431</u>	<u>2,320,049</u>	<u>(2,517,746)</u>	<u>(190)</u>	<u>(18,694)</u>	<u>140,850</u>

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Notes:

1. Consumption volume represents the amount of raw materials used for production of our ready-mixed concrete and PC components during the respective year/period.
2. It represents the amount of rebars used for fabrication of mould to be utilised in our PC components production.
3. Shrinkage represents the loss of raw materials during our production process and the amount of raw materials used for research and development by our design team, repair and maintenance, operating consumption.
4. During the Track Record Period, our Group's shrinkage of aggregates amounted to approximately 11,845 tonnes, 8,318 tonnes, 37,228 tonnes and 25,635 tonnes, representing approximately 0.6%, 0.4%, 1.8% and 1.4% of our consumption volume, respectively. The increase in shrinkage of aggregates for the year ended 31 December 2019 was mainly attributable to the significant increase in average monthly rainfall in Xiamen for the year ended 31 December 2019 as compared to 2018. According to the Frost & Sullivan Report, it is a common industry phenomenon that an average increase in moisture content of our aggregates (in particular sand) will be resulted during transportation to warehouses in the period of heavy rainfall seasons. Also, the aggregates will dry up in warehouses while pending for consumption, the weight of aggregates will hence decrease from the reduction of moisture content, which will create a greater variance in weight between purchase and consumption, thus, will lead to higher shrinkage. As stipulated in the purchase contracts entered into between our Group and our sand suppliers, our Group generally accepts a maximum moisture content level of 5.0% at acceptance.
5. During the Track Record Period, our Group's shrinkage of rebars amounted to approximately 541 tonnes, 30 tonnes, 632 tonnes and 725 tonnes, of which approximately 436 tonnes, nil, 639 tonnes and 693 tonnes, respectively, were used for the fabrication of PC component storage racks and part of the construction of PC Plant and Jimei Workshop to support the production of PC components. The remaining scrap rebars from our production process would usually be resold.

Our Group produces PC components in accordance with production schedule agreed with our customers. Finished products will be stored in our warehouses and storage yards and maintained by our warehouse operatives until delivery instructions have been given by our customers.

Our Group conducts physical stock counts on a regular basis to ensure the accuracy and completeness of inventory record.

Inventory levels and turnover rate

As at 31 December 2017, 31 December 2018, 31 December 2019 and 31 October 2020, our Group's inventory amounted to approximately RMB17.8 million, RMB20.5 million, RMB27.8 million and RMB51.6 million respectively, representing about 4.9%, 6.0%, 6.0% and 8.6% of our current assets on such periods respectively. For the Track Record Period, our Group's average inventory turnover rate was approximately 20.8 days, 16.1 days, 18.5 days and 25.1 days, respectively. Please refer to the section headed "Financial information — Discussion on major items of the consolidated statements of financial position — Inventories" of this prospectus for detailed analysis of our inventory levels.

OUTBREAK OF COVID-19

Since early 2020, the PRC and certain countries around the world encountered an outbreak of COVID-19, a highly contagious disease. In order to reduce the risk of widespread of COVID-19, the government of the PRC announced to extend the Chinese New Year holiday and delayed the resumption of work in the PRC. Different local governments of the PRC have imposed temporary restrictions or bans on passenger traffic to control the spread of COVID-19. Our Directors have carried out a holistic review of the impact of COVID-19 on our operations, and confirmed that, based on the measures imposed by the central and local governments of the PRC as at the Latest Practicable Date, COVID-19 is not expected to bring any permanent or material impact to our business operation and financial performance based on the following grounds:

A. Force majeure

Our customers had extended the Chinese New Year holiday and temporarily suspended their construction projects due to the outbreak of COVID-19. As confirmed by our Directors, we are able to fulfil our obligations under respective contracts with our customers when our customers resume construction works and the temporary suspension would not lead to a breach of the relevant contracts since there is generally no specific timetable stipulated in our sales contracts. As at the Latest Practicable Date, we had not received any notice from our customers that we were or would be subject to penalty for delay in projects due to the outbreak of COVID-19. Moreover, pursuant to the Guidance Part 1 of the Supreme People's Court on Several Issues Concerning the Proper Trial of Civil Cases Involving COVID-19 Epidemic in Accordance with Law (最高人民法院關於依法妥善審理涉新冠肺炎疫情民事案件若干問題的指導意見(一)) and Contract Law of the PRC (the "PRC Contract Law"), if the epidemic situation or the epidemic prevention and control measures directly cause the contract to be unable to be performed, the provisions of force majeure (不可抗力) shall be applied in accordance with the law, that is, either party to a contract that is not able to perform the contract shall give a notice to the other party in time so as to reduce the losses that may be caused to the other party and provide evidence within a reasonable time and the liabilities shall then be exempted in part or in whole in light of the effects of the epidemic situation or the epidemic prevention and control measures, except as otherwise provided by law. As advised by our PRC Legal Advisers, even if any suspension of projects due to the outbreak of COVID-19 occurs in the future, leading to our Group's breach of the relevant contracts, the relevant liabilities for breach of contract, including but not limited to liquidated damages, would be exempted in part or in whole after our Group has duly fulfilled the duty of notification according to applicable PRC laws and regulations.

B. Impact on our daily operations

While our production was temporarily suspended from late January 2020 to mid February 2020 in accordance with the extension of the Chinese New Year holiday and delay in resumption of work announced by the government of the PRC, which has gradually resumed since mid February 2020 and fully resumed in mid March 2020. In addition, for our PC components, we have maintained an inventory of our products, which we estimate that it is sufficient for sale to our customers for approximately three weeks. As such, we believe that the temporary suspension of our

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production was in compliance with the PRC Government's announcements to extend the Chinese New Year holiday and delay in resumption of work would not cause any material delay in our production.

C. Impact on our employees

Effective since February 2020, our Group has implemented epidemic prevention contingency plan setting forth epidemic prevention measures in accordance to local regulatory requirements and with reference to international guidelines issued by the World Health Organization. Our Group has also established epidemic prevention working teams consisting of executive Directors and senior management to carry out and monitor the key epidemic prevention measures and resulting situation. For details of the key epidemic prevention measures adopted by us, please refer to the paragraph headed "Occupational health and safety" in this section. As at the Latest Practicable Date, none of our Directors and/or employees had been suspected or confirmed to have contracted the COVID-19.

D. Impact on the demand for our products

We have communicated with our customers to keep track of the status of resumption of their construction projects. To the best knowledge of our Directors after making reasonable enquiries, 102 and 21 on-going projects as at 31 December 2019 with initial contract sum of approximately RMB879.5 million and RMB290.1 million for our ready-mixed concrete and PC components respectively had been temporarily suspended in late January 2020 due to the outbreak of COVID-19, and all on-going projects as at the Latest Practicable Date had resumed their construction works by the end of May 2020. Due to temporary suspension of our customers' operations, we had a slower collection of trade receivables from February to May 2020 and thus our trade receivables and trade receivables turnover days increased to approximately RMB540.3 million and 242.6 days for the ten months ended 31 October 2020 from approximately RMB417.8 million and 223.3 days for the year ended 31 December 2019, respectively. For the detailed discussion on the impact of outbreak of COVID-19 on the ready-mixed concrete and PC components industry in Fujian Province, please refer to the section headed "Industry overview" in this prospectus.

Construction activities are normally less active during the period from January to March due to Chinese New Year and we have maintained stable working relationship with our major suppliers and customers. Based on our historical experience, our customers will generally speed up their construction activities to catch up on delayed construction progress caused by unanticipated interruptions. Should the demand for our products increase, we may increase the number of production hours and days by adjusting our maintenance frequency and arranging production during public holidays to fulfil the production schedule. As such, we consider that the demand for our products is not affected by COVID-19 and the outbreak of COVID-19 is expected to bring limited impacts to us.

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E. Impact on the supply of our raw materials

We have maintained an inventory of raw materials, which we estimate that it is sufficient for our production for up to three weeks. All of our suppliers are located in Fujian Province with short procurement lead time, any temporary restriction or interruption on the transportation of our raw materials is not expected to cause disruption to our production. Our Directors confirm that we have not encountered any supply chain disruption caused by the outbreak of COVID-19 since our resumption of operation.

F. Impact on delivery of our products

All of our production plants and workshop are situated in Xiamen, which are in close proximity to the construction sites of our customers' projects, as such we do not contemplate any material restriction or interruption on the transportation of our products to construction sites in surrounding areas within proximity of Xiamen. Please refer to the paragraph headed "Logistics and product delivery" in this section for further details of our product delivery arrangement.

As disclosed above, based on the measures imposed by the central and local governments of the PRC as at the Latest Practicable Date, our Directors are of the view that COVID-19 is not expected to bring any permanent or material interruption to our operations. We have performed the hypothetically worst case scenario assuming (i) our business operations to be fully suspended and thus no revenue would be generated since January 2021; (ii) settlement of trade receivables based on historical settlement pattern; (iii) settlement of trade payables when due; (iv) 10% of the estimated net proceeds to be received by us from the Share Offer for general working capital; (v) settlement of bank borrowings upon maturity; and (vi) assuming all other variables remain constant, our Directors are of the view that our working capital as at the Latest Practicable Date is sufficient to maintain our Group's financial viability for approximately 17 months from the date of this prospectus. Therefore, our Directors believe that it is unlikely for our Group to change the usage of the net proceeds from the Share Offer for purposes other than our Group's future plans as disclosed in the paragraph headed "Business strategies" in this section. There is no certainty as to the timing of the end of the outbreak of COVID-19, our Directors will continue to assess the impact of the COVID-19 on our Group's operation and financial performance and closely monitor our Group's exposure to the risks and uncertainties in connection with the epidemic. For details, please refer to the section headed "Risk factors — Risks relating to our business and industry — The recent outbreak of the contagious COVID-19 in the PRC and worldwide may have a material adverse effect on our business, results of operation, financial condition and prospects" in this prospectus.

G. Contingency plans implemented by our Group

Since February 2020, a contingency management group (“**CMG**”) has been set up and consists of chief executive officer, chief operating officer, chief financial officer and company secretary of the Company, to deploy a business contingency plan (“**BCP**”) to mitigate possible disruption on our business operations in the event of the outbreak of the COVID-19:

Impact assessment on supply chain

The CMG has considered that our diverse suppliers pool can ensure the stability of our supply chain. Nevertheless, the CMG has also commenced to solicit new and additional suppliers as alternative supply chain source based on prudent consideration.

Workforce stability monitoring

We would discuss and prepare the internal contingency plans for different scenarios during the planning stage of production of ready-mixed concrete and PC components. The contingency plans would generally include, but not limited to, the contacts of the parties involved in the projects, the assignment of alternate personnel to replace any project team members in the event they have fallen ill.

If any employees have been confirmed positive for COVID-19, our production of ready-mixed concrete and PC components would consider suspending for at least 14 days to prevent further spreading.

Impact assessment on business sustainability

We are in close communication with our customers on construction project status to assess our ability to fulfil the obligations under the respective sales contract with our customer. However, our sales contract generally contains a clause that if we are not able to perform the respective contract due to the force majeure events, we shall give a notice to the customers within a reasonable time so as to reduce the losses and our liabilities shall then be exempted in part or in whole in light of the effects of the force majeure events.

Financial viability monitoring

The chief financial officer is responsible for communicating with sales team and finance team regarding the settlements of trade receivables and payables and for updating the forecast and report to our Directors of the latest financial viability on a monthly basis. The chief financial officer has also commenced soliciting additional bank financing sources and options, including expanding or diverging unutilised banking facilities.

The joint company secretaries are responsible for monitoring the result of BCP on a continuous basis, report to our Directors and make proper disclosure, upon listed, to the public of any major risks and changes, including the filing under inside information disclosure. The Company

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has also engaged a qualified law firm in PRC for long-term legal advisory service. Our Directors are of the view that the implementation of these plans will not incur any material additional costs that will significantly affect our financial performance and business operations.

QUALITY CONTROL

We endeavour to deliver quality and carefully produced products to our customers and imposed rigorous quality control measures throughout our production cycle, including product design, raw material examination, production process and product delivery. During the Track Record Period, we had no material dispute with our suppliers regarding the quality of raw materials delivered and we had not received any material claims or complaints about the quality of our products.

We have obtained and maintained the ISO9001:2015 certifications for our quality management system. Our quality management system is to ensure the quality of our products comply with the relevant national, provincial and industrial standards as well as meeting the requirements of our customers. Our Group performs quality assurance procedures with reference to various national and industrial standards, with major standards such as JGJ55-2011, GB50010-2010 and GB/T25181-2010 for the batching design of ready-mixed concrete, GB/T12573-2008, GB175-2007, GB/T1596-2017, GB/T23439-2017, GB/T18046-2017, GB8076-2008 and JGJ52-2006 for incoming raw material, GB50164-2011 for production of ready-mixed concrete, and GB/T50081-2019, GB/T50107-2010, GB/T14902-2012, GB50204-2015 and GB/T22082-2017 for outgoing finished goods. For details, please refer to paragraphs headed “Regulatory overview — I. The concrete and PC component industry — Ready-mixed concrete” and “Regulatory overview — I. The concrete and PC component industry — PC components” of this prospectus.

Standard laboratories have been established for each of our production plants to test the quality and functions of raw materials and finished products. We also have a quality control department to conduct the overall control and management of product quality. As at the Latest Practicable Date, our quality control department had 19 staff and our laboratory team had 66 staff responsible for conducting inspection and testing work to monitor quality in different production aspects.

Our major quality control procedures are as follows:

(i) Product design quality assurance

Our laboratory team is responsible to ascertain the mix design of our ready-mixed concrete would meet the prescribed specification. Our laboratory team may conduct internal testing on our sample test cubes of concrete to ascertain the technical qualities. We may also send the samples of test cubes of concrete to Independent Third Party accredited certification institution for testing before production to ensure the technical specifications are fulfilled.

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Our design team is responsible to conduct review on the shop drawings and mould design of our PC component products. The final shop drawings will be sent to our customer's designated licensed Independent Third Party design institutions for approval, to ascertain it meets the prescribed specifications.

(ii) Incoming quality assurance

We require our suppliers of cement and rebars to provide product quality certificates on incoming raw materials. Our laboratory and quality control department perform sample testing and routine inspection on incoming raw materials before they are put in storage or used in our production, to ensure that such materials comply with our required quality standards stipulated in the relevant purchase agreements. If the raw materials fail to meet our specifications and requirements, they will be returned to suppliers.

(iii) Production process quality assurance

During the production process, our quality control department carries out intermediate quality control inspections, reviews and tests on a sample basis at various stages of our production process to ensure that the production process is in order.

(iv) Outgoing quality assurance

Our laboratory and quality control teams perform tests and inspections on finished products on a sample basis to ensure the products meet the prescribed specifications and quality. Sample test cubes of concrete, extracted from our ready-mixed concrete and PC components, will be sent to independent accredited certification institutions for grade strength testing according to national standards.

(v) Quality assurance on employment agents and outsourced factory workers

During the Track Record Period, our Group engaged various employment agents to assist us sourcing factory workers for different aspects of our PC component production. To ensure the quality of our products and services conforms to required standard, we place stringent control on our outsourced service providers.

We generally evaluate and select employment agents based on (i) technical capability; (ii) quality of products and/or services; (iii) reputation in meeting production schedules; (iv) services charges; and (v) past compliance records. We maintain a list of qualified employment agents approved by our management. We source from approved service providers. We may enter into outsourcing contract with approved employment agents, which specifies our requirements and specifications of services and/or products expected. We assess the performance of employment agents from time to time. We may inspect or perform sample testing on the services and/or products and compare with our required specifications as quality check to ensure the quality of works performed by our outsourced factory workers fulfils our requirements.

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Outsourced factory workers for our PC component production lines are generally responsible for low-skilled labour-intensive procedures. They work under close supervision of our production and project managers. New factory workers will receive initial training as well as on-the-job training to ensure operating procedures and safety protocols are understood and adhered to.

LICENCES AND PERMITS

Our PRC Legal Advisers have confirmed that we have obtained all necessary approvals, consents, registrations, licences and permits for all of our operations and are within their respective effective periods during the Track Record Period and as at the Latest Practicable Date. Furthermore, our Directors have confirmed that our Group has not experienced any failure in applying for renewal of the following approvals, consents, registrations, licences and permits since establishment. The following table sets forth details of the material licences and permits applicable to our operations:

<u>Licences/Permits</u>	<u>Awarding authority</u>	<u>Scope</u>	<u>Holder</u>	<u>Effective period</u>
Fujian Province Pollutant Discharge Permit (福建省排污許可證)	Xiamen Environmental Protection Bureau Jimei Branch (廈門市環境保護局集美分局)	Water	Zhixin Construction Material	10 November 2015 to 9 November 2020 (Note)
Fujian Province Pollutant Discharge Permit (福建省排污許可證)	Xiamen Jimei District Ecology and Environmental Branch (廈門市集美區生態環境局)	Air	Zhixin Construction Technology	30 August 2019 to 29 August 2022
Construction Enterprise Qualification Certificate (建築業企業資質證書)	Xiamen Construction Bureau (廈門市建設局)	Professional Contracting of Ready-mixed Concrete	Zhixin Construction Material	23 June 2016 to 22 June 2021
Food Business Licence (食品經營許可證)	Market and Quality Supervision Commission of Jimei District, Xiamen (集美區市場監督管理局)	Hot food production and sale	Zhixin Construction Material	20 December 2016 to 19 December 2021
Food Business Licence (食品經營許可證)	Market and Quality Supervision Commission of Jimei District, Xiamen (集美區市場監督管理局)	Hot food production and sale	Zhixin Construction Technology	24 January 2019 to 26 February 2022

Note: As advised by the PRC Legal Advisers, according to the Classification Management Catalog of Pollutant Discharge Permits for Stationary Sources of Pollution (2019 Edition) (《固定污染源排污許可分類管理名錄(2019年版)》), pollutant discharging units that are subject to registration and administration, such as Zhixin Construction Material, do not need to apply for a pollutant discharging permit, but should fill in a pollutant discharging registration form on the National Platform for the Management of Pollutant Discharging Permits (全國排污許可證管理信息平台). Zhixin Construction Material has filled in the pollutant discharging registration form, which is valid from 2 November 2020 to 1 November 2025, on the National Platform for the Management of Pollutant Discharging Permits on 2 November 2020.

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CERTIFICATIONS

The following table sets forth certain certifications with respect to processing and quality control during the Track Record Period and as at the Latest Practicable Date:

<u>Nature</u>	<u>Certification</u>	<u>Awarding organisation or authority</u>	<u>Holder</u>	<u>Year of grant</u>	<u>Expiry date</u>
Occupational Health and Safety Management System Certification (職業健康安全管理体系認證證書)	OHSAS 18001	China Quality Mark Certification Group Co., Ltd. (方圓標誌認證集團)	Zhixin Construction Technology	2017	14 November 2023
			Zhixin Construction Material	2018	26 November 2021
Environmental Management System Certification (環境管理體系認證證書)	ISO 14001	China Quality Mark Certification Group Co., Ltd. (方圓標誌認證集團)	Zhixin Construction Technology	2017	14 November 2023
			Zhixin Construction Material	2018	26 November 2021
Quality Management System Certification (質量管理體系認證證書)	ISO 9001	China Quality Mark Certification Group Co., Ltd. (方圓標誌認證集團)	Zhixin Construction Technology	2017	14 November 2023
			Zhixin Construction Material	2018	28 February 2024
Energy Management Systems Certificate (能源管理體系認證證書)	ISO 50001	China Quality Mark Certification Group Co., Ltd. (方圓標誌認證集團)	Zhixin Construction Technology	2020	15 December 2022
Work Safety Standardisation Certificate (安全生產標準化證書)	N/A	Xiamen Security Production Management Association (廈門市安全生產管理協會)	Zhixin Construction Technology	2017	December 2023
			Zhixin Construction Material	2019	November 2022
“Three Star Rating” Green Building Materials Evaluation Label (三星級綠色建材評價標識證書)	N/A	CTC (中國建材檢驗認證集團股份有限公司)	Zhixin Construction Material	2019	20 November 2022

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AWARD AND ACCREDITATIONS

The following table sets forth some of our major recognitions and awards:

<u>Year of award</u>	<u>Recognitions and awards</u>	<u>Awarding organisation or authority</u>
2008–2015	Excellent Enterprise of the China Concrete Industry (中國混凝土行業優秀企業)	Concrete Branch of China Construction Industry Association (中國建築業協會混凝土分會)
2008	Excellent Enterprise of the Xiamen ready-mixed Concrete Industry (廈門市混凝土行業優秀企業)	Xiamen Bulk Cement Office and Xiamen Construction Engineering Materials Equipment Association (廈門市散裝水泥辦公室及廈門市建設工程材料設備協會)
2010–2011	Excellent Enterprise of the Xiamen ready-mixed Concrete Industry (廈門市混凝土行業優秀企業)	Xiamen Bulk Cement Office and Xiamen Construction Engineering Materials Equipment Association (廈門市散裝水泥辦公室及廈門市建設工程材料設備協會)
2011–2016	Model Enterprise of Green Production of the China Concrete Industry (中國混凝土行業綠色生產示範企業)	Concrete Branch of China Construction Industry Association (中國建築業協會混凝土分會)
2015	Member of the China Concrete and Cement-based Products Association (中國混凝土與水泥製品協會會員)	China Concrete and Cement-based Products Association (中國混凝土與水泥製品協會)
2015	Member of the Fujian Engineering Construction Quality Security Association Detection Branch (福建省工程建設質量安全協會檢測分會會員)	Fujian Engineering Construction Quality Security Association Detection Branch (福建省工程建設質量安全協會檢測分會)
2016	Advanced Enterprise for Water Conservation (節水型先進企業(單位))	Xiamen Construction Bureau (廈門市建設局)
2016–2017	Excellent Enterprise of the China Concrete Industry (中國混凝土行業優秀企業)	China Northeast Architectural Design & Research Institute Co., Ltd. (中國建築東北設計研究院有限公司)
2017	Excellent Enterprise (優秀企業)	The Branch Concrete of Fujian Construction Industry Association (福建省建築業協會混凝土分會)
2017	Member of Fujian Provincial Building Industrial Association (福建省建築產業現代化協會會員)	Fujian Provincial Building Industrial Association (福建省建築產業現代化協會)

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<u>Year of award</u>	<u>Recognitions and awards</u>	<u>Awarding organisation or authority</u>
2017–2018	Model Enterprise of Green Production of the China Concrete Industry (中國混凝土行業綠色生產示範企業)	Model Enterprise of Green Production of the China Concrete Industry Evaluation Committee (中國混凝土行業綠色生產示範企業評審委員會)
2018	Member of Xiamen Building Materials Industry Association (廈門市建築材料行業協會會員)	Xiamen Building Materials Industry Association (廈門市建築材料行業協會)
2018	Xiamen Innovative Brand (改革開放四十年廈門創新品牌)	Xiamen Association of Commerce Chamber (廈門市商業聯合會)
2018	Member of China Municipal Engineering Association Utility Tunnel Construction and Underground Space Utilisation Committee (中國市政工程協會綜合管廊建設及地下空間利用專業委員會會員)	China Municipal Engineering Association Utility Tunnel Construction and Underground Space Utilisation Committee (中國市政工程協會綜合管廊建設及地下空間利用專業委員會)
2018	China Building Material Certification (中國建材認證)	CTC (中國建材檢驗認證集團股份有限公司)
2018–2019	Excellent Enterprise of the China Concrete Industry (中國混凝土行業優秀企業)	Excellent Enterprise of the China Concrete Industry Evaluation Committee (中國混凝土行業優秀企業評審委員會)
2019	Xiamen Municipal High and New Technology Enterprise (廈門市市級高新技術企業)	Xiamen Municipal Bureau of Science and Technology (廈門市科學技術局)
2020	Xiamen New Materials Enterprise (廈門市新材料企業)	Xiamen Municipal Bureau of Industry and Information Technology (廈門市工業和信息化局)
2020	Fujian Science and Technology Little Giant Leader Enterprise (福建省科技小巨人領軍企業)	Fujian Department of Science and Technology (福建省科學技術廳), Fujian Development and Reform Commission (福建省發展和改革委員會), Fujian Provincial Bureau of Industry and Information Technology (福建省工業和信息化廳) and Fujian Provincial Bureau of Finance (福建省財政局)

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<u>Year of award</u>	<u>Recognitions and awards</u>	<u>Awarding organisation or authority</u>
2020	Xiamen Science and Technology Little Giant Leader Enterprise (廈門市科技小巨人領軍企業)	Xiamen Municipal Bureau of Science and Technology (廈門市科學技術局), Xiamen Municipal Bureau of Finance (廈門市財政局), Xiamen Development and Reform Commission (廈門市發展和改革委員會), Xiamen Municipal Bureau of Industry and Information Technology (廈門市工業和信息化局) and Xiamen Torch Development Zone for High Technology Industries Management Committee (廈門火炬高技術產業開發區管理委員會)
2020	Green Factory (綠色工廠)	Energy Conservation and Resources Utilisation Department of the Ministry of Industry and Information Technology of the PRC (工業和信息化部節能與綜合利用司)
2020	National Prefabricated Construction Industrial Base (國家裝配式建築產業基地)	MOHURD

EMPLOYEES

As at the Latest Practicable Date, we had 628 full time employees who were directly employed by our Group of which 627 in the PRC and one in Hong Kong. The following table sets forth the breakdown of our employees by function as at the Latest Practicable Date:

<u>Employee (by function)</u>	<u>As at the Latest Practicable Date</u>
General management	14
Production	168
Transportation	176
Construction and installation	41
Procurement	30
Quality control, laboratory and design	95
Technical	19
Sales and marketing	15
Finance and administration	70
Total	628

Recruitment, remuneration and training policies

We generally recruit our employees from the open market by placing recruitment advertisements. We offer competitive remuneration packages to our employees. Our Directors believe that continuous education and training are important to maintain the quality of us. We arrange new and current staff members to attend training courses to ensure their competence and to

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keep them abreast of the latest developments and best practices in the industry to enhance their work performance. For the Track Record Period, our total staff costs were approximately RMB41.9 million, RMB53.4 million, RMB54.6 million and RMB52.2 million, respectively.

Our Directors consider that we have maintained good relationships with our employees. We have not experienced any significant problems with our employees or any disruptions to our operations due to labour disputes nor have we experienced any difficulties in the recruitment or retention of experienced staff or skilled personnel during the Track Record Period and as at the Latest Practicable Date.

OCCUPATIONAL HEALTH AND SAFETY

Our Group is committed to our health and safety standards and regularly review our systems to ensure that they are adequate for our business operations. Under our integrated management system, we are awarded with the OHSAS 18001:2007 certification for our occupational health and safety system.

We regard occupational health and safety as one of our important social responsibilities, and thus we lay significant emphasis on safety control to minimise work-related accidents. Our business operations involve mechanical processes, use of electricity and heavy equipment, welding, heavy lifting, loading and transportation process. As a result, our employees and the general public may face risks of various occupation-related accidents and injuries. We have in place safety guidelines and operating manuals setting our safety measures for our operations, including amongst others, machinery and equipment operations, fire prevention, traffic safety, construction site safety and other work-related injury prevention procedures.

Management personnel of each department is responsible to coordinate workplace safety procedures in their own department. We conduct equipment maintenance on a regular basis to ensure they operate smoothly and safely. Safety-related inspection is carried out on a monthly basis to (i) oversee the implementation of the safety measures at our production plants; (ii) critically examine all factors, such as processes, procedures and equipment, that may potentially cause injury or fatality; and (iii) identify where action is necessary to control hazards.

In order to enhance our employees' awareness on occupational safety issues, we equip our employees with sufficient occupational safety knowledge, by providing safety orientation for all new employees and regular safety training for workers performing duties for our manufacturing, delivery and assembly processes.

During the Track Record Period and up to the Latest Practicable Date, as advised by our PRC Legal Advisers and based on the certification issued by relevant safety production supervision, (i) we have not been fined by relevant departments due to any significant safety incident and (ii) there were no other material work-related injuries or fatalities. We were not subject to any material claims for personal or property damages as at the Latest Practicable Date.

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Precautionary measures for COVID-19

Effective since February 2020, our Group has implemented epidemic prevention contingency plan setting forth epidemic prevention measures in accordance to local regulatory requirements and with reference to international guidelines issued by the World Health Organization. Our Group has also established CMG consisting of executive Directors and senior management to carry out and monitor the key epidemic prevention measures and resulting situation.

Key epidemic prevention measures implemented include, but not limited to:

- fulfilment of all required epidemic prevention conditions imposed by the government for resuming our operation;
- providing sufficient epidemic prevention supplies (e.g. masks, sanitiser) for our staff in accordance to government's requirement;
- implementation of necessary epidemic prevention measures at our workplace in accordance to local authorities' guidelines in Xiamen, including but not limited to strictly applying 14-days observation periods of staff before they can be re-admitted into our workplace (for those classified in higher epidemic risk category), strongly requiring temperature testing and masks wearing by all staff and incoming guests and frequently sanitising our workplace;
- disengaging all off-site work if our business partners do not meet reasonable epidemic prevention requirements; and
- setting up emergency dealing and reporting procedures and contact information for suspicious and confirmed cases.

We believe such measures are effective in reducing the risk of spreading of COVID-19 among our employees. As at the Latest Practicable Date, none of our Directors and/or employees had been suspected or confirmed to have contracted the COVID-19.

ENVIRONMENTAL COMPLIANCE AND POLLUTION CONTROLS

Our environmental protection policy and risks identification

Our Group has established environmental protection policy that targets to manage the environmental impact of our business operation, to demonstrate our commitment to operate our business with no significant and adverse impact on the environment and to ensure that our operations are in compliance with the relevant environmental requirements pursuant to the laws of the PRC.

Our environmental safety and health monitoring team, which is under our administrative department, is responsible for monitoring the implementation of our environmental protection policy and reviewing our environmental protection targets, as well as managing and assessing

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environmental risks, and reporting to our chief operating officer for the environmental affairs. Our chief operating officer is responsible for overseeing the environmental protection matters to ensure compliance with the environmental protection laws and regulations. We have engaged a qualified law firm in PRC for routine legal advisory service to advise us on relevant laws and regulations whenever necessary.

We have internal manuals which specify the standards of our environmental protection and to identify various environmental risks. We update such internal manuals and our environmental protection policy from time to time for full compliance with the changing standards on environmental protection. We perform regular on-site inspections at our production plants and internal assessments for environmental risks to ensure that our environmental protection policy is duly implemented. Our environmental safety and health monitoring team carry out regular environmental inspections and assessments regarding environmental matters in accordance to our internal manuals to ensure the prescribed actions and targets are fulfilled by our employees. Environmental data is collected and reported in the environmental inspection reports. In the event of any incidents identified during the environmental inspections, we will carry out the necessary investigations and rectification actions accordingly.

Our Group is committed to environmental responsibility in all aspects of our business, from procurement of raw materials to treatment of wastes. Under our integrated management system, we are awarded with the ISO 14001:2015 certification for our environmental management system. We regard ourselves as a green manufacturer of construction material and take environmental protection seriously as we endeavour to produce environmental-friendly products.

Impact of environmental risks on our Group

Our operations are subject to certain environmental protection laws and regulations promulgated by the PRC Government, such as Environmental Protection Law of the PRC (《中華人民共和國環境保護法》). In compliance with the applicable PRC laws and regulations, our Group had obtained all required approvals for the permission of waste water discharge, noise and air pollutants emission, and solid waste disposal for our ready-mixed concrete in RMC Plant and PC components production in PC Plant and Jimei Workshop, respectively. A summary of the environmental protection laws and regulations applicable to our Group is set out in the section headed “Regulatory overview — V. Environmental protection” of this prospectus. If we fail to comply with the applicable environmental protection laws and regulations, we may be subject to fine or penalty. The laws and regulations on environmental protection may change from time to time and any change may increase our cost of compliance and place burden on our operations when we have to comply with it. Please refer to the paragraph headed “Risk factors — Risks relating to our business and industry — We are subject to environmental protection laws and regulations and may be exposed to potential costs for environmental compliance. Our failure to comply with environment regulations may subject us to penalties.” for details.

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Our Directors confirm that, during the Track Record Period and up to the Latest Practicable Date, our Group had complied with the relevant environmental laws and regulations in all material respect and we were not subject to any material fines, penalties or compensation as a result of violation of the applicable environmental laws and regulations.

Environmental risks identification, assessment, and management

Our Directors consider that the major environmental risks of our operations include (i) waste wash water, (ii) dust, (iii) noise pollution and (iv) solid waste. We identify and assess environmental risks according to the relevant legal requirement and environmental consequence. We have adopted the following measures to identify, assess, and manage risks that may arise from these aspects.

For ready-mixed concrete production

During our production process, we aim to produce in an environmental-friendly manner. Zhixin Construction Material was recognised as a Model Enterprise for Green Production by the Concrete Branch of China Construction Industry Association for the years from 2011 to 2016 and by the Model Enterprise of Green Production of the China Concrete Industry Evaluation Committee for the years from 2017–2018, and an Advanced Enterprise for Water Conservation by the Xiamen Construction Bureau in 2016. Moreover, since November 2016 our ready-mixed concrete products have been accredited with the highest “Three-Star Rating” for Green Building Material Evaluation Label by the CTC. During the Track Record Period, we have adopted the following procedures to make our products and production processes environmental-friendly and to manage risks that may arise from the following aspects:

Waste wash water recycling

Waste wash water can generally be collected during the recycling of concrete and during cleaning of batching plant and equipment. We handle our discharge of waste wash water in accordance with the “Integrated Wastewater Discharge Standard” (GB8978-1996), jointly issued by AQSIQ and MEE. We mainly acquire our waste wash water from rinsing (i) the tank of our mixer truck after each delivery; (ii) mixing equipment; and (iii) trucks and transporters of raw material. The collected waste wash water will then be discharged to our precipitation tanks set up in our production facility for sedimentation. The precipitation process of waste wash water will separate the aggregates and PFA from other non-recyclable materials for reuse in our production process.

Dust

Dust is generated mainly from the loading process of aggregates, the unloading of powder and particle materials, the batch charging process and the agitation of ground dust. We minimise our PM level in the atmosphere of our batching plant in accordance with the “Emission Standard of Air Pollutants for Cement Industry” (GB4915-2013), jointly issued by AQSIQ and MEE.

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To reduce dust generated from the loading process of aggregates, our warehouses are installed with automatic sprinkler systems and utilise a dust tight seal design to confine the amount of dust being released into the atmosphere. We also require our trucks to be covered when loaded with aggregates. We designate specific personnel to regularly check the effectiveness of the dust removal devices in the tubular powder material bins to ensure that the dust removal devices are operating normally and that no dust is discharged. We also designate specific personnel to manage raised dust during our production process, by adopting methods such as spraying water and covering the dust source or spraying covering agents.

Noise pollution

Noise may be generated during the loading and mixing phase of our production of ready-mixed concrete. We minimise our noise emission in accordance with the “Emission Standard for Industrial Enterprises Noise at Boundary” (GB12348-2008), jointly issued by AQSIQ and MEE. We tend to select low noise generating equipment and machinery for our production whenever possible in order to minimise noise emission.

Solid waste

Solid waste such as obsolete concrete blocks may be generated from our production process. We handle our solid waste in accordance with the “Standard for Pollution Control on the Storage and Disposal Site for General Industrial Solid Waste” (GB18599-2001), jointly issued by AQSIQ and MEE. We store the solid wastes before they were transferred to a qualified third party for disposal in order to prevent pollution of the environment caused by industrial solid wastes.

For PC component production

Our PC component production does not operate in a highly polluting industry and our production technologies and processes do not involve heavy pollution. However, we regard environmental protection as an important corporate responsibility and therefore place great emphasis on environmental protection measures and policies in our daily operations and have established and implemented various internal control measures regarding environmental compliance and pollution controls.

According to the “Guiding Opinions of the General Office of the State Council on Vigorously Developing Prefabricated Buildings” (《國務院辦公廳關於大力發展裝配式建築的指導意見》) promulgated by the General Office of the State Council on 27 September 2016, the use of PC components in construction is highly encouraged. In response to the increasing environmental friendly building demands following the guiding opinion, our Group expanded into the PC components market and commenced operation in the second half of 2017, in part of our effort to facilitate industrial energy and resource conservation as well reducing the pollution caused by construction activities. Moreover, our PC component products have been certified by the CTC in April 2018 as “Green Building Materials & Products”.

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During the Track Record Period, the aggregate annual costs incurred by our Group on environmental compliance, mainly included depreciation and staff costs, were approximately RMB0.4 million, RMB0.7 million, RMB0.8 million and RMB0.7 million, respectively.

Emissions and consumption

Air emission

The table below sets forth a breakdown of our gas emission during the Track Record Period:

	Year ended 31 December			Ten months ended 31 October
	2017	2018	2019	2020
	(tonnes)	(tonnes)	(tonnes)	(tonnes)
Gas emissions				
Nitrogen oxides ⁽¹⁾	15.82	16.03	14.82	13.33
Sulphur oxides ⁽¹⁾	0.03	0.03	0.03	0.03
PM ⁽¹⁾	1.14	1.16	1.07	0.96
	16.99	17.22	15.92	14.32
Emission density ⁽²⁾	0.04	0.03	0.03	0.02

Notes:

1. Refers to the gas emissions resulting from the consumption of fuel in our Group's daily operations, including our vehicles and equipment, taking into account the relevant emission rates and driving distances, which exclude external logistics service providers (i.e. flatbed trucks for the delivery of PC components).
2. Refers to the emission of gas per million of revenue in the corresponding year/period.

Our Group emits gas amid our daily operations from the consumption of gaseous fuels, such waste gas mainly include pollutants such as nitrogen oxides (NO_x) and sulfur oxides (SO_x) and respiratory suspended particles such as PM. During the Track Record Period, our Group emitted a total of approximately 16.99 tonnes, 17.22 tonnes, 15.92 tonnes and 14.32 tonnes of waste gas, respectively, and maintained a stable emission intensity. The intensity of our gas emission mainly depends on the driving distances incurred by our logistics activities from our truck fleet during the corresponding period.

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The increase in air emission for the year ended 31 December 2018 is mainly due to the increase in sales volume of ready-mixed products from approximately 1,083,949 m³ for the year ended 31 December 2017 to approximately 1,086,309 m³ for the year ended 31 December 2018. The decrease in air emission for the year ended 31 December 2019 is mainly due to the decrease in sales volume of ready-mixed products from approximately 1,086,309 m³ for the year ended 31 December 2018 to approximately 1,025,734 m³ for the year ended 31 December 2019.

The table below sets forth a breakdown of our greenhouse gas emission during the Track Record Period:

	Year ended 31 December			Ten months ended 31 October
	2017	2018	2019	2020
	(tonnes of CO ₂ e)			
Greenhouse gas emission				
Direct emission ⁽¹⁾	5,330.52	5,399.76	4,990.40	4,541.49
Indirect emission ⁽²⁾	3,343.52	3,508.67	3,617.19	3,260.44
	8,674.04	8,908.43	8,607.59	7,801.93
 Emission density ⁽³⁾	 21.71	 17.42	 14.57	 12.96

Notes:

1. Refers to the carbon dioxide (CO₂) emission, methane (CH₄) emission and nitrous oxide (N₂O) emission attributed to the consumption of fuel in daily operation, including our vehicles and equipment, which exclude external logistics service providers (i.e. flatbed trucks for the delivery of PC components).
2. Refers to the carbon dioxide (CO₂) emission, methane (CH₄) emission and nitrous oxide (N₂O) emission attributed to the use of electricity by our Group.
3. Refers to the emission of greenhouse gas per million of revenue in the corresponding year/period.

Our Group generates direct and indirect emissions of greenhouse gases due to consumption of fuel and electricity. During the Track Record Period, the total greenhouse gas emission of our Group was approximately 8,674.04 tonnes of carbon dioxide equivalent, 8,908.43 tonnes of carbon dioxide equivalent, 8,607.59 tonnes of carbon dioxide equivalent and 7,801.93 tonnes of carbon dioxide equivalent, respectively.

The increase in direct greenhouse gas emission for the year ended 31 December 2018 is mainly due to the increase in sales volume of ready-mixed products from approximately 1,083,949 m³ for the year ended 31 December 2017 to approximately 1,086,309 m³ for the year ended 31 December 2018. The decrease in direct greenhouse gas emission for the year ended 31 December

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2019 is mainly due to the decrease in sales volume of ready-mixed products from approximately 1,086,309 m³ for the year ended 31 December 2018 to approximately 1,025,734 m³ for the year ended 31 December 2019.

The increase in indirect greenhouse gas emission for the year ended 31 December 2018 is mainly due to the increase in production volume from our production facilities from approximately 1,097,808 m³ for the year ended 31 December 2017 to approximately 1,136,025 m³ for the year ended 31 December 2018. The decrease in indirect greenhouse gas emission for the year ended 31 December 2019 is mainly due to the decrease in production volume from our production facilities from approximately 1,136,025 m³ for the year ended 31 December 2018 to approximately 1,118,400 m³ for the year ended 31 December 2019.

Discharge of dust and solid waste

The table below sets forth a breakdown of our industrial waste during the Track Record Period:

	Year ended 31 December			Ten months ended 31 October
	2017	2018	2019	2020
	(tonnes)	(tonnes)	(tonnes)	(tonnes)
Industrial waste				
Dust ⁽¹⁾	0.68	0.72	0.71	0.66
Solid waste ⁽¹⁾	326.00	345.00	338.00	302.00
	326.68	345.72	338.71	302.66
 Emission density ⁽²⁾	 0.82	 0.68	 0.57	 0.50

Notes:

1. Refers to industrial waste discharged during our production.
2. Refers to industrial waste discharged per million of revenue in the corresponding year/period.

Our Group generates non-hazardous industrial wastes, including dust and solid waste during our production process. During the Track Record Period, our Group discharged approximately 326.68 tonnes, 345.72 tonnes, 338.71 tonnes and 302.66 tonnes of industrial waste, respectively, and achieved a stable discharge intensity.

The increase in the discharge of dust for the year ended 31 December 2018 is mainly due to the increase in production volume from our production facilities from approximately 1,097,808 m³ for the year ended 31 December 2017 to approximately 1,136,025 m³ for the year ended 31 December 2018. The decrease in the discharge of dust for the year ended 31 December 2019 is

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mainly due to the decrease in production volume from our production facilities from approximately 1,136,025 m³ for the year ended 31 December 2018 to approximately 1,118,400 m³ for the year ended 31 December 2019.

The increase in the discharge of solid waste for the year ended 31 December 2018 is mainly due to the increase in production volume from our production facilities from approximately 1,097,808 m³ for the year ended 31 December 2017 to approximately 1,136,025 m³ for the year ended 31 December 2018. The decrease in the discharge of solid waste for the year ended 31 December 2019 is mainly due to the decrease in production volume from our production facilities from approximately 1,136,025 m³ for the year ended 31 December 2018 to approximately 1,118,400 m³ for the year ended 31 December 2019.

Water consumption

The table below sets forth a breakdown of our water consumption during the Track Record Period:

	Year ended 31 December			Ten months ended 31 October
	2017	2018	2019	2020
	(m ³)	(m ³)	(m ³)	(m ³)
Water consumption				
For production use ⁽¹⁾	140,590	141,890	142,600	128,590
Consumption density ⁽²⁾	351.90	277.53	241.37	213.55

Notes:

1. Refers to water consumed during our production process.
2. Refers to water consumption per million of revenue in the corresponding year/period.

During the Track Record Period, our Group consumed approximately 140,590 m³, 141,890 m³, 142,600 m³ and 128,590 m³ of water, respectively, during our production process and we did not encounter any problems in sourcing water that is fit for purpose.

The increase in the water consumption for the year ended 31 December 2018 is mainly due to the increase in production volume of our PC components from approximately 4,623 m³ for the year ended 31 December 2017 to approximately 45,476 m³ for the year ended 31 December 2018. The increase in the water consumption for the year ended 31 December 2019 is mainly due to increase in production volume of our PC components from approximately 45,476 m³ for the year ended 31 December 2018 to approximately 84,428 m³ for the year ended 31 December 2019.

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Resources consumption

We aim to carry out our production in an environmental-friendly manner. Electricity and water are consumed in our production process and minimising resources consumption is one of the key considerations in our operations. Our Group advocates the concept of green office and encourages our employees to reduce resources consumption, including the promotes of electricity-saving such as switch off lights in public areas during non-working hours, minimise water consumption by using water-saving appliances, and reduce waste generation through the use of recycling bins, so as to minimise the impact on the environment.

Supply chain management

Our Group places high importance on the management of potential environmental and social risks of our supply chain when we procure raw materials. As at 31 December 2017, 31 December 2018, 31 December 2019 and 31 October 2020, we had a total of 297, 362, 284 and 188 raw material suppliers, respectively, all of which are located in Fujian Province. Amongst our supply chain consisted of, among others, cement manufacturers, rebar manufacturers, quarry miners and river sand miners. Our Group has adopted a stringent and standardised procurement system and a supplier selection process which also take environmental and social risk control of suppliers into account in order to regulate the procurement system and control cost effectively and enhance the transparency of procurement management.

Supplier assessment

Our Group expects our suppliers to fulfill the standards in terms of environment, quality, society, corporate governance as well as commercial ethics. We require our suppliers to (i) obtain and maintain valid permits, licenses, government approvals and certifications or proof of compliance of relevant rules and regulations, including those related to environmental protection (where applicable) required by the relevant PRC laws, rules and regulations; and (ii) deliver positive influences on the environmental and social matters, the scope of which mainly includes operational compliance, employees' health and workplace safety issues, social responsibility, commercial ethics and environmental protection. Our Group will select suppliers with no material non-compliance or unethical behaviours. We will consider to terminate or not to renew (as the case may be) the supply contract with the relevant enterprises or suppliers that may cause or have caused material environmental, social and governance impacts. Through the aforesaid assessment process, we aim to minimise potential environmental and social risks of our supply chain.

Our Directors confirm that, during the Track Record Period, none of our major suppliers were subject to any material fines, penalties or compensation as a result of violation of the applicable environmental laws and regulations.

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ESG Working Group

Upon Listing, our Board will be responsible for devising strategies and targets in relation to environmental, social and governance (“ESG”). We will establish a team of four members which shall comprise the chairman of the audit committee, the chief executive officer, the chief operating officer (or chief financial officer) and an executive Director (“ESG Working Group”). The ESG Working Group shall be primarily responsible for, among others, updating our ESG policies and monitoring the effectiveness of implementation, ensuring our compliance with the relevant laws and regulations in these aspects, evaluating significant ESG matters through the conduct of stakeholders engagement, and reviewing and adopting the materiality and climate change impact assessments and reports in respect of our Group’s impact on health, safety, environment and society in accordance with the requirements under Appendix 27 to the Listing Rules.

INSURANCE

During the Track Record Period, we maintain insurance to cover damage of our vehicles. We also purchase pension insurance, medical insurance, employment insurance, work injury insurance, maternity insurance and personal injury insurance for our employees.

Consistent with what we believe to be customary practice in China, we do not carry fire, flooding or other property insurance for our production facilities, or any third-party liability insurance to cover claims in respect of property or environmental damage arising from accidents on our properties or relating to our properties or operations, nor do we carry any business interruption insurance or key-man life insurance on our key employees. For details, please refer to the section headed “Risk factors — Risks relating to our business and industry — Our insurance policies may not be sufficient to cover damage or liabilities from claims and litigation and our insurance premium may increase from time to time”.

Our Directors believe that the current insurance policies taken out by us provide sufficient coverage of the risks to which we may be exposed and are in line with the industry norm. During the Track Record Period, our total insurance premiums amounted to approximately RMB2.0 million, RMB2.0 million, RMB1.8 million and RMB1.3 million respectively. As at the Latest Practicable Date, we have not received any material insurance claims against us.

INTELLECTUAL PROPERTY

We rely on a combination of patents, trademarks and domain name registrations to establish and protect our intellectual property rights. We sell our products under the “Zhixin” brand name, which has been registered with the PRC trademark office of SAMR or National Intellectual Property Administration of the PRC (國家知識產權局) and the Hong Kong Intellectual Property Department. We believe this brand name is an important asset of our business. We have been granted 62 patents by the National Intellectual Property Administration of the PRC and have one patent application pending in the PRC.

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Further details of our intellectual property rights are set forth in the paragraph headed “Further information about the business of our company — 8. Intellectual property rights of our Group” in Appendix VI to this prospectus.

As at the Latest Practicable Date, we had not engaged in, and were not aware of, any litigation or legal proceedings for the violation of intellectual property rights or any material violation.

RESEARCH AND DEVELOPMENT

Our research and development are conducted by our design team. As at the Latest Practicable Date, our Group’s design team had ten staff.

Our research and development are initiated from meeting the customers’ demand of product design and focus on improving the efficiency of production process of existing products. The research and development are generally conducted based on the existing machines and equipment which are available in our plants.

We participated in the formulation of one national standard for concrete industry and one provincial standard for concrete and PC component industry respectively as at the Latest Practicable Date. The below sets forth the standards we have participated in:

National standard

Ground Granulated Blast Furnace Slag Used for Cement, Mortar and Concrete (《用於水泥、砂漿和混凝土中的粒化高爐礦渣粉》GB/T18046-2017)

Provincial standard

Technical Specification for Ground Granulated Blast Furnace Slag Applied in Concrete of Fujian (《福建省粒化高爐礦渣粉在水泥混凝土中應用技術規程》DBJ/T13-66-2015)

Technical Specification for Composite Monolithic Precast Utility Funnel Engineering (《疊合整體式預製綜合管廊工程技術規程》DB23/T2278-2018)

Our technical department is also responsible for patent application. If a new or altered technical process is found to improve the production technology and meet the patent application requirements, we may apply for a patent. As at the Latest Practicable Date, our Group has owned 62 patents. For details of patents registered by our Group, please refer to paragraphs headed “Intellectual property” in this section.

During the Track Record Period, the aggregate annual costs incurred by our Group on research and development, including staff costs and depreciation, were approximately RMB0.9 million, RMB0.7 million, RMB0.9 million and RMB0.8 million, respectively.

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COMPETITION

The concrete industry in the PRC is directly affected by geographical location. Our Group's operation is primarily focused on surrounding areas within proximity of Xiamen, we consider only those companies with a presence in Xiamen as our primary competitors. According to the Frost & Sullivan Report, we are the largest ready-mixed concrete and PC components manufacturer and supplier in Xiamen in terms of production volume in 2019 with market share of approximately 7.2% and 88.8% respectively. The ready-mixed concrete market in Xiamen is relatively fragmented, with top five market participants occupying approximately 26.6% of market share in terms of production volume in 2019. We do not consider most of the market participant to be a competitive threat to our Group as we operate at a larger scale. The PC components market in Xiamen is highly concentrated, with only two other competitors occupying approximately 11.2% of market share in terms of production volume in 2019.

Due to high requirements of (i) technical research and production management ability; (ii) amount of time, capital and effort in order to comply with various environment regulations; (iii) good system management capabilities in production and manufacturing and; (iv) capital strength for fixed asset investment, new entrants typically face high entry barriers because of high substantial amounts of investments and efforts required to compete with the existing players in the market. Our Directors believe that our ability to maintain a stable supply of high-quality products and our efficiency in managing production, is one of the traits that distinguishes us from our competitors and allow us to compete effectively with our major competitors in the ready-mixed concrete and PC components production industry.

PROPERTIES

Owned properties

As of the Latest Practicable Date, we owned two parcels of land and the buildings erected thereon and one property in Fujian Province of the PRC in connection with our business operations for production, storage, offices, investment and ancillary purposes, including (i) a parcel of land with a total site area of approximately 36,411.7 sq.m. and the buildings erected thereon with a total gross floor area of approximately 8,068.8 sq.m. situated at No. 55 Guankou Avenue, Jimei District, Xiamen, Fujian Province, the PRC, where our RMC Plant operates; (ii) a parcel of land with a site area of approximately 52,221.8 sq.m. and the buildings erected thereon with a total gross floor area of approximately 23,630.0 sq.m. situated at No. 77 Houshantou Road, Jimei District, Xiamen, Fujian Province, the PRC, where our PC Plant operates; and (iii) a property with a total gross floor area of approximately 154.4 sq.m. situated at Shop No. D120 of Block 5, Wanda Plaza, No. 2 Jinjiang Avenue, Jiaomei Town, Zhangzhou Taiwan Merchant Investment Zone, Zhangzhou, Fujian Province, the PRC.

As at the Latest Practicable Date, our Group held two investment properties namely (i) a property with gross floor area of approximately 154.4 sq.m., which is currently vacant and (ii) certain unused area of our RMC Plant with a total site area and gross floor area of approximately 18,786.6 sq.m. and 2,721.7 sq.m., respectively, which includes a parcel of land and a six-storey

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office building and has been leased to an Independent Third Party, namely China Railway 24th Bureau Group Co., Ltd. (中鐵二十四局集團有限公司) (“**China Railway 24th Bureau**”) since 2014, for their production and office use respectively. The commercial rationale for our Group to lease the aforesaid unused area of our RMC Plant to China Railway 24th Bureau instead of utilising it for our past expansion and future expansion as discussed in the subsection headed “Business strategies” in this section (“**Future Expansion**”), are as follows:

- (i) China Railway 24th Bureau has been a customer of our Group since 2008 and was our fourth, first and fifth largest customer in terms of revenue for the three years ended 31 December 2019 respectively. China Railway 24th Bureau is a SOE principally engaged in, among others, construction contracting works for railway, municipal public utilities and buildings in the PRC. Our Group considers China Railway 24th Bureau as one of the leading construction contractors in Xiamen and our lease arrangement with them will further strengthen our long-term business relationship;
- (ii) the total site area of approximately 18,786.6 sq.m. was insufficient to meet our Group’s planned operation demand for our PC component expansion, given the total site area of our current PC Plant is approximately 52,221.8 sq.m.;
- (iii) the duration in respect of our current lease agreement with China Railway 24th Bureau is six years from 1 January 2017 to 31 December 2022, and pursuant to a clause in the lease agreement, our Group may subject to compensation charge of approximately RMB39.0 million for early termination; and
- (iv) greater cost savings and efficiency can be achieved by establishing our Future Expansion within our PC Plant as compared to the unused area of our RMC Plant in view of the following:
 - (a) sharing of existing PC component production related ancillary facilities and manpower at our PC Plant; and
 - (b) the six-storey office building with a gross floor area of approximately 2,721.7 sq.m. on the unused area of our RMC Plant will need to be demolished prior to reconstruction.

As at the Latest Practicable Date, our land and buildings with a total gross floor area of approximately 88,633.5 sq.m. and 31,698.8 sq.m., respectively, are pledged in favour of a bank in the PRC to secure certain bank borrowings. As advised by our PRC Legal Advisers, during the term of pledge, the transferal of the pledged land and buildings is subject to the consent of the pledgee.

As advised by our PRC Legal Advisers, we had obtained all necessary land use right certificates and building ownership right certificates for our land use rights and buildings. We are

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entitled to occupy, use, sell, transfer, lease, charge or dispose of such land use and/or properties rights in accordance with the applicable PRC laws. For further details with respect to all of our property interests, please refer to the valuation report as set out in Appendix IV “Property valuation report” to this prospectus.

Leased properties

The following table sets forth the summary of properties leased by us in the PRC as at the Latest Practicable Date:

No.	Location	Usage	Term	Tenancy period	Monthly rent	Approximate site area (sq.m.)	Approximate gross floor area (sq.m.)
1	The plant and its east side of No. 382 Sanshe Road, Guankou Town, Jimei District, Xiamen, Fujian Province, the PRC	Production and storage	5 years	1 June 2019– 31 May 2024 ^(Note)	RMB380,000 (from 1 June 2019 to 31 May 2022); RMB399,000 (from 1 June 2022 to 31 May 2024)	13,250.0	12,360.4
2	The north side of No. 77 Houshantou Road, Guankou Town, Jimei District, Xiamen, Fujian Province, the PRC	Storage	1 year	20 June 2020– 19 June 2021	RMB84,301	16,025.4	—
3	The east side of No.77 Houshantou Road, Guankou Town, Jimei District, Xiamen, Fujian Province, the PRC	Storage	1 year	1 September 2020– 31 August 2021	RMB59,861	11,402.0	—
4	In between the north side of Jimei Road, the south side of Fuxia Railway Bridge and the east side of Zone B of Software Park Phase III, Jimei District, Xiamen, Fujian Province, the PRC	Storage	3 years	18 June 2020– 17 June 2023	RMB79,250 (from 18 June 2020 to 17 June 2022); RMB105,667 (from 18 June 2022 to 17 June 2023)	46,666.9	—
5	The northwest side of the intersection of Guankou Road and Jinghu South Road, Jimei District, Xiamen, Fujian Province, the PRC	Storage	3 years	1 July 2020– 30 June 2023	RMB37,000 (from 1 July 2020 to 30 June 2022); RMB49,333 (from 1 July 2022 to 30 June 2023)	16,666.8	—

Note: Upon the expiry of the tenancy period, our Group has the right of first refusal to renew the lease on same terms and conditions, for so long the landlord continues to lease out the underlying leased property.

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As of the Latest Practicable Date, we leased and occupied five parcels of land and one property in Fujian Province of PRC from Independent Third Parties with an aggregate site area and gross floor area of approximately 104,011.1 sq.m. and 12,360.4 sq.m., respectively, for production and storage purposes. As advised by our PRC Legal Advisers, the lease in respect of those land and properties in the PRC entered into between us and the lessors does not violate the explicit mandatory and prohibitive provision of laws and administrative regulations of the PRC. All tenancy agreements for building properties have been registered with the relevant PRC authorities.

LITIGATION AND CLAIMS

During the Track Record Period, we are subject to legal proceedings, investigations and claims arising in the ordinary course of our business. Save as disclosed in the paragraph headed “Non-compliance” in this section, our PRC Legal Advisers have advised that our Group has complied with relevant laws and regulations in all material aspects during the Track Record Period. As at the Latest Practicable Date, there were no material litigation or arbitration proceedings or administrative proceedings pending or threatened against us or any of our Directors initiated by any government authorities or third parties which would have a significant adverse effect on our financial condition, results of operation or reputation.

NON-COMPLIANCE

During the Track Record Period, we did not make contribution in full in respect of social insurance and housing provident fund for 1,299 and 226 of our employees (including existing and former employees), respectively.

Reasons for the non-compliance

The non-compliance is mainly caused by (i) our finance department at the relevant time being not fully familiar with the relevant regulatory requirements and made the social insurance and housing provident fund contribution based on local minimum wages; and (ii) certain of our employees were unwilling to make such social insurance contributions.

Legal consequences including potential maximum penalty

As advised by our PRC Legal Advisers, from 1 July 2011 if an employer fails to pay its social insurance contribution in accordance with the Social Insurance Law of the PRC (中華人民共和國社會保險法), the regulator may order it to pay the overdue amount within the prescribed time limit and impose an overdue fine equivalent to 0.05% of the overdue amount per day. If the employer still fails to pay within the prescribed time limit, the regulator may impose a fine of one to three times of the overdue amount. If an employer fails to pay its housing provident fund contributions in accordance with the Regulations on the Administration of Housing Provident Fund (住房公積金管理條例), the regulator may order for payment of contribution within the prescribed time limit, failing which the regulator may apply to the People’s Court of compulsory enforcement.

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Our Directors believe that such non-compliance would not have a material and adverse effect on our business and results of operations, considering that (i) we have obtained letters of confirmation from the Human Resources and Social Security Bureau of Jimei District of Xiamen (廈門市集美區人力資源和社會保障局) dated 9 October 2019, 8 January 2020, 11 June 2020 and 13 July 2020, Human Resources and Social Security Bureau of Xiamen (廈門市人力資源和社會保障局) dated 12 June 2020 and 9 July 2020 and Xiamen Housing Provident Fund Center (廈門市住房公積金中心) dated 21 October 2019, 3 January 2020, 9 June 2020 and 9 July 2020, respectively, confirming that we had not been penalised for violating the laws and regulations for social insurance and housing provident fund contributions. As advised by our PRC Legal Advisers, the Human Resources and Social Security Bureau of Jimei District of Xiamen, Human Resources and Social Security Bureau of Xiamen and Xiamen Housing Provident Fund Center have the authority and are competent to make the aforesaid confirmations; (ii) as of the Latest Practicable Date, we had not received any notification from the relevant PRC authorities requiring us to pay material shortfalls with respect to social insurance and housing provident funds; (iii) we had not been subject to any material administrative penalties during the Track Record Period and up to the Latest Practicable Date; (iv) we were not aware of any material employee complaints nor were involved in any material labour disputes with our employees with respect to social insurance and housing provident funds; (v) we have made provisions in the amount of approximately RMB2.7 million, RMB2.6 million, RMB2.0 million and RMB1.1 million during the Track Record Period for the unpaid amount of social insurance and housing provident fund contributions respectively; (vi) our Controlling Shareholders have undertaken to, pursuant to the terms and condition of the Deed of Indemnity, indemnify us against any losses and penalties which we may suffer as a result of the failure of our Group to comply with relevant laws, rules and regulations concerning social insurance and housing provident fund contributions.

As advised by our PRC Legal Advisers, based on the above reasons, the likelihood that we would be subject to any substantial financial loss for any shortfall for social insurance and housing provident fund during the Track Record Period is low.

Internal control and rectification measures

We have taken the following rectification measures to prevent future occurrences of such non-compliances:

- *Enhanced internal control policy.* Established an enhanced internal control policy, setting out proper procedures and standards with respect to social insurance and housing provident fund contribution in compliance with relevant PRC laws and regulations, which had been circulated to all employees;
- *External regulatory counselling.* Engaged a PRC legal counsel to advise us on the relevant laws and regulations or related updates regularly, in an interval no less than annually, or whenever there are substantial regulatory changes;

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- *Increased compliance awareness.* Allocated a sufficient training budget to ensure our management and staff will receive proper continuous development on matters of corporate governance and compliance, including latest regulatory update of social insurance and housing provident fund contribution;
- *Review.* Established a dual review control which designates and requires our vice financial president and human resource manager to perform a monthly review of the accuracy and completeness of the monthly calculation and payment of insurance and housing provident fund contribution; and
- *Monitoring and reporting.* Delegated our chief executive officer to monitor and review the performance of the relevant internal controls from time to time, receive and review monthly monitoring report from the relevant management and be held accountable for reporting promptly to the Board when potential breaches arise.

We have implemented our enhanced internal control policy on the payment of social insurance and housing provident fund contribution for employees in compliance with relevant laws and regulations since December 2019. As advised by our PRC Legal Advisers, as at the Latest Practicable Date, we were in compliance with the requirements relating to social insurance and housing provident fund contribution in material respects and had made contributions for social insurance in accordance with relevant PRC laws and regulations.

Our Directors are of the view, and the Sole Sponsor concurs, that the historical non-compliant incidents during the Tract Record Period as mentioned above did not involve any dishonesty on the part of our Directors or their occurrence did not cause the Sole Sponsor to cast any doubt on their integrity or competence, and that such non-compliant incidents (i) do not affect our Directors' suitability to act as directors of a listed company under Rule 3.08 and 3.09 of the Listing Rules; and (ii) do not affect our Company's suitability for listing under Rule 8.04 of the Listing Rules.

We had not been involved in any non-compliance matters which, in the opinion of our Directors, resulted or may result in a material impact on our business operation and financial condition during the Track Record Period and up to the Latest Practicable Date.

INTERNAL CONTROL SYSTEMS AND RISK MANAGEMENT

In preparation for the Listing, we have engaged an independent third party consultant (the "**Internal Control Consultant**") to perform a comprehensive review of our Group's internal control system (the "**Internal Control Review**"). The scope of the Internal Control Review performed by the Internal Control Consultant includes, among other things, controls over revenue and receipt cycle, purchase and payment cycle, production management, inventory and cost management, financial reporting, cash flow, investment and financing management, taxation management, risk management, corporate governance and compliance management. Upon the completion of the Internal Control Review, while the Internal Control Consultant did not identify any significance deficiencies or weaknesses in our internal control system, they did however provide recommendations to our management to further enhance our internal control system. Our

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Group have adopted and implemented all of the major recommendations. The Internal Control Consultant had performed a follow-up review subsequently to review our Group's newly adopted policies and the implementation status of our improved internal controls. According to the result of the last follow-up review completed on 11 December 2020, all necessary key controls and newly adopted measures of our Group were effectively designed and implemented from their respective implementation dates up to 31 October 2020.

Based on the above, our Directors believe that the internal control measures, when implemented, will effectively ensure a proper internal control system and maintain good corporate governance practices of our Group. In view of the measures in place, our Directors are of the view, and the Sole Sponsor concurs, that these internal control measures adopted by us are adequate and effective under the Listing Rules to ensure ongoing compliance with the relevant laws and regulations by our Group.

Key risks relating to our business operation are set out in the section headed "Risk factors" in this prospectus. The following sets out the key measures adopted by us under our risk management and internal control systems for managing the more particular operational and financial risks relating to our business operations:

Liquidity risk

Please refer to the section headed "Financial information — Liquidity and capital resources — Liquidity management" of this prospectus.

Credit risk

Please refer to the paragraph headed "Customers, sales and marketing — Credit policy and credit management" in this section.

Risk of potential inaccurate cost estimation and cost overruns

Please refer to the paragraph headed "Customers, sales and marketing — Pricing policy" in this section.

Quality control risk

Please refer to the paragraph headed "Quality control" in this section.

Risk relating to outsource factory workers' performance

Please refer to the paragraph headed "Quality control — (v) Quality assurance on employment agents and outsourced factory workers" in this section.

Occupational health and safety risk

Please refer to the paragraph headed "Occupational health and safety" in this section.

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Environmental compliance risk

Please refer to the paragraph headed “Environmental compliance and pollution controls” in this section.

Regulatory risk management

Anti-corruption and anti-bribery measures

We adopt a zero-tolerance approach to bribery and corruption and are committed to acting fairly and with integrity in all our business dealings and relationships wherever and whenever operate. In order to comply with the applicable laws and regulations in relation to anti-corruption and anti-bribery, we have established and implemented anti-corruption and anti-bribery policy and measures to prohibit all forms of bribery-and-corruption acts or intention of such acts, specifically summarised below:

- i. soliciting or accepting any advantages from others as a reward for or inducement to doing any act in relation to our Group’s business;
- ii. offering any advantage to an agent of another as a reward for or inducement to doing any act in relation to the latter’s business;
- iii. offering any advantage to a government or public servant as a reward for or inducement to performing any act in his/her official capacity, or while having business dealings with the government department or public body he/she belongs to;
- iv. our directors and staff soliciting or accepting advantages from persons having business dealings with them (e.g. suppliers and contractors); and
- v. the offering of advantages to the directors/staff of other companies having business dealings with our Group.

The policy also sets out the approach of dealing with any potential conflicts of interest, the requirements of a company-wide anti-bribery-and-corruption training and disciplinary actions to be taken in situation of violation of the policy and/or relevant laws and regulations, including termination of employment/service and bringing forward to legal proceedings.

We have also put in place a whistle-blowing system which is overseen by the audit committee of our Board, served as a deterrence and monitoring over fraud, misconduct, malpractices and non-compliance.

Corporate governance measures

We will comply with the Corporate Governance Code. We have established three board committees, namely the audit committee, the nomination committee and the remuneration committee, with respective terms of reference in compliance with the Corporate Governance Code. In particular, one of the primary duties of our audit committee is to review the effectiveness of our

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internal audit activities, internal controls and risk management systems. For further details of the three board committees, please refer to the section headed “Directors and senior management — Board committees” in this prospectus.

In addition, we will implement corporate governance measures to ensure the performance of the non-competition undertakings of our Controlling Shareholders. Our Directors will review our corporate governance measures and our compliance with the Corporate Governance Code every financial year.

Risk management relating to compliance with the Listing Rules after Listing

In order to ensure continuous compliance with the Listing Rules after Listing, our Directors attended training sessions conducted by our Hong Kong legal advisers, Chiu & Partners, on the on-going obligations and duties of a director of a company whose shares are listed on the Stock Exchange. We have also appointed Kingsway Capital Limited as our compliance adviser to advise us on compliance issue.

After Listing, our executive Directors will be responsible for overseeing our compliance issues. When considered necessary and appropriate, we will also seek professional advice and assistance from independent professional advisers with regards to matters relating to our legal compliance.