Potential investors should carefully consider all of the information set out in this prospectus and, in particular, should consider the following risks and uncertainties described below before making any investment decision in relation to the Share Offer. Any of the risks and uncertainties described below could have a material adverse effect on our business, results of operation, financial conditions or the trading price of our Shares, and could cause you to lose all or part of the value of your investment in the Offer Shares.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

Our business depends on the level of activity and growth in the construction industry in Fujian Province and Xiamen

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. As our ready-mixed concrete and PC components are principally sold in Fujian Province, the demand for our products is predominantly dependent on the level of activity and growth in the construction industry in Fujian Province, which in turn depends on factors such as general economic conditions, government policy, GDP growth, fixed asset investment, consumer confidence, inflation and demographic trends in Fujian Province. Our lack of geographical diversity exposes us to risks associated with fluctuations in the political and economic conditions of Fujian Province.

We have historically benefited from the growth in the economy of Fujian Province. We cannot assure you that the GDP, fixed asset investment or the demand for ready-mixed concrete and PC components in Fujian Province will continue to grow at historical rates, or at all. Any slowdown in the growth of Fujian Province's economy or a downturn in the construction industry in Fujian Province could affect the demand for our products, which in turn could have a material and adverse effect on our business, financial condition and results of operations.

Fluctuation in the prices of our major raw materials may have adverse impact on our financial results

Certain raw materials used in our production, such as cement and aggregates, are subject to price volatility caused by external conditions, including commodity price fluctuations and changes in governmental policies. For the three years ended 31 December 2019 and the ten months ended 31 October 2020, our cost of raw materials amounted to approximately RMB295.3 million, RMB351.0 million, RMB386.6 million and RMB374.8 million respectively, which accounted for approximately 80.9%, 80.7%, 79.3% and 74.8% of our total cost of production, respectively.

According to the Frost & Sullivan Report, over the period from 2015 to 2019, the average price of cement in Fujian Province has demonstrated an overall uptrend from approximately RMB393.7 per tonne in 2015 to RMB545.8 per tonne in 2019. For the average price of aggregates, it remained relatively stable from 2015 to 2016, then began an increasing trend from 2017.

For our ready-mixed concrete, our price will be determined primarily 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. For our PC components, our unit price will be determined based on an estimated cost of (i) raw materials; (ii) labour; (iii) production; and (iv) transportation floating by a reasonable margin.

We cannot guarantee that our key suppliers will continue to provide us with raw materials at acceptable prices, or that our raw material prices will remain stable in the future. In addition, we may not be able to timely transfer all or part of the increase in costs of our raw materials to our customers. 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. However, we have to reach a mutual agreement between us and our customers before the price adjustment will become effective. We cannot assure you that we are able to successfully negotiate the price adjustment with our customers to fully cover the additional cost we incur as a result of the increase of the raw material prices at all times. As a result, any increase or material fluctuation in the prices of our raw materials could have a material adverse effect on the profitability of our business as we may have to bear the additional cost.

Any failure to acquire raw materials or to fill our customers' orders in a timely and cost-effective manner could materially and adversely affect our business operations

We rely on third party suppliers to meet our raw material requirements. The principal types of raw materials in the manufacturing of our products consist of cement, aggregates, PFA, mineral powder and admixtures.

For the three years ended 31 December 2019 and the ten months ended 31 October 2020, the total purchases 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 total cost of purchases for the corresponding periods.

If any of our major suppliers is unable to deliver raw materials according to such schedule or in such volume as is required for our production, and we fail to purchase from other suppliers in a timely and cost-effective manner, our production schedule and delivery of the products required by our customers could be delayed and our workers have to work overtime for the delayed production schedule. There is no guarantee that the quality of the raw materials supplied to our Group by our major suppliers will always meet our required standards, and we may be forced to replace these raw materials with alternative suppliers at extra costs. Our relationships with our customers could be adversely affected as a result of any of such delays or increases to our selling price due to an increase in purchase prices of raw materials, which may materially and adversely affect our business, financial condition and results of operation.

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

The demand for our concrete products is bounded by climatic seasonality, hence the weather conditions (such as drought, heavy or sustained rainfall) may impinge on the process of construction activities. Adverse weather conditions can affect the level of construction activities and lead to a decline in demand for our products. For example, our revenue derived from sales of ready-mixed concrete decreased from approximately RMB453.1 million for the year ended 31 December 2018 to approximately RMB446.8 million for the year ended 31 December 2019, which was mainly due to the overall decrease in sales volume of ready-mixed concrete primarily attributable to, among others, 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. Climatic conditions that are unusually severe or intense, or those which occur at abnormal or last longer than usual could have an adverse impact on our business, financial condition or operating results.

Furthermore, construction activities are generally at a lower level during January to March due to the Chinese New Year. As a result of the seasonal fluctuations, our quarterly results may not be indicative of our business and financial performance for the year as a whole.

We may not be able to renew our lease in respect of our leased production facility

As at the Latest Practicable Date, we leased a production facility for our Jimei Workshop, to keep up with the increasing production demand of our PC component projects, details of which are disclosed in the section headed "Business — Properties" of this prospectus. The term of the lease was five years up to 31 May 2024.

If we cannot renew the lease in respect of the leased production facility, we will have to search for other production facilities available for leasing which may differ from the current facility in certain aspects such as location and production capacity. There is no assurance that we will successfully renew the lease in respect of the leased production facility on commercially acceptable terms, or at all. Furthermore, there is also no assurance that the lease will not be terminated by the leasor before its expiration. Termination of our lease may occur beyond our control, such as breaches of agreement by the lessor or invalidation of the lease due to defects in title or licencing. If it happens, we will need to search for other production facilities available and incur additional costs due to relocation.

Our revenue is mainly derived from manufacturing and sale of ready-mixed concrete and PC components to our customers for infrastructure construction projects and upgrades, which is non-recurring in nature and there is no guarantee that we will be able to secure new projects with existing or new customers in the future

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.

We generally supply our ready-mixed concrete and PC components to construction companies for the use in building and construction projects. Our products are supplied to these contractors on a non-recurring basis, and we do not have any long-term commitment nor have we entered into any long-term agreement with them. If our Group is unable to secure new projects with existing or new customers, our revenue and financial performance may be adversely affected. We cannot assure you that our customers will continue to conduct business with us at the same level or at all.

Hence, our future growth and expansion depends on our ability to secure new projects from our existing and potential customers. We cannot guarantee that our existing customers will continue to purchase from us. If any of our major customers substantially reduces the volume of its orders or ceases to conduct business with us, our business operation and financial performance would be materially and adversely affected. There is no assurance that (i) our Group will be able to secure new projects to make up for such loss of sales; or (ii) even if we are able to secure other projects, that they would be on commercially comparable terms.

We recorded net current liabilities as at 31 December 2017, 31 December 2018 and 31 October 2020

We recorded net current liabilities of approximately RMB79.5 million, RMB141.9 million and RMB6.9 million, as at 31 December 2017, 31 December 2018 and 31 October 2020, respectively. Our net current liabilities position was primarily attributable to our Group's strategic decision to expand our business into the PC component manufacturing industry in 2014, which required heavy capital investment. For further analysis of our Group's net current liabilities/assets position, please refer to the section headed "Financial information — Net current (liabilities)/assets" of this prospectus.

Our future liquidity, the payment of trade and other payables and the repayment of our outstanding debts when they become due will primarily depend on future operating and financial performance, including our ability to maintain adequate cash inflows from operating activities and our ability to obtain adequate financing. Our future performance will be impacted by prevailing economic conditions and a range of other business and competitive factors which are beyond our control. Therefore, there is no assurance that we will not experience net current liabilities in the future. There is also no assurance that we will always have sufficient funds to meet our repayment obligations, or that our historical net current liabilities will not impair our ability to obtain new borrowings to finance our operation or capital commitments. In such circumstances, our liquidity, business operation, financial condition and prospects may be materially and adversely affected.

We are exposed to the credit risk of and may experience increasing balance of trade receivables from customers and longer trade receivables turnover days in the future

We are subject to the credit risks of our customers and our liquidity is dependent on the prompt payment of our customers. Our Group's trade receivables mainly refer to outstanding amounts due from our customers for the sales of our ready-mixed concrete and PC components. The current portion primarily represents receivables from our customers which are expected to be collected in one year or less from each reporting period, which amounted to approximately RMB227.8 million, RMB282.8 million, RMB400.4 million and RMB523.2 million as at 31 December 2017, 31 December 2018, 31 December 2019 and 31 October 2020, respectively. We generally require our customers to settle payment within 40 days from the date of issue of the payment certificate by the customers or the invoice date (as the case may be). The non-current portion of our trade receivables primarily represents retention receivables from our customers, which are retention money withheld by our customers to secure our due performance during the defect liability period. Our customers may retain 5%–20% of the total progress payment amount as retention money. Generally, the retention money will be released within six months upon expiration of the defect liability period, normally ranging from 3 months to 24 months from the date of the practicable completion of the construction project.

As at 31 December 2017, 2018 and 2019 and 31 October 2020, the trade receivables from our customers less provision for impairment amounted to approximately RMB246.4 million, RMB305.1 million, RMB417.8 million and RMB540.3 million, respectively, whereas the respective amounts of trade receivables from customers accounted for approximately 43.7%, 55.3%, 61.8% and 66.7% of our total assets, respectively. The trade receivables turnover days were approximately 220.6 days, 196.9 days, 223.3 days and 242.6 days for each of the three years ended 31 December 2019 and the ten months ended 31 October 2020 respectively. High turnover days may indicate that the customers tend to delay their payment. If our customers fail to settle their bills on time or at all for whatever reason, we may have cash flow mismatch which in turn may have an adverse impact on our liquidity position.

Our high gearing ratio may expose us to liquidity risk

During the Track Record Period, we relied significantly on borrowings to finance our business operations. As at 31 December 2017, 31 December 2018, 31 December 2019 and 31 October 2020, our total debt, being (i) total borrowings; and (ii) interest-bearing loans from Mr. Ye and Mr. Huang, amounted to approximately RMB98.5 million, RMB101.0 million, RMB217.1 million and RMB261.4 million, respectively, and our gearing ratio was approximately 83.5%, 161.6%, 208.0% and 177.5%, respectively. Our high gearing ratio may require us to allocate a larger portion of our cash inflow to repay our bank borrowings than to fund our business operation, and limit our flexibility in adjusting our capital structure hence our adaptability to any changes in economic and industry development. We may also incur additional costs in obtaining further bank borrowings or may not be able to obtain further bank borrowings at all due to our high gearing ratio. We expect our gearing ratio upon Listing will be no more than 80.0%. We cannot assure you that we will not have a high gearing ratio in the future, which may materially and adversely affect our financial condition, results of operation and prospects.

We recorded net operating cash outflow for the year ended 31 December 2017 and 31 December 2019 and for the ten months ended 31 October 2020

We recorded net cash used in operating activities of approximately RMB33.6 million for the year ended 31 December 2017 primarily due to our Group's PC component operation was running at a negative gross profit of approximately RMB5.8 million as our PC component operation commenced its commercial production in the second half of 2017 and was still in its early ramp-up period, our PC component production scale had not yet reached the level to cover the respective fixed and overhead costs of operation. We also recorded net cash used in operating activities of approximately RMB68.2 million for the ten months ended 31 October 2019 which was primarily attributable to (i) increase in trade receivables of approximately RMB57.1 million mainly due to increase in sales of our PC components; (ii) decrease in amounts due to related parties of approximately RMB48.1 million due to settlement of dividend payable to Mr. Ye and Mr. Huang; and (iii) income tax paid of approximately RMB18.2 million; which were partially offset by the operating profit before working capital changes of approximately RMB67.2 million. We also recorded net cash used in operating activities of approximately RMB3.0 million for the year ended 31 December 2019 which was primarily attributable to (i) the increase in our trade receivables of approximately RMB112.7 million due to the increase in sales of our PC components; and (ii) income tax paid of approximately RMB18.2 million; and partially offset by (i) the operating profit before working capital changes of approximately RMB88.9 million; and (ii) increase in trade and bills payables of approximately RMB37.9 million due to the increase in purchases of raw materials as a result of the increase in production volume of PC components. We also recorded net cash used in operating activities of approximately RMB26.7 million for the ten months ended 31 October 2020 which was primarily attributable to (i) increase in trade receivables of approximately RMB122.5 million mainly due to increase in sale of our products and our slower collection of trade receivables from February to May 2020 as a result of the COVID-19 outbreak; (ii) increase in inventories of approximately RMB23.8 million as a higher inventory level of finished goods was maintained for our PC components projects; and (iii) decrease in contract liabilities of approximately RMB10.8 million, which were partially offset by (i) the operating profit before working capital changes of approximately RMB90.8 million; and (ii) increase in trade and bills payable of approximately RMB41.3 million as we adjusted our payment schedules to suppliers depending on the status of settlement of our trade receivables and our liquidity position. We may experience periods of net cash outflow from operating activities in the future. There is no assurance that we will be able to generate sufficient cash inflow from other sources to fund our operation. Additional financing costs may be incurred if we resort to financing activities to generate additional cash. If we are unable to maintain a sufficient level of cash to finance our operation, our liquidity and financial condition may be materially and adversely affected.

Our cash flow position may deteriorate owing to a mismatch between the time in receipt of payments from our customers and payments to our suppliers if we are unable to manage our cash flow mismatch properly

We have to purchase raw materials from our suppliers from time to time based on our procurement and we rely on cash inflow from our customers to meet our payment obligations to our suppliers. Our cash inflow is dependent on the prompt settlement of payments from our customers. As at 31 December 2017, 31 December 2018, 31 December 2019 and 31 October 2020, we recorded trade receivables amounting to approximately RMB246.4 million, RMB305.1 million, RMB417.8 million and RMB540.3 million, respectively; and the number of our average trade receivables turnover days for the three years ended 31 December 2019 and the ten months ended 31 October 2020 was approximately 220.6 days, 196.9 days, 223.3 days and 242.6 days, respectively. The number of average trade and bills payables turnover days for the three years ended 31 December 2019 and the ten months ended 31 October 2020 was approximately 296.1 days, 213.3 days, 205.0 days and 193.9 days, respectively. As at the Latest Practicable Date, approximately 70.5% of the trade receivables as at 31 October 2020 had subsequently been settled. We generally granted our customers credit terms within 40 days from the date of issue of the payment certificate by the customer or the invoice date (as the case may be), while the credit period granted by our suppliers generally ranges within 25 to 90 days from the first day of the succeeding month of the invoice date.

As at 31 December 2017, 31 December 2018, 31 December 2019 and 31 October 2020, our trade and bills payables amounted to approximately RMB259.6 million, RMB248.6 million, RMB286.5 million and RMB327.8 million, respectively, accounting for approximately 58.3%, 51.1%, 62.0% and 54.2% of our total current liabilities, respectively. For the three years ended 31 December 2019 and the ten months ended 31 October 2020, our Group had operating cash inflow before movements in working capital of approximately RMB32.2 million, RMB62.2 million, RMB88.9 million and RMB90.8 million, respectively.

It is possible that we may experience a cash flow deficit if the settlement schedule of our customers falls far behind from our payment schedule to our suppliers. We cannot guarantee that our customers will pay us on time and that they will be able to fulfill their payment obligations. Should we experience any unexpected delay or difficulty in collecting trade receivables from our customers, our operating results and financial condition may be adversely affected. If we fail to manage the aforesaid cash flow mismatches, or if the cash flow mismatch is further aggravated, we may have to resort to reserve further funds from our internal resources and/or obtain banking facilities to meet our payment obligations, and our financial condition may be materially and adversely affected as a result.

If we fail to effectively manage our inventories or estimate accurately the demand for our products, we may face a risk of inventory obsolescence which may materially and adversely affect our business, financial condition and results of operation

Our Group's inventories consist 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 represent our PC components which are ready to be sold. As at 31 December 2017, 31 December 2018, 31 December 2019 and 31 October 2020, our inventories amounted to approximately RMB17.8 million, RMB20.5 million, RMB27.8 million and RMB51.6 million 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.

We cannot assure you that we will not experience any slow movement of inventories, which may result from our reduced revenue due to increase in adverse weather conditions throughout the year, decrease in the level of construction activities, economic downturn, or incorrect estimation of the market demand for our products. As such, if we fail to manage our inventories effectively or are unable to dispose of excess inventories, we may face a risk of inventory obsolescence and/or significant inventory write-downs, which may impose pressure on our operating cash flow, and materially and adversely affect our business, financial condition and results of operation. 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.

Any unanticipated or prolonged interruption of our production facilities would materially and adversely affect our business and results of operation

The manufacturing of ready-mixed concrete and PC components requires the use of machineries and equipment such as conveyors and weighers, mixers, reinforcement cages, pipes, moulds and vibration equipments. Accordingly, our production capacity is limited by the availability of our machineries and equipment to carry out the production process. If there are any unexpected breakdowns of our machineries and equipment during the production process, or any failures or breakdowns of our machineries and equipment due to any inferior or insufficient repair and maintenance works, we may face difficulties in sourcing replacements or repairing the machineries and equipment in time. Our work progress may have to be delayed, whereby we may have to compensate our customers according to the terms of the contract between our customers and us. As a result, our relationships with our customers could be adversely affected due to our failure and we may be subject to contractual claims for compensation from our customers, all of which may materially and adversely affect our business, financial condition and results of operation.

We are exposed to disruption to the delivery of our products, which could lead to delayed, damaged or lost deliveries and affect our reputation

We deliver our products to our customers through road transport. There is no guarantee that our products will be delivered smoothly without any obstacles or delay. Delivery disruptions of our products may occur for various reasons beyond our control, including but not limited to transportation bottlenecks, poor road conditions, vehicle failure, traffic accidents and natural disasters. Such risks could lead to delayed, damaged or lost deliveries. If our products are not delivered to our customers on time, or are damaged in the course of delivery, our reputation could be adversely affected. We may also need to make compensation payments to our customers, which in certain circumstances could be of a substantial amount.

We may face difficulties in employing production workers

As at the Latest Practicable Date, we had 628 full time employees who were directly employed by our Group. There is no assurance that we will not experience any shortage in production workers for our production or that the costs of employing workers in PRC will not materially increase in the future. If the cost of employing workers materially increase in PRC, our production costs may eventually increase and we may not be able to shift these extra costs to our customers due to competitive pricing pressures from our competitors. If we fail to retain our existing workers and/or recruit sufficient workers in a timely manner, we may not be able to accommodate any increase in demand for our products or smoothly implement our expansion plans. Hence, our business operations and financial condition would be materially and adversely affected.

Besides, during the Track Record Period, our Group outsourced some factory workers for our PC component production lines from seven employment agents, which are Independent Third Parties, to enhance our workforce flexibility, manageability and cost-efficiency during the early development phase of our PC component operation. There is no assurance that we will be able to continue to outsource third party factory workers for our production, and there is no assurance that the outsourced factory workers and service providers will always be able to meet our requirements including quality assurance. In such circumstances, our business, results of operation and reputation may be adversely affected as we may incur additional cost to employ third party service providers and workers, and to ensure such requirements on the outsourced workers and service provider are met.

We may not be able to implement our quality control systems effectively, which would result in our failure to conform with the requisite standards in relation to our ready-mixed concrete and PC components

The quality of our ready-mixed concrete and PC components depends on the effectiveness of our quality control measures throughout our production cycle, including product design, raw material examination, production process and product delivery. The effectiveness of such quality control measures depends on multiple factors, including the design of our quality control system, quality control training program and our capability of ensuring that our employees are in compliance with quality control policy and guidelines. Therefore, we cannot guarantee that our quality control policy can be implemented effectively. If defects occur, we may not be able to correct the defects at a reasonable cost and in a timely manner, or at all. Any failure of our Group's quality control measures could result in delay in delivery or replacement of our ready-mixed concrete and PC components.

If defective products or improper installation of our products cause personal injuries, property losses or other losses to the customers, we may be held liable for product liability claims under the PRC laws. In certain jurisdictions, such as the PRC, where strict liability is imposed on product defects, we may incur liability for accidents or incidents involving our products for reasons that we are not responsible or for any claims arising from improper product installation for reasons which we cannot prove irrelevant to us. In addition, we generally do not carry product liability insurance for our products nor third-party liability insurance for personal injuries. Any such claims may result in costly litigations and may adversely affect our results of operations, financial condition and profitability.

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

Beginning in 2020, the PRC and certain countries around the world encountered an outbreak of COVID-19, a highly contagious disease. Since then, measures including travel restrictions had been imposed in major cities in the PRC in an effort to contain the outbreak of COVID-19. On 30 January 2020, the World Health Organization declared the outbreak of COVID-19 a Public Health Emergency of International Concern (PHEIC). As at the Latest Practicable Date, the virus had spread globally and death toll and number of infected cases continued to rise. The outbreak, which may result in a high number of fatalities, is likely to have an adverse impact on the livelihood of the people in and the economy of the PRC.

Our production was temporarily suspended from late January 2020 to mid February 2020 in accordance with the extension of Chinese New Year holiday and delay in resumption of work announced by the government of the PRC. In mid March 2020, our Group has fully resumed our production. If any of our Group's employees is suspected to have infected with COVID-19, our Group may, under certain circumstances, be required to quarantine such employee and the affected areas within our Group's premises. As a result, our Group may have to temporarily suspend part or all of our operations. For further details of the impact of the outbreak of COVID-19 on our Group, please refer to the section headed "Summary — Recent development" in this prospectus.

If the outbreak of COVID-19 is not contained in the near future, the PRC government may continue to impose restrictions on movements and activities which may result in the temporary suspension of our production and sales in the PRC and/or delay in the delivery of raw materials from our suppliers and our products to our customers in the PRC. There may also be decrease in demand of our products if the construction activities are suspended due to government's restrictions on movement and activities. In addition, if our employees are infected with COVID-19, quarantines or temporary closures of our production plants would be required. In such event(s), there is no assurance that our products would be delivered to our customers in a timely manner. Any delay in delivery of our products would constitute as a breach of the purchase orders or sales contracts (where applicable) which may render us liable for damages. Such delay may also reduce customer's loyalty and confidence. On the other hand, our trade receivables turnover days may increase if there is delay in delivery of our products or if our customers experience cash flow difficulties due to COVID-19 outbreak. Furthermore, in the event of a prolonged outbreak, our expansion plan may be affected by the outbreak of COVID-19. Thus, we may lose our market share, and our business, results of operation, financial condition and prospects could be materially and adversely affected.

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

Our operations are subject to environmental protection laws and regulations relating to, among others, waste water discharge, noise and air pollutants emission, and solid waste disposal. We must obtain approvals, clearances and authorisations from governmental authorities for the treatment and disposal of any discharge. The operation of our production facilities and equipment may also have an impact on the environment. We cannot assure you that our facilities and equipment could continuously satisfy the requirements under applicable environmental protection laws and regulations from time to time. Any violation of these laws and regulations may result in substantial fines, revocations of operating permits, shutdown of our facilities and obligations to take corrective measures.

Moreover, the PRC government may take steps towards the adoption of more stringent environmental protection regulations. Due to the possibility of unanticipated regulatory or other developments, the amount of environment expenditures and time may vary substantially from those originally anticipated. If there is any change in the environmental protection laws and regulations, we may need to incur substantial capital expenditures to comply with environmental protection laws and regulations, including the costs of installing, replacing or upgrading our equipment related to pollution control and noise reduction and the costs of operational changes to limit any adverse impact of our operations on the environment. Any limitations or costs incurred as a result of our non-compliance with environmental protection laws and regulations may have an adverse effect on our business, financial condition and results of operations.

Our operations require certain permits, licenses, approvals and certificates, and we are subject to periodic inspections, examinations, inquiries, and audits by regulatory authorities. Any revocation, cancelation or non-renewal of which could significantly hinder our business and operations

We are required to obtain and maintain valid permits, licenses, certificates and approvals from various governmental authorities or institutions under relevant laws and regulations for some of our business. We must comply with the restrictions and conditions imposed by various levels of governmental agencies to maintain our permits, licenses, approvals and certificates. For details, please refer to the section headed "Business — Licenses and permits" in this prospectus. If we fail to comply with any of the regulations or satisfy any of the conditions required for the maintenance of our permits, licenses, approvals and certificates, our permits, licenses, approvals and certificates could be temporarily suspended or even revoked, or the renewal thereof, upon expiry of their original terms, may be delayed or rejected, which could materially and adversely affect our business, financial condition and results of operations.

In order to ensure our compliance with the restrictions and conditions required for maintaining our permits, licenses, approvals and certificates, the PRC governmental authorities at various levels conduct routine or special inspections, examinations, inquiries and audits on us. We may be subject to suspension or revocation of the relevant permits, licenses, approvals or certificates, or fines or other penalties due to any non-compliance identified as a result of such inspections, examinations, inquiries and audits. During the Track Record Period and up to the Latest Practicable Date, we did not experience any revocation or cancelation of our permits, licenses, approvals or certificates. We cannot assure you that we will be able to maintain or renew our existing permits, licenses, approvals and certificates or obtain future permits, licenses, approvals and certificates required for our continued operation on a timely basis or at all. If we fail to comply with applicable laws and regulations or fail to maintain, renew or obtain the necessary permits, licenses, approvals or certificates, our qualification to conduct our various businesses may be adversely affected. As a result, our operation may be disrupted and our business, financial condition and operation results may be materially and adversely affected.

Our profit margin could be adversely affected if there is any change in the structure of revenue contribution from our product mix

Our results of operations are affected by our product mix. During the Track Record Period, we supplied two principal product categories, namely ready-mixed concrete and PC components, which were of different gross profit margins. We cannot guarantee that our customer demand and preferences will not fluctuate from time to time. Any change in the structure of revenue contribution from our product mix may adversely impact on our overall gross profit margin.

We may not be able to obtain adequate financing for the development of our business in the future

We require working capital for daily operation and capital investment to purchase machineries and equipment for our business growth. During the Track Record Period, we relied on our registered capital and bank borrowings to maintain our cash flow and satisfy the needs of our daily productions.

We cannot guarantee that we will be able to obtain bank loans and/or other equity or debt financing on commercially reasonable terms and/or on a timely basis following Listing. If we are unable to obtain necessary financing or obtain such financing on favourable terms due to various factors beyond our control, we may not have sufficient funds to develop our business and the future prospect and growth potentials of our Group may be adversely affected.

If government subsidies that we are currently entitled to in relation to our production activities are not available or substantially reduced, our financial condition could be adversely affected

During the Track Record Period, we recorded government grants of approximately RMB895,000, RMB2,380,000, RMB1,270,000 and RMB2,162,000, respectively, which were recognised as other income and represented approximately 0.2%, 0.5%, 0.2% and 0.4% of our revenue in the respective period. The government subsidies include (i) subsidies received from various local government authorities in Fujian Province in connection with their support to eligible enterprises; (ii) grants received from various local governments including a subsidy for green construction enterprises; (iii) award to enterprise with increased production and efficiency; and (iv) award to enterprises with integrated information technology and industrialisation. Such government grants are mainly non-recurring in nature, discretionary and are subject to certain selection criteria and procedures stipulated by the local governments, which we may not be qualified for in the future.

We cannot assure you that we will be able to receive any such government grants in the future, or at all. If we do not receive government grants in subsequent periods after the Track Record Period, our financial condition for such periods may be adversely affected.

Our historical results, including segment results of our PC component business operation, may not be indicative of our future revenue and profit margin

During the Track Record Period, our revenue amounted to approximately RMB399.5 million, RMB511.3 million, RMB590.8 million and RMB602.2 million respectively, and our net profit amounted to approximately RMB12.2 million, RMB27.4 million, RMB41.8 million and RMB43.0 million, respectively. During the Track Record Period, our gross profit amounted to approximately RMB39.7 million, RMB76.5 million, RMB114.4 million and RMB119.0 million, respectively, and our gross profit margin amounted to approximately 9.9%, 15.0%, 19.4% and 19.8%, respectively. We may not be able to sustain our historical gross profit and gross profit margin for various reasons, including but not limited to, our Group's ability to cope with the changing demand and requirements from customers and the cost of raw materials and trading products for production. For detailed analysis of our Group's gross profit and gross profit margin, please refer to the section headed "Financial information — Discussion on major items of the consolidated statements of comprehensive income" of this prospectus.

In particular, our PC component business operation only commenced commercial production in the second half of 2017. We recorded segment loss of approximately RMB12.1 million and RMB5.7 million for each of the two years ended 31 December 2018, respectively, and segment profit of approximately RMB24.5 million for the year ended 31 December 2019 and RMB33.6 million for the ten months ended 31 October 2020, for the PC component business operation. We also recorded negative gross profit margin for our other construction components for the year ended 31 December 2017 and 2018. As at 31 December 2018 and 2019, our accumulated losses were approximately RMB40.5 million and RMB1.3 million, respectively. Such trend of the historical financial information of our Group is only an analysis of our past performance. It does not have any positive implication, nor would it necessarily reflect our financial performance in the future, which will largely depend on our capability to secure new purchase orders, control our costs and expenditures and project implementation. The profit margins and income of our Group's projects may fluctuate from project to project, and the historical revenue from our provision of products to the projects in the past may not be indicative of our future revenue or profitability. Prospective investors should be aware of the risk of our Group's failure to secure future purchase orders when considering our Group's financial results.

Our backlog and new contract value may not be indicative of our future results of operation

As at 31 December 2017, 31 December 2018 and 31 December 2019 and 31 October 2020, we had (i) approximately RMB179.5 million, RMB321.4 million, RMB553.1 million and RMB816.1 million in terms of contract value in our backlog, respectively; and (ii) new contract value of approximately RMB176.8 million, RMB427.6 million, RMB708.2 million and RMB851.7 million, respectively.

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 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. New contract value represents the aggregate estimated value of contracts that we entered into during a specified period. For further details in relation to our backlog and new contract value, please refer to the sections headed "Business — Backlog" and "Business — New contract value" of this prospectus.

Any modification, termination or suspension of contracts, price adjustment based on the prevailing market price, or change in level of anticipated demand of products by our customers may have a substantial effect on the estimated contract values. Projects may also remain in our backlog for an extended period of time longer than we initially anticipated. We cannot guarantee that the estimated amount in our backlog will be realised in full and in a timely manner, or at all, or that, even if it can be realised, such backlog will turn into profits as expected. As such, our backlog and new contract value as set out in this prospectus only reflects the general volume of our future projects and may not be indicative of our future operating results.

We may not be able to adequately protect our intellectual property rights, which could reduce our competitiveness

We rely on a combination of patents, trademark and domain name registrations to establish and protect our intellectual property rights. As at the Latest Practicable Date, (i) we have been granted 62 patents by the National Intellectual Property Administration of the PRC; (ii) we registered five trademarks under the PRC trademark law and one trademark in Hong Kong; and (iii) we have one patent under application for registration. Further, we own other intellectual properties such as non-registered trade secrets, and proprietary technologies, procedures and processes. For details, please refer to the section headed "Business — Intellectual property" and the paragraph headed "Further information about the business of our Company — 8. Intellectual property rights of our Group" in Appendix VI to this prospectus. We cannot guarantee that the measures that we have taken will be sufficient to prevent any misappropriation of our intellectual property rights or that our competitors will not independently develop, or obtain through licensing, alternative technologies that are substantially equivalent or superior to ours. Furthermore, we cannot ensure that all of our registration applications will be successful, or our registered intellectual property rights will not be subject to any objection. In the event that the steps we have taken and the protection afforded by law do not adequately safeguard our intellectual property rights, or we are not able to register or defend our intellectual property rights, or our competitors exploit our intellectual property rights in the manufacturing and sale of competing products in the markets we operate, our business could be materially and adversely affected.

Intellectual property laws in the PRC are still evolving and the level of protection and means of enforcement of intellectual property rights in the PRC differ from those in other jurisdictions. Enforcement of our intellectual property rights could be costly, and we may not be able to immediately detect unauthorised use of our intellectual properties and take the necessary steps to enforce our rights over such properties. In the event that the measures taken by us or the protection afforded by laws do not adequately safeguard our intellectual property rights, we could suffer losses in revenue and profits due to competing sales of products and services that exploit our intellectual property rights.

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

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. However, we cannot guarantee our insurance policies may be sufficient to cover all potential damage or liabilities from claims and litigation. If we suffer any losses, damages or liabilities in the course of our business operations arising from events for which we do not have any or adequate insurance covers, we may have to bear such losses, damages or liabilities by ourselves. In such case, our business operations and financial results may be adversely affected.

We also cannot guarantee that the insurance premiums payable by us will not increase. 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. Any further increases in insurance costs (such as an increase in insurance premiums) or reductions in insurance coverage may materially and adversely affect our business operations and financial results.

Our future plans are subject to uncertainties and risks

Our growth depends on the implementation of our future plans with respect to our business. We intend to apply the net proceeds from the Share Offer to finance our future plans. Please refer to the sections headed "Business — Business strategies" and "Future plans and use of proceeds" of this prospectus for further information on our future plans. During the Track Record Period, the utilisation rate of our PC Plant was approximately 12.6%, 42.9%, 70.1% and 84.7%, respectively. It is our strategic plan to expand our PC Plant with fully automatic production lines, leasing storage sites for PC components, acquire flatbed trucks and enhance and expand our workforce in order to meet the increasing demand for PC components and increase our market share in the PC component industry. The success of our expansion plan hinges on our ability to capture additional customer demands. However, there is no assurance that we will be able to maintain or establish relationships with our existing or prospective customers or secure new purchase orders to utilise our increased production capacity. There are also other uncertainties and risks, such as delays, cost overrun, shortage of labour and shortage of key materials, which are beyond our control and would increase the costs of implementing our expansion plan. We may even have problems of under-utilisation if demand for our products does not increase at the same rate. In the event that the above-mentioned uncertainties and risks happen or we are unable to achieve a high utilisation of our production capacity as planned, there could be a material adverse effect on our performance and results of operation.

On the other hand, the future capital expenditure of our Group for the purchase of machineries and equipment may result in an increase in our annual depreciation expenses of approximately RMB13.5 million. Our Group currently plans to use approximately by RMB105.2 million of the net proceeds from the Share Offer to establish the new PC component production lines in order to expand our production capacity. For more details, please see the paragraph headed "Business — Business strategies — expansion of production capacity of PC components with greater production automation to achieve better production efficiency" of this prospectus.

Such additional machineries or equipment may increase our depreciation expenses, and may therefore adversely affect our Group's future results of operation and financial performance. Any unexpected requirement for the acquisition of additional machineries or equipment would have a negative impact on the cash level of our Group and the additional depreciation expenses may adversely affect our Group's financial performance in the future. Furthermore, the expansion of production line may also increase our operation costs, including direct labour costs and raw material costs. If our future plans prove to be unsuccessful, our business, results of operation and prospects may be materially and adversely affected.

We rely on key management personnel

Our success and growth are attributable to the continued commitment of our senior management team led by our executive Directors, in particular Mr. Ye, our founder, chairman of our Board and executive Director, who has over 13 years of experience in ready-mixed concrete industry, and Mr. Huang, our chief executive officer and executive Director, who has over 15 years of management experience in the construction and construction material industry. For the biographical details of our executive Directors and senior management, please refer to the section headed "Directors and senior management" to this prospectus. We also pride ourselves for our capability to identify, hire and retain suitable and qualified employees, including management personnel with the necessary industry expertise. Notwithstanding our efforts to reward them for their service and contribution to our Group, there is no assurance that our compensation packages and incentive schemes will successfully attract and retain key personnel. Any unanticipated departure of our executive Directors and/or senior management team may have an adverse impact on our business operations and profitability.

Personal injuries, property damages or fatal accidents may occur at work sites

We cannot guarantee that our employees will follow our safety measures and/or will not breach any applicable rules, laws or regulations. Any personal injuries and/or fatal accidents to the employees of our Group may lead to claims or other legal proceedings against our Group. As at the Latest Practicable Date, our Group was not subject to any material claims from employees.

We rely on the development of the construction industry in the PRC

Our ready-mixed concrete and PC components are mainly used for onward installation at construction sites. According to the Frost & Sullivan Report, the commercial ready-mixed concrete industry is driven by the development of the construction industry. As our customers are mainly main-contractors and sub-contractors of construction projects in both the public and private sectors, which may include construction projects such as residential buildings, educational institutions, industrial parks, rail transit, underground utility tunnels and roads and bridges. If our customers experience underperformance in the PRC construction industry, they could reduce their purchases from our Group, which could have a material and adverse impact on our business, results of operation, financial conditions and prospects.

RISKS RELATING TO CONDUCTING OUR OPERATIONS IN THE PRC

Any changes in the political, social and economic conditions in the PRC may adversely affect our business

Our financial condition and prospects are to a significant degree subject to the political, social and economic conditions of the PRC, as our assets are located in the PRC and all of our revenue is derived from operations that take place in the PRC. Any changes in the political, social and economic conditions of the PRC may adversely affect our business viability. The PRC government has undergone various reforms of its economic systems which have resulted in economic growth for the PRC over the past few decades. However, many of the reforms are unprecedented or experimental, and are expected to be refined and modified from time to time. In addition, the scope, application and interpretation of laws relating to such reform may be uncertain. Political, economic and social factors may lead to further refinement or adjustment of the reform measures. Therefore, we cannot predict whether changes in the economic, political and social conditions in the PRC will lead to continued growth or whether any such growth will be in a geographic region or economic sector beneficial to us. Moreover, even if new policies may benefit our industry in the long term, we cannot assure you that we will be able to successfully adjust to such policies. As our operations and assets are located in the PRC, we depend heavily on general economic conditions in the PRC for our continued growth. Therefore, if the PRC's economic growth slows down or if the PRC economy experiences a recession as a result of any changes in the PRC's political, economic and social conditions, the growth in demand for our products may be reduced or become minimal, and thus may have a material and adverse effect on our future growth and results of operation.

Acts of God, acts of war, epidemics and other disasters could affect our business

Our business is subject to the general and social conditions in the PRC. Acts of God such as natural disasters, epidemics, and other disasters which may materially and adversely affect the economy, infrastructure and livelihood of the people of the PRC are beyond our control. Our business, results of operation and financial condition may be materially and adversely affected if these natural disasters occur.

Apart from natural disasters, epidemics may materially and adversely affect people's livelihood and even threaten people's lives. Any outbreak of an epidemic is beyond our control and there is no assurance that epidemics like severe acute respiratory syndrome, avian flu, the human swine flu or the recent COVID-19 will not happen again. In the event of an occurrence of epidemic in the PRC, our business, results of operation and financial condition may be materially and adversely affected.

Acts of war and terrorist attacks may cause damage or disruption to us, our employees, facilities, markets, suppliers and customers, any of which may materially and adversely affect our revenue, cost of sales, results of operations, financial condition or Share price. Potential war or terrorist attacks may also cause uncertainty and cause our business to suffer in ways that we cannot currently predict.

There are uncertainties associated with the implementation, interpretation and enforcement of the PRC legal system

Our business and operations in the PRC are governed by PRC law. The PRC is a civil law jurisdiction based on written codes and statutes. Unlike common law jurisdictions, in the PRC, prior court decisions may be cited as persuasive authority but do not have binding legal force. Since 1979, the PRC government has promulgated laws and regulations in relation to economic matters in general such as foreign investment, corporate organisation and governance, commerce, taxation and trade in order to establish a comprehensive legal system conducive to investment. However, the implementation, interpretation and enforcement of these statutes may involve greater uncertainty compared to those in the common law jurisdictions due to a relatively short legislative history and the limited number and non-binding nature of court cases. Depending on the government agency and court or how an application or a case is presented to such agency or court, we may be subject to less favourable interpretations of the law than those imposed on our competitors. In addition, litigation in the PRC may be protracted and result in substantial legal costs and the diversion of our resources and the attention of our management. Similarly, legal uncertainty in the PRC may limit the legal protections available to potential investors. We cannot predict the effects of future legal developments in the PRC, including the promulgation of new laws, changes to existing laws or the interpretation or enforcement thereof, or the pre-emption of local regulations by national law. As a result, there is substantial uncertainty as to the legal protection available to potential investors.

Our revenue is denominated in Renminbi, which is not freely convertible for capital account transactions and may be subject to exchange rate volatility

We require access to foreign currency to pay dividends to our Shareholders. However, most of our revenue is denominated in Renminbi, which currently is not a freely convertible currency. Under the PRC foreign exchange rules and regulations, payments of current account items, including profit distributions, interest payments and expenditures related to business operations, are permitted to be made in foreign currencies without prior government approval but are subject to certain procedural requirements. Strict foreign exchange controls continue to apply to capital account transactions. Capital account transactions must be approved by or registered with SAFE or banks. Repayments of loan principal, direct capital investment and investments in negotiable instruments are also subject to restrictions. As a result of these controls, we cannot assure you that we will be able to meet all of our foreign currency obligations or to remit profits to our Shareholders in the form of dividends.

The value of Renminbi depends to a large extent on the PRC's domestic and international economic, financial and political conditions and government policies, as well as the local and international currency markets. In light of the flood of capital outflows of China in 2016 due to the weakening of RMB, the PRC government has imposed more restrictive foreign exchange policies and stepped up scrutiny of major outbound capital movement. More restrictions and substantial vetting process are put in place by SAFE to regulate cross-border transactions falling under the capital account. The PRC government may at its discretion further restrict access to foreign currencies in the future for current account transactions. If the foreign exchange control system prevents us from obtaining sufficient foreign currencies to satisfy our foreign currency demands, we may not be able to pay dividends in foreign currencies to our Shareholders.

Any change in PRC foreign exchange policies may give rise to uncertainties in our financial condition and results of operation. We currently do not, nor do we intend to, hedge our exposure to the US dollar or other currencies. Since most of our income and profits are denominated in Renminbi, any appreciation in Renminbi may subject us to increased competition from imports while a devaluation of Renminbi may adversely affect the value of our net assets, earnings and declared dividend in foreign currency terms, as well as our ability to meet our foreign currency obligations.

There may be difficulties in effecting service of process upon us and in seeking recognition and enforcement of foreign judgments or arbitral awards in the PRC

Our operations and assets are primarily located in the PRC. On 14 July 2006, Hong Kong and the PRC entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements Between Parties Concerned

(關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排) (the "**Arrangement**"), pursuant to which a party with a final court judgment rendered by a Hong Kong court requiring payment of money in a civil commercial case according to a written choice of court agreement may apply for the recognition and enforcement of such judgment in the PRC. Similarly, a party with a final judgment rendered by a PRC court requiring the payment of money in a civil commercial case pursuant to a written choice of court agreement may apply for the recognition and enforcement of such judgment in Hong Kong. A written choice of court agreement is defined as any agreement in writing entered into between parties after the effective date of the Arrangement in which a Hong Kong or PRC court is expressly designated as the court having sole jurisdiction for the dispute. It may be difficult or impossible for investors to effect service of process against us or our assets in the PRC in order to seek the recognition and enforcement of foreign judgments in the PRC, if the parties in dispute do not agree to such a choice of court agreement in accordance with the requirements set forth in the Arrangement.

On 18 January 2019, the Supreme People's Court of the PRC and Department of Justice of Hong Kong signed the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region (《關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排》) (the "**2019 Arrangement**"). The 2019 Arrangement sets out the scope, applicable rulings, procedures and manners to apply for recognition and enforcement examination on jurisdiction of the original court, conditions to refuse to recognise and enforce, and remedies of reciprocal recognition and enforcement of judgments in civil and commercial matters. Following the promulgation of a judicial interpretation of the Supreme People's Court and completion of the relevant procedures in Hong Kong, both sides shall announce a date on which the 2019 Arrangement shall become effective. The 2019 Arrangement shall apply to judgments made by a PRC or Hong Kong court on or after the effective date. When the 2019 Arrangement becomes effective, the Arrangement shall be terminated. However, the Arrangement remains applicable to a choice of court agreement in writing within the meaning of the Arrangement and signed before the effective date of the 2019 Arrangement. Even though the 2019 Arrangement has been signed, it remains unclear when such agreement will come into effect and effectiveness and outcome of any action brought under the 2019 Arrangement may still be uncertain.

The PRC has not entered into treaties or arrangements providing for the recognition and enforcement of judgments made by courts of the United States, the United Kingdom, or most other western countries, or Japan. Therefore, it may not be possible for investors to effect service of process on us in the PRC or to enforce any judgment awarded by non-PRC courts in the PRC.

The PRC is one of the signatories to the Convention on the Recognition and Enforcement of Foreign Arbitral Awards (the "**New York Convention**"), which allows for the enforcement of arbitral awards given by the arbitration bodies of other New York Convention signatories. Following the resumption of sovereignty over Hong Kong by the PRC on 1 July 1997, the New York Convention is no longer applicable for the enforcement of arbitral awards of Hong Kong in other parts of the PRC. As a result, a memorandum of understanding was signed on 21 June 1999 to permit the reciprocal enforcement of arbitral awards between Hong Kong and the PRC (the

"**Memorandum of Understanding**"). This Memorandum of Understanding was approved by the Supreme People's Court of the PRC and the Hong Kong Legislative Council and became effective on 1 February 2000. It may be difficult to seek recognition and enforcement of arbitral awards in the PRC if the arbitral awards were given by arbitration bodies that are not signatories to the New York Convention or do not have similar arrangements to the Memorandum of Understanding between Hong Kong and the PRC.

Dividends from our PRC subsidiaries paid to Zhixin HK and Pakhim Chen HK, being our Hong Kong subsidiaries, might not qualify for the reduced PRC withholding tax rate under the special arrangement between Hong Kong and the PRC

Under the EIT Law, if the foreign shareholder is not deemed a PRC tax resident enterprise under the EIT Law, dividend payments from PRC subsidiary to their foreign shareholders are subject to a withholding tax at the rate of 10%, unless the jurisdiction of such foreign shareholders has a tax treaty or similar arrangement with the PRC and the foreign shareholder obtains approval from competent local tax authorities for application of such tax treaty or similar arrangement. Pursuant to a special arrangement between Hong Kong and the PRC, the withholding tax rate is lowered to 5% if a Hong Kong resident enterprise is the beneficial owner of more than 25% of a PRC company distributing the dividends at all times within the 12-month period immediately prior to distribution of the dividends. According to the Announcement on the Administrative Measures for Nonresident Taxpayers to Enjoy the Treatment Under Tax Treaties (關於發布《非居民納稅人享受協定待遇管理辦法》的公告) ("**2020 Administration Measures**"), which was promulgated by the State Administration of Taxation on 14 October 2019 and became effective on 1 January 2020, prior approval from or filings with the State Administration of Taxation is no longer required before a non-resident taxpayer can enjoy the tax preferential treatment under the relevant treaties. A non-resident taxpayer may enjoy the tax preferential treatment at the time of return filings or withholding and declaration through a withholding agent if it is eligible for the tax preferential treatment under the relevant provisions of a tax treaty, simultaneously compiles and retains the relevant materials pursuant to the provisions of the 2020 Administration Measures for future inspection, subject to the follow-up administration by the relevant tax authority. In order to enjoy the tax preferential treatment, the non-tax resident shall file documents with tax authority when filing tax returns or withholding and declaration through a withholding agent, compiles and retains the relevant materials for future inspection pursuant to the 2020 Administration Measures among which is the tax resident identity issued by the tax authority of the counter party to the treaty. During the follow-up administration, the PRC tax authorities shall verify if the nonresident taxpayer is eligible for the tax preferential treatment, ask for supplemental documents from the non-tax resident or, if the non-resident taxpayer is deemed not eligible for the tax preferential treatment, the competent tax authorities shall recover the tax pursuant to the law and pursue the non-resident taxpayer's liability for deferred tax payment. Moreover, according to the Notice of the State Administration of Taxation on the Issues Concerning the Application of the Dividend Clauses of Tax Agreements (國家稅務總局關於執行稅收協定股息條款有關問題的通知) issued by the State Administration of Taxation on 20 February 2009, if the main purpose of an offshore arrangement is to obtain preferential tax treatment, the PRC tax authorities have the discretion to adjust the preferential tax rate for which an offshore entity would otherwise be eligible. There is no assurance that the PRC tax authorities will recognise and accept the 5% withholding tax rate on dividends paid by our PRC subsidiaries and received by Zhixin HK and Pakhim Chen HK.

We may be deemed a PRC resident enterprise under the EIT Law and be subject to PRC taxation on our global income. The PRC resident enterprise classification could also result in unfavourable tax consequences to our non-PRC resident enterprise shareholders

Under the EIT Law and its implementing rules, both of which became effective from 1 January 2008, an enterprise established outside of the PRC with "de facto management bodies" situated within the PRC could be considered a PRC resident enterprise and will be subject to the enterprise income tax at the rate of 25% on its global income with any relevant foreign tax paid available to be claimed as a foreign tax credit. The implementing rules of the EIT Law define the term "de facto management bodies" as "establishments that carry out substantial and overall management and control over the manufacturing and business operations, personnel, accounting, properties, etc. of an enterprise". The State Administration of Taxation issued the Notice Regarding the Determination of Chinese-Controlled Offshore Incorporated Enterprises as PRC Tax Resident Enterprises on the Basis of De Facto Management Bodies ("**Guo Shui Fa [2009] No. 82**", or "**Circular 82**") (關於境外註冊中資控股企業依據實際管理機構標準認定為居民企業有關問題的通知，國稅發[2009]82號), on 22 April 2009, which was newly amended on 29 December 2017. Circular 82 provides certain specific criteria for determining whether the "de facto management body" of a Chinese-controlled offshore-incorporated enterprise is located in China. Although Circular 82 only applies to offshore enterprises controlled by PRC enterprises, not those controlled by PRC individuals or foreigners, like our Company, the determining criteria set forth in Circular 82 may reflect the State Administration of Taxation's general position on how the "de facto management body" test should be applied in determining the tax resident status of offshore enterprises, regardless of whether they are controlled by PRC enterprises or individuals. If the PRC authorities were to subsequently determine that we should be so treated and if we derive any global income in future, a 25% enterprise income tax on our global income could significantly increase our tax burden and materially and adversely affect our cash flow and profitability. Further, if we are regarded as a PRC resident enterprise, dividends that we receive from the subsidiary which are considered as PRC resident enterprises would be exempt from EIT and no withholding tax would be applied either. However, as there is still uncertainty as to how the EIT Law and its implementation rules will be interpreted and implemented, we cannot assure you that our income may not be subject to the EIT Law and that we are eligible for such PRC enterprise income tax exemptions or reductions.

In addition, because there remains uncertainty regarding the interpretation and implementation of the EIT Law and its implementing rules, it is uncertain whether, if we are regarded as a PRC resident enterprise, dividends we pay with respect to our Shares, or the gain you may realise from the transfer of our Shares, would be treated as income derived from sources within the PRC and be subject to a 10% withholding income tax, unless any such foreign corporate shareholder is qualified for a preferential withholding rate under a tax treaty. For further details, please refer to the sub-paragraph headed "Enterprise income tax" under the paragraph headed "Taxation" under the section headed "Regulatory overview" in this prospectus. If we are required under the EIT Law to withhold PRC income tax on our dividends payable to our non-PRC corporate shareholders, or if you are required to pay PRC income tax on the transfer of our Shares, your investment in our Shares may be materially and adversely affected.

PRC regulations on loans to and direct investment by offshore holding companies in PRC entities may delay or prevent us from using the proceeds of this offering to make loans or additional capital contributions to our PRC subsidiaries

As an offshore holding company of our PRC subsidiaries, we may make loans to our PRC subsidiaries, or we may make additional capital contributions to our PRC subsidiaries. Any loans to our PRC subsidiaries are subject to PRC regulations and foreign exchange loan registrations. For example, loans by us to our PRC subsidiaries to finance their activities cannot exceed statutory limits and must be registered with the SAFE or their respective local counterpart. We may also determine to finance our PRC subsidiaries by means of capital contributions. We cannot assure you that we can obtain these government registrations or approvals on a timely basis, if at all, with respect to future loans or capital contributions by us to finance our PRC subsidiaries. If we fail to receive relevant registrations or approvals, our ability to use the proceeds of this offering and to capitalise our PRC operations would be negatively affected which would adversely and materially affect our liquidity and our ability to expand our business.

We face uncertainty with respect to PRC tax obligations in connection with indirect transfer of equity interests in our PRC resident enterprises through their non-PRC holding companies

On 3 February 2015, the SAT issued a new circular on the PRC enterprise income tax treatment of an indirect transfer of assets by a non-resident enterprise (國家稅務總局關於非居民企業間接轉讓財產企業所得稅若干問題的公告) (the "**Circular No. 7**"), which was newly amended on 29 December 2017. Circular No. 7 stipulates that if a non-resident enterprise indirectly transfers its equity interest in the PRC resident enterprises and other properties by implementing arrangements such as transfer of shares in an overseas enterprise, without reasonable commercial purposes but to evade the enterprise income tax, the nature of this indirect transfer shall be re-defined and recognised as a direct transfer of equity interest in a PRC resident enterprise and other properties.

Theoretically, the relevant provisions in Circular No. 7 are not applicable to transfers of our Shares by Shareholders who are individuals or PRC resident enterprises, and these Shareholders, as transferors of our Shares, will in no circumstances be subject to PRC tax reporting obligations or tax liabilities as provided under Circular No. 7. However, it is not clear how the PRC tax authorities will interpret the Circular No. 7 in the case that individuals or PRC resident enterprises transfer our Shares. Transferring shareholders may become subject to PRC tax reporting obligations or tax liabilities under Circular No. 7 if (i) the transferring shareholders are non-resident enterprises; and (ii) the transfer of our Shares by such Shareholders is determined as not having any reasonable commercial purpose by competent tax authorities.

Circular No. 7 specifies a number of factors and conditions that shall be considered in determining whether an indirect transfer of the (i) properties of an establishment or place in the PRC, (ii) real estate in the PRC or (iii) equity investment in a PRC resident enterprise and other properties directly held by such non-resident enterprise and for which the proceeds from the transfer of such properties shall be subject to EIT as specified by the PRC tax laws (collectively the "**PRC Taxable Properties**") has a reasonable commercial purpose. It also specifies circumstances under which an indirect transfer shall be directly deemed as having no reasonable commercial purpose. The determination shall be made on a case-by-case basis based on specific circumstances.

Provisions of Circular No. 7 imposing PRC tax liabilities and reporting obligations do not apply to "non-resident enterprise acquiring and disposing of the equity interests of the same offshore listed company in a public market".

Since Circular No. 7 has only become effective since 3 February 2015 and no implementing rules have been released yet, it is not clear that how the relevant taxation authorities would interpret and define each factor and then determine whether the transfer of our Shares by Shareholders may have a reasonable commercial purpose or not. In addition, Circular No. 7 does not address detailed follow-up procedures if the indirect transfer of the PRC Taxable Properties is determined as not having any reasonable commercial purpose. As stated in the section headed "Information about this prospectus and the Share Offer" of this prospectus, potential investors are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding and dealing in the Offer Shares.

If any future transfer of our Shares constitutes an indirect transfer of the PRC Taxable Properties and is subject to the EIT obligation under Circular No. 7, the amount of the EIT shall be calculated based on the "income from the transfer" and applicable tax rate. In respect of tax rate, a withholding tax rate of 10% shall be applicable, unless otherwise provided in the relevant tax treaty.

PRC laws and regulations establish more complex procedures for some acquisitions of PRC companies by foreign investors, which could make it difficult for us to pursue growth through acquisitions in China

A number of PRC laws and regulations, including the Rules on the Acquisition of Domestic Enterprises by Foreign Investors (2006 Revision) (關於外國投資者併購境內企業的規定), the Anti-Monopoly Law (反壟斷法), and the Rules of Ministry of Commerce on Implementation of Security Review System of Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (商務部實施外國投資者併購境內企業安全審查制度的規定) promulgated by MOFCOM on 25 August 2011 and effective from 1 September 2011 (the "**Security Review Rules**"), have established procedures and requirements that are expected to make the review of certain merger and acquisition activities by foreign investors in China more time consuming and complex. These include requirements in some instances to notify MOFCOM in advance of any transaction in which foreign investors take control of a PRC domestic enterprise, or to obtain approval from MOFCOM before overseas companies established or controlled by PRC enterprises or residents acquire affiliated domestic companies. PRC laws and regulations also require certain merger and acquisition transactions to be subject to merger control or security review.

The Security Review Rules were formulated to implement the Notice of the General Office of the State Council on Establishing the Security Review System for Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (國務院辦公廳關於建立外國投資者併購境內企業安全審查制度的通知), which was promulgated in 2011. Under these rules, a security review is required for mergers and acquisitions of domestic enterprises by foreign investors involved in the military industry, enterprises located near key and sensitive military facilities and other units related to national defence and security or by which foreign investors may acquire "de facto control" of domestic enterprises that implicate "national defence and security" or "national security" concerns. For example, these may be enterprises involved in key agricultural products, key energy and resources, vital infrastructure, important transportation services, core technologies and significant equipment manufacturing. In addition, when deciding whether a specific merger or acquisition is subject to the security review, MOFCOM will look into the substance and actual impact of the transaction.

The Security Review Rules further prohibit foreign investors from bypassing the security review requirement by structuring transactions through proxies, trusts, indirect investments, leases, loans, control through contractual arrangements or offshore transactions. It is unclear whether our business would be deemed to be in an industry that raises "national defence and security" or "national security" concerns. As there is a lack of clear statutory interpretation on the implementation of the Security Review Rules, if the business of any target company we plan to acquire falls into the ambit of security review, we may not be able to successfully acquire such company either by equity or asset acquisition, capital contribution or any contractual arrangement. We may grow our business in part by acquiring other companies operating in our industry. Complying with the requirements of the relevant regulations to complete such transactions could be time consuming, and any required approval processes, including approval from MOFCOM, may delay or inhibit our ability to complete such transactions, thus affecting our ability to expand our business or maintain our market share.

Fluctuations in the exchange rate of Renminbi against other currencies could have a material and adverse effect on our financial conditions and results of operation

Most transactions of our Group were settled in RMB, except for certain transactions which are settled in foreign currencies. Fluctuation in exchange rates may affect the level of our profitability or result in foreign exchange losses on our foreign currency-denominated assets and liabilities.

RISKS RELATING TO THE SHARE OFFER

There has been no prior public market for our Shares, their market price may be volatile and an active trading market in our Shares may not develop

Prior to Listing, there is no public market for our Shares. The listing of, and the permission to deal with, our Shares on the Stock Exchange do not guarantee the development of an active public market or the sustainability thereof following completion of the Share Offer. Factors such as variations in our Group's revenue, earnings and cash flows, strategic acquisitions made by our Group or its competitors, loss of key personnel, litigation, fluctuations in the market prices for our products in the PRC, the liquidity of the market for our Shares, the general market sentiment regarding the concrete-based building material industries could cause the market price and trading volume of our Shares to change substantially. In addition, both the market price and liquidity of our Shares could be adversely affected by factors beyond our Group's control and unrelated to the performance of our Group's business, especially if the financial market in Hong Kong experiences a significant price and volume fluctuation. In such cases, investors may not be able to sell their Shares at or above the Offer Price.

Future sales, or market perception of sales, of substantial amounts of our Shares in the public market, including any future offerings, could have a material adverse effect on the market price of our Shares and make it difficult for you to recover the full value of your investment

The market price of our Shares could decline as a result of future sales of substantial amount of our Shares or other securities relating to our Shares in the public market, or the issuance of new Shares or other securities relating to our Shares, or the perception that such sales or issuance may occur. Future sales, or perceived sales, of substantial amount of our Shares could materially and adversely affect the market prices of our Shares and may also materially and adversely affect our ability to raise capital in the future. In addition, our Shareholders would experience dilution in their holdings upon our issuance or sale of additional securities in future offerings.

Investors for our Shares may experience dilution if we issue additional Shares in the future

If we issue additional Shares in the future, investors of our Shares in the Share Offer may experience further dilution in their ownership percentage. We may need to raise additional funds in the future to finance expansion of or new developments relating to our existing operations or new acquisitions. If additional funds are raised through the issuance of new equity or equity-linked securities of our Company other than on a pro-rata basis to the existing Shareholders, the percentage ownership of such Shareholders in our Company may be reduced or such new securities may confer rights and privileges that take priority over those conferred by our Offer Shares.

You should read the entire prospectus carefully and we strongly caution you not to place any reliance on any information contained in press articles or disseminated through other media relating to us and/or the Share Offer, certain of which may not be consistent with the information contained in this prospectus

Prior to the publication of this prospectus, there may be press and media coverage regarding us and/or the Share Offer including certain financial information, financial projections and other information about us that do not appear in this prospectus, the disclosure of which was not authorised by us (the "**Unauthorised Information**"). We wish to emphasise to potential investors that we do not accept any responsibility for any such Unauthorised Information. The Unauthorised Information was not sourced from or approved by us. We make no representation as to the appropriateness, accuracy, completeness or reliability of any of the Unauthorised Information. To the extent that any of the Unauthorised Information is inconsistent with, or is in conflict with, the information contained in this prospectus, we disclaim it. Accordingly, prospective investors are cautioned to make their investment decisions based solely on the information contained in this prospectus and should not rely on any of the Unauthorised Information.

RISKS RELATING TO STATEMENTS IN THIS PROSPECTUS

We cannot guarantee the accuracy of facts and other statistics with respect to certain information obtained from research reports and supplied by other parties contained in this prospectus

Certain facts and statistics cited in this prospectus are based on various official government and non-official publications, including the industry report. We cannot guarantee the quality or reliability of such facts and statistics. Such information has not been independently verified by us and may be inconsistent, inaccurate, incomplete or out-of-date. None of our Company, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of our or their respective affiliates or any of our or their respective directors, officers, employees, representatives, agents or advisers or any other person or party involved in the Share Offer makes any representation as to the accuracy or completeness of such facts and statistics. Such facts and statistics may not be consistent with other information compiled within or outside the PRC. Furthermore, the facts and statistics may be incomparable to statistics on the economies of other nations and there can be no assurance that the statistics are stated or compiled on the same basis or with the same degree of accuracy as compared to those stated or compiled by other nations. Accordingly, such facts and statistics should not be unduly relied upon.