BUSINESS OVERVIEW

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

Our product portfolio covers cement admixture and concrete admixture and their respective raw materials. Our products mainly include (i) the various types of cement admixture and concrete admixture, (ii) the in-process intermediary of cement admixture, being alcohol amine, and (iii) the in-process intermediaries of concrete admixture, being polyether monomers and polycarboxylic acid mother liquor. Cement and concrete admixtures are applied in the production process of cement and concrete, to accelerate the production process, conserve energy consumption, reduce the volume of raw material used and enhance the cost efficiency of our customers' production. At the same time, our products help improve the quality, performance and product feature range of cement and concrete. In particular, our cement admixture can enhance the grindability of cement, and therefore can accelerate production efficiency and increase the production volume of cement. Our concrete admixture can reduce the amount of water applied in the production of concrete, and therefore can improve the quality of concrete by enhancing its stability and durability. For details of how admixture products achieve such results, see "Business — Our Products" in this document. For FY2021, FY2022, FY2023 and 6M2024, our revenue derived from cement admixture and its respective in-process intermediaries was RMB1,449.6 million, RMB1,357.8 million, RMB1,427.7 million and RMB618.4 million respectively, accounting for 94.3%, 73.8%, 59.6% and 56.0% of our total revenue in the same year/period, respectively. For FY2021, FY2022, FY2023 and 6M2024, our revenue derived from concrete admixture

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

and its respective in-process intermediaries was RMB84.8 million, RMB460.4 million, RMB962.5 million and RMB482.7 million respectively, accounting for 5.5%, 25.1%, 40.2% and 43.7% of our total revenue in the same year/period, respectively.

We have a nationwide presence owing to our 11 production facilities located across the PRC. Our production facilities are each equipped with its own technical team and sales team. Our production facilities are located in Ningbo of Zhejiang Province, Linyi of Shandong Province, Guigang of Guangxi Zhuang Autonomous Region, Qiannan Buyi and Miao Autonomous Prefecture of Guizhou Province, Meishan of Sichuan Province, Tongling of Anhui Province, Xiangyang of Hubei Province, Xianyang of Shaanxi Province, Haidong of Qinghai Province, Kunming of Yunnan Province, and Huludao of Liaoning Province, and had a total GFA of 123,950.22 m^2 as at the Latest Practicable Date. Through strategically locating our production facilities near our major customers, we can better understand their needs and requirements, respond to their orders more quickly, and deliver products to them more efficiently and consistently, so as to improve their satisfaction with our products and strengthen our cooperation with them. As at 30 June 2024, our annualised maximum production capacity for cement admixture and its in-process intermediary was together approximately 1.1 million tonnes, and our annualised maximum production capacity for concrete admixture and its related in-process intermediaries was together 1.3 million tonnes. For FY2021, FY2022, FY2023 and 6M2024, our sales volume of cement admixture and its respective in-process intermediaries was approximately 0.3 million tonnes, 0.3 million tonnes, 0.3 million tonnes and 0.2 million tonnes respectively, and our sales volume of concrete admixture and its respective in-process intermediaries was 48.0 thousand tonnes, 139.0 thousand tonnes, 281.0 thousand tonnes and 152.2 thousand tonnes respectively.

Owing to our R&D efforts and capabilities, we are capable to provide customised products based on the needs and actual business conditions of our customers. Meanwhile, our R&D capabilities enable us to enhance our technologies and production process of synthesising the relevant raw materials to produce cement and concrete admixtures as well as diversify the functions of our finished products. We possess industry leading technology and production processes, specifically, synthesis and application of six-carbon polyether monomer. Our production technologies and processes, automated production system and information management system ensure that we can produce reliable and high-quality products. In order to sustain our business growth, our R&D efforts focus on developing new products and new applications and improving production and synthesis technologies so as to diversify our product portfolio and improve production efficiency. Our widely recognised R&D efforts have won us a number of awards and recognitions. In particular, among other awards, in 2019, our "Research and Industrialisation on Key Grinding Aids Technologies for the Resource Utilisation of Industrial Solid Waste" was awarded the second prize of Science and Technology Progress Award of Shandong Province issued by People's Government of Shandong Province* (山東省人民政府). As at the Latest Practicable Date, we were the registered owner of over 80 patents (including 68 inventive patents) which our Directors believe are material to our business operations and we were also in the process of application for over 20 patents in the PRC, which our Directors believe will be material to our business operation.

We have maintained stable relationships with our upstream and downstream business partners. During the Track Record Period, we have provided products to hundreds of customers, meanwhile we have established strategic cooperation with a number of customers. In particular, we are a long-term

supplier of a number of entities with cement and concrete mixing plants, including Conch Cement Group, Gansu Shangfeng Cement Co., Ltd. (甘肅上峰水泥股份有限公司) ("**Gansu Shangfeng**"), Taiwan Cement Corporation (台灣水泥股份有限公司) ("**TCC**") and Xintongling. In addition, we have the supply infrastructure to ensure environmentally-friendly transportation as well as stable supply of ethylene oxide by entering a pipeline agreement for a term of 12 years with a branch of a leading energy and chemical company in the PRC, pursuant to which we are supplied with ethylene oxide, one of our principal raw materials, through pipelines. The pipeline agreement specifies a minimum purchase volume of ethylene oxide, a basic price per tonne and the supplier's obligation to maintain and manage the pipeline jointly.

In 2018, we had successively consolidated various assets and entities relating to the cement admixture business from Shandong Hongli, the then largest company in the cement admixture industry of PRC, and Xintongling, the then third largest company in the cement admixture industry of PRC. Leveraging their production technologies and their brand trademarks (in particular, "Hongli"), we entered the cement admixture industry and rapidly became China's largest cement admixture supplier. As at 30 June 2024, we mainly sold our products under the brand trademarks of "CONCH" and "Hongli", which our Directors believe have strong brand influence and are highly attractive to customers.

In the future, we plan to further expand our market share through expanding our geographical reach by increasing the number of our production facilities, conducting marketing initiatives, intensifying our R&D efforts, reinforcing our production infrastructure so as to achieve long-term sustainable development. We also intend to solidify our position in the industry in which we operate through strategic acquisitions or joint ventures with entities with viable business growth. Through these measures, we will continue to expand our business scope and strengthen our cooperation with international customers, with a view to becoming a leading fine chemical materials supplier focusing on providing materials that can improve the sustainability of construction practices at home and abroad.

OUR STRENGTHS

We believe that the following strengths contribute to our success and differentiate us from our competitors:

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

We are China's leading cement admixture supplier. According to Frost & Sullivan, we are China's largest supplier of cement grinding aids; we ranked first in the PRC in terms of both sales volume and revenue of cement admixtures in FY2023, with a market share of approximately 28.3% and 32.3%, respectively (in particular, we ranked first in the PRC in terms of sales volume and revenue of cement grinding aids in FY2023, with a market share of approximately 34.6% and 34.1%, respectively). Our cement admixture products mainly consist of cement grinding aids and related intermediates (i.e., processed alcohol amine). Cement admixtures play an important role in cement manufacturing as it can reduce the energy consumption of cement production, reduce the production and procurement cost, improve the quality of cement, and also can improve the production capacity and efficiency of cement.

Particularly, cement grinding aids are mainly used to promote the dispersion of cement particles and improve the grindability of the material, making it easier to crush, so as to effectively prevent the agglomeration of cement particles and improve the grinding efficiency and liquidity of the final product. Our cement admixture products ultimately function to save energy, protect the environment and reduce carbon emissions arising from cement production.

According to Frost & Sullivan, due to a growing downstream demand for cement admixture owing to its energy conservation and emission reduction abilities, the global production volume of cement admixtures has been steadily increasing since 2019 at a CAGR of approximately 2.2%, and is expected to grow at a CAGR of approximately 3.6% from 2023 to 2028. China is the largest producer of cement admixture in the global market, and the production volume of China's cement admixture market has been slightly decreased since 2019 at a CAGR of approximately negative 0.8%, and is expected to grow at a CAGR of approximately 3.0% from 2023 to 2028. While the market size of China's cement production has shrunk from 2019 to 2023, specifically at a CAGR of -3.5%, our ability to expand our market share in the cement admixture market in the PRC remains relatively unaffected due to (i) market consolidation, (ii) our leading position in the cement admixture industry, and (iii) our business strategies, details of which are set our in "Our Future Strategy" in this section. According to Frost & Sullivan, owing to the fierce competition in the markets that we operate, smaller players will be phased out and the number of cement and concrete admixture manufacturers in the PRC has decreased at a CAGR of approximately -7.8% and -2.3% from 2018 to 2023. While there was an overall negative growth of the industry in the PRC due to economic downturn in real estate industry, resulting in a decrease in production volume and consumption volume of concrete admixtures, our Company was still able to record an increase in our sales volume as (i) our annual/half year production capacity for concrete admixture was expanded by the commencement of new production plants during the Track Record Period, which in turn expanded our Group's geographical coverage; (ii) our Group has been leveraging on our brand image and reputation to expand our customer base and build a stable relationship with our strategic customers, which allowed us to maintain a level of turnover growth during the Track Record Period, despite economic downturn in real estate industry; (iii) our Group adopted a competitive pricing strategy after taking into account of the requisite scale and product requirements of our existing and potential customers in order to maintain and expand our market share, while the average selling price of our industry peers remained relatively stable or slightly decreased during the Track Record Period, according to Frost & Sullivan; and (iv) our Group only started to engage in the business of production of concrete admixture in 2018 with a lower base of production capacity, which was relatively late in joining the industry as compared to our industry peers, and, thus has more room to grow. While our industry peers have engaged in the industry for a longer period of time with significantly higher production capacity and business scale than that of our Group, thus, they were more susceptible to the economic downturn in real estate industry in FY2023, according to Frost & Sullivan. Our Directors believe that the cement admixture and concrete admixture market in the PRC will continue to consolidate, with top players continuing to dominate and capture a substantial portion of the industry growth while smaller players with small production scale will gradually decrease in number on the basis that the leading players, such as ourselves, is able to keep up with the evolving and often stringent environmental requirements and will continue to (i) merge and acquire companies

with admixture production functions and substantial customer base, (ii) extend our geographical coverage to reach new customers, and (iii) establish strategic relationships with various players within the current industry so as to align the interests of our customers with us.

As one of the leading cement admixture suppliers in the cement admixture industry in the PRC, we have extensive knowledge of cement admixture production technology, including alcohol amine synthesis technology, and cement admixture synthesis and application technology. We are well equipped with different types of production technologies and process of cement admixtures, such as the isopropanolamine production technology and the trolamine production technology. Such expertise allows us to produce various types of quality cement admixtures with different functions, hence diversifying our product portfolio available to our customers.

In addition, we have a nationwide presence through our 11 production facilities located in Ningbo of Zhejiang Province, Linyi of Shandong Province, Guigang of Guangxi Zhuang Autonomous Region, Qiannan Buyi and Miao Autonomous Prefecture of Guizhou Province, Meishan of Sichuan Province, Tongling of Anhui Province, Xiangyang of Hubei Province, Xianyang of Shaanxi Province, Haidong of Qinghai Province, Kunming of Yunnan Province and Huludao of Liaoning Province. Our extensive nationwide presence enables us to cover the PRC market and provide prompt and efficient product supply and support to meet the needs of our customers. Through strategically locating our production facilities near our key customers, we can better understand their needs and requirements, respond to their orders more rapidly, and deliver products to them more efficiently and effectively, so as to improve their satisfaction with our products, strengthen our cooperation relationship with them, and also effectively reduce our transportation costs. As at 30 June 2024, we owned 37 production lines of cement admixture and its in-process intermediaries with an annualised maximum production capacity of 1.1 million tonnes, demonstrating our leading production scale and production capacity.

As at the Latest Practicable Date, we had been awarded a number of awards and recognitions in cement admixtures, which we believe demonstrates our leading position in cement admixture industry in the PRC. The following table sets forth our notable awards and recognitions as at the Latest Practicable Date.

Award/Recognitions	Awarding Institution/Authority	Award Year
Scientific reform demonstration enterprise* (科改示範企業)	State Council State-owned Enterprise Reform Leading Group* (國務院國有企業改革領導小組)	2023
Scientific reform demonstration enterprise* (科改示範企業)	State Council State-owned Enterprise Reform Leading Group* (國務院國有企業改革領導小組)	2022

Award/Recognitions	Awarding Institution/Authority	Award Year
Second prize of Science and Technology Progress Award of Shandong Province* (山東省科學技術進步二等獎) for our "Research and Industrialisation on Key Grinding Aids Technologies for the Resource Utilisation of Industrial Solid Waste"	People's Government of Shandong Province* (山東省人民政府)	2019
A new product of Anhui Province* (安徽省新產品) for our "special admixture for high-alkali cement"	Anhui Provincial Department of Economy and Information Technology* (安徽省經濟和信息化廳)	2020
"Advanced Technology"* (先進技術) in the "Five-Hundred Energy Conservation and Environmental Protection Action of Anhui Province"* (安徽省節能環保五個一百) for our energy conservation and environment protection project	Anhui Provincial Department of Economy and Information Technology* (安徽省經濟和信息化廳)	2020
Third prize of China's Science and Technology Progress Award for Building Materials* (中國建築材料科技進步三等獎)	China Building Materials Foundation (中國建築材料聯合會) and Chinese Ceramic Society (中國硅酸鹽學會)	2020
Third prize of Science and Technology Progress Award* (科技進步三等獎) for our "Key Technology Development and Application Research of Cr(VI) Reduced Grinding Aids for Composite Cement"	People's Government of Linyi City* (臨沂市人民政府)	2020
Second prize of Science and Technology Innovation Award of Huaihai City* (淮海科技創新二等獎) for our "Research and Industrialisation of Key Technologies for Functionally Controlled Cement Admixture" project	Huaihai Science and Technology Award Committee* (淮海科學技術獎委員會)	2021
Vice president entity of the Cement Admixture Branch of China Cement Association* (中國水泥協會水泥外加劑分會副會長單位)	Cement Admixture Branch of China Cement Association* (中國水泥協會水泥外加劑分會)	2019
Excellent Supplier of the Cement Industry* (水泥行業優秀供應商)	China Cement Association (中國水泥協會)	2021

Award/Recognitions	Awarding Institution/Authority	Award Year
China's Top 100 Innovative Building Materials Enterprises in 2022* (2022中國創新建材企業100強)	China Building Materials Enterprise Management Association* (中國建築材料企業管理協會)	2022
China's Top 100 Building Materials Enterprises with the Most Growth Potential in China in 2022* (2022中國最具成長性建材企業100強)	China Building Materials Enterprise Management Association (中國建築材料企業管理協會)	2022
China's 2022 Harmonious Building Materials Enterprises* (2022中國和諧建材企業)	China Building Materials Enterprise Management Association (中國建築材料企業管理協會)	2022

In addition, we had been invited to participate in the preparation of several national, industry and group standards for cement admixtures to promote the development of China's cement admixture industry and improve the product quality, including the national standard of "Safety Technical Specification for Concrete Admixtures", and the industry standards of "Ready-mixed Mortar" and "Test Method for Gas Permeability of Concrete". The establishment of these standards has played a significant role in promoting the development of China's cement admixture industry, and further ensures the safety and quality of relevant products.

Our advanced cement admixture production technologies, extensive network of production facilities across China, numerous awards and recognitions and experience in participating in establishment of national and industry standards relating to cement admixture have all demonstrated our strengths and influence in the cement admixture industry. In the future, we will continue to focus on solidifying our market position while expanding our market share by offering high-quality products to our customers. In conclusion, as China's leading cement admixture supplier, we believe that we are capable to solidify our market position and expand our market share in the domestic and international markets.

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

We have strategically implemented innovation-driven development strategy, and established an "enterprise-centred, demand-oriented, and industry-education-research deeply integrated" technological innovation system. With technological innovation as the core of our development, we have built a reliable technical team and R&D platform, and rely on our breakthroughs in core industry technologies to enhance our core competitiveness, maintain our leading position in the industry in China, and promote our industrial upgrading and sustainable development. As the cement and concrete industries in China as well as in the world are a large source of carbon emission, there is a large demand for products which can lower the carbon emission in the production and application of cement and concrete. To address market demand, we are committed to innovative activities which can render new types of cement and concrete admixtures that can better improve the sustainability of the cement and concrete industries.

The production of cement admixtures involves a variety of key technologies, including alcohol amine synthesis technology, and cement admixture compounding and application technology. The production of concrete admixtures involves the synthesis technology for polyether macromonomer, the

synthesis, compounding and application technology for polycarboxylic acid water reducing agent, and other key production technologies. Currently, we have an extensive knowledge of production technologies for cement admixtures, and have also made progress in the production of concrete admixtures, such as the synthesis and production technology for six-carbon polyether macromonomer, a new type of raw material of polycarboxylic acid water reducing agent. Relying on our existing production technology, we provide a vast range of products to meet the needs of customers, including cement admixture and its in-process intermediary namely processed alcohol amine (醇胺產品), and concrete admixtures, and its in-process intermediaries namely polyether monomers (聚醚單體) and polycarboxylic acid mother liquor (聚羧酸母液). For details, see "Research and Development — The results of our R&D projects" in this section.

In addition, in order to protect our R&D achievements, we attach great importance to intellectual property protection and have established an independent intellectual property system. As at the Latest Practicable Date, we were the registered owner of over 80 patents (including 68 inventive patents) which our Directors believe are material to our business operations and we were also in the process of application for over 20 patents in the PRC, which our Directors believe will be material to our business operation.

As at 30 June 2024, we had 59 R&D employees, which form part of our technical team. Our technical team have rich experience in the R&D of cement admixtures and concrete admixtures.

We have established a technological innovation system with the technology centre of our headquarter as the core and supported by technology centres of our subsidiaries. Some of our technology centres have been accredited by the PRC government authorities. In particular, technology centre of Linyi Conch was recognised as "State-level Enterprise Technology Centre* (國家級企業技術中心)" by National Development and Reform Commission (國家發展改革委), and further recognised as "State-level Postdoctoral Technology Research Work Station* (國家級博士後科研工作站)" by Department of the Ministry of Human Resources and Social Security of the PRC* (中國人力資源和社會保障部). See "Business — Research and Development" for further details. During the Track Record Period, our R&D expenses amounted to RMB39.1 million, RMB39.9 million, RMB45.8 million and RMB29.4 million, respectively.

We have been working with Dalian University of Technology, and have successfully completed the R&D of MP300 series preparation technology in June 2022. Leveraging such R&D result, we have gained extensive knowledge of the production and application technology for a range of polyether monomers types, which further expands the product portfolio available to our customers. These technologies have been put into production at the Ningbo Production Plant since 2022.

Our R&D efforts and results are highly recognised and have won us a number of awards and recognitions. In December 2019, we were awarded the "Achievement Award for New Development of Cement Admixture Industry" and the "Scientific and Technological Innovation Award for Cement Admixtures" by China Cement Association. In April 2020, we were awarded the "Building Materials Science and Technology Award" by China Building Materials Federation and China Silicate Society for our research, development and application of special admixture for high-alkali cement. Our "grinding aids for high-efficiency composite cement" was recognised as a national key new product, a key recommended product in the cement industry of China, and a famous brand product of Shandong Province, and was also recognised as a China famous brand. See "Awards and Recognitions" below for further information.

We strive to attain environmentally friendly practices in our production and operation, and we have developed an energy-saving project and an energy storage project for the recovery and utilisation of intermittent reaction heat, which has effectively reduced the cost of electricity and was recognised as "Top 10 Typical Energy Conservation Cases" by the Ningbo Municipal Government. In order to protect the environment, ensure safe production and achieve sound economic and social benefits, we have adopted advanced technical measures and systematic management methods to improve the resource utilisation and minimise the production and emission of pollutants.

Leveraging our expertise in production, R&D capabilities and product portfolio in the cement admixture and concrete admixture industry, we believe that we are capable to further consolidate our position in the industry.

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

In order to achieve business growth, we have adopted numerous strategies to establish a stable cooperation with upstream and downstream partners with a view to ensuring a stable source of revenue while reducing our product costs and ensuring the supply of our raw materials.

As at 30 June 2024, we were engaged by over 700 customers. Some of our customers are leading companies in the cement or concrete industry, and we have maintained a solid and stable cooperative relationships with such customers. As at the Latest Practicable Date, we have established a strategic cooperation relationships with not less than ten companies, including, TCC, Zhejiang Shangfeng, and Jinyuan; pursuant to our agreements with these strategic customers for cement admixture, it is generally agreed that these customers will prioritise engaging us as their supplier. During the Track Record Period, we generated a revenue of RMB750.0 million from the group companies of customers with which we have established strategic relationships with, accounting for 10.9% of the cumulative revenue. In addition, relying on our excellent product quality and technical support as well as our nationwide presence, we have become a long-term supplier of a number of entities with cement and concrete mixing plants, including Conch Cement Group, Shangfeng, TCC, Xintongling, which have brought us stable business and sustainable revenue.

We were a company set up by Conch Holdings to explore the fine chemical materials industry. As one of the largest cement and building materials group companies in the world, Conch Holdings continues to be on the list of Fortune China 500 companies and ranks the 135th in 2024, with an operating revenue of US$30.6 billion for the year ended 31 December 2023. As at 31 December 2023, Conch Holdings had over 600 subsidiaries around the world, with total assets of over RMB300 billion. Conch Holdings controls and operates three listed companies, namely Conch Cement, Conch (Anhui) Energy Saving and Environment Protection New Material Co., Ltd. and China Conch Environment Protection Holdings Limited, and these listed companies operate businesses covering cement manufacturing, green building materials, intelligent manufacturing, new energy and new materials, energy conservation and environmental protection, and international trade. Conch Cement Group has been our largest customer for each year/period comprising the Track Record Period. We have a long standing relationship with Conch Cement, the first company in the cement industry which was listed in both the Hong Kong Stock Exchange and the Shanghai Stock Exchange. According to the list of world's top 2000 companies in 2023 as announced by Forbes, Conch Cement ranked the 539th, being the first in the global cement industry. According to the list of China's top 500 listed companies in 2023 as announced by Fortune China, Conch Cement ranked the 104th with an operating income of approximately RMB132 billion as at 31 December 2022. Capitalising the resources of Conch Cement Group and the long-term cooperation between us, we continuously enhance our market competitiveness

and position in the fine chemical materials industry. We are committed to maintaining our reciprocal and complementary relationship with Conch Cement Group. Our cooperation with Conch Cement Group is based on the following principles:

Market expansion: Conch Cement Group has extensive channels and customer resources in domestic and overseas markets. We worked with Conch Cement Group to jointly expand the market and expand the sales scope and channel coverage of our products. Our cooperation with Conch Cement Group has better positioned us to expand into domestic and overseas markets and further expand our market share.

Reciprocity and mutual benefit: We have established a long-term and stable partnership with Conch Cement Group under the principle of reciprocity and mutual benefit. Our cooperation focuses on mutual support and shared growth to maximise the interests of both parties.

Leveraging our long-term cooperation with Conch Cement Group, we will secure complementary advantages in resources to enhance market competitiveness, and break new ground in cement admixture and concrete admixture building materials. For details, see "Customers, Sales and Marketing — Our relationship with our largest customer" in this section. We believe that our joint efforts will contribute to our sustainable development and long-term success.

In order to secure the cost advantage and a stable supply of raw materials, we entered into a pipeline agreement with a branch of a leading energy and chemical company, (which is a branch company of our largest supplier for each year during the Track Record Period, Supplier A) pursuant to which we purchased and were supplied ethylene oxide through pipeline to our Ningbo Production Plant. As the longest ethylene oxide transportation pipeline in the PRC, it can provide a stable, safe and environment-friendly supply. As ethylene oxide is an important raw materials, the cost of pipeline transportation is relatively low, which can reduce our costs and therefore can enhance our competitiveness. The transportation pipeline also provides us with a reliable logistics channel, reducing uncertainties and delays in the supply chain. Therefore, we can obtain the required raw materials more conveniently to ensure the timely implementation of our production plan. In addition, according to Frost & Sullivan, pipeline transportation will be a trend for the transportation of ethylene oxide in the future, which will further enhance our competitive advantage.

Through establishing a stable cooperation with upstream and downstream partners, we can ensure a stable supply of raw materials and therefore can provide high-quality products in a cost-effective and timely manner, which lays a solid foundation for the expansion of sales channels. This stable cooperation not only contributes to our business growth, but also enhances our influence and competitive advantage in the cement and concrete admixture industry. In the future, we will continue to strengthen our cooperation with upstream and downstream partners, continuously improve our products, and secure larger-scale business growth.

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

We have complete, mature and advanced production processes. We are committed to establishing an intelligent big data management platform relying on information technology to improve the quality of our production and operations. We have adopted the following methods for the automated operation of our production facilities, which can reduce labour input, enhance production efficiency and reduce energy consumption, thereby creating an infrastructure and foundation for future sustainable practices

meeting the unique needs of our customers, and ensuring excellent product quality and reliable reputation. We have adopted the following measures to fully control our production processes and product quality:

- ***Production control.*** In order to ensure efficient and high-quality production, all of our production processes have adopted a reliable and technologically advanced distributed control system (DCS), a multi-level computer system composed of process control level and process monitoring level, connected by a communication network, generally used in medium or large-sized automation control places. We can monitor and control the entire production device through DCS, including the process control, process detection, data processing, metering management and operation monitoring of the entire device. Meantime, we have embedded the batch control function (Batch) and the recipe management function (RMS) based on ISA88.01 standards, which can maintain a safe and reliable operation of our instrumentation and control systems. Such technologies can ensure the efficient operation and reliability of our production processes. In addition, our production is generally automated and our production processes have been accredited with the certification of quality, environment, and occupational, health and safety systems as well as product quality. In the production process, our raw materials are transported through machine pumps, and the reactor weighing is interlocked with raw materials pumps and feed valves to ensure the accuracy of measurement, thereby securing a stable product quality and an efficient production. According to Frost & Sullivan, our control level is relatively advanced in comparison with companies similar to us in the cement admixture industry.

- ***Safety and environmental protection control.*** In order to ensure the safe operation of equipment and production and the safety of on-site personnel, we have also set up on site a gas detection system (GDS) and a safety instrument system (SIS) for flammable and toxic gases according to the distribution of equipment leakage sources, which can fully monitor the leakage of flammable and toxic gases and reinforce the safety and environmental protection management of our Company covering sensing, monitoring, early warning, treatment and evaluation.

- ***IT infrastructure.*** We have various information technology systems with functions such as production process monitoring, playback of history, trend analysis, alarm of abnormal information and integrated display. Relying on our information systems, we can conduct real-time monitoring and analysis of data from our production facilities, synchronise sales data with production plans, and use real-time data for inventory management. In order to supplement our advantage in IT application, we have adopted a 5G network in our Ningbo Production Plant which improves data collection, intelligent shipment, intelligent video analysis, intelligent inspection and personnel positioning; we can access more information intelligently without affecting our flexibility.

- ***Quality management.*** We attach great importance to the management of product quality, and have implemented the ISO9001 international quality management system standards and our internal risk prevention and control system to ensure our product quality. Our products also comply with GB/T26748-2011 and GB8076-2008 national standards. Since our establishment, there has not been any major product quality issue, product recall or similar circumstance, demonstrating our excellent product quality and reliable reputation.

In conclusion, relying on our strong strength in production technology as well as advanced production technology and management system, we are committed to providing high-quality products, maintaining safe production and prioritising sustainable practices to ensure economic efficiency and sustainable development. Our advanced production technology and excellent product quality enable us to meet the unique needs of our customers and maintain our leadership in the industry.

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

Our management team as a whole have extensive experience and in-depth knowledge and insights in the cement admixture and concrete admixture industry. Mr. Ding Feng, our non-executive Director and Chairman responsible for our overall strategic planning and development, has over 20 years of experience in cement and admixtures industries in the PRC. Mr. Feng Fangbo, our non-executive Director primarily responsible for providing strategic advice to our business and operation, has over 20 years of experience in enterprise management in admixtures industries. Mr. Zhao Hongyi, our non-executive director also primarily responsible for providing strategic advice to our business and operation, has over 30 years of experience in the cement admixture industry. Mr. Zhao Hongyi has in-depth understanding of cement admixture technology as demonstrated by the various books and publications he published in relation to production techniques relating to cement admixture. Our management team includes highly experienced experts who have been serving in the cement admixture and concrete admixture industries for years as well as other experienced executives from different industries. Under the leadership of our management team, we have become the leading provider of cement admixture in the PRC.

We believe that the industry insights, dedication and management experience of our directors and senior management are conducive to the development of our business. Our management team has created a corporate culture to motivate our employees and attract high-quality talents to join us, which we believe is critical to our sustained success. For further information, see "Directors, Supervisors and Senior Management" of this document.

OUR FUTURE STRATEGY

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

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

According to Frost & Sullivan, the global cement admixture market has been steadily growing and its production volume is expected to increase from 1,908.7 thousand tonnes in 2023 to 2,279.5 thousand tonnes in 2028, representing a CAGR of approximately 3.6%. In addition, according to Frost & Sullivan, the global concrete admixture market is significantly larger than the cement admixture market. Due to the recovery of the macro economy and the increase in infrastructure construction investment, the production volume of China's concrete admixture market is expected to increase to 18.6 million tonnes by 2028, representing a CAGR of approximately 2.9% from 2023 to 2028. As China is a main exporter of concrete admixture in the world, it is expected that China's export volume of concrete admixture will increase steadily to 477.4 thousand tonnes by 2028, representing a CAGR of approximately 6.6% from 2023 to 2028.

In light of the market opportunities in the concrete admixture market both globally and in China, while we aim to continue to increase our market share in the global cement admixture market in the future to take advantage of the aforementioned market opportunities, we also aim to increase our market share in the concrete admixture market. We believe that such twofold aim will help us become an internationally leading supplier of fine chemical materials. Specifically, we plan to take the following steps to expand our market coverage:

A. Through expanding our geographical reach through increasing the number of our production facilities

In respect of domestic market:

We have set up production facilities across the PRC with an underlying vision of establishing a nationwide presence. To solidify our nationwide presence, we will continue to extend the reach of our network across the PRC and densify our geographical coverage to eliminate blind market spots through the establishment of new production facilities. While our existing production facilities are not running close to its fullest possible utilisation, in order to further densify our geographical reach through establishing various numbers of facilities so as to integrate our resources with our customers' needs, enhance the flexibility of product supply to meet the various needs of our customers and expedite our turnaround time for product delivery to customers, which will help expand our regional market shares.

Currently, our production facilities extend to cover Eastern China, Central China, Southern China, Southwestern China, Northwestern China and Northeastern China. We believe that we need to further densify our presence in the Northeastern region of the PRC in order to capture growing demand for admixture products in areas which exhibit trends of urbanisation, such as Inner Mongolia. According to Frost & Sullivan, the consumption volume of cement admixtures in Inner Mongolia reached approximately 17.4 thousand tonnes in 2023, and is expected to reach approximately 23.0 thousand tonnes in 2028, representing a CAGR of 5.7% from 2023 to 2028, whilst the consumption volume of concrete admixtures in Inner Mongolia reached approximately 156.1 thousand tonnes in 2023, and is expected to reach approximately 190.5 thousand tonnes in 2028, representing a CAGR of 4.1% from 2023 to 2028. In order to further densify our coverage in Northeastern China so as to reach customers in Inner Mongolia, we have completed the construction of Huludao Production Plant. The existing production lines at Huludao Production Plant has been put into initial production in late May 2024, representing an additional annual permitted capacity of 30,000 tonnes of cement admixtures, 20,000 tonnes of concrete admixtures and 30,000 tonnes of polycarboxylic acid mother liquor at the Huludao Production Plant. As we plan to further strengthen our ability to reach customers in Inner Mongolia, we plan to further equip the Huludao Production Plant with new production equipment and/or production lines in the future.

Further to achieving geographical expansion, we believe that the establishment of production facilities across the PRC will allow us to achieve the following aims:

Reducing supply chain risks. The establishment of multiple production facilities will mitigate risks associated with supply chain disruptions. If one facility encounters issues such as equipment failure, natural disasters, or labour strikes, the other facilities can continue production, ensuring a consistent supply to customers.

Improved efficiency and responsiveness. Increasing the number of production facilities can enhance operational efficiency and responsiveness. By honing a large geographical coverage, we can reduce transportation costs, lead times, and improve customer service by being closer to the target markets. This can lead to higher customer satisfaction and potentially attract new customers.

Market proximity. Prior to our establishment of the Huludao Production Plant, we did not have any production plant in the Northeastern region of the PRC, despite having made sales to the surrounding regions. Having established an initial local presence, we can enhance our market proximity and better serve our existing customer base and be able to reach out to additional potential customers in the Northeastern region of the PRC and the neighboring areas. We believe that as our operations at the Huludao Production Plant matures, our initiatives there will lead to improved customer satisfaction and stronger relationships with our customers.

Further, Inner Mongolia presents significant potential business opportunities to us as mentioned above. By having a production plant in Liaoning province, we have strategically positioned ourselves to capture these opportunities more effectively, as the shorter distance between the Northeastern region and Inner Mongolia will enable us to streamline our supply chain, reduce transportation costs, and enhance our competitiveness in the region.

Increasing our permitted capacity. Although our overall utilisation rate as determined by our maximum designed production capacity is low, the utilisation rate of our certain production plants as determined by our permitted production capacity is generally quite high. In particular, our Linyi Production Plant exceeded the annual permitted capacity for the production of cement admixture (including processed alcohol amines) by 26.1% for FY2021. Our Xiangyang Production Plant exceeded the annual permitted capacity for the production of cement admixture by 323.0%, 46.0% and 30.0% for FY2021, FY2022 and FY2023, respectively, and exceeded the annual permitted capacity for the production of processed alcohol amines by 73.0%, 28.0% and 5.0% for FY2021, FY2022 and FY2023, respectively. Our Guigang Production Plant exceeded the annual permitted capacity for the production of cement admixture by 3.8% in FY2022 and 16.0% in FY2023. As such, the establishment of a new production plant will increase our permitted capacity and thereby increase the number of orders that we can take up without needing to apply for an increase of permitted capacity in some of our other production plants.

In respect of overseas market:

According to Frost & Sullivan, the global cement and concrete admixture market experienced and is expected to demonstrate in the future a stable development trend; in particular, developing countries such as Uzbekistan and Indonesia are expected to experience a growth in terms of demand of cement and concrete admixture. Due to the development of infrastructure construction and building construction industry in Uzbekistan and Indonesia, the demand for concrete and other building materials will continue to grow, which will in turn translate to demand for cement admixture products and concrete admixture products. The consumption volume of Uzbekistan's cement admixture market is expected to reach 7.7 thousand tonnes in 2028, representing a CAGR of approximately 6.2% from 2023 to 2028; whereas, the consumption volume of concrete admixture in Uzbekistan is expected to reach 181.6 thousand tonnes in 2028, representing a CAGR of approximately 6.1% from 2023 to 2028. The consumption volume of cement admixtures in Indonesia is expected to reach 38.6 thousand tonnes in 2028, representing a CAGR of approximately 4.5% from 2023 to 2028; whereas, the consumption volume of concrete admixtures in Indonesia is expected to reach 668.5 thousand tonnes in 2028, representing a CAGR of approximately 5.0% from 2023 to 2028.

We will take various measures to establish our presence in overseas markets, including Uzbekistan and Indonesia. Specifically, we plan to regularly visit potential customers in countries/cities in Central Asia and Southeast Asia which demonstrate an increasing demand for building materials to further understand opportunities and competitive landscape of local cement admixture and concrete admixture markets. We believe that with in-depth understanding of local markets gained through such visits, we will be able to better cater to local customers' needs and thereby increase our chances of a successful market expansion. Further to reaching out to potential customers in the Central Asia and Southeast Asia regions to gauge market opportunities, we have already identified some target customers in Uzbekistan and Indonesia through our sales activities. In this respect, we plan to establish facilities in Uzbekistan and Indonesia, which will provide a strong support for our expansion into these market. As at the Latest Practicable Date, we have established Toshkent Conch, in preparation of our expected operations in Uzbekistan. We believe that we will be able to break into the overseas market in Uzbekistan and Indonesia for the following reasons:

Competitive pricing. According to Frost & Sullivan, our pricing of products compared to the major providers of cement and concrete admixtures in Uzbekistan and Indonesia is relatively competitive. Leveraging our economies of scale (which will be further enhanced upon the establishment of overseas production facilities in these countries), we can provide quality products to our potential customers at a competitive price in these countries.

Quality products. We can provide quality products due to our mature production processes and our mature technological capabilities will allow us to meet the specific needs of cement and concrete manufacturers in Uzbekistan and Indonesia.

Mature production technique. By venturing into the overseas admixture market, we have the opportunity to capitalise on our expertise and mature production technique gained from our experiences in the PRC market.

Market landscape. According to Frost & Sullivan, the cement and concrete admixture needs of Uzbekistan and Indonesia are dominantly fulfilled by non-domestic suppliers. As we have the scale, experience, and capital comparable to such market players of the cement and concrete admixture of the Uzbekistan and Indonesia markets, we believe that we have the ability to break into these two markets and capture market share.

Suitable personnel. Our management team has personnel which has working experience in overseas country. Further, we have plans to sufficient local competent workforce in Uzbekistan and Indonesia where necessary so as to ensure that our day-to-day operations are carried out by local personnel which is familiar with the local landscape. We believe that we will be able to leverage our management's experience in Southeast Asia and avoid local blind spots through the engagement of local competent workforce.

Alignment with government initiatives. Our expansion into overseas markets aligns with the national "one belt and one road" (一帶一路) initiative. This initiative, supported by the PRC government, encourages Chinese enterprises to actively engage in global markets and invest in overseas projects. By venturing abroad, we not only demonstrate our commitment to supporting the national agenda but also advance our overall overseas development strategy.

To the best of the information and knowledge of our Directors, based on our market researches and communication with our potential overseas customers, including Uzbekistan, Taiwan, Turkey, Vietnam, Thailand, Colombia, Chile and Bolivia, our Directors estimated that there will be demand for our products in these regions.

Further, to support our expansion to overseas market, our Ningbo Conch has obtained a requisite export license in May 2024 to support our export sales for both admixture products and in-process intermediaries. We have also entered into a framework agreement with Anhui Tech Import & Export which is an experienced licensed import and export company for overseas sales and export services, to support a wider coverage of jurisdictions with cost efficiency. For details, please see "Continuing Connected Transaction — Export Sales and Services Framework Agreement".

Owing to the aforementioned reasons, we believe that we can leverage our competitive strengths to break into the market in Uzbekistan and Indonesia and replicate our success in overseas countries, albeit our lack of previous physical presence in these countries.

Through establishing a number of facilities in China and abroad, we will further enhance our production capacity and lay a solid foundation for enhancing market share in the global cement admixture industry and concrete admixture industry. Shall we successfully capture the opportunities in both the cement admixture industry and concrete admixture industry in the world, we will become a leading fine chemical materials supplier in the world. We plan to use our **[REDACTED]** from the **[REDACTED]** to partially finance our further enhancement of production activities at the Huludao Production Plant in the PRC and overseas production plants in Uzbekistan and Indonesia. See "Future Plans and **[REDACTED]** — **[REDACTED]**" in this document for further details.

B. Through marketing methods

In order to further increase our market share, we will reinforce our market promotion, and enhance our brand awareness and reputation through organising business meetings and we will strengthen the interaction and communication with our customers and enhance their participation and satisfaction, so as to further increase our brand influence and market share. In addition, we will increase our number of sales team employees so as to strengthen our cooperation with local dealers and promote our products to more markets through establishing stable distribution channels, so as to enhance our market share and brand awareness. We intend to provide such dealers with a full range of support and services, including marketing and guidance on after-sales service, which will help dealers increase their sales revenue and customer satisfaction.

The market supply and demand and competition landscape differ among different regions, and our products cover upstream and end products of amines and polyethers, whose phased market trends also differ among different product types. Therefore, in addition to the above measures, we will take differentiated and targeted regional marketing models according to actual regional conditions, and implement different and phased marketing strategies based on product types, so as to enhance the efficiency of marketing and empower the competitiveness of our products in the national market.

We plan to take the above measures to further enhance our market share and brand awareness, and lay a solid foundation for our sustainable development and long-term success in the cement and concrete admixture industry. We plan to use our **[REDACTED]** from the **[REDACTED]** to partially finance our implementation of marketing initiatives. See "Future Plans and **[REDACTED]** — **[REDACTED]**" in this document for further details.

Consolidating our R&D capabilities and diversifying our product portfolio

We believe that R&D is the core driving force for the success of our business and crucial to the sustainability of our future developments. We will continue to strengthen our R&D capabilities through undertaking more R&D projects. We will continue to pay attention to the market needs and trends, and continuously improve our existing products based on the feedback of our customers, so as to enhance the performance and competitiveness of our products and meet the diversified needs of the market. At the same time, we will also intensify our efforts to develop new technologies so as to optimise our product portfolio and expand the available functions and application areas of our products, so as to launch more products that meet the market demand and further enhance our market share and reputation. To this end, we have specially formulated the Science and Technology Innovation Development Plan from 2023 to 2025, under which we set out relevant R&D goals which we plan to meet, the subject matter of which focuses on the applicability, functions and quality of finished products and intermediates of cement admixture and concrete admixture as well as the production technology of ethylene carbonate.

In particular, we plan to further our cooperation with Dalian University of Technology to develop high-efficiency catalytic technology for alkylene oxide (環氧烷烴高效催化技術), explore and undertake projects on technologies relating to the production of propylene oxide derivatives, and further enhance our general capabilities in respect of technological innovation.

Moreover, we plan to dedicate a portion of our R&D efforts to the development and commercialisation of ethylene carbonate, adding a new product to our product portfolio. Ethylene carbonate is a main component of the electrolyte solvent for new energy cells. The production of ethylene carbonate requires a large amount of ethylene oxide, which is a raw material for the production of our concrete admixtures. We plan to make full use of ethylene oxide as the raw material, and convert it into ethylene carbonate, which will be used as a main component of the electrolyte solvent for new energy cells. This will enable the efficient use of raw materials and reduce resource waste and environmental impact. In this regard, we will further enhance our Ningbo Production Plant capabilities so as to produce ethylene carbonate, in addition to cement admixtures, concrete admixtures and other in-process intermediaries. According to Frost & Sullivan, the consumption volume of ethylene carbonate in the PRC is anticipated to reach 1,005.9 thousand tonnes in 2028, with a CAGR of 27.7% from 2023 to 2028 due to (i) the favourable policies in place encouraging the growth of the PRC's new energy vehicle industry and energy storage industry and (ii) the rapid development of electrolyte solvent driven by the development of consumer demand for new energy vehicles, energy storage and electronics in recent years. According to the breakdown of China's ethylene carbonate output by downstream application areas in 2023, electrolyte solvent is the largest downstream application area of ethylene carbonate, accounting for approximately 80.9%. We target to provide ethylene carbonate to new energy cell manufacturers.

We believe that we are well-positioned and well-equipped to break into the ethylene carbonate market in the PRC and that doing so will further improve the sustainability of our business model for the following reasons:

1. While the current market for ethylene carbonate is relatively concentrated, according to Frost & Sullivan, manufacturers like our Group, with a large scale of capital, mature technology and steady supply of raw materials is likely to be able to enter into the market.

2. The production processes and machinery and equipment applied for the production of ethylene carbonate can be used for one of our existing products, polyether monomers, provided that the production technology may differ. Therefore, with some additional adjustments made, such production lines can be converted for the use of our polyether monomers production in the future shall we be unable to tap into the ethylene carbonate market in the PRC.

3. According to Frost & Sullivan, our peers in the polyether monomer market are also undertaking relevant initiatives to break into the ethylene carbonate market in the PRC; such trend is a result of the fact that polyether monomer and ethylene carbonate belong to ethylene oxide derivatives and ours peers, like us, wish to take advantage of the stable supply of raw materials of polyether monomer that are similar to that of ethylene carbonate to capture the emerging demand for ethylene carbonate.

4. We believe that through leveraging our reputation and brand name, we will be able to attract customers of ethylene carbonate despite our lack of track record in the industry.

5. Given our production scale and steady supply of requisite raw materials, we will be able to adopt a more flexible pricing strategy in order to offer new customers with competitive prices, which in turn will allow us to gain entry to the ethylene carbonate industry in the PRC.

Expanding our product portfolio to cover ethylene carbonate will allow us to create new business growth points in light of the anticipated growth potential of the ethylene carbonate market in the PRC. Meeting the needs of the new energy market is in line with our overall commitment to delivering environment-friendly products while creating a new source of revenue for us. This strategic measure, shall it be successfully implemented, will bring us long-term competitive advantages and sustainable business growth. We plan to use our **[REDACTED]** from the **[REDACTED]** to further invest in our R&D initiatives. See "Future Plans and **[REDACTED]** — **[REDACTED]**" in this document for further details.

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

The optimisation of environment-friendly production equipment is an important measure for our sustainable development, and will allow us to achieve a long-term sustainable development through promoting energy conservation and emission reduction and enhancing supply chain efficiency. We aim to effectively reduce environmental pollution, reduce energy consumption and enhance resource

utilisation, thereby achieving our goal of sustainable development and improving our corporate image through the adoption of machinery and systems which can improve our operational efficiency and improve the extent of our impact on the environment.

By proactively adopting eco-friendly practices, we future-proof our operations and ensure the longevity and resilience of our business. Specifically, to lower the environmental impact of our production, we plan to construct exhaust gas absorption system and/or regenerative exhaust gas incinerator in our production facilities. As part of our production we emit gases such as SO_X, NMHC and nitrogen oxide which contribute to climate change. Gas absorption systems and/or regenerative exhaust gas incinerator can effectively reduce our emission levels.

Simultaneously, as our business continues to expand, we need to enhance our overall awareness of safety and environmental practices in order to achieve long-term sustainability. In this connection, we will engage third party experts for consultations (which may come in the forms of training for staff or reviews of our systems) so as to educate our staff or alert our management on points of possible improvement.

We also plan to further enhance our information technology management system to improve operational efficiency so as to optimise resource utilisation. Therefore, we plan to improve the extent of automation and digitalisation in our Group's production processes. Specifically, our Group will acquire financial data software and the development of an automation system for the enhanced automation extent of our production processes to enhance the automation and digitalisation for our operations. We believe that alongside our improved operational efficiency, we will be able to identify energy and cost saving opportunities, reduce wastage and provide more basis for our management to determine how our carbon footprint can be reduced. We plan to use our **[REDACTED]** from the **[REDACTED]** to partially finance the upgrade of the automation and digitalisation level of our production process and upgrade of our production infrastructure. See "Future Plans and **[REDACTED]** — **[REDACTED]**" in this document for further details.

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

In order to expand our market share, we plan to make strategic acquisitions or establish joint ventures. The target company shall create synergy effect with our business and be in line with our strategy. In particular, we are seeking for opportunities to acquire companies preferably with the following features or establish similar joint ventures:

— **Stable market position or market growth potential**: The target company has a sound market position and reputation in China's cement admixture industry or concrete admixture industry as well as a stable customer base and extensive sales channels. We will also consider upstream companies with stable growth potential, such as the capability to expand market share or extending our position on the value chain and meet the increasing needs of China's cement admixture or concrete admixture industries (including market penetration into second-tier and third-tier cities).

— **Technological strengths and R&D capabilities**: The target company has advanced technology and R&D capabilities, and is capable to conduct sustained innovation and develop admixture products with high added value. The target company shall have its own patents and other intellectual property rights.

— **Production and supply chain capabilities**: The production facilities of the target company are beneficial to the geographical coverage and efficient supply chain management of our Group. The target company has the resources and capabilities to expand our Group's geographical coverage into areas where our Group's operations are underdeveloped.

— **Quality control and compliance**: The target company has established standards and processes to ensure its product quality comply with relevant standards and regulatory requirements of the PRC.

— **Sound financial position**: The target company has a sound financial position and stable profitability. We would prioritise acquisition targets with more than RMB180 million of annual revenue and at least a net profit margin of 5%.

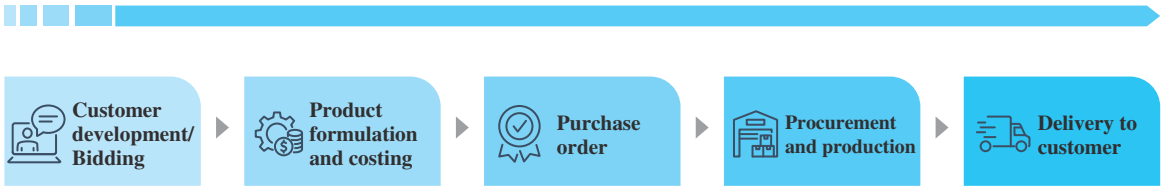
We believe that in-depth cooperation with our strategic partners will contribute to our long-term development. We plan to establish strategic win-win cooperation with high-quality companies in the industry based on the changes in the market and our own business developments. We plan to establish joint ventures with large cement or concrete companies. Through the establishment of a joint venture, we can share resources, technologies and market channels with them, further expand our production capacity of cement or concrete admixtures, and consolidate and strengthen our market position. Meantime, we can also reduce the production costs of our cement admixtures and concrete admixtures, and provide better products thus enhancing our market competitiveness. We plan to use our **[REDACTED]** from the **[REDACTED]** to partially finance the acquisition of companies or establishment of joint ventures. See "Future Plans and **[REDACTED]** — **[REDACTED]**" in this document for further details.

BUSINESS MODEL

We are a fine chemical materials supplier which produces and sells cement admixture (水泥外加劑), concrete admixture (混凝土外加劑) and their respective upstream raw materials. We produce and sell the respective in-process intermediaries of cement admixture and concrete admixture namely processed alcohol amine, polyether monomers and polycarboxylic acid mother liquor.

During the Track Record Period, we sold our products mainly in the PRC. Our target customers mainly include manufacturers of cement and concrete which have their own cement and concrete mixing plants, manufacturers of cement and concrete admixtures and companies which trade our products. We strive to provide high-quality admixtures and in-process intermediaries that meet customers' evolving needs. We are also committed to R&D endeavours which will enable us to develop and manufacture products that further enhance range of onward application of our product portfolio, elevate the attributes of our products and reduce the environmental impact of our production process.

Our operation flow is set out as follows:



Customer development/Bidding

Members of our management team and sales team visit our target customers from time to time to gather their feedback on our products, strengthen our business relationship and to gauge for new opportunities. We try to gauge from these meetings whether there are any prospective business opportunities. From time to time, at these meetings, our customers will relay to us the type of products that they are seeking or place a purchase order with us. We will generally enter into a sales framework agreement with customers which we consider to have a good credit history and is of substantive scale, to set out the parties' intention to cooperate in the future, with some of these agreements setting out our customers' intended level of purchase and the price calculation method for products for a specified period.

We keep abreast of the latest market information on potential tenders and conduct research on suitable tenders, by keeping track of the published tender notices of our potential customers and reviewing the websites of the government authorities on which tender invitations are published. Having identified potential tenders, we will internally assess the feasibility of the tender requirements and conduct preliminary assessment on whether the potential tender is commercially viable, by taking into account factors, such as the volume of goods required, the term of supply, technical requirements, targeted profitability and the customer's profile. If we decide to proceed with the tender, we will request for or our customers will provide us with a tender package which specifies their requirements, including, among other things, the specifications, contact details and closing time of the tender. We will then submit the tender documents to bid for potential new contracts. We have been generally successful in our tender for provision of our products with a substantial portion of our revenue arising from tenders. If we are awarded the biddings by the customers, we generally will enter into a sales framework agreement with such customers, which sets out terms such as delivery location and the responsibilities of the parties. Some of these sales framework agreement will set out such customers' intended level of purchase and the price calculation method for products for a specified period.

For details relating to the sale framework agreement, see "Customers, Sales and Marketing — Principal terms of our sales framework agreement" in this section.

Product formulation and costing

Generally, our customers will have requirements regarding cement admixture and concrete admixture. Upon understanding our customers' specific requirements, our sales personnel will relay such details to our technical team. Upon receiving our customers' order requirements, our technical

team will formulate a product which fits our customers' requirements. The technical team will perform various testing procedures, including testing from the visual, physical and chemical aspects, to ensure that our products meet the relevant requirements.

At the same time, our technical team, procurement team and finance team will together conduct a costing exercise, based on the raw materials utilised in the formulation, to determine the final price that is quoted to the customer. Such price, which is reflected in the purchase order to be subsequently signed and may be slightly different from the price we quote to the customer at bidding stage, takes into account the relevant pricing adjustments as part of the price calculation method set out in the sales framework agreement, (e.g. to the cost fluctuations of the principal raw materials). The price calculation method for products in the sales framework agreement serves as a guide to signal to customer the approximate cost of goods to be purchased from us.

For products that do not need to be specifically formulated (being in-process intermediaries, almost all of our admixture products require certain level of product formulation), customers will be given a quote for the product they wish to purchase at this stage, the quote of which shall be determined taking into account various factors such as the price of raw materials, transportation cost and the market prospects of the geographical area in which the customer operates in. Shall they find it agreeable, they will enter into a purchase order with us.

Purchase order

Our customer will then place orders with us by entering into purchase order which sets out details relating to the quantity of goods ordered, the unit price of the goods ordered and delivery terms. For each order, where the terms are not dictated by any sales framework agreement, our sales team liaises with our customers in advance to understand the types of products to be purchased, pricing, purchase quantity and payment terms. Shall we have entered into a sales framework agreement with such customers, the terms of the purchase order will follow those that are set out in the sale framework agreement.

Procurement and production

We source our raw materials for production of our products based on the demands of our production schedule which is dictated by our incoming orders. Occasionally, we will pre-purchase common raw materials used by us for inventory shall there be a season where such raw materials are being traded at a lower than normal price.

Our sales team prepares a monthly rolling sales record and our procurement team then devises and regularly updates the requirement plan for the raw materials for production of our products, respectively. Such plan is used by our procurement team to make purchase orders of the raw materials which are used in our production. Our supply chain management system enables us to capture real-time information relating to the inventory information, which allows to purchase the correct quantity of raw materials as required for the production of our products.

All the major production of our products are carried out at our 11 production facilities located across the PRC. Our production generally is done in large batches, with windows of downtime in between each batch of product for the purpose of adjusting the formulation for production and raw materials preparation, these windows normally last for less than an hour. We conduct quality checks at various stages from receipt of raw materials to finished products, to ensure that the production processes are carried out properly and there are no material defects which may affect the quality of our products.

Delivery

Depending on our agreement with our customers, we may need to arrange for the delivery of our products to the location designated by our customers through third party transportation companies. The customer may arrange for their own transportation arrangements regarding the products purchased with us. The cost of delivery is borne by us or the customers depending on the business terms which have been negotiated and agreed between us and our customers.

PRODUCTS

Our products mainly include (i) the various types of cement admixture and concrete admixture, (ii) the in-process intermediary of cement admixture, being alcohol amine, and (iii) the in-process intermediaries of concrete admixture, being polyether monomers and polycarboxylic acid mother liquor. Cement and concrete admixtures are applied in the production process of cement and concrete, to accelerate the production process, conserve energy consumption and enhance the cost efficiency of our customers' production. At the same time, our products help improve the quality, performance and product feature range of cement and concrete. The table below sets out the benefits that our cement and concrete admixtures bring to cement and concrete in terms of production volume, quality, performance and functionality, and energy consumption:

	Cement	Concrete
Production volume and energy consumption	Our cement admixture can enhance the grindability of cement by preventing the adhesion of cement and enhancing its fluidity in the grinding process, and therefore can accelerate the production efficiency and increase the production volume of cement. Our cement admixture can reduce the grinding energy consumption required in the production of cement by increasing its grindability.	Our concrete admixture can enhance the production process for concrete, as it reduces the amount of water applied in the production of concrete, and therefore can lower water consumption required.

	Cement	Concrete
Quality	Our cement admixture can improve the strength and fluidity of cement by enhancing its grindability, therefore can improve the quality of cement.	Our concrete admixture can improve the stability and durability of concrete by reducing the amount of water applied in the production of concrete, and therefore can improve the quality of concrete.
Performance and functionality	Our cement admixture can improve the strength and fluidity of cement, and therefore can facilitate the loading and unloading of cement and reduce the amount of cement left on the walls of cement tank. Improving the strength of cement refers to the ability of the cement to resist compressive loads. Specifically, grinding aids can improve the performance of cement by dispersing mineral powders in cement.	Our concrete admixture can increase the workability and fluidity of concrete, and therefore can make concrete more suitable for specific environmental conditions. Specifically, water-reducing admixtures can improve the dispersion state between concrete particles to smooth the surface of concrete particles and reduce friction and adhesion. In addition, certain types of our concrete admixture can either accelerate or decelerate the solidification process of concrete.
	For large engineering construction projects for bridges, rail transit, and nuclear plants, the strength and fluidity of cement and concrete will directly affect the durability and load-bearing capacity of the project. Therefore, high-performance grinding aids and water-reducing admixtures are widely used in these projects to improve project quality.	

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

	FY2021						FY2022						FY2023						6M2023						6M2024					
	Revenue	% of total revenue	Sales volume	Average selling price (Note 5)	Gross profit	Gross profit margin	Revenue	% of total revenue	Sales volume	Average selling price (Note 5)	Gross profit	Gross profit margin	Revenue	% of total revenue	Sales volume	Average selling price (Note 5)	Gross profit	Gross profit margin	Revenue	% of total revenue	Sales volume	Average selling price (Note 5)	Gross profit	Gross profit margin	Revenue	% of total revenue	Sales volume	Average selling price (Note 5)	Gross profit	Gross profit margin
	RMB'million	%	*Tonnes ('000)*	*RMB per tonne*	*RMB' million*	%	*RMB'million*	%	*Tonnes ('000)*	*RMB per tonne*	*RMB' million*	%	*RMB'million*	%	*Tonnes ('000)*	*RMB per tonne*	*RMB' million*	%	*RMB'million (unaudited)*	%	*Tonnes ('000)*	*RMB per tonne*	*RMB' million (unaudited)*	%	*RMB'million*	%	*Tonnes ('000)*	*RMB per tonne*	*RMB' million*	%
Cement admixture and in-process intermediaries																														
Cement admixture (水泥外加劑)	962.6	62.6	261	3,694.8	299.7	31.1	916.5	49.8	256	3,569.8	325.7	35.5	930.2	38.8	274	3,390.4	375.8	40.4	422.4	40.8	123	3,446.1	163.2	38.6	411.2	37.3	126	3,252.3	177.3	43.1
— Cement grinding aid (type 2)	733.6	47.7	231	3,181.7	233.8	31.9	693.5	37.7	224	3,092.6	247.7	35.7	748.4	31.2	245	3,050.0	307.1	41.0	329.8	31.8	108	3,064.4	130.6	39.6	333.8	30.3	113	2,955.3	144.5	43.3
— Cement grinding aid (type 1)	189.0	12.3	23	8,343.8	57.4	30.4	158.5	8.6	19	8,097.3	61.7	38.9	129.4	5.4	17	7,428.3	51.9	40.1	67.2	6.5	9	7,680.1	25.6	38.1	53.6	4.9	7	7,391.1	23.8	44.4
— Others (Note 3)	40.0	2.6	7	5,466.4	8.5	21.2	64.5	3.5	13	4,991.6	16.3	25.4	52.4	2.2	10	4,531.6	16.8	32.0	25.4	2.5	6	4,564.5	7.0	27.6	23.8	2.2	6	3,825.1	9.0	37.8
Processed alcohol amine (醇胺產品)	487.0	31.7	49	9,997.0	17.5	3.6	441.3	24.0	56	7,811.0	18.2	4.1	497.5	20.8	71	7,032.3	18.8	3.8	208.5	20.1	29	7,140.3	8.8	4.2	207.2	18.8	33	6,343.0	7.8	3.7
	1,449.6	94.3	310	4,687.6	317.2	21.9	1,357.8	73.8	312	4,334.7	343.9	25.3	1,427.7	59.6	345	4,137.0	394.6	27.6	630.9	60.9	152	4,156.9	172.0	27.3	618.4	56.0	159	3,887.0	185.1	29.9
Concrete admixture and in-process intermediaries																														
Concrete admixture (混凝土外加劑)	71.9	4.7	46	1,601.9	18.1	25.1	97.4	5.3	69	1,411.8	14.9	15.3	153.3	6.4	124	1,231.6	29.8	19.4	61.8	6.0	50	1,253.0	9.0	14.6	91.5	8.3	77	1,197.8	12.7	13.9
— Concrete water reducing admixture (type 2)	52.1	3.5	33	1,652.0	15.3	29.0	59.3	3.2	43	1,388.0	9.7	16.3	88.0	3.6	74	1,185.9	18.4	21.0	38.9	3.8	32	1,224.4	6.9	17.7	35.3	3.2	32	1,121.3	5.8	16.5
— Concrete water reducing admixture (type 1)	3.7	0.2	3	1,273.2	0.4	11.1	16.4	0.9	14	1,123.6	1.8	11.2	27.6	1.2	30	918.8	4.8	17.4	10.7	1.0	11	961.7	0.8	8.2	27.2	2.5	29	921.1	4.1	15.1
— Concrete water reducing admixture (type 3)	12.4	0.8	8	1,587.9	1.4	12.8	12.3	0.7	7	1,688.3	2.0	16.1	12.5	0.5	9	1,349.0	1.7	13.2	3.4	0.3	3	1,341.1	0.4	9.5	9.9	0.9	8	1,387.6	0.6	6.2
— Others (Note 4)	3.7	0.2	3	1,402.8	1.0	25.4	9.4	0.5	5	2,142.7	1.4	15.0	25.2	1.1	11	2,297.4	4.9	19.5	8.8	0.8	4	2,282.6	0.9	10.4	19.3	1.7	8	2,290.4	2.2	11.3
Polyether monomers (聚醚單體)	—	0.0	—	—	—	0.0	315.5	17.2	58	5,486.0	(9.0)	(2.9)	695.1	29.0	126	5,510.4	25.5	3.7	301.9	29.2	56	5,440.7	7.2	2.4	302.5	27.4	50	6,050.9	6.6	2.2
Polycarboxylic acid mother liquor (聚羧酸母液)	12.9	0.8	3	4,348.7	0.9	7.0	47.5	2.6	12	4,118.7	1.8	3.9	114.1	4.8	31	3,671.8	6.6	5.8	36.2	3.5	10	3,689.2	1.9	5.3	88.7	8.0	26	3,442.7	3.9	4.3
	84.8	5.5	49	1,772.2	19.0	22.4	460.4	25.1	139	3,335.4	7.7	1.7	962.5	40.2	281	3,417.0	61.9	6.4	399.9	38.6	116	3,474.8	18.1	4.5	482.7	43.7	153	3,171.6	23.2	4.8
Others (Note 1)	3.1	0.2	N/A (Note 2)	N/A (Note 2)	2.0	64.5	21.4	1.1	N/A (Note 2)	N/A (Note 2)	12.1	56.5	5.3	0.2	N/A (Note 2)	N/A (Note 2)	2.7	50.6	4.7	0.5	N/A (Note 2)	N/A (Note 2)	1.0	22.0	2.3	0.3	N/A (Note 2)	N/A (Note 2)	0.8	39.1
Total	1,537.5	100.0	359	4,297.1	338.2	22.0	1,839.6	100.0	451	4,029.1	363.7	19.8	2,395.5	100.0	626	3,813.4	459.2	19.2	1,035.5	100.0	267	3,862.7	191.1	18.5	1,103.4	100.0	311	3,538.9	209.1	19.0

Notes:

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

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

3. Others mainly comprised other cement admixture of different concentration and different functions, including cement hexavalent chromium reducing agents, high-alkali cement special admixtures, raw meal additives and ore powder special admixtures. During the Track Record Period, no models in other products generated revenue over 4% of our total revenue. For the same models sold to related party customers and third party customers, the proportion to total sales volume was small. For different models sold to different customers, they carried different selling price and different gross profit margin.

4. Others mainly comprised other concrete admixture with different concentrated content level and different functions, including others include accelerating concrete admixtures, retarding concrete admixtures, plasticising concrete admixtures etc. During the Track Record Period, none of the other products generated revenue over 1.5% of our total revenue.

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

Set out below is the brief description and photos of our principal products:

Product type	Main applications	[REDACTED] (tax-inclusive) during the Track Record Period	
Cement admixture	It is applied to cement for various purposes, such as promotion of the dispersion of cement particles, promoting the grindability of the material, preventing the agglomeration of cement particles and improving the grinding efficiency and liquidity of the cement to which it is applied.	Approximately RMB1,800 to RMB11,000 per tonne	
• **Cement grinding aid (type 1)**	It is of a concentration whereby three units of it can be applied to the production of 10,000 units of cement to enhance its grindability and therefore improve its performance.	Approximately RMB4,900 to RMB11,000 per tonne	
• **Cement grinding aid (type 2)**	It is of a concentration whereby one unit of it can be applied to the production of 1,000 units of cement to enhance its grindability and therefore improve its performance.	Approximately RMB2,000 to RMB6,500 per tonne	

Product type	Main applications	[REDACTED] (tax-inclusive) during the Track Record Period	
Processed alcohol amine .	It is applied as to enhance the grinding function of cement and a strength agent in concrete.	Approximately RMB5,300 to RMB16,000 per tonne	
Concrete admixture . . .	It is applied to concrete for various purposes, such as water reducing, plasticising and retarding.	Approximately RMB500 to RMB7,000 per tonne	
• **Concrete water reducing admixture (type 1)**.	It contains concentrated content level of less than 10% and is applied in the production of concrete to reduce the water required therein to reduce grinding power consumption and improve cement performance.	Approximately RMB500 to RMB2,000 per tonne	
• **Concrete water reducing admixture (type 2)**.	It contains concentrated content level of 10-15% and is applied in the production of concrete to reduce the water required therein to reduce grinding power consumption and improve cement performance.	Approximately RMB900 to RMB2,300 per tonne	
• **Concrete water reducing admixture (type 3)**	It contains concentrated content level of 15-20% and is applied in the production of concrete to reduce the water required therein to reduce grinding power consumption and improve cement performance.	Approximately RMB1,000 to RMB2,400 per tonne	
Polyether monomers . . .	It is applied as the primary raw material of synthesis of polycarboxylic acid mother liquor.	Approximately RMB3,900 to RMB8,900 per tonne	

Product type	Main applications	[REDACTED] (tax-inclusive) during the Track Record Period	
Polycarboxylic acid mother liquor	It is applied as the primary raw material of concrete admixtures.	Approximately RMB2,900 to RMB6,500 per tonne	

Our cement admixture and concrete admixture products had a relatively wide price range during the Track Record Period primarily due to the fact under these two product types, we offered a wide spectrum of products with a varying scale of effective content; products that were more concentrated with effective content can deliver results with less product applied. Further, as one tonne of in-process intermediaries is applied for the onward production of a much larger amount of admixture product, which resulted in our in-process intermediaries being priced relatively higher than our admixture products during the Track Record Period. As our polyether monomers and polycarboxylic acid mother liquor are priced in accordance with its level of concentration and the products we offered had concentration at both ends of the spectrum during the Track Record Period, our price range for these products was also wide.

Our product mix of both cement and concrete admixtures and their respective in-process intermediaries allows us to (i) optimise our cost as producing our own in-process intermediaries will allow us to have better cost control over the costs involved in our production while giving us the option to sell whatever excess in-process intermediaries that are produced; (ii) diversify our revenue streams and reduce dependency on the cement and concrete admixtures demands; and (iii) extend our expertise to a wider spectrum of possible market players. As such, during the Track Record Period, we had established new production lines for the production of in-process intermediaries. During the Track Record Period, we also applied our self-produced in-process intermediaries in the production of cement admixtures and concrete admixtures. The following table set out the contributions of self-produced and purchased in-process intermediaries in the production of cement admixtures and concrete admixtures by volume during the Track Record Period:

	FY2021	FY2022	FY2023	6M2024
	%	%	%	%
As for the processed alcohol amine used in the production of cement admixtures				
Self-produced	100.0	100.0	100.0	100.0
Purchased	N/A	N/A	N/A	N/A
Total	**100.0**	**100.0**	**100.0**	**100.0**
As for the polyether monomers used in the production of concrete admixtures				
Self-produced	N/A	32.1	85.5	100.0
Purchased	100.0	67.9	14.5	N/A
Total	**100.0**	**100.0**	**100.0**	**100.0**
As for the polycarboxylic acid mother liquor used in the production of concrete admixtures				
Self-produced	93.9	99.5	100.0	100.0
Purchased	6.1	0.5	N/A	N/A
Total	**100.0**	**100.0**	**100.0**	**100.0**

During FY2021, we relied entirely on third-party suppliers for all our polyether monomer requirements, as we did not have self-production capabilities at the time. During FY2022, with the commencement of polyether monomer production at our Ningbo Production Plant in mid FY2022, we were able to self-produce certain amount of our polyether monomers, while we made procurement from third party suppliers. During FY2023, despite having matured production capacity for polyether monomers, our Guigang Production Plant, Tongling Production Plant and Meishan Production Plant occasionally procured a small quantity of polyether monomers from third-party suppliers on an ad hoc basis. For each year/period comprising the Track Record Period, we recorded 100.0%, 67.9%, 14.5% and nil of contribution from purchased polyether monomers in the production of concrete admixture respectively.

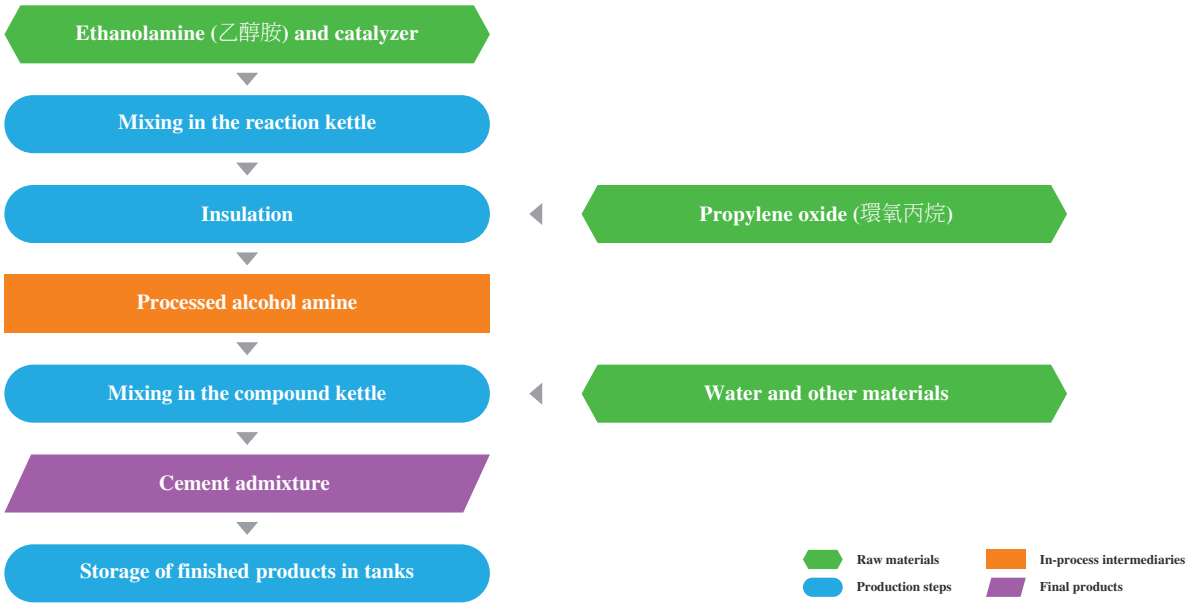
Whereas, as for polycarboxylic acid mother liquor, we generally relied on self-produced polycarboxylic acid mother liquor for our production during the Track Record Period; we will only purchase a limited amount of polycarboxylic acid mother liquor from third parties in certain occasions where our customers require ad hoc provision of polycarboxylic acid mother liquor and we are in shortage of the same. For each year/period comprising the Track Record Period, we recorded 6.1%, 0.5%, nil and nil of contribution from purchased polycarboxylic aid mother liquor in the production of concrete admixture respectively.

PRODUCTION

Our production processes

Cement admixture and its processed intermediary

The following diagramme illustrates the major production process of cement admixture and its processed intermediary, processed alcohol amine. The entire production process takes approximately from nine to 13.5 hours.



1. Mixing in the reaction kettle

Ethanolamine (such as monoethanolamine, diethanolamine and trolamine) and catalyzer are weighed according to the required ratio per the production formulation and fed into the reaction kettle for mixing.

2. Insulation

The resulting mixture from the reaction kettle will be fed into a container alongside propylene oxide which induces a chemical reaction. Thereafter, the mixture is insulated, after which, the mixture would become processed alcohol amine.

3. Mixing in the compound kettle

Processed alcohol amine is then further passed to the compound kettle for mixing. The processed alcohol amine is mixed with water and other raw materials such as salt, glycerol and polyol to create cement admixture.

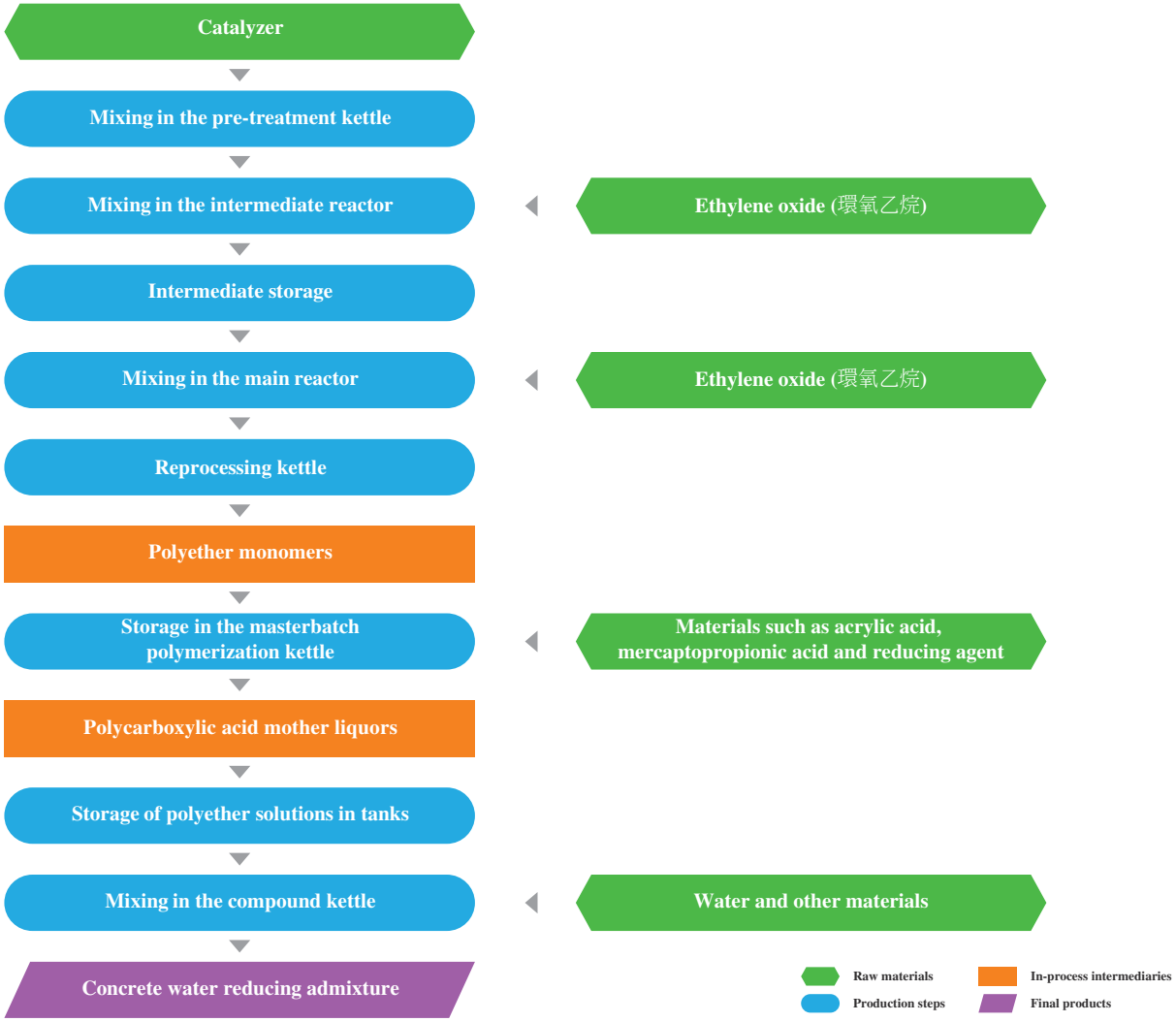
Some of the processed alcohol amine would be in-process intermediary that is sold to our customers.

4. Storage of finished products in tanks

Cement admixture is then kept in tanks in liquid form for storage awaiting delivery.

Concrete admixture and its processed intermediaries

The following diagramme illustrates the major production process of concrete admixture and its processed intermediaries, polyether monomers and polycarboxylic acid mother liquors. The entire production process takes approximately eight to 10.5 hours.



1. Creating various chemical reactions through different kettles

Ethylene oxide and catalyser are weighed according to the required ratio per the production formulation and fed into the pre-treatment kettle and intermediate reactor, respectively. Thereafter, the resulting chemical is stored in an intermediate storage tank. The resulting chemical will be mixed with more ethylene oxide in the main reactor and then moved into the reprocessing kettle. A series of chemical reactions are fostered through this process, creating polyether monomers. Some polyether monomers are sold to our customers as in-process intermediary.

2. Storage in the masterbatch polymerisation kettle

Polyether monomers are then stored in our masterbatch polymerisation kettle whereby acrylic acid, mercaptopropionic acid and reducing agent is added to the mixture. As a result, polycarboxylic acid mother liquors are created. Polycarboxylic acid mother liquors are then stored in tanks as liquid form for onward production or for onward sales to our customers as in-process intermediary.

3. Mixing in the compound kettle

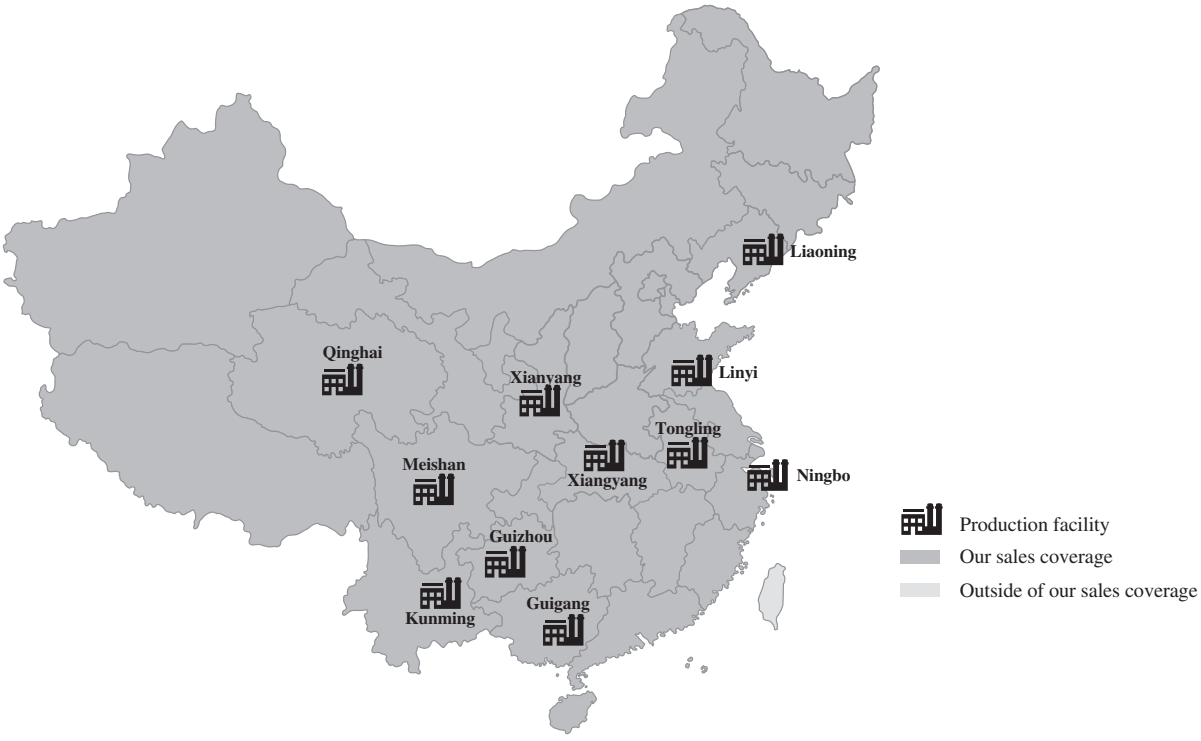
Polycarboxylic acid mother liquors are then further passed to the compound kettle for mixing. The polycarboxylic acid mother liquors are mixed with water and other raw materials such as sodium gluconate, air-entraining agent and antifoam agent to create concrete admixture.

4. Storage of finished products in tanks

If the concrete admixture is not immediately delivered after its production to customers, concrete admixture may be kept in tanks in liquid form for storage awaiting delivery.

Production facilities and capacities

Our procurement team, production team and sales team work closely to manage our production planning. We prepare production plans based on the number of orders on hand at the time, production capacity and the current inventory levels, as well as maintenance needs of our production facilities. Generally, we only accept customer orders if we expect that our customer's prescribed delivery time, which is negotiated by our sales and marketing staff with the customers in advance, can be met by our production plan. The map below sets out the locations of our various production facilities and our coverage of sales across the PRC during the Track Record Period.



The table below sets out details of our 11 production facilities as at the Latest Practicable Date:

No.	Name of production facility	Year of operations commencement	Location of production facility	Number of production lines	Product	Self-developed or acquired	Non-compliance/ Title defects	Production volume contribution during the Track Record Period							
								FY2021		FY2022		FY2023		6M2024	
								tonnes ('000)	%	*tonnes ('000)*	%	*tonnes ('000)*	%	*tonnes ('000)*	%
1	Ningbo Production Plant.	2022	Ningbo of Zhejiang Province	4	Cement admixture	Self-developed	N/A	—	—	44	8.4	52	7.3	23	6.2
				8	Processed alcohol amine			—	—	41	7.8	58	8.1	33	8.9
				6	Concrete admixture			—	—	14	2.7	22	3.1	13	3.5
				5	Polyether monomers			—	—	72	13.7	157	21.9	75	20.3
				16	Polycarboxylic acid mother liquor			—	—	5	1.0	25	3.5	23	6.2
								—	**—**	**176**	**33.6**	**314**	**43.8**	**167**	**45.1**

No.	Name of production facility	Year of operations commencement	Location of production facility	Number of production lines	Product	Self-developed or acquired	Non-compliance/ Title defects	Production volume contribution during the Track Record Period							
								FY2021		FY2022		FY2023		6M2024	
								tonnes ('000)	%	*tonnes ('000)*	%	*tonnes ('000)*	%	*tonnes ('000)*	%
2	Linyi Production Plant.	2018	Linyi of Shandong Province	3	Cement admixture	Acquired	• Parts of our properties which make up the Linyi Production Plant were temporary structures during the Track Record Period. See "Legal Non-compliance and Proceedings — Non-compliance — 3. Commencement of production and/or construction of plant without construction permits" in this section for details.	97	23.8	33	6.3	32	4.5	16	4.3
				5	Processed alcohol amine			46	11.3	36	6.9	34	4.7	14	3.8
				1	Concrete admixture		• During the Track Record Period, we exceeded the annual permitted capacity for the production of cement admixture (including processed alcohol amines) at the Linyi Production Plant. See "Legal Non-compliance and Proceedings — Non-compliance — 1. Exceeding the approved level of production" in this section for details.								
								143	**35.1**	**69**	**13.2**	**66**	**9.2**	**30**	**8.1**

No.	Name of production facility	Year of operations commencement	Location of production facility	Number of production lines	Product	Self-developed or acquired	Non-compliance/ Title defects	Production volume contribution during the Track Record Period							
								FY2021		FY2022		FY2023		6M2024	
								tonnes ('000)	%	*tonnes ('000)*	%	*tonnes ('000)*	%	*tonnes ('000)*	%
3	Guizhou Production Plant	2019	Qiannan Buyi and Miao Autonomous Prefecture of Guizhou Province	1	Cement admixture	Acquired	• The leased property of which our Guizhou Production Plant is situated is without building ownership certificate as at the Latest Practicable Date. See "Properties — Leased Properties — Leased properties with defective title" in this section for details. • During the Track Record Period, we exceeded the annual permitted capacity for the production of cement admixture at the Guizhou Production Plant. See "Legal Non-compliance and Proceedings — Non-compliance — 1. Exceeding the approved level of production" in this section for details. • Our production line at the Guizhou Production Plant has not completed the fire safety acceptance filing as at the Latest Practicable Date. See "Legal Non-compliance and Proceedings — Non-compliance — 4. Production lines and properties without fire safety acceptance filing or fire safety acceptance" in this section for details.	21	5.2	14	2.7	10	1.4	5	1.4
								21	5.2	14	2.7	10	1.4	5	1.4
4	Guigang Production Plant	2021	Guigang of Guangxi Zhuang Autonomous Region	2	Cement admixture	Self-developed	• During the Track Record Period, we exceeded the annual permitted capacity for the production of cement admixture at the Guigang Production Plant. See "Legal Non-compliance and Proceedings — Non-compliance — 1. Exceeding the approved level of production" in this section for details.	5	1.2	52	9.9	58	8.1	25	6.8
				4	Concrete admixture			0.05	0.0	4	0.8	10	1.4	10	2.7
				8	Polycarboxylic acid mother liquor			0.1	0.0	1	0.2	3	0.4	3	0.8
								5	**1.3**	**57**	**10.9**	**71**	**9.9**	**38**	**10.3**

No.	Name of production facility	Year of operations commencement	Location of production facility	Number of production lines	Product	Self-developed or acquired	Non-compliance/ Title defects	Production volume contribution during the Track Record Period									
								FY2021		FY2022		FY2023		6M2024			
								tonnes ('000)	%	*tonnes ('000)*	%	*tonnes ('000)*	%	*tonnes ('000)*	%		
5	Meishan Production Plant.	2018	Meishan of Sichuan Province	2	Cement admixture	Acquired	• We have not obtained the fire safety acceptance filing for parts of our Meishan Production Plant as at the Latest Practicable Date. See "Legal Non-compliance and Proceedings — Non-compliance — 4. Production lines and properties without fire safety acceptance filing or fire safety acceptance" in this section for further details.	48	11.8	42	8.0	25	3.5	12	3.2		
				2	Concrete admixture			36	8.8	29	5.5	40	5.6	18	4.9		
				3	Polycarboxylic acid mother liquor			10	2.5	12	2.3	13	1.8	6	1.6		
								94	**23.1**	**83**	**15.8**	**78**	**10.9**	**36**	**9.7**		
6	Tongling Production Plant.	2021	Tongling of Anhui Province	2	Cement admixture	Self-developed	N/A	1	0.2	43	8.2	45	6.3	20	5.4		
				4	Concrete admixture			0.3	0.1	7	1.3	15	2.1	11	3.0		
				8	Polycarboxylic acid mother liquor			0.1	0.0	5	1.0	8	1.1	4	1.1		
								1	**0.3**	**55**	**10.5**	**68**	**9.5**	**35**	**9.5**		

No.	Name of production facility	Year of operations commencement	Location of production facility	Number of production lines	Product	Self-developed or acquired	Non-compliance/ Title defects	Production volume contribution during the Track Record Period									
								FY2021		FY2022		FY2023		6M2024			
								tonnes ('000)	%	*tonnes ('000)*	%	*tonnes ('000)*	%	*tonnes ('000)*	%		
7	Xiangyang Production Plant.	2018	Xiangyang of Hubei Province	2	Cement admixture	Acquired	• During the Track Record Period, we exceeded the annual permitted capacity for the production of cement admixture at the Xiangyang Production Plant. See "Legal Non-compliance and Proceedings — Non-compliance — 1. Exceeding the approved level of production" in this section for details.	85	20.9	29	5.6	26	3.6	10	2.7		
				3	Processed alcohol amine			51	12.5	30	5.7	25	3.5	10	2.7		
				2	Concrete admixture			5	1.2	7	1.3	9	1.3	4	1.1		
				2	Polycarboxylic acid mother liquor			2	0.5	3	0.6	5	0.7	2	0.5		
								143	**35.1**	**69**	**13.2**	**65**	**9.1**	**26**	**7.0**		
8	Xianyang Production Plant.	2022	Xianyang of Shaanxi Province	1	Cement admixture	Self-developed	N/A	—	—	0.2	0.0	13	1.8	7	1.9		
				1	Concrete admixture			—	—	0.1	0.0	5	0.7	3	0.8		
				4	Polycarboxylic acid mother liquor			—	—	0.1	0.0	2	0.3	2	0.5		
								—	**—**	**0.4**	**0.1**	**20**	**2.8**	**12**	**3.2**		

No.	Name of production facility	Year of operations commencement	Location of production facility	Number of production lines	Product	Self-developed or acquired	Non-compliance/ Title defects	Production volume contribution during the Track Record Period							
								FY2021		FY2022		FY2023		6M2024	
								tonnes ('000)	%	*tonnes ('000)*	%	*tonnes ('000)*	%	*tonnes ('000)*	%
9	Qinghai Production Plant.	2022	Haidong of Qinghai Province	1	Cement admixture	Self-developed	• We have not obtained the fire safety acceptance filing for our production lines at the Qinghai Production Plant as at the Latest Practicable Date. See "Legal Non-compliance and Proceedings — Non-compliance — 4. Production lines and properties without fire safety acceptance filing or fire safety acceptance" in this section for further details.	—	—	1	0.2	7	1.0	3	0.8
				1	Concrete admixture			—	—	0.1	0.0	1	0.1	0.2	0.1
								—	**—**	**1**	**0.2**	**8**	**1.1**	**3.2**	**0.9**
10	Kunming Production Plant.	2023	Kunming of Yunnan Province	2	Cement admixture	Self-developed	• During the Track Record Period, we commenced construction and production at the Kunming Production Plant without the relevant pollutant discharge permit, construction permits and acceptances. See "Legal non-compliance and proceedings — Non-compliance — 2. Production without the pollutant discharge permit", "Legal Non-compliance and Proceedings — Non-compliance — 3. Commencement of production and/or construction of plant without construction permits" and "Legal Non-compliance and Proceedings — Non-compliance — 4. Production lines and properties without fire safety acceptance filing or fire safety acceptance" in this section for further details.	—	—	—	—	8	1.1	6	1.6
				2	Concrete admixture			—	—	—	—	6	0.8	6	1.6
				4	Polycarboxylic acid mother liquor			—	—	—	—	3	0.4	4	1.1
								—	**—**	**—**	**—**	**17**	**2.4**	**16**	**4.3**
11	Huludao Production Plant.	2024	Huludao of Liaoning Province	1	Cement admixture	Self-developed	• During the Track Record Period, we commenced construction of the Huludao Production Plant without the relevant construction permits. See "Legal Non-compliance and Proceedings — Non-compliance — 3. Commencement of production and/or construction of plant without construction permits" in this section for further details.	—	—	—	—	—	—	1	0.3
				1	Concrete admixture			—	—	—	—	—	—	0.4	0.1
				1	Polycarboxylic acid mother liquor			—	—	—	—	—	—	0.1	0.0
								—	**—**	**—**	**—**	**—**	**—**	**1.5**	**0.4**
			Total number of production lines	**112**			**Total**	**407**	**100.0**	**524**	**100.0**	**717**	**100.0**	**369.7**	**100.0**

Major production equipment

We have made significant investments in our production machinery. As at the Latest Practicable Date, we own all the machinery used in our production and processing.

Our major machinery generally have useful lives of around 15 years, which may be extended with appropriate repairs and maintenance. Such useful lives are expected to be longer than the useful lives for our depreciation purpose according to the accounting policy. We believe that our machinery are maintained in good operating condition. We have implemented relevant procedures and guidelines in respect of the operation, management and maintenance of our machinery. We carry out periodic inspections, repairs and maintenance on our machinery. During the Track Record Period, we conduct inspections, maintenance and repairs of our production facilities no less than once a year. We estimate that the average remaining useful lives of our major machinery is 10.5 years as at the Latest Practicable Date. During the Track Record Period and up to the Latest Practicable Date, we did not experience any material or prolonged disruption to our production as a result of technical failure or shut-down of our machinery. The table below sets out information on our major machinery as at the Latest Practicable Date:

Type of machinery	Principal use	Quantity	Estimated useful life	Approximate average remaining useful lives
		(units)	*(years)*	*(years)*
Compound kettle	Mixing	44	15	8
Reaction kettle	Heating, cooling, mixing	16	15	6
Catalyzer configuration kettle	Mixing and heating	2	15	12
Pre-treatment kettle	Mixing and heating	2	15	12
Intermediate reactor	Mixing and heating	3	15	12
Main reactor	Heating and cooling	5	15	12
Reprocessing kettle	Compounding and neutralising	5	15	12
Polymerisation kettle	Heating, cooling, mixing	46	15	10
	Total:	123		

Average utilisation rate

The following table sets out our maximum annual/half year production capacity, actual production volume and utilisation rate by product type during the Track Record Period:

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

Notes:

(1) The maximum annual/half-year production capacity is calculated based on the maximum hourly output volume of our production lines multiplied by the respective hours worked per day and the days worked per year/period. The working hours for each day has already taken into account any downtime needed for the preparation of our production lines. The maximum hourly output volume of our production lines, the average among production facilities for working days and hours are set out below. The figures set out below are for reference only as the working days and hours among our production facilities differ facility to facility.

Year/Period	(A) Largest hourly output volume (assuming that it is operated at maximum capacity)	(B) Working hours for each day (being the average standard working hours across our different production facilities)	(C) Working days for each year/period (being the average working days across our different production facilities)
	(tonnes)		
Cement admixture			
FY2021	117.0	13	208
FY2022	172.4	14	236
FY2023	182.6	14	290
6M2024	209.0	13	139
Processed alcohol amine			
FY2021	20.9	16	300
FY2022	65.3	16	258
FY2023	65.3	16	300
6M2024	65.3	16	150
Concrete admixture			
FY2021	61.8	12	163
FY2022	119	13	218
FY2023	139.9	13	288
6M2024	148.2	12	136
Polyether monomers			
FY2021	N/A	N/A	N/A
FY2022	28.3	24	175
FY2023	28.3	24	300
6M2024	28.3	24	150
Polycarboxylic acid mother liquor			
FY2021	42.7	11	163
FY2022	97.3	12	238
FY2023	110.2	12	286
6M2024	112.5	13	134

During the Track Record Period, our maximum annual/half-year production capacity gradually increased as we established new production facilities in order to expand our geographical reach in the PRC. During the Track Record Period, the average working days for each year/period has experienced fluctuations due to the establishment of new production facilities within the year contributing to a decrease in number of average working days per year/period.

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

During the Track Record Period, our actual production volume of our Linyi Production Plant, Xiangyang Production Plant and Guigang Production Plant has exceeded its approved annual production volume. See "Legal Non-compliance and Proceedings — Non-compliance" for further details. Although some of our production facilities have individually exceeded its permitted level of production for certain products, the overall utilisation rate for our production facilities was still relatively low and demonstrated a general decreasing trend throughout the Track Record Period; this is owing to the facts that (i) we had been increasing our number of production facilities throughout the Track Record Period in order to produce new products and to extend our geographical coverage in the PRC and (ii) the

maximum production capacities of each production facility is generally larger than that of the permitted usage as the maximum production capacity operates on the assumption that the relevant machinery is performing at its maximum capacity and the facility is operating at the maximum number of workable hours per day/days per year, whereas, the permitted usage is usually granted with reference to the expected volume of products to be produced by the relevant production facility.

By production plant

The following tables set out our maximum annual/half year production capacity and the utilisation rates by production plant during the Track Record Period:

Ningbo Production Plant

	FY2021			FY2022			FY2023			6M2024		
	Maximum annual production capacity[(1)]	Actual production volume	Utilisation rate[(2)]	Maximum annual production capacity[(1)]	Actual production volume	Utilisation rate[(2)]	Maximum annual production capacity[(1)]	Actual production volume	Utilisation rate[(2)]	Maximum half-year production capacity[(1)]	Actual production volume	Utilisation rate[(2)]
	tonnes ('000)	*tonnes ('000)*	*%*	*tonnes ('000)*	*tonnes ('000)*	*%*	*tonnes ('000)*	*tonnes ('000)*	*%*	*tonnes ('000)*	*tonnes ('000)*	*%*
Cement admixture	–	–	–	115	44	38.3	197	52	26.4	99	23	23.2
Processed alcohol amine	–	–	–	124	41	33.1	213	58	27.2	107	33	30.8
Concrete admixture	–	–	–	117	14	12.0	201	22	10.9	101	13	12.9
Polyether monomers	–	–	–	119	72	60.5	204	157	77.0	102	75	73.5
Polycarboxylic acid mother liquor	–	–	–	117	5	4.3	201	25	12.4	101	23	22.8

Notes:

(1) The maximum annual/half year production capacity is calculated based on the maximum hourly output volume of the production lines (being 41 tonnes for cement admixture, 44 tonnes for processed alcohol amine, 42 tonnes for concrete admixture, 28 tonnes for polyether monomers and 42 tonnes for polycarboxylic acid mother liquor) multiplied by the respective hours worked per day (being 18 hours for FY2022, FY2023 and 6M2024) and the days worked per year/period (being 175 days for FY2022, 300 days for FY2023 and 150 days for 6M2024).

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

Linyi Production Plant

	FY2021			FY2022			FY2023			6M2024		
	Maximum annual production capacity[1]	Actual production volume	Utilisation rate[2]	Maximum annual production capacity[1]	Actual production volume	Utilisation rate[2]	Maximum annual production capacity[1]	Actual production volume	Utilisation rate[2]	Maximum half-year production capacity[1]	Actual production volume	Utilisation rate[2]
	tonnes ('000)	*tonnes ('000)*	*%*	*tonnes ('000)*	*tonnes ('000)*	*%*	*tonnes ('000)*	*tonnes ('000)*	*%*	*tonnes ('000)*	*tonnes ('000)*	*%*
Cement admixture	148	97	65.5	148	33	22.3	148	32	21.6	74	16	21.6
Processed alcohol amine	41	46	112.2	41	36	87.8	41	34	82.9	21	14	66.7

Notes:

(1) The maximum annual/half-year production capacity is calculated based on the maximum hourly output volume of the production lines (being 31 tonnes for cement admixture and 9 tonnes for processed alcohol amine) multiplied by the respective hours worked per day (being 16 hours for each year/period of the Track Record Period) and the days worked per year/period (being 300 days for FY2021, FY2022 and FY2023, and 150 days for 6M2024).

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

In FY2021, we exceeded the annual permitted capacity for the production of cement admixture (including processed alcohol amines) by 26.1%. Our annual permitted capacity for the production of cement admixture (including processed alcohol amines) in FY2021 was 100,000 tonnes. See "Business — Legal Non-compliance and Proceedings — Non-compliance — 1. Exceeding the approved level of production" in the Document. The permitted annual production capacity granted to Linyi Production Plant accounts for both cement admixture and processed alcohol amine. The actual production volume of cement admixture and processed alcohol amine for the purpose of evaluating the utilisation of the permitted production capacity ("**Combined Actual Production Volume**") is not the same as the actual production volume presented in the above table, as the Combined Actual Production Volume does not take into account processed alcohol amine used in our Group's onward production for cement admixtures, as relevant authorities governing the permitted production volume do not consider the processed alcohol amine for self-use as part of the total output of cement admixture and processed alcohol amine. As such, the Combined Actual Production Volume applied for the purpose of calculating the utilisation rate by the permitted annual production capacity will be smaller than the actual production volume applied for the purpose of calculating the utilisation rate by the maximum annual production capacity.

Guigang Production Plant

	FY2021			FY2022			FY2023			6M2024		
	Maximum annual production capacity[(1)]	Actual production volume	Utilisation rate[(2)]	Maximum annual production capacity[(1)]	Actual production volume	Utilisation rate[(2)]	Maximum annual production capacity[(1)]	Actual production volume	Utilisation rate[(2)]	Maximum half-year production capacity[(1)]	Actual production volume	Utilisation rate[(2)]
	tonnes ('000)	*tonnes ('000)*	*%*	*tonnes ('000)*	*tonnes ('000)*	*%*	*tonnes ('000)*	*tonnes ('000)*	*%*	*tonnes ('000)*	*tonnes ('000)*	*%*
Cement admixture	4	5	124.5	49	52	105.5	49	58	117.3	25	25	100.0
Concrete admixture	9	0.05	0.5	109	4	3.2	109	10	9.0	55	10	18.2
Polycarboxylic acid mother liquor	4	0.1	1.6	51	1	1.6	51	3	6.2	26	3	11.5

Notes:

(1) The maximum annual/half-year production capacity is calculated based on the maximum hourly output volume of the production lines (being 21 tonnes for cement admixture in FY2021 and FY2022 and 25 tonnes for cement admixture in FY2023 and 6M2024, 23 tonnes for concrete admixture and 17 tonnes for polycarboxylic acid mother liquor) multiplied by the respective hours worked per day (being 11 hours for FY2021 and FY2022 and 13 hours for FY2023 and 6M2024) and the days worked per year/period (being 25 days for FY2021, 300 days for FY2022 and FY2023 and 150 days for 6M2024).

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

In FY2022 and FY2023, we exceeded the annual permitted capacity for the production of cement admixture by 3.8% and 16.0%, respectively. Our annual permitted capacity for the production of cement admixture for both FY2022 and FY2023 was 50,000 tonnes. The actual production volume of cement admixture for the purpose of evaluating the utilisation of the permitted production capacity is the same as the actual production volume presented in the above table. See "Business — Legal Non-compliance and Proceedings — Non-compliance — 1. Exceeding the approved level of production" in the Document.

Guizhou Production Plant

	FY2021			FY2022			FY2023			6M2024		
	Maximum annual production capacity[1]	Actual production volume	Utilisation rate[2]	Maximum annual production capacity[1]	Actual production volume	Utilisation rate[2]	Maximum annual production capacity[1]	Actual production volume	Utilisation rate[2]	Maximum half-year production capacity[1]	Actual production volume	Utilisation rate[2]
	tonnes ('000)	*tonnes ('000)*	*%*	*tonnes ('000)*	*tonnes ('000)*	*%*	*tonnes ('000)*	*tonnes ('000)*	*%*	*tonnes ('000)*	*tonnes ('000)*	*%*
Cement admixture	20	21	105.0	20	14	70.0	20	10	50.0	10	5	50.0

Notes:

(1) The maximum annual/half-year production capacity is calculated based on the maximum hourly output volume of our production lines (being 4 tonnes) multiplied by the respective hours worked per day (being 16 hours for each year/period of the Track Record Period) and the days worked per year/period (being 300 days for FY2021, FY2022 and FY2023 and 150 days for 6M2024).

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

In FY2022 and FY2023, we exceeded the annual permitted capacity for the production of cement admixture 110.0% and 40.0%, respectively. Our annual permitted capacity for the production of cement admixture for both FY2022 and FY2023 was 10,000 tonnes. The actual production volume of cement admixture for the purpose of evaluating the utilisation of the permitted production capacity is the same as the actual production volume presented in the above table. See "Business — Legal Non-compliance and Proceedings — Non-compliance — 1. Exceeding the approved level of production" in the Document.

Meishan Production Plant

	FY2021			FY2022			FY2023			6M2024		
	Maximum annual production capacity[1]	Actual production volume	Utilisation rate[2]	Maximum annual production capacity[1]	Actual production volume	Utilisation rate[2]	Maximum annual production capacity[1]	Actual production volume	Utilisation rate[2]	Maximum half-year production capacity[1]	Actual production volume	Utilisation rate[2]
	tonnes ('000)	*tonnes ('000)*	*%*	*tonnes ('000)*	*tonnes ('000)*	*%*	*tonnes ('000)*	*tonnes ('000)*	*%*	*tonnes ('000)*	*tonnes ('000)*	*%*
Cement admixture	98	48	49.0	98	42	42.9	98	25	25.5	49	12	24.5
Concrete admixture	30	36	120.0	30	29	96.7	30	40	133.3	15	18	120.0
Polycarboxylic acid mother liquor	20	10	50.0	20	12	60.0	20	13	65.0	10	6	60.0

Notes:

(1) The maximum annual/half-year production capacity is calculated based on the maximum hourly output volume of the production lines (being 21 tonnes for cement admixture, 13 tonnes for concrete admixture and 4 tonnes for polycarboxylic acid mother liquor) multiplied by the respective hours worked per day (being 13 hours for each year/period of the Track Record Period) and the days worked per year/period (being 300 days for FY2021, FY2022 and FY2023 and 150 days for 6M2024).

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

Tongling Production Plant

	FY2021			FY2022			FY2023			6M2024		
	Maximum annual production capacity[(1)]	Actual production volume	Utilisation rate[(2)]	Maximum annual production capacity[(1)]	Actual production volume	Utilisation rate[(2)]	Maximum annual production capacity[(1)]	Actual production volume	Utilisation rate[(2)]	Maximum half-year production capacity[(1)]	Actual production volume	Utilisation rate[(2)]
	tonnes ('000)	*tonnes ('000)*	*%*	*tonnes ('000)*	*tonnes ('000)*	*%*	*tonnes ('000)*	*tonnes ('000)*	*%*	*tonnes ('000)*	*tonnes ('000)*	*%*
Cement admixture	4	1	25.0	49	43	87.8	49	45	91.8	25	20	80.0
Concrete admixture	9	0.3	3.3	109	7	6.4	109	15	13.8	55	11	20.0
Polycarboxylic acid mother liquor	4	0.1	2.5	51	5	9.8	51	8	15.7	26	4	15.4

Notes:

(1) The maximum annual/half-year production capacity is calculated based on the maximum hourly output volume of the production lines (being 21 tonnes for cement admixture, 23 tonnes for concrete admixture and 17 tonnes for polycarboxylic acid mother liquor) multiplied by the respective hours worked per day (being 11 hours) and the days worked per year/period (being 25 days for FY2021, 300 days for FY2022 and FY2023 and 150 days for 6M2024).

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

Xiangyang Production Plant

	FY2021			FY2022			FY2023			6M2024		
	Maximum annual production capacity[(1)]	Actual production volume	Utilisation rate[(2)]	Maximum annual production capacity[(1)]	Actual production volume	Utilisation rate[(2)]	Maximum annual production capacity[(1)]	Actual production volume	Utilisation rate[(2)]	Maximum half-year production capacity[(1)]	Actual production volume	Utilisation rate[(2)]
	tonnes ('000)	*tonnes ('000)*	*%*	*tonnes ('000)*	*tonnes ('000)*	*%*	*tonnes ('000)*	*tonnes ('000)*	*%*	*tonnes ('000)*	*tonnes ('000)*	*%*
Cement admixture	98	85	86.7	98	29	29.6	98	26	26.5	49	10	20.4
Processed alcohol amine	59	51	86.4	59	30	50.8	59	25	42.4	30	10	33.3
Concrete admixture	10	5	50.0	10	7	70.0	10	9	90.0	5	4	80.0
Polycarboxylic acid mother liquor	10	2	20.0	10	3	30.0	10	5	50.0	5	2	40.0

Notes:

(1) The maximum annual/half-year production capacity is calculated based on the maximum hourly output volume of the production lines (being 21 tonnes for cement admixture, 12 tonnes for processed alcohol amine, 4 tonnes for concrete admixture and 4 tonnes for polycarboxylic acid mother liquor) multiplied by the respective hours worked per day (being 12 hours for each year/period of the Track Record Period) and the days worked per year/period (being 300 days for FY2021, FY2022 and FY2023 and 150 days for 6M2024).

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

In FY2021, FY2022 and FY2023, we exceeded the annual permitted capacity for the production of cement admixture by 323.0%, 46.0% and 30.0%, respectively. Our annual permitted capacity for the production of cement admixture throughout the Track Record Period was 20,000 tonnes. The actual production volume of cement admixture for the purpose of evaluating the utilisation of the permitted production capacity is the same as the actual production volume presented in the above table. See "Business — Legal Non-compliance and Proceedings — Non-compliance — 1. Exceeding the approved level of production" in the Document.

In FY2021, FY2022 and FY2023, we exceeded the annual permitted capacity for the production of processed alcohol amines by 73.0%, 28.0% and 5.0%, respectively. Our annual permitted capacity for the production of processed alcohol amines throughout the Track Record Period was 20,000 tonnes. The actual production volume of processed alcohol amine for the purpose of evaluating the utilisation of the permitted production capacity ("**Self-use Actual Production Volume**") is not the same as the actual production volume presented in the above table, as the Self-use Actual Production Volume does not take into account processed alcohol amine used in our Group's onward production for cement admixtures, as relevant authorities governing the permitted production volume do not consider the processed alcohol amine for self-use as part of the total output of processed alcohol amine. As such, the Self-use Actual Production Volume applied for the purpose of calculating the utilisation rate by the permitted annual production capacity will be smaller than the actual production volume applied for the purpose of

calculating the utilisation rate by the maximum annual/half-year production capacity. See "Business — Legal Non-compliance and Proceedings — Non-compliance — 1. Exceeding the approved level of production" in the Document.

Xianyang Production Plant

	FY2021			FY2022			FY2023			6M2024		
	Maximum annual production capacity[1]	Actual production volume	Utilisation rate[2]	Maximum annual production capacity[1]	Actual production volume	Utilisation rate[2]	Maximum annual production capacity[1]	Actual production volume	Utilisation rate[2]	Maximum half-year production capacity[1]	Actual production volume	Utilisation rate[2]
	tonnes ('000)	*tonnes ('000)*	%	*tonnes ('000)*	*tonnes ('000)*	%	*tonnes ('000)*	*tonnes ('000)*	%	*tonnes ('000)*	*tonnes ('000)*	%
Cement admixture	–	–	–	8	0.2	2.5	49	13	26.5	25	7	28.0
Concrete admixture	–	–	–	8	0.1	1.3	50	5	10.0	25	3	12.0
Polycarboxylic acid mother liquor	–	–	–	8	0.1	1.3	46	2	4.3	23	2	8.7

Notes:

(1) The maximum annual/half-year production capacity is calculated based on the maximum hourly output volume of the production lines (being 10 tonnes for cement admixture, 10 tonnes for concrete admixture and 13 tonnes for polycarboxylic acid mother liquor) multiplied by the respective hours worked per day (being 15 hours for each year/period of the Track Record Period) and the days worked per year/period (being 50 days for FY2022, 300 days for FY2023 and 150 days for 6M2024).

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

Qinghai Production Plant

	FY2021			FY2022			FY2023			6M2024		
	Maximum annual production capacity[1]	Actual production volume	Utilisation rate[2]	Maximum annual production capacity[1]	Actual production volume	Utilisation rate[2]	Maximum annual production capacity[1]	Actual production volume	Utilisation rate[2]	Maximum half-year production capacity[1]	Actual production volume	Utilisation rate[2]
	tonnes ('000)	*tonnes ('000)*	%	*tonnes ('000)*	*tonnes ('000)*	%	*tonnes ('000)*	*tonnes ('000)*	%	*tonnes ('000)*	*tonnes ('000)*	%
Cement admixture	–	–	–	7	1	14.3	20	7	35.0	10	3	30.0
Concrete admixture	–	–	–	4	0.1	2.5	12	1	8.3	6	0.2	3.3

Notes:

(1) The maximum annual/half-year production capacity is calculated based on the maximum hourly output volume of the production lines (being 4 tonnes for cement admixture and 5 tonnes for concrete admixture) multiplied by the respective hours worked per day (being 12 hours) and the days worked per year/period (being 100 days for FY2022, 300 days for FY2023 and 150 days for 6M2024).

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

Kunming Production Plant

	FY2021			FY2022			FY2023			6M2024		
	Maximum annual production capacity[(1)]	Actual production volume	Utilisation rate[(2)]	Maximum annual production capacity[(1)]	Actual production volume	Utilisation rate[(2)]	Maximum annual production capacity[(1)]	Actual production volume	Utilisation rate[(2)]	Maximum half-year production capacity[(1)]	Actual production volume	Utilisation rate[(2)]
	tonnes ('000)	*tonnes ('000)*	%	*tonnes ('000)*	*tonnes ('000)*	%	*tonnes ('000)*	*tonnes ('000)*	%	*tonnes ('000)*	*tonnes ('000)*	%
Cement admixture	–	–	–	–	–	–	33	8	24.2	25	6	24.0
Concrete admixture	–	–	–	–	–	–	67	6	9.0	50	6	12.0
Polycarboxylic acid mother liquor	–	–	–	–	–	–	31	3	9.7	23	4	17.4

Notes:

(1) The maximum annual/half-year production capacity is calculated based on the maximum hourly output volume of our production lines (being 10 tonnes for cement admixture, 21 tonnes for concrete admixture and 13 tonnes for polycarboxylic acid mother liquor) multiplied by the respective hours worked per day (being 12 hours for each year/period of the Track Record Period) and the days worked per year/period (being 200 days for FY2023 and 150 days for 6M2024).

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

Huludao Production Plant

	FY2021			FY2022			FY2023			6M2024		
	Maximum annual production capacity	Actual production volume	Utilisation rate	Maximum annual production capacity	Actual production volume	Utilisation rate	Maximum annual production capacity	Actual production volume	Utilisation rate	Maximum half-year production capacity[1]	Actual production volume	Utilisation Rate[2]
	tonnes ('000)	*tonnes ('000)*	*%*	*tonnes ('000)*	*tonnes ('000)*	*%*	*tonnes ('000)*	*tonnes ('000)*	*%*	*tonnes ('000)*	*tonnes ('000)*	*%*
Cement admixture	–	–	–	–	–	–	–	–	–	2	1	50.0
Concrete admixture	–	–	–	–	–	–	–	–	–	2	0.4	20.0
Polycarboxylic acid mother liquor	–	–	–	–	–	–	–	–	–	1	0.1	10.0

Notes:

(1) The maximum half-year production capacity is calculated based on the maximum hourly output volume of the production lines (being 12 tonnes for cement admixture, 8 tonnes for concrete admixture and 2 tonnes for polycarboxylic acid mother liquor) multiplied by the respective hours worked per day (being 11 hours for 6M2024) and the days worked per period (being 25 days for 6M2024).

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

RESEARCH AND DEVELOPMENT

Our R&D efforts focus on two major areas, namely (a) R&D of new products and new applications and (b) improvement in our production technique. We are committed to developing new products, new applications and improving our production technique to align with the industry trend and the requirements of our customers. As to our production technique, we are committed to dedicating efforts to develop production processes to improve production efficiency and resource conservation. As at the Latest Practicable Date, we were the registered owner of over 80 patents (including 68 inventive patents) which our Directors believe are material to our business operations and we were also in the process of application for over 20 patents in the PRC, which our Directors believe will be material to our business operation. See "B. Further Information about the Business of Our Group — 2. Material intellectual property rights" in Appendix IV to this document for additional information on our patents.

We place emphasis on R&D which, we believe, is important for us to maintain our market position. In recognition of our R&D efforts and results, we were able to be accredited the following technology centres.

Recipient	Accreditation authority	Accreditation
Linyi Conch	National Development and Reform Commission* (國家發展和改革委員會)	State-level Enterprise Technology Centre* (國家級企業技術中心)
Linyi Conch	The Ministry of Human Resources and Social Security of the PRC* (中國人力資源和社會保障部)	State-level Postdoctoral Technology Research Work Station* (國家級博士後科研工作站)
Our Company	Anhui Provincial Department of Industry and Information Technology* (安徽省工業和信息化廳)	Anhui Provincial Enterprise Technology Centre* (安徽省企業技術中心)
Our Company	Anhui Provincial Development and Reform Commission* (安徽省發展和改革委員會)	Anhui Provincial Multifunctional Cement Energy-saving and Environmental Protection R&D Centre* (安徽省多功能水泥節能環保助劑工程研究中心)
Our Company	Anhui Provincial Department of Human Resources and Social Security* (安徽省人力資源和社會保障廳)	Anhui Provincial Postdoctoral Technology Research Work Station* (安徽省博士後科研工作站)
Linyi Conch	Shandong Provincial Ministry of Science and Technology* (山東省科學技術廳)	Shandong Provincial Key Laboratory of Cement Grinding Aid* (山東省水泥助磨劑重點實驗室)
Linyi Conch	Shandong Provincial Ministry of Science and Technology* (山東省科學技術廳)	Shandong Provincial Special Cement Admixture Engineering and Technology Research Centre* (山東省特種水泥外加劑工程技術研究中心)
Linyi Conch	Shandong Provincial Department of Industry and Information Technology* (山東省工業和信息化廳)	Shandong Provincial "One Enterprise One Technology" R&D Centre* (山東省"一企一技術"研發中心)

Recipient	Accreditation authority	Accreditation
Meishan Conch	Sichuan Provincial Department of Economy and Information Technology* (四川省經濟和信息化廳)	Sichuan Provincial Enterprise Technology Centre* (四川省企業技術中心)

As at the 30 June 2024, our technology centres are staffed with an aggregate of 137 staff members. During the Track Record Period, our R&D expenditures amounted to RMB39.1 million, RMB39.9 million, RMB45.8 million and RMB29.4 million, respectively.

Owing to our R&D efforts, we were recognised by award from various bodies for our advanced technology and contribution to the industry. See "Awards and Recognitions" in this section below for information on the awards and recognitions received by us up to the Latest Practicable Date.

According to information collated by our sales personnel with respect to market demand, we establish a R&D plan on an annual basis for each technology centre. Annually, we review our R&D outputs to assess whether our annual goals have been reached. Each technology centre is assigned different annual goals and it is each responsible for the execution, progress and completion of the goals. Each technology centre will set out a pre-determined timetable in accordance to which it will carry out the assigned R&D tasks and apply for the patent registration of any new results. If the test results are satisfactory, pilot production will commence and samples will be provided to our customers for application testing. We will proceed with mass production after new products have gone through several rounds of testing.

The results of our R&D projects

Owing to our R&D efforts, we were able to develop key technologies which diversified and extended the scope of applicability of our products. The table below sets forth details of such key technologies:

Key technologies	Purpose	Applicability of the products
The production and preparation technology for processed alcohol amines.	The production of triisopropanolamine, diethanol monoisopropanolamine, monoethanol diisopropanolamine, etc.	The technology can be used in the production of cement grinding aids, and processed alcohol amines
The production, preparation and application technology for polyether monomers.	The production of unsaturated polyether monomers for polycarboxylic acid water reducing admixture	The technology can be used in the synthesis of polyether monomers and polycarboxylic acid water reducing admixture mother liquors

Key technologies	Purpose	Applicability of the products
The production, preparation and application technology for cement grinding aids	The production of various types of cement grinding aids	The provision of products to different types of cement manufacturers
The preparation and application technology for other functional cement admixtures	The production of other functional cement admixtures, such as raw meal admixtures, hexavalent chromium reduction, etc.	The provision of products to different types of cement manufacturers
The production, preparation and application technology for polycarboxylic acid water reducing admixture mother liquors	The production of various types of polycarboxylic acid water reducing admixture mother liquors	The technology can be used in the production and preparation of polycarboxylic acid water reducing admixture mother liquors and polycarboxylic acid water reducing admixture
The production, preparation and application technology for polycarboxylic acid water reducing admixture compounding products	The production of various types of polycarboxylic acid water reducing admixture compounding products	The end product is applied to different types of commercial concrete mixing stations, pipe pile and tube sheet plants, as well as the construction of bridges and high-speed railways
The preparation and application technology for other functional concrete admixtures	The production of various types of concrete admixture products, such as hardening accelerating admixtures, set retarding admixtures, etc.	The end product is applied to different types of commercial concrete mixing stations, pipe pile and tube sheet plants, as well as the construction of bridges and high-speed railways

Research collaboration with tertiary institutions

We believe that establishing research collaboration with research institutions is an effective way to enhance our R&D efforts. Since 2020, in order to accelerate our R&D progress, we have worked with Dalian University of Technology (大連理工大學) to leverage their expertise in the synthesis of fine chemicals.

We have formed a research and consulting team with the university and build on their academic research strengths. In addition, the university is required to provide training courses to enhance our staff's technical knowledge and research ability at least twice a year. For each R&D project, we shall enter into a separate agreement with the university to transfer the findings and results of the research from the university to our Group. To avoid any possible contention on the intellectual right of the

research findings, we enter into such agreement for each R&D project in order to expressly delineates the rights and obligations of each party in the conduct of the research works and to confer the ownership of the findings or results of the researches to us.

In 2021, as a result of our collaboration with Dalian University of Technology, Dalian University of Technology completed the MP300 series preparation technology project, the technology of which was authorized for our use pursuant to a separate agreement. Owing to the results of this project, we were able to successfully realise the industrialisation of unsaturated polyether monomers for polycarboxylic acid water reducing admixture, which cater to the market demand for such products. The successful commercialisation of this technology entails the further expansion of our product offering which further expands our possible customer base and enhances overall competitiveness. At the same time, the successful development and application of this technology has also enabled us to hone our technical ability in the synthesis of high value-added fine chemicals which utilise ethylene oxide and propylene oxide as raw materials, which will allow us to later develop the alkylene oxide derivatives.

CUSTOMERS, SALES AND MARKETING

During the Track Record Period, our products were sold to customers in different regions of the PRC. Our customers mainly are manufacturers of cement and/or concrete which have their own cement, and/or concrete mixing plants (which apply our products in their own production), cement or concrete admixture manufacturers, and trading companies of cement and concrete related products (which generally resells our products to other entities and not for their own use).

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

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

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

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

Southern region includes Guangdong Province and Guangxi Zhuang Autonomous Region.

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

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

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

Principal terms of our sales framework agreement

During the Track Record Period, we entered into legally binding sales framework agreement with some of our customers, which was followed by individual purchase orders for each individual purchase. The table below sets out the principal terms of our sales framework agreements with our customers:

Duration:	Generally the framework agreement ceases every year end with no automatic renewal clause upon expiration.
Pricing:	The sales framework agreements generally specify a basic per unit base price of the product and may be subject to relevant subsequent upward or downward adjustments as stipulated in the agreement.
Delivery, shipping costs and risk allocation:	Either delivery of products to the location designated by our customers at our expense, or pick-up of products by our customers at our production facilities at their own cost. The risks of the products are generally being transferred to our customers upon pick up or delivery to the customers' designated locations.
Payment terms and payment method:	Payment before delivery, or payment after delivery with a credit period. Payment is generally made by telegraphic transfer or bank acceptance bills.
Product warranty and return policy:	Our customer can raise issue regarding the product quality within a stipulated period, generally such stipulated period ranges from one to ninety days. We normally do not accept return of non-defective products. On some occasions, we provide product warranty which commences from the date on which our products are accepted by the customer, such stipulated period generally does not exceed 180 days.

Minimum purchase amount:	No minimum purchase amount is set out in the agreement, however, an intended volume to be purchased by the customer is set out in some of the agreements.
Termination:	Generally subject to termination upon breach of agreements by either party.
Product quality:	Generally our products are subject to specific product quality standards specific to the product being purchased; for example, for cement admixture, a common standard would be the effective content in the product, whereas for concrete admixture, a common standard is the ability to reduce water.

Regarding the purchase orders for each individual purchase that we entered into with our customers, the principal terms were similar with these specified in our sales framework agreement as above, except that the price was generally fixed.

Sales to trading companies

During the Track Record Period, our customers, which are trading companies, mainly purchased raw materials such as Processed alcohol amine and Polyether monomers from us. According to Frost & Sullivan, it is in line with market practice as the trading companies can integrate small and medium-sized orders from small and medium-sized companies in the industry. By selling to trading companies, the chemical materials producers can avoid managing a large number of small and medium-sized customers, while effectively control the capital risks brought by these small and medium-sized orders. In addition, trading companies usually have their own sources and customer resources. The chemical materials producers can increase their sales scale by selling to trading companies; while trading companies can cater to their customers' needs for procurement of different products. As for end-customers, purchasing from the trading companies allows them to simplify the procurement process and avoid dealing with multiple suppliers.

Our customers, which are trading companies, are not considered as distributors given that: (i) we do not enter into distributorship agreement with these customers and our relationship is a buyer and seller relationship; (ii) we do not have any control over the trading companies as we neither impose any minimum purchase requirement nor a sales target; (iii) these customers are not entitled to return our products including unsold or obsolete goods unless they are defective goods and during the Track Record Period, we did not experience any material return of products from these customers; (iv) they are responsible for managing their own inventories and anticipating demands from their customers; and (v) we retain no ownership over the products sold to these trading companies and the revenue is recognised when the control of the goods have been transferred to them.

During the Track Record Period, our revenue derived from sales to trading companies amounted to RMB104.5 million, RMB194.2 million, RMB320.2 million and RMB153.4 million, respectively, representing 6.8%, 13.7%, 13.4% and 13.9% of our total revenue for the corresponding year/period. To the best knowledge of our Directors, save for two trading companies which are related parties and our transactions amount accounted for less than 1% of our total revenue during the Track Record Period, all of our customers which are trading companies are Independent Third Parties.

For an analysis of our sales volume, average selling price revenue, gross profit and gross profit margin by product type of trading companies, see "Financial information".

Our five largest customers

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

FY2021

Customer	*Notes*	Commencement year of relationship with us	Principal products sold	Approximate amount of revenue	Approximate percentage of our total revenue	Credit term
				(RMB million)		
Conch Cement and its subsidiaries	*(1)*	2018	Cement admixture and concrete admixture	807.9	52.5%	Within two months as for cement admixture (水泥外加劑); within one month as for concrete admixture
Zhejiang Hongshi Building Materials Technology Co., Ltd. (浙江紅獅建材科技有限公司) ("**Zhejiang Hongshi Building Materials**")	*(2)*	2020	Processed alcohol amine	86.7	5.6%	Within the following month
TCC and its subsidiaries	*(3)*	2020	Cement admixture	55.7	3.6%	Within 30 days
Xintongling Group . . .	*(4)*	2018	Concrete admixture	42.3	2.8%	Within 10 business days
Customer A and its subsidiaries/branches .	*(5)*	2019	Processed alcohol amine	35.8	2.3%	Within 90 days
Total:				**1,028.4**	**66.8%**	

FY2022

Customer	*Notes*	Commencement year of relationship with us	Principal products sold	Approximate amount of revenue	Approximate percentage of our total revenue	Credit term
				(RMB million)		
Conch Cement and its subsidiaries	*(1)*	2018	Cement admixture and concrete admixture	765.1	41.6%	Within two months
Zhejiang Hongshi Building Materials.	*(2)*	2020	Processed alcohol amine	64.4	3.5%	Within the following month
Customer B and its subsidiaries	*(6)*	2022	Polyether monomer	61.9	3.4%	Within 60 days as for 95% and six months as for 5% of the purchase amount
TCC and its subsidiaries	*(3)*	2020	Cement admixture	59.2	3.2%	Within two months
Customer C and its subsidiaries	*(7)*	2022	Concrete admixture, polyether monomer and polycarboxylic acid mother liquor	47.1	2.6%	Within 120 days
Total:				**997.7**	**54.3%**	

FY2023

Customer	*Notes*	Commencement year of relationship with us	Principal products sold	Approximate amount of revenue	Approximate percentage of our total revenue	Credit term
				(RMB million)		
Conch Cement and its subsidiaries	*(1)*	2018	Cement admixture and concrete admixture	762.4	31.8%	Within two months
Customer B and its subsidiaries	*(6)*	2022	Polyether monomer	165.4	6.9%	Within 90 days as for 90% and six months as for 10% of the purchase amount
Customer D and its subsidiaries	*(8)*	2022	Polyether monomer	104.8	4.4%	Within the following month
Zhejiang Hongshi Building Materials.	*(2)*	2020	Processed alcohol amine	87.7	3.7%	Within the following month
Customer A and its subsidiaries/branches	*(5)*	2019	Processed alcohol amine	68.3	2.9%	Within 90 days
Total:				**1,188.6**	**49.7%**	

6M2024

Customer	*Notes*	Commencement year of relationship with us	Principal products sold	Approximate amount of revenue	Approximate percentage of our total revenue	Credit term
				(RMB million)		
Conch Cement and its subsidiaries	*(1)*	2018	Cement admixture and concrete admixture	338.6	30.7%	Within two months
Customer B and its subsidiaries	*(6)*	2022	Polyether monomer	43.5	3.9%	Within 90 days as for 90% and six months as for 10% of the purchase amount
Customer C and its subsidiaries	*(7)*	2022	Polyether monomer and polycarboxylic acid mother liquor	43.3	3.9%	Within 120 days
Zhejiang Hongshi Building Materials.	*(2)*	2020	Processed alcohol amine and polyether monomer	38.1	3.5%	Within the following month
Customer A and its subsidiaries/branches	*(5)*	2019	Processed alcohol amine	26.6	2.4%	Within 90 days
Total:				**490.1**	**44.4%**	

Our major customers mainly settle our invoices by bank acceptance bills or telegraphic transfers.

Notes:

(1) Conch Cement is a PRC company listed on both the Stock Exchange (stock code: 00914) and Shanghai Stock Exchange (stock code: 600585) with a registered capital of RMB5,299.3 million as at the Latest Practicable Date. It is principally engaged in the production and sales of cement, commodity clinker, aggregate and concrete. It was held as to approximately 36.4% by Conch Holdings, one of our Controlling Shareholders, as at the Latest Practicable Date and is a connected person of our Company.

(2) Zhejiang Hongshi Building Materials is a PRC company with a registered capital of RMB15.0 million as at the Latest Practicable Date. It is principally engaged in R&D, production and sales of cement and concrete admixtures. It was held as to 40% by Xintongling, the Group's related party customers, prior to August 2021. After August 2021, Xintongling Group no longer had any interest in Zhejiang Hongshi Building Materials Technology Co., Ltd.. As at the Latest Practicable Date, Zhejiang Hongshi Building Materials is one of the operating subsidiaries of Hongshi Group Co., ltd. (紅獅控股集團有限公司), a large scale conglomerate engaged in the manufacture of different types of cement, with its revenue reaching RMB39.6 billion for FY2023.

(3) TCC is a Taiwan company listed on Taiwan Stock Exchange (stock code: 1101) with a registered capital of NT$100.0 billion as at the Latest Practicable Date. It is principally engaged in production and sales of various types of cements and cement products. It was the controlling shareholder of TCC (Guigang) Cement Limited (台泥(貴港)水泥有限公司) which in turn held 40% of interest in Guigang Conch, one of our subsidiaries as at the Latest Practicable Date, and is a connected person of our Company.

(4) Xintongling is a PRC company with a registered capital of RMB75.0 million as at the Latest Practicable Date. It is principally engaged in sales of building materials, production of ready-mixed mortar and production and sales of concrete. It was held as to 99% by Mr. Feng, our non-executive Director as at the Latest Practicable Date and is a connected person of our Company.

(5) Customer A is a PRC company listed on both the Stock Exchange and Shanghai Stock Exchange with a registered capital of RMB10.7 billion as at the Latest Practicable Date. It is principally engaged in manufacture and sale of cement and building materials, construction and decoration, trade and logistics, tourism services, real estate development, property investment and management, etc.

(6) Customer B is a PRC company with a registered capital of RMB12.1 billion as at the Latest Practicable Date. It is principally engaged in infrastructure construction, survey, design and consulting services, engineering equipment and component manufacturing, real estate development, railway and highway investment and operation, mineral resource development, material trade, etc.

(7) Customer C is a PRC company listed on the Shenzhen Stock Exchange with a registered capital of RMB1,262.4 million as at the Latest Practicable Date. It is principally engaged in R&D, production and sales of concrete and cement.

(8) Customer D is a PRC company listed on the Shenzhen Stock Exchange with a registered capital of RMB713.6 million as at the Latest Practicable Date. It is principally engaged business relating to comprehensive technical services and new materials relating to admixtures.

Save as disclosed above, our five largest customers for each year/period of the Track Record Period were Independent Third Parties and none of our Directors, their respective close associates or any Shareholder who, or which, to the best knowledge of our Directors, own more than 5% of the issued share capital of our Company as at the Latest Practicable Date, had any interest in any of our five largest customers for each year/period of the Track Record Period. For our relationship with Conch Cement Group, see "Our relationship with our largest customer" below in this section and "Relationship with Controlling Shareholders" in this document. For our transactions with connected persons, see "Continuing Connected Transactions" in this document.

Our relationship with our largest customer

Conch Cement Group was our largest customer in each year/period during the Track Record Period. Conch Cement was held as to approximately 36.4% by Conch Holdings, one of our Controlling Shareholders, as at the Latest Practicable Date. Conch Cement was a PRC company listed on both the Stock Exchange (stock code: 00914) and Shanghai Stock Exchange (stock code: 600585) with a registered capital of RMB5,299.3 million as at the Latest Practicable Date. It is principally engaged in the production and sales of cement, commodity clinker, aggregate and concrete. Conch Cement Group is one of the largest cement manufacturers, in terms of both sales and production volume, in the PRC. According to the list of world's top 2000 companies in 2023 as announced by Forbes, Conch Cement ranked the 539th, being the first in the world's cement industry. According to the list of China's top 500 listed companies in 2023 as announced by Fortune China, Conch Cement ranked the 104th with an operating income of approximately RMB132 billion as at 31 December 2022.

During the Track Record Period, our revenue generated from our sales to Conch Cement Group was approximately RMB807.9 million, RMB765.1 million, RMB762.4 million and RMB338.6 million, respectively, representing 52.5%, 41.6%, 31.8% and 30.7% of our total revenue for the corresponding year/period, respectively.

For further details of our customer concentration risk, see "Risk Factors — Risks Relating to Our Business — Our business relationship with Conch Cement Group is crucial to our operation. Our business, financial condition and results of operation may be adversely affected if there is any change to the current arrangements between Conch Cement Group and us." in this document. Notwithstanding our sales to Conch Cement Group during the Track Record Period, our Directors are of the view that we will be able to control the risk of reliance, and our significant sales to Conch Cement Group would not adversely affect our business operation, our financial performance and would not impact on our suitability for **[REDACTED]** due to the following reasons:

- *Mutual and complementary arrangement.* Conch Cement Group is a long-standing partner of ours. Our business relationship with Conch Cement Group has been mutually complementary to a large extent for the following reasons:

  (i) *Industry norm for a synergistic relationship between cement companies and cement admixture suppliers:* Cement admixture is one of the key raw components for cement production. According to the Frost & Sullivan Report, the relationship between cement

companies and cement admixture suppliers are generally considered to be mutual, complementary and synergistic. As a result, large-scale cement suppliers, such as Conch Cement Group, usually sign annual contracts with cement admixture supplier. Such relationship is formed primarily due to the business nature and business model of both parties. A continuous supply of cement admixture is beneficial to Conch Cement Group to maintain their continuous production.

(ii) *Being initially set up by Conch Holdings to support its overall business growth:* We were initially set up by Conch Holdings to explore the fine chemical materials market as a key enterprise in the full industrial chain of energy conservation and efficiency improvement for the cement and concrete industry. According to Frost & Sullivan, in order to secure supply of cement admixture, some large scale cement manufacturers in the PRC will set up their own cement admixture production subsidiaries in order to streamline their business operations. In line with market practice, we support the development of Conch Cement Group, which was held as to 36.4% by Conch Holdings as at the Latest Practicable Date. We first entered into a procurement of cement grinding aids contract with, and became a supplier of cement admixture of, Conch Cement Group in 2018. Since then, our Group has continued to enter into procurement of cement grinding aids contracts with Conch Cement Group throughout the years by way of participating in open tenders and price inquiry and comparison conducted by Conch Cement Group. Our Group has been providing various admixture products to Conch Cement Group and it subsequently became our largest customer throughout the Track Record Period.

(iii) *Competitive edge over our competitors in open tenders arising from our understanding of Conch Cement Group through market researches on and years of co-operation with them:* Over years of cooperation, both our Group and Conch Cement Group have developed a mutual and deep understanding of each other's business operations and shared similar standards and philosophy in product deliverables. During the public tender, our Group and other third-party suppliers were considered based on technical evaluation and commercial evaluation. Technical evaluation includes ratings on the operations results, credibility of contract performance, financial status, credit status, overall strengths, and after-sales service of the suppliers participating in the tender, while commercial evaluation includes ratings on the price quotations of the products, ranking from the lowest to the highest. Given our long-standing relationship the Conch Cement Group, we are able to fulfil the technical and commercial assessment requirements of the Conch Cement Group, which allows us to maximise our opportunity in obtaining the tender from Conch Cement Group, leveraging on our competitive edge. Due to our accumulation of experience serving Conch Cement Group, we are able to draw up specific requirements and expected deliverables that fits Conch Cement's needs. We have built mutual trust with Conch Cement Group which allowed us to constantly provide the high-quality cement admixture that met Conch Cement Group's specific requirements. Our Directors are confident that we can

maintain our competitiveness in our tenders for contracts with Conch Cement Group. Going forward, our Group expects to continue to participate in open tenders or price inquiry and comparison conducted by Conch Cement Group.

(iv) *Mutually complementary business relationship:* Our ability to constantly provide high-quality products to Conch Cement Group helped optimise the product performance and production indicators of Conch Cement Group, which have further helped enhance overall brand image of Conch Cement Group, thereby attracting more customers to purchase cement and concrete products from Conch Cement Group. For each year during the Track Record Period, we understand that our cement admixtures sold to Conch Cement constitute substantially all of their cement admixture purchase volume. This will in turn likely bring more business to our Group and hence enable us to enhance our competitiveness and reinforce our existing market position.

Based on the above, our Directors believe that our relationship with Conch Cement Group will continue to be mutually complementary to a large extent, and it is unlikely that there would be any materially adverse changes to, or termination of, such relationship in the foreseeable future.

- *Steady growth prospects of Conch Cement Group.* According to Frost & Sullivan, the Conch Cement Group, comprising Conch Cement and its subsidiaries, which itself was the second largest cement producer in terms of both production volume and production capacity, in the PRC in 2023. Owing to the stable development of downstream industries such as infrastructure and building construction markets, the output of the commercial concrete market in the PRC grew from 2,553.9 million cubic metres in 2019 to 2,696.1 million cubic metres in 2023, at a CAGR of approximately 1.4%. Although in 2022 and 2023 the demand for commercial concrete declined, which led to a temporary decline of market output, owing to the expected stable development of the PRC's macro-economy and accordingly, the expected improvement of infrastructure construction market in the PRC, the output of the commercial concrete market in the PRC is expected to grow to 3,101.2 million cubic metres by 2028, representing a CAGR of approximately 2.8% for the period from 2023 to 2028. Further, Conch Cement Group has also since its listing, steadily implemented various development strategies such as marketing plan domestically and overseas, pushing steadily for international development strategies, proactively extending the upstream and downstream industrial chain and accelerating the development of emerging industries such as new energy, intelligent logistics, energy conservation, environment protection and intelligent manufacturing. According to Frost & Sullivan, as Conch Cement Group has a mature and stable infrastructure in the PRC, it is likely that Conch Cement Group will be successful in capturing the demand for cement or concrete in overseas countries, especially in developing countries. Given the Conch Cement Group's dominant position in the cement industry in China and said industry demonstrating trends of market consolidation, our Directors believe that it is likely the Conch Cement Group's demand for cement admixture will remain consistent in the foreseeable future.

- *Normal commercial terms.* The supply of cement admixture to Conch Cement Group is determined on arm's length basis and on terms which are fair and reasonable and in the interest of our Group and our Shareholders as a whole. As Conch Cement is listed on the Stock Exchange, it is also subject to relevant Listing Rules governing transactions between a listed issuer and a connected person. As such, transactions between us and Conch Cement Group should have terms that are determined on arm's length basis. Frost & Sullivan has also confirmed that the unit price of each type of product supplied to Conch Cement Group is within market price range.

- *Diversifying customer base and increased sales to other customers.* During the Track Record Period, our proportion of revenue generated from our sales to Conch Cement Group has actually decreased throughout the years/period. The proportion of our revenue generated from the Conch Cement Group was 52.5% in FY2021 which decreased to 41.6% in FY2022 then further to 31.8% in FY2023 and to 30.7% in 6M2024. While the absolute sum of revenue which we derived from Conch Cement Group has remained consistent throughout the Track Record Period, our sales to customers which are not Conch Cement Group have increased from RMB729.6 million in FY2021, to RMB1,074.5 million in FY2022 and further to RMB1,633.1 million in FY2023. Our revenue derived from sales to customers which are not Conch Cement Group was RMB764.8 million in 6M2024. Accordingly, we had a steady number of new customers each year; we had over 100, 400, 300 and 300 new customers for each year/period comprising the Track Record Period. We will continue to identify and take on new customers when opportunity arises and we have no intention to limit ourselves to serve only our existing customers.

- *Value business partners to our major customers.* We believe that our customers select our Group as their service provider due to our Group's expertise in the cement and concrete admixture market in the PRC. Despite the scale of our major customers, many of them lack the infrastructure and technical expertise to self-manufacture cement and concrete admixture. In the event that they do, it is usually more cost effective to outsource the provision of such admixture to parties like our Group, which can provide quality admixture to customers, with all of their preferences accounted for via our ability to configure each and every one of our products. Further, in demonstration of our well-established relationship with these customers, we have entered into a long-term agreement with certain major customers.

- *Operational independence.* We maintain autonomy from Conch Cement in our business operations. We possess an effective corporate governance structure which enables us to carry out our business independently from the Conch Cement Group from an operational, management and financial perspective. For further details on the relationship and our corporate governance measures, see "Relationship with Controlling Shareholders" in this document.

Settlement terms and credit control

With a view to fostering long-term business relationships with our customers and at the same time protecting our interests, we adopt different settlement policies for different customers. We may require our customers to make payment before delivery or allow them to settle with credit terms depending on the length and depth of our business relationships with them. As for the length of credit period offered to our customers, we principally consider our customers' trading and credit history, sales volume, scale of operations, background, financial conditions and the length of business relationship with us to determine the credit term for customers individually. During the Track Record Period, our trade receivables with our major customers were generally settled with credit term of up to 120 days.

Alongside with our credit policy, we also adopt a series of credit control measures which require our customers to first go through credit performance evaluation performed by our sales team and our finance team. The review on the credit terms of individual customers is conducted on a periodic basis.

During Track Record Period, we had not experienced any material bad debt. During the Track Record Period, our average turnover days of trade receivables were approximately 68.8 days, 73.0 days, 82.2 days and 99.7 days, respectively.

Our customers settled our payments mainly by way of bank acceptance bills or telegraphic transfer in RMB. During the Track Record Period, we had not experienced any major defaults in payments or bad debts from our customers which may materially affect our financial condition and operating results.

Overlapping customers and suppliers

Our Directors confirmed that none of our major customers was our major supplier during the Track Record Period, save for three subsidiaries of Conch Cement, our largest customer for each year and period comprising the Track Record Period.

Conch Cement Group engaged us for the provision of cement admixture and concrete admixture throughout the Track Record Period and we had incidentally engaged subsidiaries of Conch Cement for the provision of cement for testing or construction purposes and ancillary production equipment in FY2022 and FY2023. Our revenue generated from our sales to Conch Cement Group accounted for approximately 52.5%, 41.6%, 31.8% and 30.7% of our total revenue for FY2021, FY2022, FY2023 and 6M2024, respectively. The items purchased from the subsidiaries of Conch Cement amounted to RMB82,199 and RMB4,772, respectively in FY2022 and FY2023.

Our Directors confirmed negotiations of the terms of our sales and purchases to the above entities were conducted on a case-by-case basis and that all of our sales to and purchases from the above entities were incidental transactions, were not inter-conditional, inter-related or otherwise considered as one transaction. Our Directors confirmed that all of our sales to and purchases from Overlapping Entities were conducted in the ordinary course of business under normal commercial terms and on arm's length basis.

Product pricing

Our pricing policy aims to enable us to achieve a profitable and sustainable growth in our business.

The price of our products is generally determined taking into account various factors, mainly consisting of the price of the raw materials, labour costs, transportation cost, the market prospects of the geographical area in which the customer operates, specifications of products requested by customers, our profit margin with reference to the market demand, anticipated market trends, historical sales data and prices of our competitors' products. The cost, including any fluctuation in the cost of raw materials, will be taken into account in determining the selling price for our customers. As a result of our pricing strategy, our Directors believe that we can generally pass on the increase in purchase costs of raw materials to our customers.

Our short term pricing policy with customers focuses on offering competitive prices for admixtures to attract customers and grapple as much market share as possible. As the customers become more familiar with us and our products, and have developed confidence in our products and services, we can gradually increase prices to reflect the value and quality of the products, aiming to enhance our profitability in the long run. Further, as the industry in which we operate has exhibited a trend of market consolidation, as smaller players are phased out due to such phenomenon, we will gain greater bargaining power when the number of players in the market decreases. As such, we believe that we shall be able to gradually increase our prices in the future with both existing and new customers.

During the Track Record Period, we derived our revenue from sales of cement admixture and concrete admixture and their respective in-process intermediaries. For FY2021, FY2022, FY2023 and 6M2024, sales of cement admixture contributed 62.6%, 49.8%, 38.8% and 37.3% of our total revenue, respectively, and generated gross profit margin of 31.1%, 35.5%, 40.4% and 43.1% for the corresponding year/period, respectively. We expect that for the short term, we will continue to generate a substantial proportion of our revenue from cement admixture. As our other venture with product segments are maturing, we also expect that we will benefit from an increased proportion of revenue from product types outside of cement admixture in the long run.

Sales and marketing

As at 30 June 2024, our sales team was consisted of 214 employees who are responsible for devising our sales target and marketing strategies, keeping abreast of the latest market trend, collect information on potential tenders, arrange for tender submission for suitable projects, reaching out to potential customers, etc. Our sales and marketing strategies centre on establishing a reputation for consistent and stable production and supply of quality cement admixture and concrete admixture related products, offering our customers support services and building stable and enduring relationships with our customers.

To grasp potential business opportunities and promote our products, we sponsor industry forums, participate in exhibitions and distribute our publicity brochures as a part of our marketing strategies. We also pay regular visits to our target customers to obtain a better understanding of our target customers with an aim of offering customised products that satisfy our customers' requirements. Besides, we keep abreast of the latest market information on potential tenders and conduct research on suitable tenders. In an effort to further expand our business, we intend to further increase our sales and marketing effort as well as expansion of our geographical coverage and deepen our existing markets' penetration. As a leading cement admixture provider in the PRC with a comprehensive product portfolio and a reputation for providing reliable and quality products to our customers, we have been able to source new customers through our sales and marketing efforts, word-of-mouth and referrals from our existing customers, many of whom made recommendations based on their positive experience with our quality products, reliable services and competitive pricing.

RAW MATERIALS AND SUPPLIERS

Raw materials

The principal raw materials used in the production of our products are ethylene oxide, propylene oxide and ethanolamine (including monoethanolamine (一乙醇胺), diethanolamine (二乙醇胺) and trolamine (三乙醇胺)). During the Track Record Period, we sourced such raw materials from suppliers located in the PRC. During the Track Record Period, our costs of raw materials, which is the largest component of our cost of sales, amounted to approximately RMB1,084.9 million, RMB1,339.6 million, RMB1,759.1 million and RMB807.8 million, respectively, representing approximately 90.5%, 90.8%, 90.8% and 90.3% of our total cost of sales for the corresponding year/period, respectively.

Procurement policy

As at 30 June 2024, our procurement team comprised 33 employees. Since the purchase price of our raw materials is pivotal in determining prices of our products, our procurement team collaborated closely with our sales team, technical team and production team in monitoring the raw materials prices and devise production plan and timetables which specify the raw materials required for production of our products upon receiving purchase forecast or purchase orders from our customers with reference to our inventory level. We generally do not maintain inventory of raw materials that exceeds production requirement of one month as we generally order our raw materials upon confirming our customers' purchase with us. For principal raw materials, our suppliers are either selected through invited tender or through our selection on our list of approved suppliers, which consisted of over 300 suppliers as at 30 June 2024. During the supplier selection process, we consider different factors such as the types and quantities of raw materials procured, the prices, quality, time of delivery and after-sales services the suppliers offered. Such practice enhances our bargaining power on raw materials prices, avoid reliance on one single supplier, and helps us to identify the best value-for-money option.

Since our main raw materials are products of crude oil, the market prices of our main raw materials may be affected by fluctuations in crude oil prices. Any changes in such principal raw material prices may lead to a rise in the cost of production since the cost of raw materials also

increases. As a result, we are exposed to the market risk of price fluctuation. Any unexpected increases in market prices of raw materials may have a material and adverse effect on our business, results of operations and financial condition if we are unable to transfer the increased procurement cost to our customers. See "Financial information — Key Factors Affecting Our Results of Operations — Cost of raw materials" in the document for the sensitivity analysis of the cost of raw materials on our profits. See "Risk Factors — Risks relating to our business — We may not be able to secure a stable supply of raw materials on acceptable prices which would adversely affect our operations and financial condition" in this document. For customers with which we have entered into sales framework agreements which have price adjustment clauses, we will be able to pass on the increase in purchase costs to such customers. When there is increase in raw material costs in relation to the manufacturing of our products, we may negotiate with our customers and adjust the price of our products on their purchase orders accordingly. With some customers, we have also entered into sales framework agreements which have a fixed cost or price adjustment mechanisms which are only triggered after cost fluctuations have exceeded a certain percentage; for these customers, we manage the impact of raw materials fluctuation by taking into consideration any increase of raw material cost to our quoted price in our next agreement with the customer.

Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, we had not (i) relied on any single source of supply for our raw materials; (ii) experienced any shortage or delay in the supply of raw materials, which may materially and adversely affect our operations and financial conditions; (iii) experienced any material returns of raw materials in relation to quality issues, (iv) experienced any material disruptions or disputes in supply of raw materials that may adversely affect or delay our production plans; and (v) experienced any material delay in making payments to our suppliers.

Suppliers

Our suppliers are mainly suppliers of raw materials which include ethylene oxide, propylene oxide, ethanolamine (including monoethanolamine, diethanolamine and trolamine) and other ancillary raw materials based in the PRC. As at 30 June 2024, we had in aggregate more than 300 approved suppliers to secure a stable supply of our key raw materials. Our Directors believe that the supply of raw materials that we principally use in production is generally stable and sufficient in the market, and therefore improves our cost control. We generally obtain quotations from at least three suppliers to ensure that the cost of the raw materials purchased by us are reasonable and market.

Selection of suppliers

We maintain a list of approved suppliers and have in place a set of selection criteria for suppliers. We select suppliers based on a range of factors including their product quality, pricing, delivery time, its reliability, reputation in the industry of each potential supplier before they are qualified to become our approved suppliers. A supplier will become our approved supplier only after they have met our selection criteria. It is our procurement policy that we only purchase raw materials from our approved suppliers to ensure the quality of our raw materials. We regularly communicate with our suppliers, and from time to time review their performance and background information, including validity of their

business licence(s) and requisite certifications. The performance of suppliers is evaluated based on criteria such as their stability and schedule of supply, production location, quality of products, turnaround time, response to enquiries and complaints, reputation and financial condition of the supplier. We will remove suppliers from our list of approved suppliers or cease procurement of raw materials from them if any of them fails to satisfy our quality and service requirements upon periodic review.

We strive to maintain stable relationships with our suppliers to ensure that no disruption is caused to our business operations as a result of any change in suppliers. Our business relationships with our five largest suppliers for each year of the Track Record Period ranged from approximately two years to five years as at the Latest Practicable Date. We make payment for procurement of raw materials before delivery, upon delivery or within the credit period granted to us. During the Track Record Period, we settled payments with our suppliers in RMB mainly by bank acceptance bills and telegraphic transfer.

Delivery of raw materials that we purchase takes place in the PRC, and is mainly made by road and pipeline transport by the suppliers to our production facilities at their expense or by our own expense.

Principal terms of our procurement agreement

During the Track Record Period, we entered into legally binding supply framework agreement for procurement of raw materials with some of our suppliers, followed by purchase orders setting out the relevant purchase quantity and prices of each individual order. The table below sets out the principal terms of our supply framework agreements with our suppliers:

Duration:	Generally one year with no automatic renewal clause upon expiration.
Pricing:	The supply framework agreements generally specify a per unit base price of the raw materials and may be subject to relevant subsequent upward or downward adjustments as stipulated in the agreement.
Delivery and shipping costs and risk allocation:	Generally delivery of products to the location designated by us at their expense. The risks of the products are generally being transferred to us upon our acceptance of their products.
Payment terms and payment method:	Payment by bank acceptance or telegraphic transfer.
Product warranty and return policy:	Quality issues shall be raised within a stipulated period. The defective raw materials can be returned.
Minimum purchase amount:	There is generally no minimum purchase amount is set out in the agreement.

Termination:	Generally subject to termination upon breach of agreements by either party.
Product quality:	Generally products procured are subject to product quality standards stipulated in specific contract such as the chemical composition of the goods.

Five largest suppliers

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

FY2021

Supplier	*Notes*	Commencement year of relationship with us	Principal raw materials procured by us	Approximate amount of purchases	Approximate percentage of our total purchase	Credit term
				(RMB million)		
Supplier A and its branches	*(1)*	2018	Propylene oxide	211.4	11.8%	Payment before delivery
Supplier B	*(2)*	2020	Monoethanolamine, diethanolamine and trolamine	91.2	5.1%	Within five days of the following month
Hubei Xianlin Chemical Co. Ltd* (湖北仙粼化工有限公司) ("**Hubei Xianlin**")	*(3)*	2018	Monoethanolamine, diethanolamine and trolamine	88.0	4.9%	Payment before delivery or within 15 business days
Supplier C and its subsidiaries	*(4)*	2020	Propylene oxide	76.1	4.3%	Payment before delivery
Nanjing Zeqi Chemical Co., Ltd.* (南京澤祺化工有限公司) ("**Nanjing Zeqi**")	*(5)*	2018	Propylene oxide	72.6	4.1%	Within one month
Total				**539.3**	**30.2%**	

FY2022

Supplier	*Notes*	Commencement year of relationship with us	Principal raw materials procured by us	Approximate amount of purchases	Approximate percentage of our total purchase	Credit term
				(RMB million)		
Supplier A and its branches	*(1)*	2018	Propylene oxide and ethylene oxide	509.5	28.3%	Payment before delivery
Jiangsu Sailboat Petrochemical Co., Ltd. (江蘇斯爾邦石化有限公司) ("**Jiangsu Sailboat**")	*(6)*	2018	Diethanolamine	123.4	6.8%	Payment before delivery
Supplier B	*(2)*	2020	Monoethanolamine, diethanolamine and trolamine	117.5	6.5%	Within five days of the following month
Linyi Changqing Chemical Co., Ltd.* (臨沂長青化工有限公司) ("**Linyi Changqing**") . . .	*(7)*	2021	Propylene oxide	76.7	4.3%	Payment before delivery or within seven business days
Jiaxing Jinyan Chemical Co., Ltd. (嘉興金燕化工有限公司) ("**Jiaxing Jinyan**")	*(8)*	2018	Monoethanolamine, diethanolamine and trolamine	55.0	3.1%	Payment before delivery
Total				**882.1**	**49.0%**	

FY2023

Supplier	*Notes*	Commencement year of relationship with us	Principal raw materials procured by us	Approximate amount of purchases	Approximate percentage of our total purchase	Credit term
				(RMB million)		
Supplier A and its branches	*(1)*	2018	Propylene oxide and ethylene oxide	916.2	45.6%	Payment before delivery
Jiangsu Sailboat	*(6)*	2018	Diethanolamine	151.2	7.5%	Payment before delivery
Linyi Changqing	*(7)*	2021	Propylene oxide	96.6	4.8%	Payment before delivery or within 15 days
Jiaxing Jinyan	*(8)*	2018	Monoethanolamine, diethanolamine and trolamine	78.5	3.9%	Payment before delivery
Sichuan Yiguang New Material Manufacturing Co., Ltd.* (四川屹光新材料製造有限公司) ("**Sichuan Yiguang**")	*(9)*	2021	Monoethanolamine, diethanolamine and trolamine	54.1	2.7%	Within 15 business days
Total				**1,296.6**	**64.5%**	

6M2024

Supplier	*Notes*	Commencement year of relationship with us	Principal raw materials procured by us	Approximate amount of purchases	Approximate percentage of our total purchase	Credit term
				(RMB million)		
Supplier A and its branches	*(1)*	2018	Propylene oxide and ethylene oxide	495.1	52.8%	Payment before delivery
Supplier D	*(10)*	2023	Diethanolamine	85.1	9.1%	Payment before delivery
Linyi Changqing. . .	*(7)*	2021	Propylene oxide	37.0	3.9%	Payment before delivery or within 15 days
Jiaxing Jinyan	*(8)*	2018	Diethanolamine and trolamine	18.8	2.0%	Payment before delivery
Rizhao Shengquan New Material Technology Co., Ltd.*(日照盛泉新材料科技有限公司)("**Rizhao Shengquan**") . . .	*(11)*	2022	Diethylene glycol monovinyl ether	18.5	2.0%	Within the following month
Total				**654.5**	**69.8%**	

Notes:

(1) Supplier A is a PRC company with a registered capital of RMB326.5 billion as at the Latest Practicable Date. It is principally engaged in sales of chemical raw materials and products.

(2) Supplier B is a PRC company with a registered capital of RMB640.5 million as at the Latest Practicable Date. It is principally engaged in sales of chemical raw materials and products.

(3) Hubei Xianlin is a PRC company with a registered capital of RMB89.4 million as at the Latest Practicable Date. It is principally engaged in sales of chemical raw materials and products.

(4) Supplier C is a PRC company listed on the Shanghai Stock Exchange with a registered capital of RMB3.1 billion as at the Latest Practicable Date. It is principally engaged in sales of chemical raw materials and products.

(5) Nanjing Zeqi is a PRC company with a registered capital of RMB5.0 million as at the Latest Practicable Date. It is principally engaged in sales of hazardous chemicals. To the best knowledge of our Directors, Nanjing Zeqi is a sole trading company operating on a light asset basis, which as confirmed by Frost and Sullivan, is commonly correlated with a small registered capital.

(6) Jiangsu Sailboat is a PRC company with a registered capital of RMB5.6 billion as at the Latest Practicable Date. It is principally engaged in sales of chemical raw materials and products.

(7) Linyi Changqing is a PRC company with a registered capital of RMB30.5 million as at the Latest Practicable Date. It is principally engaged in sales of chemical raw materials and products.

(8) Jiaxing Jinyan is a PRC company with a registered capital of USD77.8 million as at the Latest Practicable Date. It is principally engaged in sales of chemical raw materials and products.

(9) Sichuan Yiguang is a PRC company with a registered capital of RMB120.0 million as at the Latest Practicable Date. It is principally engaged in sales of chemical raw materials and products.

(10) Supplier D is a PRC company with a registered capital of RMB100.0 million as at the Latest Practicable Date. It is principally engaged in sales of coal, chemical raw materials and products.

(11) Rizhao Shengquan is a PRC company with a registered capital of RMB100.0 million as at the Latest Practicable Date. It is principally engaged in road freight transport and sales of chemical products.

We generally settle the payments with our suppliers by way of bank acceptance bills or telegraphic transfers.

All our five largest suppliers for each year/period of the Track Record Period were Independent Third Parties and none of our Directors, their respective close associates or any Shareholder who, or which, to the best knowledge of our Directors, own more than 5% of the issued share capital of our Company as at the Latest Practicable Date, had any interest in any of our five largest suppliers for each year/period of the Track Record Period.

DELIVERY AND TRANSPORTATION

Our customers can choose to pick up products at our production facilities or engage us for delivery of products to their designated place at their own selection. For customers which engage us to deliver products to their designated locations, we rely on third party logistic service providers for product delivery and bear the risks during transportation. Such logistic service fee is generally calculated on the basis of the actual transportation volume and paid by us, and we include such transportation cost to the total price that we charge our customers. Delivery of our products to our customers in the PRC is primarily made by land transportation, and the relevant logistic service providers are responsible for all risks relating to the products in transit upon completion of unloading of the products. While we normally allocate orders to production facilities which are closer to the intended destination of delivery, to ensure that there is a steady supply of goods to our customers, we maintain flexibility through our internal policies through maintaining the policy that delivery of our products are not restricted to adjacent areas of our production facilities.

The logistics service providers engaged by us are mainly determined through a bidding process. During the Track Record Period, our transportation cost amounted to approximately RMB83.6 million, RMB62.0 million, RMB74.4 million and RMB37.9 million, respectively. We make payment for the logistics service mainly by telegraphic transfer on a monthly basis upon receipt of relevant bills from our logistics service providers.

Our Directors confirmed that we had not experienced any material disruption or damage to our products in the delivery of our products during the Track Record Period.

QUALITY CONTROL

We attach great importance to the quality of our products in order to meet our internal standards and our customers' requirements. We have implemented various quality control measures throughout our production process to ensure the quality of our products. Staff from our production team and technical team is responsible for carrying out the quality control procedure.

During the Track Record Period and up to the Latest Practicable Date, we did not receive material claims or complaints from our customers in respect of the quality of our products.

Quality control on the raw materials

We maintain a list of approved suppliers which is subject to our annual review, and we generally only procure raw materials from such approved suppliers. We require our suppliers to, from time to time, provide us with quality inspection reports showing that the raw materials they supply to us can meet the required standards. We also, from time to time, require them to provide us with certificates showing that relevant raw materials are in conformity with applicable safety and environment protection rules and regulations.

Our quality control team and production team get together to conduct inspection and testing on the incoming raw materials on a sampling basis to ensure their conformity with the required standards and the agreed specifications set out in the supply agreements and purchase orders. Depending on the terms of the supply agreements, a representative from our supplier may be on site to participate in the inspection and testing process. Our internal quality control policy requires the inspection and testing process to cover aspects including quantity, chemical properties, level of impurity, level of density, appearance, colour, smell, etc. In order to uphold the accuracy and reliability of our acceptance procedure of raw materials, including relevant inspection and testing results, we will conduct further review on them on a sampling basis at least once a month.

Upon discovery of any sub-standard or defective raw materials, we will either return the entire batch of raw materials to our suppliers or accept such raw materials with a set-off of purchase price depending on the level of defects.

Quality control on the production process

During the production process, our production team conducts regular inspection, calibration and maintenance on the production equipment and machinery and conducts random sample checks on work-in-progress covering aspects of quality, appearance, chemical properties and functions, which enable us to identify defects easily and to promptly carry out rectifications if feasible.

Work-in-progress failing to meet the quality standards are subject to analysis of the root cause of the failure and will not be passed to the next stage of the production procedure.

Quality control on the finished products

To ensure the outgoing products can comply with the relevant standards and specifications, we require our technical team to conduct inspection and testing on our finished products on a random basis in accordance with our internal quality control policy. The finished products must pass our final quality testing before delivery to customers. The status of our finished products being ready for delivery must be communicated through a written notice issued by our quality control team. Besides, we also engage external inspection institutions of provincial or higher level to conduct inspection and testing on our finished products on a sampling basis periodically to ensure the accuracy and reliability of our internal inspection and testing results.

Occasionally, some of our customers may send representatives to conduct on-site quality checks on our finished products during the production process or shortly before delivery of finished products. Some of our customers may also require external testing of our products to establish that it has met relevant standards and specifications.

Quality control on storage of products

We have formulated and implemented policies and procedures for storage of our raw materials and finished products. We regularly monitor our storage of raw materials and finished products in terms of storage condition, such as temperature and humidity to ensure that it meets the specified requirements for each type of raw materials or products and to avoid any quality issue that may arise due to improper storage condition. Furthermore, we designate appropriate storage facilities for different raw materials and products, taking into consideration factors such as stability and safety. We also ensure that appropriate packaging materials are used to protect the finished products during storage and transportation, maintaining their quality and preventing damage. Additionally, accurate and clear labelling is applied on to the finished products, providing essential information for identification, traceability, and compliance with regulatory requirements.

Product warranty and return or refund policy

We provide our customers with after-sale support services by sending our employees to the customers' sites to deal with any issue may arise during the application process of our products. Our customer can raise issue regarding the product quality within a stipulated period, generally such ranging from one to ninety days. We normally do not accept return of non-defective products. On some occasions, we provide product warranty which commences from the date on which our products are accepted by the customer, such stipulated period generally does not exceed 180 days. We require our customers to notify us any defects of the products within the period specified in our contract with them to the customers' designated locations. If the quality of the products deviates from the standard specified in the sales agreement or purchase order, we will conduct investigation on the root cause either by our technical team. When necessary, we will ask an Independent Third Party to conduct

further investigation of the product. We may offer a set-off of purchase prices to our customers with regards to products which are defective depending on our negotiation with our customers. We generally do not offer any non-defective product return to our customers.

Our Directors confirm that we had not experienced any substantial return or recall of our products due to quality defects during the Track Record Period and up to the Latest Practicable Date.

We recognise the importance of promptly addressing our customers' complaints. Upon receipt of a complaint from our customers, our technical team will, with the support from our sales team, conduct a thorough analysis to identify the root cause of the complaint by tracing back to their production process. After the relevant analysis determines the root cause, our complaints handling team will promptly communicate with our customers and provide them with a suitable solution. Our Directors confirmed that we had not received any material complaints lodged by our customers in relation to our products during the Track Record Period and up to the Latest Practicable Date.

Our sales team communicates with our customers regularly to collect their feedbacks on the quality of our products, their preferences, and market demands for our products. Our sales team will share this feedbacks with our technical team so that the latter can improve our product quality and develop new products.

SEASONALITY

Our products are primarily applied in the building materials industry in the PRC which is generally influenced by seasonal and climatic factors. This industry experiences peak and off-peak seasons. In line with these trends, we usually record our lowest sales volume from January to March due to the Chinese New Year, when the construction activities are less active than other months of the year. Certain climatic conditions, such as heavy or prolonged rainfall or extreme weather (such as high or low temperatures), also negatively affect market demand of our products because the level of construction activities is relatively low under those conditions.

We adopt a proactive approach to address these challenges posed by seasonality. We align our production scheduling with market and weather conditions to optimise resources allocation and mitigate the impact of seasonal fluctuations.

UTILITY

The major utilities consumed in our production are electricity and water. Our production facilities in the PRC have access to electricity and water from local utility companies. During the Track Record Period, we did not experience any disruption or shortage of water or electricity.

During the Track Record Period, our utilities costs were approximately RMB2.5 million, RMB11.2 million, RMB16.4 million and RMB6.3 million, representing approximately 0.2%, 0.8%, 0.8% and 0.7% of our total cost of sales for the corresponding year/period, respectively.

COMPETITION

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

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

Note:

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

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

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

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

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

Note:

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

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

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

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

AWARDS AND RECOGNITIONS

In recognition of our achievements, we have received a number of awards and recognitions including but not limited to the followings:

Name of award/certification	Awarding organisation(s)	Recipient	Year of grant
Scientific reform demonstration enterprise* (科改示範企業) . .	State Council State-owned Enterprise Reform Leading Group* (國務院國有企業改革領導小組)	Our Company	2023
Scientific reform demonstration enterprise* (科改示範企業) . .	State Council State-owned Enterprise Reform Leading Group* (國務院國有企業改革領導小組)	Our Company	2022
2023 Top 10 Typical Energy Conservation Cases in Ningbo* (2023年度寧波市十大節能典型案例)	Ningbo City Energy Conservation Association* (寧波市節能協會)	Ningbo Conch	2023
China's top 100 innovative building materials enterprises in 2022* (2022中國創新建材企業100強)	China Building Materials Enterprise Management Association (中國建築材料企業管理協會)	Our Company	2022

Name of award/certification	Awarding organisation(s)	Recipient	Year of grant
China's top 100 building materials enterprises with the most growth potential in China in 2022* (2022中國最具成長性建材企業100強)	China Building Materials Enterprise Management Association (中國建築材料企業管理協會)	Our Company	2022
China's 2022 Harmonious building materials enterprises* (2022中國和諧建材企業)	China Building Materials Enterprise Management Association (中國建築材料企業管理協會)	Our Company	2022
Honorary certificate of 2022 Green Factory in the Building Materials Industry* (2022年度建材行業綠色工廠)	China Building Materials Federation* (中國建築材料聯合會)	Meishan Conch	2022
Model Green Manufacturer in Meishan* (眉山市市級綠色製造示範單位)	Meishan City Bureau of Economic and information Technology* (眉山市經濟和信息化局)	Meishan Conch	2022
Outstanding Supplier in Cement Industry* (水泥行業優秀供應商)	China Cement Association (中國水泥協會)	Our Company	2021
Second prize of Huaihai City Science and Technology Innovation Award* (淮海科技創新二等獎)	Huaihai Science and Technology Award Committee* (淮海科學技術獎委員會)	Linyi Conch	2021
Building Materials Science and Technology Award* (建築材料科學技術獎)	China Building Materials Federation and China Silicate Society (中國建築材料聯合會及中國矽酸鹽學會)	Our Company	2020
Third prize of (Linyi City) Science and Technology Progress Award* (臨沂市科學技術進步三等獎)	People's Government of Linyi City* (臨沂市人民政府)	Linyi Conch	2020

Name of award/certification	Awarding organisation(s)	Recipient	Year of grant
High and New Technology Enterprise (高新技術企業) . . .	Shandong Provincial Department of Science and Technology*, Shandong Provincial Department of Finance, State Administration of Taxation, Shandong Provincial Taxation Bureau* (山東省科學技術廳、山東省財政廳、國家税務總局山東省税務局)	Linyi Conch	2020
Second prize of Science and Technology Progress Award* (科學技術進步二等獎)	People's Government of Shandong Province* (山東省人民政府)	Shandong Hongyi	2019
Achievement Award for New Development of Cement Admixture Industry* (水泥外加劑行業新發展成就獎)	China Cement Association (中國水泥協會)	Our Company	2019
Scientific and Technological Innovation Award for Cement Admixtures* (水泥外加劑科技創新獎)	China Cement Association (中國水泥協會)	Our Company	2019

INVENTORY CONTROL

Our inventory consists of raw materials and finished products. An analysis of the levels of our inventory during the Track Record Period is set out in "Financial Information — Description of Certain Items of Consolidated Statements of Financial Position — Inventories" in this document. We closely monitor our inventory level through our supply chain management system as maintaining an excessive level of inventory would tie up our working capital although most of our inventories have no expiry dates for usage. Our supply chain management system features the following functions which help reduce the manual work taken to effectively manage our inventory levels:

1. Tracking all inbound and outbound items;

2. Automatic generation of various inventory analysis such as monthly turnover, consumption of ancillary raw materials and inventory aging analysis etc.;

3. Real-time record of all inventory;

4. Automated settlement of orders for raw materials; and

5. Approval processes relating to inventory management may be conducted on the system.

Raw materials

For the inventory of our raw materials, we place purchase orders with our suppliers based on the expected level of production activities taking into consideration the sales orders on hand and the historical trends of sales. If there is an expected shortage of any particular type of raw materials or if the market prices of the raw materials are on an increasing trend, we would increase our inventory level of raw materials.

Finished products

The level of inventory of our finished products is dependent on our production volume as well as the sales orders on hand and the time for delivery of the finished products to our customers. Our products are produced based on the specifications of the sales orders placed by our customers.

Warehouse management

As part of our quality control for inventory storage, we have also implemented operation procedures for our warehousing facilities, which include record keeping in a timely manner, proper and clear labelling and periodic stocktaking.

INFORMATION TECHNOLOGY

Our information technology management policy is adopted to regulate our operations, inventory control, procurement, production, equipment and sales management. Our sales, raw materials and production status are reflected in the various systems on a real time basis. Data relating to different aspects of our business are recorded in the various systems adopted by us to facilitate our strategies formulation and decision making process.

- ***Inventory management.*** Our supply chain management system features the following functions which help reduce the manual work taken to effectively manage our inventory levels. For details, see "Inventory Control" in this section. Further, raw materials are processed through machine pumps, and the reactor weighing is interlocked with such pumps which accurately records the volume of our raw materials to the DCS. Timely access to inventory and sales data allows our management to monitor our sales performance and make appropriate adjustments in response to the market conditions. We also have a system that is specifically set up to deal with our inventory and procurement of precursor chemicals, so as to ensure our compliance with relevant laws and regulations.

- ***Sales.*** We have adopted a sales management system which features functions such as contract management and purchase order management. The sales management system provide us with reporting and analytics of the contracts and orders, tools of ongoing management and workflow automation features, and intelligent notifications regarding billings and deliveries. The system allows our staff from different locations to see changes and track timelines.

- ***Production management.*** In order to ensure efficient and high-quality production, all of our production processes have adopted a reliable and technologically advanced distributed control system (DCS), a multi-level computer system composed of process control level and process monitoring level, connected by a communication network, generally used in medium-sized or large automation control places. We can monitor and control the entire production device through DCS, including the process control, process detection, data processing, metering management and operation monitoring of the entire device. Meantime, we have embedded the batch control function (Batch) and the recipe management function (RMS) based on ISA88.01 standards, which can maintain a safe and reliable operation of our instrumentation and control systems. We have developed production process monitoring function, history playback function, trend analysis function, abnormal information alert function, integrated display function, etc., which altogether can helps us realise real-time monitoring and analysis of data from various subsidiaries. To ensure the safe operation of our production processes, we also house a fire alarm which displays the alarm information and activates the sound and light alarm in our control rooms upon the detection of fire.

- ***Procurement.*** To minimise the turnaround time for engaging suppliers, we have adopted a procurement system which help with our raw material demand plans, procurement management, procurement contract management and supplier management.

Further, our Ningbo Production Plant, which is our largest production plant with the widest range of production capacities of available products offered by us as at the Latest Practicable Date, is also supported by our adoption of a 5G network. By eliminating the need for wired connectivity, such network allows for the high-speed information transfer with a far greater degree of flexibility. As a 5G-enabled factory, we have the capacity to maintain connections among a vast amount of machinery and equipment.

INSURANCE

We maintain various insurance policies covering our production accidents, safety responsibilities, use of hazardous materials, vehicle transportation and equipment. We believe that our insurance coverage is adequate in the context of our business and in line with industry practice. Our Directors confirmed that we were not subject to any material insurance claims or liabilities arising from our operations during the Track Record Period and we did not make any material insurance claims during the Track Record Period.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

We acknowledge our responsibilities on environmental protection as well as the corporate social responsibility that may have impact on our business. We therefore are committed to complying with environmental, social, and governance ("**ESG**") reporting requirements upon the **[REDACTED]**. We have formulated an environmental, social and governance policy ("**ESG Policy**") in accordance with the standards set out in Appendix C2 of the Listing Rules.

We have set up an environment, health and safety management committee ("**EHS Management Committee**") at the business level, which is responsible for making EHS decisions, convening EHS Management Committee meetings, discussing and finalising the adjustment of EHS Management Committee members, amending its terms of reference, and establishing relevant systems, among others. The EHS Management Committee's director is our Company's general manager, its deputy director is our Company's deputy general manager and chief accountant, and its members are the heads of departments and subsidiaries. The EHS Management Committee is expected to consist of diversified members, including members with experience in and knowledge of environmental protection and compliance as well as experience in occupational safety management, while taking into account the Group's needs in emission control and production growth.

We undertake to establish an Environmental, Social and Governance Committee (the "**ESG Committee**") upon **[REDACTED]** to assist the Board in overseeing ESG management, ensuring the implementation of ESG policies, monitoring ESG-related performance and objectives, revising ESG strategies, where appropriate, preparing ESG reports in accordance with Appendix C2 of the Listing Rules. Figures relating to GHG emissions were calculated in accordance with the GHG Protocol Corporate Accounting and Reporting Standard issued by the World Resources Institute and the World Business Council for Sustainable Development. For climate-related disclosure, we made reference to the disclosure recommendations developed by the Task Force on Climate-related Financial Disclosures and the IFRS S2 Climate-related Disclosures issued by the International Sustainability Standards Board.

Anti-corruption

We have formed a disciplinary inspection team to conduct regular disciplinary inspection and supervision. We have established a diverse reporting process, in which employees can report by letters, visits, phone calls or other means. A discipline inspection team is set up to conduct regular disciplinary oversight. Through talks and inquiries, preliminary verifications, and reviews and investigations, the team's staff conducts complete investigations into reported incidents and gives quick feedback to whistleblowers. In the future, we will further improve our anti-corruption reporting mechanism and provide anti-corruption trainings for Board members.

Environmental Sustainability

We place a high value on environmental protection, and have taken steps to ensure that we comply with all applicable regulations. Our plants produce some exhaust gas, wastewater and waste residue during the manufacturing process. However, our industry is not in the "high pollution and high

environmental risk" product catalogue as published by the Ministry of Ecology and Environment of the PRC government in 2021. We believe that we have taken adequate countermeasures to ensure that exhaust gases are released in accordance with the relevant requirements and hazardous wastes are disposed of in a responsible way. For example, in our annual production and operation indicators, we include environmental protection indicators and link them to our assessment. We have engaged qualified third-party agencies to properly dispose of wastewater and hazardous waste. We also entrust a professional third-party environmental testing company to conduct on-site monitoring of wastewater (on a monthly basis), exhaust gas (on a quarterly and annual basis), noise (on a quarterly basis), and other emissions from the manufacturing environment. In sum, we assess our compliance with relevant environmental measures based on periodic self-review and third-party verification. We have taken adequate countermeasures to ensure that exhaust gases are released in line with requirements and hazardous wastes are disposed of in a responsible way as indicated above. During the Track Record Period and up to the Latest Practicable Date, we have complied with all best practices set out in relevant protocols and standards. We have received a number of environmental awards in recent years. In particular, Meishan Conch was rated as "Model Green Manufacturer in Meishan (眉山市市級綠色製造示範單位)" in December 2022, and was awarded the honorary certificate of "2022 Green Factory in the Building Materials Industry (《2022年度建材行業綠色工廠》)" by China Building Materials Federation. Ningbo Conch was recognised as one of the "2023 Top 10 Typical Energy Conservation Cases in Ningbo (2023年度寧波市十大節能典型案例)".

As for office management, we put environmental protection slogans in our workplace area, push for keeping the air conditioning temperature at 26 Celsius degree. Our employees will inspect our offices, to turn off unneeded power-consuming equipment, and organise frequent waste inspections. In terms of daily operation, we encourage our employees to adopt low-carbon transport, actively promote garbage classification for recycling, and reduce household and work waste.

Social Responsibility

We have taken a number of measures to assume our social responsibility. While pursuing our own growth, we continue to devote ourselves to social welfare. We actively participate in the project of poverty alleviation through consumption of local agricultural products in Hotan, Xinjiang. In FY2022 and FY2023, we ordered local agricultural products during the Spring Festival, with 139 people ordering for RMB34,500, in order to accelerate the pace of poverty alleviation in Hotan and promote local economic development. In addition, we organized certain subsidiaries to carry out blood donation activities in 2023.

Identification, Assessment and Management of Environmental, Social and Climate Risks

Over the years of operations, our frequent evaluations and internal reports have enabled us to spot a broad array of risks and impacts linked to environmental, social and climate issues in addition to our dealings with external stakeholders such as our customers, suppliers, government authorities and business partners.

The ESG risks identified and their impacts on our business strategy and financial planning

We have identified the following risks and their impacts during the Track Record Period:

Material Topics	Impact of ESG Risks
Use of energy and water	The main source of our energy is electricity, with a slight use of natural gas, primarily in the processes of synthesis workshop, cement admixture series, and high-performing concrete water reducing admixture mother liquor. Subsequently, we have taken various cost-saving and efficiency measures, to enhance productivity while reducing unnecessary energy consumption. However, we may bear the increased cost of new equipment, facilities, and technological improvements to foster energy conservation. For our production and operations, we need water, and by recycling, we are heightening the resource efficiency. In addition, we are taking proactive steps to avoid unnecessary water waste in our daily operations.
Emission management	Wastewater, exhaust, and residue are the main effluents we produce from material storage, production processes, and loading and unloading process. We recycle the wastewater from cleaning the production area and apply the water from the demineralised water production as raw materials for the production of admixture compounding. The exhaust gas generated in production processes is discharged after being appropriately processed in the tail gas treatment facilities. All hazardous wastes are collected, stored and treated in accordance with standard practice. We have adopted multiple technical refinement procedures to ensure the tail gas emissions fulfil the standards and to forestall the dissemination of hazardous chemicals. Penalties for noncompliance with pollutant emissions include warnings, fines, the establishment of deadlines for pollution remediation, orders to cease production or use, orders to reinstall pollutant prevention and treatment facilities that have been removed or abandoned without permission, and administrative actions against the relevant responsible persons or orders to close such entities. Our production facilities may be ordered to suspend production for rectification, which may incur additional costs.

Material Topics	Impact of ESG Risks
Environmental protection management	To align with laws, regulations and standards for environmental protection, we may incur relevant production and operation costs primarily from the purchase and installation of environmental protection equipment and facilities, environmental impact monitoring, and hazardous waste treatment. As environmental regulations in the PRC keep on advancing, we may be obliged to invest considerable funds to revamp our manufacturing facilities to meet the environmental requirements that may be implemented in the near future. We may also face fines and penalties for non-compliance of environmental requirements.
Climate change response — Physical risks	We believe that climate-related issues may lead to the risk of increasingly severe extreme weather incidents, such as frequent lightning, heavy rains, strong winds, and high temperatures, which may threaten the safety of our employees and cause damage to our plant facilities. We may be potentially affected by the increase in the operation and maintenance costs of our plants and our Group as well as in insurance expenses for the purpose of protection. At the same time, it is expected that relevant weather conditions may disrupt the supply chains and transportation services, and further delay the delivery of our products.
Climate change response — Transition risks	The transition to a low-carbon economy involves the changes in climate-related regulations and policies as well as technological risks, which in turn may lead to potential transition risks. With the implementation of the dual carbon strategy, local governments gradually take steps to control the consumption of fossil energy, adopt policies to control both total volume and intensity of carbon emission, intensify the power restriction and suspend the production of high-energy-consuming enterprises, and shut down outdated production facilities, which may bring uncertainty to the supply chain of our Group. Tightening environment regulations may require us to increase investments in business and operation transformation, such as applying more advanced processes or technologies to reduce the energy consumption, which may increase the relevant research and development expenses.

Material Topics	Impact of ESG Risks
Workplace safety	Production safety and occupational health are of the utmost importance to us at our manufacturing operations. We have adopted a preventive approach through hazard identification, hazard management and risk assessment. To support the successful implementation of this approach, we have devised safety programmes and management handbooks to decrease the occurrence of safety incidents by providing a secure and healthy workplace for our employees through the safety regulations outlined in the employee handbook that has been provided to all staff. Owing to our sector, certain of our employees are still exposed to occupational diseases, such as occupational chemical eye burns, occupational chemical skin burns and occupational hydrogen peroxide poisoning. To help reduce the risk of this, we provide reminders about occupational diseases, organise occupational disease inspections and undertake occupational disease prevention and control measures. Our employees may also face work-related injuries. For FY2021, FY2022, FY2023 and 6M2024, the number of work days lost by our employees due to work-related injuries was approximately 22 days, 25 days, 0 days and 0 days, respectively. During the Track Record Period and up to the Latest Practicable Date, we have not experienced any fatalities arising from our production operations.

We seek to assess the above risks and impacts annually after **[REDACTED]**. Our aim is to analyse these risks by the end of this year to determine the financial impact on our income and expenditure. If these risks and impacts are deemed material, the Board may modify our strategies and any applicable countermeasures.

Measures to Manage and Mitigate ESG Risks

We have developed a full range of comprehensive and effective measures to control and minimise ESG risks, and prevent them from hampering our production operations and supply chain management.

Use of energy and water. To reduce energy consumption, we have taken a series of measures to reduce costs and increase efficiency. For power conservation, we have fine-tuned the system control and changed up the pipelines to boost production efficiency and reduce power consumption. We also have substituted the light control of our plants with an autonomous adjustment protocol based on the seasons to minimise the power loss caused by manual adjustment at inappropriate times. For natural gas consumption, we have reinforced regenerative thermal oxidiser (the "**RTO**") operation temperature control and augmented the flame-out and ignition temperature values to decrease natural gas utilisation. In addition, we make active efforts to promote water recovery and recycling. In terms of production

water, we have laid the recycle pipeline for mother liquors, inspected and optimised the pumps and pipelines for underground water supply, recycled and repurposed water from all production processes, and used rainwater tanks to collect rainwater and substitute some of the production water. As for domestic water, we strive to minimise the use of domestic water, and inspect and plug up any holes in the underground domestic water pipeline network.

Emission management. In accordance with all applicable laws and regulations in each of our production and operational sites, we are taking actions such as treating exhaust gases, treating sewage and disposing solid waste, to lessen the ecological consequences of emissions. We have improved our emissions management system by formulating management systems, such as the Measures for the Control and Management of Solid Waste (固體廢物控制管理辦法) and the Management System for Environmental Protection (環境保護管理制度) to specify the procedures for emission treatment. We have also included emissions management into our annual production and operation management objectives. For exhaust gas, all companies have set annual environmental protection technical indicators for organised, unorganised, and mechanical forklift exhaust gases according to the Integrated Emission Standard of Air Pollutants (大氣污染物綜合排放標準), which comprise SO_X, nitrogen oxides, and particulate matters. For wastewater, all companies have set discharge indicators according to the Wastewater Quality Standards for Discharge into Urban Sewers (污水排入城鎮下水道水質標準), covering pH values and suspended solids. All wastewater generated in production is reused, while domestic sewage is discharged to the urban sewers after being treated in sedimentation tanks. The safety and environmental management department of each company carries out the application for sewage licence in an orderly manner in accordance with Regulation on the Administration of Permitting of Pollutant Discharges (排污許可管理條例), Catalogue of Classified Management of Discharge Permits for Stationary Pollution Sources (固定污染源排污許可分類管理名錄) and the industry-related technical specifications on the application and issuance of sewage discharge permit, etc. For sewage that requires special treatment, we engage third parties to treat it. For hazardous waste, we manage it in strict accordance with national and corporate hazardous waste management standards, and have established temporary storage warehouses for hazardous waste that meet relevant national standards, and adopted strict physical control measures to ensure that hazardous wastes are properly classified and stored in a timely manner. Qualified third-party agencies are also engaged for the proper disposal of hazardous wastes.

Environmental protection management. Focusing on the "dual carbon" goal, we uphold the philosophy of "environmental protection and balanced development" and the strategy of "green development, pioneering development and recycling development", and are devoted to constructing a "green, resource-saving, low-carbon and recycling-oriented" enterprise. To this end, we have formulated a number of rules and regulations, including the Management System for Environmental Protection (環境保護管理制度), the Management System for the Monitoring of Safety, Environmental Protection and Occupational Health (EHS) (安全環保職業監控(EHS)管理制度), the Responsibility System for Safety, Environmental Protection and Occupational Health (EHS) (安全環保職業健康(EHS)責任制), the Accountability System for Environmental Protection Management (環境保護管理責任追究制度) and the Guiding Opinions on the Statistics of Power Consumption (電能消耗統計指導意見). Our employees receive targeted training on environmental protection topics to cultivate their senses of responsibility and mission for environmental protection. Our subsidiaries are conscientious in carrying out the "Three

Synergistic Measures" for environmental protection during project development, i.e. conducting environmental impact assessments, carrying out environmental protection acceptance of completed projects, and applying for pollution discharge permits and other environmental protection approvals in a regulated manner. Our ESH Management Committee vigilantly keeps track of national, provincial, municipal and local requirements on environmental protection management, and promptly urges all companies and departments to implement this regulations timely. As at 30 June 2024, a number of our subsidiaries have attained the ISO 14001 Environmental Management System certification. Up to the Latest Practicable Date, we have not encountered any substantial accidents or faced any notable claims for damages to persons or property or compensation related to health or safety during our operations.

Climate change response — Physical risks. We understand the importance of raw material supply to its business continuity. As the countermeasures to this problem, externally, we have intensified the research on raw material markets and the judgment on the trend of raw material markets, and established long-term cooperation with domestic upstream chemical enterprises, so as to ensure the stable supply of raw materials; internally, we have adopted appropriate inventory policies, set alert inventory value for raw materials in conjunction with inventory turnover cycles, and closely tracked raw material inventory status to ensure reasonable inventory level. In the event of unexpected supply problems, we can purchase raw materials from nearby raw material factories to ensure the supply of raw materials. At the same time, in order to cope with and mitigate the adverse impact of relevant weathers on the production of our Group, the EHS Management Committee regularly tracks weather conditions, adjusts production arrangements accordingly, and prepares disaster prevention supplies in advance.

Climate change response — Transition risks. We will continue to give play to our advantages in production capacity and scale, deepen its cooperation with upstream companies, and shape a sustainable and competitive ecological chain.

Workplace safety. Ensuring the safety and health of our staff is a priority in our production and business activities, thus, we have established the Management System for Work Safety and Occupational Health (EHS) (安全生產職業健康(EHS)管理制度), the Responsibility System for Safety, Environmental Protection and Occupational Health (EHS) (安全環保職業健康(EHS)責任制) and other systems to protect the wellbeing and interests of the company and our staff. In terms of work safety, we implement the responsibility system for work safety, and have established and improved the System for Work Safety Management and Responsibility System for Work Safety (安全生產管理制度和安全生產責任制), the Accountability System for Tracing Work Safety Responsibility (安全生產責任追截制度), the Interim Measures for Reporting Special Information on Work Safety Management (安全生產管理特別信息匯報暫行辦法), and the Grading Control of Work Safety Risks and Inspection and Management of Hidden Dangers (安全生產風險分級管控和隱患排查治理), among others. We have conceived the idea of "preventable accidents and controllable risks", devised and refined safety supervision and inspection as well as emergency response systems, and reinforced the investigation and management of latent dangers, safety culture formation and safety education and trainings, all in order to advance work safety. For occupational health, all companies have put in place the Management System for Occupational Health (職業健康管理制度) to standardise the management of occupational disease prevention. A variety of measures have been applied to curb the risks of work-related illnesses among

our employees. Our safety department organises regular trainings to spread the knowledge of occupational health, and stresses the necessity of compliance with the laws, regulations and national standards on occupational health. All companies have formulated strategies and implementation plans for the prevention and control of occupational health issues, and established and improved occupational hygiene practices. They have also placed warning notices in the workplace, to indicate the kinds of occupational health risks, their consequences, and preventive and emergency measures. For positions with serious occupational disease dangers, we enlist qualified occupational health technical service agencies to conduct annual testing for such dangers and triennial status assessment. Up to the Latest Practicable Date, a number of our subsidiaries have been granted the ISO 45001 Occupational Health and Safety Management System certification. Furthermore, our EHS Management Committee is concerned with the work safety and occupational health of our employees. According to the relevant provisions of the Work Safety Law (《安全生產法》), the Law on the Prevention and Control of Occupational Diseases (《職業病防治法》), the Environmental Protection Law (《環境保護法》) and the Regulations of Anhui Province on Work Safety (《安徽省安全生產條例》), we have deployed production safety and occupational health management personnel as well as registered safety engineers.

Indicators and Targets

We are determined to reconcile our commercial endeavours with the well-being of the planet's inhabitants. To this end, we adhere to our sustainable development philosophy. Consistent with our environmental management philosophy, we have set environmental protection indicators to quantify our environmental protection efforts and actively monitor our influence on the environment. Such indicators are benchmarked against our peer companies which has publicly disclosed ESG-related information. The table below presents a quantitative analysis of our environmental performance during the Track Record Period.

		FY2021	FY2022	FY2023	6M2024
Total air emissions *(Note 1)*	Total NO_X emissions (tonnes)	1.0	0.7	1.1	0.5
	Total SO_X emissions (tonnes)	0.0	0.0	0.1	0.0
	Total PM (particulate matter) emissions (tonnes)	0.1	1.4	0.4	0.3
Total greenhouse gas emissions and intensity *(Note 2)*	Total (Scope 1) greenhouse gas emissions (tonnes)	340.7	524.5	746.9	323.5
	(Scope 1) greenhouse gas intensity (tonnes/million revenue)	0.22	0.29	0.31	0.3
	Total (Scope 2) greenhouse gas emissions (tonnes)	2,637.5	17,324.7	23,490.6	10,504.8
	(Scope 2) greenhouse gas intensity (tonnes/million revenue)	1.66	9.42	9.81	9.52
	Total (Scope 3) greenhouse gas emissions (tonnes)	91.4	84.6	154.8	53.0
	(Scope 3) greenhouse gas intensity (tonnes/million revenue)	0.06	0.05	0.06	0.05

		FY2021	FY2022	FY2023	6M2024
Total hazardous waste discharged and intensity *(Note 3)*	Total hazardous waste produced (tonnes)	10.6	26.9	66.9	30.0
	Hazardous waste produced intensity (tonnes/million revenue)	0.01	0.01	0.03	0.03
Energy consumption and intensity *(Note 4)*	Electricity consumption (tonnes of standard coal equivalent)	448.6	1,854.7	3,108.3	1,451.4
	Natural gas (tonnes of standard coal equivalent)	32.3	109.1	175.7	95.6
	Steam (tonnes of standard coal equivalent)	14.5	2,060.0	1,758.4	678.9
	Petrol (tonnes of standard coal equivalent)	50.0	91.3	136.4	45.3
	Diesel (tonnes of standard coal equivalent)	44.0	53.2	69.5	33.1
	Energy consumption intensity (tonnes of standard coal equivalent/million revenue)	0.38	2.27	2.19	2.09
Water consumption and intensity	Total water consumption (tonnes)	240,680.0	401,359.6	468,722.0	245,265.2
	Water consumption intensity (tonnes/million revenue)	156.54	218.18	195.67	222.28

Notes:

1. We obtained such data through installing monitoring systems or engaging third parties to carry out monitoring of such emissions, and calculated the emissions based on the emission factors provided in the EMFAC-HK Vehicle Emission Calculation published by the Environmental Protection Department of Hong Kong.

2. Figures relating to Scope 1 GHG emissions were calculated in accordance with Appendix 2 to How to prepare an ESG Report: Reporting Guidance on Environmental KPIs issued by the Hong Kong Stock Exchange. Figures relating to Scope 2 GHG emissions were calculated based on the average CO2 emission factor of China's regional power grids issued by the NDRC. Figures relating to Scope 3 GHG emissions were calculated in accordance with Appendix 2 to How to prepare an ESG Report: Reporting Guidance on Environmental KPIs issued by the Hong Kong Stock Exchange, the ICAO Carbon Emissions Calculator, combined with our internal records and best estimates. Scope 3 GHG emissions mainly include data on production wastewater treatment and paper consumption generated in operations, as well as data on air travel under business travel. We expect to gradually improve the data basis for other Scope 3 GHG emissions and gradually expand the scope of disclosure of Scope 3 GHG emissions in the future.

3. Such data was retrieved in accordance with the definition of "hazardous waste" as stipulated in the Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and Their Disposal mentioned in Appendix 2 to How to prepare an ESG Report: Reporting Guidance on Environmental KPIs issued by the Hong Kong Stock Exchange. The data sources are retrieved from waste disposal records and ledgers of our Group.

4. Figures relating to energy consumption were calculated in accordance with the General Rules for Calculation of the Comprehensive Energy Consumption (綜合能耗計算通則) issued by the NDRC.

Air Emissions

Indicators and targets. For FY2021, FY2022, FY2023 and 6M2024, our total NO_X emissions were 1.0 tonnes, 0.7 tonnes, 1.1 tonnes and 0.5 tonnes respectively, and our total PM (particulate matter) emissions were 0.1 tonnes, 1.4 tonnes, 0.4 tonnes and 0.3 tonnes respectively. NO_X emissions mainly stem from boiler combustion. Ningbo Conch, Tongling Conch, and Guigang Conch have begun production since 2022, which increased NO_X emissions. Based on projections for future capacity expansion and product mix adjustments, we aim to bring emissions per tonne of product produced down by 2% compared to FY2023 level by 2024.

Measures to achieve targets. All companies will set the indicators for annual air emissions, including nitrogen oxides, PM (particulate matter), SO_x and other gases, the emission results will be linked to our performance assessment. To minimise exhaust gas emissions during production, we are continually improving our product manufacturing procedures, as at the Latest Practicable Dates, we had adopted two modes of exhaust gas treatment: exhaust gas absorption devices (water scrubbers and activated carbon adsorption) and regenerative thermal oxidisers, with Ningbo Conch having adopted both of these modes. Furthermore, we are enlisting the help of third-party organisations to oversee the environment in the manufacturing locations of each company.

Greenhouse Gas Emissions

Indicators and targets. In FY2021, FY2022, FY2023 and 6M2024, our total (Scope 1) greenhouse gas emissions were 340.7 tonnes, 524.5 tonnes, 746.9 tonnes and 323.5 tonnes respectively, and total (Scope 2) greenhouse gas emissions were 2,637.5 tonnes, 17,324.7 tonnes, 23,490.6 tonnes and 10,504.8 tonnes respectively. (Scope 1) greenhouse gas emissions were principally from natural gas used in production, (Scope 2) greenhouse gas emissions came mostly from the electricity and purchased steam. We currently use steam in our polyether monomer production process to control the reaction temperature. The steam enters our in-house dedicated steam line through an external pipeline to control the reaction heat through heat exchange, and the amount used is counted by a dedicated steam flow meter. From 2022 onwards, the initiation of production at Ningbo Conch, Tongling Conch and Guigang Conch caused a surge in GHG emissions, mainly from electricity, purchased steam and natural gas needed for production. Correspondingly, due to the fact that the use of purchased steam has increased, the greenhouse gas emissions density has increased significantly in 2022. With our plans for future capacity expansion and production scheduling, we anticipate that our electricity usage for per tonne of product in 2024 will remain at 95% of our FY2023 level, and our natural gas usage for per tonne of product will be reduced to 95% of our FY2023 level.

Measures to achieve targets. Capitalising on Ningbo Conch's energy management system, we will take advantage of information management tools to improve power consumption management and thus make the most out of every kilowatt-hour of electricity. We will replace the medium-pressure steam, which is mainly used in the polyether production process, with low-pressure steam, and also use a lithium bromide refrigeration unit system that recycles the intermittent reaction heat of the system (which won 2023 Top 10 Typical Energy Conservation Cases in Ningbo organised by Ningbo Energy Conservation Association* (寧波市節能協會)) to improve the efficiency of steam use. We will

simultaneously increase the operational effectiveness of equipment by using standardised point inspections, regular maintenance of equipment, and other management tools, to decrease the useless power consumption, avoid idling of equipment, and thus save energy. Moreover, we will employ the surplus heat from the recirculating water to heat up the manufacturing processes through process optimisation, thereby decreasing the need for natural gas.

Hazardous Waste Discharge

Indicators and targets. In FY2021, FY2022, FY2023 and 6M2024, our total hazardous waste discharged was 10.6 tonnes, 26.9 tonnes, 66.9 tonnes and 30.0 tonnes respectively, mainly consisting of waste liquids, waste activated carbon, contaminants and used motor oil generated from production and experiments. The initiation of manufacturing activities at Ningbo Conch and Tongling Conch from 2022 has augmented our hazardous waste emissions. In line with national standards and our Company's management policies on hazardous waste discharge, our goal is to reduce the hazardous waste discharge per tonne of products in 2024 to 95% of our FY2023 discharge.

Steps taken to achieve the targets. To guarantee clean production and sustainable development, we will remain firm in regulating our management, integrated utilisation, and harmless disposal of solid waste, restraining disorderly discharge, and disposing in strict compliance with relevant permits. We will also reinforce online monitoring and daily operation of domestic wastewater treatment systems to meet discharge standards and reduce waste discharge.

Energy Consumption

Indicators and targets. In FY2021, FY2022, FY2023 and 6M2024, our electricity consumption was 448.6 tonnes of standard coal equivalent, 1,854.7 tonnes of standard coal equivalent, 3,108.3 tonnes of standard coal equivalent and 1,451.4 tonnes of standard coal equivalent, respectively. We primarily use electricity to run our production facilities, and with the launch of several of our plants in 2022, we have seen a rise in our electricity consumption. In FY2021, FY2022, FY2023 and 6M2024, our natural gas consumption was 32.3 tonnes of standard coal equivalent, 109.1 tonnes of standard coal equivalent, 175.7 tonnes of standard coal equivalent and 95.6 tonnes of standard coal equivalent, respectively. Our Meishan Production Plant, Xiangyang Production Plant and Ningbo Production Plant account for the majority of natural gas consumption. Based on our projections on future capacity expansion, our goal for the upcoming 2024 is to reduce electricity and natural gas consumption per tonne of products down by 5% compared to FY2023 level.

Measures to achieve targets. Capitalising on Ningbo Conch's energy management system, we will take advantage of information management tools to improve power consumption management and thus make the most out of every kilowatt-hour of electricity. We will simultaneously increase the operational effectiveness of equipment by using standardised point inspections, regular maintenance of equipment, and other management tools, to decrease the useless power consumption, avoid idling of equipment, and thus save energy. Moreover, we will employ the surplus heat from the recirculating water to heat up the manufacturing processes through process optimisation, thereby decreasing the need for natural gas. To decrease natural gas consumption, we will reinforce the management of the RTO system of Ningbo

Conch, adjust the operating temperature of the RTO sensibly, and modify the flame-out and ignition temperature. In the meantime, we will improve production processes to maximise production efficiency and minimise energy usage per unit of production.

Water Consumption

Indicators and targets. In FY2021, FY2022, FY2023 and 6M2024, our water consumption was 240,680.0 tonnes, 401,359.6 tonnes, 468,722.0 tonnes and 245,265.2 tonnes, respectively. Most of our water consumption was from tap water and a bit of groundwater. From 2022, with the launch of several of our plants, we have seen a arise in our water consumption. With our projected capacity expansion and water conservation measures in place, we anticipate keeping our production water consumption per tonne of product in 2024 at 98% of our FY2023 level.

Steps taken to achieve the targets. We will persist in taking numerous steps to stimulate the reuse of water resources in the manufacturing process. For example, we make full use of rainwater, concentrated water and other wastewater for the production of cement admixture to reduce our Company's net water consumption. While maintaining the operation efficiency of polyether slicers, we will fully leverage our jumbo bag packers for polyether to enhance the production capacity of polyether tablets and reduce the amount of aqueous solution production, thereby lowering our Company's water consumption. In the meantime, we will work with the technology centre to explore the possibility of using tap water instead of pure water to produce mother liquor to cut down our Company's production water consumption.

EMPLOYEES

As at 30 June 2024, all our employees were based in the PRC. The following table sets out a breakdown of our full-time employees by function as at 30 June 2024:

Function	Number of employees
Management	26
Production	291
Technical	137
Sales	214
Procurement	33
Administration and finance	106
Support staff[(note)]	74
Total	**881**

Note: Support staff includes guards, drivers, handyman etc.

Employee Management

We strictly comply with the Labour Law of the PRC (《中華人民共和國勞動法》), the Employment Promotion Law of the PRC (《中華人民共和國就業促進法》) and other laws and regulations, and have formulated a series of systems such as the staff recruitment management measures and the labour and personnel management measures to recruit from internal and external sources on an open and equal basis. We have adopted a qualification assessment procedure for applicants, including but not limited to age, academic qualifications, profession, work experience, rewards and punishments. We prohibit child labour and forced labour, sign labour contracts with our employees, arrange working hours in strict accordance with the standard working hour system, and pay social insurance for our employees on a monthly basis and on time, such as medical insurance, work injury insurance and maternity insurance.

Meantime, to cultivate a learning-encouraging corporate culture, we also actively provide employees with learning and training opportunities, construct a comprehensive training system, and conduct graded trainings and professional trainings. For FY2021, FY2022, FY2023 and 6M2024, our trainings cover more than 90% of our employees, with average training hours per person reaching 29.7 hours/person, 25.9 hours/person, 24.2 hours/person and 13.7 hours/person respectively. We also emphasise gender equality and diversity in the workplace, endeavour to create an equal and diverse employment environment in line with the principle of anti-discrimination, and encourage female employees to make impacts in their positions.

We prioritised and will continue to prioritise our employees' physical and mental wellness. In particular, we actively organise employee mental health discussions, lectures on the protection of the rights and interests of female employees, blood donations for public welfare, and regular visits to employees in need. Since 2022, we have organised multiple charitable events for each department, which generated a total donation of approximately RMB200,000 for our employees in need.

Training

We place emphasis on the establishment of a talent pipeline as well as a wide range of career development opportunities for our employees. We have established a comprehensive system for employee training and development in order to equip our employees with the necessary skills, knowledge and experience to keep abreast of the latest industry developments and to carry out their respective duties.

Labour union

Most of our PRC subsidiaries each established a labour union in accordance with relevant regulations in the PRC. Our unions actively provide benefits to employees, strive to protect our employees' legal rights and provide relief to employees in need; they also organise activities for our employees. During the Track Record Period and up to the Latest Practicable Date, we did not have any material labour dispute with or suffer any strike by our employees.

Social security and housing fund contributions

We made social security and housing fund contributions to a contribution scheme managed by the local government authority in the PRC for our employees. In FY2021 and FY2022, housing fund contributions for some of our employees had not been made in full in accordance with the relevant PRC laws and regulations, the outstanding sum of which is relatively insignificant. For each year/period comprising the Track Record Period, the shortfall amount of the housing fund contributions was RMB0.4 million, RMB0.5 million, nil and nil respectively. Save for the aforementioned incident, we have fully paid the social security and housing fund contribution for all our employees during the Track Record Period and up to the Latest Practicable Date. As at the Latest Practicable Date, we have not had any disputes with our employees over housing provident fund payments and no administrative action or penalty had been imposed by the relevant regulatory authorities with respect to our housing fund contributions, nor had we received any order to settle the deficit amount.

According to Article 38 of the Regulations on Management of Housing Provident Fund* (《住房公積金管理條例》), if a company fails to pay or does not contribute to the housing provident fund within the prescribed time period, the relevant government authority may order it to make up the outstanding contributions within the prescribed time limit, and failing which, the relevant authority may apply for compulsory enforcement by the People's Court. We estimate that our maximum repayment exposure for the non-compliance is approximately RMB0.9 million as at the Latest Practicable Date.

Our PRC Legal Advisers has advised that, based on the confirmation from the relevant competent authority and the facts stated above, the risk of us being subject to material penalties due to our failure to provide full housing fund contributions for all our employees is relatively low. Based on the foregoing and our PRC Legal Advisers' view, our Directors are of the view that the risk of substantial penalties imposed on us by relevant competent authorities is relatively low. Having considered (i) the view given by the PRC Legal Advisers which confirmed that the risk of us being subject to material penalties is relatively low; (ii) since second half of 2022, the housing provident funds for our employees had been paid in full and promptly in accordance with relevant laws and regulations (and thus the insufficient contribution to housing fund has been rectified since the second half of 2022); (iii) we had improved our internal controls to ensure that we will promptly and fully pay all amounts relating to social security and housing provident fund; and (iv) the shortfall amount, which is relatively insignificant, and therefore will not have any material adverse effect on our business and results and operations, our Directors are of the view that no further remedial actions are necessary. Considering the extent of the penalty and the likelihood of penalty, we had not made any provisions in relation to such incident. See "Risk Factors — Risks Relating to Our Business — Under PRC laws and regulations, we may be subject to repayment of housing provident funds shortfalls."

PROPERTIES

Owned properties

The following table sets out a summary of our owned properties as at the Latest Practicable Date:

No.	Usage	Address of the property(ies)	Gross floor area of the land	Gross floor area of the building(s)/ unit(s)
			(m^2)	*(m^2)*
1	Ningbo Production Plant	No. 2588 North Minghai Road, Ningbo Petrochemical Economic & Technological Development Zone* (寧波石化經濟技術開發區明海北路2588號)	108,097.00	38,365.26
2	Linyi Production Plant *(Note 1)*	Ligongzhuang Village, Fenghuangling Street in Hedong District, East Side of East Waihuan Road in Hedong District* (河東區東外環路東側，河東區鳳凰嶺街道李公莊村)	48,410.00	15,792.02
3	Guigang Production Plant	New Materials Science and Technology Park, Qintang District, Guigang City* (貴港市覃塘區新材料科技園)	32,119.17	10,628.01

No.	Usage	Address of the property(ies)	Gross floor area of the land	Gross floor area of the building(s)/ unit(s)
			(m^2)	*(m^2)*
4	Meishan Production Plant	Four sets including Room 1, Floor 1-3, Unit 1, Building 2, No. 519 Xinshi Street, Longzheng Town, five sets including Room 1, Floor 1, Unit 1, Building 4, No. 486 Xinshi Street, Longzheng Town and five sets including Room 1, Floor 1,Unit 1,Building 7, No.486 Xinshi Street, Longzheng Town, Room 1, Floor 1-3, Unit 1, Building 12, No.486 Xinshi Street, Longzheng Town, Room 1, Floor 1-5, Building 1, No. 519 Xinshi Street, Longzheng Town, two sets including Room 1, Floor 1, Building 14, No. 486 Xinshi Street, Longzheng Town* (龍正鎮新市街519號2幢1單元1-3層1號等4處，龍正鎮新市街486號4幢1單元1層1號等5處及龍正鎮新市街486號7幢1單元1層1號等5處，龍正鎮新市街486號12幢1單元1-3層1號, 龍正鎮新市街519號1幢1–5層1號，龍正鎮新市街486號14幢1層1號等2處)	40,308.46	14,151.46
5	Tongling Production Plant	Within Donglian Town* (東聯鎮境內)	25,556.90	11,740.34
6	Xiangyang Production Plant	Leiyan Avenue, Yicheng City* (宜城市雷雁大道)	36,537.40	11,135.44
7	Xianyang Production Plant	Renewable Resources Industrial Park, Xizhangbao Town, Liquan County* (禮泉縣西張堡鎮再生資源產業園)	15,397.15	6,879.93
8	Kunming Production Plant *(Note 2)*	Industrial Base, Second Street, Yunnan Jinning Industrial Park* (雲南晉寧工業園區二街工業基地)	20,941.06	6,854.84
9	Huludao Production Plant *(Note 3)*	Beigang Industrial Park, Huludao Economic Development Zone* (葫蘆島經濟開發區北港工業園區)	20,000.00	2,546.92

Notes:

1. Certain parts of our Linyi Production Plants were comprised of temporary structures, which was non-compliant with relevant laws and regulations in the PRC. For details of such non-compliance, see "Legal Non-Compliance and Proceedings — Non-compliance — 3. Commencement of production and/or construction of plant without construction permits" in this section.

2. We did not obtain, on a timely basis, (i) the construction work planning permit* (建設工程規劃許可證), construction land planning permit* (建設用地規劃許可證) and construction work commencement permit* (建築工程施工許可證) to the construction of the Kunming Production Plant and (ii) the completion acceptance and fire safety acceptance* (竣工驗收及消防驗收) prior the commencement of our production at the Kunming Production Plant. For details of such non-compliance, see "Legal non-compliance and proceedings — Non-compliance — 3. Commencement of production and/or construction of plant without construction permits" and "Legal non-compliance and proceedings — Non-compliance — 4. Production lines and properties without fire safety acceptance filing or fire safety acceptance" in this section. We have obtained the building ownership certificate for the Kunming Production Plant in September 2024.

3. We did not obtain, on a timely basis, construction work commencement permit* (建築工程施工許可證) prior to the construction of our Huludao Production Plant. For details of such non-compliance, see "Legal non-compliance and proceedings — Non-compliance — 3. Commencement of production and/or construction of plant without construction permits" in this section.

As at the Latest Practicable Date, we owned land with an aggregate site area of approximately 347,367.14 square metres and buildings or units with an aggregate gross floor area of approximately 118,094.22 square metres in the PRC.

According to section 6(2) of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice, this document is exempted from compliance with the requirements of section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, which require a valuation report with respect to all our Group's interests in land or buildings, for the reason that, as at 30 June 2024, we had no single property with a carrying amount of 15% or more of our total assets.

Land

As at the Latest Practicable Date, we had obtained the land use right certificates for all parcels of land owned by us. Our PRC Legal Advisers have confirmed that the use of our land does not contravene the use specified in the real estate ownership certificates.

Buildings

As at the Latest Practicable Date, we obtained the building ownership certificates for buildings/units having an aggregate gross floor area of approximately 118,094.22 square metres in the PRC.

Our PRC Legal Advisers advised us that we have obtained all material certificates, permits and government approvals required under the applicable PRC laws to lawfully possess and occupy all of our owned properties.

Leased properties

The following table sets out a summary of our leased properties as at the Latest Practicable Date:

No.	Address of the property	Gross floor area	Notes	Term/option	Usage
		(approximately m^2)			
1	Building 28, Yunqi Shuiyuan, Northwest Side of the Intersection of Guangyuan Road and Shiqifang Road, Zhenhai District, Ningbo City (44 sets in total)* (寧波市鎮海區廣源路與十七房路交叉路口西北側雲棲水苑小區28幢共44套)	4,549.6		1 June 2021 to 31 May 2026	Dormitory
2	Room 304, Unit 2, Building 16, Yunqi Shuiyuan* (雲棲水苑16號樓2單元304 室)	66.27		12 July 2024 to 11 July 2025	Dormitory
3	Room 1901, Tower 3, Zhonghai Jinyuan, No. 3 Dade Road, Guicheng Street, Nanhai District, Foshan City* (佛山市南海區桂城街道大德路3號中海錦苑3座1901房)	143.00		18 April 2024 to 18 April 2025	Dormitory
4	Branch One of Qinghai Huzhu Jinyuan Cement Co., Ltd. (Sanqi Village, Tangchuan Town, Huzhu County)* 青海互助金圓水泥有限公司一分廠廠房(互助縣塘川鎮三其村)	3,600.0	*(Note 1, 2)*	1 January 2024 to 31 December 2025	Qinghai Production Plant
5	D Zone Fifth Floor 559, 560, 561, 562, 563, 565, 566, 567, 568, 569, 570, and Sixth Floor 603, 608, 609, 610, 611, and B Zone Ground Floor F01, F02, F03, F05, F06, F07, F08, F09, F10, F12, F14, F15, F16, F19, F21, F28, Wuhu Conch International Conference Center Office Area, No. 1005 Jiu Hua South Road, Wuhu City* (蕪湖市九華南路1005號蕪湖海螺國際會議中心辦公區域D區5層559、560、561、562、563、565、566、567、568、569、570，D區六層603、608、609、610、611, B區首層F01、F02、F03、F05、F06、F07、F08、F09、F10、F12、F14、F15、F16、F19、F21、F28)	2,161.25	*(Note 1)*	1 July 2024 to 31 December 2024	Office

No.	Address of the property	Gross floor area (approximately m^2)	Notes	Term/option	Usage
6	B Zone Ground Floor, F17, F20, F21, F22, F23-1, F23-2, F24, F25, F26, F27, F29, F30, F31, F32 and Tea Room, Wuhu Conch International Conference Center Office Area No. 1005 Jiu Hua South Road, Wuhu City* (蕪湖市九華南路1005號蕪湖海螺國際會議中心辦公區域B區首層、F17、F20、F21、F22、F23-1、F23-2、F24、F25、F26、F27、F29、F30、F31、F32、茶水間)	954.56	*(Note 1)*	1 January 2024 to 31 December 2024	Office
7	Building 1, Longli High-Tech Industrial Park* (龍里高新技術產業園區第1棟)	2,256.00	*(Note 3)*	1 November 2022 to 31 December 2025	Guizhou Production Plant
8	Room 7-2, Building 3, No. 1, Ningshan Road, Biquan Street, Bishan District, Chongqing* (重慶市璧山區璧泉街道凝山路1號3棟7-2). .	117.73		10 June 2024 to 9 June 2025	Dormitory
9	No. 2, Floor 20, Unit 2, Building 9, District 2, Wanda Plaza, Mianyang Economic Development Zone, No. 6 Qunwen West Street, Economic Development Zone, Mianyang City* (綿陽市經開區群文西街6號綿陽經開萬達廣場2區9棟2單元20層2號). . .	88.08		14 June 2024 to 13 June 2025	Dormitory
10	No. 5, Floor 32, Unit 1, Building 14, No. 888, West Section of Han'an Avenue, Dongxing District, Neijiang City* (內江市東興區漢安大道西段888號14幢1單元32樓5號)	82.97		26 May 2024 to 25 May 2025	Dormitory
11	Room 4, 9th Floor, Building 27, Phase 1, Country Garden Haoyuan, on the west side of Louxing South Road, Loudi City, Hunan Province* (湖南省婁底市婁星南路西側碧桂園豪園一期27棟9層4室)	143.87		14 May 2024 to 13 May 2025	Dormitory

No.	Address of the property	Gross floor area	Notes	Term/option	Usage
		(approximately m^2)			
12	No. 04, Floor 4, Building 6, Vanke Jincheng Phase II, No. 1008 Xiongchu Avenue, East Lake New Technology Development Zone* (東湖新技術開發區雄楚大道1008號萬科錦程二期6棟4層04號)	89.00		15 May 2024 to 14 May 2025	Dormitory
13	Room 2203, Building 2, Southeast Bank, No. 180 Chengdong Avenue, Wujiagang District, Yichang City* (宜昌市伍家崗區城東大道180號東南岸2棟2203室)	128.97		2 August 2024 to 1 August 2025	Dormitory
14	No. 2902, 29th Floor, Building 6, Phase I, Changtian Xinyuan, Dachuan District, Dazhou City, Sichuan Province* (四川省達州市達川區長田新苑一期6幢29層2902號)	90.40 *(Note 4)*		5 July 2024 to 4 July 2025	Dormitory

Notes:

1. As at the Latest Practicable Date, the lease of such property was not registered with the relevant authorities in the PRC.

2. The landlord has not completed the fire safety acceptance/filing for the property at which the Qinghai Production Plant is located. Pursuant to a confirmation of the landlord given on 14 March 2024, the landlord has confirmed to complete rectification measures so as to complete the fire safety acceptance/filing of the property by June 2025. In the unlikely event that the rectification measures cannot be completed before the stipulated date, we will terminate such lease and relocate the Qinghai Production Plant per our contingency plan set out in "Legal non-compliances and proceedings — Non-compliance — 4. Production lines and properties without fire safety acceptance filing or fire safety acceptance".

3. To the best knowledge of our Directors, as at the Latest Practicable Date, the landlord is in the process of obtaining the building ownership certificate. Guigang Conch Guizhou Branch uses such property for production purposes. As at the Latest Practicable Date, the lease of such property was not registered with the relevant authorities in the PRC. The landlord has not completed the fire safety acceptance/filing for the property at which the Guizhou Production Plant is located. Pursuant to a confirmation of the landlord given on 23 February 2024, the landlord has confirmed to complete rectification measures so as to complete the fire safety acceptance/filing of the property by March 2026. The termination date of the lease for the Guizhou Production Plant is 31 December 2025. We intend to renew such lease upon expiry and we intend to include a clause in the renewed lease agreement that the landlord will undertake to complete rectification measures as indicated in the confirmation provided on 23 February 2024. In the unlikely event that the rectification measures cannot be completed before the stipulated date, we will terminate such lease and relocate the Guizhou Production Plant per our contingency plan set out in "Legal non-compliances and proceedings — Non-compliance — 4. Production lines and properties without fire safety acceptance filing or fire safety acceptance".

4. As at the Latest Practicable Date, the landlord has not obtained the building ownership certificate for this property. Our PRC Legal Advisers has advised us that the lack of building ownership certificate for this property is not a title defect as the landlord has obtained other documents with relevant government authorities to confirm its ownership of this property.

Leased properties with defective title

According to relevant applicable PRC laws and regulations, one of our leases, namely, the lease for the Guizhou Production Plant may be recognised invalid and/or terminated as the lessors do not possess the relevant title certificates. For details, see "Defective Properties" in this section.

The non-registration of lease

Pursuant to relevant laws and regulations in the PRC, property lease contracts must be registered with the local counterparts of the Ministry of Housing and Urban-Rural Development of the PRC. As at the Latest Practicable Date, we had not obtained lease registration for the four properties as set out above, including the Qinghai Production Plant and Guizhou Production Plant, primarily due to one of the following reasons: (i) the lease cannot be registered as the landlord does not have the requisite building ownership certificate, (ii) the relevant local authority has suspended the registration of leases, or (iii) fact that the landlord did not make such filing. Our PRC Legal Advisers has advised us that the lack of registration of the lease contracts will not affect the validity of the lease agreements under relevant laws and regulations in the PRC. However, we may be required by the relevant competent authority to rectify such non-compliances, and if we fail to rectify within the prescribed time limit, a maximum penalty of RMB10,000 may be imposed for non-registration of each lease. As such, the maximum penalty our Group may be subject to for non-registration of these lease contracts is RMB40,000 as at the Latest Practicable Date. Operating on the assumption that we take prompt action to rectify such non-compliances within the prescribed time limit granted to us by relevant competent authority, our PRC Legal Advisers are of the view that the risk of us being penalised for such non-registration of leases is low. See "— Properties" and "Risk Factors — Risks Relating to Our Business — We may face penalties for the non-registration of our lease agreements in China."

As at the Latest Practicable Date, save as disclosed above, as advised by our PRC Legal Advisers, we have obtained all the requisite registrations, certificates and permits for our leased properties.

DEFECTIVE PROPERTIES

1. Leased properties with defective title

To the best knowledge of our Directors, as at the Latest Practicable Date, the landlord of the Guizhou Production Plant (the "**Guizhou Landlord**") is in the process of obtaining the building ownership certificate for the Guizhou Production Plant and is expected to obtain such building ownership certificate by December 2025 and complete its fire safety filing/acceptance in March 2026. For details the risk of eviction, contingency plan (if any), rectification measures, business and financial impact and enhanced internal control measures relating to the Guizhou Production Plant, see "Legal Non-Compliance and Proceedings — Non-compliance — 4. Production lines and properties without fire safety acceptance filing or fire safety acceptance".

We believe that there is no material difference in rental cost in relation to the Guizhou Production Plant arising from the absence of valid title certificates compared with similar buildings in vicinity.

2. Safety conditions of our properties with title defects

Considering the view given by the third party fire safety inspection institution relating to the Guizhou Production Plant, details of which are set out in "Legal Non-Compliance and Proceedings — Non-compliance — 3. Commencement of production and/or construction of plant without construction permits" in this section and "Legal non-compliance and proceedings — Non-compliance — 4. Production lines and properties without fire safety acceptance filing or fire safety acceptance", our Directors confirm that they were not aware of any potential major risks, save for those identified in the Examination (as defined below) which is being rectified by the Guizhou Landlord, in relation to the safety conditions of properties with title defects.

3. The impact of our occupation and use of Defective Properties

Our Directors believe that the Guizhou Production Plant which are without valid title certificates ("**Defective Properties**") are not, individually or collectively, crucial to, and will not have a material impact on our business, financial condition and results of operations primarily because:

(i) as at the Latest Practicable Date, our leased buildings without valid title certificates only accounted for approximately 15.59% of the total GFA of the leased buildings of our Group;

(ii) as at the Latest Practicable Date, our leased buildings without valid title certificates only accounted for approximately 1.70% of the total GFA of all owned and leased buildings of our Group;

(iii) as at the Latest Practicable Date, only one of our production facilities had title defects, namely, the Guizhou Production Plant;

(iv) the revenue attributed to these Defective Properties are individually and collectively insignificant to our overall financial performance, considering that save as the Guizhou Production Plant, the other Defective Properties did not have any direct revenue contribution to our Group. As to the Guizhou Production Plant, pursuant to confirmation the Guizhou Landlord given on 23 February 2024, the Guizhou Landlord confirmed to (i) complete rectification measures (which involves resolving the deficiencies identified at the Examination) so as to complete the fire safety acceptance filing, and (ii) obtain the building title certificates for the Guizhou Production Plant. Further, as at the Latest Practicable Date, no government authority or third party has made any claims or imposed any penalty against us with respect to the Defective Properties;

(v) the absence of valid title certificates does not have any material adverse impact on the safety conditions of the Defective Properties, as such properties had either obtained relevant fire safety acceptance filings or has been confirmed by various local fire safety consultants, among other things, to have passed the fire safety assessments as mentioned in "Properties — Buildings", "Legal Non-Compliance and Proceedings — Non-compliance — 3. Commencement of production and/or construction of plant without construction permits" and "Legal Non-Compliance and Proceedings — Non-compliance — 4. Production lines and properties without fire safety acceptance filing or fire safety acceptance" in this section;

(vi) we believe, and our PRC Legal Advisers have advised, that the risk of relocation or demolition for this property is remote.

(vii) we consider that it should not be difficult to relocate operations at Defective Properties to our owned properties with valid title certificates in the event that we can no longer use any of the properties due to the absence of title certificates.

Internal control measures relating to Defective Properties

To ensure that (i) we do not unlawfully occupy land, (ii) all our buildings have requisite building ownership certificates, (iii) lease buildings with title defects or (iv) operate in properties where the lease is not registered with relevant authorities, we have implemented the enhanced internal control measures, including, among others:

In relation to owned properties:

(i) we have formulated internal policies and procedures to ensure that we will timely obtain all relevant certificates and permits and complete all relevant filings for our land, buildings and construction works;

(ii) we have designated our legal department to maintain and regularly update a checklist of certificates, permits and filings required and a timetable for completing such formalities;

(iii) we will require all relevant employees to attend enhanced internal training on the relevant subjects including the legal requirements on timely obtaining all relevant certificates and permits and completing all relevant filings for our construction works on a periodic basis;

(iv) for any acquisitions of properties, we have formulated internal policies which require our staff (or procure external legal advisers) to review the title documents relating to potential targets so as to ensure the completeness of title for acquired properties;

In relation to leased properties:

(i) we will require all relevant employees to attend enhanced internal training on the relevant subjects including the legal requirements on the lease of any new properties;

(ii) we have formulated internal policies and procedures to govern the process for locating and selecting appropriate properties to lease for our operations (including those relating to production, dormitory, administrative work), which includes examining the relevant title certificates, ensuring that the lease agreement includes undertaking as to the proper possession of the property and the lease registration with relevant authorities;

In relation to all properties:

(i) we have formed a compliance committee which is responsible for formulating internal guideline and monitoring procedures for regulatory compliance in our operations and oversee our compliance with the applicable legal requirements (including those relating to construction work). The members of the committee will be responsible for ensuring that these procedures are properly implemented and carried out. The compliance committee is comprised of (i) our head of production function, (ii) our head of development (a sub-department of management function), (iii) our head of technical function, and (iv) our head of administrative function, and is required to report to Mr. Chen Feng, our executive Director, from time to time. See "Directors, Supervisors and Senior Management" for the qualifications and experience of Mr. Chen Feng;

(ii) we will regularly seek assistance from external legal advisers as and when necessary to ensure our compliance with the applicable legal requirements; and

(iii) our audit committee of the Board will be responsible for overseeing the implementation of relevant internal control measures.

In preparation for the **[REDACTED]**, we have engaged an independent third party consultant ("**Internal Control Consultant**") to perform a review over selected areas of our internal controls in August 2023. Based on their observations in follow-up reviews in March 2024, the Internal Control Consultant is of the view that measures adopted by our Group are adequate on a general internal control design level to prevent the recurrence of similar incidents relating to our occupation or use of properties with defective titles or commencement of construction or production without relevant permits going forward.

INTELLECTUAL PROPERTY

Our production know-how in the production process is important to our success. We have registered a number of patents and copyrights in the PRC. For details of intellectual properties which are material to our operations, see "Statutory and General Information — B. Further Information About the Business of Our Group — 2. Material intellectual property rights" in Appendix IV to this document.

To the best of our Directors' knowledge, during the Track Record Period and up to the Latest Practicable Date, we were not aware of any material infringement or were not alleged to infringe any intellectual property rights owned by third parties, which would have a material adverse effect on our business.

LICENCES AND PERMITS

As advised by our PRC Legal Advisers, save as disclosed in "Legal non-compliance and proceedings — Non-compliance" below, during the Track Record Period and up to the Latest Practicable Date, we have obtained all material requisite licences, permits and approvals that are material to our business and for our operations and all of them were in force as at the Latest Practicable Date. We set out below the material licences and permits for our operations:

No.	Holder	Name of licences and permits	Issuing authority	Validity period/ Expiry date
1	Linyi Conch	Hazardous chemical substance safe usage permit* (危險化學品安全使用許可證)	Linyi Municipal Emergency Administration* (臨沂市應急管理局)	30 October 2024 to 29 October 2027
2	Linyi Conch	Pollutant discharge permit* (排污許可證)	Linyi Municipal Ecology and Environment Bureau* (臨沂市生態環境局)	From 16 March 2023 to 15 March 2028
3	Linyi Conch	High technology and new technology enterprise certificate* (高新技術企業證書)	Shandong Provincial Department of Science and Technology*, Shandong Provincial Department of Finance*, and State Taxation Administration Shandong Provincial Taxation Bureau* (山東省科學技術廳、山東省財政廳、國家税務總局山東省税務局)	From 29 November 2023 to 28 November 2026
4	Linyi Conch	Hazardous chemicals major source of danger registration* (危險化學品重大危險源備案登記表)	Linyi Hedong District Emergency Administration* (臨沂市河東區應急管理局)	From 1 April 2022 to 31 March 2025
5	Xiangyang Conch . .	Hazardous chemicals major source of danger registration* (危險化學品重大危險源備案登記表)	Yicheng Municipal Emergency Administration* (宜城市應急管理局)	From 10 January 2023 to 9 January 2026
6	Xiangyang Conch . .	Hazardous chemicals safe usage permit* (危險化學品安全使用許可證)	Xiangyang Municipal Administrative Approval Department* (襄陽市行政審批局)	From 14 April 2023 to 25 October 2025
7	Xiangyang Conch . .	Pollutant discharge permit* (排污許可證)	Xiangyang Municipal Ecology and Environment Bureau* (襄陽市生態環境局)	From 25 October 2022 to 24 October 2027

No.	Holder	Name of licences and permits	Issuing authority	Validity period/ Expiry date
8	Meishan Conch . . .	Pollutant discharge permit* (排污許可證)	Meishan Ecology and Environment Bureau* (眉山市生態環境局)	From 14 September 2023 to 13 September 2028
9	Ningbo Conch	Hazardous chemical substance safe usage permit* (危險化學品安全使用許可證)	Ningbo Municipal Emergency Administration* (寧波市應急管理局)	From 14 April 2023 to 12 April 2026
10	Ningbo Conch	Pollutant discharge permit* (排污許可證)	Ningbo Municipal Ecology and Environment Bureau Zhenhai Branch* (寧波市生態環境局鎮海分局)	11 September 2024 to 10 September 2029
11	Ningbo Conch	Hazardous chemicals major source of danger registration* (危險化學品重大危險源備案登記表)	Ningbo Zhenhai District Emergency Administration* (寧波市鎮海區應急管理局)	Up to 6 March 2026
12	Ningbo Conch . . .	Registration certificate of customs declaration unit* (報關單位備案證明)	Zhenhai Customs* (鎮海海關)	Up to 31 December 2099
13	Tongling Conch . . .	Pollutant discharge permit* (排污許可證)	Tongling Municipal Ecology and Environment Bureau* (銅陵市生態環境局)	From 17 June 2021 to 16 June 2026
14	Guigang Conch . . .	Pollutant discharge permit* (排污許可證)	Guigang Ecology and Environment Bureau* (貴港市生態環境局)	From 9 October 2021 to 8 October 2026
15	Kunming Conch . .	Pollutant discharge permit* (排污許可證)	Kunming Municipal Ecological Environment Bureau* (昆明市生態環境局)	12 December 2023 to 11 December 2028 *(Note 1)*
16	Xianyang Conch. . .	Pollutant discharge permit* (排污許可證)	Xianyang Ecology and Environment Bureau* (咸陽市生態環境局)	From 22 November 2022 to 21 November 2027
17	Qinghai Conch. . . .	Stationary source discharge registration receipt* (固定污染源排污登記回執)	Emission registrar* (排污登記庫)	From 26 September 2022 to 25 September 2027

No.	Holder	Name of licences and permits	Issuing authority	Validity period/ Expiry date
18	Branch company of Guigang Conch .	Stationary source discharge registration receipt* (固定污染源排污登記回執)	Emission registrar* (排污登記庫)	From 21 November 2022 to 20 November 2027
19	Huludao Haizhong .	Pollutant discharge permit* (排污許可證)	Huludao Ecology and Environment Bureau* (葫蘆島市生態環境局)	From 11 April 2024 to 10 April 2029

Notes:

1. During the Track Record Period, our Kunming Production Plant has commenced production in May 2023, prior to obtaining the pollutant discharge permit* (排污許可證). See "Legal non-compliance and proceedings — Non-compliance — 2. Production without the pollutant discharge permit" in this section for details.

We renew all such material licences and permits from time to time to comply in all material aspects with the relevant laws and regulations during the Track Record Period and up to the Latest Practicable Date. Our Directors are of the view, there is no material legal impediment to renewing such licences or permits.

LEGAL NON-COMPLIANCE AND PROCEEDINGS

Legal proceedings

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

Non-compliance

During the Track Record Period and up to the Latest Practicable Date, we did not have any non-compliance incidents which our Directors believe would, individually or in the aggregate, have a material operational or financial impact on our Group as a whole.

The following table summarises certain incidents of our historical non-compliance incidents during the Track Record Period:

1. Exceeding the approved level of production

During the Track Record Period, we have exceeded the approved annual production capacity for our Linyi Production Plant, Xiangyang Production Plant, Guigang Production Plant and Guizhou Production Plant.

1A Particulars of the non-compliance incident

As to our Linyi Production Plant, we exceeded the annual permitted capacity for the production of cement admixture (including processed alcohol amines) by 26.1% for FY2021. As to our Xiangyang Production Plant, we exceeded the annual permitted capacity for the production of cement admixture by 323.0%, 46.0% and 30.0% for FY2021, FY2022 and FY2023, respectively and we exceeded the annual permitted capacity for the production of processed alcohol amines by 73.0%, 28.0% and 5.0% for FY2021, FY2022 and FY2023, respectively. As to our Guigang Production Plant, we exceeded the annual permitted capacity for the production of cement admixture by 3.8% in FY2022 and 16.0% in FY2023. As to our Guizhou Production Plant, we exceeded the annual permitted capacity for the production of cement admixture 110.0% in FY2021 and 40.0% in FY2022.

As confirmed by our Directors, the exceedance was primarily due to (i) the lack of adequate legal knowledge and/or inadvertent oversight of the relevant legal requirements by the then relevant staff which handled the relevant production plans for our Group and (ii) a lack of sufficient comprehensive internal controls to monitor the overall production levels of our Group in each production facility. Upon discovering such non-compliance incidents during the course of our preparation for the **[REDACTED]** in FY2023, we made efforts to decrease such exceedance. We had exceeded our permitted production capacity in FY2023 at Xiangyang Production Plant and Guigang Production Plant in order to meet the demands of our customers. We decided to take on such orders in FY2023 (which led to an exceedance in terms of permitted production capacity) at the Xiangyang Production Plant and Guigang Production Plant after considering our prior communication with relevant government authorities to which we had indicated the extent of our exceedance and our commitment to rectifying such exceedance as soon as practicable.

The following table sets out the approximate revenue attributions of relevant subsidiaries for our Group's revenue for FY2021, FY2022, FY2023 and 6M2024, respectively, the revenue of which represents the revenue generated by the Linyi Production Plant, the Xiangyang Production Plant, the Guigang Production Plant and the Guizhou Production Plant, based on the Group's management accounts:

	FY2021	FY2022	FY2023	6M2024
Linyi Conch	39.7%	17.6%	13.5%	12.9%
Xiangyang Conch	36.6%	13.1%	8.2%	10.3%
Guigang Conch	1.3%	11.1%	9.1%	10.4%
Guigang Conch Guizhou Branch[(1)]	5.7%	2.8%	1.3%	1.3%

1. This includes the revenue of Guizhou Conch which was deregistered in November 2023 and transferred its business to Guigang Conch Guizhou Branch.

1B Legal consequences

As advised by our PRC Legal Advisers, for such events, each of Linyi Conch, Xiangyang Conch, Guigang Conch and Guigang Conch Guizhou Branch may be (i) ordered by the relevant filing authority to rectify within a stipulated period of time and if we do not carry out necessary rectification measures, we may be fined a fine of no more than RMB50,000; (ii) ordered by the relevant filing authority to cease construction of any new facilities (if any) or to reinstate the facilities to reduce the production capacity, and to pay a fine of no more than 5% of the investment sum in the Linyi Production Plant/ Xiangyang Production Plant/ Guigang Production Plant/ Guizhou Production Plant; and (iii) ordered to make corrections within a time limit and be additionally fined a sum no more than RMB30,000 by the relevant subordinate department.

1C Rectification actions taken and status

Regarding such non-compliance incidents, we have separately obtained the following confirmations from or interviews with competent authorities for Linyi Conch, Guigang Conch and Guizhou Conch, confirming, among others, (i) it has not materially violated relevant laws and regulations, and (ii) there has not been imposition of any administrative penalties against it in this respect. For Xiangyang Conch, we have obtained confirmations from or conducted interview with, relevant competent authorities, confirming, among others, (i) Xiangyang Conch has not materially violated relevant laws and regulations, (ii) there has not been imposition of any administrative penalties against Xiangyang Conch in this respect, and (iii) there should not be any material impediment for Xiangyang Conch to obtain relevant documents for an increased permitted level of production.

Due to the rectification measures taken by our Group upon discovering such non-compliance incidents, the exceedance of permitted production capacity has ceased or gradually decreased throughout the Track Record Period. We have not exceeded the permitted production capacity for the Linyi Production Plant since 1 January 2022. We have not exceeded the permitted production capacity for the Guizhou Production Plant since 1 January 2023. Since 1 January 2024, we have not exceeded our planned production capacity of the Xiangyang Production Plant and the Guigang Production Plant, which is within the permitted production capacity.

To cater to our expected sales orders originating from areas surrounding the Xiangyang Production Plant and the Guizhou Production Plant, as confirmed by our Directors, Xiangyang Conch and Guigang Conch Guizhou Branch are in the process of carrying out relevant procedures to increase the permitted capacity of the Xiangyang Production Plant and Guizhou Production Plant. We have obtained the relevant filings from the competent authority on 11 March 2024 and 13 October 2023 for the Xiangyang Production Plant and Guizhou Production Plant, respectively. We expect to obtain the remaining environmental impact assessment approvals or safety assessment filings from the relevant competent authorities, respectively, for the increase in permitted capacities relating to the Guigang Conch Guizhou Branch in the first half of 2025. As to Xiangyang Production Plant, to the best knowledge of our Directors, due to certain changes made to relevant local policies, the cost of effecting the increase in permitted capacities at Xiangyang Production Plant may outweigh the potential benefits brought on by having readily available production capacities at the Xiangyang Production Plant. As

such, while we have worked towards increasing in permitted capacities for the Xiangyang Production Plant, the completion date of such increase is uncertain. However, our Directors are of the view that the lack of increase in permitted capacities at the Xiangyang Production Plant has no bearing on the Group's operational or financial performance, as we have other methods to satisfy local sales needs even if the Xiangyang Production Plant is running close to full utilisation of its permitted production capacities. For example, we may direct sale orders which cannot be satisfied by the Xiangyang Production Plant to other local production facilities of our Group when necessary. Steps taken to increase our permitted capacities are to cater to our expected future business needs and not a part of our rectification measures. For the avoidance of doubt, as our Group has already ceased it exceedance of planned production capacity of the Xiangyang Production Plant and the Guizhou Production Plant as at the Latest Practicable Date, our Directors consider that such non-compliance events relating to the Xiangyang Production Plant and the Guizhou Production Plant have been rectified.

Based on the foregoing, our PRC Legal Advisers are of the view that: (i) the historical over-production of Xiangyang Conch, Linyi Conch and Guigang Conch does not constitute a material breach of the relevant laws and regulations in the PRC; (ii) the risk of penalties being imposed on Xiangyang Conch, Linyi Conch and Guigang Conch in this respect is low; (iii) the historical production exceedance by the Guizhou Production Plant is unlikely to be penalised; (iv) Xiangyang Conch is in the process of obtaining the remaining relevant approval to increase its permitted production capacity in accordance with relevant laws and regulations of the PRC; (v) there is no substantive legal impediment for our Group to obtain documents for the increased permitted capacity for Xiangyang Conch; and (vi) the confirmation letters above were issued by and the relevant interviews were carried out with the relevant competent government authorities.

Our Directors are of the view that these over-production non-compliance incidents will not have a material operational or financial impact on us for the following reasons: (i) the non-compliance has been rectified, (ii) the confirmation letters obtained from the relevant competent authorities described above, (iii) the advice from our PRC Legal Advisers that the likelihood of any administrative penalty being imposed on us is low. We did not make any provisions during the Track Record Period in respect of these incidents accordingly. We have internal control policies in connection with these production related non-compliance incidents in place. See "Legal non-compliance and proceedings — Non-compliance — 2. Production without the pollutant discharge permit" for further details.

2. Production without the pollutant discharge permit

2A Particulars of the non-compliance incident

Our Kunming Production Plant commenced its production in May 2023 prior to obtaining the pollutant discharge permit. As confirmed by our Directors, the non-compliance incident was primarily due to inadequate legal knowledge and/or inadvertent oversight of the relevant legal requirements.

Based on the Group's management accounts, for FY2021, FY2022, FY2023 and 6M2024, Kunming Conch attributed for nil, nil, approximately 2.0% and 3.4% of our Group's revenue, respectively, the revenue of which represents the revenue generated by the Kunming Production Plant.

2B Legal consequences

As advised by our PRC Legal Advisers, for such event, we may be (i) ordered to cease operations of our Kunming Production Plant and to carry out rectification measures and (ii) penalised a fine of no less than RMB200,000 and not more than RMB1 million.

2C Rectification actions taken and status

Pursuant to a confirmation from the relevant competent authority, since 1 September 2020, Kunming Conch had not been imposed any administrative penalties by relevant competent authority for violation of environmental protection laws and regulations. We have obtained the relevant pollutant discharge permit on 12 December 2023.

Based on the foregoing, our PRC Legal Advisers are of the view that (i) Kunming Conch's historical discharge of pollutants without a pollutant discharge permit does not constitute a material legal obstacle for the **[REDACTED]**, and (ii) that the confirmation letter above was issued by the relevant competent government authority.

Our Directors are of the view that such non-compliance incident relating to the pollutant discharge permit will not have a material operational or financial impact on us for the following reasons: (i) the non-compliance has been rectified, and (ii) the confirmation letter obtained from the relevant competent authority described above. We did not make any provisions during the Track Record Period in respect of these incident accordingly.

We have internal control policies in connection with production related non-compliance incident in place, including but not limited to: (i) measures which serve to monitor our production levels such as preparing detailed plans of our production levels (including our pollutant emissions), requiring our production team to closely monitor our production and pollutant emission volume and the periodic review of such volume by relevant senior management; (ii) training of relevant staff to raise the overall awareness of monitoring production volume and compliance with relevant laws and regulations; (iii) we have formed a compliance committee which is responsible for formulating internal guideline and monitoring procedures for regulatory compliance in our operations and oversee our compliance with the applicable legal requirements (including those relating to construction work). The members of the committee will be responsible for ensuring that these procedures are properly implemented and carried out. The compliance committee is comprised of (i) our head of production function, (ii) our head of development (a sub-department of management function), (iii) our head of technical function, and (iv) our head of administrative function, and is required to report to Mr. Chen Feng, our executive Director, from time to time. See "Directors, Supervisors and Senior Management" for the qualifications and experience of Mr. Chen Feng; and (v) our audit committee of the Board will be responsible for overseeing the implementation of relevant internal control measures.

3. Commencement of production and/or construction of plant without construction permits

3A Particulars of non-compliance incident

We did not obtain, on a timely basis, the construction land planning permit* (建設用地規劃許可證), the construction work planning permit* (建設工程規劃許可證) and construction work commencement permit* (建築工程施工許可證) prior to the construction of and the commencement of production at the Kunming Production Plant. We did not obtain, on a timely basis, construction work commencement permit* (建築工程施工許可證) prior to the construction of our Huludao Production Plant.

The aforementioned incidents occurred because (i) our relevant staff did not fully appreciate the relevant legal requirements in connection with obtaining and completing these construction related permits and filings; and (ii) we sped up the construction process of these production facilities in response to the burgeoning local economic development and to meet customer demands in the area.

Certain parts of the buildings/units which make up the Linyi Production Plant are temporary structures erected to supplement our production activities at the Linyi Production Plant (the "**Temporary Structures**"). Before rectification, these Temporary Structures had an aggregate gross floor area that accounted for around 1.1% of the total gross floor area of all of our self-owned properties.

The Temporary Structures were a part of the Linyi Production Plant when we acquired it in 2018. Due to its small area, we were not aware of such non-compliance until we were advised that such structures are non-compliant with relevant laws and regulations by our PRC Legal Advisers during the course of our preparation for the **[REDACTED]**. As at the Latest Practicable Date, the Temporary Structures served functions ancillary to our core production activities such as office, laboratory, toilet etc.

Based on the Group's management accounts, for FY2021, FY2022, FY2023 and 6M2024, Kunming Conch attributed for nil, nil, approximately 2.0% and 3.4% of our Group's revenue, respectively, the revenue of which represents the revenue generated by the Kunming Production Plant.

The Huludao Production Plant has only commenced production in late May 2024, and hence generated minimal revenue during the Track Record Period. As at 30 June 2024, the net asset value of the Huludao Production Plant amounted to approximately RMB19.5 million, accounting for 1.9% of our total net asset value (being RMB1,013.2 million).

None of the Temporary Structures were revenue generating arms of our Linyi Production Plant. As at 30 June 2024, the net asset value of the Temporary Structures amounted to approximately RMB7.2 million, accounting for 0.7% of our total net asset value (being RMB1,013.2 million).

3B Legal consequences

As advised by our PRC Legal Advisers, Kunming Conch may be (i) required to dismantle the relevant properties and subject to a maximum penalty of 10% of the construction costs of the Kunming Production Plant due to the failure to obtain the construction work planning permit before commencement of construction (such maximum penalty being approximately RMB4.5 million), (ii) required to return the land to the government due to failure to obtain the construction land planning permit, and (iii) required to reinstate the land into its previous state within a stipulated period and be subject to a penalty of 1-2% of the construction contract price of the Kunming Production Plant, due to failure to obtain the construction work commencement permit (such maximum penalty being RMB0.7 million).

As advised by our PRC Legal Advisers, Huludao Haizhong may be required to reinstate the land into its previous state within a stipulated period and subject to a penalty of the amount representing 1%–2% of the construction contract price of the relevant property, due to the failure to obtain the Construction Work Permit before commencement of construction (such maximum penalty being RMB0.2 million).

As advised by the PRC Legal Advisers, Linyi Conch may also subject to a maximum fine equal to the construction expenses of the temporary construction (such maximum fine being RMB1.0 million).

3C Rectification actions taken and status

1. ***Kunming Conch***. We have obtained confirmation from the relevant competent authorities, confirming, (i) it will not penalise Kunming Conch, (ii) Kunming Conch is in the process of carrying out relevant procedures to obtain such approvals and there is no substantial obstacle for it to obtain such certificates, and (iii) Kunming Conch's commencement of construction without permit does not constitute a material violation of relevant laws and regulations. As at the Latest Practicable Date, we obtained the construction work planning permit, construction land planning permit and the construction work commencement permit for the Kunming Production Plant. In September 2024, we have obtained the building ownership certificate for the Kunming Production Plant.

2. ***Huludao Haizhong***. We have obtained confirmation from the relevant competent authority, confirming, it will not conduct any investigations or impose any administrative penalties against Huludao Haizhong in this respect. As at the Latest Practicable Date, we obtained the construction work permit for the Huludao Production Plant.

3. ***Linyi Conch***. As at the Latest Practicable Date, we have dismantled part of the Temporary Structures, the aggregate gross floor area of which accounts for 363.7 m^2 (being less than 2.3% of the total gross floor area of the buildings/units which made up the Linyi Production Plant before certain parts of the Temporary Structures were dismantled) to restore such areas to an acceptable legally compliant state. As confirmed by our Directors, no material costs or fees were incurred to complete the dismantling work of these Temporary Structures. For the

remaining Temporary Structures that is not dismantled, the aggregate gross floor area of which accounts for 915.8 m^2 (being around 5.7% of the total gross floor area of the buildings/units which made up the Linyi Production Plant before certain parts of the Temporary Structures were dismantled), we have obtained the relevant building ownership certificate. We have obtained a written confirmation from relevant competent authorities, confirming that since 1 January 2020, Linyi Conch has complied with the laws, regulations, rules and normative documents relating to housing and urban-rural construction, and has not been or may be subject to administrative penalties or investigations for violating laws and regulations relating to housing and construction.

Based on the foregoing, our PRC Legal Advisers has advised us the following: (i) such events relating to Kunming Conch and Huludao Haizhong do not constitute a material breach of the relevant laws and regulations; (ii) the risk of penalties being imposed on Kunming Conch, Huludao Haizhong and Linyi Conch is remote; (iii) the risk of relevant authorities demanding us to suspend the production at Kunming Production Plant is remote; and (iv) the confirmation letters above were issued by the relevant competent government authorities.

Our Directors are of the view that such non-compliance incidents relating to the commencement of production without construction permits and construction of plant without construction permits will not have a material operational or financial impact on us for the following reasons: (i) the non-compliance incident relating to Huludao Production Plant has been rectified; (ii) the Kunming Production Plant has obtained the building ownership certificate in September 2024; (iii) the remaining portion of the Temporary Structures has obtained building ownership certificate as at the Latest Practicable Date; and (iv) the confirmation letter obtained from the relevant competent authorities described above. We did not make any provisions during the Track Record Period in respect of these incidents accordingly.

We have internal control policies in connection with the above non-compliance incidents in place, see "Defective Properties — Internal control measures relating to Defective Properties" "Legal non-compliance and proceedings — Non-compliance — 4. Production lines and properties without fire safety acceptance filing or fire safety acceptance" for further details in this section for details.

4. Production lines and properties without fire safety acceptance filing or fire safety acceptance

4A Particulars of non-compliance incident

We have installed production lines at the Qinghai Production Plant and the Guizhou Production Plant. According to the relevant PRC laws and regulations, our installations falls within the scope of construction work. Within five working days from the date of acceptance of the completion of construction project, the fire safety acceptance/filing (消防驗收／備案) should be reported to the competent department. Our lessor for the Qinghai Production Plant (the "**Qinghai Landlord**") and our lessor for the Guizhou Production Plant (the "**Guizhou Landlord**") have not completed the fire safety

acceptance/filing for the properties at which our production facilities are located respectively and as such, we cannot file the relevant fire safety acceptance/filing for our production lines at the Qinghai Production Plant and the Guizhou Production Plant.

We have not obtained the completion acceptance and fire safety acceptance* (竣工驗收及消防驗收) (the "**Acceptances**") prior the commencement of our production at the Kunming Production Plant. The aforementioned incident occurred because (i) our relevant staff did not fully appreciate the relevant legal requirements in connection with obtaining and completing these construction related permits and filings; and (ii) we sped up the construction process of our Kunming Production Plant in response to the burgeoning local economic development and to meet customer demands in the area.

We have not filed/obtained the fire safety acceptance/filing for three non-production areas of the Meishan Production Plant (the "**Meishan Areas Lacking Filing**"). The Meishan Areas Lacking Filing accounts for approximately 15.14% of the total gross floor area of the buildings/units which make up the Meishan Production Plant. Such non-compliance incident was due to an inadvertent oversight of the relevant staff in charge of the construction of such Meishan Areas Lacking Filing.

The following table sets out the approximate revenue attributions of Qinghai Conch, Guigang Conch Guizhou Branch and Kunming Conch for our Group's revenue for FY2021, FY2022, FY2023 and 6M2024, respectively, the revenue of which represents the revenue generated by the Qinghai Production Plant, the Guizhou Production Plant, and the Kunming Production Plant based on the Group's management accounts:

	FY2021	FY2022	FY2023	6M2024
Qinghai Conch	nil	0.1%	1.0%	1.3%
Guigang Conch Guizhou Branch[(1)]	5.7%	2.8%	1.3%	1.3%
Kunming Conch	nil	nil	2.0%	3.4%

For FY2021, FY2022, FY2023 and 6M2024, the Meishan Areas Lacking Filing did not have any revenue contribution to our Group. As at 30 June 2024, the net asset value of the Meishan Areas Lacking Filing amounted to approximately RMB5.9 million, accounting for 0.6% of our total net asset value (being RMB1,013.2 million).

4B Legal consequences

As advised by our PRC Legal Advisers, due to our failure to complete the fire safety acceptance filing or fire safety acceptance, (i) each of Qinghai Conch, Guigang Conch Guizhou Branch and Meishan Conch may be ordered to carry out relevant remedial actions and be imposed of fine of no more than RMB5,000 and (ii) Kunming Conch may be ordered to stop construction, use, or production and business of the Kunming Production Plant and be imposed a fine of no more than RMB300,000.

1. This includes the revenue of Guizhou Conch which was deregistered in November 2023 and transferred its business to Guigang Conch Guizhou Branch

4C Rectification action taken and status

1. Qinghai Conch and Guigang Conch Guizhou Branch

Regarding such non-compliance incidents of our production lines at the Qinghai Production Plant and Guizhou Production Plant, we have obtained the following confirmations from the relevant competent authorities, confirming, (i) Qinghai Conch and Guigang Conch Guizhou Branch has not materially breached relevant laws, and (ii) it has not imposed any administrative penalties against Qinghai Conch and Guigang Conch Guizhou Branch and it will not require Qinghai Conch and Guigang Conch Guizhou Branch to vacate the premises, suspend production or business or impose any administrative penalties against Qinghai Conch and Guigang Conch Guizhou Branch.

We engaged third party inspection institutions to examine the safety conditions of the Qinghai Production Plant and Guizhou Production Plant. As advised by our PRC Legal Adviser, such institutions are qualified and competent institutions to issue such report to our Group.

According to the fire safety report issued by the relevant institution in March 2024, the relevant institution was of the view that the Qinghai Production Plant and Guizhou Production Plant (i) had established complete fire safety systems and procedures, (ii) passed the fire safety assessment, (iii) had no material fire hazards, (iv) the Qinghai Production Plant complied with applicable fire safety laws and regulations and relevant industry standards, and (v) the Guizhou Production Plant generally complied with the applicable fire safety laws and regulations and relevant industry standards.

In the course of the fire safety examination of the Guizhou Production Plant (the "**Examination**"), the relevant institution discovered that Guizhou Production Plant had the following deficiency which remain persisting at the Latest Practicable Date: a lack of indoor fire hydrant system and outdoor fire hydrant system. To combat the deficiency mentioned above which can only be remedied by the Guizhou Landlord, we have equipped the Guizhou Production Plant with a stable reserve of water, in case there is any need to extinguish fire in fire accident and provided trainings to our staff at such production facility so that they are well informed on how to deal with such fire accidents. According to the fire safety consultant, we have taken necessary alternative measures such as installing more fire extinguishers, domestic fire water sources and faucets and such deficiencies do not pose as major fire hazards. As such, we were able to pass the fire safety assessment despite such deficiency being identified during the Examination.

Pursuant to a confirmation of the Qinghai Landlord and Guizhou Landlord in 2024, the Qinghai Landlord and the Guizhou Landlord have confirmed to complete rectification measures so as to complete the fire safety acceptance/filing of the property by June 2025 and by March 2026, respectively. The projected completion time as provided by the Qinghai Landlord has taken into account the relevant procedures that need to be completed for a fire safety acceptance/filing to be obtained for a property of its size. Whereas, the rectification to be carried out by the Guizhou Landlord involves rectifying the deficiency as identified in the Examination, which takes a relatively long period of time to complete owing to the scale of such actions; as such, the projected completion date for the rectification measures of the Guizhou Landlord is in March 2026.

Based on the foregoing, our PRC Legal Advisers are of the view that (i) such incidents do not constitute a material breach of relevant laws and regulations in the PRC; (ii) the risk of penalties being imposed on Qinghai Conch and Guigang Conch in this respect is low; (iii) the risk of Qinghai Conch and Guigang Conch being ordered to vacate the Qinghai Production Plant/Guizhou Production Plant or suspending its operations is remote; (iv) there is no substantive legal impediment for our Group to obtain the relevant fire safety acceptance filing after the Qinghai Landlord or Guizhou Landlord obtains the relevant fire safety acceptance/filing having completed relevant rectification measures in accordance with relevant laws; and (v) the confirmation letters above were issued by the relevant competent authorities.

While we endeavour to obtain the fire safety acceptance filing for the aforementioned production lines as soon as possible, such action is contingent upon the Qinghai Landlord or Guizhou Landlord completing requisite fire safety requirement for the property, which is beyond the control of our Group. Therefore, the expected time for obtaining the fire safety acceptance filing for our production lines at the Qinghai Production Plant is uncertain, and in any event, after the Qinghai Landlord and Guizhou Landlord complete their rectification measures by June 2025 and March 2026, respectively.

2. Kunming Conch and Meishan Conch

We obtained confirmation from the relevant competent authorities, confirming, (i) it will not penalise Kunming Conch or request Kunming Conch to suspend production as Kunming Conch is in the process of obtaining the relevant Acceptances, (ii) there are no substantial obstacles for us to obtain the Acceptances, (iii) the Meishan Areas Lacking Filing can be used in its current state, and (iv) it will not conduct relevant investigations against Meishan Conch for this incident.

We engaged third party inspection institutions to examine the safety conditions of the Kunming Production Plant and the Meishan Areas Lacking Filing. As advised by our PRC Legal Adviser, such institutions are qualified and competent institutions to issue such report to our Group. According to the fire safety reports issued by such institution in March 2024, such institutions were of the view that the aforementioned properties (i) have established complete fire safety systems and procedures, (ii) passed the fire safety assessment, (iii) have no major fire hazards, and (iv) complied with applicable fire safety laws and regulations and relevant industry standards.

Based on the foregoing, our PRC Legal Advisers has advised us that: (i) such events do not constitute a material breach of the relevant laws and regulations; (ii) the risk of penalties being imposed on Kunming Conch is remote; (iii) the risk of penalties being imposed on Meishan Conch in this respect is low; (iv) if Meishan Conch subsequently completes relevant procedures in accordance with relevant laws and regulations, there is no substantive legal impediment for our Group to obtain the fire safety acceptance filings for the Meishan Area Lacking Filing and the Meishan Area Lacking Filing can be used in its current state; (v) the risk of relevant authorities demanding us to suspend the production/operations at Kunming Production Plant and Meishan Area Lacking Filing is remote; (vi) the confirmation letters above were issued by the relevant competent government authorities.

We have obtained the Acceptances as at the Latest Practicable Date and we have obtained the building ownership certificate for the Kunming Production Plant in September 2024.

Save as disclosed in this section, all properties occupied and production lines used by us is equipped with requisite fire safety acceptance/filing or fire safety acceptance.

Our Directors are of the view that such non-compliance incidents relating to such properties without fire safety acceptance filing or fire safety acceptance will not have a material operational or financial impact on us for the following reasons:

(i) we have not been subject to any material administrative penalties during the Track Record Period and up to the Latest Practicable Date and relevant competent authorities have confirmed that they will not be imposing any administrative penalties against us in this respect or order us to relocate or suspend operations;

(ii) we have enhanced our internal control measures and procedures as set out below to prevent the recurrence of such non-compliance incidents;

(iii) our PRC Legal Advisers have confirmed that the risk of relocation from any of these properties is remote, considering the confirmation given by relevant competent authorities;

(iv) our PRC Legal Advisers have advised that the fire safety non-compliance incidents have no impact on the renewals of our licenses according to relevant laws and regulations;

Specifically in relation to the Meishan Areas Lacking Filing:

(v) the use of these properties are not subject to any material safety risk as third party inspection institutions which are qualified and competent institutions to issue fire safety reports have examined our Meishan Areas Lacking Filing and has given relevant view as mentioned above;

(vi) in the very unlikely event that we, for whatever reason, need to vacate or demolish the Meishan Areas Lacking Filing, there will not be any material impact on our financial performance or any material interruptions to our operations given that (i) the aforementioned areas do not contribute to our revenue or production as they are non-production areas of our Meishan Production Plant, (ii) the operations of these areas can be easily absorbed by each of the production facilities in which they are situated, and (iii) the demolition cost as estimated by our management for either area is immaterial to our financial performance;

Specifically in relation to the Qinghai Production Plant and Guizhou Production Plant:

(vii) while the local fire safety consultant has identified certain deficiency in the course of its Examination that continues to be persisting as at the Latest Practicable Date in the Guizhou Production Plant, the Guizhou Landlord has confirmed that it will carry out relevant

remedial actions for the purpose of obtaining the fire safety acceptance/filing; further, the fire safety consultant has confirmed that in the course of carrying out remedial actions, we can continue using the Guizhou Production Plant without being subject to material fire safety risk;

(viii) the use of the Qinghai Production Plant is not subject to any material safety risk as third party inspection institutions which are qualified and competent institutions to issue fire safety reports have examined our Qinghai Production Plant and has given aforementioned view;

(ix) the Guizhou Landlord or the Qinghai Landlord has confirmed that they will complete rectification measures so as to complete the fire safety acceptance/filing; and

(x) in the very unlikely event that our remedial attempts at obtaining a fire safety acceptance/filing fails due to the failure of the Guizhou Landlord or the Qinghai Landlord, we believe that given our contingency relocation plan as set out below, it should not be difficult to locate another property to house our current operations at the Guizhou Production Plant and Qinghai Production Plant, as there is only in aggregate three production lines at such properties. We have formulated contingency relocation plans regarding the Qinghai Production Plant and Guizhou Production Plant. Details of such contingency relocation plans are set out below:

- *The new location.* We have located a new possible factory site for our Qinghai Production Plant and Guizhou Production Plant; the size, rental cost and infrastructure of the new possible factory site, is comparable to our current Qinghai Production Plant and Guizhou Production Plant.

- *Estimated time and cost for relocation.* We estimate that it will take approximately three months to relocate to the site of which we have identified. We estimate that the total relocation costs will be approximately RMB6 million, which we intend to fund through internal resources. The relocation cost involves the cost for dismantling and relocation of some equipment and facilities, and the installation and construction in the new location. Having considered the work load involved, our Directors expect that the Qinghai Production Plant and Guizhou Production Plant will cease operations for three and two months, respectively, during the relocation process.

We did not make any provisions during the Track Record Period in respect of these incidents accordingly.

We have internal control policies in connection with the above non-compliance incidents in place, including but not limited to: (i) We have improved internal fire inspection mechanisms through strengthening our communications with building owners to rectify potential fire safety concerns; (ii) We have also adopted internal policies to ensure that our properties will comply with relevant fire safety laws and regulations. We will only lease properties for which the fire safety procedures have been

completed; (iii) As previously mentioned, we have formed a compliance committee which is responsible for formulating internal guideline and monitoring procedures for regulatory compliance in our operations and oversee our compliance with the applicable legal requirements; (iv) We provide regular trainings on fire safety to our on-site employees, which cover general fire safety information and regulations and correct use of fire safety equipment. We also participate in fire drills on a regular basis to heighten the awareness of our employees on fire safety; and (v) Our audit committee of the Board will be responsible for overseeing the implementation of relevant internal control measures.

Our Directors are of the view that the suspension of operations due to the relocation plans set out above shall not have a material impact on our overall financial performance for the following reasons: (i) The relocation plans will only take place shall the respective landlords of the Qinghai Production Plant and Guizhou Production Plant fail to rectify the fire safety acceptance/filing for the relevant property, the respective planned completion dates of which fall in different years, only one of the Qinghai Production Plant and Guizhou Production Plant will not suspend operations at the same time; (ii) The production volume contributed by Qinghai Production Plant and Guizhou Production Plant for the 6M2024 accounts for 0.9% and 1.4% of our total production volume, respectively. As such, shall either of these production facilities suspend their operations, there will be no material disruptions to our overall operation; and (iii) Orders to be fulfilled by the Qinghai Production Plant and Guizhou Production Plant during their suspensions will be allocated to other production facilities which have not fully utilised their production capacities. While our Group may incur more delivery cost for the fulfillment of these reallocated orders, considering that (i) based on the Group's management accounts, the revenue contribution of the Qinghai Production Plant (being nil, 0.1%, 1.0% and 1.3% for each year/period during the Track Record Period, respectively) and Guizhou Production Plant (being 5.7%, 2.8%, 1.3% and 1.3% for each year/period during the Track Record Period, respectively) and (ii) the suspension is only expected to last for two or three months, our Directors believe that such temporary arrangement will not have any material impact on our financial performance.

5. The impact of such non-compliance incidents in aggregate

Our Directors, having considered the views given by our PRC Legal Advisers as disclosed in this section, confirm that, such non-compliance incidents, in aggregate, do not have any material adverse impact on our business, operations or financial condition. In addition, on 27 December 2024, Conch Tech Innovation and Conch Holdings (being our controlling shareholders) have entered into the Deed of Indemnity pursuant to which they agree to provide indemnities in respect of, among other matters, claims and liabilities arising from the aforementioned non-compliance incidents. See "D. Other Information — 2. Tax and Other Indemnities" in Appendix IV to this document for further details.

Having considered the nature and reasons for the historical non-compliance incidents disclosed in above, the advice from our PRC Legal Advisers, the rectification actions taken and the internal control measures adopted by us, our Directors are of the view, and the Sole Sponsor concurs, that (i) our enhanced internal control measures mentioned above are adequate and effective having regard to the obligations of our Company and our Directors under the Listing Rules and other relevant legal and regulatory requirements; (ii) the historical non-compliance incidents disclosed above would not affect the suitability of our Directors to act as directors of a listed issuer under Rules 3.08 and 3.09 of the

Listing Rules or the suitability for **[REDACTED]** of our Company under Rule 8.04 of the Listing Rules; and (iii) our Directors have the competency, integrity and ability, and are willing to, manage our business in a law-abiding manner, on the following basis:

i. the historical non-compliance incidents disclosed above were generally due to failure of our relevant staff to fully appreciate the relevant legal requirements or inadvertent oversight of our relevant staff;

ii. the occurrence of the historical non-compliance incidents disclosed above was not due to the intentional misconduct or act of dishonesty or fraudulence of our Directors nor did any of these incidents raise any concern on the integrity of our Directors. In particular:

   - certain non-compliance incidents of our Group (namely, the incidents relating to the Temporary Structure of the Linyi Production Plant and the Meishan Areas Lacking Filings) were caused by the predecessor management of the subsidiaries before they were acquired by our Group. Our Directors have implemented internal controls whereby our Group's staff (or external legal advisers) shall review the title documents relating to potential targets so as to ensure the completeness of title for acquired properties;

   - the non-compliant over-production of Xiangyang Production Plant in 2023 during the course of preparation for **[REDACTED]** was due to customer demands and the Directors have actively taken remedial measures including (x) sincerely evaluate the extent of the over-production which will not cause the emissions of major pollutants emitted by the Xiangyang Production Plant to go beyond the permitted range of emission during the Track Record Period; (y) proactively informed the relevant authority of such incidents and took steps to increase the permitted level of production of Xiangyang Production Plant; and (z) obtained written confirmations from the relevant competent authorities which confirmed that such incident did not constitute a major violation of laws and regulations.

iii. none of the rectification measures taken or the historical non-compliance incidents disclosed above has any material impact on the results of our business operations or financial position;

iv. in preparation for the **[REDACTED]**, we have engaged the Internal Control Consultant to perform a review over selected areas of our internal controls in August 2023, our Directors acted upon the advice and internal control measures recommended by the Internal Control Consultant and we adopted substantially all of the recommendations made by the Internal Control Consultant, which based on their observations in follow-up reviews in March 2024, has made the view that measures adopted by our Group are adequate on a general internal control design level to prevent the recurrence of non-compliant incidents relating to our occupation and use of properties with defective titles, commencement of construction or

production without relevant permits, exceeding permitted levels of production, production without the pollutant discharge permit, and the lack of fire safety acceptance filings or fire safety acceptance of properties occupied and used by us;

v. in preparation for the **[REDACTED]**, we have engaged third party inspection institutions to examine the safety conditions of our non-compliant production facilities in 2024 and our Directors acted upon the recommendations given by these institutions to combat any identified deficiencies. These institutions have given the view that our non-compliant properties have passed the fire safety assessment and had at least, no material fire hazards;

vi. all our executive Directors have substantial experience in business management and none of them is subject to any legal or administrative proceedings arising from the non-compliance incidents or legal proceedings above; Our executive Directors exercised fiduciary duty, duty of care and skill during the daily operation of our Group and have actively caused our Group to adopt measures to prevent and reduce the occurrence of legal risk incidents that are common in the industry we operate in;

vii. as advised by our PRC Legal Advisers, based on the compliance certificates issued by and/or interviews with the local government authorities governing the business operation of the operating entities in the Group in respect of industry and commerce, quality supervision, work safety, social insurance, housing provident fund, tax, properties and environmental protection, as well as the background search and litigation search conducted by an Independent Third Party engaged by us, save for the non-compliance incidents disclosed in "Legal Non-Compliance and Proceedings — Non-compliance" in this section, our Group has complied with the applicable PRC laws and regulations for our business operations in all material aspects during the Track Record Period and up to the Latest Practicable Date;

viii. since the implementation of the enhanced internal control measures and up to the Latest Practicable Date, our Directors confirmed that we had not had any material breach of applicable laws and regulations. Further, our Directors will monitor the reporting from compliance committee on a regular basis according to our internal control policy;

ix. our Directors attended relevant training provided by the legal advisers to our Company on the duties and responsibilities of the directors of a Hong Kong **[REDACTED]** company under the Listing Rules and other applicable securities laws and regulations in Hong Kong to strengthen their awareness and knowledge, and have undertaken to observe and comply with all the relevant rules and regulations;

x. our Directors have been actively involved in and fully support the rectification of identified non-compliance matters and formulation of internal control policy to prevent the recurrence of such non-compliance incidents. All of the non-compliances has been rectified as at the Latest Practicable Date except for the non-compliance incidents relating to the lack of fire safety acceptance/filing for the production lines at the Qinghai Production Plant and the

Guizhou Production Plant, and status of rectification relating to the Qinghai Production Plant and Guizhou Production Plant will be further disclosed in our Company's annual report after **[REDACTED]**;

xi. we have appointed a compliance adviser to advise on ongoing compliance with the Listing Rules and other applicable securities laws and regulations in Hong Kong; and

xii. we will engage professional and experienced legal advisers to advise on compliance with relevant laws and regulations and legal matters that we are not familiar with going forward.

INTERNAL CONTROL MEASURES AND RISK MANAGEMENT

Our Board is responsible for the overall effectiveness of our risk management and establishing our internal control system and reviewing its effectiveness. We have established and we maintain risk management and internal control systems consisting of policies and procedures that are appropriate for our business operations, and we are dedicated to continuously improving and implementing these systems to ensure our policies and implementation are effective and sufficient.

Other than the enhanced internal control measures that we adopt to address and prevent the recurrence of non-compliance incidents as disclosed in "Legal Non-compliance and Proceedings — Non-compliance" above, we have also adopted and implemented comprehensive risk management policies in various aspects of our business operations such as corporate governance structure, human resources, financial reporting, compliance, risk assessment, quality control and contract management.

In preparation for the **[REDACTED]**, we have engaged the Internal Control Consultant to perform a review over selected areas of our internal controls in August 2023 (the "**Internal Control Review**"). The scope of the Internal Control Review performed by the Internal Control Consultant was agreed between us and the Internal Control Consultant. The selected areas of our internal controls over financial reporting that were reviewed by the Internal Control Consultant included company-level controls, financial reporting and disclosure controls and business process-level controls, including (1) Control environment; (2) Risk assessment; (3) Internal monitoring; (4) Information and communication; (5) Financial reporting and disclosures; (6) Sales, accounts receivable and collection; (7) Procurement, accounts payable and payment; (8) Production and quality control; (9) Health, safety and environmental protection; (10) Fixed assets management; (11) Construction project management; (12) Human resource and payroll management; (13) Fund management; (14) Investment management; (15) Contract management; (16) Research, development and intangible asset management; (17) Information system management; and (18) Insurance management.

The Internal Control Consultant performed the follow-up reviews in September 2023 and March 2024 to review the status of the management actions taken by us to address the findings of the Internal Control Review (the "**Follow-up Review**"). The Internal Control Consultant did not have any further recommendations on a design level in the Follow-up Review.

Our Directors confirmed that all of the major recommendations provided by the Internal Control Consultant have been followed and corrective actions were taken accordingly to address our internal control deficiencies and weaknesses. Our Directors are of the view that our enhanced internal control measures are adequate and effective to ensure compliance with relevant laws and regulations going forward.

Financial Reporting Risk Management

Our finance department is responsible for overseeing the financial reporting risk management of our Group. We have in place a series of accounting policies in connection with our financial reporting risk management, such as financial report management policies, budget management policies, financial statements preparation policies and financial department and staff management policies. We have various procedures in place to implement accounting policies, such as accounting supervision, assets inspection and approval processes.

Compliance and intellectual property rights management

We have designed and adopted internal procedures to ensure the compliance of our business operations with the relevant laws and regulations, as well as the protection of our intellectual property rights. In accordance with these procedures, our compliance committee is responsible for our compliance management and overseeing business management systems and procedures. We have also established the board of directors' office (legal) and legal management roles to attend to dispute-related legal matters and risk management supervision. During the Track Record Period and up to the Latest Practicable Date, certain incidents of non-compliance with the PRC applicable laws and regulations relating to exceeding the permitted level of production have occurred. In order to address, minimise and prevent the recurrence of such incidents of non-compliance, we have also enhanced our internal control measures accordingly. See "Legal Non-compliance and Proceedings — Non-compliance" above for further details.

Our intellectual property leading group and management office are responsible for making all necessary applications, renewals or filings for patent or other intellectual property rights registration to the relevant authorities in time.

Human resource risk management

We invest in continuing education and training programmes, including regular and tailor-made internal and external training, for our employees in different departments. Through these trainings arranged by our human resources department, we ensure that skill sets of our employees are updated constantly. We maintain strict standard in recruiting to ensure that the quality of the new hires and we conduct periodic performance reviews for all our employees.

We have in place an employee code of conduct approved by our management and distributed to all our employees, which contains internal rules and guidelines regarding confidentiality, reasonable treatment of commercial partners, anti-monopoly and the prohibition against commercial bribery,

conflict of interests and insider trading. We also have in place an anti-corruption policy to safeguard against any corruption within our Company. The policy explains potential corruption conducts and our anti-corruption measures. Our internal reporting channel is kept open and available for our staff to report any corruption acts on an anonymous basis. Our party and the masses party department and audit committee are responsible for overseeing the implementation of the anti-corruption policy and investigating the reported incidents in order to take appropriate measures.

IMPACTS OF AND OUR RESPONSE TO COVID-19

Impacts on our Group

Since early 2020, the PRC and certain countries around the world encountered an outbreak of the novel coronavirus named COVID-19. In an attempt to control the outbreak of COVID-19, the PRC government had imposed periodic restriction measures on various PRC cities from time to time until early 2023 (the "**COVID-19 period**"). As our principal business operations are based in the PRC, these control measures had a negative impact on our production activities. Additionally, the construction activities in the PRC, where our products are utilised, was also negatively affected by COVID-19, which resulted in a decrease in demand for our products during the COVID-19 period. Further, the provision of raw material were affected by COVID-19 as there road transportation were restricted due to periodic restriction measures on various PRC cities from time to time implemented by the government, which resulted in an inconsistent supply of upstream raw materials.

We were able to effectively manage any temporary suspensions of production due to government policies and meet our customers' demands by leveraging the production capacity of our network of production facilities which is designed to reflect a nationwide production layout. Specifically, during the early 2020, the government of Hubei Province implemented control measures in response to the COVID-19 pandemic, which led to the temporary suspension of production at our Xiangyang Production Plant for approximately 50 days. In order to ensure the continuity of our operations and fulfill customer orders, we made the necessary adjustments by redirecting the sales orders originally received by our Xiangyang Production Plant to our Linyi and Guizhou Production Plants. Apart from the aforementioned temporary suspension of production at our Xiangyang Production Plant, we did not experience any further disruptions or suspensions of production across our other production plants during the COVID-19 period. As a result, we successfully fulfilled our customers' needs and did not experience any customer loss resulting from the production disruptions during the COVID-19 period. During the Track Record Period, we had not experienced any production suspensions due to the outbreak of COVID-19.

Based on the above, our Directors are of the view that COVID-19 did not result in any material adverse impact on our production, business operation and financial performance during the Track Record Period and up to the Latest Practicable Date.

Our response to COVID-19

In response to the outbreak of COVID-19, we adopted various measures to maintain a hygienic working environment at our office and production facilities. Employees who displayed symptoms of respiratory system diseases were required to report to their senior supervisor and visited a doctor immediately. We encouraged our staff to conducted communication through telephone calls, emails and other communication platforms. We recommended them to maintain good hygiene practices such as washing their hands regularly with soap and water, avoided touching their face with their hands, etc.

We also implemented various measures to mitigate the spread of the virus within our production facilities during the COVID-19 period. In particular, to ensure the continuity of our operation while adhering to safety protocols, we adopted a rotating schedule for our key production and management personnel, allowing them to work on-site in shifts while maintaining normal production levels. These measures were discontinued since early 2023, as COVID-19 had come under control.