You should read this section in conjunction with our consolidated financial statements, including the notes thereto, as set out in "Appendix I — Accountants' Report" to this document. The consolidated financial statements have been prepared in accordance with IFRSs. You should read the entire Accountants' Report and not merely rely on the information contained in this section.

The following discussion and analysis contains forward-looking statements that reflect our current views with respect to future events and financial performance that involve risks and uncertainties. These statements are based on assumptions and analysis made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, our actual results may differ significantly from those projected in the forward-looking statements. Factors that might cause future results to differ significantly from those projected in the forward-looking statements include those discussed in "Risk Factors" in this document. The following discussion and analysis also contain amounts and percentage figures that have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them and all monetary amounts shown are approximate amounts only.

OVERVIEW

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

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

the 135th in 2024, to explore the fine chemical materials market as a key enterprise with a full industrial spectrum of abilities to achieve energy conservation and efficiency improvement for the cement and concrete industry.

For each of the FY2021, FY2022 and FY2023, our total revenue was RMB1,537.5 million, RMB1,839.6 million and RMB2,395.5 million, respectively, representing a CAGR of 24.8% over the three years ended 31 December 2023. Our net profit for the year was RMB126.9 million, RMB92.4 million and RMB143.9 million for FY2021, FY2022 and FY2023, respectively.

Our revenue increased by RMB67.9 million or 6.6% from RMB1,035.5 million for 6M2023 to RMB1,103.4 million for 6M2024, while our net profit for the period increased by RMB12.5 million or 26.2% from RMB47.7 million for 6M2023 to RMB60.2 million for 6M2024.

BASIS OF PREPARATION AND PRESENTATION

Our Company was incorporated in the PRC as a limited liability company on 28 May 2018 and converted into a joint stock company with limited liability on 15 July 2022.

The financial statements of our Group has been prepared in accordance with IFRSs, which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards and Interpretations issued by the IASB. The IASB has issued a number of new and revised IFRSs. For the purpose of preparing this historical financial information, our Group has adopted all applicable new and revised IFRSs to the Track Record Period. See Note 1 to the Accountants' Report for more information on the basis of preparation and presentation of our financial statements.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations and financial position have been and will continue to be affected by a number of factors, many of which may not be within our control, including those set out in the section entitled "Risk Factors" in this document and those discussed below:

General economic conditions in the PRC

Our products are primarily applied in the building materials industry in the PRC. During the Track Record Period, we mainly sold our products to customers in the PRC, with majority of such customers being cement and concrete manufacturers. Therefore, economic trends in the PRC have a significant impact on various aspects of our operations, including, but not limited to the demand for our products, the price and supply of raw materials, as well as the selling, distribution and administrative expenses. In addition, changes in national or local policies in building materials industry and cement and concrete industries may affect the level of activities in these industries. As such, both the PRC's macroeconomic trends and policies could affect our procurement, production, sales and other parts of our business, leading to fluctuations in our results of operations.

Cost of raw materials

Our cost of raw materials are major components of our total cost of sales during the Track Record Period. They amounted to approximately RMB1,084.9 million, RMB1,339.6 million, RMB1,759.1 million and RMB807.8 million, representing approximately 90.5%, 90.8%, 90.8% and 90.3% of our total cost of sales for FY2021, FY2022, FY2023 and 6M2024, respectively.

Price of our products is generally determined taking into account various factors, mainly consisting of the price of the raw materials, labour costs, transportation cost, market prospects of the geographical area in which the customer operates, specifications of products requested by customers, our profit margin with reference to the market demand, anticipated market trends, historical sales data and prices of our competitors' products. The cost, including any fluctuation in the cost of raw materials, will be taken into account in determining the selling price for our customers. On the other hand, selling price of our products stipulated in contracts entered into with some of our customers is fixed during the contract period. Thus, any unexpected increase in market price of raw materials during the period when our selling price is not allowed to adjust according to contract term, our cost will increase and our gross profit and gross profit margin will decrease, and vice versa.

The procurement cost of raw materials is typically subject to volatility caused by external conditions such as market supply and demand. As a result, we are exposed to the market risk of price fluctuation. Any unexpected increases in market prices of raw materials may have a material and adverse effect on our business, results of operations and financial condition if we are unable to transfer the increased procurement cost to our customers.

For demonstration purposes, the following sensitivity analysis illustrates the impacts of hypothetical fluctuations in our cost of raw materials on our profit before tax during the Track Record Period, holding all other variables constant. The hypothetical fluctuation for cost of raw materials are set at 5% and 10% during the Track Record Period.

Hypothetical changes in the cost of raw materials	**FY2021**	**FY2022**	**FY2023**	**6M2023**	**6M2024**
	RMB' million	*RMB' million*	*RMB' million*	*RMB' million* *(Unaudited)*	*RMB' million*
+/-5%	-/+54.2	-/+67.0	-/+88.0	-/+37.7	-/+40.4
+/-10%	-/+108.5	-/+134.0	-/+175.9	-/+75.4	-/+80.8

[REDACTED] should note that the above analyses on the historical financial information are based on assumptions and for reference only and should not be viewed as the actual effect.

Sales volume and product pricing

Our operating results are principally driven by our sales volume and the selling prices of our cement admixture, concrete admixture, and their respective in-process intermediaries as well as our competitiveness. The sales volume of our products is depending on a number of factors that may or may not be within our control. If for whatever reason we encounter a substantial decrease in the market demand in the PRC, our sales will correspondingly decrease, which could have a significant impact on our profitability. We generally determine the product price of our products taking into account various factors, mainly consisting of the price of the raw materials, labour costs, transportation cost, specifications of products requested by customers, our profit margin with reference to the market demand, anticipated market trends, historical sales data and prices of our competitors' products. If we are unable to pass the impact of the increase in purchase price of raw materials to our customers by adjusting our product price in a timely manner or at all due to price competition with other competitors or if we misjudge the extent of adjustment of our product price, our gross profit, cash flow and results of operations will be materially and adversely affected.

Product mix and gross profit margins

During the Track Record Period, we derived our revenue from sales of cement admixture and concrete admixture and their respective in-process intermediaries. For FY2021, FY2022, FY2023 and 6M2024, sales of cement admixture contributed 62.6%, 49.8%, 38.8% and 37.3% of our total revenue, respectively, and generated gross profit margin of 31.1%, 35.5%, 40.4% and 43.1% for the corresponding periods. As each of the existing product often carries a different cost structure and gross profit margin, our product mix will impact our overall cost structure and gross profit margin. Thus, our results of operation may vary from period to period as a result of the change in the composition of our revenue from different product mix.

Utilisation rates of our production facilities

Our results of operations depend on the utilisation rate of our production facilities. Operations at or near full capacity utilisation have a significant positive effect on our profitability because a portion of our cost of sales is of a fixed nature. If we increase the utilisation rate of our production facilities, the production volume of the products from those production facilities will increase, and therefore our average fixed costs per tonne of those products will decrease. As a result, our utilisation rates have a significant effect on our gross profit margin. The utilisation rate is affected by various factors, including the demand for our products, the overall economic performance in the PRC and the selected segment of the market and other operational disruptions, such as the expansion of production facilities, and our ability to manage our production facilities.

MATERIAL ACCOUNTING POLICIES AND CRITICAL ESTIMATES AND JUDGEMENT

We have identified certain accounting policies that are material to the preparation of our Group's financial statements. Some of our accounting policies involve subjective assumptions and estimates, as well as complex judgements relating to accounting items. In each case, the determination of these items requires management judgements based on information and financial data that may change in future periods. When reviewing our financial statements, you should consider: (i) our selection of critical accounting policies; (ii) the judgements and other uncertainties affecting the application of such policies; and (iii) the sensitivity of reported results to changes in conditions and assumptions. We set out below those accounting policies that we believe are of critical importance to us or involve the critical estimates and judgements used in the preparation of our Group's consolidated financial statements. Our material accounting policies, accounting judgement and estimates, which are important for an understanding of our financial condition and results of operations, are set out in detail in Note 2 and Note 3 to the Accountants' Report in Appendix I to this document.

Material accounting policies

Revenue and other income

Income is classified by our Group as revenue when it arises from the sale of goods and the provision of services in the ordinary course of our Group's business.

Revenue is recognised when control over a product or service is transferred to the customer at the amount of promised consideration to which our Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Where the contract contains a financing component which provides a significant financing benefit to the customer for more than 12 months, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction with the customer, and interest income is accrued separately under the effective interest method. Where the contract contains a financing component which provides a significant financing benefit to our Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method.

Sales of goods

Revenue is recognised when the customer takes possession of and accepts the products. Payment terms and conditions vary by customers and are based on the billing schedule established in the contracts or purchase orders with customers, but our Group generally provides credit terms to customers within three months upon customer acceptance. Our Group take advantage of the practical expedient in paragraph 63 of IFRS 15 and does not adjust the consideration for any effects of a significant financing component as the period of financing is 12 months or less.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs.

Items may be produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management. The proceeds from selling any such items and the related costs are recognised in profit or loss.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

	Useful life
Plant and buildings	30 years
Machinery and equipment	5–15 years
Motor vehicles	5–15 years
Office and other equipment	5 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

Construction in progress represents property, plant and equipment under construction, which is stated at cost less accumulated impairment losses. Capitalisation of construction in progress costs ceases and the construction in progress is transferred to property, plant and equipment when substantially all of the activities necessary to prepare the assets for their intended use are completed. No depreciation is provided in respect of construction in progress until it is substantially completed and ready for its intended use.

Trade and other receivables

A receivable is recognised when our Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before our Group has an unconditional right to receive consideration, the amount is presented as a contract asset.

All receivables are subsequently stated at amortised cost, using the effective interest method and including an allowance for credit losses.

Accounting judgement and estimates

Expected credit losses for receivables

Our Group uses a provision matrix to calculate expected credit losses ("**ECLs**") for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on our Group's historical observed default rates. Our Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e. consumer price index) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At the end of each reporting period, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

Depreciation and amortisation

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets, after taking into account the estimated residual value. Intangible assets are amortised on a straight-line basis over the estimated useful lives. Management reviews annually the useful lives of the assets and residual values, if any, in order to determine the amount of depreciation and amortisation expenses to be recorded during any reporting period. The useful lives and residual values are based on our Group's historical experience with similar assets and taking into account anticipated technological and other changes, as well as the environmental goals. The depreciation and amortisation expenses for future periods are adjusted if there are significant changes from previous estimates.

Inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market condition and the historical experience of manufacturing and selling products of similar nature. In addition, these estimates could change significantly as a result of change in customer preference, environmental goals and competitor actions in response to industry cycles. Management measures these estimates at the end of each reporting period.

RESULTS OF OPERATIONS

The following table summarises the consolidated statements of profit or loss and other comprehensive income from the historical financial information during the Track Record Period, details of which are set out in the Accountants' Report in Appendix I to this document.

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

DESCRIPTION OF SELECTED ITEMS IN CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Revenue

During the Track Record Period, we derived our revenue from sales of cement admixture and concrete admixture, and their respective in-process intermediaries namely processed alcohol amine, polyether monomers and polycarboxylic acid mother liquor.

Revenue by product

The table below sets out an analysis of our sales volume, average selling price and revenue by product type and customer type during the Track Record Period:

	FY2021				FY2022				FY2023				6M2023				6M2024			
	Sales Volume	Average selling price *(note 3)*	Revenue	% of total revenue	Sales Volume	Average selling price *(note 3)*	Revenue	% of total revenue	Sales Volume	Average selling price *(note 3)*	Revenue	% of total revenue	Sales Volume	Average selling price *(note 3)*	Revenue	% of total revenue	Sales Volume	Average selling price *(note 3)*	Revenue	% of total revenue
	Tonnes ('000)	*RMB per tonne*	*RMB' million*	%	*Tonnes ('000)*	*RMB per tonne*	*RMB' million*	%	*Tonnes ('000)*	*RMB per tonne*	*RMB' million*	%	*Tonnes ('000)*	*RMB per tonne*	*RMB' million* (Unaudited)	%	*Tonnes ('000)*	*RMB per tonne*	*RMB' million*	%
Cement admixture and in-process intermediaries																				
Cement grinding aid (type 2)	**231**	**3,181.7**	**733.6**	**47.7**	**224**	**3,092.6**	**693.5**	**37.7**	**245**	**3,050.0**	**748.4**	**31.2**	**108**	**3,046.4**	**329.8**	**31.8**	**113**	**2,955.3**	**333.8**	**30.3**
Related party customers	212	3,209.1	680.1	44.2	204	3,105.6	635.4	34.5	218	3,079.8	670.5	27.9	95	3,076.4	293.9	28.4	99	2,996.4	296.9	26.9
– Related Party A	212	3,209.1	680.1	44.2	204	3,105.6	635.4	34.5	218	3,079.8	670.5	27.9	95	3,076.4	293.9	28.4	99	2,996.4	296.9	26.9
Third party customers	19	2,869.7	53.5	3.5	20	2,956.7	58.1	3.2	28	2,815.7	77.9	3.3	13	2,820.6	35.9	3.5	14	2,661.3	36.9	3.4
– Non-trader	18	2,918.6	51.1	3.3	19	2,986.7	56.1	3.0	26	2,822.1	73.8	3.1	12	2,834.2	34.3	3.3	14	2,672.6	36.1	3.3
– Trader	1	2,111.7	2.4	0.2	1	2,314.3	2.0	0.2	2	2,705.2	4.1	0.2	1	2,554.8	1.6	0.2	0	2,245.4	0.8	0.1
Cement grinding aid (type 1)	**23**	**8,343.8**	**189.0**	**12.3**	**20**	**8,097.3**	**158.5**	**8.6**	**17**	**7,428.3**	**129.4**	**5.4**	**9**	**7,680.1**	**67.2**	**6.5**	**7**	**7,391.1**	**53.6**	**4.9**
Related party customers	13	9,104.8	118.6	7.7	11	8,146.6	90.2	4.9	7	8,167.2	58.8	2.5	4	8,216.1	32.5	3.1	3	8,227.7	23.1	2.1
– Related Party A	13	9,104.8	118.6	7.7	11	8,146.6	90.2	4.9	7	8,167.2	58.8	2.5	4	8,216.1	32.5	3.1	3	8,227.7	23.1	2.1
Third party customers	10	7,314.8	70.4	4.6	9	7,711.2	68.3	3.7	10	6,907.7	70.6	2.9	5	7,238.7	34.7	3.4	4	6,862.1	30.5	2.8
– Non-trader	8	7,698.1	63.4	4.1	8	8,038.9	61.2	3.3	7	7,291.7	48.0	2.0	3	7,398.3	22.5	2.2	3	6,688.8	21.4	2.0
– Trader	2	5,028.3	7.0	0.5	1	5,699.7	7.1	0.4	3	6,213.9	22.6	0.9	2	6,961.2	12.2	1.2	1	7,306.4	9.1	0.8

	FY2021				FY2022				FY2023				6M2023				6M2024			
	Sales Volume	Average selling price (note 3)	Revenue	% of total revenue	Sales Volume	Average selling price (note 3)	Revenue	% of total revenue	Sales Volume	Average selling price (note 3)	Revenue	% of total revenue	Sales Volume	Average selling price (note 3)	Revenue	% of total revenue	Sales Volume	Average selling price (note 3)	Revenue	% of total revenue
	Tonnes ('000)	*RMB per tonne*	*RMB' million*	*%*	*Tonnes ('000)*	*RMB per tonne*	*RMB' million*	*%*	*Tonnes ('000)*	*RMB per tonne*	*RMB' million*	*%*	*Tonnes ('000)*	*RMB per tonne*	*RMB' million (Unaudited)*	*%*	*Tonnes ('000)*	*RMB per tonne*	*RMB' million*	*%*
Processed alcohol amine	**49**	**9,997.0**	**487.0**	**31.7**	**57**	**7,811.0**	**441.3**	**24.0**	**71**	**7,032.3**	**497.5**	**20.8**	**29**	**7,140.3**	**208.5**	**20.1**	**33**	**6,343.0**	**207.2**	**18.8**
Related party customers	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	0	6,521.6	1.7	0.2
– Related Party A	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	0	6,521.6	1.7	0.2
Third party customers	49	9,997.0	487.0	31.7	57	7,811.0	441.3	24.0	71	7,032.3	497.5	20.8	29	7,140.3	208.5	20.1	33	6,341.6	205.5	18.6
– Non-trader	40	10,118.3	404.0	26.3	41	7,804.8	318.9	17.3	57	7,055.2	401.7	16.8	23	7,164.6	168.3	16.3	28	6,317.3	175.4	15.9
– Trader	9	9,445.8	83.0	5.4	16	7,827.3	122.4	6.7	14	6,937.5	95.8	4.0	6	7,040.2	40.2	3.9	5	6,486.7	30.1	2.7
Others (note 1)	**7**	**5,466.4**	**40.0**	**2.6**	**13**	**4,991.6**	**64.5**	**3.5**	**12**	**4,531.6**	**52.4**	**2.2**	**6**	**4,564.5**	**25.4**	**2.5**	**6**	**3,825.1**	**23.8**	**2.2**
Related party customers	1	8,496.7	4.9	0.3	1	8,709.4	6.1	0.3	1	6,821.9	1.0	0.0	0	8,716.8	0.8	0.1	0	4,801.5	0.4	0.1
– Related Party A	1	8,496.7	4.9	0.3	1	8,709.4	6.1	0.3	1	6,821.9	1.0	0.0	0	8,716.8	0.8	0.1	0	4,801.5	0.4	0.1
Third party customers	6	5,206.4	35.1	2.3	12	4,758.1	58.4	3.2	11	4,503.7	51.4	2.2	6	4,495.7	24.6	2.4	6	3,812.5	23.4	2.1
– Non-trader	6	5,155.0	32.3	2.1	11	4,779.6	55.6	2.7	10	4,692.9	48.2	2.1	6	4,615.5	23.6	2.3	5	3,885.2	22.1	2.0
– Trader	0	5,884.6	2.8	0.2	1	4,719.8	2.8	0.5	1	2,790.7	3.2	0.1	0	2,809.3	1.0	0.1	1	2,904.6	1.3	0.1
Sub total			**1,449.6**	**94.3**			**1,357.8**	**73.8**			**1,427.7**	**59.6**			**630.9**	**60.9**			**618.4**	**56.0**
Concrete admixture and in-process intermediaries																				
Concrete water reducing admixture (type 2)	**32**	**1,652.0**	**52.1**	**3.5**	**43**	**1,388.0**	**59.3**	**3.2**	**74**	**1,185.9**	**88.0**	**3.6**	**32**	**1,224.4**	**38.9**	**3.8**	**32**	**1,121.3**	**35.3**	**3.2**
Related party customers	26	1,733.3	43.6	2.8	22	1,548.3	33.9	1.8	29	1,265.4	36.3	1.5	12	1,346.0	15.9	1.6	15	1,146.4	16.6	1.5
– Related Party A	2	1,879.3	3.4	0.2	6	1,561.7	9.3	0.5	17	1,240.9	21.3	0.9	6	1,336.3	7.7	0.7	11	1,100.9	11.6	0.5
– Related Party B	24	1,722.1	40.2	2.6	16	1,543.3	24.6	1.3	12	1,301.9	15.0	0.6	6	1,355.3	8.2	0.9	4	1,267.2	5.0	1.0
Third party customers	6	1,332.9	8.5	0.7	21	1,219.1	25.4	1.4	45	1,135.7	51.7	2.1	20	1,152.5	23.0	2.2	17	1,099.8	18.7	1.7
– Non-trader	3	1,425.3	4.5	0.4	15	1,240.8	18.3	1.0	21	1,180.7	25.0	1.0	8	1,205.3	10.2	1.0	8	1,181.0	9.9	0.9
– Trader	3	1,243.1	4.0	0.3	6	1,166.9	7.1	0.4	24	1,096.8	26.7	1.1	12	1,113.6	12.8	1.2	9	1,021.0	8.8	0.8
Concrete water reducing admixture (type 1)	**3**	**1,273.2**	**3.7**	**0.2**	**14**	**1,123.6**	**16.4**	**0.9**	**30**	**918.8**	**27.6**	**1.2**	**11**	**961.7**	**10.7**	**1.0**	**29**	**921.1**	**27.2**	**2.5**
Related party customers	0	1,592.9	0	0.0	3	1,461.1	4.7	0.3	9	943.3	8.2	0.3	2	1,014.9	2.6	0.2	7	972.0	6.6	0.6
– Related Party A	0	1,592.9	0	0.0	3	1,461.1	4.7	0.3	9	943.3	8.2	0.3	2	1,014.9	2.6	0.2	7	972.0	6.6	0.6

	FY2021				FY2022				FY2023				6M2023				6M2024			
	Sales Volume	Average selling price (note 3)	Revenue	% of total revenue	Sales Volume	Average selling price (note 3)	Revenue	% of total revenue	Sales Volume	Average selling price (note 3)	Revenue	% of total revenue	Sales Volume	Average selling price (note 3)	Revenue	% of total revenue	Sales Volume	Average selling price (note 3)	Revenue	% of total revenue
	Tonnes ('000)	*RMB per tonne*	*RMB' million*	*%*	*Tonnes ('000)*	*RMB per tonne*	*RMB' million*	*%*	*Tonnes ('000)*	*RMB per tonne*	*RMB' million*	*%*	*Tonnes ('000)*	*RMB per tonne*	*RMB' million (Unaudited)*	*%*	*Tonnes ('000)*	*RMB per tonne*	*RMB' million*	*%*
Third party customers	3	1,271.5	3.7	0.2	11	1,029.1	11.7	0.6	21	908.9	19.4	0.9	9	946.0	8.1	0.8	22	905.9	20.6	1.9
– Non-trader	2	1,431.4	2.7	0.2	5	1,085.6	5.5	0.3	8	960.5	7.8	0.3	3	1,016.1	2.7	0.3	12	957.3	12.2	1.1
– Trader	1	980.3	1.0	0.0	6	983.6	6.2	0.3	13	877.3	11.6	0.6	6	914.0	5.4	0.5	10	840.0	8.4	0.8
Concrete water reducing admixture (type 3)	**7**	**1,587.9**	**12.4**	**0.8**	**7**	**1,688.3**	**12.3**	**0.7**	**9**	**1,349.0**	**12.5**	**0.5**	**3**	**1,341.1**	**3.4**	**0.3**	**7**	**1,387.6**	**9.9**	**0.9**
Related party customers	0	1,974.0	0.7	0.0	1	2,089.6	3.3	0.2	1	1,404.1	1.7	0.0	–	–	–	–	3	1,436.4	4.6	0.4
– Related Party A	0	1,974.0	0.7	0.0	1	2,089.6	3.3	0.2	1	1,404.1	1.7	0.0	–	–	–	–	3	1,436.4	4.6	0.4
Third party customers	7	1,570.6	11.7	0.8	6	1,577.3	9.0	0.5	8	1,340.4	10.8	0.5	3	1,341.1	3.4	0.3	4	1,347.2	5.3	0.5
– Non-trader	7	1,564.3	11.0	0.8	6	1,583.0	8.5	0.5	4	1,369.2	5.9	0.3	2	1,340.6	2.2	0.2	3	1,375.3	4.0	0.4
– Trader	0	1,677.5	0.7	0.0	0	1,477.9	0.5	0.0	4	1,307.3	4.9	0.2	1	1,342.0	1.2	0.1	1	1,266.0	1.3	0.1
Polyether monomers	**–**	**–**	**–**	**–**	**58**	**5,486.0**	**315.5**	**17.2**	**126**	**5,510.4**	**695.1**	**29.0**	**56**	**5,400.7**	**301.9**	**29.2**	**50**	**6,050.9**	**302.5**	**27.4**
Related party customers	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	0	6,401.2	1.0	0.1
— Related Party A	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	0	6,401.2	1.0	0.1
Third party customers	–	–	–	–	58	5,486.0	315.5	17.2	126	5,510.4	695.1	29.0	56	5,400.7	301.9	29.2	50	6,049.8	301.5	27.3
— Non-trader	–	–	–	–	54	5,407.5	289.7	15.7	110	5,464.4	597.3	24.9	51	5,364.9	274.1	26.5	42	5,981.5	248.9	22.6
— Trader	–	–	–	–	4	6,555.9	25.8	4.1	16	5,808.6	97.8	4.1	5	5,781.0	27.8	2.7	8	6,396.1	52.6	4.8
Polycarboxylic acid mother liquor	**3**	**4,348.7**	**12.9**	**0.8**	**12**	**4,118.7**	**47.5**	**2.6**	**31**	**3,671.8**	**114.1**	**4.8**	**10**	**3,689.6**	**36.2**	**3.5**	**26**	**3,442.7**	**88.7**	**8.0**
Related party customers	0	3,982.3	0.0	0.0	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
— Related Party B	0	3,982.3	0.0	0.0	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Third party customers	3	4,348.8	12.9	0.8	12	4,118.7	47.5	2.6	31	3,671.8	114.1	4.8	10	3,689.6	36.2	3.5	26	3,442.7	88.7	8.0
— Non-trader	2	4,379.9	9.5	0.6	7	4,186.6	29.1	1.6	20	3,739.7	73.5	3.1	5	3,728.2	19.4	1.9	22	3,439.2	75.8	6.8
— Trader	1	4,263.5	3.4	0.2	5	4,015.2	18.4	1.0	11	3,554.9	40.6	1.7	5	3,645.8	16.8	1.6	4	3,463.2	12.9	1.2

	FY2021				FY2022				FY2023				6M2023				6M2024			
	Sales Volume	Average selling price (note 3)	Revenue	% of total revenue	Sales Volume	Average selling price (note 3)	Revenue	% of total revenue	Sales Volume	Average selling price (note 3)	Revenue	% of total revenue	Sales Volume	Average selling price (note 3)	Revenue	% of total revenue	Sales Volume	Average selling price (note 3)	Revenue	% of total revenue
	Tonnes ('000)	*RMB per tonne*	*RMB' million*	*%*	*Tonnes ('000)*	*RMB per tonne*	*RMB' million*	*%*	*Tonnes ('000)*	*RMB per tonne*	*RMB' million*	*%*	*Tonnes ('000)*	*RMB per tonne*	*RMB' million* (Unaudited)	*%*	*Tonnes ('000)*	*RMB per tonne*	*RMB' million*	*%*
Others(Note 2)	**3**	**1,402.8**	**3.7**	**0.2**	**5**	**2,142.7**	**9.4**	**0.5**	**11**	**2,297.4**	**25.2**	**1.1**	**4**	**2,282.6**	**8.8**	**0.8**	**8**	**2,290.4**	**19.1**	**1.7**
Related party customers	2	988.2	2.1	0.1	2	1,020.1	2.0	0.1	1	1,008.2	1.1	0.0	0	1,012.2	0.4	0.0	0	1,033.1	0.4	0.0
— Related Party A	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	0	42,477.8 (Note 4)	0.0	0.0
— Related Party B	2	988.2	2.1	0.1	2	1,020.1	2.0	0.1	1	1,008.2	1.1	0.0	0	1,012.2	0.4	0.0	0	1,005.0	0.4	0.0
Third party customers	1	3,510.7	1.6	0.1	3	3,008.4	7.4	0.4	10	2,434.1	24.1	1.1	3	2,464.2	8.4	0.8	8	2,355.1	18.7	1.7
— Non-trader	1	3,440.3	1.4	0.1	2	2,935.6	5.5	0.3	5	2,508.9	12.6	0.6	2	2,430.9	5.4	0.5	5	2,680.7	12.2	1.1
— Trader	0	3,937.9	0.2	0.0	1	3,240.7	1.9	0.1	5	2,356.0	11.5	0.5	1	2,523.4	3.0	0.3	3	1,919.1	6.5	0.6
Sub total			**84.8**	**5.5**			**460.4**	**25.1**			**962.5**	**40.2**			**399.9**	**38.6**			**482.7**	**43.7**
Total			**1,534.4**	**99.8**			**1,818.2**	**98.9**			**2,390.2**	**99.7**			**1,030.8**	**99.5**			**1,101.1**	**99.8**

Notes:

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

2. Others mainly comprised other concrete admixture with different concentrated content level and different functions. Others include accelerating concrete admixtures, retarding concrete admixtures, plasticising concrete admixtures etc. During the Track Record Period, none of the other products generated revenue over 1.8% of our total revenue.

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

4. Represented sales of less than 1,000 tonne concrete segregation agent in the amount of less than RMB0.1 million.

Price of our products is generally determined taking into account various factors, mainly consisting of the price of the raw materials, labour costs, transportation cost, market prospects of the geographical area in which the customer operates, specifications of products requested by customers, our profit margin with reference to the market demand, anticipated market trends, historical sales data and prices of our competitors' products. Thus, any change in raw material price may result in adjustment in our selling price. Depending on our ability to pass the impact of the change in purchase price of raw materials to our customers, our selling price may change in a lesser extent than the change in purchase price of raw materials and our gross profit margin may decrease.

Cement admixture and in-process intermediaries

Our revenue from cement admixture decreased by RMB46.1 million or 4.8% from RMB962.6 million for FY2021 to RMB916.5 million for FY2022, mainly due to (i) the decrease in average selling price as a result of the decrease in purchase price of the raw material, namely propylene oxide; and (ii) the slight decrease in sales volume as a result of the decrease in market demand following the outbreak of COVID-19 pandemic and the recession in real estate market. Our Directors expected that the demand for cement admixture will increase from 2023 as the infrastructure investment will continue to grow and the production volume of cement in China is likely to grow with a CAGR of 2.5% from 2023 to 2028, according to Frost & Sullivan. Our revenue from cement admixture slightly increased by RMB13.7 million or 1.5% from RMB916.5 million for FY2022 to RMB930.2 million for FY2023, primarily attributable to the increase in sales volume as a result of commencement of operation of Ningbo Production Plant, Qinghai Production Plant and Xianyang Production Plant in 2022 and Kunming Production Plant in 2023 which (i) expanded our geographical coverage; and (ii) shortened the delivery distance of certain customers, which in turn increased (a) the competitiveness of our products; and (b) sales volume, partially offset by the decrease in average selling price as a result of the decrease in purchase price of raw materials. Our revenue from cement admixture decreased by RMB11.2 million or 2.7% from RMB422.4 million for 6M2023 to RMB411.2 million for 6M2024, primarily owing to the decrease in average selling price as a result of the decrease in purchase price of raw material, namely diethanolamine.

Our revenue from processed alcohol amine then decreased by RMB45.7 million or 9.4% from RMB487.0 million for FY2021 to RMB441.3 million for FY2022, mainly due to the decrease in average selling price as a result of the decrease in purchase price of the raw material, namely propylene oxide, partially offset by the increase in sales volume as a result of the commencement of operation of Ningbo Production Plant in 2022 which (i) expanded our geographical coverage; and (ii) shortened the delivery distance of certain customers, which in turn increased (a) the competitiveness of our products; and (b) sales volume. Our revenue from processed alcohol amine increased by RMB56.2 million or 12.7% from RMB441.3 million for FY2022 to RMB497.5 million for FY2023, primarily attributable to the increase in sales volume after the full year operation of our Ningbo Production Plant which extended our geographical coverage and provided additional production capacity to fulfil customer orders, partially offset by the decrease in average selling price as a result of the decrease in purchase price of raw materials. Our revenue from processed alcohol amine decreased by RMB1.3 million or 0.6% from RMB208.5 million for 6M2023 to RMB207.2 million for 6M2024, primarily owing to the decrease in average selling price as a result of the decrease in purchase price of the raw material, namely diethanolamine, partially offset by the increase in sales volume as (i) we secured orders from new customers by our Kunming Production Plant and Huludao Production Plant, the businesses of which have been ramping up since the commencement of production in May 2023 and May 2024 respectively; and (ii) certain existing customers purchased more processed alcohol amine.

Concrete admixture and in-process intermediaries

Our revenue from concrete admixture increased by RMB25.5 million or 35.5% from RMB71.9 million for FY2021 to RMB97.4 million for FY2022, mainly due to the increase in sales volume as a result of the commencement of operation of Tongling Production Plant and Guigang Production Plant in late 2021 and the commencement of operation of Ningbo Production Plant in 2022 which (i) expanded our geographical coverage to reach customers in approximately five more provinces in 2022 where we could not cover in 2021; and (ii) provided additional production capacity (with maximum production capacity increased from 58 thousand tonnes for FY2021 to 387 thousand tonnes for FY2022) to fulfil customer orders partially offset by the decrease in average selling price as a result of the decrease in (i) market price of concrete admixture; and (ii) purchase price of the raw material, namely polyether monomers in 2022. Our revenue from concrete admixture increased by RMB55.9 million or 57.4% from RMB97.4 million for FY2022 to RMB153.3 million for FY2023, primarily attributable to the increase in sales volume as a result of the commencement of operation of Tongling Production Plant and Guigang Production Plant in late 2021, Ningbo Production Plant in 2022 and Kunming Production Plant in 2023 which allowed us to reach more customers, partially offset by the decrease in average selling price as a result of decrease in purchase price of raw material. Our revenue from concrete admixture increased by RMB29.7 million or 48.1% from RMB61.8 million for 6M2023 to RMB91.5 million for 6M2024, primarily owing to the increase in sales volume as (i) we secured orders from new customers following the commencement of operation of production plants during the Track Record Period (including the Ningbo Production Plant, the Guigang Production Plant, the Tongling Production Plant, the Xianyang Production Plant, the Qinghai Production Plant, the Kunming Production Plant and the Huludao Production Plant); (ii) certain existing customers increased purchase based on their needs and (iii) Related Party A extended to the field of commodity concrete for purpose of enhancing its product offering, which can attract new customers, so as to maintain its competitiveness and control in the market, partially offset by the slight decrease in average selling price which was mainly caused by the decrease in purchase price of raw material, namely polyether monomers.

Despite the decrease in overall production volume of concrete admixtures in the PRC from 22.5 million tonnes in 2021 to 17.0 million tonnes in 2022, we could outperform the market because (i) our maximum production capacity ramped up during the Track Record Period; (ii) we expanded our geographical coverage and enlarged our customer base following commencement of operation of new production plants during the Track Record Period (including the Ningbo Production Plant, the Guigang Production Plant, the Tongling Production Plant, the Xianyang Production Plant, the Qinghai Production Plant, the Kunming Production Plant and the Huludao Production Plant); (iii) leveraging on the brand image and our reputation, we steadily increased our customer base; and (iv) we adopted a more competitive pricing strategy since we began to engage in the business of production of concrete admixture in 2018. During the initial operating period, our maximum production capacity was limited. For FY2021, our maximum production capacity of concrete admixtures was merely 58 thousand tonnes per annum as compared to the industry production volume of 22.5 million tones in 2021. As such, our maximum production capacity in FY2021 limited our performance in the concrete admixture industry. In order to expand our business in different areas of the PRC and enlarge our market share in the concrete admixtures market, we established a number of subsidiaries during the period from 2019 to 2022. Following the commencement of operation of Tongling Production Plant and Guigang Production Plant in late 2021 and Ningbo Production Plant in 2022, our maximum production capacity of concrete admixtures increased to 387 thousand tonnes per annum for FY2022 which enabled our growth in concrete admixtures markets. Also, the establishment of new production plants enabled us to reach new customers in approximately five more provinces in 2022 where we could not cover before. Benefitting from our increased maximum production capacity and our strategy to offer more competitive prices to third party customers, we were able to expand our market share. Accordingly, our sales volume increased from 45 thousand tonnes for FY2021 to 69 thousand tonnes for FY2022, and further increased to 124 thousand tonnes for FY2023.

We generated revenue from polyether monomers of nil and RMB315.5 million for FY2021 and FY2022, respectively, because we (i) started to produce the product in June 2022; and (ii) established strategic cooperation with certain customers in 2022. Our revenue from polyether monomers increased by RMB379.6 million or 120.3% from RMB315.5 million for FY2022 to RMB695.1 million for FY2023, primarily attributable to (i) the full year effect of the production of the product; and (ii) our continued cooperation with certain strategic customers. Our revenue from polyether monomers increased by RMB0.6 million or 0.2% from RMB301.9 million for 6M2023 to RMB302.5 million for 6M2024, primarily owing to the increase in average selling price which was mainly caused by the increase in sales volume of polyether monomers in solid form which normally carried a higher selling price than those in liquid form, partially offset by the decrease in sales volume as demand from certain customers decreased.

Our revenue from polycarboxylic acid mother liquor increased by RMB34.6 million or 268.2% from RMB12.9 million for FY2021 to RMB47.5 million for FY2022, mainly due to the increase in sales volume after (i) we offered a more competitive price in order to capture more market share; and (ii) the commencement of operation of Ningbo Production Plant in 2022 which extended our value chain into production of polyether monomers to (a) reduce the impact of raw material price fluctuations; and (b) meet customer demand. Our revenue from polycarboxylic acid mother liquor increased by RMB66.6 million or 140.2% from RMB47.5 million for FY2022 to RMB114.1 million for FY2023, primarily attributable to the increase in sales volume as a result of (i) the development of customers by production plants that commenced operation in previous year; and (ii) the commencement of operation of Kunming Production Plant in 2023 and Xianyang Production Plant in late 2022, partially offset by the decrease in average selling price due to the decrease in raw material price as we took into consideration the decrease in purchase price of raw materials when setting our selling price. Our revenue from polycarboxylic acid mother liquor increased by RMB52.5 million or 145.0% from RMB36.2 million for 6M2023 to RMB88.7 million for 6M2024, primarily owing to the increase in sales volume as (i) we secured orders from new customers following the commencement of operation of production plants during the Track Record Period (including the Ningbo Production Plant, the Guigang Production Plant, the Tongling Production Plant, the Xianyang Production Plant, the Qinghai Production Plant, the Kunming Production Plant and the Huludao Production Plant); and (ii) certain existing customers increased purchase based on their needs, partially offset by the decrease in average selling price as a result of the decrease in cost of raw material, namely polyether monomers, which were fully self-produced for 6M2024.

Others

We derived insignificant revenue from other products of RMB3.1 million, RMB21.4 million, RMB5.3 million, RMB4.7 million and RMB2.3 million for FY2021, FY2022, FY2023, 6M2023 and 6M2024, respectively, accounting for 0.2%, 1.1%, 0.2%, 0.5% and 0.3% of our total revenue for the corresponding periods. The significant increase in revenue from other products by RMB18.3 million or 590.3% from RMB3.1 million for FY2021 to RMB21.4 million for FY2022, was mainly due to the increase in revenue for desulfuriser. For FY2023, the decrease in revenue from other products by RMB16.1 million, mainly due to the decrease in revenue of desulfuriser as a result of divestiture of sales of the product.

Differences between average selling price between related party customers and third party customers

Cement grinding aid

Average selling prices of cement grinding aid sold to Related Party A were higher than third party customers, primarily due to the following reasons:

- The majority of our revenue from Related Party A is generated from a company engaged in the manufacture and sale of cement and concrete, with a small amount generated in 6M2024 from a company engaged in the provision of export services. As revenue generated from Related Party A is mostly from a relatively large-scale leading enterprise in the cement industry with nationwide business operations, the suppliers of Related Party A are generally required to have nationwide supply guarantee capability. Therefore, our Directors are of the view that the cement admixture suppliers who participate in Related Party A's price inquiry and comparison are mainly suppliers of cement admixture products who can fulfill the technical and commercial assessment requirements of the Conch Cement Group, with nationwide presence. Accordingly, our Group will make reference to the competitive landscape (such as features of our competitors, which generally have requisite scale, large number of technical staff and nationwide coverage) in order to set quotation which is reasonable and competitive so as to maximize our Group's chances of success.

- As Related Party A had a nationwide presence, our Group made higher investment in sales to the Related Party A compared with the third-party customers, including nationwide product supply guarantee, provision of value-added services (including provision of ancillary facilities for products of higher specifications such as the provision and maintenance of flow pump, flow metering system and level meter and storage tank in stainless steel with automatic flow system which could (a) reduce the delivery time and maintain stability of materials and (b) ensure stable supply of materials to the customer), etc. Our Group fully considered the above factors in the pricing of sales to Related Party A and hence the pricing was relatively high.

- Most of our third party customers which engaged us for localised needs, and generally require products of lower complexity or have lower requirements for our services. As such, the products purchased by these smaller scale customers, which are generally third party customers, are less costly than those provided to Related Party Customers.

- The price of the products included transportation expenses. During the year, the number of production plants of our Group that had been put into operation and could supply the products was relatively small. Related Party A had a nationwide presence with long delivery distances and higher transportation expenses, while the third-party customers of our Group generally had regional presence with short delivery distances and lower transportation expenses.

- According to the Related Party A's tender requirement in FY2021, the admixture providers shall adopt selling price adjustment terms whereby the selling price of admixture products may be adjusted upwards or downwards based on raw material fluctuation. Pursuant to the sales contract for FY2021, which reflects the pricing mechanism as adopted by Related Party A in its tender, our Group and Related Party A would adjust the selling price of the products on a quarterly basis taking into consideration the fluctuation of raw material prices. In 2021, the annual selling price to Related Party A increased which was in line with the overall annual increase of raw material prices. However, as majority of the sales orders from third parties in FY2021 were of small quantity or one-off, the sales contracts that were entered into by most of the third-party customers did not contain similar price adjustment mechanism. Some third-party customers entered into long-term sales agreement with our Group have similar pricing adjustment mechanism. Therefore, the annual average selling price of Related Party A was higher than that of the third-party customers.

- For FY2022, some of the subsidiaries of Related Party A who purchased cement grinding aids (type 1) were export traders and the selling price of such orders was higher as (i) the price of the products included the packaging expenses of intermediate bulk containers; and (ii) the higher product price in overseas market, according to Frost & Sullivan.

Processed alcohol amine

For 6M2024, we recorded insignificant revenue from sales of processed alcohol amine to Related Party A of RMB1.7 million, which accounted for 0.2% of total revenue. Our Directors considered that average selling price to Related Party A of RMB6,521.6 per tonne was comparable to third party customers of RMB6,317.3 per tonne.

Concrete water reducing admixture

Our average selling price of concrete water reducing admixture to Related Party A and B was higher than that of third party customers, primarily due to the following reasons:

(i) In order to expand our overall customer base and increase our market share in the concrete admixture industry in the PRC, our Group sold to certain customers, which are generally our third party customers, at a relatively lower price.

(ii) The cost of the products sold to a subsidiary of Related Party A was high due to the complexity of product and delivery requirements and therefore our Group's tender price was higher; and our Group provided local compounding facilities such as the provision and maintenance of floor scale, gear pump and storage tank in polyethylene which could reduce the delivery time and maintain stability of materials and ensure stable supply of materials to the customer.

(iii) Some of the sales contracts entered into between our Group and Related Party B for FY2021 stipulated that the sales price of the product would be adjusted on a monthly basis in accordance with fluctuation of raw material prices. In 2021, due to the overall increase in the prices of raw materials, the selling price of our Group to Related Party B was adjusted upwards; whereas most of the third-party customers did not have similar price adjustment mechanism for the year, and therefore, the annual average selling price of Related Party B was higher than that of third-party customers.

(iv) Our Group provided value-added services (including the provision of product ancillary facilities such as the provision and maintenance of storage tank intelligent monitoring equipment and storage tank in fiberglass which could reduce the delivery time and maintain stability of materials and ensure stable supply of materials) for products sold to Related Party B as compared to the third-party customers and therefore the selling price to Related Party B was relatively higher.

(v) Selling price of our product included transportation expenses. Since certain sales orders had a higher transportation fee due to longer delivery distance, the selling price was relatively high; the third-party customers of our Group generally had shorter delivery distance and lower transportation expenses, thus the selling price was lower.

Polyether monomers

For 6M2024, we recorded insignificant revenue from sales of polyether monomers to Related Party A of RMB1.0 million, which accounted for 0.1% of total revenue. Our Directors considered that average selling price to Related Party A of RMB6,401.2 per tonne was comparable to third party customers of RMB6,049.8 per tonne.

Revenue by customer

The following table sets out the revenue by customer for the periods indicated:

	FY2021		FY2022		FY2023		6M2023		6M2024	
	RMB 'million	*%*	*RMB 'million*	*%*	*RMB 'million*	*%*	*RMB 'million* (Unaudited)	*%*	*RMB 'million*	*%*
Related party customers[(Note)]	850.2	55.3	791.6	43.0	778.5	32.5	346.8	33.5	351.8	31.9
Third party customers	687.3	44.7	1,048.0	57.0	1,617.0	67.5	688.7	66.5	751.6	68.1
Total	1,537.5	100.0	1,839.6	100.0	2,395.5	100.0	1,035.5	100.0	1,103.4	100.0

Note: Related party customers include (i) Related Party A; and (ii) Related Party B.

During the Track Record Period, we recorded an increasing trend from revenue derived from third party customers of RMB687.3 million, RMB1,048.0 million, RMB1,617.0 million, RMB688.7 million and RMB751.6 million, respectively, accounting for 44.7%, 57.0%, 67.5%, 66.5% and 68.1% of our total revenue for the corresponding periods, as we continued to expand our customer base.

Cost of sales

Our cost of sales mainly included cost of raw materials, transportation cost, staff cost which mainly included salary, social insurance and bonus of our production staff and depreciation and amortisation of our plant and buildings and machinery and equipment used in our production.

The following table sets out the breakdown of our cost of sales by nature for the periods indicated:

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

Cost of raw materials mainly included ethylene oxide, propylene oxide and ethanolamine. It amounted to RMB1,084.9 million, RMB1,339.6 million, RMB1,759.1 million, RMB754.1 million and RMB807.8 million for FY2021, FY2022, FY2023, 6M2023 and 6M2024, respectively, accounting for 90.5%, 90.8%, 90.8%, 89.3% and 90.3% of our total cost of sales for the corresponding periods. The increase in cost of raw materials for FY2022 was mainly due to (i) the launch of polyether monomers in June 2022; and (ii) the increase in sales volume of other products due to market expansion. The further increase in cost of raw materials for FY2023 was generally in line with the increase in sales, partially offset by the decrease in raw material price. The increase in cost of raw materials for 6M2024 was generally in line with the increase in revenue.

During the Track Record Period, our Group outsourced limited production to third party suppliers due to (i) the long distance between our Group's production facilities and delivery destinations of certain customers; and (ii) the relatively small orders from such customers. Our Directors considered that it would be more commercially justifiable to outsource such orders to third party suppliers with a closer distance with customers. Such outsourcing arrangement only accounted for less than 2% of our total revenue during the Track Record Period.

Gross profit and gross profit margin

We derived gross profit of RMB338.2 million, RMB363.7 million, RMB459.2 million, RMB191.1 million and RMB209.1 million for FY2021, FY2022 and FY2023, 6M2023 and 6M2024, respectively. Our overall gross profit margin was 22.0%, 19.8%, 19.2%, 18.5% and 19.0% for the corresponding periods.

The following table sets out the breakdown of gross profit and gross profit margin by product and customer type for the periods indicated:

	FY2021		FY2022		FY2023		6M2023		6M2024	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	RMB 'million	*%*	*RMB 'million*	*%*	*RMB 'million*	*%*	*RMB 'million* (Unaudited)	*%*	*RMB 'million*	*%*
Cement admixture and in-process intermediaries										
Cement admixture	***299.7***	***31.1***	***325.7***	***35.5***	***375.8***	***40.4***	***163.2***	***38.6***	***177.3***	***43.1***
Related party customers	263.0	32.7	267.2	36.5	307.8	42.1	134.8	41.2	140.8	44.0
— Related Party A	263.0	32.7	267.2	36.5	307.8	42.1	134.8	41.2	140.8	44.0
Third party customers	36.7	23.1	58.5	31.7	68.0	34.0	28.4	29.9	36.5	40.2
Processed alcohol amine	***17.5***	***3.6***	***18.2***	***4.1***	***18.8***	***3.8***	***8.8***	***4.2***	***7.8***	***3.7***
Related party customers	—	—	—	—	—	—	—	—	0.1	5.8
— Related Party A	—	—	—	—	—	—	—	—	0.1	5.8
Third party customers	17.5	3.6	18.2	4.1	18.8	3.8	8.8	4.2	7.7	3.7
— Non-trader	15.2	3.8	12.6	4.0	15.5	3.9	7.5	4.5	6.4	3.6
— Trader	2.3	2.7	5.6	4.6	3.3	3.5	1.3	3.2	1.3	4.3
Sub-total	317.2	21.9	343.9	25.3	394.6	27.6	172.0	27.3	185.1	29.9
Concrete admixture and in-process intermediaries										
Concrete admixture	***18.1***	***25.1***	***14.9***	***15.3***	***29.8***	***19.4***	***9.0***	***14.6***	***12.7***	***13.9***
Related party customers	14.7	31.8	11.7	26.8	9.9	20.8	4.1	21.4	4.1	14.4
— Related Party A	0.8	20.5	3.9	22.6	4.9	15.5	1.3	12.3	2.7	11.6
— Related Party B	13.9	32.9	7.8	29.6	5.0	31.2	2.8	32.3	1.4	26.4
Third party customers	3.4	12.9	3.2	5.9	19.9	18.8	4.9	11.5	8.6	13.6
Polyether monomers	**—**	**—**	***(9.0)***	***(2.9)***	***25.5***	***3.7***	***7.2***	***2.4***	***6.6***	***2.2***
Related party customers	—	—	—	—	—	—	—	—	0.0	1.6
— Related Party A	—	—	—	—	—	—	—	—	0.0	1.6
Third party customers	—	—	(9.0)	(2.9)	25.5	3.7	7.2	2.4	6.6	2.2
— Non-trader	—	—	(6.4)	(2.2)	23.3	3.9	6.7	2.4	6.4	2.6
— Trader	—	—	(2.6)	(9.9)	2.2	2.2	0.5	1.7	0.2	0.3
Polycarboxylic acid mother liquor	***0.9***	***7.0***	***1.8***	***3.9***	***6.6***	***5.8***	***1.9***	***5.3***	***3.9***	***4.3***
Related party customers	0.0	7.7	—	—	—	—	—	—	—	—
— Related Party B	0.0	7.7	—	—	—	—	—	—	—	—
Third party customers	0.9	7.0	1.8	3.9	6.6	5.8	1.9	5.3	3.9	4.3
— Non-trader	0.7	7.2	1.3	4.7	4.2	5.7	1.3	6.8	3.3	4.3
— Trader	0.2	6.5	0.5	2.7	2.4	5.9	0.6	3.5	0.6	4.3
Sub-total	19.0	22.4	7.7	1.7	61.9	6.4	18.1	4.5	23.2	4.8
Others	***2.0***	***64.5***	***12.1***	***56.5***	***2.7***	***50.6***	***1.0***	***20.8***	***0.8***	***34.8***
Total	338.2	22.0	363.7	19.8	459.2	19.2	191.1	18.5	209.1	19.0

Gross profit and gross profit margin by product

Cement admixture and in-process intermediaries

Our gross profit derived from cement admixture amounted to RMB299.7 million, RMB325.7 million, RMB375.8 million, RMB163.2 million and RMB177.3 million for FY2021, FY2022, FY2023, 6M2023 and 6M2024, respectively. Gross profit margin derived from cement admixture increased by 4.4% from 31.1% for FY2021 to 35.5% for FY2022, mainly due to (i) the commencement of operation of two production plants in 2021 (being the Guigang Production Plant and the Tongling Production Plant) and three production plants in 2022 (being the Ningbo Production Plant, the Xianyang Production Plant and the Qinghai Production Plant) which (i) expanded our geographical coverage and reduced our transportation costs for sales to related party customers; and (ii) the decrease in raw material price of propylene oxide while sales price to third party customers was generally fixed during the contract period and sales price to Related Party A was adjusted quarterly based on historical fluctuation of raw material price. During the period when raw material price decrease, gross profit margin increase due to the delay in price adjustment. Our gross profit margin derived from cement admixture increased by 4.9% from 35.5% for FY2022 to 40.4% for FY2023, mainly due to (i) the decrease in purchase price of raw materials; and (ii) the selling price to Related Party A became an annual fixed price as compared to quarterly adjusted selling price based on the historical price fluctuation of raw materials. Our gross profit margin derived from cement admixture increased by 4.5% from 38.6% for 6M2023 to 43.1% for 6M2024, mainly due to the decrease in raw material price while selling price to Related Party A and most of the third party customers was generally fixed during the contract period.

Our gross profit derived from processed alcohol amine amounted to RMB17.5 million, RMB18.2 million, RMB18.8 million, RMB8.8 million and RMB7.8 million for FY2021, FY2022, FY2023, 6M2023 and 6M2024, respectively. Gross profit margin derived from processed alcohol amine remained relatively stable at 3.6%, 4.1%, 3.8%, 4.2% and 3.7% for FY2021, FY2022, FY2023, 6M2023 and 6M2024, respectively.

Concrete admixture and in-process intermediaries

Our gross profit derived from concrete admixture amounted to RMB18.1 million, RMB14.9 million, RMB29.8 million, RMB9.0 million and RMB12.7 million for FY2021, FY2022, FY2023, 6M2023 and 6M2024, respectively. Gross profit margin derived from concrete admixture decreased by 9.8% from 25.1% for FY2021 to 15.3% for FY2022, mainly due to (i) the decrease in selling price of our products sold to customers as market price decreased; and (ii) the increasing competition in the market. Gross profit margin derived from concrete admixture then increased by 4.1% from 15.3% for FY2022 to 19.4% for FY2023, primarily attributable to (i) economies of scale and the decrease in average unit cost as sales volume increased; and (ii) the reduction in cost of raw material as a result of the use of self-produced polyether monomers. Gross profit margin derived from concrete admixture remained relatively stable at 14.6% and 13.9% for 6M2023 and 6M2024, respectively.

During the Track Record Period, we launched polyether monomers for the purpose of (i) maintaining operation stability and reduce the impact of raw material price fluctuation as polyether monomers is the major raw material of concrete admixture; and (ii) extending our position on the value chain into upstream raw materials of concrete admixture in order to enhance our competitive advantage. We derived gross loss and gross loss margin of RMB9.0 million and 2.9% for FY2022 from polyether monomers, mainly due to (i) the low production volume as the product was initially launched in June 2022 and we were a new entrant to polyether monomer market, resulting in higher cost per tonne in its initial rollout as a portion of the cost such as depreciation and amortisation of our newly installed production lines and staff cost was of a fixed nature; (ii) the more competitive price offered to our customers in response to the keen competition in the market due to the increase in the number of industry players in 2022; and (iii) the increased market production capacity and relatively weak market demand leading to the low gross profit margin of polyether monomers in the market, according to the Frost & Sullivan Report. We derived gross profit and gross profit margin of RMB25.5 million and 3.7% for FY2023, mainly due to the decrease in per tonne fixed cost as a result of the increase in sales volume. We derived gross profit of RMB7.2 million and RMB6.6 million for 6M2023 and 6M2024, respectively, which generated relatively stable gross profit margin of 2.4% and 2.2% for the respective periods.

We derived insignificant gross profit from polycarboxylic acid mother liquor of RMB0.9 million, RMB1.8 million, RMB6.6 million, RMB1.9 million and RMB3.9 million for FY2021, FY2022, FY2023, 6M2023 and 6M2024, respectively. Gross profit margin derived from polycarboxylic acid mother liquor decreased by 3.1% from 7.0% for FY2021 to 3.9% for FY2022, mainly due to the offering of a more competitive price to our customers in order to increase sales volume and capture more market share. Our gross profit margin derived from polycarboxylic acid mother liquor increased from 3.9% for FY2022 to 5.8% for FY2023, mainly due to the decrease in per tonne fixed cost as a result of the increase in sales volume. Our gross profit margin derived from polycarboxylic acid mother liquor remained relatively stable at 5.3% and 4.3% for 6M2023 and 6M2024, respectively.

Others

Other products mainly included (i) sales of raw materials; and (ii) desulfuriser and grinding aids sold by one of our operating subsidiaries, Anhui Haicui. We derived insignificant gross profit from other products of RMB2.0 million, RMB12.1 million, RMB2.7 million, RMB1.0 million and RMB0.8 million for FY2021, FY2022, FY2023, 6M2023 and 6M2024, respectively. The increase in gross profit for FY2022 was mainly due to the increase in revenue for desulfuriser.

Gross profit and gross profit margin by customer type

Cement admixture

For the difference of gross profit margin between related party customers and third party customers, see "Summary — Products — Gross profit and gross profit margin for sales to related party customers and third party customers — Cement admixture".

Concrete admixture

During the Track Record Period, gross profit margin for sales to related party customers was higher than gross profit margin for sales to third party customers, mainly because we offered more competitive price to third party customers in order to expand our market share and develop new customers. During the same period, gross profit margin for sales of concrete water reducing admixture (type 2) to Related Party B was higher than Related Party A, mainly because (i) concrete admixture sold to Related Party B was mainly produced in Meishan Production Plant and Xiangyang Production Plant (both of which commenced operations in 2018), utilisation rate of which was high as compared to other production plants and the per unit fixed cost was relatively low due to the low depreciation cost and high production volume; (ii) for FY2022, FY2023 and 6M2024, a large proportion of sales made to Related Party A was derived by production plants that commenced operation during the Track Record Period (including the Ningbo Production Plant, the Guigang Production Plant, the Tongling Production Plant, the Xianyang Production Plant, the Qinghai Production Plant, the Kunming Production Plant and the Huludao Production Plant), per unit cost of which was higher as a portion of the cost was of a fixed nature; and (iii) we outsourced the production of a portion of products sold to Related Party A to third party suppliers, resulting in the increase in cost for products sold to Related Party A. According to the tender contract, sales price to Related Party B adjusted monthly based on the fluctuation in raw material prices.

Other net income

Other income mainly consisted of (i) interest income on bank deposits and cash at bank; and (ii) government grants which mainly represented subsidies received from local government authorities for encouraging our development in the admixture products in the respective PRC cities. Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that our Group will comply with the conditions attaching to them. Grants that compensate our Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Where the grant relates to an asset, the grant received is credited to a deferred income account and is released to the profit and loss over the expected useful life of the relevant asset by equal annual instalments.

The following table sets out the breakdown of our other net income for the periods indicated:

	FY2021	FY2022	FY2023	6M2023	6M2024
	RMB' million	*RMB' million*	*RMB' million*	*RMB' million* (Unaudited)	*RMB' million*
Interest income on bank deposits and cash at bank	3.0	1.9	1.8	0.8	0.8
Government grants	7.2	3.8	11.8	3.7	9.6
Net loss on disposal of property, plant and equipment	(0.0)*(Note)*	(0.0)*(Note)*	(0.0)*(Note)*	(0.0)*(Note)*	(0.0)*(Note)*
Net gain arising from financial assets measured at fair value through profit and loss ("**FVPL**")	—	—	0.1	0.1	0.0*(Note)*
Others	0.7	0.6	(0.1)	0.4	0.7
Total	10.9	6.3	13.6	5.0	11.1

Note: Less than RMB0.1 million.

Distribution costs

Distributions costs mainly consisted (i) staff cost which mainly included salary, social insurance and performance bonus of our sales staff; (ii) travelling and business entertainment; and (iii) packaging fee which represented the packaging materials used for our products sold.

The following table sets out the breakdown of our distribution costs for the periods indicated:

	FY2021		FY2022		FY2023		6M2023		6M2024	
	RMB' million	%	*RMB' million*	%	*RMB' million*	%	*RMB' million* (Unaudited)	%	*RMB' million*	%
Staff cost	17.4	52.5	27.1	60.1	32.2	58.5	15.4	60.6	15.1	55.3
Travelling and business entertainment	7.9	23.9	9.0	20.0	11.5	20.9	4.5	17.7	4.9	17.9
Packaging fee	2.2	6.6	4.2	9.3	2.7	4.9	0.4	1.6	1.3	4.8
Depreciation and amortisation	2.9	8.8	3.0	6.7	4.7	8.6	2.4	9.4	2.6	9.5
Operating lease charges: minimum lease payments in respect of properties	0.4	1.2	0.4	0.9	1.0	1.8	0.5	2.0	0.3	1.1
Office expenses	0.2	0.6	0.2	0.4	0.2	0.4	0.1	0.4	0.1	0.4
Others	2.1	6.4	1.2	2.6	2.7	4.9	2.1	8.3	3.0	11.0
Total	33.1	100.0	45.1	100.0	55.0	100.0	25.4	100.0	27.3	100.0

Administrative expenses

Administrative expenses mainly included (i) staff cost which mainly represented salary, social insurance and bonus of our administrative staff; (ii) depreciation and amortisation; (iii) tax expenses other than value added tax and PRC income tax; and (iv) safety production fee for (a) the purchase of labour protection supplies; and (b) the maintenance of safety equipment and facilities.

The following table sets out the breakdown of our administrative expenses for the periods indicated:

	FY2021		FY2022		FY2023		6M2023		6M2024	
	RMB' million	%	*RMB' million*	%	*RMB' million*	%	*RMB' million* (Unaudited)	%	*RMB' million*	%
Staff cost	83.2	70.0	94.5	66.8	99.7	63.4	50.5	67.1	51.7	67.1
Depreciation and amortisation	7.9	6.6	11.7	8.3	14.7	9.4	7.1	9.5	7.9	10.3
Travelling and business entertainment	6.2	5.2	6.7	4.7	7.3	4.6	3.0	4.0	2.5	3.2
Tax expenses	8.5	7.1	8.2	5.8	13.5	8.6	6.5	8.7	5.9	7.7
Safety production fee	8.6	7.2	5.7	4.0	5.5	3.5	2.2	2.9	1.7	2.2
Others	4.7	3.9	14.7	10.4	16.4	10.5	5.8	7.8	7.3	9.5
Total	119.1	100.0	141.5	100.0	157.1	100.0	75.1	100.0	77.0	100.0

Research and development costs

Research and development costs mainly included (i) staff cost which mainly represented salary, social insurance and bonus of our R&D staff; (ii) raw materials mainly for testing; and (iii) depreciation and amortisation.

The following table sets out the breakdown of our R&D costs for the periods indicated:

	FY2021		FY2022		FY2023		6M2023		6M2024	
	RMB' million	%	*RMB' million*	%	*RMB' million*	%	*RMB' million* (Unaudited)	%	*RMB' million*	%
Staff cost	20.8	53.2	27.7	69.3	34.7	75.8	16.6	78.3	21.8	74.3
Raw materials	15.4	39.4	8.0	20.1	5.3	11.6	2.1	9.9	3.9	13.1
Depreciation and amortisation	0.9	2.3	1.3	3.3	2.2	4.8	0.7	3.3	1.7	5.6
Others	2.0	5.1	2.9	7.3	3.6	7.8	1.8	8.5	2.0	6.7
Total	39.1	100.0	39.9	100.0	45.8	100.0	21.2	100.0	29.4	100.0

(Provision)/reversal of impairment losses on trade receivables

We measures loss allowances for trade receivables at an amount equal to lifetime expected credit losses, which is calculated using a provision matrix. The provision rates are based on days past due for each individual customer. The provision matrix is initially based on our historical observed default rates. We will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For details, see Note 2(j)(i) of the Accountants' Report in Appendix I to this document.

We recorded provision of impairment losses on trade receivables of RMB10.1 million for FY2022 as compared to reversal of impairment losses on trade receivables of RMB2.6 million for FY2021, mainly due to the increase in trade receivables from RMB266.1 million as at 31 December 2021 to RMB467.3 million as at 31 December 2022 as a result of the increase in revenue following the launch of our new product, namely polyether monomers in June 2022. Our provision of impairment losses on trade receivables increased by RMB4.5 million or 44.6% from RMB10.1 million for FY2022 to RMB14.6 million for FY2023, primarily attributable to the further increase in trade receivables to RMB606.9 million as at 31 December 2023 as a result of (i) the increase in revenue following the launch of our new product, namely polyether monomers in June 2022; and (ii) the increase in the number of customers following the commencement of operation of new production plants which extended our geographical coverage. We recorded provision of impairment losses on trade receivables of RMB2.0 million for 6M2024 as compared to reversal of impairment losses on trade receivables of RMB20,000 for 6M2023, primarily owing to (i) the upward adjustment of expected loss rate based on various factors including actual loss experience, current conditions and economic conditions; and (ii) the increase in past due trade receivables.

Finance costs

Finance costs comprised interest on loans and borrowings and interest on lease liabilities.

The following table sets out the breakdown of our finance costs for the periods indicated:

	FY2021	FY2022	FY2023	6M2023	6M2024
	RMB' million	*RMB' million*	*RMB' million*	*RMB' million* (Unaudited)	*RMB' million*
Interest on loans and borrowings	17.3	31.4	30.6	16.3	13.4
Interest on lease liabilities	0.2	0.2	0.3	0.1	0.3
Less: interest expense capitalised into construction in progress	(7.4)	(7.9)	(0.6)	(0.6)	—
Total	10.1	23.7	30.3	15.8	13.7

Income tax expense

Our Group is subject to income tax on an individual legal entity basis on profits arising in or derived from the tax jurisdictions in which companies comprising our Group domicile or operate.

Pursuant to the PRC income tax law, all of our Company's PRC subsidiaries are liable to PRC income tax at a rate of 25% except for (i) Linyi Conch, which is entitled to a preferential income tax of 15% as it has been certified as a High and New Technology Enterprise; and (ii) pursuant to "Announcement on the continuation of the corporate income tax policy for the western development project" 《關於延續西部大開發企業所得稅政策的公告》, certain subsidiaries are entitled to a preferential income tax rate of 15% as qualifying industries these entities operated in western areas in the PRC during the years ended 31 December 2021, 2022 and 2023. However, the subsidiaries which were qualifying industries operated in western areas were used PRC income tax rate of 25% to prepare accountants' report for the year ending 31 December 2024 due to the change on new catalog of encouraged industries released by National Development and Reform Commission.

Our income tax expenses were RMB23.4 million, RMB17.3 million, RMB26.1 million, RMB10.9 million and RMB10.6 million for FY2021, FY2022, FY2023, 6M2023 and 6M2024, respectively; the effective tax rate, which was calculated by dividing income tax expense by profit before taxation for the corresponding period was 15.6%, 15.8%, 15.4%, 18.6% and 15.0%, respectively.

During the Track Record Period and up to the Latest Practicable Date, we had fulfilled all our income tax obligations and have not had any unresolved income tax issues or disputes with the relevant tax authorities.

REVIEW OF HISTORICAL RESULTS OF OPERATION

6M2024 compared to 6M2023

Revenue

Our revenue increased by RMB67.9 million or 6.6% from RMB1,035.5 million for 6M2023 to RMB1,103.4 million for 6M2024, mainly due to the following:

Cement admixture and its in-process intermediaries. Our revenue generated from cement admixture and its in-process intermediaries decreased by RMB12.5 million or 2.0% from RMB630.9 million for 6M2023 to RMB618.4 million for 6M2024, mainly owing to the decrease in average selling price of both cement admixture and processed alcohol amine as a result of the decrease in purchase price of raw material, namely diethanolamine.

Concrete admixture and its in-process intermediaries. Our revenue generated from concrete admixture and its in-process intermediaries increased by RMB82.8 million or 20.7% from RMB400.0 million for 6M2023 to RMB482.8 million for 6M2024, mainly because revenue from sales of concrete admixture and polycarboxylic acid mother liquor increased as (i) we secured orders from new customers by our Kunming Production Plant and Huludao Production Plant, the businesses of which have been ramping up since the commencement of production in May 2023 and May 2024 respectively; (ii) certain existing customers increased purchase based on their needs; and (iii) Related Party A extended to the field of commodity concrete for the purpose of enhancing its product offering which can attract new customers, so as to maintain its competitiveness and control in the market.

Others. We recorded insignificant revenue of RMB4.7 million and RMB2.3 million for 6M2023 and 6M2024, respectively.

Cost of sales

Cost of sales increased by RMB49.9 million or 5.9% from RMB844.4 million for 6M2023 to RMB894.3 million for 6M2024, mainly owing to the increase in cost of raw materials which was generally in line with the increase in revenue.

Gross profit and gross profit margin

As a result of the foregoing, our gross profit rose by RMB18.0 million or 9.4% from RMB191.1 million for 6M2023 to RMB209.1 million for 6M2024. Our gross profit margin increased by 0.5% from 18.5% for 6M2023 to 19.0% for 6M2024, mainly owing to the increase in gross profit margin of cement admixture as a result of the decrease in raw material price while selling price to Related Party

A and most of the third party customers was generally fixed during the contract period. During the period when raw material price decrease, gross profit margin increase due to the delay in price adjustment.

Other net income

Other net income increased by RMB6.1 million or 122.0% from RMB5.0 million for 6M2023 to RMB11.1 million for 6M2024, mainly owing to the receipt of operating subsidy from local government authorities.

Distributions costs

Distributions costs increased by RMB1.9 million or 7.5% from RMB25.4 million for 6M2023 to RMB27.3 million for 6M2024, primarily owing to the increase in packaging fee and others which was generally in line with the increase in revenue.

Administrative expenses

Administrative expenses increased by RMB1.9 million or 2.5% from RMB75.1 million for 6M2023 to RMB77.0 million for 6M2024, primarily owing to (i) the increase in **[REDACTED]** expenses; and (ii) the increase in staff cost mainly as a result of the increase in average salary.

Research and development costs

Research and development costs increased by RMB8.2 million or 38.7% from RMB21.2 million for 6M2023 to RMB29.4 million for 6M2024, primarily owing to (i) the increase in staff cost mainly as a result of the increase in the number of R&D staff; and (ii) the increase in raw materials for the research of new products.

Reversal/(provision) of impairment losses on trade receivables

We recorded provision of impairment losses on trade receivables of RMB2.0 million for 6M2024 as compared to reversal of impairment losses of trade receivables of RMB20,000 for 6M2023, mainly owing to (i) the upward adjustment of expected loss rate based on various factors including actual loss experience, current conditions and economic conditions; and (ii) the increase in past due trade receivables.

Finance costs

Finance costs decreased by RMB2.1 million or 13.3% from RMB15.8 million for 6M2023 to RMB13.7 million for 6M2024, mainly owing to the decrease in interest on loans and borrowings as a result of (i) the decrease in average loans and borrowings; and (ii) the decrease in interest rate.

Income tax expense

Income tax expense remained relatively stable at RMB10.9 million and RMB10.6 million for 6M2023 and 6M2024, respectively. Our effective tax rate decreased by 3.6% from 18.6% for 6M2023 to 15.0% for 6M2024, mainly owing to the effect on deferred tax balances at beginning of the period resulting from a change in tax rate for certain subsidiaries due to the change on new catalog of encouraged industries released by National Development and Reform Commission which was effective since 1 February 2024.

Profit for the period

As a result of the foregoing, profit for the period increased by RMB12.5 million or 26.2% from RMB47.7 million for 6M2023 to RMB60.2 million for 6M2024. Our net profit margin increased from 4.6% for 6M2023 to 5.5% for 6M2024, mainly owing to the above-mentioned increase in gross profit margin and decrease in effective tax rate.

FY2023 compared to FY2022

Revenue

Our revenue increased by RMB555.9 million or 30.2% from RMB1,839.6 million for FY2022 to RMB2,395.5 million for FY2023, mainly due to the following:

Cement admixture and in-process intermediaries. Our revenue generated from cement admixture and in-process intermediaries increased by RMB69.9 million or 5.1% from RMB1,357.8 million for FY2022 to RMB1,427.7 million for FY2023, mainly due to the increase in sales of processed alcohol amine as a result of the full year operation of our Ningbo Production Plant which extended our geographical coverage and provided additional production capacity to fulfil customer orders.

Concrete admixture and in-process intermediaries. Our revenue generated from concrete admixture and in-process intermediaries increased by RMB502.1 million or 109.1% from RMB460.4 million for FY2022 to RMB962.5 million for FY2023, mainly due to (i) the increase in revenue from sales of polyether monomers by RMB379.6 million as a result of (a) the full year effect of the production of the product; and (b) our continued cooperation with certain strategic customers; (ii) the increase in revenue from sales of polycarboxylic acid mother liquor as a result of (a) the development of customers by production plants that commenced operation in previous year; and (b) the commencement of operation of Kunming Production Plant in 2023 and Xianyang Production Plant in late 2022; and (iii) the increase in revenue of concrete admixture as a result of the commencement of operation of Tongling Production Plant and Guigang Production Plant in late 2021, Ningbo Production Plant in 2022 and Kunming Production Plant in 2023 which extended our geographical coverage to reach new customers.

Others. Our revenue generated from other products decreased by RMB16.1 million or 75.2% from RMB21.4 million for FY2022 to RMB5.3 million for FY2023, mainly because of the decrease in revenue of desulfuriser as a result of divestiture of sales of desulfuriser.

Cost of sales

Cost of sales increased by RMB460.4 million or 31.2% from RMB1,475.9 million for FY2022 to RMB1,936.3 million for FY2023, mainly due to (i) the increase in cost of raw materials and transportation cost which was generally in line with increase in revenue; and (ii) the increase in depreciation and amortisation as a result of commencement of operation of three production plants in 2022 (being the Ningbo Production Plant, the Xianyang Production Plant and the Qinghai Production Plant) and Kunming Production Plant in 2023.

Gross profit and gross profit margin

As a result of the foregoing, our gross profit rose by RMB95.5 million or 26.3% from RMB363.7 million for FY2022 to RMB459.2 million for FY2023. Our gross profit margin slightly decreased by 0.6% from 19.8% for FY2022 to 19.2% for FY2023, mainly due to (i) the increase in sales of polyether monomers by RMB379.6 million and polycarboxylic acid mother liquor by RMB66.6 million which generated relatively low gross profit margin among our products sold; (ii) the increase in gross profit margin of cement admixtures as a result of (a) the decrease in purchase price of raw materials; and (b) the selling price to Related Party A became an annual fixed price as compared to quarterly adjusted selling price based on the historical price fluctuation of raw materials, which caused to some extent the variability of our gross profit as determined by raw material price; and (iii) the increase in gross profit margin of concrete admixtures as a result of (a) economies of scale and the decrease in average unit cost as sales volume increased; and (b) the reduction in cost of raw material as a result of the use of self-produced polyether monomers.

Other net income

Other net income increased by RMB7.3 million or 115.9% for RMB6.3 million for FY2022 to RMB13.6 million for FY2023, primarily due to the increase in government grant as a result of the receipt of tax related subsidies, special subsidies for manufacturing industry and other subsidies of RMB8.0 million in aggregate.

Distributions costs

Distributions costs increased by RMB9.9 million or 22.0% from RMB45.1 million for FY2022 to RMB55.0 million for FY2023, primarily due to (i) the increase in staff cost mainly as a result of the increase in the number of sales staff; (ii) the increase in travelling and business entertainment as a result of the increased number of sales staff; and (iii) the increase in depreciation and amortisation as a result of commencement of operation of Ningbo Production Plant, Qinghai Production Plant and Xianyang Production Plant in 2022 and Kunming Production Plant in 2023.

Administrative expenses

Administrative expenses increased by RMB15.6 million or 11.0% from RMB141.5 million for FY2022 to RMB157.1 million for FY2023, primarily due to (i) the increase in staff cost mainly as a result of the increase in average salary; (ii) the increase in tax expenses as a result of the payment of land use tax and property tax as the number of operating production plants increased; (iii) the increase in depreciation and amortisation as a result of commencement of operation of Ningbo Production Plant in mid of 2022, Qinghai Production Plant and Xianyang Production Plant in second half of 2022 and Kunming Production Plant in 2023; and (iv) the increase in **[REDACTED]** expenses.

Research and development costs

Research and development costs increased by RMB5.9 million or 14.8% from RMB39.9 million for FY2022 to RMB45.8 million for FY2023, primarily due to the increase in staff cost mainly as a result of (i) the increase in the number of R&D staff; and (ii) the increase in average salary.

Provision of impairment losses on trade receivables

Our provision of impairment losses on trade receivables increased by RMB4.5 million or 44.6% from RMB10.1 million for FY2022 to RMB14.6 million for FY2023, primarily due to the increase in trade receivables from RMB467.3 million as at 31 December 2022 to RMB606.9 million as at 31 December 2023 as a result of (i) the increase in revenue following the launch of our new product, namely polyether monomers in June 2022; and (ii) the increase in the number of customers following the commencement of operation of new production plants (being the Ningbo Production Plant, the Xianyang Production Plant and the Qinghai Production Plant) which extended our geographical coverage.

Finance costs

Finance costs increased by RMB6.6 million or 27.8% from RMB23.7 million for FY2022 to RMB30.3 million for FY2023, mainly due to the decrease in the deduction of interest expense capitalised into construction in progress following the substantial completion of construction of our Ningbo Production Plant, Xianyang Production Plant and Qinghai Production Plant in 2022.

Income tax expense

Income tax expense increased by RMB8.8 million or 50.9% from RMB17.3 million for FY2022 to RMB26.1 million for FY2023, mainly due to the increase in profit before taxation. Our effective tax rate remained relatively stable at 15.8% and 15.4% for FY2022 and FY2023, respectively.

Profit for the period

As a result of the foregoing, profit for the period increased by RMB51.5 million or 55.7% from RMB92.4 million for FY2022 to RMB143.9 million for FY2023. Our net profit margin remained relatively stable at 5.0% and 6.0% for FY2022 and FY2023, respectively.

FY2022 compared to FY2021

Revenue

Our revenue increased by RMB302.1 million or 19.6% from RMB1,537.5 million for FY2021 to RMB1,839.6 million for FY2022, mainly due to the following:

Cement admixture and in-process intermediaries. Our revenue generated from cement admixture and in-process intermediaries decreased by RMB91.8 million or 6.3% from RMB1,449.6 million for FY2021 to RMB1,357.8 million for FY2022, mainly due to the decrease in average selling price of both cement admixture and processed alcohol amine as a result of the decrease in purchase price of our raw material, namely propylene oxide.

Concrete admixture and in-process intermediaries. Our revenue generated from concrete admixture and in-process intermediaries significantly increased by RMB375.6 million or 442.9% from RMB84.8 million for FY2021 to RMB460.4 million for FY2022, mainly because we (i) started to produce polyether monomers in June 2022 which contributed revenue of RMB315.5 million for the year; and (ii) established strategic cooperation with certain customers in 2022.

Others. Our revenue generated from other products increased by RMB18.3 million or 590.3% from RMB3.1 million for FY2021 to RMB21.4 million for FY2022, mainly due to the increase in revenue for desulfuriser.

Cost of sales

Cost of sales increased by RMB276.6 million or 23.1% from RMB1,199.3 million for FY2021 to RMB1,475.9 million for FY2022, mainly due to (i) the increase in cost of raw materials as we launched our new product, namely polyether monomers during the year; and (ii) the increase in depreciation and amortisation as two production plants commenced operation in late 2021 (being the Tongling Production Plant and the Guigang Production Plant) and three production plants commenced operation in 2022 (being the Ningbo Production Plant, the Xianyang Production Plant and the Qinghai Production Plant).

Gross profit and gross profit margin

As a result of the foregoing, our gross profit rose by RMB25.5 million or 7.5% from RMB338.2 million for FY2021 to RMB363.7 million for FY2022. Our gross profit margin decreased by 2.2% from 22.0% for FY2021 to 19.8% for FY2022, mainly due to (i) the commencement of sales of polyether monomers in June 2022 which derived gross loss and gross loss margin of RMB9.0 million and 2.9%, respectively; and (ii) the decrease in gross profit margin of concrete admixture as a result of (a) the decrease in selling price of our products sold to related party customers as market price decreased; and (b) the more competitive price offered to third party customers in order to expand our market share and develop new customers. Such low gross profit margin for polyether monomers was mainly due to (i) the low production volume as the product was initially launched in June 2022, resulting in higher cost per tonne as a portion of the cost was of a fixed nature; and (ii) the more competitive price offered to our customers in response to the keen competition in the market due to the increase in the number of industry players in 2022.

Other net income

Other net income decreased by RMB4.6 million or 42.2% from RMB10.9 million for FY2021 to RMB6.3 million for FY2022, mainly due to (i) the decrease in government grants, because there was a one-off special economic fund of RMB3.3 million received from a local government authority in FY2021, whereas we did not receive such fund in FY2022; and (ii) the decrease in interest income due to repayment from the former shareholder of Linyi Conch.

Distribution costs

Distribution costs increased by RMB12.0 million or 36.3% from RMB33.1 million for FY2021 to RMB45.1 million for FY2022, mainly due to the increase in staff cost as a result of the increase in the number of sales staff.

Administrative expenses

Administrative expenses increased by RMB22.4 million or 18.8% from RMB119.1 million for FY2021 to RMB141.5 million for FY2022, mainly due to (i) the increase in staff cost as a result of the increase in the number of administrative staff; (ii) the increase in others as our business scale expanded; and (iii) the increase in depreciation and amortisation as two production plants commenced operation in late 2021 (being the Guigang Production Plant and the Tongling Production Plant) and three production plants commenced operation in 2022 (being the Ningbo Production Plant, the Xianyang Production Plant and the Qinghai Production Plant).

Research and development costs

Research and development costs remained relatively stable at RMB39.1 million and RMB39.9 million for FY2021 and FY2022, respectively.

Reversal/(provision) of impairment losses on trade receivables

We recorded provision of impairment losses on trade receivables of RMB10.1 million for FY2022 as compared to reversal of impairment losses of trade receivables of RMB2.6 million for FY2021, mainly due to the increase in trade receivables from RMB266.1 million as at 31 December 2021 to RMB467.3 million as at 31 December 2022 as a result of the increase in revenue following the launch of our new product, namely polyether monomers in June 2022.

Finance costs

Finance costs increased by RMB13.6 million or 134.7% from RMB10.1 million for FY2021 to RMB23.7 million for FY2022, mainly due to the increase in interest on loans and borrowings as a result of (i) the increase in average loans and borrowings; and (ii) the substantial completion of construction of Tongling Production Plant and Guigang Production Plant in 2021, resulting in the increase in borrowing costs being expensed.

Income tax expense

Income tax expense decreased by RMB6.1 million or 26.1% from RMB23.4 million for FY2021 to RMB17.3 million for FY2022, mainly due to the decrease in profit before taxation. Our effective tax rate remained relatively stable at 15.6% and 15.8% for FY2021 and FY2022, respectively.

Profit for the year

As a result of the foregoing, profit for the year decreased by RMB34.5 million or 27.2% from RMB126.9 million for FY2021 to RMB92.4 million for FY2022. Our net profit margin decreased from 8.3% for FY2021 to 5.0% for FY2022, mainly due to the above-mentioned decrease in gross profit margin and increase in administrative expenses.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flow

Our primary uses of cash are for the payment of procurement of inventories from suppliers, staff costs, various operating expenses and capital expenditure and have been funded through a combination of cash generated from our operations and loans and borrowings. Upon completion of the **[REDACTED]**, we currently expect that there will not be any material change in the sources and uses of cash of our Group in the future, except that we would have additional funds from **[REDACTED]** of the **[REDACTED]** for implementing our future plans as detailed under the section headed "Future Plans and **[REDACTED]**" in this Document.

The following table summarises, for the periods indicated, our statements of cash flows:

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

Operating activities

During our Track Record Period, our cash inflow from operating activities was principally from the receipt of proceeds for our sale of cement admixture and concrete admixture and their respective in-process intermediaries. Our cash outflow used in operating activities was principally for acquisition of inventories, payment of staff costs and other operating expenses.

For 6M2024, we had net cash generated from operating activities of RMB30.6 million, primarily consisting of net cash from operating activities before changes in working capital of RMB121.0 million, negative changes in working capital of RMB76.7 million and income taxes paid of RMB13.7 million. Our net cash from operating activities before changes in working capital was attributable to our profit before tax of RMB70.8 million, adjusted for non-cash items primarily including (i) depreciation of owned property, plant and equipment of RMB31.7 million, and (ii) finance costs of RMB13.7 million. Our net cash outflows relating to changes in working capital were primarily attributable to (i) the increase in trade and other receivables of RMB61.4 million; and (ii) the increase in inventories of RMB33.0 million.

For FY2023, we had net cash generated from operating activities of RMB163.7 million, primarily consisting of net cash from operating activities before changes in working capital of RMB269.7 million, negative changes in working capital of RMB82.6 million and income taxes paid of RMB23.4 million. Our net cash from operating activities before changes in working capital was attributable to our profit before tax of RMB170.0 million, adjusted for non-cash items primarily including (i) depreciation of owned property, plant and equipment of RMB61.0 million, and (ii) finance costs of RMB30.3 million. Our net cash outflows relating to changes in working capital were primarily attributable to the increase in trade and other receivables of RMB175.9 million, partially offset by (i) the increase in trade and other payables of RMB48.7 million; and (ii) the increase in inventories of RMB15.7 million.

For FY2022, we had net cash used in operating activities of RMB122.3 million, primarily consisting of net cash from operating activities before changes in working capital of RMB180.1 million, negative changes in working capital of RMB277.4 million and income taxes paid of RMB25.0 million. Our net cash from operating activities before changes in working capital was attributable to our profit before tax of RMB109.6 million, adjusted for non-cash items primarily including (i) depreciation of owned property, plant and equipment of RMB39.4 million; and (ii) finance costs of RMB23.7 million. Our net cash outflows relating to changes in working capital were primarily attributable to (i) the increase in trade and other receivables of RMB265.6 million; and (ii) the increase in inventories of RMB65.7 million, partially offset by the increase in trade and other payables of RMB40.2 million.

For FY2021, we had net cash generated from operating activities of RMB262.5 million, primarily consisting of net cash from operating activities before changes in working capital of RMB180.3 million, positive changes in working capital of RMB109.7 million and income taxes paid of RMB27.5 million. Our net cash from operating activities before changes in working capital was attributable to our profit before tax of RMB150.3 million, adjusted for non-cash items primarily including (i) depreciation of owned property, plant and equipment of RMB13.4 million; and (ii) finance costs of RMB10.1 million. Our net cash inflows relating to changes in working capital were primarily attributable to (i) the increase in trade and other payables of RMB101.4 million; and (ii) the decrease in trade and other receivables of RMB19.1 million, partially offset by the increase in inventories of RMB13.6 million.

Investing activities

During the Track Record Period, our cash inflow from investing activities was principally proceeds from disposal of property, plant and equipment. Our cash outflow used in investing activities was principally for payment for purchase of property, plant and equipment, construction in progress.

For 6M2024, we had net cash used in investing activities of RMB42.9 million, primarily attributable to (i) payment for purchase of property, plant and equipment and construction in progress of RMB43.2 million; and (ii) payment for purchase of financial assets measured at fair value through profit and loss of RMB20.0 million, partially offset by proceeds from disposal of financial assets measured at fair value through profit and loss of RMB20.0 million.

For FY2023, we had net cash used in investing activities of RMB91.5 million, primarily attributable to (i) payment for purchase of property, plant and equipment and construction in progress of RMB70.0 million; and (ii) payment for purchase of financial assets measured at fair value through profit and loss of RMB60.0 million, partially offset by proceeds from disposal of financial assets measured at fair value through profit and loss of RMB60.2 million.

For FY2022, we had net cash used in investing activities of RMB272.7 million, primarily attributable to payment for purchase of property, plant and equipment, construction in progress of RMB277.8 million.

For FY2021, we had net cash used in investing activities of RMB577.2 million, primarily attributable to (i) payment for purchase of property, plant and equipment, construction in progress of RMB584.9 million; and (ii) payment for purchase of right-of-use assets of RMB32.1 million, partially offset by repayment of amount due from the then investor of a subsidiary of RMB39.5 million.

Financing activities

During the Track Record Period, our cash inflow from financing activities was principally from proceeds from loans and borrowings. Our cash outflow used in financing activities was principally for repayment of loans and borrowings.

For 6M2024, we had net cash used in financing activities of RMB10.3 million, primarily attributable to (i) repayments of loans and borrowings of RMB271.7 million; and (ii) interest paid of RMB13.5 million, partially offset by proceeds from loans and borrowings of RMB283.0 million.

For FY2023, we had net cash used in financing activities of RMB37.8 million, primarily attributable to (i) repayments of loans and borrowings of RMB837.6 million; (ii) interest paid of RMB31.6 million; and (iii) dividends paid of RMB29.8 million, partially offset by (i) proceeds from loans and borrowings of RMB681.1 million; and (ii) capital contribution from equity shareholders of RMB202.9 million.

For FY2022, we had net cash generated from financing activities of RMB312.4 million, primarily attributable to proceeds from loans and borrowings of RMB845.0 million, partially offset by repayments of loans and borrowings of RMB494.3 million.

For FY2021, we had net cash generated from financing activities of RMB428.2 million, primarily attributable to proceeds from loans and borrowings of RMB760.1 million, partially offset by repayments of loans and borrowings of RMB277.0 million.

Net Current Liabilities/Assets

We recorded net current liabilities of RMB7.7 million, RMB192.1 million and RMB16.5 million as at 31 December 2021, 2022 and 2023, respectively, while we recorded net current assets of RMB36.6 million and RMB117.0 million as at 30 June 2024 and 31 October 2024. The table below sets out selected information for our current assets and current liabilities as at the dates indicated:

	As at 31 December			As at 30 June	As at 31 October
	2021	2022	2023	2024	2024
	RMB' million	*RMB' million*	*RMB' million*	*RMB' million*	*RMB' million* (Unaudited)
Current Assets					
Inventories	52.9	118.6	102.9	135.9	131.0
Trade and other receivables	359.8	632.8	813.1	878.7	966.5
Restricted bank deposits	0.1	—	—	—	—
Cash and cash equivalents	214.3	131.8	166.1	143.5	124.7
	627.1	883.2	1,082.1	1,158.1	1,222.2
Current Liabilities					
Loans and borrowings	312.0	712.1	701.6	736.5	676.9
Trade and other payables	313.2	343.2	369.4	349.7	387.5
Contract liabilities	2.5	11.4	13.5	18.6	30.5
Lease liabilities	1.7	1.7	1.8	1.7	1.7
Income tax payables	5.4	6.9	12.3	15.0	8.6
	634.8	1,075.3	1,098.6	1,121.5	1,105.2
Net current (liabilities)/assets	(7.7)	(192.1)	(16.5)	36.6	117.0

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

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

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

Our net current assets increased from RMB36.6 million as at 30 June 2024 to RMB117.0 million as at 31 October 2024, primarily due to (a) the decrease in loans and borrowings of RMB59.6 million following our repayment; and (b) the increase in trade and other receivables of RMB87.8 million.

Despite the net current liabilities we recorded as at 31 December 2023, our Directors' considered that we will be able to maintain sufficient working capital, taking into account of the facts that: (i) our Group has the ability to (a) obtain new banking and other financing facilities; and (b) renew or refinance banking facilities upon maturity; (ii) our Group can adjust the schedule of certain planned capital expenditure for the next twelve months; and (iii) the available unutilised banking facilities amounted to RMB1,568.0 million as at 31 October 2024.

In order to improve our working capital and liquidity position, we intend to adopt or have adopted the following measures to manage and control our working capital and liquidity position at a prudent level:

- we prepare cash flow forecasts from time to time to project liquidity position of our Group for our management to review so as to ensure the sufficiency of our financial resources. For cash receipt, we manage, monitor and analyse the ageing of trade receivables from time to time, and take follow-up actions on trade receivables when payment conditions are met. For cash payment, we assess the status of settlement of trade receivables and adjust payment schedules to suppliers accordingly. For inventory management, we normally purchase raw materials based on requirement plan to reduce our risk exposure to obsolete stock and working capital requirements;

- we would continue to enhance our working capital management, we seek to manage the level of our liquid assets to ensure the availability of sufficient cash flows to meet any unexpected cash requirements arising from our business. We carefully consider our cash position and ability to obtain further financing when arranging payment for major business plans and transactions. We will continue to assess available resources to finance our business needs on an ongoing basis and proactively adjust our business plans or implement cost control measures if necessitated by our then-existing financial conditions and cash requirements; and

- we would continue to maintain stable relationship with our principal banks so as to timely obtain/renew bank borrowings if so required and on acceptable terms to our Group.

Working Capital

Our Directors confirm, and the Sole Sponsor concurs, that taking into consideration the financial resources presently available to us, including cash flow from operations, the available unutilised banking facilities and other internal resources, and the estimated net **[REDACTED]** from the **[REDACTED]**, we have sufficient working capital for our requirements within at least the next 12 months from the date of this document.

Save as disclosed in this document, our Directors are not aware of any other factors that would have a material impact on our Group's liquidity. Details of the funds necessary to meet our existing operations and to fund our future plans are set out in the section headed "Future Plans and **[REDACTED]**" in this document.

DESCRIPTION OF CERTAIN ITEMS OF CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Property, plant and equipment

Our property, plant and equipment mainly consisted of plant and buildings, machinery and equipment and construction in progress. Our property, plant and equipment increased by RMB235.9 million or 30.7% from RMB767.6 million as at 31 December 2021 to RMB1,003.5 million as at 31 December 2022, mainly due to the construction of factory building and machinery and equipment for our production plants including Ningbo Production Plant, Tongling Production Plant, Xianyang Production Plant, Guigang Production Plant and Qinghai Production Plant. Our property, plant and equipment remained relatively stable at RMB1,013.0 million as at 31 December 2023 and RMB998.8 million as at 30 June 2024.

Goodwill

Goodwill was arisen from our acquisition of Xiangyang Conch, Meishan Conch, Linyi Conch and Guizhou Conch in 2018. As at 31 December 2021, 2022 and 2023 and 30 June 2024, we recorded goodwill of RMB28.7 million.

Impairment tests for cash-generating units containing goodwill

Goodwill is allocated to the Group's cash-generation units ("**CGU**") by region as follows:

	Year ended 31 December			As at 30 June
Name of CGU	**2021**	**2022**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Linyi region	10,312	10,312	10,312	10,312
Guizhou region	114	114	114	114
Meishan region	2,950	2,950	2,950	2,950
Xiangyang region	15,315	15,315	15,315	15,315
Total	28,691	28,691	28,691	28,691

The recoverable amounts of the respective CGUs are determined based on the value-in-use ("**VIU**") calculation. As at 31 December 2021, 2022 and 2023 and 30 June 2024, these calculations use cash flow projections based on financial budgets approved by management covering a five-year forecast period. Cash flows beyond the five-year period are extrapolated using an estimated terminal growth rate of 0%. The discount rates used are pre-tax and reflect specific risks relating to the relevant industry, the CGUs themselves and macro-environment of the relevant region. Key assumptions are set out as follows:

	Year ended 31 December			As at 30 June
	2021	**2022**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Annual growth rate of revenue for forecast period *(Note)*	1.0%–6.3%	1.0%–6.3%	2.0%–4.1%	2.0%–6.8%
Long-term growth rate	0%	0%	0%	0%
Pre-tax discount rate	13.8%–15.4%	14.1%–15.5%	13.0%–15.1%	13.5%–15.6%

Note: The basis used to determine the value assigned to the annual growth rate of revenue is based on the average growth levels experienced over the past years and the estimated sales volume and price growth for the next five years.

The headroom measured by the excess of the recoverable amount over the carrying amount of each CGU as at 31 December 2021, 2022 and 2023 and 30 June 2024 were set out below:

	Year ended 31 December			As at 30 June
Name of CGU	**2021**	**2022**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Linyi region	49,884	72,332	69,181	33,396
Guizhou region	27,249	27,417	50,571	33,437
Meishan region	84,989	59,265	22,930	35,571
Xiangyang region	108,108	129,295	82,557	48,839

Management of our Group has undertaken sensitivity analysis on the impairment test of goodwill. The following sensitivity analysis illustrates the impact of reasonable possible changes in each of these factors on the headroom for each CGU respectively as at 31 December 2021, 2022 and 2023 and 30 June 2024:

	Year ended 31 December			As at 30 June
	2021	**2022**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Decrease in annual sales growth rate by two percentage point				
— Linyi region	44,155	47,181	19,001	27,540
— Guizhou region	3,872	6,049	5,153	10,865
— Meishan region	41,683	32,664	5,735	9,912
— Xiangyang region	61,674	54,319	57,803	27,665
Increase in pre-tax discount rate by two percentage point				
— Linyi region	26,072	27,022	26,518	20,233
— Guizhou region	4,798	4,803	8,541	5,893
— Meishan region	19,380	15,429	10,020	11,400
— Xiangyang region	33,625	33,578	31,824	31,482

The management of our Group considered that reasonably possible change in the key assumptions above would not cause each of the CGU's carrying amount at 31 December 2021, 2022 and 2023 and 30 June 2024 to exceed its recoverable amount, respectively. The management of our Group determined that there was no impairment of these CGUs.

Inventories

Our inventories consisted of (i) raw materials which were mainly ethylene oxide, propylene oxide and ethanolamine; and (ii) finished goods which mainly included cement admixture and concrete admixture, and their respective in-process intermediaries that we produced. We source our raw materials for production of our products based on the expected level of production activities taking into consideration the sales orders on hand and the historical trends of sales. If there is an expected shortage of any particular type of raw materials or if the market prices of the raw materials are on an increasing trend, we would increase our inventory level of raw materials. The level of inventory of our finished products is dependent on our production volume as well as the sales orders on hand and the time for delivery of the finished products to our customers. Our products are produced based on the specifications of the sales orders placed by our customers.

The following table sets out the breakdown of our inventories as at the dates indicated:

	As at 31 December			As at 30 June
	2021	**2022**	**2023**	**2024**
	RMB' million	*RMB' million*	*RMB' million*	*RMB' million*
Raw materials	30.7	55.4	47.0	67.0
Finished goods	22.2	63.2	55.9	68.9
Total	52.9	118.6	102.9	135.9

The following table sets out the ageing analysis of our inventories by invoice date as at the dates indicated:

	As at 31 December			As at 30 June
	2021	**2022**	**2023**	**2024**
	RMB' million	*RMB' million*	*RMB' million*	*RMB' million*
Within one year	52.9	118.6	102.2	135.3
Over one year	—	—	0.7	0.6
Total	52.9	118.6	102.9	135.9

As at 31 December 2021 and 2022, 100% of our inventories aged within one year and as at 31 December 2023 and 30 June 2024, over 99.0% of our inventories aged within one year.

Our inventories increased by RMB65.7 million or 124.2% from RMB52.9 million as at 31 December 2021 to RMB118.6 million as at 31 December 2022, primarily because (i) we started operating our Ningbo Production Plant, Xianyang Production Plant and Qinghai Production Pant in 2022; and (ii) we have produced our new product, namely polyether monomers since June 2022. Our inventories decreased by RMB15.7 million or 13.2% from RMB118.6 million as at 31 December 2022 to RMB102.9 million as at 31 December 2023. Such reduction was affected by the difference in timing of Lunar New Year. The Lunar New Year of 2023 was earlier than that of 2024, and therefore, our inventory stock up preceding the Lunar New Year differed each year; specifically, since Lunar New Year in 2023 was in January, we stocked up inventories in December 2022, while Lunar New Year in 2024 was in February, we purchased inventories after 31 December 2023. Our inventories increased by RMB33.0 million or 32.1% from RMB102.9 million as at 31 December 2023 to RMB135.9 million as at 30 June 2024, mainly due to (i) the purchase of raw materials for the production needs of Huludao Production Plant which commenced operation in the second quarter of 2024; and (ii) stocking up of inventories for the expected increase in sales in the second half of 2024.

We also periodically review our inventory levels for slow-moving inventory, obsolescence or decline in fair value. Allowance is made when the net realisable value of inventories falls below the cost or any of the inventories is identified as obsolete. During the Track Record Period, write-down of inventories of RMB1.8 million, RMB2.8 million, RMB1.4 million and RMB1.8 million was recorded as at 31 December 2021, 2022 and 2023 and 30 June 2024, respectively.

The following table sets out the average turnover days of our inventories for the periods indicated:

	FY2021	FY2022	FY2023	6M2024
Average turnover days of inventories [(1)]	14.0	21.2	20.9	24.4

(1) Average turnover days of inventories equal the average of the opening and closing balances of inventories divided by total cost of sales for the same year/period and multiplied by 365 days for FY2021, FY2022 and FY2023 or 183 days for 6M2024.

Our average turnover days of inventories increased from 14.0 days for FY2021 to 21.2 days for FY2022, mainly due to the commencement of operation of Ningbo Production Plant in the second quarter of 2022. Our turnover days of inventories remained relatively stable at 20.9 days for FY2023. Our turnover days of inventories further increased to 24.4 days for 6M2024, mainly owing to stocking up of inventories for the expected increase in sales in the second half of 2024.

As at the Latest Practicable Date, RMB130.7 million or 96.2% of our inventories as at 30 June 2024 were utilised or sold.

Trade and other receivables

The following table sets out our trade and other receivables as at the dates indicated:

	As at 31 December			As at 30 June
	2021	2022	2023	2024
	RMB' million	*RMB' million*	*RMB' million*	*RMB' million*
Trade receivables				
— Third parties	92.9	277.3	406.5	385.4
— Related parties	173.6	192.3	203.2	207.2
Bills receivables, carried at amortised cost	47.9	112.8	187.5	234.8
Less: allowance for doubtful debts	(13.4)	(23.5)	(38.0)	(40.1)
Net trade and bills receivables	301.0	558.9	759.2	787.3
Bills receivable, measured at fair value through other comprehensive income ("**FVOCI**")	4.4	31.2	10.8	40.6
Other receivables				
— Deposits and prepayments	12.5	22.1	20.1	27.9
— VAT recoverable	34.9	8.5	7.7	1.1
— Prepayments for costs incurred in connection with the **[REDACTED]**	—	—	9.3	13.5
— Others	4.5	8.0	6.0	8.3
Total other receivables	51.9	38.6	43.1	50.8
Other receivables from related parties				
— Temporary payment on behalf of related party	2.5	4.1	0.0	—
Current portion of trade and other receivables	359.8	632.8	813.1	878.7
Non-current portion of trade and other receivables	37.8	24.1	2.5	3.7
Total current and non-current trade and other receivables	397.6	656.9	815.6	882.4

Trade and bills receivables

Our trade and bills receivables primarily represented outstanding amounts receivables from our customer for the sales of our products. Our trade and bills receivables increased by RMB257.9 million or 86.0% from RMB301.0 million as at 31 December 2021 to RMB558.9 million as at 31 December 2022, mainly due to the increase in revenue following the launch of our new product, namely polyether monomers in June 2022. Our trade and bills receivables further increased by RMB200.3 million or 35.8% to RMB759.2 million as at 31 December 2023, mainly due to (i) the increase in revenue following the launch of our new product, namely polyether monomers in June 2022; and (ii) the increase in the number of customers following the commencement of operation of new production plants which extended our geographical coverage. Our trade and bills receivables remained relatively stable at RMB759.2 million and RMB787.3 million as at 31 December 2023 and 30 June 2024, respectively.

As at 31 December 2021, 2022 and 2023 and 30 June 2024, we endorsed undue bills receivable of RMB53.2 million, RMB44.6 million, RMB135.4 million and RMB97.7 million, respectively to our suppliers to settle trade payables of the same amount and derecognised these bills receivable and payables to suppliers in their entirety from balance sheet as our management considered that the risks and rewards of ownership of these undue bills have been substantially transferred. Our continuous involvement in these derecognised undue bills receivable is limited to when the issuance banks of these undue bills are unable to settle the amounts to the holders of these bills. As at 31 December 2021, 2022 and 2023 and 30 June 2024, the maximum exposure to loss from its continuous involvement represents the amount of bills receivable of RMB53.2 million, RMB44.6 million, RMB135.4 million and RMB97.7 million which we endorsed to our suppliers. These undue bills receivable were due within six months from date of issuance.

The following table sets out the ageing analysis of our net trade and bills receivables based on the past due ageing as at the dates indicated:

	As at 31 December			As at 30 June
	2021	**2022**	**2023**	**2024**
	RMB' million	*RMB' million*	*RMB' million*	*RMB' million*
Current	288.5	508.8	642.2	630.6
One to six months past due	12.4	50.1	116.5	141.8
Seven months to one year past due	0.1	0.0	0.5	14.9
Total	301.0	558.9	759.2	787.3

Our trade and bills receivables aged one to six months past due increased from RMB12.4 million as at 31 December 2021 to RMB50.1 million as at 31 December 2022, and further increased to RMB116.5 million as at 31 December 2023, mainly due to temporary delay in settlement by Customer B and its subsidiaries and another third party customer who were our major customers of polyether monomer. Our trade and bills receivables aged one to six months past due increased from RMB116.5 million as at 31 December 2023 to RMB141.8 million as at 30 June 2024, primarily owing to the increase in past due trade receivables of Customer B and its subsidiaries. As at 30 June 2024, total trade and bills receivables of RMB149.4 million was due from Customer B and its subsidiaries, of which RMB34.6 million or 23.2% was settled as at the Latest Practicable Date. As at the Latest Practicable Date, RMB94.7 million or 63.4% of trade and bills receivables aged one to six months past due as at 30 June 2024 were settled.

Our Directors considered that trade and bills receivables from Customer B and its subsidiaries has no recoverability issue because (i) the customer is a state-owned enterprise and a leading player in its industry with a registered capital of RMB12.1 billion as at the Latest Practicable Date; (ii) the customer had historical payment record with us; (iii) we did not have any material disagreement or disputes with this customer on trade and bills receivables; and (iv) there had not been any significant change in creditability of the customer and the balances were still considered to be fully recoverable.

Our Directors believed that the allowance for doubtful debts from Customer B and its subsidiaries during the Track Record Period was adequate, on the basis that (i) we closely review the balances of trade and bills receivables from Customer B and its subsidiaries on an ongoing basis and assess the collectability of overdue balances from this customer; (ii) we estimate the loss allowances for trade receivables by assessing the expected credit losses, which are based on our historical credit loss experience, adjusted for factors that are specific to the customer and an assessment of both the current and forecast general economic conditions at the reporting date; and (iii) we have dedicated internal teams responsible for continually monitoring the credit profiles and operating and financial conditions of our customers and proactively following up with our customers to ensure recoverability of trade and bills receivables in the foreseeable future.

The following table sets out the ageing analysis of our net trade and bills receivables by invoice date as at the dates indicated:

	As at 31 December			As at 30 June
	2021	**2022**	**2023**	**2024**
	RMB' million	*RMB' million*	*RMB' million*	*RMB' million*
Within six months	301.0	558.9	759.2	772.4
Over six months	—	—	—	14.9
Total	301.0	558.9	759.2	787.3

According to IFRS 9, loss allowances for trade receivables are measured at an amount equal to lifetime ECLs, which is calculated using a provision matrix based on the past due status of our Group's customers at the end of each reporting period. The loss allowances derived from the ECL is assumed to be deducted from the long-aged trade and bills receivables by invoice date. As such, the gross trade and bills receivables aged over six months as at 31 December 2021, 2022 and 2023 were fully impaired and no net trade and bills receivables aged over six months by invoice date. Our net trade and bills receivables aged over six months by invoice date increased from nil as at 31 December 2023 to RMB14.9 million as at 30 June 2024, mainly due to the increase in past due trade and bills receivables which were not fully impaired.

Our Group's trading terms with our customers are either on credit or in cash. Before accepting any new customers, our Group will apply an internal credit assessment policy to assess the potential customer's credit quality and define credit limit by customer. Trade receivables are generally due within 30 days to 120 days from the date of billing. Each customer has a maximum credit limit. Our Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise the credit risk. Overdue balances are reviewed regularly by senior management. We typically do not require any collateral as security.

We measures loss allowances for trade receivables at an amount equal to lifetime expected credit losses, which is calculated using a provision matrix. We established a credit risk management policy under which individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. As at 31 December 2021, 2022 and 2023 and 30 June 2024, allowance for doubtful debts were RMB13.4 million, RMB23.5 million, RMB38.0 million and RMB40.1 million, respectively.

As at the Latest Practicable Date, RMB616.1 million or 78.3% of our trade receivables outstanding as at 30 June 2024 were settled.

The table below sets out a summary of average turnover days of trade receivables as at the dates indicated:

	FY2021	FY2022	FY2023	6M2024
Overall average turnover days of trade receivables [1]	68.8	73.0	82.2	99.7
Average turnover days of trade receivables attributable to third party customers[2]	54.9	64.5	77.2	96.4
Average turnover days of trade receivables attributable to related parties[3]	80.1	84.4	92.7	106.7

(1) Average turnover days of trade receivables equal the average of the opening and closing balances of trade receivables (including value-added tax) divided by total revenue from contracts with customers for the same year/period and multiplied by 365 days for FY2021, FY2022 and FY2023 or 183 days for 6M2024.

(2) Average turnover days of trade receivables attributable to third party customers equal the average of the opening and closing balances of trade receivables attributable to third party customers (including value-added tax) divided by total revenue from contracts with third party customers for the same year/period and multiplied by 365 days for FY2021, FY2022 and FY2023 or 183 days for 6M2024.

(3) Average turnover days of trade receivables attributable to related parties equal the average of the opening and closing balances of trade receivables attributable to related parties (including value-added tax) divided by total revenue from contracts with related parties for the same year/period and multiplied by 365 days for FY2021, FY2022 and FY2023 or 183 days for 6M2024. Trade receivable from related party customers was generally due within two months after receiving VAT invoice, the VAT invoice was generally issued approximately 30 days after delivery of products.

Our turnover days of trade receivables increased from 68.8 days for FY2021 to 73.0 days for FY2022, mainly because we granted longer credit period to customers of polyether monomers for the purpose of expanding the market. Our turnover days of trade receivables further increased to 82.2 days for FY2023, mainly due to (i) the longer credit period granted to certain customers of polyether monomers; and (ii) the increase in the number of customers with credit term following the commencement of operation of new production plants. Our turnover days of trade receivables increased to 99.7 days for 6M2024, primarily owing to (i) the long credit period granted to certain customers; and (ii) the increase in past due trade receivables.

Our average turnover days of trade receivables attributable to third party customers was 54.9 days, 64.5 days, 77.2 days and 96.4 days for FY2021, FY2022, FY2023 and 6M2024, respectively, which was within the credit period ranging from 30 days to 120 days granted to our customers. As such, our Directors considered that there was no significant variance between the turnover period attributable to third party customers and the credit policy granted to the customers.

Our average turnover days of trade receivables attributable to related parties was 80.1 days, 84.4 days and 92.7 days for FY2021, FY2022 and FY2023, respectively, which was generally in line with the fluctuation of our overall average turnover days of trade receivables. Our average turnover days of trade receivables attributable to related parties further increased to 106.7 days for 6M2024, mainly due to the increase in past due trade receivables of Related Party A.

Bills receivables, carried at FVOCI

Our bills receivables, carried at FVOCI represented settlement of trade receivables by customers using bills issued by banks. The fluctuation was affected by the amount of trade receivables to be settled by bills. Our bills receivables, carried at FVOCI increased by RMB26.8 million or 609.1% from RMB4.4 million as at 31 December 2021 to RMB31.2 million as at 31 December 2022, mainly because (i) more customers settled their trade receivables by bills; and (ii) the increase in revenue following the launch of our new product, namely polyether monomers. Our bills receivables, carried at FVOCI decreased to RMB10.8 million as at 31 December 2023, primarily attributable to maturity of the bills. Our bills receivables, carried at FVOCI then increased by RMB29.8 million or 275.9% to RMB40.6 million as at 30 June 2024, mainly because more customers settled their trade receivables by bills.

Other receivables

Our other receivables comprised (i) deposits and prepayments for the purchase of raw materials; (ii) value added tax ("**VAT**") recoverable; (iii) amounts due from the then investor of a subsidiary; and (iv) others which were mainly (a) guarantee deposits receivable from suppliers in relation to construction of our production plant; and (b) tender deposit. VAT recoverable refers to the input VAT in excess of the output VAT that are deductible or recoverable in the future. The amount of input taxes is determined with reference to the applicable VAT tax rate in effect during the period when the purchase from suppliers is made.

Our other receivables decreased by RMB13.3 million or 25.6% from RMB51.9 million as at 31 December 2021 to RMB38.6 million as at 31 December 2022, primarily attributable to the use of VAT recoverable as two production plants commenced operation in late 2021 (being the Tongling Production Plant and the Guigang Production Plant) and three production plants commenced operation in 2022 (being the Ningbo Production Plant, the Xianyang Production Plant and the Qinghai Production Plant) which generated revenue and output VAT, partially offset by the increase in deposits and prepayments as a result of the purchase of more raw materials for our production following the increase in the number of operating production plants.

Our other receivables increased by RMB4.5 million or 11.7% to RMB43.1 million as at 31 December 2023, mainly owing to the increase in the prepayments for costs incurred in connection with the **[REDACTED]**.

Our other receivables increased by RMB7.7 million or 17.9% to RMB50.8 million as at 30 June 2024, mainly owing to (i) the increase in deposits and prepayments as a result of the purchase of raw materials for the expected increase in sales in the second half of 2024; and (ii) the increase in prepayments for costs incurred in connection with the **[REDACTED]**, partially offset by the decrease in VAT recoverable following VAT refund and use of VAT recoverable.

Other receivables from related parties

Other receivables from related parties included temporary payment on behalf of related party which was incurred before our acquisition of Anhui Haicui and was subsequently settled as at the Latest Practicable Date. As at 31 December 2021, 2022 and 2023 and 30 June 2024, other receivables from related parties amounted to RMB2.5 million, RMB4.1 million, RMB0.0 million and nil, respectively. For further details of related party transactions and balances, please refer to Note 28 of the Accountants' Report in Appendix I to this document.

Non-current portion of trade and other receivables

Our non-current portion of trade and other receivables mainly represented prepayment for purchase of property, plant and equipment and non-current VAT recoverable. Our non-current portion of trade and other receivables decreased by RMB13.7 million or 36.2% from RMB37.8 million as at 31 December 2021 to RMB24.1 million as at 31 December 2022, mainly due to the use of VAT recoverable as two production plants commenced operation in late 2021 (being the Guigang Production Plant and the Tongling Production Plant) and three production plants commenced operation in 2022 (being the Ningbo Production Plant, the Xianyang Production Plant and the Qinghai Production Plant) which generated revenue and output VAT. Our non-current portion of trade and other receivables further decreased to RMB2.5 million as at 31 December 2023, primarily attributable to (i) the use of VAT recoverable as two production plants commenced operation in late 2021 (being the Guigang Production Plant and the Tongling Production Plant) and three production plants commenced operation in 2022 (being the Ningbo Production Plant, the Xianyang Production Plant and the Qinghai Production Plant) which generated revenue and output VAT; and (ii) completion of installation of certain equipment. We recorded insignificant non-current portion of trade and other receivables of RMB3.7 million as at 30 June 2024.

Trade and other payables

The following table sets out our trade and other payables as at the dates indicated:

	As at 31 December			As at 30 June
	2021	**2022**	**2023**	**2024**
	RMB' million	*RMB' million*	*RMB' million*	*RMB' million*
Trade payables				
— Third parties	132.4	153.7	193.0	213.1
— Related parties	0.8	0.8	2.7	4.2
Bills payables	15.0	—	—	—
Trade and bills payables	148.2	154.5	195.7	217.3
Other payables and accruals to third parties				
— Construction and equipment payables	65.2	81.7	69.2	50.9
— Deposits	33.4	36.5	32.8	29.2
— Other taxes and surcharges payables	8.1	7.6	5.4	6.1
— Accrued payroll and other benefits	37.6	42.9	46.1	28.0
— Payables for costs incurred in connection with the proposed issuance of the Company's H shares	—	—	6.6	4.8
— Other accrued expenses	7.5	9.2	7.6	6.6
Total other payables and accruals	151.8	177.9	167.7	125.6
Other payables to related parties				
— Construction and equipment payables	13.2	10.8	6.0	6.8
Trade and other payables	313.2	343.2	369.4	349.7

Trade and bills payables

Our trade payables mainly included payable to our suppliers for the purchase of inventories, while our bills payables represented issuance of performance guarantee for acquisition of equipment. Our trading terms with suppliers includes prepayment, cash on delivery or on credit with credit period generally up to two months. The following table sets out the ageing analysis of our trade and bills payables as at the dates indicated:

	As at 31 December			As at 30 June
	2021	**2022**	**2023**	**2024**
	RMB' million	*RMB' million*	*RMB' million*	*RMB' million*
Within one year	147.5	154.5	195.7	217.3
Over one year	0.7	0.0	0.0	0.0
Total	148.2	154.5	195.7	217.3

Trade and bills payables increased by RMB6.3 million or 4.3% from RMB148.0 million as at 31 December 2021 to RMB154.3 million as at 31 December 2022, and further increased by RMB40.5 million or 26.2% to RMB194.8 million as at 31 December 2023, mainly because of the increase in demand of raw materials as sales increased. Trade and bills payables increased by RMB21.6 million or 11.0% to RMB217.3 million as at 30 June 2024, mainly due to (i) the increase in purchase of raw materials for production need; and (ii) the increase in transportation cost as revenue increased.

As at the Latest Practicable Date, RMB189.8 million or 87.1% of trade payables outstanding as at 30 June 2024 were settled. Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, there was no material default in payment of trade payables.

The following table sets out the average turnover days of trade payables for the Track Record Period:

	FY2021	FY2022	FY2023	6M2024
Average turnover days of trade payables [1]	41.3	35.6	33.0	42.3

(1) Average turnover days of trade payables equal the average of the opening and closing balances of trade payables divided by total cost of sales for the same year/period and multiplied by 365 days for FY2021, FY2022 and FY2023 or 183 days for 6M2024.

Average turnover days of trade payables decreased from 41.3 days for FY2021 to 35.6 days for FY2022, mainly due to the increase in purchase from Supplier Group A who required payment before delivery. Average turnover days of trade payables remained relatively stable at 33.0 days for FY2023. Average turnover days of trade payables then increased to 42.3 days for 6M2024, mainly owing to (i) the increase in purchase of raw materials for production need; and (ii) the increase in transportation cost as revenue increased.

Other payables and accruals

Our other payables and accruals comprised (i) construction and equipment payables; (ii) deposits which represented guarantee money received from suppliers; (iii) taxes and surcharges payables other than PRC income tax; (iv) accrued payroll and other benefits payable to our staff; (v) accrued expenses; and (vi) others.

Other payables and accruals increased by RMB26.1 million or 17.2% from RMB151.8 million as at 31 December 2021 to RMB177.9 million as at 31 December 2022, mainly due to (i) the increase in construction and equipment payables as a result of the construction of our production plants; (ii) the increase in deposits as a result of the increase in purchase of raw materials following the commencement of operation of two production plants in late 2021 (being the Tongling Production Plant and the Guigang Production Plant) and three production plants in 2022 (being the Ningbo Production Plant, the Xianyang Production Plant and the Qinghai Production Plant); and (iii) the increase in accrued payroll and other benefits as a result of the increase in headcount.

Other payables and accruals then decreased by RMB10.2 million or 5.7% to RMB167.7 million as at 31 December 2023, primarily attributable to (i) the decrease in construction and equipment payables as a result of settlement made before year end; and (ii) the decrease in deposits as a result of return of deposits to suppliers after completion of certain tendering projects, partially offset by (i) the increase in payables for costs incurred in connection with the **[REDACTED]**; and (ii) the increase in accrued payroll and other benefits as a result of the increase in the number of staff and year end bonus.

Other payables and accruals decreased by RMB42.1 million or 25.1% to RMB125.6 million as at 30 June 2024, primarily owing to (i) the decrease in construction and equipment payables as a result of settlement made before period end; (ii) the decrease in accrued payroll and other benefits as a result of payment of year end bonus; and (iii) the decrease in deposits as a result of refund of deposits to suppliers after completion of certain tendering projects.

As at the Latest Practicable Date, RMB45.6 million or 34.5% of other payables outstanding as at 30 June 2024 were settled.

Other payables to related parties

Other payables to related parties included payable for construction and purchase of equipment (such as admixtures storage containers and energy storage system) for our operations and intangible assets. Other payables to related parties amounted to RMB13.2 million, RMB10.8 million, RMB6.0 million and RMB6.8 million as at 31 December 2021, 2022 and 2023 and 30 June 2024, respectively.

Other payables to related parties were unsecured, interest-free and repayable on demand. According to our contract terms regarding the other payables to related parties arising from the purchase of equipment, our amounts payable are due in installments, generally in three stages (the three stages being (i) on or around the signing of contract, (ii) on or around the completion of installation and (iii) on or around the expiry of warranty). As to the purchase of intangible assets, our amounts payable are due 30 days after the signing of the contract. For further details of related party transactions and balances, please refer to Note 28 of the Accountants' Report in Appendix I to this document. Other payables to related parties will be settled in accordance with the contract term.

Contract liabilities

A contract liability is recognised when the customer pays non-refundable consideration before our Group recognises the related revenue or our Group has an unconditional right to receive non-refundable consideration before our Group recognises the related revenue. Our contract liabilities increased by RMB8.9 million or 356.0% from RMB2.5 million as at 31 December 2021 to RMB11.4 million as at 31 December 2022, and further increased by RMB2.1 million or 18.4% to RMB13.5 million as at 31 December 2023, which was generally in line with our business growth. Our contract liabilities increased by RMB5.1 million or 37.8% to RMB18.6 million as at 30 June 2024, primarily owing to the increase in revenue.

As at the Latest Practicable Date, RMB18.6 million or 100.0% of contract liabilities as at 30 June 2024 were recognised as revenue.

CAPITAL EXPENDITURES

Our Group's capital expenditures consisted of expenditures on payment for purchase of property, plant and equipment and construction in progress. During the Track Record Period, our Group incurred capital expenditures of RMB584.9 million, RMB277.8 million, RMB70.0 million and RMB43.2 million, respectively, majority of which came from addition of construction in progress and machinery and equipment.

Our Group's projected capital expenditures are subject to revision based upon any future changes in our business plan, market conditions, and economic and regulatory environment. See "Future Plans and **[REDACTED]**" in this document for further information.

We expect to fund our capital expenditures principally though the net **[REDACTED]** we receive from the **[REDACTED]**, cash generated from our operating activities and proceeds from loans and borrowings. We believe that these sources of funding will be sufficient to finance our contractual commitments and capital expenditure needs for the next 12 months.

PROPERTY INTERESTS AND PROPERTY VALUATION

Our Directors confirm that, as at the Latest Practicable Date, there were no circumstances that would give rise to a disclosure requirement under Rules 5.01 to 5.10 of the Listing Rules. As at the Latest Practicable Date, our property interests do not form part of our property activities and no single property interest that forms part of our non-property activities has a carrying amount of 15% or more of our total assets.

CAPITAL COMMITMENTS

We had the following capital commitments, which were not provided for in our consolidated financial statements:

	As at 31 December			As at 30 June
	2021	**2022**	**2023**	**2024**
	RMB' million	*RMB' million*	*RMB' million*	*RMB' million*
Contracted for	140.0	33.7	10.9	0.9

INDEBTEDNESS

The following table sets out our total debts as at the dates indicated:

	As at 31 December			As at 30 June	As at 31 October
	2021	2022	2023	2024	2024
	RMB' million	*RMB' million*	*RMB' million*	*RMB' million*	*RMB' million* (Unaudited)
Non-current					
Loans and borrowings	441.1	391.7	245.6	222.1	222.1
Lease liabilities	3.8	2.1	4.0	8.7	8.8
Current					
Loans and borrowings	312.0	712.1	701.6	736.5	676.9
Lease liabilities	1.7	1.7	1.8	1.7	1.7
Total	758.6	1,107.6	953.0	969.0	909.5

Loans and borrowings

The following table sets out our bank loans as at the dates indicated:

	As at 31 December			As at 30 June	As at 31 October
	2021	2022	2023	2024	2024
	RMB' million	*RMB' million*	*RMB' million*	*RMB' million*	*RMB' million* (Unaudited)
Guaranteed	50.0	83.5	—	—	—
Unsecured	703.1	1,020.3	947.2	958.5	899.0
Total	753.1	1,103.8	947.2	958.5	899.0

As at 31 December 2021, 2022 and 2023, 30 June 2024 and 31 July 2024, the guaranteed bank loans amounting to RMB50.0 million, RMB83.5 million, nil, nil and nil, respectively, were generally guaranteed by Conch Tech Innovation, the parent company of our Group and was subsequently repaid. The following table sets out the repayment schedule of our bank loans as at the dates indicated:

	As at 31 December			As at 30 June	As at 31 October
	2021	2022	2023	2024	2024
	RMB' million	*RMB' million*	*RMB' million*	*RMB' million*	*RMB' million* (Unaudited)
Within one year	312.0	712.1	701.6	736.5	676.9
After one year but within two years	97.6	77.5	55.0	65.0	65.0
After two years but within five years	217.5	237.5	190.6	157.1	157.1
After five years	126.0	76.7	—	—	—
Total	753.1	1,103.8	947.2	958.5	899.0

The following table sets out the range of interest rates for our bank loans as at the dates indicated:

	As at 31 December			As at 30 June	As at 31 October
	2021	2022	2023	2024	2024
					(Unaudited)
Interest rate	2.55%–3.75%	2.85%–3.75%	2.60%–2.95%	2.60%–2.95%	2.50%–2.65%

As at 31 October 2024, being the latest practicable date for the purpose of indebtedness statement, we had aggregate banking facilities of RMB2,529.5 million, of which RMB1,568.0 million was unutilised and RMB961.5 million was utilised. We are not committed to draw down the unutilised amount.

During the Track Record Period, our Directors confirm that we did not experience any delay or default in repayment of bank borrowings nor experience any difficulty in obtaining banking facilities with terms that are commercially acceptable to us. Our Directors further confirm that there was no breach of material covenants, including default in repayment, or difficulty in obtaining bank loans and other borrowings during the Track Record Period and up to the Latest Practicable Date. As at the date of this document, we did not have any plan for material external debt financing.

Lease liabilities

The following table sets out the breakdown of our lease liabilities as at the dates indicated:

	As at 31 December			As at 30 June	As at 31 October
	2021	**2022**	**2023**	**2024**	**2024**
	RMB' million	*RMB' million*	*RMB' million*	*RMB' million*	*RMB' million* (Unaudited)
Non-current	3.8	2.1	4.0	8.7	8.8
Current	1.7	1.7	1.8	1.7	1.7
Total	5.5	3.8	5.8	10.4	10.5

During the Track Record Period, we lease various properties and leasehold land mainly for the use of office, dormitory and production facilities. Our Directors confirmed that there has not been any material change in our indebtedness since the Latest Practicable Date up to the date of this document.

Contingent liabilities

As at 31 October 2024, being the latest practicable date for the purpose of the indebtedness statement, we did not have any material contingent liabilities or guarantees.

Apart from intra-group liabilities, our Group did not have outstanding at Latest Practicable Date any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptable credits, debentures, mortgages, charges, finance leases or hire purchases commitments, guarantees, material covenants, or other material contingent liabilities.

OFF-BALANCE SHEET ARRANGEMENT

As at the Latest Practicable Date, we had not entered into any off-balance sheet transaction.

TRANSACTIONS WITH RELATED PARTIES

With respect to the related party transactions set out in the Accountants' Report in Appendix I to this document, our Directors confirm that all related party transactions during the Track Record Period were conducted on normal commercial terms that are reasonable and in the interest of our Group as a whole. Our Directors further confirm that these related party transactions would not distort our results of operations for the Track Record Period or make our historical result not reflective of our future performance.

KEY FINANCIAL RATIOS

The following table sets out our key financial ratios as at each of the dates indicated:

	FY2021	FY2022	FY2023	6M2024
Gross Profit Margin (%) [(1)]	22.0	19.8	19.2	19.0
Net Profit Margin (%) [(2)]	8.3	5.0	6.0	5.5
Return on equity (%) [(3)]	24.6	15.3	18.0	12.3[(10)]
Return on total assets (%) [(4)]	9.5	4.9	6.4	5.1[(10)]
Interest coverage (times) [(5)]	22.2	6.0	7.0	6.5

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

Notes:

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

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

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

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

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

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

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

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

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

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

Return on equity

Our return on equity decreased from 24.6% for FY2021 to 15.3% for FY2022, mainly due to the increase in total equity and the decrease in profit for the year. Our return on equity increased to 18.0% for FY2023, mainly due to the increase in profit for the year outweighed the increase in total equity. Our return on equity decreased to 12.3% for 6M2024, primarily owing to the decrease in annualised profit and the increase in equity.

Return on total assets

Our return on total assets decreased from 9.5% for FY2021 to 4.9% for FY2022, mainly due to the increase in total assets and the decrease in profit for the year. Our return on total assets increased to 6.4% for FY2023, mainly due to the increase in profit for the year outweighed the increase in total assets. Our return on total assets then decreased to 5.1% for 6M2024, primarily owing to the decrease in annualised profit.

Interest coverage

Our interest coverage decreased from 22.2 time for FY2021 to 6.0 times for FY2022, mainly due to the decrease in profit before taxation and the increase in finance costs. Our interest coverage remained relatively stable at 7.0 times for FY2023 and 6.5 times for 6M2024.

Current ratio

Our current ratio remained relatively stable at 1.0 times, 0.8 times, 1.0 times and 1.0 times for FY2021, FY2022, FY2023 and 6M2024, respectively.

Quick ratio

Our quick ratio remained relatively stable at 0.9 times, 0.7 times, 0.9 times and 0.9 times for FY2021, FY2022, FY2023 and 6M2024, respectively.

Gearing ratio

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

Net debt to equity ratio

Our net debt to equity ratio increased from 96.1% for FY2021 to 150.4% for FY2022, mainly due to the increase in net debts outweighed the increase in total equity. Our net debt to equity ratio decreased to 82.4% for FY2023, mainly due to the increase in total equity and cash and cash equivalents and the decrease in loans and borrowings. Our net debt to equity ratio remained relatively stable at 80.8% for 6M2024.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

We are exposed to a variety of financial risk including interest rates risk, credit risk and liquidity risk. Details of the risks to which we are exposed are set out in Note 26 to the Accountants' Report in Appendix I to this document.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors confirm that as at the Latest Practicable Date, there were no circumstances that would give rise to the disclosure requirements under Rules 13.13 to 13.19 of the Hong Kong Listing Rules.

[REDACTED] EXPENSES

Assuming an **[REDACTED]** of **[REDACTED]** per Share, being the mid-point of the indicative **[REDACTED]** of **[REDACTED]** to **[REDACTED]** per Share, the total estimated **[REDACTED]** expenses in connection with the **[REDACTED]** (including **[REDACTED]** commission for all **[REDACTED]**) was **[REDACTED]** (equivalent to **[REDACTED]**), representing approximately **[REDACTED]**% of the estimated **[REDACTED]** from the **[REDACTED]** if the **[REDACTED]** is not exercised.

During the Track Record Period, we incurred **[REDACTED]** expenses of **[REDACTED]** (equivalent to **[REDACTED]**), of which **[REDACTED]** (equivalent to **[REDACTED]**) was charged to our profit or loss, while **[REDACTED]** (equivalent to **[REDACTED]**) are directly attributable to the issuance of Shares and is expected to be accounted for as a deduction from equity upon completion of the **[REDACTED]**. We expect to incur additional **[REDACTED]** expenses of **[REDACTED]** (equivalent to **[REDACTED]**), of which an estimated amount of **[REDACTED]** (equivalent to

[REDACTED]) will be charged to profit or loss and **[REDACTED]** (equivalent to **[REDACTED]**), being directly attributable to the issuance of Shares, will be accounted for as a deduction from equity upon successful **[REDACTED]** under relevant accounting standards.

The **[REDACTED]** expenses consist of (i) **[REDACTED]**-related expenses, including **[REDACTED]** commission, of **[REDACTED]** (equivalent to **[REDACTED]**); and (ii) non-**[REDACTED]** related expenses of **[REDACTED]** (equivalent to **[REDACTED]**), including (a) fees and expenses of legal advisers and Reporting Accountants of **[REDACTED]** (equivalent to **[REDACTED]**); and (b) other fees and expenses of **[REDACTED]** (equivalent to **[REDACTED]**).

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

INVESTMENT POLICY

We have formulated a risk assessment and on-going monitoring policy on the purchase of investment products and place of structured deposit products. A proper approval mechanism is adopted and a thorough monitoring system is in place to control our risks.

At the end of each year, we prepare an investment plan based on our capital plan for the following year to be approved by the Board after going through certain procedures for assessment. Any investment shall be made within the ambit of the investment plan. Investment products or structured deposit will only be purchased or placed to enhance the utilisation of idol cashflow and we may only invest in products with risk ratings of "conservative" or "low-risk" levels. No subsidiary is allowed to make investment in any structured products.

Investment proposal shall be prepared by the finance team (led by Mr. Bai Lin) which sets out including but not limited to the terms of the relevant explanation notes, risk ratings, type of products, product portfolio, investment amount and reasons justifying the choice of the relevant product. The proposal shall be submitted to a selected group of senior management for prior approval. Our investment in these assets will be subject to compliance with Chapter 14 of the Listing Rules after the **[REDACTED]**. Our finance team obtains statements of our structured deposit products and keep track of the performance of the products quarterly.

Mr. Bai Lin is our executive Director and chief financial officer. For biography of Mr. Bai, see "Directors, Supervisors and Senior Management". In particular, from March 2015 to July 2018, he served as an assistant to the general manager at Luangprabang Couch Cement Co., Ltd. (琅勃拉邦海螺水泥有限公司), where he was primarily responsible for managing corporate operations, with a prime focus on financial budget planning and execution, fund allocation, and investment and financing activities. Mr. Bai's experience and knowledge in financial management and investment and financing activities will be beneficial for the broad to understand the product nature and risk profile of the structured deposit products.

DIVIDEND POLICY

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

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

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

DISTRIBUTABLE RESERVES

As at 30 June 2024, the Company had retained profits of RMB99.8 million. The retained profits are reserves available for distribution to our Shareholders.

UNAUDITED [REDACTED] ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

See "Unaudited **[REDACTED]**
Financial Information" in Appendix II for our unaudited **[REDACTED]** adjusted consolidated net tangible assets.

NO MATERIAL ADVERSE CHANGE

Save as disclosed in "Summary", our Directors confirm that there have not been any material adverse changes in our financial or trading position or prospects subsequent to the Track Record Period and up to the date of this document. As far as we are aware, there was no material change in the general market conditions that had affected or would affect our business operations or financial conditions materially and adversely.