

RISK FACTORS

You should carefully consider all of the information in this document including the risks and uncertainties described below and our financial statements and the related notes before making an [REDACTED] in the [REDACTED]. Our business and operations involve certain risks and uncertainties, many of which are beyond our control. Our business, financial conditions and operating results could be materially and adversely affected by any of these risks. The trading price of our H Shares could decline due to any of these risks, and you may lose all or part of your [REDACTED]. Additional risks and uncertainties that are not presently known to us, or not expressed or implied below, or that we currently deem to be immaterial, could also have a material adverse effect on our business, financial conditions and operating results.

Our business and operations involve certain risks and uncertainties, many of which are beyond our control. These risks can be broadly categorised as (i) risks relating to our business, (ii) risks relating to our industry, (iii) risks relating to conducting business in the PRC, and (iv) risks relating to the [REDACTED].

RISKS RELATING TO OUR BUSINESS

Our business relationship with Conch Cement Group is crucial to our operation. Our business, financial condition and results of operation may be adversely affected if there is any change to the current arrangements between Conch Cement Group and us.

Conch Cement Group was our largest customer in each year during the Track Record Period and held as to approximately 36.4% by Conch Holdings, one of our Controlling Shareholders, as at the Latest Practicable Date. We have been the supplier of admixture products to Conch Cement Group since the latter half of 2018. For our relationship with Conch Cement Group, see “Business — Customers, Sales and Marketing — Our relationship with our largest customer” and “Relationship with Controlling Shareholders — Relationship with Conch Cement Group” in this document. Given the extensive link between Conch Cement Group and us, our business operation is directly affected by the business operation, results of operation and prospect of Conch Cement Group. Furthermore, we may be materially affected if there is any material change to the arrangements between members of Conch Cement Group and us.

During the Track Record Period, a significant portion of our revenue was generated from our supply of admixture products to Conch Cement Group which itself is one of the largest cement producer in terms of both production volume and production capacity in the PRC in 2022. For FY2021, FY2022, FY2023 and 6M2024, revenue generated from Conch Cement Group accounted for approximately 52.5%, 41.6%, 31.8% and 30.7% of our total revenue, respectively. Our Directors believe that the revenue from sales to members of the Conch Cement Group will continue to represent a relatively significant proportion of our total revenue in the near future.

Business operation, result of operations and prospect of Conch Cement Group are beyond our control. We cannot assure that Conch Cement Group will be able to maintain its business scale and demand for our products. Any significant change in the business of Conch Cement Group or the

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industry in which Conch Cement Group operates, we cannot assure you that the demand of Conch Cement Group will necessarily meet our expectation. This in turn could have a material adverse effect on our business, results of operations, financial condition, and prospects.

If Conch Cement Group ceases to procure products from us, or fails to maintain and/or increase its current level of business with us, we may experience slow growth, no growth or negative growth, and our business, financial performance and results of operations could be materially and adversely affected. Any change of business development plan or any adverse changes in the business or financial performance of Conch Cement Group, including any liquidity problem, relocation of its plants, restructuring, winding up or liquidation, may also result in a higher level of credit risk for us. We cannot guarantee that we will be able to diversify our customer base by obtaining a significant number of new purchase orders from our existing and/or new customers.

Our sales are dependent on the PRC economy and the cement and concrete industries, and significant economic slowdown in the PRC or any fluctuation in the cement and concrete industries could adversely affect our business, financial condition, results of operations and prospects.

During the Track Record Period, our revenue was derived from sales to customers in the PRC, with majority of such customers being cement and concrete manufacturers. As our cement admixture, concrete admixture, and their respective in-process intermediaries are raw materials for the manufacturing of cement and concrete, the demand for our products is dependent on the demand from these downstream industries. The performance and growth of the downstream industries, such as the cement and concrete industries, and thus the demand for our products is dependent on, among other things, the conditions of the PRC economy. The general economic conditions, interest rate levels, inflation and unemployment rates, demographic trends, gross domestic product growth and consumer confidence are, among other factors that influence the growth of the cement and concrete industries in which our cement admixture, concrete admixture, and their respective in-process intermediaries are used or applied. In particular, the demand for cement and concrete products in the PRC is closely linked to the infrastructure construction and real estate industries of the PRC which are in turn heavily influenced by the conditions of the PRC economy. As a result, any changes to the infrastructure construction and real estate related policies as well as any slow down in growth in the PRC economy and any downturn in the relevant industries in the PRC could impact our sales, resulting in downward pressure on our selling price, sales volume and profit margins, which could materially and adversely affect our business, financial condition, results of operations and prospects.

The PRC economy and the demand from our customers have grown steadily in recent years. However, we cannot assure you that this level of growth will continue in the future. Any significant slowdown in economic growth and deteriorating economic conditions in the PRC or downturn in our downstream industries may reduce the demand for our products and materially and adversely affect our business, financial condition, results of operations and profitability.

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We may not be able to sustain the gross profit margins at the levels recorded during the Track Record Period.

Despite the fact that our sales to related party customers are determined on arm’s length basis, there is a difference between our gross profit margin for sales to related party customers and our gross profit margin for sales to third party customers. Our gross profit margin for sales to related party customers was 32.7%, 36.5%, 42.1% and 45.4% for FY2021, FY2022, FY2023 and 6M2024, respectively; while our gross profit margin for sales to third party customers was 23.1%, 31.7%, 34.0% and 40.2% for the corresponding year/period, respectively. For reasons of such differences, see “Financial information”. While majority of our revenue was derived from our related parties during the Track Record Period, we intend to derive more revenue from third party customers in the future, which might affect our overall gross profit margin. As such, we cannot assure you that we will continue to sustain our gross profit margins at the levels recorded during the Track Record Period in future shall our customer mix change in the future or the reduction of gross profit margin due to increase in market competition. If there is any material decline in our gross profit margins in the future or if we fail to sustain the relatively high gross profit margin, our profitability and financial condition may be adversely affected.

Our sales are subject to the development of the infrastructure construction and real estate industries in the PRC, as we mainly sell products to the manufacturers of cement and concrete based in the PRC, whereas cement and concrete are mainly applied in the infrastructure construction and real estate industries. Any adverse development of the infrastructure construction and real estate industries may negatively affect our business, financial condition and results of operations.

Our sales of cement and concrete admixtures are closely linked to the development of the infrastructure construction and real estate industries in the PRC, as our customers are primarily manufacturers of cement and concrete based in the PRC. The demand for cement and concrete from the infrastructure construction and real estate sectors will in turn determine the demand for our admixtures products. According to Frost & Sullivan, the production volume of cement in China decreased from 2021 to 2023 while the production volume of cement admixtures in China also decreased from 2021 to 2023. The production volume of concrete in China declined from 2021 to 2023 while the production volume of concrete admixtures in China also declined from 2021 to 2023. Any adverse development of the infrastructure construction and real estate industries may negatively affect our business, financial condition and results of operations.

We cannot assure you development trend of the infrastructure construction industry in the PRC in the future, or the real estate industry in the PRC will not experience a further downturn. Any adverse developments in the infrastructure construction and real estate sectors such as a decrease of government investment in infrastructure construction or prolonged weakness in the real estate market, may negatively affect the demand for cement and concrete, which will in turn affect the demand for our products.

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Our sales may be impacted by the carbon emission related policies implemented by the PRC authorities.

The cement and concrete admixture industry relies on policies and regulations that the government introduces. In recent years, the PRC authorities have implemented various policies which regulate the extent of carbon emission by manufacturers in their production activities. There are evolving policies which may impact our cement and concrete admixture industries, for example, the “Consultation Paper on the Accounting Verification and Report Compiling of GHG Emissions of Cement Clinker Manufacturers” (《企業溫室氣體排放核算與報告指南水泥熟料生產(徵求意見稿)》) released in March 2024, and the “Interim Regulations for the Management of Carbon Emission Trading” (《碳排放權交易管理暫行條例》) implemented in May 2024. See “Industry Overview — Analysis of China’s Cement Market and Concrete Market — Impact of Carbon Emission Related Policies” in this document for further details. To comply with such carbon emission-related policies, among others, which require cement manufacturers, being our customers to manage and control carbon emissions in their production, they may choose to (i) purchase carbon emission quotas from other parties to meet the carbon emission requirement in their production, (ii) adopt low-carbon production technologies, such as by installing more efficient production equipment in their production, or (iii) apply raw materials that can reduce the energy consumption of production including our cement and concrete admixture products in their production.

However, we cannot guarantee that our customers will select cement and concrete admixture products over other available options to achieve the goal of managing and controlling carbon emission in their production. If our customers select other available options such as purchasing carbon emission quotas or adopting low-carbon production technologies to achieve such goal, this would result in a decrease in purchase of our cement and concrete admixture products, and therefore may negatively affect our business, financial condition and results of operations.

We may not be able to secure a stable supply of raw materials on acceptable prices which would adversely affect our operations and financial condition.

Our continuing success depends on our ability to obtain adequate supply of raw materials of good quality on commercially acceptable terms and in a timely manner to support our operations and future plans. For each year/period comprising the Track Record Period, our costs of raw materials, which is the largest component of our cost of sales, amounted to approximately RMB1,084.9 million, RMB1,339.6 million, RMB1,759.1 million and RMB807.8 million, representing approximately 90.5%, 90.8%, 90.8% and 90.3% of our total cost of sales, respectively. Ethylene oxide (環氧乙烷), propylene oxide (環氧丙烷) and ethanolamine (乙醇胺), are the major raw materials for the production of our products. While we maintain a list of qualified suppliers from which we procure our raw materials, suppliers which we deem appropriate may not always be readily available and they may not necessarily be able to supply as and when required. During the Track Record Period, we entered into supply framework agreements with some of our major suppliers pursuant to which the calculation basis for the raw materials’ price was set, taking into account the relevant market price of the raw materials on the day of which it is delivered, other fixed costs and delivery fees. However, we cannot assure you our suppliers are able to fulfil their obligations towards us. If we are unable to source the relevant raw

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materials with our preferred suppliers, we may be required to source such raw materials at a higher price or on a delayed basis. If we are unable to find any alternative source of supply in a timely manner, our business, reputation and results of operations may be adversely affected.

The prices and availability of our raw materials depend on a variety of factors which are beyond our control, for instance, the economy of the countries from which our suppliers procure the primary source of our raw materials (such as petroleum) and their respective domestic government policies. We have no control over the cost of ethylene oxide, propylene oxide and ethanolamine. The cost of ethylene oxide, propylene oxide and ethanolamine may fluctuate significantly as a result of numerous factors, including conditions of crude oil exploitation, depletion level, general economic conditions and government policies in the relevant exporting countries from which our suppliers procure the primary source of our raw materials (such as petroleum). The cost of ethylene oxide, propylene oxide and ethanolamine experienced fluctuations during the Track Record Period, which resulted in corresponding changes in our unit cost of raw materials. According to Frost & Sullivan, the average price of ethylene oxide (環氧乙烷) during 2021 to 2023 amounted to RMB6,902 per tonne, RMB6,512 per tonne and RMB5,753 per tonne, respectively, the average price of propylene oxide (環氧丙烷) during 2021 to 2023 amounted to RMB14,820 per tonne, RMB9,042 per tonne and RMB8,512 per tonne, respectively, and the average price of ethanolamine (乙醇胺) during 2021 to 2023 amounted to RMB9,087 per tonne, RMB8,446 per tonne and RMB6,942 per tonne, respectively. The average price of ethylene oxide (環氧乙烷), propylene oxide (環氧丙烷) and ethanolamine (乙醇胺) for the first half of 2024 amounted to RMB5,972 per tonne, RMB8,350 per tonne and RMB6,748 per tonne, respectively. See “Industry Overview — Analysis of China’s Cement Admixtures Market — Average Product Price and Average Raw Material Price of China’s Cement Admixtures Market” and “Industry Overview — Analysis of China’s Concrete Admixtures Market — Average Product Price and Average Raw Material Price of China’s Concrete Admixtures Market” in this document for further information. If the cost of ethylene oxide, propylene oxide and ethanolamine increases significantly and we fail to successfully pass the cost to our customers, our gross margin will decrease. As such, we cannot assure you that the raw material prices can remain stable at the current levels or we will not experience difficulties procuring sufficient supply of raw materials in the future. We cannot assure you that such increase in the selling price of our products will occur, or if they occur, will be proportionate to the increase in the cost of ethylene oxide, propylene oxide and ethanolamine.

Further, we have entered into an agreement with a branch of an energy and chemical group which is a PRC company with a registered capital of RMB326.5 billion as at the Latest Practicable Date whereby we are supplied ethylene oxide through a pipeline from such supplier. Any disruptions in the supply arising from the damage of such pipeline or if our agreement with such supplier is not renewed or terminated may significantly affect our transportation cost, the guaranteed safety of our supply of ethylene oxide and our timeliness of our production schedule.

Any supply disruptions or delays in delivery may significantly affect our production schedule and our delivery of products to customers in a timely manner. In case there is significant increase in the prices of our raw materials and we are unable to transfer such price increase to our customers, and/or to

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secure alternative sources of raw material supply at acceptable prices, or at all, our cost of sales may increase and our profit margins may decrease, which would materially and adversely affect our business and financial condition and results of operations.

We may not be able to maintain our competitiveness in the market.

We operate in a competitive market. According to the Frost & Sullivan, the cement admixture market in the PRC is highly concentrated. As at 31 December 2023, the top five PRC cement grinding aids providers accounted for approximately 49.4% of the total production volume of cement grinding aids in the PRC. Meanwhile, according to Frost & Sullivan, the concrete admixture market has a large number of participants, with approximately 4,000 concrete admixture providers in the PRC, resulting in a relatively fragmented market. In recent years, the market share of high-performing concrete water reducing admixture has continuously increased due to its satisfactory performance. In the future, the market share of high-performing concrete water reducing admixture is expected to further increase. Some of our competitors may develop or have greater production capacity, manpower and other resources, stronger financial strengths, more established customer base, more diversified product offerings, more established brands and market recognition. Therefore, such competitors may be more capable than we do to respond promptly to the changes in market conditions. Intense competition will subject us to pricing pressure which may lower our profit margins and reduce our revenue. Moreover, we face increasing competition from market entrants.

In addition, as we intend to extend our sales coverage in overseas markets, increased exposure to international markets further creates new areas which we may not be familiar with and could place us in less advantaged position than the new market players. If we cannot cope with the regulatory requirements in those countries, maintain our competitiveness in the cement admixture and concrete admixture markets, our business, results of operations or financial condition could be materially and adversely affected.

Our production and operation are subject to extensive environmental protection laws and regulations, and costs for compliance with these laws and regulations may increase in the future.

Our production and operation are subject to various environmental protection laws and regulations in the PRC in relation to the discharge of wastewater, solid wastes and gases in the course of production. The relevant PRC authorities may impose penalties, suspend operations, order for rectification or close down the production facilities that fail to comply with such laws and regulations.

During our production process, wastewater, waste gas and solid waste are discharged. In order to comply with the applicable environmental protection laws and regulations in the PRC, we have installed waste treatment facilities in our production facilities and engaged third-party service providers to treat the waste generated in our production process. Our business operations also involve the use and storage of chemicals that are potentially dangerous.

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Notwithstanding such safeguarding measures, we cannot assure you that we will always correctly interpret the relevant laws and regulations and be in full compliance with the relevant laws and regulations at all times. If we are not in compliance with the applicable environmental protection laws and regulations or if our service providers fail to provide waste treatment services to the extent that keeps us in compliance with applicable PRC environmental protection laws and regulations, we may be required to rectify such non-compliance and may also be subject to fines, sanctions and remedial measures and substantial costs in connection with remedial measures, which may materially and adversely affect our business, financial performance and operating results.

Furthermore, the PRC government may promulgate new environmental protection laws and regulations and enforce more stringent interpretations of environmental protection laws and regulations in the future. As a result, additional costs may be incurred to introduce relevant preventive or remedial measures, adjust our production process, purchase new pollution control equipment and enhance our compliance and monitoring system to ensure compliance with such amended laws and regulations. In addition, our budget with respect to environmental compliance may not be sufficient to cover such costs and we may need to allocate additional funds for such purpose, which may materially and adversely affect our operation and financial performance. If we fail to introduce new preventive or remedial measures, make relevant adjustment to our production process, purchase new pollution control equipment or establish effective compliance and monitoring systems in a timely manner or at all, we may be subject to substantial fines or penalties as a result of such non-compliance and our business operations may be disrupted, thus materially and adversely affect our operation and financial performance.

Our expenses incurred for environmental protection during the Track Record Period was RMB1.0 million, RMB6.0 million, RMB3.6 million and RMB1.8 million, respectively. In the event that the PRC government imposes more stringent environmental protection laws and regulations, our production costs may substantially increase, or we may need to incur material capital expenditures or other costs in order to remain in compliance and we may not be able to pass on these additional costs to our customers. Our Directors expect that the environmental compliance cost would continue to increase due to the stringent standards of environmental protection laws and regulations currently in place in the PRC and such increasing compliance costs would affect our operating result.

Our historical financial and operating results during the Track Record Period may not be indicative of our future growth and performance as we may face difficulties in implementing our business strategies.

During the Track Record Period, we had experienced steady growth in our revenue due to the expansion of our business operations. For each of 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 revenue increased by RMB67.9 million or 6.6% from RMB1,035.5 million for 6M2023 to RMB1,103.4 million for 6M2024. Our overall gross profit margin was 22.0%, 19.8%, 19.2% and 19.0% for the corresponding year/period, respectively.

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However, we cannot assure you that our revenue will continue to grow at the same rate, or we will be able to achieve the same level of gross profit margin comparable to those recorded during the Track Record Period. Our historical financial information is a mere analysis of our past performance and may not necessarily reflect or have any implication on our financial performance in the future. The future growth of our revenue or gross profit margin depends on a number of factors, some of which are beyond our control. For example, the changing regulatory, economic and competitive environment, the global economy, the types of products offered by us, selling prices of our products, as well as costs of raw materials and labour and staff costs. Gross profit margin of our products may fluctuate case by case due to factors such as our relationships with our customers, technical complexity in the manufacturing of the products, and delivery schedule required by our customers. If we fail to secure new businesses or control our cost, or fail to maintain our profit margin at a level comparable to that recorded during the Track Record Period, our financial conditions may be adversely affected.

We may in the future seek to make acquisitions and investments to further expand our business. We cannot assure you that we will always be able to complete such acquisitions successfully or on terms that are absolutely commercially favourable to us. Integration of entities or assets we acquire into our business may not be successful and may prevent us from expanding into new categories of services or operating locations. This could significantly affect the expected benefits of these acquisitions. Moreover, the integration of any acquired entities or assets into our operations could require significant attention from our management. The diversion of our management’s attention and any difficulties encountered in any integration process could have an adverse effect on our ability to manage our business.

Our possible future acquisitions and investments may also expose us to other potential risks, including risks associated with unforeseen or hidden liabilities, the diversion of resources from our existing businesses and technologies, our inability to generate sufficient revenue to offset the costs, expenses of acquisitions and potential loss of, or harm to, relationships with employees and customers as a result of our integration of new businesses. In addition, we may recognise impairment losses on goodwill arising from our acquisitions. The occurrence of any of these events could have a material and adverse effect on our ability to manage our business, our financial condition and our results of operations.

Further, our long-term success is also dependent on whether we can secure additional capital for our business plans. If we fail to manage any or all of these critical factors, including the increases in costs, requirement for expertise and qualified personnel and implementation of the corresponding internal control measures, our capability to develop our business and expanding our operating scale could be undermined which could affect our future business growth.

We may not be able to implement our overseas expansion successfully.

The implementation of our future business plans as set out in the section headed “Future Plans and [REDACTED]” in this document is subject to uncertainties and risks. Our business plans, in particular, the sale of new products and sales to new customers in overseas countries such as Uzbekistan and Indonesia, are based on certain assumptions of future events which are inherently

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subject to uncertainties and risks. These assumptions may not be correct, which could affect the commercial viability of our business plans and strategies. If we are unable to implement our plans and our business strategies successfully or effectively, our business, profitability and financial conditions in the future may be materially and adversely affected. See “Business — Our Future Strategy” in this document for further information. Any failure or delay in the implementation of any or all of these strategies and future plans may have a material adverse effect on our prospects, financial condition, and results of operations.

Any material disruption to the operation of our production facilities could materially and adversely affect our business and financial condition and operating results.

We cannot assure you that there will be no disruptions to the operations of our production facilities in the future. If operations at our production facilities are materially disrupted as a result of fires, explosions, equipment failure, power outages, work stoppages, adverse weather conditions, natural disasters, labour disputes, workforce restructuring, transport and logistics issues, political turmoil or other factors, our business and financial condition and operating results could be adversely affected. Extreme weather and climate change, acts of God and other catastrophic events which are beyond our control may also adversely affect our business and financial condition and operating results. The occurrence of any of these events could also require us to make significant unanticipated capital expenditures.

Our production process depends on a stable supply of electricity and water and may be adversely affected by extreme weather and climate change. If we encounter any shortage of supply of electricity and water, extreme weather or climate change, our production activities could be interrupted which could adversely affect our business and financial condition and operating results.

Interruptions in production could increase our costs and delay our delivery of products, which may further subject us to penalties or other liabilities under the relevant sales arrangements with our customers. Production suspensions caused by such disruptions could cause a reduction in sales or delay in sales recognition. Lost sales or increased costs arising from such disruption of operations may not be recoverable under our existing insurance policies and any prolonged business disruption could also result in a loss of customers. In case of any of the above, our business and financial condition and operating results could be adversely affected.

We may fail to derive benefits from our R&D efforts and our investments in new production facilities, keep pace with and respond to trends, technological changes and evolving industry standards in an efficient and timely manner.

We have an in-house technical team that takes up our R&D work. The success of our business is dependent upon our ability to continue to develop, in a timely manner, new products and new applications, and improve our production technologies through R&D to cater to our customers’ requirements and industry demand. We have applied for various patents to protect our technologies. We currently own patents to various patented technologies for the production of our products. As at the Latest Practicable Date, we were the registered owner of over 80 patents (including 68 inventive

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patents) which our Directors believe are material to our business operations and we were also in the process of application for over 20 patents in the PRC, which our Directors believe will be material to our business operation. See “B. Further Information about the Business of Our Group — 2. Material intellectual property rights” in Appendix IV to this document for additional information on our patents. In particular, we plan to devote resources to the development and commercialisation of ethylene carbonate (碳酸乙烯酯) (a principal raw material of lithium and lithium-ion batteries), the production process of which is largely similar to the one for polyether monomers.

We may misjudge the market demand and expand our capacity for products and applications with small customer base or garner overall low demand. If we are unable to develop products and applications required and well-received by our customers and the market, we may fail to compete effectively with our competitors, which could adversely affect our business, results of operations and financial condition. If we are unable to develop products well-received by manufacturers of lithium and lithium-ion batteries, the cost spent on such developments will not yield any meaningful returns, which could adversely affect our business, results of operations and financial condition.

We are engaged in the production and sales of cement admixture and concrete admixture, and their respective in-process intermediaries namely processed alcohol amine, polyether monomers and polycarboxylic acid mother liquor, which are subject to relevant industry standards and specification requirements of our customers. However, we cannot assure you that our existing or future products will always meet the evolving industry standards or our customers’ requirements, or that we will not incur significant costs in ensuring our compliance with such standards or requirements. There can be no assurance that we will continue to be successful in responding to these technological changes and evolving industry standards. New products or technologies may render our existing products or technologies less competitive. If we fail to comply with these standards or requirements, we may be required to incur additional costs to change our product compositions or to improve our production processes and upgrade our production technologies in order to align with the industry standards and customer demand, any of which would adversely affect our business and results of operations. If we fail to derive desired benefits from our product R&D efforts and evolving industry standards in an efficient and timely manner, we may not be able to continue to effectively serve our customers’ demands, and our business, financial conditions and results of operations may be materially and adversely affected. For each year/period comprising the Track Record Period, our R&D expenditures amounted to RMB39.1 million, RMB39.9 million, RMB45.8 million and RMB29.4 million, respectively. The development of new products and new applications of our products or the development and improvement in our production technology are time consuming and costly. We cannot assure you that all our R&D efforts will lead to meaningful breakthroughs or that the results of such R&D efforts will result in commercialisation that could be accepted by our customers. If we are unsuccessful in researching and developing new products, new applications and new technology or if we are unable to commercialise our R&D efforts, our R&D expenditures will be wasted and we will be less competitive.

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Moreover, our competitors may develop or improve technologies or products that gain wide market acceptance, or are superior to ours in terms of technological capabilities and quality. If we fail to respond by improving our existing products and launching new products and new applications, develop or improve production technologies in a timely and effective manner, we may not be able to retain our existing customers, enhance our competitiveness or maintain our market position.

In addition, our future success will depend, to a large extent, on our ability to increase our production output and enhance our production efficiency. We have continuously upgraded our current manufacturing machinery and install additional manufacturing machinery to enhance our production capacity and efficiency. Nevertheless, any machinery upgrade and capacity expansion of ours are subject to the following inherent risks and uncertainties:

- the need to finance our upgrade and capacity expansion through equity or debt financing, which may not be available on commercially reasonable terms or at all;
- delay or failure to obtain relevant government approvals and permits necessary and required for establish of new production facilities, expansion of production capacity and alteration to our existing production facilities;
- increase in depreciation charges; and
- cost overruns, construction delays, manufacturing problems, including delays in delivery and other operating difficulties.

Any of the above uncertainties could significantly delay or constrain our ability to execute any future machinery upgrade and capacity expansion as planned or needed. As a result, our business, financial conditions and results of operations may be materially and adversely affected.

Our strategy to increase sales of our products to the international markets is subject to political, economic, regulatory, legal and other uncertainties and risks.

During the Track Record Period, we sold our cement admixture and concrete admixture and their respective in-process intermediaries to customers mainly in the PRC. We derive a portion of our revenue from sales to the trading company customers which in turn sells our products to customers in international markets. As we sold our products to trading companies, which in turn resell our products to overseas customers which apply the products in their production, historically, we had limited direct access to the overseas customers of our products. We intend to further extend the direct sales of our products to customers located in overseas countries, such as Uzbekistan and Indonesia. For details, see “Future Plans and [REDACTED]” and “Business — Our Future Strategy” in this document.

As a result, we are subject to various risks and uncertainties associated with conducting business in the international markets including the following:

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- compliance with foreign laws, regulatory requirements and local industry standards, with which we may not be familiar;
- competition from foreign players or failure to anticipate changes to the competitive landscape in the international markets due to lack of familiarity with the local business environment;
- difficulty in managing relationships with foreign customers;
- political and economic instabilities;
- lack of familiarity with local operating and market conditions;
- cultural and language difficulties;
- exposure to increased litigation risks in the international markets; and
- foreign exchange rate exposure and risk of foreign exchange control.

Any of the above factors could lead to business disruptions and loss of sales, which could have a material and adverse effect on our business, results of operations and growth strategies.

Our business and financial conditions depend on our ability to effectively manage our inventories.

Our inventory consists of raw materials and finished products. Our business and financial conditions depend on our ability to manage and maintain a reasonable level of inventories. If we overstock our inventories, our required working capital would increase and additional financing costs would be incurred to monitor and warehouse our stocks. On the other hand, if we understock inventories, we may not be able to meet our customers’ demand, which may in turn adversely affect our business and financial conditions. We cannot assure you that we would not experience overstocking or understocking in the future, or that any such instances would not adversely affect our business and financial conditions.

Further, the turnover rate of our inventories is susceptible to overall demand of customers and changes in consumer choice and preference, all of which are beyond our control, which exposes us to the risk of slow-moving inventories. Despite the fact that we generally purchase raw materials after having received orders from our customers, our customers may cancel or postpone the purchase orders placed with us. Demand for our products may also change and our customers may not confirm the purchase order of products in such quantities pursuant to the sales forecast or initial indication provided by our customers via the sales framework agreement. If we are not able to manage our inventory efficiently, we could be subject to the risk of inventory obsolescence, decline in the realisable value, and significant write-down of the value of our inventory of finished products. Any of these events could adversely affect our business and financial condition and operating results.

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As at 31 December 2021, 2022 and 2023 and 30 June 2024, we had inventories in the amount of RMB52.9 million, RMB118.6 million, RMB102.9 million and RMB135.9 million, respectively, and we recorded average turnover days of inventories of 14.0 days, 21.2 days, 20.9 days and 24.4 days during the Track Record Period, respectively. 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, respectively. We cannot assure you that our average turnover days of inventories will not increase in the future, and we may need to write off our slow-moving inventories or sell our slow moving inventories at lower prices, any of which could adversely affect our business and financial conditions.

Failure to maintain effective cash flow management may have an adverse effect on our business operation and financial condition.

For each year/period comprising the Track Record Period, we recorded net cash generated from/(used in) operating activities of RMB262.5 million, RMB(122.3) million, RMB163.7 million and RMB30.7 million, respectively. For further details, see “Accountants’ Report — Consolidated Cash Flow Statements” in Appendix I to this document. We cannot assure you that we will not experience any reduction in our working capital in the future or that we will not experience net cash outflows in the future. If we fail to maintain effective working capital and cash flow management, we may face financial difficulties and our business operation and financial condition could be materially and adversely affected.

We cannot assure you that we can implement our pricing strategies successfully.

We have implemented both short-term and long-term pricing strategies with a view to achieving a profitable and sustainable growth in our business. In the short term, our pricing policy focuses on offering competitive prices for cement and concrete admixtures and their respective in-process intermediaries products to attract customers and capture relevant market share. As customers become more familiar with our products and services and develop confidence in our products, we have the opportunity to gradually increase prices to reflect the value and quality of our offerings. This approach aims to enhance our long-term profitability.

We cannot assure you that we can implement our aforementioned pricing strategies successfully. The effectiveness of these pricing strategies may be influenced by various factors, including market conditions, competitive dynamics, customer preferences and etc.. Any failure or disruption in the execution of the above-mentioned pricing strategies could have a material adverse effect on our prospects, financial condition, and results of operations.

We incurred net current liabilities as at 31 December 2021, 31 December 2022 and 31 December 2023.

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. For further details, see “Financial Information — Liquidity and Capital Resources — Net Current Liabilities/Assets” in this document.

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We cannot assure you that we will not have a net current liabilities position in the future. The net current liabilities position, if recurs in the future, would expose us to liquidity risk which could restrict our ability to make necessary capital expenditure or develop business opportunities, and our business, operating results and financial condition could be materially and adversely affected.

We are exposed to credit risks in respect of our trade receivables.

Our trading terms with our customers are either on credit or in cash. Trade receivables are generally due within 30 days to 120 days from the date of billing. As at 31 December 2021, 2022 and 2023 and 30 June 2024, the average turnover days of trade receivables were 68.8 days, 73.0 days, 82.2 days and 99.7 days respectively.

We measure 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. As at 31 December 2021, 2022 and 2023 and 30 June 2024, we recorded net trade and bills receivables of RMB300.6 million, RMB556.6 million, RMB756.4 million and RMB787.3 million respectively. We recorded reversal of impairment losses on trade receivables of RMB2.6 million for FY2021, while we recorded provision of impairment losses on trade receivables of RMB10.1 million, RMB14.6 million and RMB2.1 million for FY2022, FY2023 and 6M2024 respectively.

Should (i) our customers fail to settle relevant receivables in full; or (ii) there be a change in their payment policies resulting in a longer settlement period for the amount due, our business, financial condition and results of operations could be materially and adversely affected.

There can be no assurance that our credit control policies and measures implemented will be adequate to protect us against material credit risks and enable us to avoid losses. We may make allowances for doubtful debts based on certain assumptions, estimates and assessments about the recoverability of our trade receivables, including the creditworthiness and past collection history of our customers. However, such collectability estimates may prove to be inaccurate or there may be a change in the underlying basis of such assumptions, estimates and assessments. In the event that we are required to make future adjustments or our actual losses exceed our allowances, this could result in a material and adverse effect on our results of operations and financial condition.

We may incur impairment loss on our intangible assets and goodwill, which could negatively affect our results of operations and financial condition.

Our intangible assets primarily consisted of patents during the Track Record Period. Our 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 had intangible assets of RMB13.5 million, RMB11.4 million, RMB13.9 million and RMB12.6 million respectively, and goodwill of RMB28.7 million, RMB28.7 million, RMB28.7 million and RMB28.7 million respectively. During the Track Record Period, we did not record any impairment loss on our intangible assets and goodwill. We intend to conduct strategic acquisitions and/or establish joint ventures in future so as to expand our market share and solidify our position in the cement and concrete admixture market. See “Business — Conducting strategic acquisitions and establishing joint ventures to expand our industrial chain layout and enhance our competitiveness” in this document for further details. The aforesaid

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strategic acquisition and establishment of joint ventures may result in acquisition of intangible assets and goodwill. Change in business prospects of investments may result in impairment on our intangible assets and goodwill, which could negatively affect our results of operations. There is no assurance that we will not incur impairment loss on our intangible assets and goodwill. Any significant impairment of our intangible assets and goodwill could have a material adverse effect on our business, financial condition and results of operations.

We are subject to fair value changes of our financial assets at fair value through other comprehensive income and financial assets measured at fair value through profit and loss.

Our financial assets measured at fair value through other comprehensive income (“FVOCI”) primarily consisted of bill receivables, and our financial assets measured at fair value through profit and loss (“FVPL”) primarily consisted of structured deposit product issued by bank during the Track Record Period. For bills receivable that is measured at FVOCI, the fair value is estimated as the present value of the future cash flows, discounted at the market interest rates at the balance sheet date. For structured deposit product issued by bank that is measured at FVPL, the fair value is determined using the forecast future cashflow discounted by risk-adjusted discount rate. We recorded financial assets measured at FVOCI of RMB4.4 million, RMB31.2 million, RMB10.8 million and RMB40.6 million as at 31 December 2021, 2022 and 2023 and 30 June 2024. We did not have any financial assets measured at FVPL as at 31 December 2021, 2022 and 2023 and 30 June 2024, and we recorded net gain arising from financial assets measured at FVPL of nil, nil, RMB0.1 million and RMB41.0 thousand as at 31 December 2021, 2022 and 2023 and 30 June 2024. We cannot assure the changes in market conditions (if any) will continue to create fair value gains on our financial assets at FVOCI and FVPL at previous levels or at any level at all, or that the fair value of our financial assets will not decrease in the future or that our financial assets will increase substantially or at all.

Certain capital increases of our Predecessor Company and one of our major operating subsidiaries, Tongling Conch, had not been conducted in accordance with relevant procedures in the PRC.

The capital increase of RMB38,000,000 by Hubei Xintongling in our Predecessor Company and the capital increase of RMB6,000,000 by Zhejiang Shangfeng in Tongling Conch (the “**Capital Increases**”) were not conducted in accordance with certain procedures set out under the Measures for the Supervision and Administration of the Trading of State-Owned Assets of Enterprises 2016 (《企業國有資產交易監督管理辦法》(2016)) when the Capital Increases were conducted. See “History and Corporate Development — Corporate Development of Our Group — Significant shareholding changes of our Company and our principal subsidiaries — Our Company/Predecessor Company — 1. Incorporation and early shareholding changes of our Predecessor Company” and “History and Corporate Development — Corporate Development of our Group — Significant shareholding changes of our Company and our principal subsidiaries — Tongling Conch” in this document for details. We cannot assure you that the Capital Increases would not be subject to any challenge or rectifications orders from the relevant competent authorities. Any challenge or rectifications orders from relevant competent authorities may affect the effectiveness of the Capital Increases, which can affect the capital and shareholding structure of our Company and Tongling Conch.

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Under PRC laws and regulations, we may be subject to repayment of housing provident funds shortfalls.

In accordance with applicable PRC laws and regulations, we are obliged to make contributions to social insurance and housing provident funds for our employees. In FY2021 and FY2022, the housing fund contributions for some of our employees had not been made in full in accordance with the relevant PRC laws and regulations. For FY2021 and FY2022, the shortfall amount of the housing fund contributions was RMB0.4 million and RMB0.5 million respectively. In respect of unpaid housing provident fund contributions, under the Regulations on the Administration of Housing Provident Fund, we may be ordered by the housing provident fund management center to deposit the underpayment of housing provident fund within a specified time limit. If we did not make such payment as required, the housing provident fund management center may apply to the people’s court to enforce collection. We estimate that our maximum penalty exposure for the non-compliance was approximately RMB0.9 million as at the Latest Practicable Date. We cannot assure you that relevant government authorities will not take action against us in relation to the unpaid housing provident fund. See “Business — Employees” for details.

As the interpretation and implementation of the Labour Contract Law of the PRC, the Social Insurance Law of the PRC and other relevant Labour regulations (the “**Relevant Labour Laws and Regulations**”) may be amended from time to time, there is no assurance that our employment practices did not or will not violate the Relevant Labour Laws and Regulations of the PRC, which may expose us to labour disputes or government investigations. If we are deemed to be in breach of Relevant Labour Laws and Regulations, we may be required to make additional compensation to our employees, and our business, financial condition and results of operations may be materially and adversely affected.

We may face penalties for the non-registration of our lease agreements in China.

As at the Latest Practicable Date, the lease agreements with respect to four properties we leased in the PRC for our business operations had not conducted filing registration with the relevant PRC government authorities. As advised by our PRC Legal Advisers, failure to register such lease agreements with the relevant PRC government authorities does not affect the validity and enforceability of the relevant lease agreements but the relevant PRC government authorities may order us or the lessors to, within a prescribed time limit, register the lease agreements. Failure to do so with the time limit may subject us to a fine ranging from RMB1,000 to RMB10,000 for each non-registered lease agreement. For details, see “Business — Properties — Leased properties.” During the Track Record Period and up to the Latest Practicable Date, we had not received any such request or suffered any such fine from the relevant PRC government authorities. We cannot assure you that our lessor will cooperate with us to register such leases due to factors beyond our control or our use of the relevant properties will not be further challenged in the future. Any of these may have an adverse effect on our business, financial condition, results of operation and prospects.

We face risks relating to our historical acquisitions.

We have historically experienced significant growth through a series of strategic acquisitions and as such, acquisitions are part of our growth strategy. Since our establishment, we have acquired various companies which have become our principal operating subsidiaries. Such historical acquisitions may involve numerous risks, including any shareholding disputes or disagreements that may arise from prior

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shareholders or previously in force trust arrangements relating to the Shares of these acquired companies, potential liabilities arising from potential disputes or historical non-compliances which we might have been able to uncover in our due diligence process prior to the acquisition of these companies. Although the vendors provided representations and warranties on good title of equity interests and historical compliances and/or indemnities on losses arising from any disputes and/or penalties, we cannot guarantee that we will not encounter any disputes, legal proceedings or regulatory actions arising from the aforementioned risks. If we are unable to resolve disputes or actions in a manner favourable to our Company and our public shareholders, it may harm our business and reputation.

Work stoppage, increases in labour cost and other labour related matters may have an adverse effect on our business.

We cannot assure that we will not experience any work stoppages, strikes or other major labour problems in the future. If our employees were to engage in a strike or other work stoppage, we could experience significant disruption of our business operations and/or higher on-going labour costs, which may have an adverse effect on our businesses, financial condition and results of operations.

As at 30 June 2024, we employed a total of 881 full-time employees in the PRC. For each year/period comprising the Track Record Period, we incurred total staff cost (including salaries, wages and other benefits) of RMB147.8 million, RMB188.2 million, RMB204.2 million and RMB107.0 million, respectively. The increase in staff cost during the Track Record Period is mainly due to (i) salary increment in order to enhance our competitiveness in retaining and recruitment of talents, and (ii) the increase in number of staff throughout the Track Record Period. The successful implementation of our business strategies will depend to a significant extent on our ability to recruit and maintain our workforce, and to continue to increase our workforce at a rate commensurate with the growth of our business. Labour and staff costs have increased in the PRC in recent years, and our Directors expect that our labour and staff costs will continue to increase in the future. If labour and staff costs in the PRC continue to increase and we are unable to pass such increase in costs to our customers in a timely manner or adopt effective measures to manage the increase in our labour and staff costs, our business and financial condition and operating results could be adversely affected.

We enjoy certain preferential tax treatments and any expiration or change of these preferential tax treatments could have an adverse effect on our operating results.

Pursuant to Announcement on the Continuation of Enterprise Income Tax Policies for the Development of the Western Region (Ministry of Finance, General Administration of Taxation, National Development and Reform Commission Announcement No. 23 of 2020) (《關於延續西部大開發企業所得稅政策的公告》(財政部稅務總局國家發展改革委公告2020年第23號)), certain subsidiaries of our Group were entitled to a preferential income tax rate of 15% as qualifying companies located in western areas in the PRC up to 31 December 2030. Further, Linyi Conch is entitled to a preferential income tax of 15% as it has been certified as a High and New Technology Enterprise. See “Financial Information — Description of Selected Items in Consolidated Statements of Profit or Loss and Other Comprehensive Income — Income tax expense” in this document for further information. As a result, during the Track Record Period, our effective tax rates were 15.6%, 15.8%, 15.3% and 15.0%, respectively. Our effective tax rates may change from year to year due to the availability or expiration

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of any preferential tax treatments. We cannot assure you that we will continue to qualify for such preferential tax treatment, or that the policies providing for the preferential tax treatment will continue to be effective.

In addition, during the Track Record Period, we enjoyed certain favourable regulatory treatments, particularly government grants, offered by the relevant government authorities. In particular, some of our subsidiaries received subsidies from the local government authorities for encouraging our development in the admixture products in certain PRC cities. For each year/period comprising the Track Record Period, we recognised government grants of approximately RMB7.2 million, RMB3.8 million, RMB11.8 million and RMB9.6 million in our consolidated statements of profit or loss, respectively. See “Financial Information — Description of Selected Items in Consolidated Statements of Profit or Loss and Other Comprehensive Income — Other net income” in this document for further information. However, it is at the sole and absolute discretion of the relevant government authorities and subject to relevant PRC laws, regulations and policies, to determine whether and when government grants would be provided to us, or at all. We cannot assure you that we will be able to receive government grants in the future.

The termination or expiration of our preferential tax treatments on us may lead to an increase in our expenses, and the unavailability or reduction in the amount of government grants or other favourable treatments received by us may have a material adverse effect on our business, financial condition, results of operations and prospects.

We are subject to a variety of occupational health and production safety laws and regulations.

We are subject to a variety of occupational health and production safety laws and regulations. Compliance with existing and future occupational health and production safety laws and regulations could subject us to costs or liabilities, including monetary damages and fines, impact our production capabilities, result in suspension of our business operations, and impact our overall financial performance. If we are held liable for damages in the event of any injury or violation of applicable occupational health or production safety laws or regulations, we may also be subject to adverse publicity and our business, financial conditions and results of operations could be materially and adversely affected.

Our business operations are subject to the risks relating to potential accidents arising from our operations and failure to comply with safety measures and procedures, and other unforeseen risks.

Our business involves the operation of equipment and machinery, which, if improperly operated, may result in physical injuries or even fatalities. We require all our employees to comply with relevant safety measures and procedures of each operating subsidiary relating to operations and production, as stipulated in our internal policies. During the Track Record Period, we did not experience any material workplace incidents. There is no assurance that some of our employees will not contravene or violate our safety measures or that accidents will not occur. We cannot assure you that these accidents will not occur in the future. We cannot guarantee that material workplace accidents or fatal accidents will not occur in the future. In that case, we may be subject to government investigations and administrative penalties. Even if such accidents were not caused by our fault or negligence, such accidents may still cause us to incur substantial costs and damage to our reputation, such as negative publicity, which could adversely affect our business and financial condition and operating results. If work-related

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accidents resulting in employee injuries or deaths occur, we may be liable for claims from the employees and their families, in addition to fines or penalties. Although we have existing insurance policies in relation to these accidents, we cannot assure you that all risks relating to production safety incidents have been adequately covered by our existing insurance policies. If we incur substantial liabilities, which are not covered by our insurance policies, our business and financial condition and results of operations may be adversely affected.

The production process of our products involves the handling and processing of hazardous materials such as ethylene oxide, propylene oxide and ammonia. Any accidents resulting from the improper handling or management of these hazardous chemicals during storage and production leading to leakages, may cause serious environmental, health and safety issues for our employees or others, cause damage to our employees, production facilities and result in production interruptions.

Our operations are also subject to unforeseen risks, such as natural disasters. We cannot assure you that we are insured for any of these risks or that, if insured, we will be successful in making claims under our insurance policies or that the insurance proceeds will be sufficient to compensate the actual damage suffered, or at all. Any of these events may also lead to litigation, government fines or penalties, which in turn may adversely affect our business, reputation, financial condition and results of operations.

We may not be successful in maintaining an effective quality control system.

We are subject to various laws and regulations in the jurisdictions where our products are sold. To comply with such laws and regulations, we have to implement and maintain an effective quality control system and perform various inspections during our entire manufacturing process. Any significant failure or deterioration of our quality control system in respect of, among other things, our production process and product inspection, may seriously damage our product quality. Any decline in product quality will affect our reputation in the market and among our existing or prospective customers, which may lead to reduced orders or loss of customers, and will severely harm our business, financial conditions and results of operations.

We require various approvals, licences and qualification certificates to operate our business and failure to renew any approvals, licences or qualification certificates that are crucial to our operations could adversely affect our business.

We are required to maintain various approvals, licences and qualification certificates in order to operate our business in accordance with the laws and regulations of the PRC. Most of these approvals, licences and qualification certificates are subject to examinations or verifications by relevant authorities and are valid only for a fixed period of time subject to renewal. See “Business — Licences and Permits” in this document for further information on the approvals, licences and qualification certificates we are required to obtain to operate our business. For the issuance of these licences and permits, the relevant regulatory authorities would carry out regular inspections to ensure our compliance with applicable laws and regulations. We are also required to renew our licences and permits periodically. Failure to pass these inspections, loss of or failure to renew our licences and permits may result in temporary or permanent suspension of some or all of our production activities, and may disrupt our operations.

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We cannot assure you that we will be able to renew all of these approvals, licences and registration certificates that are crucial to our operations when they expire. If we cannot obtain and maintain all approvals, licences and qualification certificates required by us to operate our business, the continued operation of our business could be interrupted and we may incur fines and other penalties, which could adversely affect our business, results of operations and financial condition.

Our business depends on our key senior management members and key R&D personnel, and we may not be able to find suitable replacement in case of loss of service of any of them at the same time.

Our business depends to a significant extent on the continued service of our senior executives and key R&D personnel. The experience and leadership of our key management team are critical to the success of our business. Our senior management team has extensive experience and expertise in the cement admixture (水泥外加劑) and concrete admixture (混凝土外加劑) industries and has made significant contributions to the growth and success of our business. Any unexpected loss of services of more of these individuals at the same time could have a material adverse effect on us. Our R&D team is critical to the R&D of new products and new applications. Our R&D team also focuses on R&D of new production technology and improve production equipment pursuant to our production requirements and latest market trends. The continued service of our key senior management members is significant to our future development. We do not maintain key-person insurance for key members of our senior management team. If any of our key senior management members ceases employment with us, we may have difficulty finding suitable replacements with similar industry experience. The loss of service of any of our key senior management, or failure to find suitable replacements, could adversely affect our business operations, financial condition, results of operations and prospects. The departure of any of these individuals could have an adverse effect on our business and prospects.

Our future success also depends substantially on our ability to recruit, train and retain qualified management, R&D staff, technicians, engineers and other qualified personnel. Competition for talent in our industries is intense and qualified individuals can be difficult to recruit. Consequently, we may not be able to quickly replace lost personnel and we may incur additional expenses to recruit, train and retain new hires. In addition, we may incur additional expenses for the recruitment and training of new personnel, which could severely disrupt our business plans. Hence, our ability to attract and retain key personnel is critical to our overall competitiveness. In order to attract and retain these personnel, we may be required to offer higher compensation and other benefits, which would increase our operating expenses and, in turn, materially and adversely affect our financial condition and results of operations. If we are unable to attract or retain the personnel required to implement our business objectives, our business could be severely disrupted.

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We may not be able to adequately protect our intellectual property rights and any unauthorised use of our intellectual property rights by competitors or third parties, and the expenses incurred in protecting such intellectual property rights, may adversely affect our business and reputation.

We have proprietary intellectual property rights with respect to technologies developed for the production of our products and rely on intellectual property laws in the PRC to protect our intellectual property rights. As at the Latest Practicable Date, we were the registered owner of over 80 patents (including 68 inventive patents) which our Directors believe are material to our business operations and we were also in the process of application for over 20 patents in the PRC, which our Directors believe will be material to our business operation. See “B. Further Information about the Business of Our Group — 2. Material intellectual property rights” in Appendix IV to this document for additional information on our patents.

Unauthorised use of our intellectual property by third parties may adversely affect our business. Preventing such unauthorised use of intellectual property is inherently difficult. If we are unable to prevent the misappropriation or unauthorised use of our intellectual property rights, competitive advantages of our proprietary production technology could be reduced or eliminated, which could adversely affect our results of operation. In addition, there can be no assurance that we will be successful in bringing enforcement actions against parties who we believe have infringed upon our intellectual property rights. If we are unable to adequately protect our intellectual property rights to prevent misuse or misappropriation by any of our competitors, our brand and our business may be materially and adversely affected. Any occurrence of misappropriation could negatively impact our reputation and brand name, cause a decline in our sales and increase our administrative costs in litigation and enforcement actions.

In addition, seeking patent protection can be costly and time-consuming. There can be no assurance that pending or future patent applications will be granted or that, if such patents are granted, they will provide meaningful protection to us. In the future, if suspected infringement arises, litigation may be necessary to enforce our intellectual property rights and to protect our intellectual property. Future litigation could result in substantial costs and diversion of resources. Moreover, there can be no assurance that our intellectual property rights will be upheld by the courts in the future.

We may be subject to intellectual property infringement claims from third parties, which may be expensive to defend and may disrupt our business and operations, and, if determined adversely to us, could require us to pay significant damage awards.

We cannot be certain that our operations or any aspects of our business do not or will not infringe upon or otherwise violate trademarks, patents, know-how or other intellectual property rights held by third parties. We may be from time to time subject to legal proceedings and claims relating to the intellectual property rights of others. In addition, there may be third-party trademarks, patents, copyrights, know-how or other intellectual property rights that are infringed by our products or other aspects of our business without our awareness. Our employees may unknowingly use intellectual property owned by others in their work for us. For instance, our employees may have used computer software for which we have not obtained the relevant user licence. Holders of such intellectual property

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rights may seek to enforce such intellectual property rights against us in various jurisdictions. If any third-party infringement claims are brought against us, we may be forced to divert management time and other resources from our business and operations to defend against these claims, regardless of their merits.

Additionally, the application and interpretation of intellectual property right laws and the procedures and standards for granting trademarks, patents, know-how or other intellectual property rights are evolving and may be uncertain, and we cannot assure you that courts or regulatory authorities would agree with our analysis. If we were found to have violated the intellectual property rights of others, we may be subject to liability for our infringement activities or may be prohibited from using such intellectual property, and we may incur licensing fees or be forced to develop alternatives of our own. As a result, our business, financial conditions and results of operations may be materially and adversely affected.

We are subject to potential adverse consequences due to the commencement of construction or production at certain properties in the PRC without obtaining relevant permits.

We did not obtain, on a timely basis, (i) the construction work planning permit (建設工程規劃許可證), construction land planning permit (建設用地規劃許可證) and construction work commencement permit (建築工程施工許可證) (the “**Construction Permits**”) prior to the construction of our Kunming Production Plant and (ii) the completion acceptance and fire safety acceptance (竣工驗收及消防驗收) from relevant authorities prior the commencement of our production at the Kunming Production Plant. Based on our Group’s management accounts, Kunming Conch attributed for nil, nil, 2.0% and 2.4% of our Group’s revenue for each year/period comprising of the Track Record Period. As at Latest Practicable Date, we had obtained the Construction Permits for our Kunming Production Plant and completion acceptance and fire safety acceptance. Further, we did not obtain, on a timely basis, construction work commencement permit (建築工程施工許可證) (the “**Construction Work Permit**”) prior to the construction of our Huludao Production Plant. The Huludao Production Plant has commenced production in late May 2024 and hence generated a minimal level of revenue during the Track Record Period. As at the Latest Practicable Date, we have obtained the Construction Work Permit for our Huludao Production Plant. Pursuant to the Urban and Rural Planning Law of the PRC (《中華人民共和國城鄉規劃法》) and the Administrative Measures on the Construction Works Commencement Permit (《建築工程施工許可管理辦法》), Kunming Conch may be (i) required to dismantle the relevant properties and subject to a maximum penalty of 10% of the construction costs of the Kunming Production Plant due to the failure to obtain the construction work planning permit before commencement of construction (such maximum penalty being approximately RMB4.5 million); (ii) required to reinstate the land into its previous state within a stipulated period and be subject to a penalty of 1-2% of the construction contract price of the Kunming Production Plant, due to failure to obtain the construction work commencement permit (such maximum penalty being approximately RMB0.7 million); (iii) required to correct the situation and be subject to a penalty of 2–4% of the construction contract price of the Kunming Production Plant, due to failure to obtain the completion acceptance prior to production (such maximum penalty being RMB1.5 million); and (iv) may be ordered to stop construction, use, or production and business of the Kunming Production Plant and be imposed a fine of no more than RMB300,000; whereas, Huludao Haizhong is subject to a penalty of

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1–2% of the construction contract price of the relevant properties, due to the failure to obtain the relevant construction works commencement permits before commencement of construction (such maximum penalty being RMB0.2 million). We cannot assure you that we will not be subject to the penalties by the relevant government authorities for the failure to obtain the Construction Permits and the Construction Work Permit for the relevant properties before commencement of construction or production. Any such penalties imposed on us could have an adverse effect on our cash flow, business operation and our reputation.

Risk of non-compliance with PRC regulatory requirements.

Our production of admixture products and its in-process intermediaries are subject to regulations in the PRC, details of which are set out in the section headed “Regulatory Overview” in this document. See “Business — Legal Non-compliance and Proceedings — Non-compliance” in this document for further details. There is no assurance that we would be able to meet all the applicable regulatory requirements and guidelines, or comply with all the applicable regulations at all times, or that we will not be subject to any sanctions, fines or other penalties in the future as a result of the aforementioned non-compliances. If any sanctions, fines or other penalties are imposed on us for failing to comply with applicable requirements, guidelines or regulations, our business, reputation, financial condition and results of operations may be materially and adversely affected.

Three of our properties/production lines were not in compliance with the relevant fire safety regulations during the Track Record Period.

Our lessors for the Qinghai Production Plant and Guizhou Production Plant have not completed the fire safety acceptance/filing for their respective properties and as such, we cannot file the relevant fire safety acceptance filing (the “**Fire Safety Filing**”) (消防驗收備案) for our production lines from the Qinghai Production Plant and Guizhou Production Plant. Further, certain non-production parts of our Meishan Production Plant have not yet completed Fire Safety Filing. Pursuant to relevant laws and regulations in the PRC, due to failure to complete the Fire Safety Filing, we may be ordered to carry out relevant remedial actions and be imposed of fine of no more than RMB5,000. Although the relevant regulatory agencies have not imposed any material administrative actions, fines or penalties for our failure to complete the necessary fire safety filing procedures (see “Business — Legal non-compliance and proceedings — Non-compliance” for details), we cannot assure you that we will not be subject to any administrative actions in the future. As a result, we may not be able to continue operation on such property, which could materially and adversely affect our business, results of operations and financial condition.

Our business depends on our reputation, and any negative publicity on us could have a material adverse effect on our business and financial condition and operating results.

Our business is dependent on our reputation. Negative publicity arising from, but not limited to, product defects and non-compliance with relevant laws and regulations or product quality standards are potential threats to our reputation. If we fail to promote and protect our reputation, we may not be able to maintain our sales, attract new customers, and expand into new markets. As a result, our business

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and financial condition and operating results could be adversely affected. Further, any negative claims against us could divert our management’s attention and resources from other business concerns, even if such negative claims are unfounded, which could adversely affect our business and financial condition and operating results.

We are subject to risks affecting the cement admixture, concrete admixture, and their respective in-process intermediaries industries. Negative publicity or media report on the industries could materially undermine the confidence of our customers or prospective customers. Such negative publicity could also have a negative impact on our products and as such may affect the demand for our products which could adversely affect our business and financial condition and operating results.

Our insurance coverage might not be adequate to cover all the risks.

We maintain various insurance policies covering our production accidents, safety responsibilities, use of hazardous materials, vehicle transportation and equipment. However, most of our insurance policies are subject to standard deductions, exclusions and limitations. We believe these insurance policies are generally consistent with the customary industry practices, with respect to deductibles and limits of coverage, but we cannot be fully insured against all potential hazards incidental to our business, including losses resulting from business interruptions, or all potential losses, including damage to our reputation. If we were to incur significant liabilities for which we are not fully insured, it may have an adverse effect on our results of operations. In light of the change of market conditions, premiums and deductibles for certain insurance policies may increase substantially and, in some instances, certain insurance policies may become unavailable at a reasonable cost or available only for certain risks. If for any reason we were no longer covered by our existing insurance policies, we may not be able to obtain replacement of insurance policies on acceptable terms or at all, which may have an adverse effect on our results of operations.

Failure to meet contract liability obligations may have an adverse effect on our results of business operations and financial condition.

Contract liabilities represent our obligations to provide contracted products to our customers. During the Track Record Period, our contract liabilities were mainly derived from customers’ prepayments for our products. As at 31 December 2021, 2022 and 2023 and 30 June 2024, our contract liabilities amounted to RMB2.5 million, RMB11.4 million, RMB13.5 million and RMB18.6 million, respectively. For further details, see “Financial Information — Description of Certain Items of Consolidated Statements of Financial Position — Contract liabilities” to this document.

There can be no assurance that we will be able to meet our obligations in respect of such contract liabilities as fulfilment of orders is subject to a number of factors, including the availability of raw materials, labour resources as well as the normal operation of production facilities and transportation networks. If we are unable to meet our obligations with respect to contract liabilities, the amount of contract liabilities will not be recognised as revenue and we may be required to refund advanced receipts to customers. As a result, our results of operations, liquidity and financial condition could be materially and adversely affected.

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Our business relies on the proper operation of our technology systems, any malfunction of which for extended periods could materially and adversely affect our business, financial conditions and results of operations.

Our business relies on the proper functioning of our technology systems. Our technology systems and our information technology management policy regulate our operations, inventory control, procurement, production and sales management. We use our technology systems to retrieve and analyse operational data, including procurement, sales, inventory, logistics and production, as well as financial information effectively and efficiently. We also use our technology systems to assist us in planning and managing our production, budgeting, human resources, inventory, sales and financial reporting. As a result, our technology system is critical for our daily operations. Although we did not experience any technology systems' breakdown during the Track Record Period, we cannot assure you that our technology systems will always operate well without any interruption.

Any malfunction to a particular part of our technology systems may adversely affect our operations and our results of operations. There can be no assurance that there will not be any failure or breakdown of these systems in the future. Any system failure or breakdown could interrupt our normal business operations and result in a significant slowdown in operational and management efficiency. Any prolonged failure or breakdown could have a material adverse effect on our business and results of operations. In addition, we need to constantly upgrade and improve our technology systems to keep up with the continuous growth of our operations and business. We may not always be successful in installing, running or implementing new software or advanced information technology systems as required by our business development. All of these may have a material and adverse impact on our business, financial conditions and results of operations.

We may from time to time be involved in legal and other disputes arising out of our business operations, and such disputes may adversely affect our business, financial condition and results of our business operations.

We may from time to time be involved in disputes with, and claims by, customers to whom we provide our products. Disputes may also arise if they are dissatisfied with our products. In addition, customers may take legal action against us if they believe that our products do not meet the standards specified in the sales framework agreements and/or sales orders. In addition, from time to time, we may have disputes with, and claims by, other parties involved in our business, including our employees, suppliers and other third parties. All such disputes and claims may result in legal or other proceedings or lead to negative publicity about us, which could result in damage to our reputation, incur substantial costs and divert resources and divert management's attention away from our business activities. Any such disputes, claims or litigation could have a material adverse effect on our business, financial condition and results of our business operations.

RISK FACTORS

RISKS RELATING TO OUR INDUSTRY

If the cement admixture and concrete admixture market does not grow at the rate that we have expected, or at all, or if a substitute product for cement admixture and/or concrete admixture is released to the market, our business, results of operations and financial condition may be adversely affected.

Our growth depends on the stable demand for our cement admixture and concrete admixture in various downstream application within the concrete and cement industries, and the concrete and cement industries are in turn dependent on the PRC economy. Although the demand for our cement admixture and concrete admixture has grown in the past, such growth rate may not remain the same or increase in the future. Any decrease in demand or any downturn in the relevant downstream sectors or any economic slowdown in the PRC could materially and adversely affect our sales and profitability. Furthermore, if there is a change in market preference due to the release of new products which compete with the cement admixture and/or concrete admixture to the market, we may not be able to achieve the growth as expected and our business could be materially and adversely affected.

Our business is affected by changes in customer requirements and preferences, industry demands and the perceptions for cement admixture and concrete admixture generally.

Customer requirements and preferences, industry demands and the perceptions for cement admixture and concrete admixture are constantly changing in response to changes in market trend, technological development and customer needs. In light of the changing and diversified customer requirements and preferences, our future growth depends on our ability to adapt to market trends and introduce new products and new applications in a timely manner that can satisfy the requirements of our customers. We cannot assure you that our cement admixture and concrete admixture will continue to be accepted by our customers or that we will be able to anticipate or respond to changes in customers preferences in a timely manner. Our failure to anticipate, identify or respond to these changes could adversely affect our sales performance and operating results.

Research and development of new products and applications can be expensive, and we cannot assure you that our new products and applications will be well-received and recognised by the market or that it will generate acceptable profits. We may spend significant amount of resources to develop and market new products or new applications which may turn out not meeting our anticipated sales levels. If we are unable to effectively respond or adjust to the market trends and successfully identify and develop new products or new applications in response to the changing demand, our business and financial condition and operating results and our competitive position could be adversely and materially affected.

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RISKS RELATING TO CONDUCTING BUSINESS IN THE PRC

Changes in, as well as the interpretation and implementation of the relevant laws, rules and regulations, may affect our business, financial condition, results of operations and prospects.

Due to our extensive operations in the PRC, our business, financial condition, results of operations and prospects are affected by economic and legal developments in the PRC. PRC laws, rules and regulations in relation to economic matters are promulgated from time to time, including those related to such as foreign investment, corporate organisation and governance, commerce, taxation, finance, foreign exchange and trade, so as to develop a comprehensive system of commercial law. In addition, the interpretation and implementation of the laws and regulations relating to the cement admixture and concrete admixture industries also evolve from time to time.

Holders of H Shares may be subject to PRC income taxes.

Holders of H Shares, being non-PRC resident individuals or non-PRC resident enterprises, whose names appear on the register of members of H Shares of our Company, are subject to PRC income tax in accordance with the applicable tax laws and regulations, on dividends received from us and gains realised through the sale or transfer by other means of H shares by such shareholders.

According to the Individual Income Tax Law of the PRC and the Implementation Regulations for the Individual Income Tax Law of the PRC, both came into effect on 1 January 2019, the tax applicable to non-PRC resident individuals is proportionate at a rate of 20% for any dividends obtained from within China or gains on transfer of shares and shall be withheld and paid by the withholding agent. Pursuant to the Arrangement between the Mainland and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (內地和香港特別行政區關於對所得稅避免雙重徵稅和防止偷漏稅的安排) (the “**Arrangements**”) signed on 21 August 2006, the PRC government may levy taxes on the dividends paid by PRC companies to Hong Kong residents in accordance with the PRC laws, but the levied tax (in the case the beneficial owner of the dividends are not companies directly holding at least 25% of the equity interest in the company paying the dividends) shall not exceed 10% of the total dividends. The Fifth Protocol to the Arrangement between the Mainland China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income (《國家稅務總局關於〈內地和香港特別行政區關於對所得稅避免雙重徵稅和防止偷漏稅的安排〉第五議定書》), or the Fifth Protocol, issued by The State Administration of Taxation and effective on 6 December 2019 provides that such provisions shall not apply to arrangements or transactions made for one of the primary purposes of obtaining such tax benefits.

According to the Enterprise Income Tax Law of the PRC, which was newly revised and implemented on 29 December 2018, and the Implementation Regulations for the Enterprise Income Tax Law of the PRC, which was newly revised and implemented on 23 April 2019, if a non-resident enterprise has no presence or establishment within China, or if it has established a presence or establishment but the income obtained has no actual connection with such presence or establishment, it

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shall pay an enterprise income tax on its income derived from within China with a reduced rate of 10%. Pursuant to the Arrangements, dividends paid by PRC resident enterprises to Hong Kong residents can be taxed either in Hong Kong or in accordance with the PRC laws. However, if the beneficial owner of the dividends is a Hong Kong resident, the tax charged shall not exceed: (i) 5% of the total amount of dividends if the Hong Kong resident is a company that directly owns at least 25% of the capital of the PRC resident enterprise paying dividends; (ii) otherwise, 10% of the total amount of dividends. The Fifth Protocol provides that such provisions shall not apply to arrangements or transactions made for one of the primary purposes of obtaining such tax benefits.

Considering the above, non-PRC resident holders of our H Shares should be aware that they may be obligated to pay PRC income tax on the dividends and gains realised through sales or transfers by other means of the H Shares.

There might be uncertainties in effecting service of legal process, enforcing foreign judgements against us or our Directors, Supervisors and senior management personnel in the PRC.

We are a company incorporated in China. In addition, our Directors, Supervisors and senior management personnel reside within mainland China, and substantially all of their assets are located within the PRC. Therefore, it may be difficult for investors to directly effect service of legal process upon us or our Directors, Supervisors and senior management personnel in the PRC.

On 18 January 2019, the Supreme People’s Court and the Hong Kong Special Administrative Region (“SAR”) Government signed the Arrangement on Reciprocal Recognition and Enforcement of Judgements in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong SAR (《關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排》) (the “New Arrangement”), and the New Arrangement was issued on 25 January 2024 and came into effect on 29 January 2024, which seeks to establish a mechanism with greater clarity and certainty for recognition and enforcement of judgements in wider range of civil and commercial matters between Hong Kong SAR and the mainland China. The New Arrangement does not include the requirement for a choice of court agreement in writing by the parties. The New Arrangement has become effective as at the Latest Practicable Date and there might be uncertainties in enforcing a judgement rendered by a Hong Kong court in China if the parties in the dispute do not agree to enter into a choice of court agreement in writing.

RISKS RELATING TO THE [REDACTED]

There has been no prior [REDACTED] market for our H Shares, and the liquidity and market price of our H Shares may be volatile, which could result in substantial losses for [REDACTED] purchasing Shares in the [REDACTED].

Prior to the [REDACTED], there has been no [REDACTED] market for our H Shares. The [REDACTED] for our H Shares was the result of negotiations between us and the [REDACTED] (for itself and on behalf of the [REDACTED]), and the [REDACTED] may differ significantly from the market price for our H Shares following the [REDACTED]. We have applied for [REDACTED] of,

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and [REDACTED] to deal in, our H Shares on the Hong Kong Stock Exchange. A [REDACTED] on the Hong Kong Stock Exchange, however, does not guarantee that an active and liquid trading market for our H Shares will develop, or if it does develop, will be sustained following the [REDACTED] or that the market price of our H Shares will not decline following the [REDACTED]. If there is no active market for our H Shares after the [REDACTED], the value, market price and liquidity of our H Shares will be affected in a materially adverse manner. Additionally, the initial [REDACTED] of the H Shares will be fixed by the [REDACTED] (for itself and on behalf of the [REDACTED]) and us. Therefore, the initial [REDACTED] may not be indicative of the market price or value of our H Shares after the completion of the [REDACTED]. Furthermore, the market price and [REDACTED] of our H Shares may be volatile. The following factors may affect the [REDACTED] and market price of our H Shares:

- actual or anticipated fluctuations in our operating performance and financial results;
- a number of research reports on us to be released by industry and security analysts and a potential reduction of rating of our H Shares by such analysts;
- changes in earnings estimates or recommendations by financial analysts;
- news regarding recruitment or departure of key personnel by us or our competitors;
- significant information on competitive developments, acquisitions or strategic alliances in our industry;
- potential litigation or regulatory investigations;
- general market conditions or other developments affecting us or our industry;
- the operating and stock price performance of other companies and industries, and other events or factors beyond our control; and
- the release of lock-up or other transfer restrictions on our outstanding H Shares or sales or perceived sales of H Shares by us or other Shareholders.

Moreover, the securities market has from time to time experienced significant price and [REDACTED] fluctuations that might be unrelated or not directly related to the operating performance of the underlying companies in the market. These broad market and industry fluctuations may have a material and adverse effect on the market price and [REDACTED] of our H Shares.

Our Controlling Shareholders can exert significant influence on us and could cause us to act in a way that may not be in the best interests of our minority Shareholders.

Upon completion of the [REDACTED] (assuming that the [REDACTED] is not exercised and an [REDACTED] of HK\$[REDACTED] per H Share, being the mid-point of the indicative [REDACTED] from HK\$[REDACTED] to HK\$[REDACTED] per H Share), the Controlling

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Shareholders will in the aggregate beneficially own approximately [REDACTED]% of our issued Shares. Subject to our Articles of Association and applicable laws and regulations, the Controlling Shareholders will continue to have the ability to exercise controlling influence on our management, policies and business by controlling the composition of our Board, determining the timing and amount of our dividend payments, approving significant corporate transactions, including mergers and acquisitions, approving our annual budgets and taking other actions that require our Shareholders’ approval. We cannot assure that the interests of our Controlling Shareholders may necessarily be aligned with the interests of our Shareholders as a whole, and this concentration of ownership may have the effect of delaying, deferring or preventing a change in control of our Company, which could materially and adversely affect our business and growth prospect.

Future sales or perceived sales of a substantial number of our Shares in the [REDACTED] market could have a material adverse effect on the prevailing market price of our H Shares and our ability to raise additional capital in the future, and may result in dilution of your shareholding.

The market price of our H Shares could decline as a result of future sales of a substantial number of our H Shares or other securities relating to our H Shares in the [REDACTED] market, or the issuance of new H Shares or other securities, or the perception that such sales or issuances may occur. Future sales, anticipated sales or perceived sales of a substantial number of our securities, including any future [REDACTED], could also materially and adversely affect our ability to raise capital in the future at a time, at a price and on terms that is favourable to us. In addition, our Shareholders would experience dilution in their shareholdings upon the [REDACTED] or sale of additional share capital or share capital-linked securities by our Company in future [REDACTED]. If additional funds are raised through our issuance of new share capital or share capital-linked securities other than on a pro rata basis to existing Shareholders, the shareholdings of such Shareholders may be reduced and such new securities may confer rights and privileges that take priority over those conferred by the H Shares.

Subject to the approval by/filing with the CSRC or the authorised securities approval authorities of the State Council and upon the Hong Kong Stock Exchange granting approval, holders of Unlisted Shares may convert their Unlisted Shares into our H Shares and such Shares could be listed on the Hong Kong Stock Exchange. No class shareholder vote is required for the conversion of such Shares and the [REDACTED] and trading of the converted Shares on an overseas stock exchange, including the Hong Kong Stock Exchange. Future sales, or perceived sales, of the converted Shares may materially and adversely affect the trading price of our H Shares.

After completion of the [REDACTED], all Shares held by our Controlling Shareholders will be subject to legal restrictions on sale for a period of time, i.e. within one year from the [REDACTED]. For details, see “Share Capital — Restriction of Share Transfer” in this document. After the lapse of the above-mentioned restrictions or if they are breached, future sales, or perceived sales, of substantial number of those Shares could materially and adversely impact the market price of our H Shares and our ability to raise capital in the future.

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Subject to the approval by the relevant government authorities in China, holders of Unlisted Shares may transfer their Unlisted Shares to overseas [REDACTED] after it has been converted into H Shares, and such transferred Shares may be listed or traded on an overseas stock exchange. Any [REDACTED] or trading of the transferred Shares on an overseas stock exchange shall comply with the rules, regulations and requirements of such stock exchange. No class shareholder vote is required for the [REDACTED] and trading of the transferred Shares on an overseas stock exchange. As a result, subject to receiving the requisite approval and upon the expiration of the lock-up period of the applicable contractual and/or legal restrictions on share transfers, holders of Unlisted Shares may transfer their Unlisted Shares to overseas [REDACTED] after it has been converted into H Shares, and such Shares may then be traded on the Hong Kong Stock Exchange as H Shares in accordance with the rules, regulations and requirements of the Hong Kong Stock Exchange. This could further increase the supply of our H Shares in the market and could materially and adversely impact the market price of our H Shares.

Dividends declared and distributed in the past may not be indicative of our dividend payments in the future and there can be no assurance if and when we will pay dividends in the future.

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 during 6M2024. Dividends paid in prior periods may not be indicative of future dividend payments. Our ability to pay dividends will depend on whether we are able to generate sufficient earnings. Distribution of dividends shall be formulated by our Board of Directors at their discretion and will be subject to Shareholders’ approval. A decision to declare or to pay any dividends and the amount of any dividends will be proposed by our Board of Directors and depend on various factors, including but not limited to our results of operations, cash flows and financial conditions, capital adequacy levels, operating and capital expenditure requirements, distributable profits as determined under the PRC GAAP, the IFRSs, our Articles of Association, the PRC Company Law, market conditions, our strategic plans and prospects for business development, contractual limits and obligations, taxation, regulatory restrictions and any other factors determined by our Board of Directors from time to time to be relevant to the declaration or suspension of dividend payments. As a result, there can be no assurance whether, when and in what form we will pay dividends in the future. Our ability to declare and distribute dividend historically is not indicative of our ability to do so in the future, nor is it indicative of our financial performance in the future or the amount of dividends that will be declared or distributed in the future. Subject to any of the above constraints, we may not be able to pay dividends in the future. For details, see “Financial Information — Dividend Policy” in this document.

We have significant discretion as to the use of [REDACTED] from the [REDACTED], and you may not necessarily agree with our use of such [REDACTED].

Our management may use the [REDACTED] from the [REDACTED] in ways you may not agree with or that do not yield a favourable return to our Shareholders. We intend to use the [REDACTED] from the [REDACTED] to support our future plans. For details of our [REDACTED], see “Future Plans and [REDACTED]” in this document. You are entrusting your funds to our management, upon whose judgement you shall depend, for the specific use of the [REDACTED] from the [REDACTED].

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Future issues, [REDACTED] or sales of our H Shares may adversely affect the prevailing market price of our H Shares

Future issues of H Shares by our Company or the disposal of H Shares by any of our Shareholders or the perception that such issues or sales may occur, may negatively affect the prevailing market price of our H Shares. Moreover, future sales or perceived sales of a substantial amount of our H Shares or other securities relating to our H Shares in the [REDACTED] may negatively impact the market price of our H Shares, or adversely affect our ability to raise capital in the future at a time and at a price which we deem appropriate. Our Shareholders may experience dilution in their holdings in the event we issue additional securities in future [REDACTED].

Upon the completion of the [REDACTED], assuming the [REDACTED] is not exercised, there will be [REDACTED] issued H Shares, representing [REDACTED]% of the total issued share capital of our Company. In addition, our Unlisted Shares in issue may be converted into H Shares, and such converted Shares may be [REDACTED] and traded on the Stock Exchange, provided that prior to the conversion and trading of such converted Shares, any requisite internal approval processes shall have been duly completed and the approval from/filing with the relevant regulatory authorities, including CSRC, shall have been obtained/completed in accordance with the regulations of the State Council’s securities regulatory authorities as well as regulations, requirements and procedures of relevant overseas stock exchanges. No class shareholder vote is required for the conversion of such Shares and the [REDACTED] and trading of the converted Shares on an overseas stock exchange. Future sales, or perceived sales, of the converted Shares may adversely affect the [REDACTED] price of H Shares.

You should read the entire document carefully, and we strongly caution you not to place any reliance on any information contained in press articles or other media regarding us or the [REDACTED].

There had been, prior to the publication of this document, and there may be, subsequent to the date of this document but prior to the completion of the [REDACTED], press and media coverage regarding us and the [REDACTED], which contained and may contain, among other things, certain financial information, projections, valuations and other forward-looking information about us and the [REDACTED]. We have not authorised the disclosure of any such information in the press or media and do not accept responsibility for the accuracy or completeness of such press articles or other media coverage. We make no representation as to the appropriateness, accuracy, completeness or reliability of any of the projections, valuations or other forward-looking information about us. To the extent such statements are inconsistent with, or in conflict with, the information contained in this document, we disclaim responsibility for them. Accordingly, prospective [REDACTED] are cautioned to make their investment decisions on the basis of the information contained in this document only and should not rely on any other information.

You should rely solely upon the information contained in this document and any formal announcements made by us in Hong Kong in making your investment decision regarding our H Shares. We do not accept any responsibility for the accuracy or completeness of any information reported by the press or other media, nor the fairness or appropriateness of any forecasts, views or opinions

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expressed by the press or other media regarding our H Shares, the [REDACTED] or us. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such data or publication. Accordingly, prospective [REDACTED] should not rely on any such information, reports or publications in making their decisions as to whether to [REDACTED] in our [REDACTED]. By applying to purchase our H Shares in the [REDACTED], you will be deemed to have agreed that you will not rely on any information other than that contained in this document.

There can be no assurance of the accuracy or completeness of certain facts, forecasts and statistics derived from various government or official sources with respect to the PRC, Hong Kong and their economies and financial industries contained in this document.

We have derived certain facts, forecasts and other statistics in this document, relating to the PRC, the PRC economy and the industry in which we operate, including our market share information, from information provided by the PRC and other government authorities, which are generally believed to be trustworthy and reliable. While we have taken reasonable care to ensure the information are accurately reported, reproduced and extracted from such sources, such information has not been independently verified or confirmed by us or any parties related to the [REDACTED]. In addition, our processes or methods in doing so may be erroneous or imperfect and our practices of doing so may vary from the standard market practice. Due to the above reasons and a range of unidentifiable reasons, such statements of facts, predictions, forecasts, statistics and financial information may be unreliable, inaccurate, imprecise, incomplete or invalid, or may be incomparable from period to period or to the facts, predictions, forecasts, statistics and financial information of other economies. As a result, we cannot assure you as to the accuracy and reliability of such facts, forecasts and statistics, which may not be consistent with other information compiled inside or outside the PRC, and may not be complete or up-to-date. Because of possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, the statistics herein may be inaccurate or may not be comparable to statistics produced for other economies, and you should not place undue reliance on them. Furthermore, we cannot assure you that they are stated or compiled on the same basis, or with the same degree of accuracy, as similar statistics presented elsewhere. As a result, you should not overly rely on such facts, forecasts or statistics from the various government or official sources in an undue manner and shall seek professional advice in construing such information.

Forward-looking information is subject to risks and uncertainties

This document contains forward-looking statements and information relating to us and our operations and prospects that are based on our current beliefs and assumptions as well as information currently available to us. When used in this document, the words “anticipate,” “believe,” “estimate,” “expect,” “plans,” “prospects,” “going forward,” “intend” and similar expressions, as they relate to us or our business, are intended to identify forward-looking statements. Such statements reflect our current views with respect to future events and are subject to risks, uncertainties and various assumptions, including the risk factors described in this document. Should one or more of these risks or uncertainties materialise, or if any of the underlying assumptions prove incorrect, actual results may diverge significantly from the forward-looking statements in this document. Whether actual results will conform with our expectations and predictions is subject to a number of risks and uncertainties, many of which are beyond our control, and reflect future business decisions that are subject to change. In light of these and other uncertainties, the inclusion of forward-looking statements in this document should not be

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regarded as representations that our plans or objectives will be achieved, and [REDACTED] should not place undue reliance on such forward-looking statements. All forward looking statements contained in this document are qualified by reference to the cautionary statements set out in this section. We do not intend to update these forward-looking statements in addition to our on-going disclosure obligations pursuant to the Listing Rules or other requirements of the Stock Exchange.