中寶新材集團有限公司

CHINA TREASURES NEW MATERIALS GROUP LTD.

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 2439

GLOBAL OFFERING

Sole Sponsor, Overall Coordinator, Joint Global Coordinator, Joint Bookrunner and Joint Lead Manager

東吳證券(香港)
SCS SOOCHOW SECURITIES (HK)

Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

FOSUN INTERNATIONAL SECURITIES
复星国际证券

建泉融資有限公司
VBG Capital Limited

富滙證券
WealthLink
Securities Limited

Joint Bookrunners and Joint Lead Managers

中國銀河國際
CHINA GALAXY INTERNATIONAL

ZTSC 中泰國際
Zhongtai International Securities Limited

If you are in any doubt about any of the contents of this prospectus, you should obtain independent professional advice.

China Treasures New Materials Group Ltd.
中寶新材集團有限公司

(Incorporated in the Cayman Islands with limited liability)

GLOBAL OFFERING

Number of Offer Shares under the Global Offering	**:**	**250,000,000 Shares (comprising 190,000,000 new Shares and 60,000,000 Sale Shares, subject to the Over-allotment Option)**
Number of International Offer Shares	**:**	**225,000,000 Shares (comprising 165,000,000 new Shares and 60,000,000 Sale Shares, subject to reallocation and the Over-allotment Option)**
Number of Hong Kong Offer Shares	**:**	**25,000,000 Shares (subject to reallocation)**
Offer Price (subject to a Downward Offer Price Adjustment)	**:**	**Not more than HK$1.35 per Offer Share and expected to be not less than HK$1.05 per Offer Share, plus brokerage of 1%, SFC transaction levy of 0.0027%, AFRC transaction levy of 0.00015% and Stock Exchange trading fee of 0.00565% (payable in full on application in Hong Kong dollars and subject to refund) (If the Offer Price is set at 10% below the bottom end of the indicative Offer Price range after making a Downward Offer Price Adjustment, the Offer Price will be HK$0.945 per Offer Share)**
Nominal value	**:**	**HK$0.01 per Share**
Stock code	**:**	**2439**

Sole Sponsor, Overall Coordinator, Joint Global Coordinator, Joint Bookrunner and Joint Lead Manager

東吳證券(香港) SCS SOOCHOW SECURITIES (HK)

Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

FOSUN INTERNATIONAL SECURITIES 复星国际证券 | 建泉融資有限公司 VBG Capital Limited | 富滙證券 WealthLink Securities Limited

Joint Bookrunners and Joint Lead Managers

中國銀河國際 CHINA GALAXY INTERNATIONAL | ZTSC 中泰國際 Zhongtai International Securities Limited

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached thereto the documents specified in the paragraph headed "Documents Delivered to the Registrar of Companies and on Display" in Appendix VI to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Companies (WUMP) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility as to the contents of this prospectus or any other documents referred to above.

The Offer Price is expected to be determined by agreement between the Overall Coordinator (for itself and on behalf of the Underwriters) and us (for ourselves and on behalf of the Selling Shareholder) on the Price Determination Date, which is expected to be on or around Friday, 24 March 2023 (Hong Kong time) (or such later date as may be agreed between Overall Coordinator (for itself and on behalf of the Underwriters) and us (for ourselves and on behalf of the Selling Shareholder). The Offer Price will be not more than HK$1.35 per Offer Share and is currently expected to be not less than HK$1.05 per Offer Share (subject to a reduction of up to 10% below the bottom end of the indicative Offer Price range after making a Downward Offer Price Adjustment as set out in this prospectus). Applicants applying for the Hong Kong Offer Shares are required to pay, on the application, the maximum Offer Price of HK$1.35 per Offer Share together with brokerage of 1%, SFC transaction levy of 0.0027%, AFRC transaction levy of 0.00015% and Stock Exchange trading fee of 0.00565% subject to refund if the Offer Price as finally determined is lower than HK$1.35 per Offer Share. If, for any reason, the Overall Coordinator (for itself and on behalf of the Underwriters) and us are unable to reach an agreement on the Offer Price by Monday, 27 March 2023 (Hong Kong time), the Global Offering will not become unconditional and will not proceed.

The Overall Coordinator (for itself and on behalf of the Underwriters) may, with our consent (for ourselves and on behalf of the Selling Shareholder), reduce the number of Offer Shares offered under the Global Offering and/or reduce the indicative Offer Price range below that stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, notices of such reduction will be published on the Stock Exchange's website at **www.hkexnews.hk** and our Company's website at **www.jl-ks.cn**. Further details are set out in the section headed "Structure and Conditions of the Global Offering" in this prospectus.

Prior to making an investment decision, prospective investors should carefully consider all of the information set out in this prospectus, including the risk factors set out in the section headed "Risk Factors" in this prospectus.

Prospective investors of the Hong Kong Offer Shares should note that the obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement to subscribe, and to procure subscribers to subscribe for, the Hong Kong Offer Shares, are subject to termination by the Overall Coordinator (for itself and on behalf of the Underwriters), if certain events shall occur prior to 8:00 a.m. (Hong Kong time) on the Listing Date. Further details of the terms of such provisions are set out in the section headed "Underwriting" in this prospectus.

The Offer Shares have not been and will not be registered under the US Securities Act or any state securities law in the United States and may not be offered, sold, pledged or transferred within the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act and in accordance with any applicable US state securities laws. The Offer Shares are being offered and sold only outside the United States in offshore transactions in reliance on Regulation S under the US Securities Act.

ATTENTION

We have adopted a fully electronic application process for the Hong Kong Public Offering. We will not provide printed copies of this document or printed copies of any application forms to the public in relation to the Hong Kong Public Offering.

This document is available at the website of the Hong Kong Stock Exchange at www.hkexnews.hk and our website at www.jl-ks.cn. If you require a printed copy of this document, you may download and print from the website addresses above.

21 March 2023

IMPORTANT NOTICE TO INVESTORS: FULLY ELECTRONIC APPLICATION PROCESS

We have adopted a fully electronic application process for the Hong Kong Public Offering. We will not provide printed copies of this prospectus or printed copies of any application forms to the public in relation to the Hong Kong Public Offering.

This prospectus is available at the website of the Stock Exchange at www.hkexnews.hk under the "*HKEXnews > New Listings > New Listing Information*" section, and our website at www.jl-ks.cn. If you require a printed copy of this prospectus, you may download and print from the website addresses above.

To apply for the Hong Kong Offer Shares, you may:

(1) apply online via the **HK eIPO White Form** service in the **IPO App** (which can be downloaded by searching "**IPO App**" in App Store or Google Play or downloaded at **www.hkeipo.hk/IPOApp** or **www.tricorglobal.com/IPOApp**) or **www.hkeipo.hk**; or

(2) apply through the **CCASS EIPO** service to electronically cause HKSCC Nominees to apply on your behalf, including by:

   (i) instructing your **broker** or **custodian** who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf; or

   (ii) (if you are an existing **CCASS Investor Participant**) giving **electronic application instructions** through the CCASS Internet System (**https://ip.ccass.com**) or through the CCASS Phone System by calling +852 2979 7888 (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time). HKSCC can also input **electronic application instructions** for CCASS Investor Participants through HKSCC's Customer Service Centre at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong by completing an input request.

We will not provide any physical channels to accept any application for the Hong Kong Offer Shares by the public. The contents of the electronic version of this prospectus are identical to the printed document as registered with the Registrar of Companies in Hong Kong pursuant to Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

If you are an **intermediary**, **broker** or **agent**, please remind your customers, clients or principals, as applicable, that this prospectus is available online at the website addresses above.

Please refer to the section headed "How to Apply for the Hong Kong Offer Shares" in this prospectus for further details of the procedures through which you can apply for the Hong Kong Offer Shares electronically.

IMPORTANT

Your application through the **HK eIPO White Form** service or the **CCASS EIPO** service must be made for a minimum of 2,000 Hong Kong Offer Shares[(1)] and in one of the number of Hong Kong Offer Shares as set out in the table below. You are required to pay the amount next to the number you select.

No. of Hong Kong Offer Shares applied for	Amount payable on application	No. of Hong Kong Offer Shares applied for	Amount payable on application	No. of Hong Kong Offer Shares applied for	Amount payable on application	No. of Hong Kong Offer Shares applied for	Amount payable on application
	HK$		*HK$*		*HK$*		*HK$*
2,000	2,727.22	40,000	54,544.59	600,000	818,168.86	8,000,000	10,908,918.00
4,000	5,454.47	50,000	68,180.73	700,000	954,530.33	9,000,000	12,272,532.76
6,000	8,181.69	60,000	81,816.89	800,000	1,090,891.80	10,000,000	13,636,147.50
8,000	10,908.92	70,000	95,453.03	900,000	1,227,253.28	11,000,000	14,999,762.26
10,000	13,636.14	80,000	109,089.18	1,000,000	1,363,614.76	12,500,000[(2)]	17,045,184.38
12,000	16,363.38	90,000	122,725.32	2,000,000	2,727,229.50		
14,000	19,090.61	100,000	136,361.48	3,000,000	4,090,844.26		
16,000	21,817.83	200,000	272,722.96	4,000,000	5,454,459.00		
18,000	24,545.07	300,000	409,084.43	5,000,000	6,818,073.76		
20,000	27,272.30	400,000	545,445.90	6,000,000	8,181,688.50		
30,000	40,908.44	500,000	681,807.38	7,000,000	9,545,303.26		

Notes:

(1) As set out in the "Guide on Trading Arrangements for Selected Types of Corporate Actions" issued by Hong Kong Exchanges and Clearing Limited, it is required that the value of each board lot shall be no less than HK$2,000. Notwithstanding the Downward Offer Price Adjustment, the Board will ensure the value of each board lot shall be more than HK$2,000.

(2) Maximum number of Hong Kong Offer Shares you may apply for.

No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

If there is any change in the following expected timetable of the Global Offering, we will issue an announcement in Hong Kong to be published on the Stock Exchange's website at www.hkexnews.hk and our Company's website at www.jl-ks.cn.

Time and date(Note 1)

Hong Kong Public Offering commences . . . . 9:00 a.m. on Tuesday, 21 March 2023

Latest time for completing electronic applications under the **HK eIPO White Form** service through one of the ways below:(Note 2) . . . . 11:30 a.m. on Friday, 24 March 2023

- the **IPO App**, which can be downloaded by searching "**IPO App**" in App Store or Google Play or downloaded at **www.hkeipo.hk/IPOApp** or **www.tricorglobal.com/IPOApp**

- the designated website **www.hkeipo.hk**

Application lists open(Note 3) . . . . 11:45 a.m. on Friday, 24 March 2023

Latest time for (a) completing payment for **HK eIPO White Form** applications by effecting internet banking transfer(s) or PPS payment transfer(s) and (b) giving **electronic application instructions** to HKSCC(Note 4) . . . . 12:00 noon on Friday, 24 March 2023

If you are instructing your **broker** or **custodian** who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf, you are advised to contact your **broker** or **custodian** for the latest time for giving such instructions which may be different from the latest time as stated above.

Application lists close(Note 3) . . . . 12:00 noon on Friday, 24 March 2023

Expected Price Determination Date(Note 5) . . . . Friday, 24 March 2023

Where applicable, announcement of the Offer Price being set below the bottom end of the indicative Offer Price range after making a Downward Offer Price Adjustment to be published at the website of the Stock Exchange at **www.hkexnews.hk** and our website at **www.jl-ks.cn** on or before *(Note 10)* . . . . Thursday, 30 March 2023

Irrespective of whether a Downward Offer Price Adjustment is made, announcement of the Offer Price, the level of indications of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares at the website of the Stock Exchange at **www.hkexnews.hk** and our website at **www.jl-ks.cn** on or before *(Note 10)* . . . . Thursday, 30 March 2023

The results of allocations in the Hong Kong Public Offering (with successful applicants' identification document numbers, where appropriate) to be available through a variety of channels, including:

- in the announcement to be posted at the website of the Stock Exchange at **www.hkexnews.hk** and our website at **www.jl-ks.cn***(Note 10)* . . . . Thursday, 30 March 2023

- from the "IPO Results" function in the **IPO App** or at **www.hkeipo.hk/IPOResult** (or **www.tricor.com.hk/ipo/result**) with a "search by ID" function from*(Note 10)* . . . . 8:00 a.m. on Thursday, 30 March 2023 to 12:00 midnight on Wednesday, 5 April 2023

- from the allocation results telephone enquiry line by calling +852 3691 8488 between 9:00 a.m. and 6:00 p.m. from *(Note 10)* . . . . Thursday, 30 March 2023 to Tuesday, 4 April 2023 (excluding Saturday, Sunday and public holiday in Hong Kong)

Share certificates in respect of wholly or partially successful applications to be despatched or deposited into CCASS on or before*(Note 7)(Note 9)(Note 10)*. . . . . Thursday, 30 March 2023 e-Auto Refund payment instructions/refund cheques in respect of wholly or partially successful applications if the final Offer Price is less than the price payable on application (if applicable) or wholly or partially unsuccessful applications to be despatched/collected on or before*(Note 8)(Note 9)(Note 10)* . . . . Thursday, 30 March 2023

Dealings in the Shares on the Stock Exchange to commence at 9:00 a.m. on*(Note 10)* . . . . Friday, 31 March 2023

Notes:

1. All dates and times refer to Hong Kong local dates and time, except as otherwise stated.

2. You will not be permitted to submit your application through the **IPO App** or the designated website at **www.hkeipo.hk** after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the **IPO App** or the designated website at or before 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.

3. If there is/are a tropical cyclone warning signal number 8 or above, a "black" rainstorm warning and/or Extreme Conditions in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, 24 March 2023, the application lists will not open or close on that day. Please refer to the sub-section headed "How to Apply for the Hong Kong Offer Shares — 10. Effect of Bad Weather and/or Extreme Conditions on the Opening and Closing of the Application Lists" in this prospectus for details.

4. Applicants who apply for Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC via CCASS or instructing your **broker** or **custodian** to apply on your behalf via CCASS should refer to the section headed "How to Apply for the Hong Kong Offer Shares — 6. Applying Through The **CCASS EIPO** Service" in this prospectus.

5. The Price Determination Date is expected to be on or around Friday, 24 March 2023 and, in any event, not later than Monday, 27 March 2023. If, for any reason, we (for ourselves and on behalf of the Selling Shareholder) do not agree with the Overall Coordinator (for itself and on behalf of the Underwriters) on the pricing of the Offer Shares by Monday, 27 March 2023, the Global Offering will not proceed and will lapse.

6. None of the websites set out in this section or any of the information contained on the websites forms part of this prospectus.

7. Share certificates will only become valid at 8:00 a.m. on the Listing Date provided that the Global Offering has become unconditional and the right of termination described in "Underwriting — Underwriting Arrangements and Expenses — The Hong Kong Public Offering — Grounds for Termination" has not been exercised. Investors who trade Shares on the basis of publicly available allocation details or prior to the receipt of Share certificates or the Share certificates becoming valid do so entirely at their own risk.

8. e-Auto Refund payment instructions/refund cheques will be issued in respect of wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering and also in respect of wholly or partially successful applications in the event that the final Offer Price is less than the price payable per Offer Share on application. Part of the applicant's identification document number, or, if the application is made by joint applicants, part of the identification document number of the first-named applicant, provided by the applicant(s) may be printed on the

refund cheque, if any. Such data would also be transferred to a third party for refund purposes. Banks may require verification of an applicant's identification document number before encashment of the refund cheque. Inaccurate completion of an applicant's identification document number may invalidate or delay encashment of the refund cheque.

9. Applicants who have applied through the **HK eIPO White Form** service for 1,000,000 or more Hong Kong Offer Shares may collect any refund cheques (where applicable) and/or Share certificates in person from our Hong Kong Share Registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong from 9:00 a.m. to 1:00 p.m. on Thursday, 30 March 2023 or such other date as notified by us as the date of despatch/collection of Share certificates/e-Auto Refund payment instructions/refund cheques. Applicants being individuals who are eligible for personal collection may not authorise any other person to collect on their behalf. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorization from your corporation stamped with your corporation's chop. Both individuals and authorised representatives must produce evidence of identity acceptable to our Hong Kong Share Registrar at the time of collection.

   Applicants who have applied for Hong Kong Offer Shares through the **CCASS EIPO** service should refer to the section headed "How to Apply for the Hong Kong Offer Shares — 14. Despatch/Collection of Share Certificates and Refund Monies — (ii) If you apply through the **CCASS EIPO** service" in this prospectus for details.

   Applicants who have applied through the **HK eIPO White Form** service and paid their applications monies through single bank accounts may have refund monies (if any) despatched to the bank account in the form of e-Auto Refund payment instructions. Applicants who have applied through the **HK eIPO White Form** service and paid their application monies through multiple bank accounts may have refund monies (if any) despatched to the address as specified in their application instructions in the form of refund cheques in favour of the applicant (or, in the case of joint applications, the first-named applicant) by ordinary post at their own risk.

   Share certificates and/or refund cheques for applicants who have applied for less than 1,000,000 Hong Kong Offer Shares and any uncollected Share certificates and/or refund cheques will be despatched by ordinary post, at the applicants' risk, to the addresses specified in the relevant applications.

   Further information is set out in the section headed "How to Apply for the Hong Kong Offer Shares — 13. Refund of Application Monies" and "How to Apply for the Hong Kong Offer Shares — 14. Despatch/Collection of Share Certificates and Refund Monies" in this prospectus.

10. If there is/are a "black" rainstorm warning signal, a tropical cyclone warning signal number eight or above and/or Extreme Conditions in force in Hong Kong in any days between Tuesday, 21 March 2023 to Friday, 31 March 2023, then the day of (i) announcement of results of allocations in the Hong Kong Public Offering; (ii) despatch/collection of the Share certificates/e-Auto Refund payment instructions/refund cheques; and (iii) dealings in the Shares on the Stock Exchange may be postponed and an announcement may be made in such event.

The above expected timetable is a summary only. For details of the structure of the Global Offering, including its conditions, and the procedures for applications for Hong Kong Offer Shares, please refer to the sections headed "Structure and Conditions of the Global Offering" and "How to Apply for the Hong Kong Offer Shares" in this prospectus, respectively.

If the Global Offering does not become unconditional or is terminated in accordance with its terms, the Global Offering will not proceed. In such case, we will make an announcement as soon as practicable thereafter.

IMPORTANT NOTICE TO PROSPECTIVE INVESTORS

This prospectus is issued by our Company solely in connection with the Hong Kong Public Offering and the Hong Kong Offer Shares and does not constitute an offer to sell or a solicitation of an offer to subscribe for or buy any security other than the Hong Kong Offer Shares. This prospectus may not be used for the purpose of, and does not constitute, an offer to sell or a solicitation of an offer to subscribe for or buy any security in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong. The distribution of this prospectus and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom.

You should rely only on the information contained in this prospectus and the GREEN Application Form to make your investment decision. We have not authorised anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not included in this prospectus and the GREEN Application Form must not be relied on by you as having been authorised by us, the Selling Shareholder, the Sole Sponsor, the Overall Coordinator, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of our or their respective directors, officers, employees, agents or representatives of any of them, or any other person or party involved in the Global Offering. Information contained on our website, located at www.jl-ks.cn does not form part of this prospectus.

Page

CONTENTS

This summary aims to give you an overview of the information contained in this prospectus and is qualified in its entirety by, and should be read in conjunction with, the more detailed information and financial information appearing elsewhere in this prospectus. As this is a summary, it does not contain all the information that may be important to you and we urge you to read the entire prospectus carefully before making your investment decision. Various expressions used in this summary are defined in the section headed "Definition" and "Glossary of Technical Terms" in this prospectus. There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in the section headed "Risk Factors" in this prospectus. You should read that section carefully before you decide to invest in the Offer Shares. You should read the entire prospectus before you decide to invest in the Offer Shares.

Who We Are. We principally engage in manufacturing of biodegradable plastic products bags in Northeast China and our production base locates in Changchun, Jilin province, the PRC during the Track Record Period. We sell biodegradable masterbatches (生物降解母粒) that can be used to manufacture our biodegradable plastic products, namely, biodegradable produce bag rolls (生物降解連卷袋), biodegradable shopping bags (生物降解購物袋), and biodegradable stretch wraps (生物降解包裝纏繞膜). We generally manufacture biodegradable masterbatches base on our customers' requirements. We are not in the business of trading masterbatches and its raw materials. In addition, we also sell non-biodegradable automobile plastic parts. These products only accounted for 5.4%, 10.0%, 7.0% and 7.1% of our total revenue during the Track Record Period.

Our History. We were established in March 2014. At our inception, we were primarily engaged in the development and manufacturing of non-biodegradable automobile plastic parts. With a vision that the implementation of encouraging policies in the PRC (which restricted or prohibited the sale and use of non-degradable plastic bags and utensils and required shopping malls, shops and markets' organisers to monitor the implementation of the plastic ban, for details, please refer to the subsection headed "— PRC Government policies" in this section) could potentially drove the demand and sales of biodegradable plastic products in the future, our founders, Controlling Shareholders and executive Directors, Ms. Zhang and Mr. Shan, gradually diversified our business in 2015 into the development and manufacture of biodegradable plastic products. We maintain our non-biodegradable automobile plastic products segment for potential future conversion as our Directors consider biodegradable plastic parts will become a trend one day.

Our Expertise. Having the expertise in the develop and manufacture of biodegradable plastic products, our Company contributed to the discussion and formulation of the national standard for biodegradable plastic shopping bags, namely "GB/T 38082-2019", which was issued by the SAMR and the Standardisation Administration of the PRC (國家標準化管理委員會) in October 2019. As at the Latest Practicable Date, "GB/T 38082-2019" remained the sole and only national standard in the PRC for biodegradable plastic shopping bags. Furthermore, we invested in the R&D of biodegradable plastic products by collaborating with the CIAC (中國科學院長春應用化學研究所), a third-party research institute, which we owned the rights to the R&D results. We joined plastic production related industry associations in the PRC, including the Degradable Plastics Committee of China Plastic Processing Industry Association (中國塑料加工工業協會降解塑料專業委員會) and the Changchun Die & Mold Industry Association (長春市模具工業協會), so as to keep ourselves abreast of the market trends and to seek other potential business opportunities.

OUR PRODUCTS

During the Track Record Period, we principally developed and manufactured biodegradable plastic products in Northeast China. Our biodegradable plastic products mainly comprise (i) biodegradable produce bag rolls; (ii) biodegradable shopping bags; and (iii) biodegradable stretch wraps. Our biodegradable plastic products generally after a few months in landfill environment would react with bacteria, biomass and microorganisms and would begin to decompose. The Company also engages in the development and manufacture of non-biodegradable automobile plastic parts. Such products only accounted for not more than 10% of our revenue during the Track Record Period. The following table sets forth the breakdown of our revenue by products, sales volume, average selling price and gross profit margin during the Track Record Period:

	FY2019					FY2020					FY2021				
	Revenue		Sales volume	Average selling price	Gross profit margin	Revenue		Sales volume	Average selling price	Gross profit margin	Revenue		Sales volume	Average selling price	Gross profit margin
	RMB'000	*%*	*kg'000 (approximately)*	*RMB/kg*	*%*	*RMB'000*	*%*	*kg'000 (approximately)*	*RMB/kg*	*%*	*RMB'000*	*%*	*kg'000 (approximately)*	*RMB/kg*	*%*
Biodegradable plastic products															
— Produce bag rolls	56,673	55.2	1,569	36.1	43.6	94,862	56.9	2,802	33.9	39.7	124,942	48.7	3,837	32.6	41.5
— Shopping bags	40,320	39.3	1,213	33.2	37.7	54,349	32.6	1,463	37.2	44.7	108,154	42.1	3,017	35.9	47.6
— Stretch wraps	207	0.1	9	24.2	6.3	857	0.5	38	22.7	10.4	1,698	0.7	70	24.2	19.9
— Masterbatches	—	—	—	—	—	—	—	—	—	—	3,979	1.5	212	—	16.8
Sub-total/Overall.	**97,200**	**94.6**	**2,791**	**34.8**	**41.1**	**150,068**	**90.0**	**4,303**	**34.9**	**41.3**	**238,773**	**93.0**	**7,136**	**33.5**	**43.7**
Non-biodegradable automobile plastic parts	**5,500**	**5.4**	**156**	**35.3**	**30.8**	**16,654**	**10.0**	**809**	**20.6**	**48.6**	**17,967**	**7.0**	**790**	**22.7**	**49.3**
Total/Overall	**102,700**	**100.0**	**2,947**		**40.5**	**166,722**	**100.0**	**5,112**		**42.1**	**256,740**	**100.0**	**7,926**		**44.1**

	9M2021					9M2022				
	Revenue		Sales volume	Average selling price	Gross profit margin	Revenue		Sales volume	Average selling price	Gross profit margin
	RMB'000	*%*	*kg'000* *(approximately)* (unaudited)	*RMB/kg*	*%*	*RMB'000*	*%*	*kg'000* *(approximately)*	*RMB/kg*	*%*
Biodegradable plastic products										
— Produce bag rolls	92,271	48.5	2,832	32.6	41.5	96,514	45.1	2,982	32.4	36.2
— Shopping bags	82,645	43.4	2,303	35.9	47.8	96,515	45.1	2,489	38.8	45.3
— Stretch wraps	1,098	0.6	45	24.4	22.4	1,621	0.7	64	25.3	17.5
— Masterbatches	1,129	0.6	58	19.5	14.0	4,222	2.0	198	21.3	12.6
Sub-total/Overall.	**177,143**	**93.1**	**5,238**	**33.8**	**44.1**	**198,872**	**92.9**	**5,733**	**34.7**	**40.0**
Non-biodegradable automobile plastic parts	**13,119**	**6.9**	**588**	**22.3**	**52.2**	**15,239**	**7.1**	**664**	**23.0**	**42.5**
Total/Overall	**190,262**	**100.0**	**5,826**		**44.7**	**214,111**	**100.0**	**6,397**		**40.2**

Our Directors consider that the demand for our biodegradable shopping bags is mainly driven by policy. During the Track Record Period, the sales of biodegradable plastic products accounted for approximately 94.6%, 90.0%, 93.0%, 93.1% and 92.9% of our total revenue for FY2019, FY2020, FY2021, 9M2021 and 9M2022, respectively. Our revenue increased from FY2019 to FY2021 primarily due to an increase in sales to recurring customers. In FY2020, our increase in sales was driven by a surge in sales of biodegradable produce bag rolls. Our Directors believe the COVID-19 pandemic drove up the demand of perishable food and fruits in supermarkets which required extensive use of produce bag rolls. In FY2021, we recorded a notable increase in revenue when there was a further emphasis on the ban of non-degradable plastic bags in 2020, which drove up the sales of our biodegradable produce bag rolls and biodegradable shopping bags. Our business operation from March to April 2022 was negatively affected by the temporary lockdown in Changchun, which resulted in a fall in revenue for our biodegradable plastic products in these two months. Since May 2022, our business has gradually picked-up. For 9M2022, our revenue increased by approximately 12.5% as compared with that of 9M2021.

During the Track Record Period, the average selling price for our biodegradable plastic products ranged from approximately RMB33.5 per kg to RMB34.9 per kg. From FY2019 to FY2021, the average selling price of our biodegradable plastic products exhibited a slight decrease from approximately RMB34.8 per kg for FY2019 to approximately RMB33.5 per kg in FY2021. To secure our market shares and promote our products, we offer strategic adjustment on the selling price to stimulate the demand of our products. However, in general, we strive to improve our profit margin by controlling our manufacturing costs, and the average selling price of biodegradable plastic products increased from RMB33.8 per kg in 9M2021 to RMB34.7 per kg in 9M2022. Due to the lockdown of Changchun from March to May 2022, we were able to temporarily increase the selling price of our main biodegradable plastic products, namely, biodegradable shopping bags and produce bag rolls. For our non-biodegradable automobile plastic part products, the average selling price decreased from RMB35.3 in FY2019 to RMB20.6 in FY2020 and RMB22.7 in FY2021, respectively. Such decrease was mainly due to a change in product mix as we introduced new automobile plastic parts with lower average selling price but with higher profit margin as these products required lean production technology.

The overall increase in gross profit margin in FY2021 was mainly due to a surge in sales of biodegradable shopping bags (which has a higher gross profit margin than that of biodegradable produce bag rolls in FY2020 and FY2021) as its specifications (such as size, thickness, colour, weight holding capacity, tear resistance and light transmittance) were relatively more complicated than biodegradable produce bag rolls. In addition, produce bag rolls are usually provided to end-users for free while shopping bags are being charged. Our customers (such as supermarket chains, department stores and outlets) are therefore more sensitive to price fluctuations in produce bag rolls than shopping bags.

Our gross profit slightly increased by approximately 1.2% from approximately RMB85.0 million for 9M2021 to approximately RMB86.0 million for 9M2022. For 9M2022, the decrease in gross profit margin of both biodegradable plastic products segment and non-biodegradable automobile plastic parts segment was mainly the combined results of (i) increase in staff costs, depreciation and raw material costs; and (ii) due to the lockdown of Changchun, when we were temporarily able to increase the selling price of our main biodegradable plastic products, namely shopping bags and produce bag rolls as our customers were willing to pay higher price to secure supply. We managed to mitigate the fall in overall gross profit margin of biodegradable plastic products segment due to further increase in revenue (and overall weighting) from shopping bags which had a relatively higher gross profit margin than that of produce bag rolls. Hence, the overall gross profit margin fell to approximately 40.2% for 9M2022 (44.7% in 9M2021).

During the Track Record Period, all of our products were sold to our customers in the PRC, mainly in Northeast China. The following table sets forth the breakdown of our revenue by geographical locations, based on the registered address of the relevant contractual party, during the Track Record Period:

	FY2019		FY2020		FY2021		9M2021		9M2022	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
							(unaudited)			
Northeast China	80,118	78.0	132,144	79.3	200,995	78.3	150,720	79.2	165,650	77.4
— Jilin province	77,589	75.5	126,441	75.8	194,326	75.7	146,065	76.8	158,990	74.3
— Heilongjiang province	2,435	2.4	5,526	3.3	6,188	2.4	4,655	2.4	6,034	2.8
— Liaoning province	94	0.1	177	0.1	481	0.2	—	—	626	0.3
Others[1]	22,582	22.0	34,578	20.7	55,745	21.7	39,542	20.8	48,461	22.6
Total	**102,700**	**100.0**	**166,722**	**100.0**	**256,740**	**100.0**	**190,262**	**100.0**	**214,111**	**100.0**

Note:

(1) Others mainly include Beijing, Shandong province, Zhejiang province, Shanghai and Guangdong province, the PRC.

During the Track Record Period, Jilin province, where our production base was located, contributed to the majority of our revenue, which accounted for approximately 75.0% of our revenue.

This was largely due to (i) we were established in Jilin province, where we began our operation and business and had our production base in Changchun; (ii) we received prior investments to fund our early operation from Jilin Innovative Investment and Jilin Technology Fund; (iii) we maintained a close and good working relationship with CIAC for our biodegradable plastic products related R&D; (iv) we were a member of Changchun Die & Mold Industry Association; (v) during the Track Record Period, approximately 45.8%, 56.3%, 52.7% and 48.6% of our total revenue was derived from our major customers, whose principal place of business were mainly in Jilin province; (vi) Jilin province was the first province in China to fully ban the production and sale of non-degradable plastic bags and utensils, and required shopping malls, shops, and markets' organisers to monitor the implementation of the plastic ban, where the People's Government of Jilin Province (吉林省人民政府) approved the Policy of Prohibition of Production, Sale and Supply of Single-Use Non-Degradable Plastic Shopping Bags and Utensils in Jilin Province (吉林省禁止生產銷售和提供一次性不可降解塑料袋、塑料餐具規定) in 2014, aimed at reducing plastic waste and conserving resources; and (vii) as at 2022, Jilin province remained one of the pioneers with strictest level of enforcement against the production and sale of non-degradable plastic products while the enforcement of similar policies on comprehensively prohibiting the production, sale, and use of plastic products in other provinces such as Heilongjiang province and Liaoning province was less stringent due to the implementation of such policies was later in these provinces than Jilin province. We intend to maintain our leading position in Northeast China and geographically expand into other regions of China by leveraging on the sales network of our existing customers.

LANDSCAPE OF CHINA DISPOSABLE BIODEGRADABLE PLASTIC PRODUCTS MARKET

Ranking and Market Share

The disposable biodegradable plastic products market in China is fragmented and competitive, and many are engaged in the export business. According to the Frost & Sullivan Report, in terms of revenue contributed by disposable biodegradable plastic products manufacturers in China, our Group ranked fourth among all disposable biodegradable plastic products manufacturers in China, with a market share of approximately 2.6% in 2021.

PRC Government policies

Our business has benefited from a number of favourable policies and initiatives of the PRC Government for the development of the biodegradable plastic products market in China. In the 14th Five-Year Plan for the Development Plan of Circular Economy, the NDRC conducts special actions for the whole chain treatment of plastic pollution and actively and steadily promotes degradable plastics, strengthens market supervision and severely cracks down on illegal production and sales of plastic products ban by the PRC Government. Furthermore, various local governments continued to announce plastic restrictions to ban the production and sale of non-degradable plastic products. Details of the key PRC government policies are as follows:

Key government policies	Issuing authorities	Area of focus
Opinions on Further Strengthening the Control of Plastic Pollution (關於進一步加強塑料污染治理的意見)	Ministry of Ecology and Environment (生態環境部) and NDRC	It set out the PRC government's target to reduce the consumption of single-use plastic products by 2022 and reduce landfill volume of plastic waste by 2025. However, it stipulated that, by the end of 2020, non-degradable plastic bags should be prohibited in shopping malls, supermarkets, pharmacies, bookstores and other places in urban built-up areas of centrally-administered municipalities, provincial capitals and cities specifically designated in the state plan, as well as catering packing take-out services and various exhibition activities.

Key government policies	Issuing authorities	Area of focus
Catalogue of Plastic Products Prohibited or Restricted From Production, Sale and Use (Draft for comments) (禁止、限制生產、銷售和使用的塑料製品目錄(徵求意見稿)	NDRC	It set out the list of prohibited and restricted plastic products, including non-degradable plastic bag.

Industry key challenges

We consider the disposable biodegradable plastic products market in China is facing various key challenges, including:

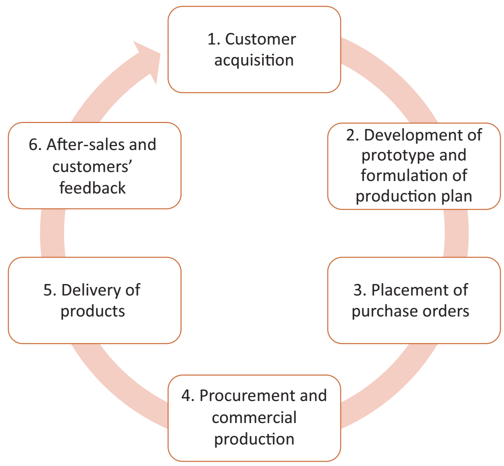
- *Further tightening of plastic products ban:* During the Track Record Period, we have been benefited from the implementation of various PRC policies that have banned non-biodegradable plastics. As a policy-driven market, the development of the biodegradable plastic products market in the PRC relies on policies and regulations that the PRC Government introduces. In the extreme event that the PRC government decides to tighten or adopt draconian measures to ban all plastic products (irrespective of whether they are biodegradable or environmentally friendly or not), it is possible that such aforesaid plastic control policy may include our products, and our business, financial condition and results of operations may be materially and adversely affected.

- *Evolving consumer behaviours:* Environmental protection consciousness positively affects consumers behaviours. For certain consumer groups, they prefer to choose reusable shopping bags rather than disposable shopping bags for environmental protection purpose. Consumers generally are becoming more environmentally conscious and the general awareness of environmental issues are increasing. As a result, our business, financial condition, and results of operations may be hindered.

- *Potential threats from alternative product:* For biodegradable products, there are other raw materials, such as paper, wood, bamboo and other materials that can be used to produce substitute or alternative products. For non-biodegradable automobile plastics parts, there are also other raw materials, such as steel, rubber and aluminium, that can be used to substitute plastic. Although these substitutes or alternative products may have different application or functionalities due to the nature of the material, it is difficult to predict whether the consumer may choose to use these alternative products based on their preference. Therefore, our business is subject to the potential threats from alternative products.

OUR BUSINESS MODEL

The key phases of our business operations for our products are as follows:

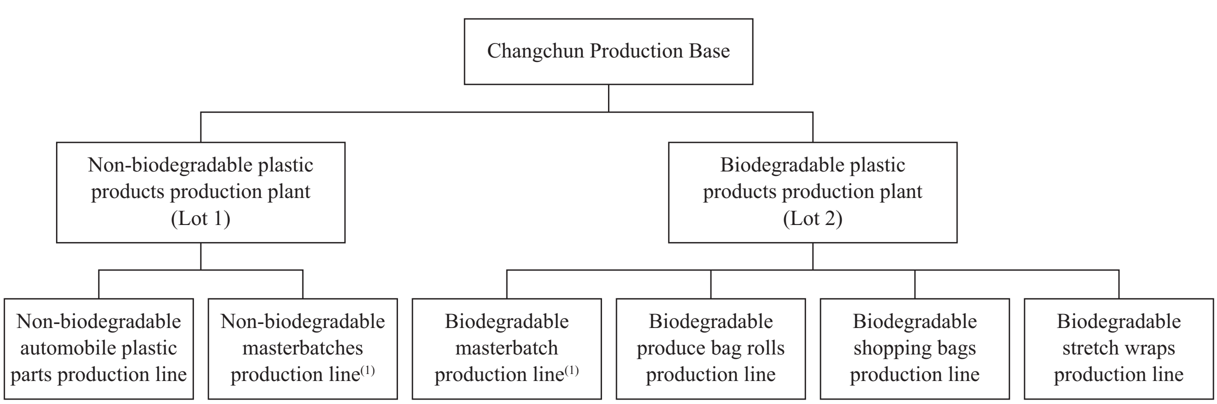


Our Pricing Strategy

In general, selling prices of our products are affected by various factors including the cost of raw materials, the product specifications and complexity to manufacture the products, quantity, relationship with the customer, historical sales data, labour costs and prevailing market trend. So long as we have the capacity and order is profitable with an overall desirable margin, we will accept the order from our customers.

Our Production Facilities and Capacities

As at the Latest Practicable Date, our production base is located in Changchun, Jilin province, the PRC. At our Changchun Production Base, we have two separate plants for biodegradable and non-biodegradable plastic products, namely, the biodegradable plastic products production plant on Lot 2 and the non-biodegradable automobile plastic parts production plant on Lot 1. The following chart illustrates the production lines in our Changchun Production Base as at the Latest Practicable Date:



Note:

(1) All of our masterbatch mixers can be used inter-changeably for masterbatch production for both biodegradable plastic product and non-biodegradable plastic product production lines.

Biodegradable plastic products production plant

Our biodegradable plastic products production plant, located in Lot 2 with a total gross floor area of approximately 19,055 sq.m., comprised of our biodegradable produce bag rolls production line, biodegradable shopping bags production line, biodegradable stretch wraps production line, and biodegradable masterbatches production line as at the Latest Practicable Date.

Prior to October 2021, all of our production lines (i.e., for all of biodegradable and non-biodegradable production lines) were located in Lot 1 with a total gross floor area of approximately 12,412 sq.m. In October 2021, to streamline our production and separate the production of our biodegradable and non-biodegradable plastic products, we moved our production lines for biodegradable plastic products to the new plant on Lot 2, while our production lines for non-biodegradable plastic products remained at the existing plant in Lot 1. At the new plant located in Lot 2, we manufactured and stored our biodegradable plastic products that we produced. For further details about our biodegradable plastic products production plant, please refer to the section headed "Business — Properties" in this prospectus.

The following table sets forth the utilisation rate of our biodegradable plastic products production line (excluding the utilisation of masterbatch production) for the years/periods indicated:

	FY2019	FY2020	FY2021	9M2021	9M2022
Effective designed capacity *(kg'000)*	5,796	6,440	6,440	4,830	4,830
Actual production volume *(kg'000)*	2,653	4,520	6,182	5,116	5,463
Effective utilisation rate *(%)*	45.8	70.2	96.0	105.9[(1)]	113.1[(1)]

Note:

(1) The effective utilisation rate is derived by dividing the actual production volume by the effective designed capacity, while the effective designed capacity is determined and calculated by multiplying the daily capacity of our production lines with the applicable number of days of operation per year (excluding all employees' general holiday and public holidays but including downtime due to maintenance/inspection).

Given the increased demand of our products during 9M2021 and 9M2022, the actual production volumes were larger than the effective designed capacity and hence, the effective utilisation rates were 105.9% and 113.1%, respectively. This was achieved by shortening the downtime due to maintenance/inspection as well as the slack/cleaning time. However, we consider this was not a long-term arrangement as problems such as machine overrun, overheat, metal fatigue or machinery failure may arise when the effective utilisation rate of production lines approach or over 100% for prolonged period.

In any event, as advised by our PRC Legal Advisers and to the best knowledge and belief of the Directors, there is no material non-compliance or violations of any labour or environmental protection laws and regulations currently exist or persist that could adversely affect our business operations and financial conditions during the Track Record Period.

Non-biodegradable automobile plastic parts production plant

Our non-biodegradable automobile plastic parts production plant, located in Lot 1 with a total gross floor area of approximately 12,412 sq.m., comprised of our non-biodegradable automobile plastic parts production line and non-biodegradable masterbatches production line. For further details about our non-biodegradable automobile plastic parts production plant, please refer to the subsection headed "Business — Properties" in this prospectus.

The following table sets forth the utilisation rate of our non-biodegradable automobile plastic parts production line (excluding the utilisation of masterbatch production) for the years/periods indicated:

	FY2019	FY2020	FY2021	9M2021	9M2022
Effective designed capacity *(kg'000)*	8,064	10,080	10,080	7,560	7,560
Actual production volume *(kg'000)*	135	833	830	602	649
Effective utilisation rate *(%)*	1.7	8.3	8.2	8.0	8.6

Masterbatch production

Before October 2021, all of our masterbatch mixers were located in our existing plant located in Lot 1 and were utilised to produce masterbatches for both biodegradable plastic products and non-biodegradable plastic products. In October 2021, we moved some of our masterbatch mixers to the new plant located in Lot 2 when we separated our biodegradable plastic products and non-biodegradable plastic products production lines. Nevertheless, all of our masterbatch mixers can still be used inter-changeably for masterbatch production for both our biodegradable plastic products and non-biodegradable plastic products.

The following table sets forth the utilisation rate of all of our masterbatch mixers for the years/periods indicated:

	FY2019	FY2020	FY2021	9M2021	9M2022
Effective designed capacity *(kg'000)*	11,844	11,844	11,844	8,883	8,883
Actual production volume *(kg'000)*	2,788	5,353	7,224	5,766	6,310
Effective utilisation rate *(%)*	23.5	45.2	61.0	65.0	71.0

Our Major Customers

During the Track Record Period, our major customers are mainly supermarket chains, department stores and outlets, of which, our top three major customers are subsidiaries of listed companies in the PRC or in Hong Kong (all of which are our biodegradable plastic products customers). In FY2019, FY2020, FY2021 and 9M2022, sales to our five largest customers in each year/period during the Track Record Period represented approximately 45.8%, 56.3%, 52.7% and 48.6% of our total revenue, respectively. Sales to our largest customer in each year/period during the Track Record Period represented approximately 15.5%, 16.1%, 16.1% and 15.1% of our total revenue, respectively, over the same period. Our top five customers during the Track Record Period have business relationships with us from three years to seven years. All of our major customers are Independent Third Parties.

Although we did not enter into any long-term sales framework agreement with our customers, most of our revenue during the Track Record Period was derived from recurring customers. For FY2019, FY2020, FY2021 and 9M2022, approximately RMB101.1 million, RMB165.8 million, RMB245.3 million and RMB208.4 million, representing approximately 98.4%, 99.5%, 95.6% and 97.3% of our total revenue derived from our recurring customers. As our customers usually have their product specifications such as size, weight holding capacity for the biodegradable plastic products, with repeat orders from the same customer it allows us to lower our R&D and production cost as well as production lead time. Furthermore, during the Track Record Period, our recurring customers profile also includes (i) an American multinational food and beverage company that is most well-known for its carbonated soft drinks; and (ii) a French-based multinational sports retailer. Please refer to the section headed "Business — Our Sales and Customers" in this prospectus for details. One of our major customers was also our supplier during the Track Record Period. Please refer to the section headed "Business — Entity Who is Our Customer and also Our Supplier" in this prospectus for details.

Our Major Suppliers

During the Track Record Period, our major suppliers were raw materials providers, providing us with major ingredients (such as PLA, PBAT and PBS), additives and consumables for our manufacturing operation. In FY2019, FY2020, FY2021 and 9M2022, transactions with our five largest suppliers in each year/period during the Track Record Period were approximately RMB42.5 million, RMB75.7 million, RMB99.5 million and RMB95.6 million, representing approximately 80.0%, 85.2%, 82.2% and 69.3% of our total purchase, respectively, over the same period. Purchases from our largest supplier in each year/period during the Track Record Period were approximately RMB12.1 million, RMB22.6 million, RMB35.1 million and RMB34.1 million, representing approximately 22.8%, 25.4%, 29.0% and 24.7% of our total purchase, respectively, over the same period. All of our major suppliers are Independent Third Parties.

OUR COMPETITIVE STRENGTHS

We believe that the following competitive strengths of our Group have contributed to our success in the industry: (i) we are a leading player in the disposable biodegradable plastic products manufacturers in China; (ii) we invest in the R&D and the manufacturing of biodegradable plastic products; (iii) we have stringent quality control to our products; (iv) we have established stable business relationships with our major customers; and (v) we have a seasoned management team with extensive experience. For further details, please refer to the subsection headed "Business — Competitive Strengths" in this prospectus.

OUR BUSINESS STRATEGIES

We aim to strengthen our position as one of the leading manufacturers of disposable biodegradable plastic products in China, and to expand our footprint to other regions of the PRC. To achieve this, we intend to: (i) expand and establish new production lines in our Changchun Production Base; (ii) establish a new production base in Huizhou; (iii) strengthen our R&D capabilities by upgrading our existing R&D equipment and further collaborating with CIAC; (iv) finance our R&D projects; and (v) strengthen our IT system. For further details, please refer to the subsections headed "Business — Business Strategies" and "Business — Our Production Facilities – Expansion Plan" in this prospectus.

SUMMARY OF MATERIAL RISK FACTORS

There are certain risks involved in our operations which may be beyond our control. These risks are further described in the section headed "Risk Factors" in this prospectus. Major risks we take include (i) our results of operations are significantly affected by fluctuation in prices and availability of our major raw material; (ii) there may be evolving consumer behaviour; (iii) potential threats from alternative products; (iv) we are subject to stringent environmental protection laws and regulations; (v) we have a concentration of customers during the Track Record Period; (vi) we are subject to credit risk for trade receivables arising from our customers and other parties; (vii) further transmission of COVID-19/any future natural disasters/any contagious disease; and (viii) our reliance on the cooperation with CIAC may adversely affect our business operation.

SUMMARY OF HISTORICAL FINANCIAL INFORMATION

The tables below include, for the periods indicated, selected financial data derived from our combined financial statements, the details of which are set forth in the Accountants' Report in Appendix I to this prospectus.

Selected Items of Combined Statements of Profit or Loss and Other Comprehensive Income

	FY2019	FY2020	FY2021	9M2021	9M2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Revenue	102,700	166,722	256,740	190,262	214,111
Cost of sales	(61,091)	(96,585)	(143,608)	(105,276)	(128,126)
Gross profit	41,609	70,137	113,132	84,986	85,985
Profit before tax	31,567	57,114	91,977	72,829	54,903
Profit for the year/period attributable to:					
—Owners of the Company	27,141	49,272	78,417	62,150	45,178
—Non-controlling interests	—	—	—	—	318
Total comprehensive income	27,141	49,272	78,417	62,150	45,099

Net Profit

Our net profit increased by approximately 81.9% from RMB27.1 million in FY2019 to RMB49.3 million in FY2020, which was primary attributable to: (i) revenue increased by approximately 62.3% from approximately RMB102.7 million for FY2019 to approximately RMB166.7 million for FY2020 mainly due to surge in demand for produce bag rolls and shopping bags; (ii) gross profit increased by approximately 68.5% from approximately RMB41.6 million for FY2019 to approximately RMB70.1 million for FY2020 mainly due to an increase in revenue contributed by biodegradable shopping bags; (iii) selling and distribution expenses decreased by RMB0.2 million from approximately RMB1.1 million in FY2019 to approximately RMB0.9 million in FY2020; and (iv) our Company was subject to a 15% business income tax rate.

Net profit further increased by 59.0% from approximately RMB49.3 million in FY2020 to approximately RMB78.4 million in FY2021. Such increase was mainly due to: (i) an increase of approximately RMB88.7 million in revenue of biodegradable plastic products mainly due to surge in demand for produce bag rolls and shopping bags and an increase of revenue from the non-biodegradable automobile plastic parts segment from approximately RMB16.7 million in FY2020 to approximately RMB18.0 million in FY2021; and (ii) an increase of gross profit margin from 42.1% in FY2020 to 44.1% in FY2021 as a result of the decrease in average unit cost of raw materials.

Net profit decreased by approximately 26.8% from approximately RMB62.2 million in 9M2021 to approximately RMB45.5 million in 9M2022. Such decrease in 9M2022 was a combined result of (i) increases in cost of sales (which lead to a fall in our overall gross profit margin), selling and distribution expenses, and administrative and other operating expenses from 9M2021 to

9M2022; and (ii) our Group incurred listing expenses amounted to approximately RMB12.2 million during the 9M2022; and partially offset by our increase in revenue (in particular for our shopping bag) from RMB82.6 million in 9M2021 to RMB96.5 million in 9M2022.

For further details, please refer to the subsection headed "Financial Information — Principal Components of Combined Statements of Profit or Loss and Other Comprehensive Income" in this prospectus.

Selected Items of Combined Statements of Financial Position

	As at 31 December			As at 30 September
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Total current assets	113,060	182,775	177,990	200,143
Total current liabilities	43,872	58,225	76,906	88,661
Net current assets	69,188	124,550	101,084	111,482
Total non-current assets	46,380	48,697	47,532	96,709
Total non-current liabilities	4,513	4,869	7,670	21,778
Net assets	111,055	168,378	140,946	186,413
Non-controlling interests	—	—	—	2,004

Our Net Current Asset

As at 31 December 2019, our Group recorded net current assets position amounting to approximately RMB69.2 million. The net current assets improved to approximately RMB124.6 million as at 31 December 2020. Such change was mainly due to a notable increase in bank balances and cash of approximately RMB63.9 million which was mainly attributable to the increase in operating cash flow resulted from increase in net profit.

Our net current assets decreased to approximately RMB101.1 million as at 31 December 2021. Such decrease was mainly due to: (i) decrease in bank balances and cash of approximately RMB7.5 million resulting from payment of dividends amounted to approximately RMB137.0 million during FY2021 which was net off by an increase in operating cash flow mainly resulted from increase in net profit; and (ii) increase in trade and other payables by approximately RMB19.6 million due to ordering of raw material before year-end to cope with Chinese New Year in early February.

Our net current assets increased slightly to approximately RMB111.5 million as at 30 September 2022. Such increase was mainly due to increase in year-end inventories by RMB19.6 million and partially offset by increase in lease liabilities of approximately RMB8.5 million for 9M2022.

Our Net Assets

Our net assets increased by approximately 51.6% from RMB111.1 million in as at 31 December 2019 to RMB168.4 million as at 31 December 2020, which was primarily contributed by: (i) the increase in net profit of approximately RMB49.3 million in FY2020; (ii) capital contribution amounted to RMB8.0 million injected by Jilin Innovative Investment to Jilin Kaishun on 1 September 2020; and (iii) no dividend was distributed during the period.

Our net assets decreased by approximately 16.3% from RMB168.4 million as at 31 December 2020 to RMB140.9 million as at 31 December 2021. While the Company recorded further increase in net profit of approximately RMB78.4 million and capital contribution made by the pre-IPO investors on Jilin Kaishun of approximately RMB31.1 million, such increase was offset by the dividends paid of approximately RMB137.0 million and thus recorded a decrease in net assets as at 31 December 2021.

Our net assets increased by approximately 32.3% from RMB140.9 million in FY2021 to RMB186.4 million as at 30 September 2022. Such increase was mainly due to: (i) increase in net profit of approximately RMB45.5 million in 9M2022; (ii) capital contribution of approximately RMB3.6 million was injected by the investors into Jilin Kaishun and approximately RMB3.2 million was offset by the payment for the acquisition of Yizheng Juxinyuan under the Reorganisation; and (iii) no dividend was distributed during the period.

For further details, please refer to the subsection headed "Financial Information — Principal Components of Combined Statements of Profit or Loss and Other Comprehensive Income" in this prospectus.

Selected Items of Combined Statements of Cash Flows

	FY2019	FY2020	FY2021	9M2021	9M2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Net cash from operating activities	5,237	49,175	108,115	86,824	28,860
Net cash used in investing activities(1)	(3,829)	(5,200)	(1,421)	(602)	(30,084)
Net cash from (used in) financing activities(2)	1,013	19,875	(114,161)	(142,004)	(2,282)
Net increase (decrease) in cash and cash equivalents	2,421	63,850	(7,467)	(55,782)	(3,506)
Cash and cash equivalents at the beginning of the reporting period	31,624	34,045	97,895	97,895	90,428
Cash and cash equivalents at the end of the reporting period	34,045	97,895	90,428	42,113	86,922

Notes:

1. In 9M2022 we paid RMB30.2 million for purchase of property, plant and equipment which resulted in an increase in cash used in investing activities.

2. In 9M2021 and FY2021, we distributed RMB137.0 million dividends to the then shareholders, which resulted in net cash used in financing activities.

For further details, please refer to the subsection headed "Financial Information — Liquidity and Capital Resources — Cash Flows" in this prospectus.

Key Financial Ratios

The table below sets out the key financial ratios for the years/period and as at the dates indicated:

	As at 31 December 2019/FY2019	As at 31 December 2020/FY2020	As at 31 December 2021/FY2021	As at 30 September 2022/9M2022
Gross profit margin (%)	40.5	42.1	44.1	40.2
Net profit margin *(%)*	26.4	29.6	30.5	21.2
Current ratio *(times)*	2.6	3.1	2.3	2.3
Quick ratio *(times)*	1.9	2.6	2.1	1.9
Gearing ratio *(%)*	27.3	27.4	33.9	37.4
Return on total assets *(%)*	17.0	21.3	34.8	N/A
Return on equity *(%)*	24.4	29.3	55.6	N/A
Interest coverage ratio *(times)*	15.6	21.0	27.8	23.4

Fluctuation in key financial ratios

The improvement in gross profit margin in FY2021 was mainly due to a surge in sales of biodegradable shopping bags (which has a relatively higher gross profit margin than that of biodegradable produce bag rolls) that resulted in an improvement of our overall gross profit margin for biodegradable plastic products segment. In FY2021, our net profit margin improved mainly due to our ability to control our average unit costs from the increase in production scale as costs such as staff cost and depreciation were relatively flat.

Our net profit margin decreased to 21.2% for 9M2022 owing to decrease in gross profit margin from 44.1% in FY2021 to 40.2% in 9M2022 and recognition of Listing expenses of approximately RMB12.2 million in 9M2022.

Also, we have been a qualified High and New Technology Enterprise since 2018 and are therefore entitled to enjoy a preferential PRC enterprise income tax rate of 15%. Furthermore, under the Enterprise Income Tax Law of the PRC and its relevant regulations, there is an additional deduction allowance for qualified R&D expenses. These tax benefits allowed us to have a higher net profit margin. The increase in return on equity in FY2021 was mainly due to the payment of dividends of approximately RMB137.0 million to Ms. Zhang, Mr. Shan and the then shareholders. For further details, please refer to the subsection headed "Financial Information — Key Financial Ratios" in this prospectus.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Ms. Zhang, and her spouse, Mr. Shan, are our founders and our executive Directors and are presumed to be acting in concert under the Takeovers Code. Ms. Zhang is holding our Shares through her investment holding entity, Lvsetianye Technology. As for Mr. Shan, he is holding our Shares through his investment holding entities, Lvsesenlin Technology, Daziran Technology and CPEP Holdings. For the purpose of the Listing and under the Listing Rules, Ms. Zhang and Lvsetianye Technology, as well as Mr. Shan, Lvsesenlin Technology, Daziran Technology and CPEP Holdings are considered our Controlling Shareholders. Immediately after completion of the Global Offering, our Controlling Shareholders will control, in aggregate, the exercise of voting rights of 67.1903% of our Shares eligible to vote in the general meeting of our Company (assuming that none of the Over-allotment Option and options to be granted under the Share Option Scheme is exercised). None of our Controlling Shareholders or their respectively associates has any interest in any company which may, directly or indirectly, compete with the business of our Group as at the Latest Practicable Date. For further details, please refer to the subsection headed "Relationship with our Controlling Shareholders — Our Controlling Shareholders" in this prospectus.

PRE-IPO INVESTMENTS

We have received Pre-IPO Investments from the Pre-IPO Investors, namely, Mr. Chen Guobin (陳國斌), Mr. Li, Mr. Lu Changdong (盧昌東), and Mr. Zhang Zhifang (章志方) (indirectly through Green Environmental HK prior to the Reorganisation) with an aggregate consideration of RMB34,710,000 for a total equity interest of 9.6416% in Jilin Kaishun. Through the Reorganisation, the Pre-IPO Investors transferred their direct or indirect equity interests in Jilin Kaishun (as the case may be) to Changchun Guangke and now held our Shares, representing an aggregate of 9.6416% of the total issued Shares, through their respective investment holding entity, namely, Shenzhou Technology, Languang Technology, Tianxingjian Technology and EP Technology. Immediately after completion of the Global Offering (assuming that none of the Over-allotment Option and options to be granted under the Share Option Scheme is exercised), such Pre-IPO Investment will be diluted and will represent approximately 7.8097% of the total issued Shares. For further details, please refer to the subsection headed "History, Reorganisation and Group Structure" in this prospectus.

DIVIDEND POLICY

In 2021 and prior to the Pre-IPO Investments from the Pre-IPO Investors, we declared and distributed a total dividends of approximately RMB137.0 million to the then shareholders of Jilin Kaishun, which were Ms. Zhang, Mr. Shan, Jilin Technology Fund and Jilin Innovative Investment. All dividends declared was fully paid in FY2021. Our historical dividend distribution record may not be used as a reference or basis to determine the level of dividends that may be declared or paid by us in the future. The declaration, payment and the amount of any dividends, if paid, are subject to the discretion of our Directors and depend on the results of operations, cash flows, financial position, statutory and regulatory restrictions on the payment of dividends by us, future prospects and other factors that we may consider relevant. Subject to the factors as described above, we expect that, in the future, interim and final dividends will be paid from time to time in an aggregate amount of approximately 30% of profits attributable to the equity holder of our Company. Holders of the Shares will be entitled to receive such dividends pro rata according to the amount paid up or credited as paid up on the Shares. After the Listing, declaration of dividends will be subject to recommendation of our Board and other factors as described above.

GLOBAL OFFERING STATISTICS(1)

The Global Offering comprises: (i) Hong Kong Public Offering of 25,000,000 Shares; and (ii) the International Offering of 225,000,000 Shares (comprising 165,000,000 new Shares and 60,000,000 Sale Shares), subject, in each case, to reallocation on the basis as described in the section headed ''Structure and Conditions of the Global Offering" in this prospectus. The following table sets out certain offering related data, assuming the Global Offering has been completed:

	Based on an Offer Price of HK$0.945 per Offer Share, after a Downward Offer Price Adjustment of 10%	Based on minimum indicative Offer Price of HK$1.05 per Offer Share	Based on Maximum indicative Offer Price of HK$1.35 per Offer Share
Market capitalisation of our Shares(2)	HK$945 million	HK$1,050 million	HK$1,350 million
Unaudited pro forma adjusted combined net tangible assets per Share(3)	HK$0.36 (Equivalent to RMB0.32)	HK$0.38 (equivalent to RMB0.34)	HK$0.43 (Equivalent to RMB0.39)

Notes:

(1) All statistics in this table are on the assumption that the Over-allotment Option is not exercised.

(2) The calculation of market capitalisation is based on 1,000,000,000 Shares expected to be in issue immediately after completion of the Global Offering.

(3) The unaudited pro forma adjusted combined net tangible assets of the Group attributable to owners of the Company per Offer Share is calculated after making the adjustments referred to in "Appendix II — Unaudited Pro Forma Financial Information" and on the basis that 1,000,000,000 Shares were in issue assuming the Global Offering has been completed on 30 September 2022.

USE OF PROCEEDS

We estimate the net proceeds of the Global Offering which we will receive, assuming an Offer Price of HK$1.20 per Offer Share (being the mid-point of the Offer Price range stated in this prospectus) and assuming the Over-allotment Option is not exercised, will be approximately HK$181.0 million (equivalent to RMB163.8 million), after deduction of underwriting fees and commissions and estimated expenses payable by us in connection with the Global Offering and we intend to use the net proceeds of the Global Offering as follows:

		Total	**Total**	**Approximate percentage of the total net proceeds**
		(HK$ million)	*(RMB million)*	*(%)*
(i)	Expand and establish new production lines in our Changchun Production Base	60.2	54.5	33.3
(ii)	Establish a new production base in Huizhou	60.1	54.4	33.2
(iii)	Strengthen our R&D capabilities and upgrade our existing R&D equipment	7.8	7.1	4.3
(iv)	Finance our R&D projects	38.7	35.0	21.4
(v)	Strengthen our IT system	5.5	5.0	3.0
(vi)	General working capital	8.7	7.8	4.8
Total		**181.0**	**163.8**	**100.0**

For further details, please refer to the section headed "Future Plans and Use of Proceeds" in this prospectus.

We estimate that the net proceeds to be received by the Selling Shareholder from the sale of the Sale Shares (after deduction of the proportionate share of underwriting commissions payable by our Selling Shareholder in relation to the Global Offering, and assuming an Offer Price of HK$1.20 per Offer Share, being the mid-point of the Offer Price range and assuming the Over-allotment Option is not exercised) will be approximately HK$67.7 million. We will not receive any of the proceeds from the Sale Shares.

LISTING EXPENSES

Our estimated Listing expenses primarily consisted of underwriting fees and commissions as well as legal and professional fees in relation to the Listing. Assuming an Offer Price of HK$1.20 per Share, being the mid-point of the Offer Price range stated in this prospectus, the Listing expenses to be borne by our Company are estimated to be approximately HK$47.0 million (representing approximately 20.6% of the total gross proceeds from the Global Offering), of which approximately HK$19.6 million (RMB17.8 million) is directly attributable to the issue of new Shares and is to be accounted for as a deduction from equity. The Selling Shareholder will bear the proportionate underwriting commissions which will be approximately HK$4.3 million. For the remaining amount of approximately HK$27.4 million (RMB24.8 million), (i) approximately HK$4.6 million (RMB4.2 million) and HK$13.5 million (RMB12.2 million) is recognised in our combined statements of profit and loss and other comprehensive income for FY2021 and 9M2022; and (ii) approximately HK$6.1 million (RMB5.5 million) is expected to be recognised in our combined statements of profit or loss and other comprehensive income for the three months ended 31 December 2022; and (iii) approximately HK$3.2 million (RMB2.9 million) is expected to be recognised in our combined statements of profit or loss and other comprehensive income for the year ending 31 December 2023. The aforementioned total estimated Listing expenses (based on the mid-point of the Offer Price range stated in this prospectus and assuming that the Over-allotment Option is not exercised) in relation to the Global Offering includes (i) underwriting-related expenses (including but not limited to underwriting fees and commissions) of approximately HK$13.7 million (equivalent to RMB12.4 million); and (ii) non-underwriting-related expenses of approximately HK$33.3 million (equivalent to RMB30.2 million), which can be further categorised into (a) fees and expenses of legal advisers and reporting accountants of approximately HK$17.1 million (equivalent to RMB15.5 million); and (b) other fees and expenses of approximately HK$16.2 million (equivalent to RMB14.7 million). The estimated Listing expenses are subject to adjustments based on the actual amount incurred or to be incurred.

The preliminary financial information of our Group as of and for the year ended 31 December 2022 in Appendix III to this prospectus have been agreed by the Reporting Accountant, Mazars CPA Limited, to the amounts set out in the Group's consolidated financial statements for the year ended 31 December 2022 following with their work under Practice Note 730 "Guidance for Auditors Regarding Preliminary Announcements of Annual Results".

RECENT DEVELOPMENTS

Our Directors confirm that since 30 September 2022, being the date of the latest combined financial information of our Group, and up to the date of this prospectus, there has been no material adverse change in our business model, financial or trading position and prospects of the overall biodegradable plastic products industry. We also confirm that there have been no events since 30 September 2022 which would materially affect the financial information shown in the Accountants' Report, the text of which is set out in Appendix I to this prospectus.

Our Business and Results of Operations after the Track Record Period

The transmission of COVID-19 in Jilin province since March 2022 has impacted us in various ways. On the one hand, we encountered decline in demand as some of our customers were ordered to operate with restricted opening hours or to shut down temporarily. Travel and transportation restrictions also increased our suppliers' difficulties to deliver their products to us, as well as for us to deliver our products to our customers. There was a strong demand for biodegradable produce bag rolls and biodegradable shopping bags as they were crucial for delivery of foods and daily necessities to local residents. Accordingly, some of our major customers during the Track Record Period were endorsed by the local authorities as "Key enterprise to provide daily necessities" (重點保供企業), and their operations were subjected to restrictions to a lesser extent.

To cope with the restrictions on travel and transportation and to ensure we could deliver our products to our customers during the imposition of tightened COVID-19 measures, we have adopted a "closed-loop management" system at our production base. A sufficient number of staff members of our production base was either residing within our production base and/or in close proximity. Also due to the travel and transportation restrictions, we had to rely more on our own transportation fleet and staff members to deliver our products. We deviated from our normal practices during March and April 2022 and delivered our products to area outside Jilin province (e.g. Heilongjiang) by ourselves so far as travel and transportation restrictions were complied with, as certain third parties logistics companies outside Jilin province had difficulties to travel across different provinces.

Our business exhibited a pick up trend since May 2022 when the lockdown in Changchun was gradually released. For FY2022, our total revenue increased by 16.8% to approximately RMB299.8 million compared to approximately RMB256.7 million in FY2021. The temporary lockdown of Changchun from March to May 2022 has slowed down demand for our biodegradable plastic products notably in March and April 2022, yet our business gradually picked up since May 2022. In FY2022, the increase of revenue was mainly due to the increase of revenue in biodegradable plastic products. Our Directors believe that the COVID-19 pandemic drove up the sales of perishable food and fruits as a result of changing dining habits from dining in to preparing meals at home and/or ordering takeaway, which in turn stimulate the use of biodegradable shopping bags and biodegradable produce bag rolls. For FY2022, we were able to increase the average selling price of our biodegradable plastic products (from RMB33.5 per kg to RMB34.6 per kg). Our Directors considered that such increase in the average selling price was attributed to the biodegradable shopping bags in particular. Our Directors believe that due to the temporary lockdown in Changchun, our customers were more willing to secure products at a relative higher price as quality and steady supply of biodegradable plastic products at the material time is crucial for our customers' operation. For FY2022, our non-biodegradable automobile plastic parts business exhibited slight growth in terms of sales revenue compared to FY2021 with slight increase in average selling price from RMB22.7 per kg in FY2021 to RMB23.1 per kg in FY2022.

Overseas Listing Measures

On 17 February 2023, the CSRC promulgated the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Enterprises (《境內企業境外發行證券和上市管理試行辦法》), the Notice on Filing Management Arrangements for Overseas Listing of Domestic Enterprises (《關於境內企業境外發行上市備案管理安排的通知》) and corresponding guidelines (collectively referred to as the "**Filing Measures**"). The Trial Measures shall come into force as of 31 March 2023.

The Filing Measures will comprehensively improve and reform the existing regulatory regime for overseas offering and listing of PRC domestic companies' securities and will regulate both direct and indirect overseas offering and listing of PRC domestic companies' securities by adopting a filing-based regulatory regime. For details, please refer to the subsection headed "Regulatory Overview — Laws and Regulations Relating to Overseas Securities Offering and Listing by Domestic Companies" in this prospectus. The CSRC clarifies that companies satisfying all of the following conditions shall be deemed as "Existing Applicants (存量企業)" and are not required to complete the overseas listing filing immediately, but shall complete filings as required if they conduct refinancing or are involved in other circumstances that require filing with the CSRC: (i) the application for overseas offering or listing shall have been approved by the relevant overseas regulatory authorities or stock exchanges (such as passing the hearing for the listing application of its shares on the Stock Exchange) prior to 31 March 2023 and is not required to reapply for offering and listing procedures to the overseas regulatory authorities or securities exchanges after 31 March 2023, and (ii) such overseas securities offering or listing shall be completed on or prior to 30 September 2023.

Therefore, based on the above mentioned measures and our current expected timetable, if we complete the Listing before 30 September 2023, as advised by our PRC Legal Advisers, we are not required to complete the overseas listing filing.

"9M2021"	the nine months ended 30 September 2021
"9M2022"	the nine months ended 30 September 2022
"Accountants' Report"	the accountants' report of the Company, the text of which is set out in Appendix I to this prospectus
"AFRC"	Accounting and Financial Reporting Council
"affiliate(s)"	with respect to any specified person, any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
"Articles" or "Articles of Association"	the second amended and restated articles association of our Company conditionally adopted on 9 March 2023 and effective upon the Listing, as amended or supplemented from time to time, a summary of which is set out in Appendix IV to this prospectus
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Audit Committee"	the audit committee of our Board
"Board"	the board of Directors
"Business Day(s)" or "business day(s)"	day(s) on which banks in Hong Kong are generally open for normal banking business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong
"BVI"	the British Virgin Islands
"Capitalisation Issue"	the issue of 809,000,000 Shares to be made upon capitalisation of an amount of HK$8,090,000 standing to the credit of the share premium account of our Company which is set forth in the section headed "Statutory and General Information — A. Information about our Company — (d) Resolutions of our Shareholders passed on 9 March 2023" in Appendix V to this prospectus
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC

"CCASS Clearing Participant"	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
"CCASS Custodian Participant"	a person admitted to participate in CCASS as a custodian participant
"**CCASS EIPO**"	the application for the Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account through causing HKSCC Nominees to apply on your behalf, including by (i) instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf, or (ii) if you are an existing CCASS Investor Participant, giving **electronic application instructions** through the CCASS Internet System (**https://ip.ccass.com**) or through the CCASS Phone System (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time). HKSCC can also input electronic application instructions for CCASS Investor Participants through HKSCC's Customer Service Centre by completing an input request
"CCASS Investor Participant"	a person admitted to participate in CCASS as an investor participant who may be an individual, joint individuals or a corporation
"CCASS Operational Procedures"	the operational procedures of HKSCC in relation to CCASS, containing the practices, procedures and administrative requirements relating to the operations and functions of CCASS, as from time to time in force
"CCASS Participant"	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
"CFA"	chartered financial analyst

"Changchun Guangke" or "Changchun Guangke (長春廣科)"	Changchun Guangke Technology Co., Ltd* (長春廣科科技有限公司), a company established in the PRC with limited liability on 17 April 2022, an indirectly non-wholly owned subsidiary of our Company, which is directly held as to 99% by Jilin Maisheng, 0.4752% by Ms. Zhang, 0.4375% by Mr. Shan, 0.0601% by Mr. Chen Guobin (陳國斌), 0.0140% by Mr. Li and 0.0132% by Mr. Lu Changdong (盧昌東)
"Changchun Hengxing" or "Changchun Hengxing (長春恒興)"	Changchun FAW Sihuan Hengxing Automobile Components Co., Ltd.* (長春恒興集團有限公司), a company established in the PRC with limited liability on 27 December 2004, located in Jilin Province with a registered capital of RMB6 million, and their principal business are mainly production and selling of automobile plastic products
"Changchun Production Base"	the Company's existing production facilities located in Changchun, Jilin province, the PRC (吉林省長春市) on Lot 1 and Lot 2, which comprise production lines for both biodegradable plastic products and non-biodegradable plastic products
"China" or "PRC"	the People's Republic of China, for the purpose of this prospectus only, excluding Hong Kong, Macao and Taiwan
"CIAC"	the Changchun Institute of Applied Chemistry Chinese Academy of Science (中國科學院長春應用化學研究所)
"Circular 13"	the Circular of the State Administration of Foreign Exchange on Further Simplifying and Improving Policies for Foreign Exchange Administration for Direct Investment (國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知) promulgated by SAFE on 13 February 2015 and effective from 1 June 2015

"Circular 37"	the Circular of the State Administration of Foreign Exchange on Issues Concerning Foreign Exchange Administration Over the Overseas Investment and Financing and Round-Trip Investment by Domestic Residents via Special Purpose Vehicles (國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知) promulgated by SAFE on 4 July 2014 and effective from the same date
"close associate(s)"	has the meaning ascribed to it under the Listing Rules
"Companies Act"	the Companies Act, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, as amended, modified and supplemented from time to time
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, modified and supplemented from time to time
"Companies (WUMP) Ordinance"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, modified and supplemented from time to time
"Company" or "our Company"	China Treasures New Materials Group Ltd. (中寶新材集團有限公司), an exempted company with limited liability incorporated in the Cayman Islands on 21 January 2022, and registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on 7 June 2022
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Controlling Shareholders"	has the meaning ascribed to it under the Listing Rules and, in the context of this prospectus, refers to Lvsetianye Technology, Lvsesenlin Technology, Daziran Technology and CPEP Holdings, Ms. Zhang and Mr. Shan
"core connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Cornerstone Investment Agreement"	the cornerstone investment agreement dated 17 March 2023 entered into among our Company, ZhongBaoNew materials. Ltd, Beijing Anji Fenghan Management Consulting Partnership (Limited Partnership) (北京安吉豐瀚管理諮詢合夥企業(有限合夥)), the Sole Sponsor, the Overall Coordinator and Fosun International Securities Limited pursuant to which ZhongBaoNew materials. Ltd agreed to subscribe for Offer Shares (rounded down to the nearest whole board lot of 2,000 Offer Shares) at the Offer Price, as further described in "Cornerstone Investor" in this prospectus

"Corporate Governance Code"	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules, as amended, supplemented or otherwise modified from time to time
"COVID-19"	a viral respiratory disease caused by the severe acute, respiratory syndrome coronavirus, which was declared by World Health Organization as a pandemic on 11 March 2020
"CPA"	certified public accountants
"CPEP Holdings"	China Plastic Environmental Protection Holdings Limited, a company incorporated in the BVI with limited liability on 1 February 2022, which is directly wholly owned by Lvsesenlin Technology, and indirectly wholly owned by Mr. Shan. CPEP Holdings is one of our Controlling Shareholders
"CSRC"	the China Securities Regulatory Commission (中國證券監督管理委員會)
"Daziran Technology"	Daziran Technology Invest Holdings Limited, a company incorporated in the BVI with limited liability on 1 February 2022, which is directly wholly owned by Lvsesenlin Technology, and indirectly wholly owned by Mr. Shan. Daziran Technology is one of our Controlling Shareholders
"Deed of Indemnity"	the deed of indemnity dated 16 March 2023 entered into by our Controlling Shareholders in favour of our Company (on its own behalf and as the trustee for each of its subsidiaries) to provide certain indemnities, further information on which is set forth in the section headed "Statutory and General Information — G. Other Information — 1. Deed of Indemnity" in Appendix V to this prospectus
"Director(s)"	the director(s) of our Company
"Downward Offer Price Adjustment"	an adjustment that has the effect of setting the final Offer Price up to 10% below the bottom end of the indicative Offer Price range
"EIT Law"	Enterprise Income Tax Law of the People's Republic of China (中華人民共和國企業所得稅法), as amended, supplemented or otherwise modified from time to time

"EP Technology"	Environmental Protection Technology Group Co., Ltd, a company incorporated in the BVI with limited liability on 20 October 2021, which is wholly owned by Mr. Zhang Zhifang, one of our Pre-IPO Investors
"ESG Committee"	the environmental, social and governance committee of our Board
"Exchange Participant(s)"	a person: (a) who, in accordance with the Hong Kong Listing Rules, may trade on or through the Stock Exchange; and (b) whose name is entered in a list, register or roll kept by the Stock Exchange as a person who may trade on or through the Stock Exchange
"Extreme Conditions"	extreme conditions caused by a super typhoon as announced by the government of Hong Kong
"Frost & Sullivan"	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., an independent industry research consultant commissioned to prepare the Frost & Sullivan Report
"Frost & Sullivan Report"	the market research report prepared by Frost & Sullivan
"FY2019"	the financial year ended 31 December 2019
"FY2020"	the financial year ended 31 December 2020
"FY2021"	the financial year ended 31 December 2021
"FY2022"	the financial year ended 31 December 2022
"FY2023"	the financial year ended 31 December 2023
"General Rules of CCASS"	General Rules of CCASS published by the Stock Exchange and as amended from time to time
"Global Offering"	the Hong Kong Public Offering and the International Offering
"**GREEN** Application Form(s)"	the application form(s) to be completed by the **HK eIPO White Form** Service Provider designated by our Company

"Green Environmental HK"	Green Environmental Protection Technology Hong Kong Group Co., Limited (綠色環保科技香港集團有限公司), a limited company incorporated in Hong Kong on 29 October 2021, and an indirect wholly-owned subsidiary of our Company
"Group", "our Group", "we" or "us"	our Company and its subsidiaries or, where the context so requires, in respect of the period before our Company becoming the holding company of our present subsidiaries, the present subsidiaries of our Company and the businesses carried out by them or their predecessors (as the case may be)
"Guangke Capital Increase Agreement"	the equity increase agreement (增資擴股協議) in relation to Changchun Guangke dated 11 April 2022 entered into among Ms. Zhang, Mr. Shan, Mr. Chen Guobin (陳國斌), Mr. Li, Mr. Lu Changdong (盧昌東) and Jilin Maisheng, pursuant to which Ms. Zhang, Mr. Shan, Mr. Chen Guobin, Mr. Li and Mr. Lu Changdong agreed to subscribe for 0.4752%, 0.4375%, 0.0601%, 0.0140% and 0.0132% in the registered capital of Changchun Guangke for RMB4,800.000, RMB4,419.192, RMB607.071, RMB141.414 and RMB133.333, respectively, which was satisfied by each of Ms. Zhang, Mr. Shan, Mr. Chen Guobin, Mr. Li and Mr. Lu Changdong transferring their respective 47.0470%, 43.3114%, 5.9444%, 1.3889% and 1.3083% equity interest in Jilin Kaishun to Changchun Guangke
"**HK eIPO White Form**"	the application for Hong Kong Offer Shares to be issued in the applicant's own name by submitting applications online through the **IPO App** or the designated website at **www.hkeipo.hk**
"**HK eIPO White Form** Service Provider"	the **HK eIPO White Form** service provider designated by our Company
"HK$" or "HK dollars"	Hong Kong dollars and cents, respectively, the lawful currency of Hong Kong
"HKICPA"	Hong Kong Institute of Certified Public Accountants

"HKSCC"	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
"HKSCC Nominees"	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Offer Shares"	the 25,000,000 Offer Shares initially offered by our Company for subscription at the Offer Price pursuant to the Hong Kong Public Offering (subject to reallocation as described in the section headed "Structure and Conditions of the Global Offering" in this prospectus)
"Hong Kong Public Offering"	the offer of the Hong Kong Offer Shares for subscription by the public in Hong Kong (subject to adjustment as described in the section headed "Structure and Conditions of the Global Offering" in this prospectus) at the Offer Price (plus brokerage, SFC transaction levy, AFRC transaction levy and Stock Exchange trading fees), on and subject to the terms and conditions described in this prospectus and on the **GREEN** Application Form as further described in "Structure and Conditions of the Global Offering — Hong Kong Public Offering" in this prospectus
"Hong Kong Share Registrar"	Tricor Investor Services Limited
"Hong Kong Underwriters"	the underwriters for the Hong Kong Public Offering as listed out in "Underwriting" in this prospectus
"Hong Kong Underwriting Agreement"	the Hong Kong underwriting agreement dated 20 March 2023 relating to the Hong Kong Public Offering entered into between, among others, the Company, the Controlling Shareholders, the executive Directors, the Sole Sponsor, the Overall Coordinator and the Hong Kong Underwriters, as further described in "Underwriting" in this prospectus

"Huizhou Production Base"	our production facilities that are set to be located in Huizhou, Guangdong province, the PRC (廣東省惠州市) for the production of biodegradable plastic products, as further described in "Business — Business Strategies — Our expansion plan" in this prospectus
"IFRSs"	International Financial Reporting Standards, which include standards, amendments and interpretations promulgated by the International Accounting Standards Board and the International Accounting Standards and interpretation issued by the International Accounting Standards Board
"Independent Third Party(ies)"	individual(s) or company(ies) who is (are) not a connected person(s) of our Company within the meaning ascribed under the Listing Rules
"International Offer Shares"	the 225,000,000 Shares (comprising 165,000,000 new Shares to be offered for subscription by our Company and 60,000,000 Sale Shares to be offered for sale by the Selling Shareholder) initially offered by our Company for subscription pursuant to the International Offering together with, where relevant, any additional Shares which may be issued by our Company pursuant to the exercise of the Over-allotment Option (subject to reallocation as described in the section headed "Structure and Conditions of the Global Offering" in this prospectus)
"International Offering"	the conditional placing of the International Offer Shares by the International Underwriters to institutional, professional, corporate and other investors in Hong Kong and elsewhere in the world outside the United States at the Offer Price in accordance with Regulation S, as further described in "Structure and Conditions of the Global Offering" in this prospectus
"International Underwriters"	the underwriters of the International Offering

"International Underwriting Agreement"	the international underwriting agreement relating to the International Offering and expected to be entered into by, among others, our Company, the Selling Shareholder, the Controlling Shareholders, the Sole Sponsor, the Overall Coordinator and the International Underwriters on or about the Price Determination Date, as further described in "Underwriting — International Offering" in this prospectus
"**IPO App**"	the mobile application for the **HK eIPO White Form** service which can be downloaded by searching "**IPO App**" in App Store or Google Play or downloaded at **www.hkeipo.hk/IPOApp** or **www.tricorglobal.com/IPOApp**
"Jibei Technology"	Changchun Jibei Technology Co., Ltd* (長春吉北科技有限公司) (previously known as Changchun Yuhuating Technology Co., Ltd.* (長春御華庭科技有限公司)), a company established in the PRC on 12 May 2014, which was previously held by Ms. Zhang and Mr. Shan, our executive Directors and two of our Controlling Shareholders as to 30% and 70%, respectively, between 14 September 2020 and 5 August 2021. Since 6 August 2021, it is held as to 51% and 49% by Mr. Wang Hongda (王宏達) and Mr. Long Xianbin (龍顯斌), respectively, who are Independent Third Parties
"JII Exit Agreements"	an equity transfer agreement dated 16 August 2021 entered into among Jilin Innovative Investment, Jilin Kaishun, Ms. Zhang, Mr. Shan and Mr. Shan Bingqi (單柄淇) (son of Ms. Zhang and Mr. Shan, as a guarantor) pursuant to which Ms. Zhang agreed to acquire and Jilin Innovative Investment agreed to sell its 12.15% equity interest in Jilin Kaishun to Ms. Zhang at a total consideration of RMB11,347,800; and an equity transfer agreement entered into between Jilin Innovative Investment as seller and Ms. Zhang as buyer to confirm the sale and purchase of 12.15% equity interest in Jilin Kaishun for a consideration of RMB11,347,800

"JII Investment Agreement No. 1"	an investment agreement dated 9 June 2015 entered into between Jilin Kaishun as the target company, Ms. Zhang as the controlling shareholder, Mr. Shan as a founding shareholder, and Jilin Innovative Investment as the investor pursuant to which Jilin Innovative Investment agreed to acquire 14.82% of Jilin Kaishun for a total consideration of RMB2,000,000, of which, RMB1,740,000 would be used to increase the registered capital of Jilin Kaishun and the balance of RMB260,000 would be recorded as capital reserve
"JII Investment Agreement No. 2"	an investment agreement dated 1 September 2020 entered into between Jilin Kaishun as the target company, Ms. Zhang, Mr. Shan and Jilin Technology Fund as shareholders, and Jilin Innovative Investment as the investor pursuant to which Jilin Innovative Investment agreed to further acquire equity interest in Jilin Kaishun for a consideration of RMB8,000,000, of which, RMB6,779,700 would be used to increase the registered capital of Jilin Kaishun and the balance of RMB1,220,300 would be recorded as capital reserve
"JII Investment Agreements"	JII Investment Agreement No. 1 and JII Investment Agreement No. 2
"Jilin Innovative Investment" or "Jilin Innovative Investment (吉林創投)"	Jilin Province Innovative Enterprises Investment Co., Ltd.* (吉林省創新企業投資有限公司), a company established in the PRC on 14 January 2010, which is ultimately controlled by Jilin Province Department of Finance* (吉林省財政廳), with a focus to assist the growth of small and medium enterprises. Jilin Innovative Investment was previously an investor of Jilin Kaishun and held equity interest in Jilin Kaishun up to 13 October 2021. As at the Latest Practicable Date, Jilin Innovative Investment is an Independent Third Party

"Jilin Kaishun" or "Jilin Kaishun (吉林開順)"	Jilin Province Kaishun New Material Co., Ltd.* (吉林省開順新材料有限公司), a limited liability company established in the PRC on 7 March 2014, which is held as to 99% and 1% by Changchun Guangke and Green Environmental HK, respectively, and an indirectly non-wholly owned subsidiary of our Company
"Jilin Maisheng" or "Jilin Maisheng (吉林邁盛)"	Jilin Province Maisheng New Material Co., Ltd.* (吉林省邁盛新材料有限公司), a limited liability company established in the PRC on 15 April 2022 and an indirect wholly-owned subsidiary of our Company
"Jilin Technology Fund" or "Jilin Technology Fund" (吉林科投)"	Jilin Province Technology Investment Fund Co., Ltd.* (吉林省科技投資基金有限公司), a company established in the PRC on 16 December 2009, which is indirectly wholly-owned by Jilin Province Department of Finance* (吉林省財政廳). Jilin Technology Fund was previously an investor of Jilin Kaishun and held equity interest in Jilin Kaishun up to 13 October 2021. As at the Latest Practicable Date, Jilin Technology Fund is an Independent Third Party
"Jiyuan Biotechnology"	Changchun City Jiyuan Biotechnology Co., Ltd.* (長春市吉源生物科技有限公司), a limited liability company established in the PRC on 9 May 2017, which is owned as to 51% by Mr. Wang Hongda (王宏達) and 49% by Mr. Long Xianbin (龍顯斌), Independent Third Parties. Jiyuan Biotechnology was previously owned by Ms. Zhang and Mr. Shan, our Controlling Shareholders, between 23 September 2020 and 8 September 2021, immediately prior to its disposal on 9 September 2021
"Joint Bookrunners"	the joint bookrunners as named in "Directors and Parties Involved in the Global Offering" in this prospectus
"Joint Global Coordinators"	the joint global coordinators as named in "Directors and Parties Involved in the Global Offering" in this prospectus
"Joint Lead Managers"	the joint lead managers as named in "Directors and Parties Involved in the Global Offering" in this prospectus

"JPDRC"	Jilin Provincial Development and Reform Commission (吉林省發展和改革委員會)
"JTF Exit Agreements"	an exit agreement in relation to Jilin Kaishun dated 23 August 2021 entered into among Jilin Technology Fund, Ms. Zhang and Mr. Shan as original shareholders, and Jilin Kaishun as the target company, pursuant to which Jilin Technology Fund agreed to sell its interest in Jilin Kaishun to the original shareholders pursuant to the JTF Investment Agreements at a total consideration of RMB13,137,500; and an equity transfer agreement entered into between Jilin Technology Fund as seller and Mr. Shan as buyer to confirm the sale and purchase of 12.29% equity interest in Jilin Kaishun for a consideration of RMB13,137,500
"JTF Investment Agreement No. 1"	a capital and equity interest increase agreement in relation to Jilin Kaishun dated 10 April 2017 entered into between Jilin Kaishun as the target company, Ms. Zhang, Mr. Shan and Jilin Innovative Investment as the shareholders and Jilin Technology Fund as the investor pursuant to which Jilin Technology Fund agreed to acquire 7.30% in Jilin Kaishun for a consideration of RMB5,000,000, of which, RMB4,310,000 would be used to increase the registered capital of Jilin Kaishun and the balance of RMB690,000 would be recorded as capital reserve
"JTF Investment Agreement No. 2"	a capital and equity interest increase agreement in relation to Jilin Kaishun dated 26 January 2018 entered into between Jilin Kaishun as the target company, Ms. Zhang, Mr. Shan and Jilin Innovative Investment as the shareholders and Jilin Technology Fund as the investor pursuant to which Jilin Technology Fund agreed to acquire additional equity interest in Jilin Kaishun for a consideration of RMB5,000,000, of which, RMB4,310,000 would be used to increase the registered capital of Jilin Kaishun and the balance of RMB690,000 would be recorded as capital reserve
"JTF Investment Agreements"	JTF Investment Agreement No. 1 and JTF Investment Agreement No. 2

"Kaishun Insulation Materials"	Jilin Province Kaishun Insulation Materials Co., Ltd.* (吉林省開順保溫材料有限公司) (previously known as Jilin Province Kaishun Machinery Manufacturing Co., Ltd* (吉林省開順機械製造有限公司)), a company established in the PRC on 8 June 2012 and deregistered on 2 March 2016, which was owned as to 60% by Ms. Zhang and 40% by Mr. Shan prior to the deregistration
"Languang Technology"	Languang Technology Invest Holdings Limited, a company incorporated in the BVI with limited liability on 1 February 2022, which is directly wholly owned by Mr. Li, an executive Director and one of our Pre-IPO Investors
"Latest Practicable Date"	14 March 2023, being the latest practicable date for the purpose of ascertaining certain information contained in this prospectus prior to its publication
"Listing"	listing of the Shares on the Main Board of the Hong Kong Stock Exchange
"Listing Date"	the date, expected to be on or around 31 March 2023, on which our Shares are listed and from which dealings therein are permitted to take place on the Hong Kong Stock Exchange
"Listing Division"	the Listing Division of the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)
"Lot 1"	our owned premises located at Jing-Er Road, Kalun Industrial South Region, Jiutai Economy Development Zone, Changchun, Jilin province, the PRC (吉林省長春市九台經濟開發區卡倫工業南區經二路) with a gross floor area of 12,412 sq.m. registered under Jilin Province 2019, Jiutai District, Real Property Ownership Certificate Number: 0009693/0009694/0009695/0009696 (吉2019九台區不動產權第0009693號/0009694號/0009695號/0009696號), as further described in "Business — Properties — Owned property" in this prospectus

"Lot 2"	our leased premises located at Jing-Er Road, Kalun Industrial South Region, Jiutai Economy Development Zone, Changchun, Jilin province, the PRC (吉林省長春市九台經濟開發區卡倫工業南區經二路) with a gross floor area of 19,055 sq.m. registered under Jilin Province 2022, Jiutai District, Real Property Ownership Certificate Number 0001922/0001923 (吉2022九台區不動產權第0001922號/0001923號) and real estate unit reference number: 220181 040004 6860486 F00020001, as further described in "Business — Properties — Leased property" in this prospectus
"Lvsesenlin Technology"	Lvsesenlin Technology Holdings Limited, a company incorporated in the BVI with limited liability on 1 February 2022, which is directly wholly owned by Mr. Shan, our chief executive officer, executive Director and one of our Controlling Shareholders. Lvsesenlin Technology is also one of our Controlling Shareholders and the Selling Shareholder
"Lvsetianye Technology"	Lvsetianye Technology Holdings Limited, a company incorporated in the BVI with limited liability on 1 February 2022, which is directly wholly owned by Ms. Zhang, chair of our Board, executive Director and one of our Controlling Shareholders. Lvsetianye Technology is also one of our Controlling Shareholders
"Lvshui Technology"	Lvshui Technology Group Co., Ltd, a company incorporated in the BVI with limited liability on 21 October 2021 and a direct wholly-owned subsidiary of our Company
"Macao"	the Macao Special Administrative Region of the PRC
"Memorandum" or "Memorandum of Association"	the second amended and restated memorandum of association of our Company adopted on 9 March 2023, a summary of which is set out in Appendix IV to this prospectus
"MOFCOM"	the Ministry of Commerce of the PRC (中華人民共和國商務部)

"Mr. Li"	Mr. Li Xiquan (李溪泉), an executive Director and one of our Pre-IPO Investors
"Mr. Shan"	Mr. Shan Yuzhu (單玉柱), an executive Director, chief executive officer and one of our Controlling Shareholders. Mr. Shan is also the spouse of Ms. Zhang
"Ms. Zhang"	Ms. Zhang Yuqiu (張玉秋), an executive Director, the chair of our Board and one of our Controlling Shareholders. Ms. Zhang is also the spouse of Mr. Shan
"NDRC"	the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)
"Nomination Committee"	the nomination committee of our Board
"Offer Price"	the final Hong Kong dollar price per Offer Share (exclusive of brokerage of 1%, SFC transaction levy of 0.0027%, AFRC transaction levy of 0.00015%, Stock Exchange trading fee of 0.00565%) at which the Offer Shares are to be subscribed for pursuant to the Global Offering, as further described in "Structure and Conditions of the Global Offering" in this prospectus, subject to any Downward Offer Price Adjustment
"Offer Share(s)"	the Hong Kong Offer Shares and the International Offer Shares
"Overall Coordinator", or "Sponsor-Overall Coordinator"	the overall coordinator as named in "Directors and Parties Involved in the Global Offering" in this prospectus
"Over-allotment Option"	the option to be granted by our Company under the International Underwriting Agreement, pursuant to which the Overall Coordinator (for itself and on behalf of the Underwriters), may require us to allot and issue up to an aggregate of 37,500,000 additional new Shares (representing 15% of the total number of the Offer Shares initially available under the Global Offering), if any, as further described in "Structure and Conditions of the Global Offering" in this prospectus

"PBOC"	the People's Bank of China (中國人民銀行), the central bank of the PRC
"PRC Company Law"	the Company Law of the PRC (中華人民共和國公司法), as adopted by the Standing Committee of the National People's Congress (全國人民代表大會常務委員會) on 29 December 1993, and latest amended on 26 October 2018
"PRC government" or "State"	the Central People's Government of the PRC, including all political subdivisions (including provincial, municipal and other regional or local government entities) and instrumentalities thereof, or where the context requires, any of them
"PRC Legal Advisers"	Hylands Law Firm, the PRC legal advisers to our Company for the Listing
"Previous Investors"	Jilin Innovative Investment and Jilin Technology Fund
"Pre-IPO Equity Increase Agreement"	the equity increase agreement (增資擴股協議) dated 2 November 2021 entered into between Mr. Chen Guobin (陳國斌), Mr. Li, Mr. Lu Changdong (盧昌東), and Green Environmental HK as the investors (增資方), Ms. Zhang and Mr. Shan as founding shareholders (創始股東), and Jilin Kaishun as the target company pursuant to which Mr. Chen Guobin, Mr. Li, Mr. Lu Changdong, and Green Environmental HK agreed to invest RMB21,400,000, RMB5,000,000, RMB4,710,000 and RMB3,600,000 in Jilin Kaishun for 5.9444%, 1.3889%, 1.3083% and 1.0000% in the equity interest in Jilin Kaishun, respectively, as enlarged by the equity increase thereunder and pursuant to which the registered capital of Jilin Kaishun is increased from RMB70,139,700 to RMB77,623,941.71
"Pre-IPO Investments"	the pre-IPO investments in our Company undertaken by the Pre-IPO Investors pursuant to the terms and conditions of the Pre-IPO Equity Increase Agreement, the details of which are set out in "History, Reorganisation and Group Structure — Pre-IPO Investments"

"Pre-IPO Investors"	the investors of the Pre-IPO Investments, namely, Mr. Chen Guobin (陳國斌), Mr. Li, Mr. Lu Changdong (盧昌東), and Mr. Zhang Zhifang (章志方)
"Price Determination Date"	the date on which the Offer Price will be fixed for the purposes of the Global Offering expected to be on or about 24 March 2023, or such later date as agreed between the Company (for ourselves and on behalf of the Selling Shareholder) and the Overall Coordinator (for itself and on behalf of the Underwriters), but in any event no later than 27 March 2023
"province"	a province or, where the context requires, a provincial level autonomous region or municipality, under the direct supervision of the central government of the PRC
"Regulation S"	Regulation S under the U.S. Securities Act
"Remuneration Committee"	the remuneration committee of our Board
"Renminbi" or "RMB"	Renminbi, the lawful currency of the PRC
"Reorganisation"	the reorganisation of our Group in preparation for the Listing, details of which are set out in the section headed "History, Reorganisation and Group Structure" in this prospectus
"SAFE"	State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局), the China governmental agency responsible for matters relating to foreign exchange administration, including local branches, when applicable
"Sale Shares"	60,000,000 Shares to be offered for sale by the Selling Shareholder at the Offer Price under the Global Offering
"SAMR"	the State Administration for Market Regulation of the PRC (中華人民共和國國家市場監督管理總局)
"SAT"	the State Administration of Taxation of the PRC (中華人民共和國國家税務總局)

"Selling Shareholder"	Lvsesenlin Technology, being the Shareholder which offers the Sale Shares for sale under the Global Offering, particulars of which are set out in "G. Other Information — 11. Particulars of the Selling Shareholder" in Appendix V to this prospectus
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, modified and supplemented from time to time
"Share Option Scheme"	the share option scheme conditionally adopted by our Shareholders on 9 March 2023, the principal terms of which are summarised in the section headed "Statutory and General Information — F. Share Option Scheme" in Appendix V to this prospectus
"Share(s)"	the ordinary share(s) with par value of HK$0.01 each in the share capital of our Company
"Shareholder(s)"	holder(s) of the Share(s)
"Shenzhou Technology"	Shenzhou Technology Invest Holdings Limited, a company incorporated in the BVI with limited liability on 1 February 2022, which is directly wholly owned by Mr. Chen Guobin (陳國斌), one of our Pre-IPO Investors
"Sole Sponsor"	Soochow Securities International Capital Limited, a licensed corporation under the SFO to engage in type 6 (advising on corporate finance) regulated activities
"Stabilising Manager"	Wealth Link Securities Limited
"State Council"	State Council of the PRC (中華人民共和國國務院)
"Stock Borrowing Agreement"	the stock borrowing agreement expected to be entered into between CPEP Holdings and the Stabilising Manager, pursuant to which the Stabilising Manager may borrow up to an aggregate of 37,500,000 Shares to cover any over-allocations in the International Offering

"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	has the meaning ascribed to it under the Listing Rules
"substantial shareholder(s)"	has the meaning ascribed to it under the Listing Rules
"Takeovers Code"	The Codes on Takeovers and Mergers and Share Buy-backs, as amended, modified and supplemented from time to time
"Taxation"	all forms of tax, duty, rate, levy, charge or other imposition or withholding whenever created, imposed or arising and whether of Hong Kong or elsewhere, including all forms of profit tax, provisional profit tax, interest tax, salaries tax, property tax, tax on capital gains, sales and value added tax, estate duty, death duty, inheritance tax, capital duty, stamp duty, payroll tax, withholding tax, rates, customs and other import and exercise duties, and generally any tax, duty, impost, levy or rate or any amount payable to the revenue, customs of fiscal authorities whether in Hong Kong or elsewhere
"Tianshun International BVI"	Tianshun International New Material Group Holdings Limited, a company incorporated in the BVI with limited liability on 1 February 2022 and a direct wholly-owned subsidiary of our Company
"Tianshun International HK"	HK Tianshun International Environmental Protection Technology Group Co., Limited (香港天順國際環保科技集團有限公司), a limited company incorporated in Hong Kong on 1 March 2022, which is directly wholly owned by Tianshun International BVI and an indirect wholly-owned subsidiary of our Company
"Tianxingjian Technology"	Tianxingjian Technology Holdings Limited, a limited liability company incorporated in the BVI on 1 February 2022, which is directly wholly owned by Mr. Lu Changdong (盧昌東), one of our Pre-IPO Investors
"Track Record Period"	FY2019, FY2020, FY2021 and 9M2022

"Underwriters"	the Hong Kong Underwriters and the International Underwriters
"Underwriting Agreements"	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
"U.S." or "United States"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"U.S. Securities Act"	the United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder
"US$" or "U.S. dollars"	United States dollars, the lawful currency of the United States
"Withdrawal Mechanism"	a mechanism which requires the Company, among other things, to (a) issue a supplemental prospectus as a result of material changes in the information in the prospectus; (b) extend the offer period and to allow potential investors, if they so desire, to confirm their applications using an opt-in approach (i.e. requiring investors to positively confirm their applications for shares despite the changes)
"Yizheng Juxinyuan" or "Yizheng Juxinyuan (儀徵聚鑫源)"	Yizheng City Juxinyuan Biotechnology Co., Ltd.* (儀徵市聚鑫源生物科技有限公司), a company established in the PRC with limited liability on 28 February 2017, which is directly wholly-owned by Jilin Kaishun and an indirectly non-wholly owned subsidiary of our Company

Certain amounts and percentage figures included in this prospectus have been subject to rounding. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them. Any discrepancies in any table or chart between the total shown and the sum of the amounts listed are due to rounding.

For ease of reference, the names of the PRC established companies or entities, laws or regulations have been included in this prospectus in both the Chinese and English languages and in the event of any inconsistency, the Chinese versions shall prevail. The English translation of company names in Chinese which are marked with "" is for identification purposes only.*

This glossary contains certain definitions and technical terms used in this prospectus in connection with our business. As such, some terms and definitions may not correspond to standard industry definitions or usage of such terms.

"CAGR"	compound annual growth rate
"Central China"	a geographical region of China, consisting of Henan province, Hubei province and Hunan province
"compound"	a substance formed from the mixing and/or blending of two or more elements
"Disposable Biodegradable Shopping Bags"	for the purpose of calculating our market share, the term disposable biodegradable shopping bags include both (i) biodegradable shopping bags and (ii) biodegradable produce bag rolls
"East China"	a geographical region of China, consisting of Shanghai, Jiangsu province, Zhejiang province, Anhui province, Shandong province, Fujian province, and Jiangxi province
"EBS"	ethylene bis stearamide, a synthetic wax, an additive used during our manufacturing process
"Erucamide"	a primary fatty amide resulting from the formal condensation of the carboxy group of erucic acid with ammonia, an additive used during our manufacturing process
"GB/T 33798-2017"	national standard for bio-polyester drum-linkage bags (生物聚酯連卷袋), released in May 2017 and became effective in December 2017, which states that all bio-polyester drum-linkage bags in the PRC shall comply with the specified requirements (such as dimension margin of error, colour, smell, appearance, tear resistance, stretchability and usability)

"GB/T 38082-2019"	national standard for biodegradable plastic shopping bags (生物降解塑料購物袋), released in October 2019 and became effective in May 2020, which states that all biodegradable plastic shopping bags in the PRC shall comply with the specified requirements (such as dimension margin of error, colour, smell, appearance, thickness, tear resistance, stretchability and weight holding capacity)
"ISO"	International Organisation for Standardisation
"kg"	kilogramme(s)
"North China"	a geographical region of China, consisting of Beijing, Tianjin, Hebei province, Shanxi province and Inner Mongolia Autonomous Region
"Northeast China"	a geographical region of China, consisting of Jilin province, Heilongjiang province and Liaoning province
"PBAT"	polybutylene adipate terephthalate, a fossil-based biodegradable random copolymer. One of the major ingredients of our biodegradable products
"PBS"	polybutylene succinate, a fossil-based thermoplastic polymer. One of the major ingredients of our biodegradable products
"PBT	polybutylene terephthalate, a bio-based thermoplastic. One of the major ingredients of our biodegradable products
"PE"	polyethylene, a light, versatile synthetic resin made from the polymerization of ethylene, which is fossil-based and mainly obtained from petroleum or natural gas. One of the major ingredients of our non-biodegradable products
"PET"	polyethylene terephthalate, a fossil-based non-biodegradable plastics derived from petrochemicals, which are obtained from fossil crude oil, coal or natural gas. One of the major ingredients of our non-biodegradable products

"PLA"	polylactic acid, a bio-based biodegradable polyester derived from renewable biomass, typically from fermented plant starch, such as corn, cassava, sugarcane or sugar beet pulp. One of the major ingredients of our biodegradable products
"PP"	polypropylene, a thermoplastic polymer produced via chain-growth polymerisation from the monomer propylene; which is fossil-based and is produced as a co-product of ethylene production through steam cracking of hydrocarbon feedstocks or as a by-product of petroleum refining. One of the major ingredients of our non-biodegradable products.
"production yield"	an indicator of the efficiency of our use of raw materials during the production process. It is a ratio of the production quantity of products available for sale over the quantity of raw materials used
"R&D"	research and development
"South China"	a geographical region of China, consisting of Guangdong province, Guangxi Zhuang Autonomous Region, and Hainan province
"Southeast China"	a geographical region of China, consisting of Guangdong province, Guangxi Zhuang Autonomous Region, Shanghai, Jiangsu province, Zhejiang province, Anhui province, Shandong province, Fujian province, Jiangxi province and Hainan province
"sq.m."	square metre(s)
"tonne"	metric tonne/thousand kilogrammes

FORWARD-LOOKING STATEMENTS CONTAINED IN THIS PROSPECTUS ARE SUBJECT TO RISKS AND UNCERTAINTIES

This prospectus contains forward-looking statements relating to our plans, objectives, expectations and intentions, which may not represent our overall performance for the periods of time to which such statements relate. Such statements reflect the current views of our management with respect to future events, operations, liquidity and capital resources, some of which may not materialise or may change. These statements are subject to certain risks, uncertainties and assumptions, including the other risk factors as described in this prospectus. You are strongly cautioned that reliance on any forward-looking statements involves known and unknown risks and uncertainties. The risks and uncertainties facing our Company which could affect the accuracy of forward-looking statements include, but are not limited to, the following:

- our business strategies and plans to achieve these strategies;
- expected growth of and changes in the biodegradable plastic products manufacturing industry in the PRC;
- our future debt levels and capital needs;
- our expectations with respect to our ability to acquire and maintain regulatory licences or permits;
- changes in competitive conditions and our ability to compete under these conditions;
- future developments, trends and conditions in the industry and markets in which we operate;
- general economic, political, regulatory and business conditions in the markets in which we operate;
- effects of the global financial markets and economic crisis;
- our financial condition and performance;
- our other prospective financial information; and
- change or volatility in interest rates, foreign exchange rates, equity prices, volumes, operations, margins, risk management and overall market trends.

In some cases, we use the words “aim”, “anticipate”, “believe”, “can”, “continue”, “could”, “estimate”, “expect”, “going forward”, “intend”, “ought to”, “may”, “might”, “plan”, “potential”, “predict”, “project”, “seek”, “should”, “will”, “would” and similar expressions to identify forward-looking statements. In particular, we use these forward-looking statements in the “Business” and “Financial Information” sections in this prospectus in relation to future events, our future financial, business or other performance and development, the future development of our industry and the future development of the general economy of our key markets.

These forward-looking statements are based on current plans and estimates, and speak only as at the date they were made. We undertake no obligation to update or revise any forward-looking statements in light of new information, future events or otherwise. Forward-looking statements involve inherent risks and uncertainties and are subject to assumptions, some of which are beyond our control. We caution you that a number of important factors could cause actual outcomes to differ, or to differ materially, from those expressed in any forward-looking statements.

Our Directors confirm that the forward-looking statements are made after reasonable care and due consideration. Nonetheless, due to the risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way we expect, or at all.

Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements contained in this prospectus are qualified by reference to this cautionary statement.

Prospective investors should consider carefully all the information set forth in this prospectus and, in particular, should consider the following risks and special considerations in connection with an investment in our Company before making any investment decision in relation to the Global Offering. The occurrence of any of the following risks may have a material adverse effect on the business, results of operations, financial condition and prospects of our Group. Additional risks not currently known to us or that we now deem immaterial may also harm us and affect your investment.

This prospectus contains certain forward-looking statements regarding our plans, objectives, expectations and intentions which involve risks and uncertainties. Our Group's actual results could differ materially from those discussed in this prospectus. Factors that could cause or contribute to such differences include those discussed below as well as those discussed elsewhere in this prospectus. The trading price of the Offer Shares could decline due to any of these risks, and you may lose all or part of your investment.

We believe there are certain risks and uncertainties involved in our operations, some of which are beyond our control. These risks and uncertainties can be broadly categorised into: (i) risks relating to our business and industry; (ii) risks relating to conducting business in the PRC; (iii) risks relating to the Global Offering; and (iv) risks relating to statements made in this prospectus.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

Our results of operations are significantly affected by fluctuation in the prices and availability of our major raw materials

Our results of operations are significantly affected by fluctuation in the prices and availability of our major raw materials, namely PLA, PBAT and PBS. During the Track Record Period, PLA, PBAT and PBS accounted for approximately 75.0%, 76.6%, 73.4%, 72.9% and 79.2% of our total costs of raw materials in FY2019, FY2020, FY2021, 9M2021 and 9M2022, respectively. We have limited control over the supply and availability of these major raw materials. In particular, the prices and availability of our major raw materials are also sensitive to transport disruptions, government policies, general economic conditions, and many other factors that are beyond our control. According to the Frost & Sullivan Report, from 2016 to 2021, the average selling prices of PLA and PBAT increased from RMB17.6 thousand per tonne to RMB21.1 thousand per tonne, and from RMB17.1 thousand per tonne to RMB19.1 thousand per tonne, with a CAGR of 3.7% and 2.3%, respectively. For details of the trends of the average selling prices of PLA and PBAT, please refer to the subsection headed "Industry Overview — Average Selling Prices of Raw Materials (PLA, PBAT and PBS)" in this prospectus. We may not be able to fully pass on the increasing raw materials costs to our customers. As a result, our profitability and overall financial performance may be materially and adversely affected by any substantial increase in the prices of our major raw materials. For details of the impact of change in the average costs of our raw materials on our net profit, please refer to the subsection headed "Financial Information — Prices of our major raw materials" in this prospectus.

Our production process requires timely and stable supply of quality raw materials at reasonable prices. We source our major raw materials from Independent Third Parties in the PRC. Moreover, our ability to maintain a consistent and high quality production depends on reliable supply of raw materials in accordance with our specifications. We generally do not have long-term agreements with our major suppliers. During the Track Record Period, we did not experience any major disputes with our major suppliers which materially and adversely affected our business operation. Nonetheless, we cannot guarantee that we will not have any material disputes with our major suppliers, or we will be able to maintain business relationships with existing major suppliers in future. Any material disputes between us and our major suppliers may also affect our relationship with our suppliers which in turn undermine the stable supply of raw materials in future.

Furthermore, during the Track Record Period, a considerable portion of our purchases were from our major suppliers. Our purchases attributable to our five largest suppliers accounted for approximately 80.0%, 85.2%, 82.2% and 69.3% of our total purchases for FY2019, FY2020, FY2021 and 9M2022, respectively. During the same periods, purchases from our largest supplier were approximately RMB 12.1 million, RMB22.6 million, RMB35.1 million and RMB34.1 million, representing approximately 22.8%, 25.4%, 29.0% and 24.7% of our total purchases, respectively.

There is no assurance that our current suppliers may always be able to meet our demand or requirements in the future. If our suppliers no longer supply raw materials to us, or fail to deliver raw materials in accordance with our specifications, we may not be able to carry out our obligations under our production orders with our customers. As at 30 September 2022, we had 24 qualified suppliers for the raw materials which are important to our operation, there is no guarantee that we can identify additional suppliers which can fully satisfy our demand in terms of quality and quantity in a timely manner, or on commercially acceptable terms, failing which we may not be able to continue with our business operations, and our business, reputation or operating results may be materially and adversely affected.

There may be evolving consumer behaviour

We principally engage in the development and manufacturing of biodegradable plastic products in the PRC. Our Directors consider that the demand for biodegradable plastic products has been increasing in recent years with the increased awareness of environmental issues.

Consumers generally are becoming more environmentally conscious and are shifting away from non-biodegradable plastic products. Our business is therefore subject to changes in consumer behaviour. For instance, for certain consumer groups, they prefer to choose reusable shopping bags, such as canvas tote bag or mesh bags, rather than disposable shopping bags, whether they are degradable or non-degradable, for environmental protection purpose. Therefore, different consumer behaviours also affect the sales of disposable biodegradable plastic products. In the event that we are unable to respond promptly to such change, we may not be able to maintain our competitiveness, and in turn, our business, financial condition and results of operations may be hindered.

We are subject to potential threats from alternative products

For biodegradable products, there are other raw materials, such as paper, wood, bamboo and other materials that can be used to product substitute or alternative products. Besides biodegradable plastic bags, consumers may also choose to utilise alternative environmentally friendly options to replace non-biodegradable plastic bags, such as paper bags or reusable tote bags. For non-biodegradable automobile plastics parts, there are also other raw materials, such as steel, aluminium, and rubber(1), that can be used to be to substitute plastic. Although these substitutes or alternative products may have different application or functionalities due to the nature of the material, it is difficult to predict whether the consumer may choose to use these alternative products based on their preference. In the circumstances, it is essential for us to keep track of market trends and focus on collaborating with the customers in developing our plastic products to identify market trends and cater consumer preferences. In the event that we are not able to respond promptly to the change in consumer preferences, we may not be able to maintain our competitiveness, and in turn, our financial condition and results of operations may be adversely affected. Therefore, our business is subjected to the potential threats from alternative product.

We are subject to stringent environmental protection laws and regulations and we may incur substantial costs in complying with such laws and regulations and be subject to potential liability

As a policy-driven market, the development of the biodegradable plastic products market in China relies on policies and regulations that the government introduces. In recent years, the PRC government has put great emphasis on the importance of controlling plastic pollution and has formulated a comprehensive "White Pollution (白色污染)" control plan as a key reform task. On

Note:

(1) Plastic is a synthetic polymer whereas rubber is found as a natural polymer.

16 January 2020, with the approval of the NDRC and the Ministry of Ecology and Environment (生態環境部), the relevant authorities issued the "Opinions on Further Strengthening the Control of Plastic Pollution (關於進一步加強塑料污染治理的意見)", which clearly stated that by 2022, shopping malls, supermarket chains, pharmacies, bookstores, and other catering takeaway service are prohibited from using non-degradable plastic bags, and the prohibition on the use of non-degradable plastic bags will be expanded to the various marketplaces by the end of 2025.

On 10 July 2020, nine departments including the NDRC, the Ministry of Ecology and Environment (生態環境部), and the Ministry of Industry and Information Technology (工業和信息化部) jointly issued the "Notice on Solidly Promoting the Control of Plastic Pollution (《關於扎實推進塑料污染治理工作的通知》(發改環資〔2020〕1146))" to further deploy the goal and tasks to achieve the plastic pollution control plan, and to clarify the management standards for the prohibition and restriction of related plastic products.

Despite our major business segment being the development and manufacturing of biodegradable plastic products, we strictly comply with the PRC laws and regulations in our manufacturing process. We cannot guarantee that the aforesaid plastic control policy will not be further tightened to include our principal products, which may materially and adversely affect our business, financial condition and results of operations. In such event, our non-biodegradable automobile plastic parts business segment will be adversely affected.

Moreover, we are subject to various PRC environmental protection laws and regulations, including without limitation, the Law of the PRC on Prevention and Control of Atmospheric Pollution (《中華人民共和國大氣污染防治法》), the Law of the PRC on Prevention and Control of Water Pollution (《中華人民共和國水污染防治法》) and the Law of the PRC on Prevention and Control of Environmental Noise Pollution (《中華人民共和國環境噪聲污染防治法》) which govern the emission, discharge, release and disposal of environmental wastes and other pollutants during our operation, as well as the Administrative Regulations on Environmental Protection for Construction Projects (《建設項目環境保護管理條例》), the Environment Impact Assessment Law of the PRC (《中華人民共和國環境影響評價法》) and the Interim Measures on Environmental Protection Acceptance of Construction Projects (《建設項目竣工環境保護驗收暫行辦法》) which govern the environmental protection of our construction projects. For further details, please refer to the subsection headed "Regulatory Overview — Laws and Regulations Relating to Environmental Protection" in this prospectus.

As the PRC government and PRC regional regulatory authorities have the discretion to suspend or close any production facility failing to comply with such environmental protection laws and regulations, failure to comply with the applicable PRC environmental protection laws or regulations may result in local environmental protection authorities imposing fines or suspending our operations and may even lead to the loss of our environmental licences.

Moreover, we cannot assure you that we will be in full compliance with applicable PRC environmental laws and regulations at all times in the future. In the event that the PRC government imposes more stringent environmental protection laws and regulations, our production costs may substantially increase, or we may also be forced to suspend production or may need to incur material capital expenditures or other costs in order to remain in compliance, and we may be unable to pass on these additional costs to our customers. As such, our profitability and business performance may be materially and adversely affected as a result of any unfavourable change in the PRC laws and regulations.

We are exposed to risks of obsolete inventory which may adversely impact our cash flow and liquidity

We are exposed to risk of inventories obsolescence. Our inventory comprises raw materials, such as PLA, PBAT and PBS, and finished products. We had inventories of raw materials and finished foods of approximately RMB30.9 million, RMB31.6 million, RMB14.0 million and RMB33.6 million as at 31 December 2019, 2020, 2021 and 30 September 2022, respectively. Our average inventory turnover days were recorded at approximately 180 days, 118 days, 58 days and 51 days for the years ended 31 December 2019, 2020, 2021 and the nine months ended 30 September 2022, respectively.

Our business is subject to customers' preferences and behaviour, which are beyond our control. Any increase in inventory may adversely affect our working capital. If we cannot manage our inventory level efficiently in the future, our liquidity and cash flow may be adversely affected. As our business expands, our inventory level increases, and our inventory obsolescence risk may also increase along with the increased purchase of inventories. Furthermore, any unexpected and adverse changes to the optimal storage conditions at our warehouse may expedite the deterioration of our inventories which may in turn increase our inventory obsolescence risk.

As at 31 December 2019, 2020, 2021 and 30 September 2022, our finished goods balances amounted to approximately RMB17.9 million, RMB20.7 million, RMB7.3 million and RMB6.6 million, respectively. Therefore, any unexpected change in the economic condition or degree of economic activities of our customers may render our inventory obsolete. Such unexpected change in the demand for our products may result in over-stocked raw materials and finished goods which may lead to decline in inventory values, and significant write-offs. Furthermore, obsolescent inventories may directly impact our sales and pricing as we may be required to lower the selling price of our products to reduce the inventory level, which may lead to lower profit margin. All these factors may in turn affect our business, financial condition, and results of operations.

Our profitability may be directly affected by fluctuations in global petroleum and fuel prices and energy and utility costs

During the Track Record Period, our major raw materials involves PBAT (for our biodegradable products), and PE and PP (for our non-biodegradable products). Hence, our profitability may be affected by the price of petroleum as it has a direct impact on the costs of (i) fossil-based bioplastics including PBAT, and (ii) fossil-based conventional plastics including PE and PP. Fluctuation in petroleum prices will impact on the price of these raw materials as they are derivative products from petroleum or natural gas, and generally speaking the prices of these raw materials move in tandem with the petroleum price. Global petroleum prices have been volatile in recent years due to a variety of factors beyond our control. While the demand for our products has generally been resilient against the volatility in petroleum prices during the Track Record Period, spikes in the price of petroleum could increase the prices of our products which may reduce their demand.

The production of our products require the consumption of electricity, particularly for the machinery in our production process. High energy prices over an extended period of time, as well as changes in energy taxation and regulation, would therefore impact our profitability directly and indirectly. There is no assurance that we will be able to pass such increase in energy costs to our customers.

We have a concentration of customers during the Track Record Period and we do not enter into long-term sales framework agreements with our major customers. The loss of any one of our five largest customers could affect our revenues and have a material adverse effect on our business, financial condition and results of operations

For FY2019, FY2020, FY2021 and 9M2022, sales to our top five customers amounted to approximately RMB47.1 million, RMB93.9 million, RMB135.2 million and RMB104.1 million, representing approximately 45.8%, 56.3%, 52.7% and 48.6% of our total revenue, respectively, of which, Customer Group A, being our largest customer of FY2019, FY2021 and 9M2022 (and second largest in FY2020), accounted for approximately 15.5%, 14.6%, 16.1% and 15.1% of our total revenue for the same years/periods, respectively. Therefore, if our major customers reduces their purchase orders with us and we cannot solicit a similar amount of purchase orders from other customers on time, our business, financial condition and results of operation may be adversely affected.

Our customers generally enter into a one-year framework sales agreements with us and place orders with us for each time of purchase, rather than into long-term sales agreements with us as the selling price of our biodegradable plastic products may change along with the price of our major raw materials. As we generally do not have any long-term, legally-binding written agreements with our major customers during the Track Record Period, and they are not bound by any exclusivity terms or arrangements with us, there is no guarantee that we will be able to obtain recurring orders from our customers in a timely manner. Accordingly, we do not have contractual assurances as to our future sales. We cannot assure you that our major customers will continue to place purchase orders with us at the existing volume or pricing level or at all. As such, should there be any adverse development related to our major customers' operations or any other reasons resulting in any deterioration or termination of our business relationship with one or more of our major customers, our business, financial condition, operating results and prospects could be materially and adversely affected.

Moreover, our business depends on the profitability of the commercial, retail and food services industries, primarily in Jilin province and, to a lesser extent, the Northeast of the PRC. These industries are affected primarily by factors such as consumer demand and the operation conditions of these industries, which, in turn, are affected by the general economic condition in the PRC. Challenging economic conditions in our target markets may exert considerable pressure on consumer demand, and the resulting impact on consumer spending may have an adverse effect on demand for our products, as well as our financial condition and results of operations.

In any event, our major customers may seek to use their positions to improve their profitability through improved inventory efficiency and lower pricing. If we are unable to use our competitive strengths, marketing expertise, product development capabilities and customer recognition to respond quickly and effectively to the market trends, our profitability and sales volume may be negatively affected. To the extent we provide concessions or agreement terms that are more favourable to our major customers, our profitability may be reduced. The loss of a major customer, or a material reduction in sales to a major customer, could materially and adversely affect our product sales, financial condition, results of operations and prospects.

We are subject to credit risk for trade receivables arising from our customers and other parties

Failure to collect our trade receivables fully or timely may have material adverse effect on our business operations and financial condition. We usually grant our customers a credit period of 90 days. As at 31 December 2019, 2020, 2021 and 30 September 2022, we had trade receivables (net) of approximately RMB23.0 million, RMB28.4 million, RM73.0 million and RMB75.6 million, respectively. As a result, we may be exposed to credit risk. For FY2019, FY2020, FY2021 and 9M2022, the average trade receivables turnover days was approximately 79 days, 56 days, 72 days and 95 days, respectively. In FY2019, FY2020, FY2021 and 9M2022, our loss allowances were approximately RMB116,000, RMB144,000, RMB364,000 and RMB385,000, respectively. Our Directors confirm our management's estimation and the related assumptions have been made in accordance with the information currently available to us. However, such estimation or assumptions may need to be adjusted if new information becomes known. In the event that the actual recoverability is lower than expected, or that our past allowance for impairment of trade receivables becomes insufficient in light of the new information, we may need to make more allowance for impairment of trade receivables, which may in turn materially and adversely affect our business, financial condition, and results of operations.

As at 31 December 2019, 2020, 2021 and 30 September 2022, we had a concentration of credit risk as approximately 16.7%, 17.7%, 15.7% and 17.7% of the total trade receivables was due from our largest trade debtor, respectively, and approximately 52.8%, 54.6%, 56.6% and 49.0% of the total trade receivables was due from our Group's five largest trade debtors, respectively. During the Track Record Period, all of our largest customers are independent third parties. Our customers may experience financial difficulties, which could negatively impact our ability to collect the amount due to us. Such adverse financial condition may negatively affect the length of time that it will take us to collect the associated trade receivables or impact the likelihood of ultimate collection, which could result in an adverse effect on our business, financial condition, and results of operations.

See "Financial Information — Description of Selected Items of Combined Statements of Financial Position — Trade and other receivables" for more details on our trade and other receivables.

We may not be able to compete with domestic and international biodegradable plastic products manufacturers in the future

According to the Frost & Sullivan Report, the biodegradable plastic products market in the PRC was rather fragmented, with approximately 1,200 market participants as at 31 December 2021. Compared with international plastic manufacturers, the production technology level of biodegradable plastic products in China is still comparatively backward. Accordingly, in addition to domestic competitors, we may also face competition from international competitors. We compete with our competitors primarily on the basis of product quality, consistency, functions of the products, selling price, ability to develop new products, production capacity, timeliness of delivery. While some of our competitors have better production experience, R&D capabilities, customer recognition, marketing and distribution channels than us, some might be located in Southeast Asia region which could produce similar products with a lower cost than us. Accordingly, there is no guarantee that we can compete with them effectively despite our efforts in business expansion and R&D.

Our capability to introduce new and/or enhanced products depends on, amongst others, our R&D results (in collaboration with CIAC) which involve various risks and may not yield the commercial benefits to the extent we expect, or at all. To the extent that we are not able to develop quality products that satisfy our customers' demand as timely as our competitors, our operating results may be materially and adversely affected.

Moreover, many our competitors may reduce their selling prices in order to obtain market shares. If our competitors engage in active price reductions, we may be forced to reduce our selling prices to remain competitive which may negatively affect our revenue and profitability. We expect that we will face continuous competition from existing domestic and international competitors as well as new market entrants. There can be no assurance that our products will be able to compete successfully, in which case our business, financial condition and results of operations may be materially adversely affected.

The transmission of COVID-19 and any future natural disasters, acts of God, outbreak of any contagious disease or any other epidemics may adversely affect our business, results of operations and financial condition

Our assets and operations are located in the PRC and our revenue was generated from the PRC during the Track Record Period. Accordingly, our business is subject to general economic and social conditions in the PRC. Natural disasters, epidemics and other acts of God, which are beyond our control, may adversely affect the economy, infrastructure and livelihood of people in the PRC. People in the PRC may be under threats of flood, earthquake, thunderstorm, sandstorm, snowstorm, fire, drought or epidemics such as COVID-19, Severe Acute Respiratory Syndrome (SARS), H5N1 avian flu, H7N9 avian flu or H1N1 human swine flu.

In earlier 2020, there was an outbreak of COVID-19 across the world, and as at the Latest Practicable Date, COVID-19 continues to be declared a pandemic by the World Health Organisation, and the original form and more recent variants continue to impact, at varying levels, many geographies worldwide. Actions taken to mitigate COVID-19, including travel restrictions, quarantines and business closures, have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including China. While vaccine is being deployed and restrictions in some regions are being lessened, if infection and hospitalisation rates increase, some of these lessened restrictions may be reversed. Our business could be impacted by the current pandemic or future continuance or reoccurrence of COVID-19 in certain ways, including but not limited to delay or interruption to our business operation, delay or interruption of the supply of raw materials, cost increases in our raw materials and logistics as well as temporary closure or flexible working hours of our operation and our business partners, which may cause us to incur additional costs and affect our ability to carry out our operations as planned.

The full effects of the COVID-19 pandemic or further transmission on our business or our industry will depend on a number of factors outside our control, including the extent to which the current pandemic continues to spread, as well as the impact of the COVID-19 pandemic on our employees and the personnel that are necessary to continue our business operation. Therefore, to prevent the transmission of COVID-19 to and among our employees, we have to implement additional preventive measures (such as mandatory wearing of masks during working hours, regular body temperature check and social distancing), which may lead to low working morale, decrease productivity and engagement.

Moreover, in or around March 2022, the transmission of COVID-19 in Jilin province has impacted us in various ways. For instance, we encountered decline in demand as some of our customers were ordered to operate with restricted opening hours or to shut down temporarily. As a result, our business operation from March 2022 to April 2022 has been negatively affected, causing in a fall in revenue for our biodegradable plastic products. In quantitative terms, the total aggregate revenue of March 2022 and April 2022 was approximately equal to average monthly revenue of January, February and May 2022. During the period of March–May 2022, due to the lockdown of Changchun, we were temporarily able to increase the selling price of our main biodegradable plastic products as our customers were willing to pay a higher price to secure supply. However, such increase in the selling price of biodegradable products may not be sustainable in the long run.

Furthermore, travel and transportation restrictions also increased our suppliers' difficulties to deliver their products to us, as well as for us to deliver our products to our customers. Due to the travel and transportation restrictions, we had to rely more on third parties logistics service providers to deliver our products.

In any event, we cannot predict when the COVID-19 transmission will become completely under control and we cannot guarantee that the COVID-19 transmission will not worsen. Having considered that the past occurrences of epidemics, the COVID-19 depending on their scale, have caused different degrees of impact to the national and local economies in China. The COVID-19 outbreak and any other public health crisis in China especially in the cities where we have presence, may result in material disruptions to our operations, which in turn may materially and adversely affect our financial condition and results of operations. Moreover, the increase in the selling price of biodegradable plastic products in 9M2022 may not be sustainable in the long run. Further details regarding the tightened prevention and "closed-loop management" measures we have adopted at our production base, please refer to the section headed "Summary — Recent Developments" in this prospectus.

Our plan to expand our production facilities may not be successful as we expected or such expansion may result in increase in our cost of sales and may materially and adversely affect our operations and financial results

To support our growing operations and to cater for our customers' demand, we intend to further expand our existing production facilities by (i) expanding our existing biodegradable plastic products production lines at our Changchun Production Base; (ii) establishing new biodegradable plastic products production lines to produce new biodegradable plastic products at our Changchun Production Base; and (iii) building and establishing a new production base at Huizhou, Guangdong province, the PRC, for the production of biodegradable plastic products.

Upon completion of our expansion plan, our total annual designed production capacity at our Changchun Production Base for (i) existing biodegradable masterbatches is expected to increase from approximately 11,844 thousand kilogrammes to 45,892 thousand kilogrammes; and (ii) new biodegradable plastic products (excluding biodegradable masterbatches) from approximately 6,440 thousand kilogrammes to 28,840 thousand kilogrammes. Meanwhile, the total annual designed production capacity (excluding biodegradable masterbatches) at our Huizhou Production Base for biodegradable plastic products is expected to be approximately 17,528 thousand kilogrammes.

The total capital expenditure of our expansion plan (including both Changchun Production Base and Huizhou Production Base) is expected to be approximately RMB159.1 million[(1)], of which approximately RMB1.1 million is expected to be settled by our Group by internal resources in 2022 and the first half of 2023. We intend to settle the remaining balance of approximately RMB108.9 million of such capital expenditure by applying part of the net proceeds from the Global Offering (representing approximately 66.5% of the total net proceeds from the Global Offering). We target to commence trial production for our new production lines at our Changchun Production Base and Huizhou Production Base by the first quarter of 2023 and the fourth quarter of 2023, respectively. We target to complete our expansion of our Changchun Production Base and Huizhou Production Base by the second quarter of 2024 and the first quarter of 2024, respectively. As at the Latest Practicable Date, we are in the course of finalising our expansion plan.

Note:

(1) RMB159.1 million is comprised of RMB83.3 million and RMB75.8 million. We intend to use RMB83.3 million to expand our operation in our Changchun Production Base, of which RMB1.1 million is expected to be settled by our Group by internal resources in 2022 and the first half of 2023, RMB54.5 million is expected to be settled by our net proceeds, and RMB27.7 million is expected to be settled by our Group's internal resources upon Listing. Moreover, we intend to use RMB75.8 million to establish a new production base in Huizhou, Guangdong province, RMB54.4 million is expected to be settled by our net proceeds, and RMB21.4 million is expected to be settled by our Group's internal resources upon Listing.

Our expansion plan may involve the following risks: (i) our production volume may vary depending on the demand for our products which in turn may be affected by market trends, customers' preferences or other factors which are beyond our control; (ii) the demand for our products, the average selling price of our products and revenue to be generated may not increase in line with our increase in production capacity; (iii) the increase in our fixed costs, such as depreciation costs, in connection with capital investments relating to the expansion of our production facilities, which will be charged to our Group's income statement each year; (iv) the increase in other variable costs incurred in relation to the expansion will be accounted for based on the production volume; (v) we cannot guarantee our expansion plan will be successfully implemented without delay or at all; and (vi) we may not be able to obtain the necessary licences from the PRC regulatory authorities for our expansion plan.

Meanwhile, the future plans of our Group as described in the subsections headed "Business — Our Production Facilities — Expansion Plan" and the section headed "Future Plans and Use of Proceeds" in this prospectus are based on current intentions and assumptions. The future execution of such plans may be subject to capital investment and human resources constraints. Furthermore, our expansion plan may also be hindered by other factors beyond our control, such as the general market conditions, the economic and political environment of the PRC and the world. As such, our expansion plan may not materialise in accordance with the timetable or at all.

Our production is subject to machinery and equipment breakdown or unexpected disruptions

We rely heavily on the use of machinery and equipment for our production. Our production facilities generally operated on a five days, three shifts basis (excluding all employees' general holiday and public holiday), and our machinery may break down in the course of our ordinary use. Any failure or substandard performance of our machinery, or any unexpected disruption to our production facilities due to power failure could result in an interruption or delay of our operations, and accordingly negatively affect our production schedule and render us unable to deliver our products to our customers on time. The stable operation of machinery and equipment are important to us and we cannot assure you that our production facilities will continue to function stably, or that in the event of machinery breakdown, we could secure a replacement which offers a similar level of performance or obtain maintenance services in a timely manner to maintain our production capacity to satisfy demand from our customers. In such event, our production may be adversely affected, and significant financial resources may be spent on such replacement or maintenance, which may in turn adversely affect our business and financial condition. Furthermore, as a result of disruption to our production facilities, our Group's production capacity and the relevant utilisation rate may be affected, which may result in a drop in our revenue, gross profit margin and profitability.

In addition, in the event of (i) natural disasters; (ii) riots, social unrest and terrorist attacks; (iii) outbreak of infectious diseases; and (iv) other events that are beyond our control, we may incur substantial losses due to loss of revenue from disruption of production, and additional expenditure on repairs or replacement of our damaged machinery and equipment. Further, our production capacity would be negatively affected, and we may not deliver our products to our customers on time, which would impair our customers' confidence in us.

Any failure to protect our intellectual property rights could harm our business and competitive position

One of our competitive edges is the material formulae of our biodegradable masterbatches for our biodegradable plastic products and our knowhow to manufacture reliable, quality and consistent biodegradable plastic products. Related utility model patents, invention patents, trademarks, trade secrets or know-how in our products, production process and technics of commercial production are important to our Group's business and competitive position. Throughout our business development history, we have developed and maintained a number of patents and trademarks for our business. As at the Latest Practicable Date, we held 29 utility model patents, two invention patents, and three registered trademarks in the PRC. We were also in the process of application of one patent. Further information is set forth in the subsection headed "Statutory and General Information — C. Further information about our business — 2. Intellectual property rights of our Group" in Appendix V to this prospectus.

Nonetheless, seeking patent protection can be lengthy and expensive, and we cannot assure you that our patent applications will be successful and result in patents being registered or that our registered patents will be sufficient to provide us with the required protection or commercial advantage. Our patents (whether registered or pending registration) may be challenged, invalidated or circumvented.

Other than by way of registration, we also enter into proprietary and confidentiality agreements with our key R&D employees to protect our intellectual property rights. However, monitoring unauthorised use of proprietary rights is difficult and expensive, and we may need to commence litigation to enforce or defend patents issued to us or to determine the enforceability, scope and validity of our proprietary rights or those of others. The experience and capabilities of the PRC courts in handling intellectual property litigation vary, and the outcomes are also unpredictable. In the event of any such litigation or an adverse outcome in any such litigation, it could result in substantial costs and diversion of resources and management attention, which could harm our business, reputation and competitive position.

We also rely on unpatented proprietary know-how, continuing technological innovation and other trade secrets to develop and maintain our competitive position. While it is our policy to enter into proprietary and confidentiality agreement with our key R&D employees to protect our intellectual properties, we cannot assure you that such agreement will not be breached, or will be able to offer us meaningful protection or that adequate remedies will be available in the event of unauthorised uses or disclosures of our trade secrets and know-how. In addition, we cannot assure you that other competitors in the market will not obtain knowledge of these trade secrets or know-how through independent development.

We may be subject to claims of infringement of third-party intellectual property rights

We seek to develop and implement new technologies and production processes to keep in pace with the market development. In doing so, we may not be aware of other third-party intellectual property rights, and accordingly, we may be unable to assess the scope and validity of those third-party intellectual property rights. In addition, product development is inherently uncertain in a rapidly evolving technology environment where there may be numerous patent applications pending, many of which are confidential when filed with regard to similar technologies. There may also be uncertainty regarding the rightful ownership of newly developed patents or technology. Accordingly, we may be subject to lawsuits for infringement on intellectual property rights. Intellectual property litigation may adversely affect our application of the relevant intellectual property rights over the challenged technology, and we may need to pay substantial damages or royalties of licenced proprietary rights if we are found liable for the alleged infringement. Given that technological development takes up an important role in the biodegradable plastic products industry, we cannot assure you that our current measures in relation to intellectual property rights protection are adequate and that we will not be subject to claims of intellectual property rights infringement by third parties. Any intellectual property litigation may cause us reputational damage and incur significant expenses and divert our management's attention and efforts, any of which may have an adverse effect on our business, financial condition, results of operations or prospects.

We are subject to certain risks relating to the delivery of our raw materials and products including delays caused by suspension or interruption to the services of our third-party logistics service providers, and increase in delivery costs

During the Track Record Period, we sourced our raw materials from our qualified suppliers in the PRC. In general, our suppliers arrange delivery of our raw materials to our production facilities by fleet transportation and are responsible for the related transportation costs. In respect of our products, we utilise our own logistic crew and/or engage third-party logistics service providers to deliver our products to our customers by fleet transportation depending on distance. For details of our Group's logistics arrangement, please refer to the subsection headed "Business — Our Sales and Customers — Delivery and Logistics" in this prospectus. Fleet transportation are subject to inherent risks such as accidents, property losses or damages, fire, collisions, as well as interruptions caused by mechanical failure, adverse traffic conditions and/or extreme weather conditions. If any of these events occur, we cannot assure that we will be able to obtain raw materials in a timely manner to carry out our production plan, or that we will be able to deliver our products to our customers according to the delivery schedules. In the event that the transportation services for our raw materials or products are suspended or interrupted and we cannot obtain alternative transportation methods for the delivery of our raw materials or products in a timely manner, our business operation, reputation and our profitability may be materially and adversely affected.

For FY2019, FY2020, FY2021, 9M2021 and 9M2022, our logistic service fee amounted to approximately RMB0.4 million, RMB0.5 million, RMB0.7 million, RMB0.5 million and RMB1.8 million, respectively, representing approximately 39.1%, 50.3%, 52.8%, 55.1% and 50.2%, respectively, of our total selling and distribution expenses for the corresponding years/periods. There is no assurance that our logistic service fees will remain stable or that it will not increase in future. In the event that there is an increase in logistic service fee, and we cannot locate alternative logistics service providers at reasonable prices, logistic service fee will increase which may lead to a reduction of our net profits. Accordingly, our financial condition and results of operation could be materially and adversely affected.

We may not successfully research and develop new products in the future to meet with the requirements from our customers and we may lose our competitiveness in the market

During the Track Record Period, we principally developed and manufactured biodegradable plastic products in the PRC. As the biodegradable plastic products industry is a newly developed industry (less than 10 years) in China, we lack references and precedents for our future R&D and may encounter situations such as a prolonged development cycle and high initial investment costs. From R&D to commercialisation of the final products, we also face risks such as failure in breaking through key production difficulties, impracticability in fine tuning for standardised production etc.

Alongside the technological advancement, our customers may demand for products with better qualities. We consider our product development and quality consistency of our products as one of our key competitive edges and have established a R&D department to drive relevant study. Nonetheless, our expectation on the upcoming market trend may not be accurate, or we may fail to maintain the quality consistency of our products that satisfy customers' needs.

If we are unable to respond effectively to the market development by developing and manufacturing new products, or maintaining consistent quality of our products, our business operations and financial condition could be adversely affected. Moreover, if our R&D capabilities or quality consistency fail to meet our customers' expectations, our business relationships with them could be adversely affected, which in turn would have an adverse impact on our sales performance and reputation.

Further, we cannot assure you that our competitors will not offer new products which are comparable or superior to our products. If we fail to keep pace with the development of our competitors, the demand for our products may drop and our products in stock may become obsolete, and as a result, our business operations and financial performance could be adversely affected.

Our reliance on the cooperation with CIAC

During the Track Record Period, we cooperated with CIAC (中國科學院長春應用化學研究所), a third-party research institute. If CIAC fails to provide reliable research services, our business and reputation may be adversely affected. We rely on the cooperation with CIAC for conducting R&D on our biodegradable plastic products. Our R&D department typically liaise with CIAC to conduct research on these technology and direction after conducting preliminary research on the way to improve our biodegradable plastic products. Our R&D department would monitor the research progress, review the R&D results, and provide feedback to CIAC from time to time.

If CIAC discontinues cooperation with us or fails to comply with the applicable rules and regulations regarding research in the PRC, the development or production of our products may be materially and adversely affected. If any of our R&D initiatives is disrupted or terminated, we may not be able to find alternative qualified research institute and on commercial terms to our satisfaction in a timely and reliable manner, or at all. Our products may also be compromised, customer experience may be impaired and, as a result, our business and reputation could suffer. Further, if CIAC raises their fee rate, we may incur additional costs and may not be able to pass such costs to our customers.

Dividends declared in the past may not be indicative of our dividend policy in the future

Dividends paid in prior periods may not be indicative of future dividend payments. We cannot guarantee when, if and in what form dividends will be paid in the future. During the Track Record Period, we declared dividends of nil, nil, RMB137.0 million and nil for FY2019, FY2020, FY2021 and 9M2022, respectively. The payment of these dividends was financed by our internal resources and fully paid in FY2021. No assurance can be given that dividends of similar amounts or at similar rates will be paid in the future or that dividends will be paid at all. The declaration of dividend is proposed by our Board and is based on, and limited by, various factors, including, without limitation, our business and financial performance, capital and regulatory requirements and general business conditions. As a result, there is no reference to the basis for forecasting the amount of dividend payable in future in this prospectus.

Moreover, we may not have sufficient profits or cash flow to enable us to make dividend distributions to our Shareholders in the future, even if our financial statements indicate that our operations have been profitable. In any event, the past distribution record should not be used as a reference of the amount of dividends payable in the future.

Failure to make adequate contributions to various employee benefit plans as required by PRC laws and regulations may subject us to penalties

During the Track Record Period, we did not make sufficient contributions to the social security insurance fund and the housing provident fund for certain employees. As at 31 December, 2019, 2020 and 2021 and 30 September 2022, we made provisions of social security insurance fund and housing provident fund amounted to approximately RMB1.8 million, RMB1.8 million, RMB2.3 million and RMB2.3 million, respectively. As advised by our PRC Legal Advisers, pursuant to relevant PRC laws and regulations, if we fail to pay the full amount of social security insurance contributions as required, we may be ordered to pay the outstanding social security insurance contributions within a prescribed time limit and may be subject to an overdue fine of 0.05% of the outstanding payment per day from the date on which the payment was due. If such payment is not made within the stipulated period, the competent authority may further impose a fine from one to three times the amount of the outstanding payment. If we fail to pay the full amount of housing provident fund as required, the competent housing provident fund management centre may order us to make the outstanding payment within a prescribed time limit. If the payment is not made within such time limit, an application may be made to the PRC courts for compulsory enforcement.

In addition, we cannot guarantee that we will not be required to pay any contribution shortfall retrospectively or penalties, thereby adversely affecting our financial condition and results of operations. For further details, please refer to the subsection headed "Business — Employees — Social Security and Housing Provident Funds" in this prospectus.

Any discontinuation, reduction or delay of any preferential tax treatment or government grants available to us could materially and adversely affect our business, financial condition and results of operations

We have been benefited from preferential tax treatment from the PRC government policy. One of our Group's PRC operating subsidiaries, namely Jilin Kaishun, was recognised as a High and New Technology Enterprise (高新技術企業) since 2018 and such status was renewed in September 2021. Accordingly, Jilin Kaishun is entitled to a preferential income tax rate of 15% instead of the enterprise income tax paid at the rate of 25%. Hence, for FY2019, FY2020, FY2021, 9M2021 and 9M2022, our effective income tax rate, calculated by dividing income tax expenses by profit before income tax expenses, was approximately 14.0%, 13.7%, 14.7%, 14.7% and 17.1%, respectively. Our effective tax rate for 9M2022 was higher than the preferential tax rate mainly due to Listing expenses were not tax deductible items.

The qualification as a High and New Technology Enterprise is subject to a three-year review by the PRC government. In order to apply for or maintain such qualifications and the preferential tax rates, we are required to submit an application to the accreditation body consisting of the Department of Science and Technology of Jilin Province (吉林省科學技術廳), the Jilin Province Department of Finance (吉林省財政廳), and the Jilin Provincial Taxation Bureau of SAT (國家稅務總局吉林省稅務局) for the recognition of a High and New Technology Enterprise. The policies regarding the preferential tax treatment are subject to change and termination. The government agencies may decide to reduce, eliminate or cancel our preferential tax treatment at any time. The current High and New Technology Enterprise Certificate granted to Jilin Kaishun will be expired in September 2024. We cannot assure you of the continued availability of such preferential tax treatment which we currently enjoy or that our other subsidiary may apply for such preferential tax treatment successfully. The discontinuation, reduction or delay of the preferential tax treatment could adversely affect our financial condition and results of operations.

Our total government grants received amounted to approximately RMB1.1 million, RMB0.9 million, RMB1.0 million, RMB0.7 million and RMB0.4 million, respectively, for FY2019, FY2020, FY2021, 9M2021 and 9M2022. Please refer to the subsection headed "Financial Information — Combined Statements of Profit or Loss and Other Comprehensive Income — Other Income" in this prospectus for further details. As these government grants are generally provided on a one-off basis, there is no guarantee that we will continue receiving them in the future. If we cannot successfully apply for the government grants in the future, it could have an adverse effect on our financial condition, results of operations, cash flows and prospects.

We may be involved in litigation or legal proceedings

We may at times be involved in litigation or legal proceedings during the ordinary course of our business operations, related to, among other factors, product or other types of liabilities, and labour or contractual disputes. We may also be involved in litigation or legal proceedings as a co-defendant. If we become involved in any litigation or other legal proceedings in the future, the outcome of such proceedings could be uncertain and could result in settlements or results which may materially and adversely affect our business, financial condition and results of operations. In addition, any material litigation or legal proceedings could involve substantial legal expenses, require a significant amount of time and resources, and divert the attention of management from our daily operations. Further, we might suffer negative publicity resulting from such claims, whether reasonably founded or not. If any negative publicity or reputational harm is not effectively remedied or reversed, our existing or potential customers and suppliers may hold a poor impression on us, which may negatively affect our ability to maintain solid relationships with our customers and suppliers, engage new customers or expand into new markets.

We may be subject to liability in connection with industrial accidents or safety hazards at our production facilities inherent to our production

Our production process involves the operation of equipment and machinery which is potentially dangerous. Further, our production process involves the use and storage of inflammable raw materials, such as PBAT, PP and PE, which may cause potential accidents if we do not handle these hazardous materials properly. There is no assurance that our safety measures or other related rules and regulations will be strictly followed by our employees. Thus, we cannot assure you that any accident or safety hazard, whether due to malfunctions of such equipment or machinery, mishandling of these hazardous materials or other reasons for disruption of operation, injuries or death will not happen at our production facilities. In such event, we may be liable for the loss of life and property, personal injuries, medical expenses suffered by the victims in the accident or safety hazard and we may have to pay fines and penalties or subject to criminal liabilities for violation of applicable PRC laws and regulations in respect of workplace safety, workers' compensation or other matters. In addition, our insurance coverage may not be sufficient to cover all of our potential losses from any accident or safety hazard. If any of our production facilities were damaged as a result of any accident or safety hazard, it might affect our production process and cause us to lose our customers. Furthermore, our production facilities may be required to halt operation pending investigations from the authorities, which would adversely affect our business, operation, reputation and financial performance.

Our success depends on our key personnel, and if we fail to attract, retain and motivate these key personnel, our reputation and business may be materially and adversely harmed

We believe that our success depends, to a significant extent, on the continued services and the performance of our key management personnel. The industry experience, expertise and contributions of our executive Directors and other members of our senior management are important assets to our operation. Sufficient number of experienced and competent executives is required to implement our growth plans. If we lose a number of our key management members and are unable to recruit and retain personnel with equivalent qualifications, the growth of our business could be materially and adversely affected.

In particular, we rely on the expertise and experience of Ms. Zhang, our chair of the Board, and executive Director, and Mr. Shan, our chief executive officer and executive Director who each have around 10 years of experience in the materials industry in the PRC, for our business management and operation. If one or more of our Directors or senior management or other key personnel are unable or unwilling to continue to serve in their present positions, we may not be able to replace them easily or at all, and our business may be disrupted, and our results of operations may be materially and adversely affected. In addition, if any member of our senior management or other key personnel joins a competitor or forms a competing business, we may lose business secrets and know-how. Any failure to attract, retain, and motivate these key personnel may materially and adversely harm our reputation and business.

As such, our business, financial performance and prospects depend on our ability to employ and retain highly skilled personnel, including managerial and other technical professionals. We cannot assure you that we will be able to maintain an adequate and experienced labour force, and staff member costs may increase as a result of a shortage in supply of qualified personnel. If we fail to attract and retain personnel with suitable managerial, technical or marketing expertise or if we fail to maintain an adequate and experienced labour force, it may materially and adversely affect our business operations and may hinder our future growth and expansion.

Labour shortages or increases in labour costs could harm our business, reduce our profitability and slow our growth

Experienced professional staff members and other labour are important for the operation of our businesses, and therefore, our success depends in part on our ability to attract, retain and motivate a sufficient number of these staff members for our production work and operations. Our Directors consider that qualified individuals in the biodegradable plastic products manufacturing industry in the PRC are in short supply and competition for workers is intense. The labour in biodegradable plastic products manufacturing industry have to master the raw material knowledge and production knowhow to maintain competitiveness, which requires ongoing and repeated trainings and accumulation of experiences. Also, there are requirements of equipment maintenance and operation safety during the production process of raw material to avoid potential safety issues and satisfy the requirements of environmental protection at the same time. We therefore must appoint experienced workers to handle these maintenances and operations. In addition, competition for qualified individuals or workers could also require us to pay higher wages, which could result in higher labour costs. Labour cost in the PRC has been on a rising trend over the years, and it may rise further in the future. We may not be able to fully transfer the increased cost of labour to our customers through raising the prices of our products. In the event that we are unable to cope with the increasing labour cost, our business, financial performance and results of operations may be adversely affected. Our agreements with our customers do not contain specific labour cost adjustment mechanism, and we may fail to anticipate or may be unable to transfer the full impact of the increase in labour cost to our customers on a timely basis, or at all. In such cases, our business and results of operations may be adversely affected.

We may not maintain an effective quality control system at our production facilities, and any failure or deterioration of our quality control system would adversely affect our operations and financial condition

The quality of our products is critical to the success of our business. Our product quality depends significantly on the effectiveness of our quality control system, which, in turn, depends on a number of factors, including the implementation of our quality control policies as well as the composition of our quality control team. Any significant failure or deterioration of our quality control system could seriously damage our product quality and have a material adverse effect on our reputation in the market among current or prospective customers, which could, in turn, lead to fewer orders in the future and harm our financial condition and operating results.

Our insurance coverage may be insufficient to protect our Group

During the Track Record Period, in addition to the mandatory social security insurances we maintained for our employees, we have maintained general insurance for our fixed assets (production facilities equipment and machineries), and raw materials and finished goods and employees. For details of our insurance policies, please refer to the subsection headed "Business — Insurance" in this prospectus. However, we do not maintain product liability insurance. If there is any damage caused by defective products, we are exposed to potential product liability claims. A successful product liability claim against us could require us to pay for substantial damages, and we will not have insurance to cover any amount of such damages or liabilities. Product liability claims against us, whether or not successful, are costly and time-consuming to defend and could divert significant resources and management attention. In the event that our products prove to be defective, we cannot assure you that a product liability claim will not be brought against us in the future. As a result, our business, results of operations and reputation could be materially and adversely affected by any product defects.

In addition, we do not maintain insurance policies against all risks associated with our business operation or industry, either because our Directors have deemed it commercially unfeasible to do so, or the risk is believed to be minimal. If an incident occurs in relation to which we have inadequate insurance coverage, we may be held liable for uninsured losses or amounts, and our business, financial positions, and results of operations could be materially and adversely affected. Moreover, there is no assurance that we will be able to renew the existing insurance policies on commercially reasonable terms, if at all. If we were to incur a serious uninsured loss or a loss that significantly exceeded the limits of our insurance policies, our business, financial condition or results of operations would be materially and adversely affected.

RISKS RELATING TO CONDUCTING BUSINESS IN THE PRC

Changes in political and economic policies of the PRC government could have an adverse effect on the overall economic growth of the PRC, which could increase our manufacturing costs and adversely affect our competitive position

During the Track Record Period, all of our productions and assets were located in the PRC and all of our revenue was derived from the PRC market. Accordingly, our business, financial condition, operating results and prospects are affected significantly by economic, political and legal developments in the PRC. The PRC economy differs from the economies of most developed countries in many respects, including the degree of government involvement, the level of development, the growth rate, the control of foreign exchange, access to financing and the allocation of resources.

While the PRC economy has grown significantly in the past decades, the growth has been uneven, both geographically and among various sectors of the economy. The PRC government has implemented various measures to encourage economic growth and guide the allocation of resources. Some of these measures benefit the overall PRC economy, but may also have a negative effect on us. For example, our financial condition and operating results may be materially and adversely affected by government control over capital investments or changes in tax regulations that may be applicable to us. Such measures may also be adjusted, modified or applied inconsistently from industry to industry, or across different regions of the country. Hence, we cannot assure you that we may benefit from all, or any, of the measures which are under constant adjustments.

The PRC economy has been transitioning from a planned economy to a socialist market oriented economy. However, the PRC government still exercises significant control over the economic growth of the PRC through the allocation of resources, controlling payment of foreign currency-denominated obligations, setting monetary policies and providing preferential treatment to particular industries or companies. Furthermore, as the PRC economy has become increasingly linked with the global economy, the PRC is affected in various respects by downturns and recessions of major economies as well as natural disasters around the world which are beyond our control. Any adverse change in the economic conditions in the PRC, the policies of the PRC government or the laws and regulations in the PRC, could have an adverse effect on the overall economic growth of the PRC and market demand for our products and our competitive position.

In addition, there can be no assurance that the PRC government will continue to pursue its current economic reform policies. Our operations and financial results could be materially and adversely affected by changes in political, economic and social conditions or relevant government policies, such as changes in laws and regulations or the interpretations thereof, measures which might be introduced to control inflation, changes in the rate or method of taxation and imposition of additional restrictions on currency conversion.

Our business operations are subject to uncertainties with respect to the laws and regulations of the PRC

Our business and operations in the PRC are governed by the laws of the PRC. The PRC law is a codified system which comprises of statutory laws, regulations, circulars, administrative directives and internal guidelines. Some of them, and the interpretation, implementation and enforcement thereof, are still at the experimental stage and are therefore subject to policy changes. In the event that our PRC subsidiary breaches any of the foregoing, whether by omission or not, we will be subject to penalties prescribed therein. Owing to the fact that the legal system and economic system are growing at different paces, some degree of uncertainty exists in connection as to whether and how existing laws and regulations are applicable to certain circumstances. Moreover, precedents on the interpretation, implementation and enforcement of the PRC laws and regulations are of limited value for decisions, as the higher court decisions in the PRC do not necessarily have a binding effect on lower courts. Accordingly, the outcome of dispute resolution may not be as consistent or predictable as in other jurisdictions.

In addition, some regulatory requirements issued by certain PRC government authorities may not be consistently applied. For example, we may have to resort to administrative and court proceedings to enforce the legal protection that we enjoy either by law or contract. However, since PRC administrative and court authorities have discretion in interpreting and implementing statutory and contractual terms, it may be difficult to evaluate the outcome of administrative and court proceedings and the level of legal protection we enjoy. These uncertainties may impede our ability to enforce the contracts we have entered into with our business partners and customers.

Such uncertainties, including the inability to enforce our contracts, together with any development or interpretation of PRC law that is adverse to us, could materially and adversely affect our business and operations. Furthermore, intellectual property rights and confidentiality protections in the PRC may not be as effective as in the more developed countries. We cannot predict the effect of future developments in the PRC legal system, including the promulgation of new laws, changes to existing laws or the interpretation or enforcement thereof, or the pre-emption of local regulations by national laws. These uncertainties could limit the legal protections available to us and other foreign investors, including you. In addition, any litigation in the PRC may be protracted and result in substantial costs and diversion of our resources and management attention.

It may be difficult to effect service of process or to enforce foreign judgements against our Group and management

All of our productions and assets are located in the PRC. Furthermore, all of our executive Directors are located in the PRC. Therefore, investors may encounter difficulties in effecting service of process from other places outside the PRC upon us or our executive Directors. Moreover, it is understood that the enforcement of foreign judgements in the PRC is subject to uncertainties. A court judgement from a foreign jurisdiction may be reciprocally recognised or enforced if the jurisdiction has signed a treaty with the PRC. However, the PRC does not sign treaties for the reciprocal recognition and enforcement of civil court judgements with the United States, the United Kingdom and many other countries. As a result, recognition and enforcement in the PRC of a court judgement obtained in those jurisdictions mentioned above may be difficult or impossible.

Payment of dividends is subject to restrictions under the PRC law

As our Company is a holding company, we rely on dividend payments from our subsidiaries in the PRC for cash requirements, including service of any debts our Group may incur. Under the current PRC law, dividends may be paid only out of our PRC subsidiaries' accumulated after-tax profits, if any, determined in accordance with the PRC accounting standards and regulations. Moreover, our PRC subsidiaries are required to set aside a certain amount of their after-tax profits each year, if any, to fund certain statutory reserves. These reserves are not distributable as cash dividends. In addition, in the future, if our PRC subsidiaries incur debt, the loan agreement may impose restrictions on their ability to pay dividends or make other payments to our Company. The inability of our PRC subsidiaries to distribute dividends or other payments to our Company could significantly affect the amount of capital available to support the development and growth of our business.

Foreign exchange control by the PRC government may have a material adverse effect on your investment

We receive our revenue in RMB during the Track Record Period. RMB generally cannot be freely converted into any foreign currencies. Under the existing PRC foreign exchange regulations, payments of current account items, including profit distributions, interest payments and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior approval from the SAFE subject to certain procedures. Hence, our PRC subsidiaries are able to pay dividends in foreign currencies to our Company without prior approval from the SAFE by satisfying certain procedural requirements. However, there is no assurance that the foreign exchange policies regarding the payment of dividends in foreign currencies will continue.

Moreover, foreign exchange transactions under the capital account, including principal payments in respect of foreign currency-denominated obligations, continue to be subject to limitations and require prior approval of the SAFE. The PRC government may further implement rules and regulations in the future, which could restrict the use of foreign currency under the current account and capital account in certain circumstances. These restrictions could affect our ability to obtain foreign currency through debt financing, or to obtain foreign exchange needed for our capital expenditure. The unavailability of sufficient foreign currency or an inability to transfer sufficient dividends or make other payments to us or to otherwise satisfy their foreign currency-denominated obligations would hinder our business operation or administration. As a result, we may not be able to pay dividends to our Shareholders.

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

In utilising the proceeds from the Global Offering or any further offering, as an offshore holding company of our PRC subsidiaries, we may make loans to our PRC subsidiaries, or we may make additional capital contributions to our PRC subsidiaries. Any loans provided by us to our PRC subsidiaries are subject to PRC regulations. For example, loans by us to our PRC subsidiaries to finance their activities cannot exceed statutory limits and must be registered or filed on record. We may also decide to finance our PRC subsidiaries through capital contributions. These capital contributions must be registered by the SAMR or its local counterpart and reported to the MOFCOM or its local counterpart. We cannot assure you that we will be able to obtain these government registrations or approvals or to complete reporting procedures on a timely basis, if at all, with respect to future loans or capital contributions by us to our subsidiaries or any of their respective subsidiaries. If we fail to receive such registrations or approvals or fail to complete such reporting procedures, our ability to use the proceeds of the Global Offering and to capitalise our PRC operations may be negatively affected, which could adversely and materially affect our liquidity and our ability to fund and expand our business.

Our dividend income from our foreign-invested PRC subsidiaries may be subject to a higher rate of withholding tax than that which we currently anticipate

Under the EIT Law and its implementation rules, dividend payments from PRC subsidiaries to their foreign shareholders, if the foreign shareholder is not deemed as a PRC tax resident enterprise under the EIT Law, are subject to a withholding tax at the rate of 10%, unless the jurisdiction of such foreign shareholders has a tax treaty or similar arrangement with the PRC. If certain conditions and requirements under the Arrangement between the Mainland of China and Hong Kong Special Administrative Region on the Avoidance of Double Taxation and 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避免雙重徵稅和防止偷漏稅的安排(國稅函[2006]第884號)》), or the "China-Hong Kong Tax Arrangement" are met, the withholding rate could be reduced to 5%. However, the Announcement of the State Administration of Taxation on Issues Relating to "Beneficial Owner" in Tax Treaties (《國家稅務總局關於稅收協定中"受益所有人"有關問題的公告》) or the "Notice 9" provides that "Beneficial Owners" refer to persons who engaged in substantial business operations. It is unclear whether Notice 9 applies to dividends from our PRC operating subsidiaries paid to us through our direct subsidiary incorporated in Hong Kong which holds our PRC entities. If, under Notice 9, such Hong Kong subsidiary was not considered the "beneficial owner" of any such dividends, such dividends would, as a result, be subject to income tax withholding at the rate of 10% rather than the more favourable 5% rate applicable under the China-Hong Kong Tax Arrangement. In that case, our financial condition and results of operations may be materially and adversely affected.

We may be classified as a "resident enterprise" for PRC enterprise income tax purposes, which could result in unfavourable tax consequences to us

The EIT Law provides that enterprises established outside of China whose "de facto management bodies" are located in the PRC are considered "resident enterprises" for tax purposes and are generally subject to the uniform 25% enterprise income tax rate on their worldwide income. "De facto management bodies" is defined as the body that has actual overall management and control over the business, personnel, accounts and properties of an enterprise. However, there have been no official implementation rules regarding the determination of the non "de facto management body" in the PRC for foreign enterprises. Therefore, it remains unclear how PRC tax authorities will treat a case like ours. If the PRC tax authorities determine that we are a "resident enterprise", we may be subject to enterprise income tax at a rate of 25% on our worldwide income, which will have an impact on our effective tax rate, a material adverse effect on our net income and results of operations.

Dividends payable by us to our foreign investors and gains on the sale of our Shares may become subject to withholding taxes under the PRC tax laws

Under the EIT Law and its implementation rules, subject to any applicable tax treaty or similar arrangement that provides otherwise, a PRC withholding tax at a rate of 10% is normally applicable to dividends from "sources within the PRC" paid to our foreign investors who are "non-resident enterprises", which do not have an establishment or place of business in the PRC, or which have such establishment or place of business but whose relevant income is not effectively connected with the establishment or place of business. Any gain realised on the transfer of Shares by such investors is generally subject to a 10% PRC income tax if such gain is regarded as income derived from "sources within the PRC".

Under PRC Individual Income Tax Law and its implementation rules, dividends from "sources within the PRC" paid to foreign individual investors who are not PRC residents are generally subject to a PRC withholding tax at a rate of 20% and gains from PRC sources realised by such investors on the transfer of shares are generally subject to PRC income tax at a rate of 20% for individuals. Any PRC tax may be reduced or exempted under applicable tax treaties or similar arrangements.

If we are treated as a PRC resident enterprise as described under the risk factor headed "— We may be classified as a "resident enterprise" for PRC enterprise income tax purposes, which could result in unfavourable tax consequences to us" in this section, dividends we pay with respect to our Shares, or the gain realised from the transfer of our Shares, may be treated as income derived from "sources within the PRC" and as a result be subject to the PRC income taxes described above. However, shareholders who are not PRC tax residents and seek to enjoy preferential tax rates under relevant tax treaties may claim tax treaty benefits on their own when filing a tax return by themselves or making a withholding declaration through a withholding agent pursuant to the Administrative Measures for Non-resident Taxpayers to Enjoy Treatment under Treaties (《非居民納稅人享受協定待遇管理辦法》), which was promulgated by the SAT on 14 October 2019 and came into effect on 1 January 2020. With respect to dividends, the Notice 9 will also apply. If determined to be ineligible for the foregoing tax treaty benefits, gains obtained from sales of our Shares and dividends on our Shares paid to such Shareholders would subject to higher PRC tax rates. In such cases, the value of our foreign investors in our Shares may be materially and adversely affected.

Fluctuation of the exchange rates may negatively affect our profitability and our ability to pay dividends

During the Track Record Period, all of our revenue was denominated in RMB. As dividends will be paid to our Shareholders in Hong Kong dollar, any appreciation of the Hong Kong dollar against RMB would have a negative effect on the amount available to us when converted into Hong Kong dollar and would therefore reduce our dividend payments.

The heightened scrutiny over acquisitions from the PRC tax authorities may have an adverse impact on our business, acquisitions or restructuring strategies

On 3 February 2015, the SAT promulgated the Announcement of SAT on Several Issues Concerning Enterprise Income Tax on Income from Indirect Transfer of Assets by Non-Resident Enterprises (《關於非居民企業間接轉讓財產企業所得稅若干問題的公告》) (the "**Circular 7**"), which provides comprehensive guidelines relating to, and heightened the PRC tax authorities' scrutiny on indirect transfers, by a non-resident enterprise, of assets (including equity interests) of a PRC resident enterprise.

There is uncertainty as to the application of the Circular 7. The Circular 7 may be determined by the tax authorities to be applicable to our future offshore restructuring transactions or sale of the shares of our offshore subsidiaries, where non-resident enterprises being transferors are involved. Furthermore, we, our non-resident enterprises and PRC subsidiaries may be required to spend valuable resources to comply with the Circular 7 or to establish that we and our non-resident enterprises should not be taxed under the Circular 7 for our future restructuring or disposal of shares of our offshore subsidiaries, which may have a material adverse effect on our financial condition and results of operations.

PRC regulations relating to the establishment of offshore special purpose vehicles by PRC residents may subject our PRC resident Shareholders to personal liability, limit our PRC subsidiaries' ability to distribute profits to us, or otherwise adversely affect our financial position

According to the Circular of the SAFE on Foreign Exchange Administration of Overseas Investments and Financing and Round-Trip Investments by Domestic Residents via Special Purpose Vehicles (《國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) (the "**Circular 37**"), PRC residents (including PRC citizens and PRC enterprises) shall apply to the SAFE or its local bureau to register foreign exchange for overseas investments before contributing to special purpose vehicles (the "**SPVs**") with legitimate domestic and overseas assets or rights and interests. In the event of any alteration in the basic information of the registered SPVs, such as the change of a PRC citizen shareholder, name and operating duration; or in the event of any alternation in key information, such as increases or decreases in the share capital held by PRC citizens, or equity transfers, swaps, consolidations, or splits, the registered PRC residents shall timely submit a change in the registration of the foreign exchange for overseas investments with the foreign exchange bureaus.

We may not at all times be fully aware or informed of the identities of all our beneficiaries who are PRC nationals, and may not always be able to compel our beneficiaries to comply with the requirements of the Circular 37. As a result, we cannot assure you that all of our Shareholders or beneficiaries who are PRC nationals will at all times comply with, or in the future make or obtain any applicable registrations or approvals required by the Circular 37 or other related regulations. Under the relevant rules, failure to comply with the registration procedures set forth in the Circular 37 may result in restrictions on the foreign exchange activities of the relevant PRC enterprise and may also subject the relevant PRC resident to penalties under the PRC foreign exchange administration regulations.

RISKS RELATING TO THE GLOBAL OFFERING

Possible setting of the Offer Price after making a Downward Offer Price Adjustment

We have the flexibility to make a Downward Offer Price Adjustment to set the final Offer Price at up to 10% below the bottom end of the indicative Offer Price range per Offer Share. It is therefore possible that the final Offer Price will be set at HK$0.945 per Offer Share upon the making of a full Downward Offer Price Adjustment. In such a situation, the Global Offering will proceed and the Withdrawal Mechanism will not apply. If the final Offer Price is set at HK$0.945, the estimated net proceeds we will receive from the Global Offering will be reduced to HK$135.5 million and we will adjust the use of proceeds as described in the paragraph headed “Future Plans and Use of Proceeds — Use of Proceeds” in this prospectus.

There has been no prior public market for the Shares, and the liquidity, market price and trading volume of the Shares may be volatile

Prior to the Listing, there has been no public market for the Shares. The listing of, and the permission to deal with, the Shares on the Stock Exchange do not guarantee an active trading market following completion of the Global Offering. The determination of the indicative Offer Price range stated in this prospectus was the negotiation result between the Overall Coordinator (for itself and on behalf of the Underwriters) and our Company (for ourselves and on behalf of the Selling Shareholder). As such, the Offer Price may not be an indicative trading price of the Shares on the Stock Exchange. Future sales of a substantial number of the Shares by our Group or its existing Shareholders after the Global Offering could adversely affect the prevailing market price of the Shares from time to time.

In addition, the liquidity, the market price and the trading volume of the Shares could be adversely affected by factors beyond our Group's control and unrelated to the performance of our Group's business. Factors affecting the volatility of the price and the trading volume of our Shares include:

- fluctuations in our operating results, such as revenue, earnings and cash flows;
- fluctuations in market prices for products of our Group or any of our Group's comparable companies;
- changes in pricing policy adopted by us and our competitors;
- investors' perception of our Group and our business plans;
- announcements of new investments, strategic alliances by our Group;
- changes in our senior management personnel; and
- general economic factors in the PRC.

In such cases, investors may not be able to sell their Shares at or above the Offer Price.

Investors for our Shares will experience immediate dilution

Investors for our Shares will experience immediate dilution if the Offer Price is higher than the net tangible asset value per Share. Hence, investors of our Offer Shares will experience an immediate dilution in the unaudited pro forma adjusted net tangible asset value to HK$0.38 and HK$0.43 per Share based on the Offer Price at HK$1.05 and HK$1.35 per Offer Share respectively.

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

Our Group may issue additional Shares upon exercise of options to be granted under the Share Option Scheme in the future. The increase in the number of Shares outstanding after the issue would reduce the percentage ownership of the Shareholders and may dilute the earnings per Share and net asset value per Share.

In addition, our Group may need to raise additional funds in the future to finance expansion, investment and new development of our business. If additional funds are raised through the issuance of new equity or equity-linked securities of our Company other than on a pro rata basis to the existing Shareholders, our existing Shareholders' shareholding may be reduced, the earnings per Share and the net tangible asset value per Share would diminish and/or such newly issued securities may have rights, preferences and privileges superior to the Shares of our existing Shareholders.

The interests of our Controlling Shareholders may differ from those of our other Shareholders

Immediately following the Capitalisation Issue and the Global Offering, without taking into account the exercise of the Over-allotment Option, our Controlling Shareholders will beneficially own 67.7689% of the Shares. The interests of our Controlling Shareholders may differ from the interests of our other Shareholders. If the interests of our Controlling Shareholders conflict with the interests of our other Shareholders, or if our Controlling Shareholders choose to cause us to pursue strategic objectives that conflict with the interests of our other Shareholders, those Shareholders may be disadvantaged by the actions that our Controlling Shareholders choose to cause us to pursue.

Our Controlling Shareholders may have significant influence in determining the outcome of any corporate transaction or other matter submitted to our Shareholders for approval, including mergers, consolidations and the sale of all, or substantially all, of our assets, election of Directors, and other significant corporate actions. Our Controlling Shareholders have no obligation to consider our interests or the interests of our other Shareholders.

Any disposal of a substantial number of Shares by our Controlling Shareholders in the public market could materially and adversely affect the market price of the Shares

There is no guarantee that our Controlling Shareholders will not dispose of their Shares following the expiration of their respective lock-up periods after the Listing. Our Group is unable to predict the impacts, if any, of any future sales of the Shares by any of our Controlling Shareholders, on the market price of the Shares. Sales of a substantial number of Shares by any of our Controlling Shareholders or the market perception that such sales may occur could materially and adversely affect the prevailing market price of the Shares.

Possible termination of the Underwriting Agreements

Prospective investors of the Global Offering should note that the Underwriters are entitled to terminate their obligations under the Underwriting Agreements by notice in writing to our Company from the Overall Coordinator (for itself and on behalf of the Underwriters) upon the occurrence of any of the events stated in the relevant underwriting agreements. Such events include, without limitation, any acts of God, wars, riots, public disorder, civil commotion, fire, flood, tsunami, explosions, epidemic, pandemic, acts of terrorism, earthquakes, strikes or lock-outs.

The laws of the Cayman Islands for minority shareholders protection may be different from those under the laws of Hong Kong or other jurisdictions

Our corporate affairs are governed by the Memorandum, the Articles, and by the Companies Act and common law of Cayman Islands. The laws of the Cayman Islands relating to the protection of the interests of minority shareholders may differ in some respects from those established under statutes and judicial precedent in existence in Hong Kong and other jurisdictions. The remedies available to our Group's minority shareholders may be different from those they would have under the laws of Hong Kong or other jurisdictions. Please refer to the subsection headed "Summary of the Constitution of Our Company and Cayman Companies Act" in Appendix IV to this prospectus for further information.

RISKS RELATING TO STATEMENTS MADE IN THIS PROSPECTUS

Certain facts and statistics included in this prospectus may not be relied upon

Certain facts and statistics presented in the section headed "Industry Overview" and elsewhere in this prospectus are derived from the Frost & Sullivan Report and other publicly available sources. We believe that the sources of these information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact that would render such information false or misleading has been omitted. However, the information has not been independently verified by us, the Selling Shareholder, the Sole Sponsor, the Overall Coordinator, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters or their respective directors, affiliates or advisers or any other party involved in the Global Offering and no representation is given as to its accuracy and completeness. Accordingly, such information should not be unduly relied upon.

The current market condition may not be reflected in the statistical information included in this prospectus

The historical information set out in this prospectus relating to market conditions of the PRC may not reflect the current market situation due to rapid changes in the economy of the PRC. In order to provide context to the industry in which we operate, and greater understanding of our market presence and performance, various statistics and facts have been provided throughout this prospectus. However, this information may not reflect current market condition of the PRC as recent economic development may not be fully factored into these statistics, and the availability of the latest data may lag behind of this prospectus. As such, any information relating to market shares, sizes and growth, or performance in the markets in the PRC and other similar industry data should be viewed as historical figures that may have little value in determining future trends and results.

Forward-looking statements in this prospectus are subject to risks and uncertainties

This prospectus contains certain forward-looking statements and information relating to us that are based on the beliefs of our management as well as assumptions made by and information currently available to our management. When used in this prospectus, the words "aim", "anticipate", "believe", "can", "continue", "could", "estimate", "expect", "going forward", "intend", "ought to", "may", "might", "plan", "potential", "predict", "project", "seek", "should", "will", "would" and similar expressions, as they relate to our Company or our management, are intended to identify forward-looking statements. Please refer to the section headed "Forward-Looking Statements" in this prospectus for further details.

Such forward-looking statements reflect current views of our management with respect to future events, operations, liquidity and capital resources, some of which may not materialise or may change. These statements are subject to certain risks, uncertainties and assumptions, including other risk factors as described in this prospectus. Subject to the requirements of the Listing Rules, we do not intend publicly to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. Investors should not place undue reliance on such forward-looking statements and information.

We strongly caution you not to place any reliance on any information contained in press articles, media coverage and/or research analyst reports regarding us and the Global Offering

There may be press articles, media coverage and/or research analyst reports regarding, among others, our Group, our business, our industry, our Controlling Shareholders, our Directors and employees or the Global Offering, which may include certain financial information, financial projections and other information about us that do not appear in this prospectus. We have not authorised the disclosure of any such information in the relevant publications and we do not accept any responsibility for any such press articles, media coverage and/or research analyst reports or the accuracy or completeness or reliability of any such information or publications. To the extent that any such information appearing in publications other than this prospectus is inconsistent or conflicts with the information contained in this prospectus, we disclaim it. Accordingly, prospective investors should not rely on any such information. In making your decision as to whether to purchase our Shares, you should rely only on the financial, operational and other information included in this prospectus.

In preparation of the Listing of our Shares on the Stock Exchange, we have sought the following waivers from strict compliance with the relevant provisions of the Listing Rules.

SUFFICIENT MANAGEMENT PRESENCE IN HONG KONG

Rule 8.12 of the Listing Rules requires that a new applicant applying for a primary listing on the Stock Exchange must have a sufficient management presence in Hong Kong, which normally means that at least two of its executive directors must be ordinarily resident in Hong Kong. As the principal business operations, properties, offices and facilities of our Group are predominantly located, managed and conducted in the PRC, all of our executive Directors and senior management are and will continue to be based in the PRC.

As at the Latest Practicable Date, all of our executive Directors and senior management are not Hong Kong resident or based in Hong Kong. We consider that it would be very difficult and unduly burdensome for us to relocate any of our executive Directors to Hong Kong and that the appointment of any additional executive Director who is ordinarily resident in Hong Kong will not be beneficial to our Group. Hence, our Directors consider it may not be practicable or in the best interest of our Company nor our Shareholders as a whole to appoint two executive Directors who are ordinarily resident in Hong Kong for the purpose of satisfying the requirements of Rule 8.12 of the Listing Rules.

Our Company has applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements of Rule 8.12 of the Listing Rules on the following conditions:

(a) in compliance with Rule 3.05 of the Listing Rules, we have appointed two authorised representatives, namely, Mr. Shan, an executive Director and Mr. Yeung Kwong Wai, our Company's company secretary, who will act as our principal communication channel with the Stock Exchange. Mr. Yeung Kwong Wai is ordinarily resident in Hong Kong. Each of the authorised representatives will be available to meet with any officers of the Stock Exchange within a reasonable period of time and will be readily contactable by telephone, facsimile or e-mail. Each of the authorised representatives is duly authorised to communicate on behalf of our Company with the Stock Exchange;

(b) all of our executive Directors and one of our independent non-executive Directors who are not ordinarily resident in Hong Kong have confirmed that they possess or can apply for valid travel documents to visit Hong Kong and would be able to meet with the Stock Exchange in Hong Kong within a reasonable period of time;

(c) in compliance with Rule 3A.19 of the Listing Rules, our Company has agreed to appoint a compliance adviser, Soochow Securities International Capital Limited, who will provide our Company with professional advice on continuing obligation under the Listing Rules, and to act at all times, in addition to the two authorised representatives of our Company, as our Company's additional channel of communication with the Stock Exchange for a period commencing on the Listing Date and ending on the date on which our Company publishes its annual report for the first full financial year after the Listing Date in compliance with Rule 13.46 of the Listing Rules. The contact person of the compliance adviser of our Company will be fully available to answer enquiries from the Stock Exchange;

(d) each of the authorised representatives and the compliance adviser of our Company has the means to contact all members of our Board (including our independent non-executive Directors) and of the senior management team promptly at all times as and when the Stock Exchange wishes to contact our Directors on any matters;

(e) to enhance the communication between the Stock Exchange, the authorised representatives of our Company and our Directors, we will implement a policy whereby (i) each Director is required to provide his/her office phone number, mobile phone numbers, facsimile numbers (if any) and e-mail address to the authorised representatives of our Company; (ii) each Director will endeavour to provide valid phone numbers or other means of communication of the place of his/her accommodation to the authorised representatives of our Company prior to travelling outside; and (iii) each Director shall provide his/her mobile phone number, office phone numbers, facsimile numbers (if any) and e-mail address to the Stock Exchange; and

(f) our Company shall inform the Stock Exchange promptly in the event of any changes to the authorised representatives or the compliance adviser of our Company in accordance with the Listing Rules.

WAIVER IN RELATION TO RULE 4.04(1) OF THE LISTING RULES AND EXEMPTION FROM COMPLIANCE WITH SECTION 342(1) OF AND PARAGRAPH 27 OF PART I AND PARAGRAPH 31 OF PART II OF THE THIRD SCHEDULE TO THE COMPANIES (WUMP) ORDINANCE

Pursuant to Rule 4.04(1) of the Listing Rules, the Accountants' Report contained in this prospectus must include, inter alia, the results of our Company in respect of each of the three financial years immediately preceding the issue of this prospectus or such shorter period as may be acceptable to the Stock Exchange.

Pursuant to section 342(1) of the Companies (WUMP) Ordinance, all prospectuses shall include the matters specified in Part I of the Third Schedule to the Companies (WUMP) Ordinance and it set out the reports specified in Part II of the Third Schedule to the Companies (WUMP) Ordinance.

Pursuant to paragraph 27 of Part I of the Third Schedule to the Companies (WUMP) Ordinance, our Company is required to include in this prospectus a statement as to the gross trading income or sales turnover (as the case may be) of our Company during each of the three financial years immediately preceding the issue of this prospectus as well as an explanation of the method used for the computation of such income or turnover and a reasonable breakdown of the more important trading activities.

Pursuant to paragraph 31 of Part II of the Third Schedule to the Companies (WUMP) Ordinance, our Company is required to include in this prospectus a report by our Company's auditor with respect to profits and losses in respect of each of the three financial years immediately preceding the issue of the prospectus and assets and liabilities of the Company at the last date to which the financial statements of the Company were prepared.

Pursuant to section 342A(1) of the Companies (WUMP) Ordinance, the SFC may issue, subject to such conditions (if any) as the SFC thinks fit, a certificate of exemption from compliance with the relevant requirements under the Companies (WUMP) Ordinance if, having regard to the circumstances, the SFC considers that the exemption will not prejudice the interests of the investing public and compliance with any or all of such requirements would be irrelevant or unduly burdensome, or is otherwise unnecessary or inappropriate.

The Accountants' Report for each of the three years ended 31 December 2019, 2020 and 2021 and the nine months ended 30 September 2022 has been prepared and is set out in Appendix I to this prospectus.

Pursuant to the relevant requirements set out above, our Company is required to produce three full years of audited accounts for the years ended 31 December 2020, 2021, and 2022. However, an application has been made to the Stock Exchange for a waiver from strict compliance with Rule 4.04(1) of the Listing Rules, and such waiver has been granted by the Stock Exchange on the conditions that:

(a) the unaudited preliminary financial information for the latest financial year ended 31 December 2022 and commentary on the results for the year must be set out in this prospectus. The financial information to be included in the prospectus must (i) follow the same content requirements as for a preliminary results announcement under Rule

13.49 of the Listing Rules; and (ii) be agreed with the reporting accountant, Mazars CPA Limited, following their review under Practice Note 730 "Guideline for Auditors Regarding Preliminary Announcements of Annual Results" issued by the Hong Kong Institute of Certified Public Accountants;

(b) this prospectus will be issued on or before 21 March 2023 and the Shares of our Company must be listed on the Stock Exchange on or before 31 March 2023 (i.e. within three months after the end of the Company's latest financial year immediately preceding the issue of this prospectus);

(c) our Company must obtain a certificate of exemption from the SFC from strict compliance with the requirements under section 342(1) in respect of paragraph 27 of Part I and paragraph 31 of Part II of the Third Schedule to the Companies (WUMP) Ordinance ; and

(d) our Company will not be in breach of our constitutional documents or laws and regulations of the Cayman Islands, where our Company is incorporated, or other regulatory requirements regarding our obligation to publish preliminary results announcements.

An application has also been made to the SFC for a certificate of exemption from strict compliance with the requirements under section 342(1) in respect of paragraph 27 of Part I and paragraph 31 of Part II of the Third Schedule to the Companies (WUMP) Ordinance and a certificate of exemption has been granted by the SFC under section 342A(1) of the Companies (WUMP) Ordinance on the conditions that (i) the particulars of the exemption be set out in this prospectus; (ii) this prospectus be issued on or before 21 March 2023; and (iii) our Company be listed on the Stock Exchange on or before 31 March 2023 (i.e. within three months after the end of the Company's latest financial year immediately preceding the issue of this prospectus).

The applications to Stock Exchange for a waiver from strict compliance with Rule 4.04(1) of the Listing Rules and to the SFC for a certificate of exemption from strict compliance with the requirements under section 342(1) in respect of paragraph 27 of Part I and paragraph 31 of Part II of the Third Schedule to the Companies (WUMP) Ordinance have been made on the grounds, among others, that strict compliance with the above requirements would be unduly burdensome and the exemption would not prejudice the interests of the investing public as:

(a) there would not be sufficient time for our Company and the reporting accountants of our Company (the "**Reporting Accountants**") to finalise the audited financial statements for the year ended 31 December 2022 for inclusion in this prospectus. If the financial information for the year ended 31 December 2022 is required to be audited, our Company and the Reporting Accountants would have to carry out substantial volume of work to prepare, update and finalise the Accountants' Report and the prospectus, and the relevant sections of the prospectus will need to be updated to cover such additional period. This would involve additional time and costs since substantial work is required to be carried out for audit purposes. It would be unduly burdensome for the audited results for the year ended 31 December 2022 to be finalised in a short period of time. Our Directors consider that the benefits of such work to the existing and prospective shareholders of our Company may not justify the additional work and expenses involved and the delay of the Listing timetable;

(b) this prospectus will be issued on or before 21 March 2023 and the Shares of our Company will be listed on the Stock Exchange on or before 31 March 2023 (i.e. within three months after the end of the Company's latest financial year immediately preceding the issue of this prospectus);

(c) our Company has included in this Prospectus the Accountants' Report covering the three years ended 31 December 2019, 2020 and 2021, and the nine months ended 30 September 2022 as set out in Appendix 1 to this prospectus, together with the unaudited financial information for the latest financial year ended 31 December 2022, which has been agreed with the reporting accountant, Mazars CPA Limited, following their review under Practice Note 730 "Guideline for Auditors Regarding Preliminary Announcements of Annual Results" issued by the Hong Kong Institute of Certified Public Accountants, and the commentary on the results for the year as set out in Appendix III to this prospectus;

(d) the financial information for the latest financial year ended 31 December 2022 and commentary on the results for the year as set out in Appendix III to this prospectus are no less than the content requirements for a preliminary results announcement under Rule 13.49 of the Listing Rules. As such, our Company is of the view that all material information that is necessary for the Shareholders and the potential investors to make an informed assessment of the prospects, financial position and management of our Company has been disclosed in the prospectus; and

(e) our Company will not be in breach of our constitutional documents or laws and regulations of the Cayman Islands, where our Company is incorporated, or other regulatory requirements regarding our obligation to publish preliminary results announcements.

In particular, our Directors confirmed that all information necessary for the public to make an informed assessment of the prospects, financial position and management of our Company has been disclosed in this prospectus, and that, as such, the granting of the certificate of exemption from strict compliance with the requirements under section 342(1) in relation to paragraphs 27 and 31 of the Third Schedule to the Companies (WUMP) Ordinance will not prejudice the interest of the investing public. Furthermore, our Directors and the Sole Sponsor, after conducted due diligence, confirmed that there had not been any material adverse change in the financial or trading positions or prospects of our Group since 30 September 2022 and up to the date of this prospectus, and that there is no event since 30 September 2022 and up to the date of this prospectus which will materially affect the information shown in the Accountants' Report set out in Appendix I to this prospectus, the section headed "Financial Information" in this prospectus and other parts of this prospectus.

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus contains particulars given in compliance with the Companies (WUMP) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purposes of giving information to the public with regard to us. Our Directors (including any proposed director who is named as such in this prospectus) collectively and individually accept full responsibility for the accuracy of the information contained in this prospectus and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or in this prospectus misleading.

UNDERWRITING AND INFORMATION ON THE GLOBAL OFFERING

This prospectus is published solely in connection with the Hong Kong Public Offering which forms part of the Global Offering. The Global Offering comprises the International Offering of initially 225,000,000 Offer Shares (comprising 165,000,000 new Shares to be offered for subscription by our Company and 60,000,000 Sale Shares to be offered for sale by the Selling Shareholder) and the Hong Kong Public Offering of initially 25,000,000 Offer Shares, each subject to reallocation on the basis as described in the section headed "Structure and Conditions of the Global Offering" in this prospectus and without taking into account the Over-allotment Option. Details of the structure of the Global Offering, including its conditions, are set out in "Structure and Conditions of the Global Offering" in this prospectus, and the procedures for applying for the Hong Kong Offer Shares are set out in "How to Apply for Hong Kong Offer Shares" in this prospectus and in the **GREEN** Application Form. For applicants under the Hong Kong Public Offering, this prospectus and the **GREEN** Application Form contain the terms and conditions of the Hong Kong Public Offering.

The Listing is sponsored by the Sole Sponsor. Pursuant to the Hong Kong Underwriting Agreement, the Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement, subject to agreement on the Offer Price to be determined between the Overall Coordinator (for itself and on behalf of the Underwriters) and us (for ourselves and on behalf of the Selling Shareholder) on the Price Determination Date.

The Offer Price is expected to be fixed among the Overall Coordinator (for itself and on behalf of the Underwriters) and us (for ourselves and on behalf of the Selling Shareholder) on the Price Determination Date. The Price Determination Date is expected to be on or around Friday, 24 March 2023 and, in any event, not later than Monday, 27 March 2023 (unless otherwise determined between the Overall Coordinator (for itself and on behalf of the Underwriters) and us (for ourselves and on behalf of the Selling Shareholder)). If, for whatever reason, the Offer Price is not agreed between Overall Coordinator (for itself and on behalf of the Underwriters) and us (for ourselves and on behalf of the Selling Shareholder) on or before Monday, 27 March 2023, the Global Offering will not become unconditional and will lapse immediately.

The Hong Kong Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and the **GREEN** Application Form and on the terms and subject to the conditions set out herein and therein. No person is authorised in connection with the Global Offering to give any information or to make any representation not contained in this prospectus and the **GREEN** Application Form, and any information or representation not contained herein and therein must not be relied upon as having been authorised by our Company, the Selling Shareholder, the Sole Sponsor, the Overall Coordinator, the Joint Global Coordinators, the Joint Lead Managers, the Joint Bookrunners and the Underwriters and any of their respective directors, officers, employees, agents or representatives or advisers or any other persons involved in the Global Offering.

Neither the delivery of this prospectus nor any subscription or acquisition made under it shall, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in our affairs since the date of this prospectus or imply that the information contained in this prospectus is correct as at any date subsequent to the date of this prospectus.

Further information regarding the structure of the Global Offering, including its conditions, are set out in the section headed "Structure and Conditions of the Global Offering", and the procedures for applying for our Shares are set out in the section headed "How to Apply for the Hong Kong Offer Shares" in this prospectus and the **GREEN** Application Form.

Further information about the Underwriters and the underwriting arrangements is set out in the section headed "Underwriting" in this prospectus.

DOWNWARD OFFER PRICE ADJUSTMENT

We reserved the right to make a Downward Offer Price Adjustment to provide flexibility in pricing the Offer Shares. The ability to make a Downward Offer Price Adjustment does not affect our obligation to issue a supplemental prospectus and to offer investors a right to withdraw their applications if there is any material change in circumstances not disclosed in the prospectus.

If it is intended to set the final Offer Price at more than 10% below the low end of the indicative Offer Price range, the Withdrawal Mechanism will be applied if the Global Offering is to proceed.

RESTRICTIONS ON SALE OF SHARES

Each person acquiring the Hong Kong Offer Shares under the Hong Kong Public Offering will be required to, or be deemed by his/her acquisition of Offer Shares to, confirm that he/she is aware of the restrictions on offers for the Offer Shares described in this prospectus. No action has been taken to permit a public offering of the Offer Shares in any jurisdiction other than in Hong Kong, or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offer and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom. In particular, the Hong Kong Offer Shares have not been publicly offered or sold directly or indirectly in the PRC or the United States.

SELLING SHAREHOLDER

Lvsesenlin Technology is expected to sell 60,000,000 Sale Shares under the International Offering. Please refer to the details set out in "G. Other Information — 11. Particulars of the Selling Shareholder" in Appendix V to this prospectus.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

We have applied to the Listing Division of the Stock Exchange for the granting of the listing of, and permission to deal in our Shares in issue and to be issued pursuant to the Global Offering (including the additional Shares which may be issued pursuant to the exercise of the Over-allotment Option).

No part of our Shares or loan capital is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought in the near future. All the Offer Shares will be registered on the register of members our Company in Hong Kong in order to enable them to be traded on the Stock Exchange.

Under section 44B(1) of the Companies (WUMP) Ordinance, any allotment made in respect of any application will be invalid if the Listing of, and permission to deal in, the Shares on the Stock Exchange is refused before the expiration of three weeks from the date of the closing of the application lists, or such longer period (not exceeding six weeks) as may, within the said three weeks, be notified to our Company by the Stock Exchange.

OVER-ALLOTMENT OPTION AND STABILISATION

Details of the arrangements relating to the Over-allotment Option and Stabilisation are set out in the section headed "Structure and Conditions of the Global Offering" in this prospectus.

PROCEDURE FOR APPLICATION OF HONG KONG OFFER SHARES

The procedures for applying for the Hong Kong Offer Shares are set out in the section headed "How to Apply for the Hong Kong Offer Shares" in this prospectus and the **GREEN** Application Form.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

Particulars of the structure of the Global Offering, including its conditions, are set out in the section headed "Structure and Conditions of the Global Offering" in this prospectus.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of the listing of, and permission to deal in, the Shares on the Stock Exchange and compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or on any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second settlement day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements have been made for the Shares to be admitted into CCASS. Investors should seek the advice of their stockbroker or other professional adviser for details of those settlement arrangements and how such arrangements will affect their rights and interests.

COMMENCEMENT OF DEALINGS IN SHARES

Dealings in the Shares on the Stock Exchange are expected to commence on Friday, 31 March 2023. Shares will be traded in board lots of 2,000 Shares each[(1)].

Note:

(1) As set out in the "Guide on Trading Arrangements for Selected Types of Corporate Actions" issued by Hong Kong Exchanges and Clearing Limited, it is required that the value of each board lot shall be no less than HK$2,000. Notwithstanding the Downward Offer Price Adjustment, the Board will ensure the value of each board lot shall be more than HK$2,000.

SHARE REGISTER AND HONG KONG STAMP DUTY

Our principal register of members will be maintained in the Cayman Islands by our principal registrar, Ogier Global (Cayman) Limited, in the Cayman Islands, and our Hong Kong register of members will be maintained by the Hong Kong Share Registrar, Tricor Investor Services Limited, in Hong Kong.

All Offer Shares issued pursuant to applications made in the Hong Kong Public Offering and the International Offering will be registered on the Hong Kong register of members of our Company in Hong Kong. Dealings in the Shares registered in our Hong Kong register of members will be subject to Hong Kong stamp duty. The current ad valorem rate of Hong Kong stamp duty is 0.13% on the higher of the consideration for or the market value of the Shares and it is charged on the purchaser on every purchase and on the seller on every sale of the Shares. In other words, a total stamp duty of 0.26% is currently payable on a typical sale and purchase transaction involving the Shares. For further details of Hong Kong stamp duty, please seek professional tax advice.

PROFESSIONAL TAX ADVICE RECOMMENDED

Applicants for the Offer Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of holding and dealing in the Shares. It is emphasised that none of us, the Selling Shareholder, the Sole Sponsor, the Overall Coordinator, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of our/their respective affiliates, directors, officers, employees, agents or advisers or any other party involved in the Global Offering accepts responsibility for any tax effects or liabilities of holders of the Shares resulting from the subscription, purchase, holding or disposal of the Shares.

LANGUAGE

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, this prospectus shall prevail unless otherwise stated. However, if there is any inconsistency between the names of any of the entities mentioned in the English prospectus which are not in the English language and their English translations, the names in their respective original languages shall prevail.

EXCHANGE RATE

Solely for convenience purposes, this prospectus includes translations among certain amounts denominated in Renminbi and Hong Kong dollars. No representation is made that the Renminbi amounts could actually be converted into another currency at the rates indicated, or at all. Unless otherwise indicated, the translation between Renminbi and Hong Kong dollars was made at the rate of RMB0.905 to HK$1.00.

ROUNDING

Any discrepancies in any table in this prospectus between total and sum of amounts listed therein are due to rounding.

DIRECTORS

Name	Address	Nationality
Executive Directors		
Ms. Zhang Yuqiu (張玉秋)	Room 130, Tower 9 Guanlan Lake Villa Demonstrative Zone Feiyue Road High-tech South District Changchun City Jilin Province PRC	Chinese
Mr. Shan Yuzhu (單玉柱)	Room 130, Tower 9 Guanlan Lake Villa Demonstrative Zone Feiyue Road High-tech South District Changchun City Jilin Province PRC	Chinese
Mr. Li Xiquan (李溪泉)	Room 1, 1/F, Unit 3 Building P Fengqiao Hepan Jiamusi City Heilongjiang Province PRC	Chinese
Mr. Li Peng (李鵬)	Room 302, Tower 12 Longhu Jiayuan Changchun City Jilin Province PRC	Chinese

Name	Address	Nationality
Independent Non-executive Directors		
Mr. Ng Tat Fung (吳達峰)	Flat C, 47/F Block 3, Sky Tower 38 Sung Wong Toi Road To Kwa Wan Hong Kong	Chinese
Dr. Sun Shulin (孫樹林)	Unit 701, Connected Tower 3 Towers 14 and 15 Community Institute of Industries Family Building Kuanping Da Road, Huxi Street Chaoyang District, Changchun City Jilin Province PRC	Chinese
Dr. Lai King Yin (賴景然)	Flat A, 11/F The First Mansion 70-78 Tung Lo Wan Road Hong Kong	Chinese

Please also refer to the section headed "Directors and Senior Management" for further details of our Directors.

PARTIES INVOLVED IN THE GLOBAL OFFERING

Sole Sponsor	**Soochow Securities International Capital Limited** *(Licensed to conduct Type 6 (advising on corporate finance) of the regulated activities under the SFO)* Level 17, Three Pacific Place 1 Queen's Road East Hong Kong

Overall Coordinator and Sponsor-Overall Coordinator	**Soochow Securities International Brokerage Limited** *(Licensed to conduct Type 1 (dealing in securities) and Type 4 (advising on securities) of the regulated activities under the SFO)* Level 17, Three Pacific Place 1 Queen's Road East Hong Kong
Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers	**Soochow Securities International Brokerage Limited** Level 17, Three Pacific Place 1 Queen's Road East Hong Kong **Fosun International Securities Limited** Suite 2101-2105 21/F Champion Tower 3 Garden Road, Central Hong Kong **VBG Capital Limited** 21/F, Grand Millennium Plaza 181 Queen's Road, Central Hong Kong **Wealth Link Securities Limited** Suite 1504, 15/F Bangkok Bank Building 28 Des Voeux Road Central, Central Hong Kong
Joint Bookrunners and Joint Lead Managers	**China Galaxy International Securities (Hong Kong) Co., Limited** 20/F Wing On Centre 111 Connaught Road Central Hong Kong **Zhongtai International Securities Limited** 19/F Li Po Chun Chambers 189 Des Voeux Road Central, Central Hong Kong

Joint Lead Managers

Bonus Eventus Securities Limited
Room 1206 12/F Harcourt House
39 Gloucester Road, Wanchai
Hong Kong

Eddid Securities and Futures Limited
21/F, Citic Tower
1 Tim Mei Avenue, Central
Hong Kong

Elstone Securities Limited
Suite 1601-04, 16/F.
West Tower, Shun Tak Centre
168-200 Connaught Road Central
Hong Kong

First Shanghai Securities Limited
19/F, Rm 2402-04 & 2505-10 Wing On House
71 Des Voeux Road Central,
Hong Kong

Futu Securities International (Hong Kong) Limited
Unit C1-2, 13/F
United Centre
No. 95 Queensway
Hong Kong

Grand China Securities Limited
Rm 503, 5/F
Loke Yew Building
50-52 Queen's Road Central, Central
Hong Kong

Luk Fook Securities (HK) Limited
Units 2201-2207 & 2213-2214 22/F Cosco Tower
183 Queen's Road Central
Hong Kong

Plutus Securities Limited
8/F, 80 Gloucester Road
Wan Chai
Hong Kong

Sinomax Securities Limited
Room 2705-6, 27/F
Tower One, Lippo Centre
89 Queensway
Hong Kong

Sunhigh Financial Holdings Limited
Room D, 21/F
Yardley Commercial Building
3 Connaught Road West, Sheung Wan
Hong Kong

Tiger Brokers (HK) Global Limited
1/F, FWD Financial Centre
308 Des Voeux Road Central
Hong Kong

ZMF Asset Management Limited
Unit 2502 25/F World Wide House
19 Des Voeux Road Central
Central
Hong Kong

Legal Advisers to the Company

As to Hong Kong laws:
Morgan, Lewis & Bockius
Suites 1902–09, 19th Floor
Edinburgh Tower, The Landmark
15 Queen's Road Central
Hong Kong

As to PRC laws:
Hylands Law Firm
12th Floor, Fortune Financial Centre
No. 5 Dongsanhuan Middle Road
Chaoyang District
Beijing
PRC

	As to Cayman Islands laws: **Ogier** 11th Floor Central Tower 28 Queen's Road Central Hong Kong
Legal Advisers to the Sole Sponsor and the Underwriters	*As to Hong Kong laws:* **King & Wood Mallesons** 13/F, Gloucester Tower The Landmark 15 Queen's Road Central Hong Kong
	As to PRC laws: **GFE Law Office** Units 3409–3412 Guangzhou CTF Finance Centre No. 6 Zhujiang Road East Zhujiang New Town Guangdong Province PRC
Reporting Accountants and Independent Auditors	**Mazars CPA Limited** *Certified Public Accountants and* *Registered Public Interest Entity Auditor* 42nd Floor, Central Plaza 18 Harbour Road Wan Chai Hong Kong
Industry Consultant	**Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.** Suite 2504 Wheelock Square 1717 Nanjing West Road Shanghai PRC
Receiving Bank	**CMB Wing Lung Bank** 15/F, CMB Wing Lung Bank Building 45 Des Voeux Road Central Hong Kong

Registered office in the Cayman Islands	89 Nexus Way Camana Bay Grand Cayman KY1-9009 Cayman Islands
Principal place of business and head office in the PRC	No. 3, Jing'Er Road Kalun Industrial South Region Jiutai Economics Development Zone Changchun City Jilin Province PRC
Principal place of business in Hong Kong	Room 1910, 19/F., C C Wu Building 302–308 Hennessy Road Wan Chai Hong Kong
Company's website address	**www.jl-ks.cn** *(the information contained on this website does not form part of this prospectus)*
Company secretary	Mr. Yeung Kwong Wai (楊光偉), *HKICPA, AICPA, CFA* Room 1910, 19/F., C C Wu Building 302–308 Hennessy Road Wan Chai Hong Kong
Authorised representatives	**Mr. Shan Yuzhu (單玉柱)** Room 130, Tower 9 Guanlan Lake Villa Demonstrative Zone Feiyue Road High-tech South District Changchun City Jilin Province PRC

	Mr. Yeung Kwong Wai (楊光偉), *HKICPA, AICPA, CFA* Room 1910, 19/F., C C Wu Building 302–308 Hennessy Road Wan Chai Hong Kong
Audit Committee	Mr. Ng Tat Fung (吳達峰) *(Chairman)* Dr. Lai King Yin (賴景然) Dr. Sun Shulin (孫樹林)
Remuneration Committee	Dr. Sun Shulin (孫樹林) *(Chairman)* Mr. Shan Yuzhu (單玉柱) Dr. Lai King Yin (賴景然)
Nomination Committee	Dr. Lai King Yin (賴景然) *(Chairman)* Mr. Li Xiquan (李溪泉) Dr. Sun Shulin (孫樹林)
ESG Committee	Dr. Sun Shulin (孫樹林) *(Chairman)* Mr. Shan Yuzhu (單玉柱) Mr. Li Peng (李鵬) Dr. Lai King Yin (賴景然)
Cayman Islands principal share registrar and transfer office	**Ogier Global (Cayman) Limited** 89 Nexus Way Camana Bay Grand Cayman, KY1-9009 Cayman Islands
Hong Kong Share Registrar	**Tricor Investor Services Limited** 17/F, Far East Finance Centre 16 Harcourt Road Hong Kong
Compliance adviser	**Soochow Securities International Capital Limited** *(Licensed to conduct Type 6 (advising on corporate finance) of the regulated activities under the SFO)* Level 17, Three Pacific Place 1 Queen's Road East Hong Kong

Principal banks

Changchun Nanguan Huimin Village Bank Co., Ltd
Room 105–111, Tower 32 & Room 105–106, Tower 33
Haojing Shanzhuang
Yatai Street
Nanguan District
Changchun City
Jilin Province
PRC

Industrial Bank Co., Ltd Changchun Branch
Hengxing International City
Crossroad of Jiefang Road and Dajing Road
Changchun City
Jilin Province
PRC

Bank of Communications Co., Ltd Jilin Province Branch
No. 3515 Renmin Avenue
Chaoyang District
Changchun City
Jilin Province
PRC

China Everbright Bank Co., Ltd Changchun Branch
No. 2877 Jiefang Road
Changchun City
Jilin Province
PRC

Unless otherwise indicated, the information contained in this section is derived from various governmental and official publications, other publications and the market research report prepared by Frost & Sullivan, which was commissioned by us. The information and statistics from official government sources has not been independently verified by us, the Sole Sponsor, the Overall Coordinator, the Joint Global Coordinator the Joint Bookrunners, the Joint Lead Managers, the Underwriters, or any of our or their respective directors and advisers or any other persons or parties involved in the Global Offering, and no representation is given as to its accuracy. For a discussion of risks relating to our industry, please refer to the sub-section headed "Risk Factors — Risks Relating to Our Business and Industry" in this prospectus.

SOURCES OF INFORMATION

We have commissioned Frost & Sullivan, an independent market researcher and consultant, to analyse and report on the PRC's disposable biodegradable plastic products market. Frost & Sullivan is an independent global consulting firm founded in 1961 in New York. Frost & Sullivan provides market research on a variety of industries, among other things. The information from Frost & Sullivan disclosed in this prospectus is extracted from a report commissioned by us for a fee of RMB780,000, and is disclosed with the consent of Frost & Sullivan (the "**Frost & Sullivan Report**").

We have included certain information from the Frost & Sullivan Report in this prospectus because our Directors believe that such information facilitates an understanding of the relevant market for potential investors. The market research process for the Frost & Sullivan Report has been undertaken through detailed primary research which involves discussing the status of the PRC's disposable biodegradable plastic products market with leading industry participants and industry experts. Secondary research involved reviewing company reports, independent research reports and data based on Frost & Sullivan's own research database.

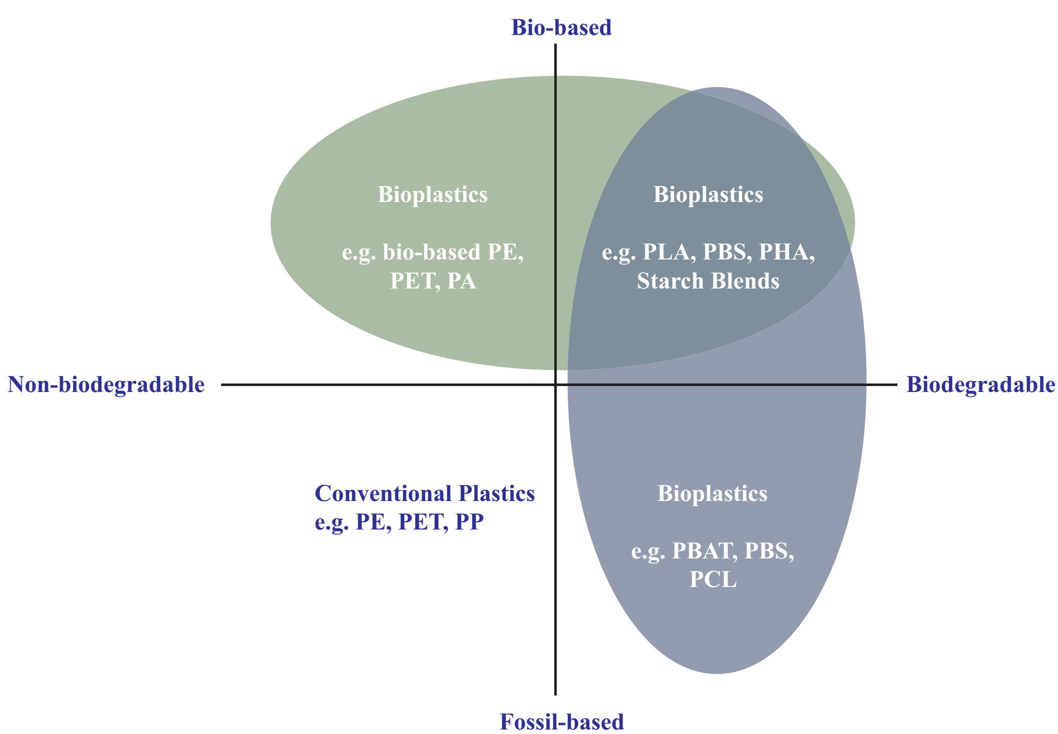
Analysis and forecasts contained in the Frost & Sullivan Report are based on the following major assumptions at the time of compiling such reports: (i) the PRC's economy is likely to maintain steady growth in the next decade; (ii) the PRC's social, economic, and political environment is likely to remain stable in the forecast period; (iii) market drivers such as government supports, advanced technologies, increasing demand of disposable biodegradable plastic products and others will drive the development of the disposable biodegradable plastic products market; and (iv) COVID-19 will affect the market stability in the short term. Our Directors confirm that after taking reasonable care, there is no material adverse change in the overall market information since the date of the Frost & Sullivan Report that would materially qualify, contradict or have an impact on such information.

ANALYSIS OF DISPOSABLE BIODEGRADABLE PLASTIC PRODUCTS MARKET IN CHINA

Definition and Overview

Degradable plastic is recognised as plastic designed to undergo a significant change in its chemical structure under specific environmental conditions, resulting in loss of some properties that may vary as measured by standard test methods appropriate to the plastic and the application in a period of time that determines its classification. Degradable plastics are plastics that are capable of degrading in natural or compost environments in accordance with international standards, such as biodegradable plastics, photodegradable plastics, water degradable plastics and others. Biodegradable plastics are plastics that will decompose in natural aerobic (composting) and anaerobic (landfill) environments. Biodegradation of plastics occurs when microorganisms metabolise the plastics to either assimilable compounds or to humus-like materials that are less harmful to the environment.

Based on their composition, biodegradable plastics can be further segmented into bio-based biodegradable plastics and fossil based biodegradable plastics. Bio-based biodegradable plastics include starch based, PLA, PHA, cellulose based and others, while fossil based biodegradable plastics include PBAT, PBS, PCL and others.



Notes: PBS can be produced either from bio-based feedstock such as glucose and sucrose via fermentation or from fossil-based feedstock.

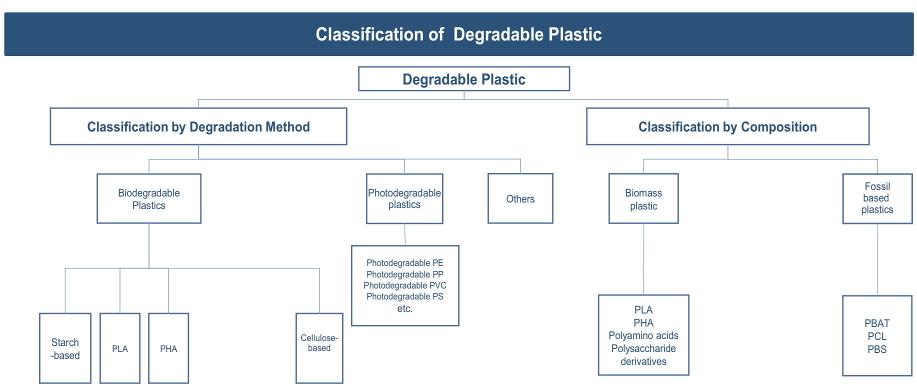
Comparing with biodegradable plastics, the conventional plastics have relatively lower cost, and have higher performance of water resistance and strength. While the conventional plastic products are not degradable and harmful to the environment, the biodegradable plastic can save fossil resources by using biomass which can be regenerated and easily decomposed. For environmental protection concern and the advancement of technologies in biodegradable plastics market, the conventional plastics market share might be greatly substituted by biodegradable plastic in the future.

The biodegradable plastic market in China has reached a critical juncture in its growth phase. The public concern over the mounting plastic pollution, the desire of manufacturing companies to develop more sustainable plastic resins, and the support from the government for green and sustainable measures are fuelling the growth of the market.

The biodegradable plastic products in China are normally required to adhere to one or more of the following standards:

Standard Name	Type	Key content
GB/T 41010-2021 Biodegradability and identification requirements of biodegradable plastics and products (生物降解塑料與製品降解性能及標識要求).	General	This standard specifies the general biodegradation performance and general labelling requirements of biodegradable plastics and products (not product specific).
GB/T 19277.1-2011 Determination of the ultimate aerobic biodegradability of plastic materials under controlled composting conditions. Method by analysis of evolved carbon dioxide. Part 1: General method (受控堆肥條件下材料最終需氧生物分解能力的測定。採用測定釋放的二氧化碳的方法。第1部分：通用方法).	Testing	This standard specifies a testing method to measure the biodegradability of material used as the organic compound under controlled composting conditions. Biodegradability is measured by carbon dioxide emissions and its relevant conversion percentage. The simulation of composting conditions is achieved by mixing organic municipal solid waste in a typical aerobic composting condition. Testing samples is placed in compost inoculum, with preset temperature, oxygen concentration and humidity.

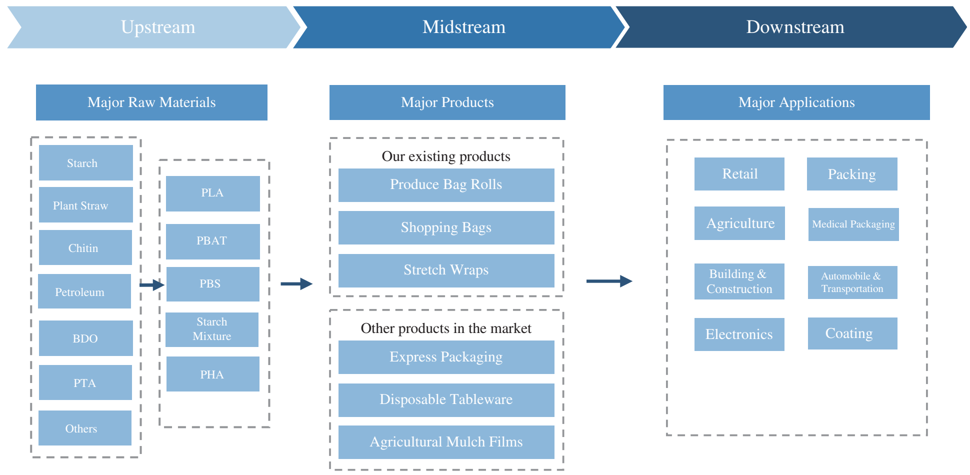
Standard Name	Type	Key content
GB/T 38082-2019 Biodegradable plastic shopping bags (生物降解塑料購物袋)	Specific product	This standard specifies the product requirements, testing methods, inspection rules and marking, packaging, transportation, and storage biodegradable shopping bags. This standard applies to films produced with biodegradable plastic resin as the main raw material, and those made by heat sealing or bonding and other bag making processes.
GB/T 33798-2017 Bio-polyester drum-linkage bags (生物聚酯連卷袋)	Specific product	This standard specifies the product requirements, testing methods, inspection rules and marking, packaging, transportation, and storage of bio-polyester roll bags (i.e. equivalent to produce bag roll). This standard applies to the production of bio-polyester as the main raw material. The standard bio-polyester mainly refers to the chemical structure containing ester bonds, biodegradable polymers.



Source: Frost & Sullivan Analysis

Analysis of Value Chain

Among them, the upstream raw material is mainly composed of the starch mixture, PLA, PBAT, PBS, and others, and for these materials, they are mainly made by starch, plant straw, chitin, and other polymers. For example, PBAT is a copolymer made by BDO (Butanediol), PTA (P-phthalic Acid), and others. The main products of biodegradable plastic products in China are produce bag rolls, shopping bags, express packaging, and disposable tableware, which are widely used in retail, packing, agriculture, medical packaging and other industries.

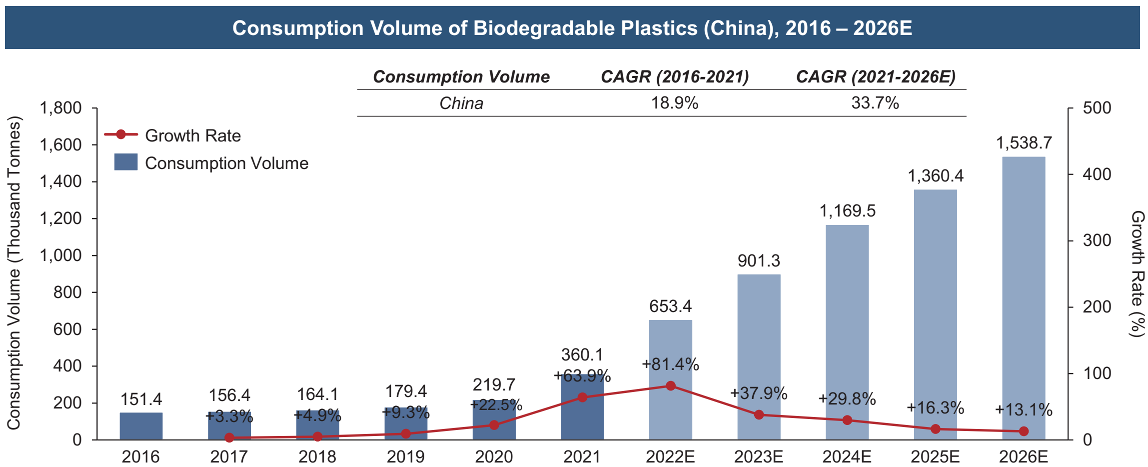


Source: Frost & Sullivan Analysis

Market Size of Disposable Biodegradable Plastic Products in China

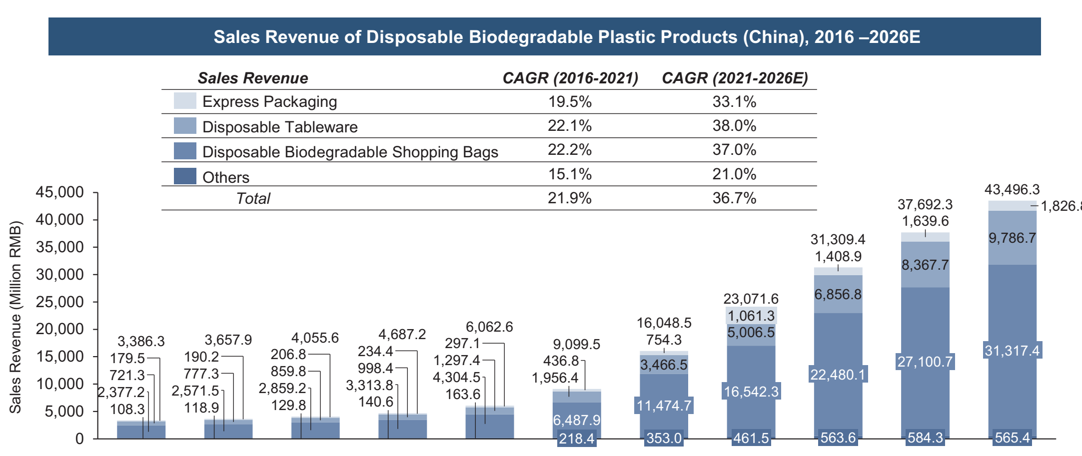
In 2021, the sales revenue of disposable plastics products in China increased from RMB56.0 billion in 2016 to RMB111.6 billion, with a CAGR of 14.8%. In 2026, the sales revenue of disposable plastics products in China is expected to reach RMB192.1 billion, with a CAGR of 11.5%. In 2026, the percentage of disposable biodegradable plastics products in disposable plastics products in China is expected to increase from 8.2% in 2021 to 22.6%.

The development of disposable biodegradable plastic products market in the PRC is a policy-driven market. In 2020, the "Opinions on Further Strengthening the Control of Plastic Pollution" (《關於進一步加強塑料污染治理的意見》) was issued by National Development and Reform Commission and Ministry of Ecology and Environment, which aims to limit the usage of the conventional (non-recyclable, non-degradable) plastic products nationwide. By 2022, the consumption of conventional disposable non-degradable plastic products will be significantly reduced, and alternative products will be promoted. By 2025, the government will gradually prohibit or restrict the usage of the non-degradable plastic products. From 2016 to 2021, the total production volume of biodegradable plastics in China increased from approximately 166.4 thousand tonnes to 449.7 thousand tonnes, with a CAGR of approximately 22.0%. During the same period, the production volume of starch-based biodegradable plastic, PLA, PBAT and others experienced a growth with a CAGR of approximately 5.2%, 27.1%, 38.1% and 22.1%, respectively. In 2021, the total production volume of biodegradable plastic reached 449.7 thousand tonnes, with a growth rate of 86.6% from 2020. Such growth was mainly due to the favourable policies and the rising demand from the downstream industries. As the key raw material for biodegradable plastic products, the production capacity of PLA and PBAT has been greatly expanded, and the production volume of PLA and PBAT has increased from 62.8 thousand tonnes and 63.6 thousand tonnes in 2020 to 119.6 thousand tonnes and 182.7 thousand tonnes in 2021, respectively.



Source: China Plastic Processing Industry Association; Frost & Sullivan Analysis

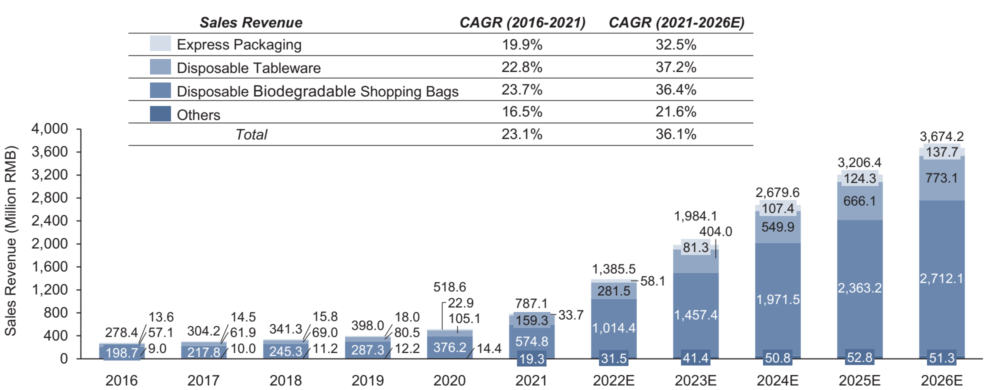
Due to the extended applications of biodegradable plastics and stable development of downstream disposable biodegradable plastic products such as Disposable Biodegradable Shopping Bags and biodegradable disposable tableware, the consumption volume of biodegradable plastics in China experienced a continuous growth from 151.4 thousand tonnes in 2016 to 360.1 thousand tonnes in 2021, with a CAGR of 18.9%. Looking forward, along with the growing demand from downstream biodegradable plastic products market, the consumption volume of biodegradable plastics in China is anticipated to enjoy a significant increase and reach 1,538.7 thousand tonnes in 2026, representing a CAGR of 33.7% from 2021 to 2026.



Source: China Plastic Processing Industry Association; Frost & Sullivan Analysis

From 2016 to 2021, the total sales revenue of disposable biodegradable plastic products in China increased from RMB3,386.3 million to RMB9,099.5 million, with a CAGR of 21.9%. The major disposable biodegradable plastic products include express packaging, disposable tableware, Disposable Biodegradable Shopping Bags and others such as agricultural mulch films. During the period of 2016 to 2021, the sales revenue of disposable biodegradable plastic products in express packaging, disposable tableware, Disposable Biodegradable Shopping Bags and others experienced a growth with a CAGR of 19.5%, 22.1%, 22.2%, and 15.1%, respectively. By 2026, the total sales revenue of disposable biodegradable plastic products in China is expected to reach RMB43,496.3 million, representing a CAGR of 36.7% from 2021 to 2026. From 2021 to 2026, the sales revenue of disposable biodegradable plastic products in express packaging, disposable tableware, Disposable Biodegradable Shopping Bags and others in China is anticipated to grow at a CAGR of 33.1%, 38.0%, 37.0%, and 21.0%, respectively.

Sales Revenue of Disposable Biodegradable Plastic Products (Northeast China), 2016 –2026E



Source: China Plastic Processing Industry Association; Frost & Sullivan Analysis

As the policies related to comprehensively prohibiting the production, sales and use of some non-degradable plastic products were implemented firstly in Jilin province in 2015, the disposable biodegradable plastic products market in Northeast China experienced growth during FY2016–2021, with a CAGR higher than that of the PRC as a whole. From 2016 to 2021, the total sales revenue of disposable biodegradable plastic products in Northeast China increased from RMB278.4 million to RMB787.1 million, with a CAGR of 23.1%. During the same period, the sales revenue of disposable biodegradable plastic products in Northeast China for express packaging, disposable tableware, Disposable Biodegradable Shopping Bags and others experienced a growth with a CAGR of 19.9%, 22.8%, 23.7%, and 16.5%, respectively. By 2026, the total sales revenue of disposable biodegradable plastic products in Northeast China is expected to reach RMB3,674.2 million, representing a CAGR of 36.1% from 2021 to 2026. From 2021 to 2026, the sales revenue of disposable biodegradable plastic products in express packaging, disposable tableware, Disposable Biodegradable Shopping Bags and others in Northeast China is anticipated to grow at a CAGR of 32.5%, 37.2%, 36.4%, and 21.6%, respectively.

Market Drivers

Government Supports: As a policy-driven industry, the pace of development of disposable biodegradable plastic products market in China relies on policies and regulations introduced by the government. For example, in 2020, Opinions on Further Strengthening the Control of Plastic Pollution (《關於進一步加強塑料污染治理的意見》) was issued by the National Development and Reform Commission, Ministry of Ecology and Environment which stated that: By 2022, the consumption of disposable plastic products will be significantly reduced, alternative products will be promoted, and the proportion of plastic waste recycling and energy utilisation will be greatly reduced. Also, the local governments have successively introduced supplementary policies in terms of plastic pollution control. For example, in 2020, the relevant government departments in Jilin province proposed to prohibit the production, sale, and supply of plastic products that do not meet the regulations and will phase out non-degradable express plastic packaging by 2025. Moreover, in 2021, Administrative Measures for Use and Report of Disposable Plastic Products (Draft for comments) (《一次性塑料製品使用、報告管理辦法(徵求意見稿)》) was issued by the Ministry of Commerce, which encouraged the reduction of the use of disposable plastic products, and scientifically promoted the application of recyclable and degradable alternative products. Accordingly, favourable policies have been implemented continuously and thus increased the sales of disposable biodegradable plastic products in recent years.

Advanced Technologies: Technological innovation has greatly improved the industrial transformation and upgrading of the disposable biodegradable plastic products market. Most disposable biodegradable plastic products manufacturers, especially some of the leading ones, focus on improving the performance of disposable biodegradable plastic products, such as size, thickness, colour, weight holding capacity, tear resistance and light transmittance. Advanced and mature technologies play an important role in manufacturing quality disposable biodegradable plastic products and reducing the cost and waste in the production process of disposable biodegradable plastic products. Accordingly, advanced and mature technology has contributed to the healthy development of the disposable biodegradable plastic products market.

Increasing Demand of Biodegradable Plastic Products: With the increasing awareness of environmental issues, the demand for biodegradable plastic products has increased in recent years. In 2020, Chinese government announced the goals of carbon peak and carbon neutrality, and proposed to implement the goal of national independent contribution to strive to reach the peak of carbon dioxide emissions by 2030 and mounting efforts to achieve carbon neutrality by 2060. The application of biodegradable plastic products, such as Disposable Biodegradable Shopping Bags, express packaging, and disposable tableware have contributed to a great amount of carbon reduction since it can be easily recycled and decomposed without incineration. Accordingly, the increasing demand for biodegradable plastic products will promote the development of the biodegradable plastic products market.

Future Opportunities

Integration of Value Chain: The integration of the value chain is the main development trend to optimise the allocation of resources and promote the wide applications in the disposable biodegradable plastic products market. The disposable biodegradable plastic products manufacturers tend to expand their business upstream, which will control the supply of raw material and save the cost of raw material. Meanwhile, some disposable biodegradable plastic products manufacturers focus on varying disposable biodegradable plastic products in different downstream applications to develop customers' resources. Accordingly, the integration of the value chain will promote the development of the disposable biodegradable plastic products market.

Replacement of Imported Raw Materials: Compared with the renowned international biodegradable plastic resin manufacturers, the production technological level of biodegradable plastic resin manufacturers in China is comparatively backward and the performance of their products is less competitive. For example, biodegradable plastic agricultural mulch films have high requirement for PBAT, and currently the biodegradable plastic agricultural mulch film manufacturers in China are heavily relying on importing the high quality PBAT from other countries. However, in recent years, with the continuous investment in R&D in China, the technology level of some of the local raw materials manufacturers have improved continuously, and is approaching international level. Therefore, the increasing use of raw material manufactured by locals will greatly cut the cost of biodegradable plastic products, which will further improve the biodegradable plastic products manufacturers' profits and drive the sustainable development of this market.

Strong Demand from Disposable Biodegradable Shopping Bags: Ever stringent government policies and environmental regulations pushed by reducing plastic pollution are expected to drive downstream industrial sectors to search for biodegradable plastics products. As a result, disposable biodegradable plastic products with a broad line of applications are projected to benefit from the trend to speed up its development. Especially, with the rising penetration rate of biodegradable plastic products in the application of Disposable Biodegradable Shopping Bags, the sales revenue of Disposable Biodegradable Shopping Bags in the disposable biodegradable plastic products market is expected to reach RMB31.3 billion in 2026, with a CAGR of 37.0% from 2021 to 2026.

Challenges

Shortage of Raw Materials: The cost of disposable biodegradable plastic products is affected by the price of raw materials and production capacity. For example, from 2019 to 2020, the price of PBAT and PLA is greatly affected by their unprocessed materials, BDO, PTA and corn. During the period, the BDO was unable to increase due to shortage of its primary material, calcium carbide, which led to the supply shortage of BDO and as a result, the price of PBAT increased.

Also, the supply of PLA in China is limited by the lactide purification technology. Lactide is the key unprocessed material of PLA, and is mainly imported from other countries. As such, the unstable supply of raw material might directly affect the profitability of the disposable biodegradable plastic product manufacturers.

The Potential Threats from Alternative Products: There are other raw materials, which are mainly composed of paper, wood, bamboo and other reusable materials, that can be used to produce alternative products. These alternative materials have different application because of their own unique properties and functionalities. Wood and bamboos are generally used to produce disposable tableware with less complicated product design (e.g., chopsticks and forks) in contrast to disposable plastic tableware, while papers are generally used to produce disposable tableware (e.g., straws, plates, bowls and cups) and Disposable Biodegradable Shopping Bags with low level of water resistance. The characteristics of plastic, being light, mouldable, durable and of high water resistance allow disposable biodegradable plastic products to occupy a sustainable competitive position in the Disposable Biodegradable Shopping Bags, disposable tableware, film and other markets. The major alternative products for our Group's biodegradable plastic products are paper shopping bags. The cost of a paper shopping bag is approximately two times higher than the cost of a biodegradable plastic shopping bag. Even though the average price of paper per tonne might be lower than the average price of biodegradable plastic per tonne, the weights of a paper shopping bag is much heavier than a biodegradable plastic shopping bag. Therefore, paper shopping bags cost more than biodegradable plastic shopping bags. The table below sets forth the comparison of alternative products produced by different types of raw materials including plastic, paper, wood and bamboo.

Comparison of Biodegradable Products Produced by Different Type of Raw Materials

Type of Raw Material	Properties	Main Applications	Price Comparison
Plastic	light, mouldable, durable and of high water resistance	disposable shopping bags, disposable tableware, express packaging and agricultural films	Relatively Low
Paper	light, easy to print, recyclable, but of low water resistance	disposable shopping bags and disposable tableware with low level of water resistance	Relatively Low
Wood	durable, of firm structure and of high thermal insulation	disposable tableware with less complicated product design	Relatively High
Bamboo	durable, of firm structure and of high toughness	disposable tableware with less complicated product design	Relatively High

Source: Frost & Sullivan Analysis

Market Supervision. The rising demand for biodegradable plastic products will attract more new entrants to enter the market. Along with increasing number of new market players participating, it will become more difficult and challenging to maintain consistent product quality.

Further Tightening of Plastic Products Ban. Since the disposable biodegradable plastic products market is a policy-driven market in China, the market participants heavily rely on the government's policies and regulations. Once the government decides to tighten or adopt more strict measures to ban all plastic products, including biodegradable plastic, it may adversely affect the business of the disposable biodegradable plastic products manufacturers.

Consumer Behaviours. Environmental protection consciousness positively affects consumer behaviours. For certain consumer groups, they prefer to choose reusable shopping bags, such as canvas tote bag or mesh bags, rather than disposable shopping bags, whether they are degradable or non- degradable, for environmental protection purpose. Therefore, different consumer behaviours also affect the sales of disposable biodegradable plastic products.

Entry Barriers

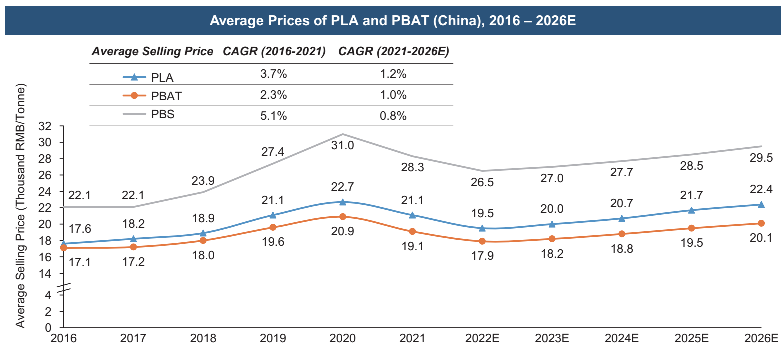
Technology Capability: The existing manufacturers in the disposable biodegradable plastic products industry have to master the key technologies of developing different formulations to maintain competitiveness, which requires a long time of repeated experiments and the accumulation of experiences. Furthermore, there are high requirements for equipment maintenance and safe operation during the production process of plastic additives to avoid potential safety hazards and meet the requirements of environmental protection. New entrants will face great challenges to break through the technical barriers, which is one of the major entry barriers.

Talent Reserve: In the disposable biodegradable plastic products market, the R&D of production process and ingredients proportion requires a group of technical, R&D and quality inspection talents with high R&D and manufacturing capabilities. Qualified talents in the disposable biodegradable plastic products industry in China are in short supply and competition for quality workers is intense. New entrants will face great challenges to establish their own talent reserve who can master the core technologies in R&D and quality inspection in a short time.

Stakeholder Relationship: Disposable biodegradable plastic products manufacturers are relatively dependent on partner organisations, the vast majority of existing manufacturers are backed by research institutes or in partnership with the government. With more time in the industry and more cooperation with the government and other partners, the existing manufacturers may be able to maintain a considerable first-mover advantage. It is also difficult for new entrants to prove their strengths and to reach partnership with relevant departments, as well as obtain support from research departments or raise sufficient capital from investors. Also, the in-time deliveries, high-quality products, and capability of massive production are other barriers for the new entrants to keep solid customer relationships.

Initial Investment: Disposable biodegradable plastic products manufacturers often require a significant upfront investment, especially the establishment of production lines and equipment. In addition, such existing large manufacturers will accelerate the transfer of industry resources to the market players already in the industry. For new entrants, it is rather difficult to obtain mature technologies and sufficient experiences to meet the product lines and equipment requirements in a short period and engage in proficient and standardised production.

Average Selling Prices of Raw Materials (PLA, PBAT, and PBS)



Source: China Plastic Processing Industry Association; Frost & Sullivan Analysis

PLA, PBAT, and PBS are the major raw materials of biodegradable plastic products, and their average prices are primarily affected by the fluctuation of unprocessed material prices such as BDO, PTA and corn. Since 2020, the market acceptance for biodegradable plastic products has been increasing, given the production costs for biodegradable plastic products started to decrease comparing to conventional non-biodegradable plastic products. Moreover, the Opinions on Further Strengthening the Control of Plastic Pollution (《關於進一步加強塑料污染治理的意見》) issued by National Development and Reform Commission to prohibit the usage of conventional plastic products has accelerated the development of the biodegradable plastic market and the demand for PLA, PBAT, and PBS. From 2016 to 2021, the average prices of PLA and PBAT have greatly increased from RMB17.6 thousand per tonne to RMB21.1 thousand per tonne, and from RMB17.1 thousand per tonne to RMB19.1 thousand per tonne, with a CAGR of 3.7% and 2.3%, respectively. From 2016 to 2021, the price of PBS increased from RMB22.1 thousand per tonne to RMB28.3 thousand per tonne, with a CAGR of 5.1% from 2016 to 2021. The price of PBAT was affected by the supply of BDO since 60% of PBAT was made by BDO. While BDO is restricted from expansion due to shortage of its primary material calcium carbide, the shortage supply of BDO increased the price of PBAT. Also, the supply of PLA in China is limited by lactide purification technology. Lactide is the key unprocessed material of PLA and is mainly imported from other countries. The supply of raw materials is not adequate to meet the market demand, thereby increased the prices of PLA and PBAT in 2019 and 2020. The prices of PLA, PBAT and PBS experienced a slight decrease in 2021 due to more production capacity being released in China, but will maintain stable growth because of the increasing demand for PLA, PBAT and PBS in China. In 2026, the average prices of PLA and PBAT are likely to reach RMB22.4 thousand per tonne and RMB20.1 thousand per tonne, representing a CAGR of 1.2% and 1.0% from 2021 to 2026, respectively. The price of PBS is expected to reach to RMB29.5 thousand per tonne in 2026, with a CAGR of 0.8% from 2021 to 2026. The costs of biodegradable plastic products mainly include raw material, labour cost, and others, and the cost varies by company's technologies and equipment. Normally, the raw material, such as PBAT, PLA, and calcium carbonate, takes approximately 70-80% of the total cost of biodegradable plastic products, and the additives take within 5%. The labour cost takes 6%-7% of the total cost. Other costs mainly include manufacturing cost.

COMPETITIVE LANDSCAPE OF DISPOSABLE BIODEGRADABLE PLASTIC PRODUCTS IN CHINA

Ranking and Market Share in China

The disposable biodegradable plastic products market in China was fragmented, with approximately 1,200 market participants as at 31 December 2021. In terms of sales revenue derived from disposable biodegradable plastic products in 2021, the top five disposable biodegradable plastic products manufacturers in China accounted for approximately 13.4%. Our Group ranked fourth among all disposable biodegradable plastic products manufacturers in China, with a market share of approximately 2.6% in 2021. In terms of sales revenue derived from Disposable Biodegradable Shopping Bags (including both shopping bag and produce bag roll) in 2021, our Group accounted for approximately 3.6% of total sales revenue of Disposable Biodegradable Shopping Bags in China.

Ranking	Company	Background Information	Market Share (%)
1	Company A	One of the leading disposable biodegradable plastic products manufacturers in China headquartered in Guangdong Province and engages in the production and sales of biodegradable bags, films and other biological products since 2003.	3.2
2	Company B	One of the leading disposable biodegradable plastic products manufacturers in China headquartered in Hebei Province and focusing on diversified types of packing products including biodegradable plastic products.	2.9
3	Company C	A high-tech enterprise headquartered in Anhui Province and specialising in degradable and environmental-friendly plastic and paper packing products, including biodegradable plastic bags, biodegradable agricultural films and plastic containers.	2.7
4	Our Group	One of the leading manufacturers of disposable biodegradable plastic products in Northeast China, committed to becoming one of the leading environmental-friendly manufacturers in the PRC.	2.6
5	Company D	One of the leading manufacturers of disposable biodegradable plastic products in China headquartered in Anhui Province, focusing on the R&D, production and sales of paper and plastic tableware, and independently developing the modification technology of biodegradable plastic materials such as PLA. Company D, with the total revenue of approximately RMB0.7 billion in 2021, was in the status of listing application on Shenzhen Stock Exchange.	2.0
Top 5			13.4

Source: Frost & Sullivan Analysis

Note:

(1) The total sales revenue of disposable biodegradable plastic products in China reached approximately RMB9.1 billion in 2021.

Ranking and Market Share in Northeast China

The disposable biodegradable plastic products market in Northeast China is relatively concentrated, with the top five disposable biodegradable plastic products manufacturers accounting for approximately 53.9% in terms of sales revenue derived from disposable biodegradable plastic products in 2021. In terms of sales revenue derived from biodegradable plastic products in 2021, our Group ranked first among all disposable biodegradable plastic products manufacturers in Northeast China, with the market share of 29.6%.

Ranking	Company	Background Information	Market Share (%)
1	Our Group	One of the leading manufacturers of disposable biodegradable plastic products in Northeast China, committed to becoming one of the leading environmental-friendly manufacturers in the PRC.	29.6
2	Company E	One of the leading disposable biodegradable plastic products producers in Northeast China that mainly focuses on nationwide customers from supermarkets, takeout platforms and express companies.	11.5
3	Company F	One of the leading disposable biodegradable plastic products manufacturers in Northeast China that mainly focuses on the research and development, production and sales of PLA.	6.0
4	Company G	One of the earliest companies engages in manufacture of agricultural mulch films in the PRC, which has explored the application of biodegradable plastics in agricultural mulch films and Disposable Biodegradable Shopping Bags.	3.5
5	Company H	One of the leading disposable biodegradable plastic products manufacturers in Northeast China that focuses on the R&D, production and sales of biodegradable plastic bags and has a wide business coverage in China and overseas countries such as the United States, Europe, Africa and Japan.	3.3
Top 5			53.9

Source: Frost & Sullivan Analysis

Note:

(1) The total sales revenue of disposable biodegradable plastic products in Northeast China reached approximately RMB787.1 million in 2021.

The disposable biodegradable plastic products market in Northeast China is rather concentrated, with the top five disposable biodegradable plastic manufacturers producers accounted for approximately 64.9% in terms of sales revenue derived from Disposable Biodegradable Shopping Bags in 2021. Our Group ranked first among all disposable biodegradable plastic products manufacturers in Northeast China, with a market share of approximately 40.6% in 2021.

Ranking	Company	Background Information	Market Share (%)
1	Our Group	One of the leading manufacturers of disposable biodegradable plastic products in Northeast China, committed to becoming one of the leading environmental-friendly manufacturers in the PRC.	40.6
2	Company E	One of the leading disposable biodegradable plastic products manufacturers in Northeast China that mainly focuses on nationwide customers from supermarkets, takeout platforms and express companies.	13.1
3	Company F	One of the leading disposable biodegradable plastic products manufacturers in Northeast China that mainly focuses on the research and development, production and sales of PLA.	4.8
4	Company H	One of the leading disposable biodegradable plastic products manufacturers in Northeast China that focuses on the R&D, production and sales of biodegradable plastic bags and has a wide business coverage in China and overseas countries such as the United States, Europe, Africa and Japan.	3.8
5	Company I	One of the leading disposable biodegradable plastic products manufacturers in Northeast China that mainly focuses on the manufacture of Disposable Biodegradable Shopping Bags and disposable tableware, with various customers in food and beverage industry.	2.6
Top 5			64.9

Source: Frost & Sullivan Analysis

Note:

(1) The total sales revenue from Disposable Biodegradable Shopping Bags of disposable biodegradable plastic products manufacturers in Northeast China reached approximately RMB574.8 million in 2021.

Ranking and Market Share in Southeast China

Due to the sound economic development and the implementation of environmental protection related policies, the total sales revenue of disposable biodegradable plastic products in Southeast China increased from approximately RMB1.8 billion in 2016 to RMB4.7 billion in 2021, with a CAGR of 21.2%, and is expected to reach approximately RMB23.6 billion in 2026, representing a CAGR of 38.1% from 2021 to 2026. Among all disposable biodegradable plastic products manufacturers in China, approximately 50% are located in Southeast China with the number of market participants in Southeast China reaching approximately 600 as at 31 December 2021, and in terms of sales revenue derived from disposable biodegradable plastic products in 2021, the top five disposable biodegradable plastic products manufacturers in Southeast China accounted for approximately 22.0% of the total sales revenue of disposable biodegradable plastic products in Southeast China. In Southeast China, a large number of disposable biodegradable plastic products manufacturers focus on the production of disposable tableware due to high demand in these regions, thus the market of Disposable Biodegradable Shopping Bags in Southeast China was rather fragmented.

Ranking	Company	Background Information	Market Share (%)
1	Company A	One of the leading disposable biodegradable products manufacturers in China headquartered in Guangdong Province and engages in the production and sales of biodegradable bags, films and other biological products since 2003.	6.1
2	Company C	A high-tech enterprise headquartered in Anhui Province and specialising in degradable and environmental-friendly plastic and paper packing products, including biodegradable plastic bags, biodegradable agricultural films and plastic containers.	5.1
3	Company D	One of the leading manufacturers of disposable biodegradable plastic products in China headquartered in Anhui Province, focusing on the R&D, production and sales of paper and plastic tableware, and independently developing the modification technology of biodegradable plastic materials such as PLA. Company D, with the total revenue of approximately RMB0.7 billion in 2021, was in the status of listing application on Shenzhen Stock Exchange.	3.9
4	Company J	A high-tech enterprise headquartered in Zhejiang Province and specialised in the R&D, production and sales of plastic tableware and biodegradable plastic tableware with sales regions covering the United States, China, Canada, South America, etc.. Company J, with the total revenue of approximately RMB1.5 billion in 2021, was in the status of listing application on Shenzhen Stock Exchange.	3.6
5	Company K	A high-tech enterprise founded in 2011, headquartered in Guangdong Province, and dedicated to the one-stop production of biodegradable plastic masterbatches and biodegradable plastic products mainly including disposable shopping bags.	3.3
Top 5			**22.0**

Source: Frost & Sullivan Analysis

Note:

(1) The total sales revenue of disposable biodegradable plastic products in Southeast China reached approximately RMB4.7 billion in 2021.

The biodegradable plastics masterbatches market in the PRC is relatively concentrated. As of 31 December 2021, there were over 30 biodegradable plastics producers that produce biodegradable plastic masterbatches in the PRC, with the top five producers accounting for approximately 48.0% in terms of production capacity of biodegradable plastic masterbatches and the annual revenue of masterbatches amounted to approximately RMB8,426 million in 2021. In terms of production capacity of biodegradable plastic masterbatches as of 31 December 2021, our Group accounted for approximately 1.4% of total production capacity in China.

ANALYSIS OF AUTOMOBILE PARTS ENGINEERING PLASTIC PRODUCTS MARKET IN CHINA

Definition of Engineering Plastics

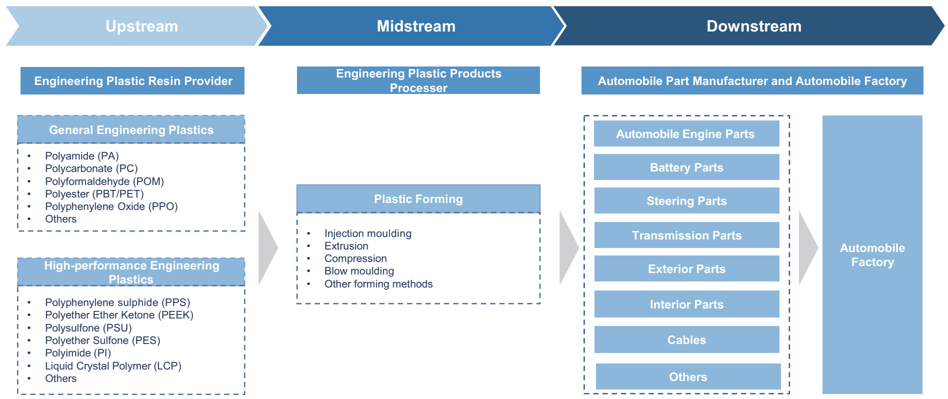
Engineering plastics, usually refer to thermoplastic materials rather than thermosetting ones, are a group of plastic materials that have good mechanical and/or thermal properties than the plastics that are used more widely, such as PS, PVC, PP and PE.

Being more expensive than the more widely used plastics, engineering plastics are produced in lower quantities and tend to be used for smaller objects or low-volume applications (such as mechanical parts), rather than for bulk and high-volume ends (like containers and packaging). Engineering plastics have higher heat resistance than standard plastics and are continuously usable at temperatures up to approximately 150℃.

Engineering plastics are gradually replacing traditional engineering materials such as metal, glass or ceramics in many applications. In addition to equalling or surpassing them in weight/strength and other properties, engineering plastics are relatively easier to be manufactured into complicated shapes. Each engineering plastic usually has a unique combination of properties that may make it good alternatives to traditional engineering materials.

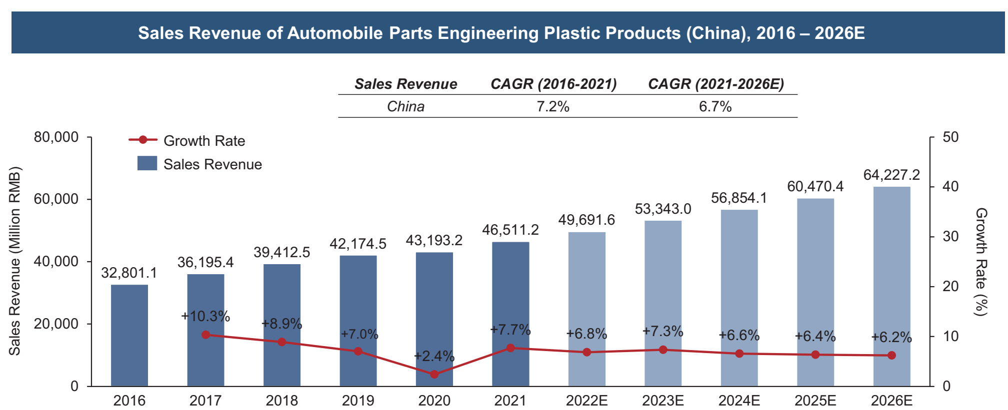
Value Chain Analysis

The value chain of automobile part engineering plastic products market consists of upstream engineering plastic resin provider, midstream engineering plastic processer and downstream automobile parts manufacturer and automobile factory. Among them, the upstream engineering plastic resin providers offer general engineering plastic and the high-performance engineering plastics. The midstream refers to the engineering plastic processers that produce the automobile parts engineering plastic products. The downstream is the automobile parts manufacturer that manufactures automobile parts or assemblies and provides them to the automobile factory. The overlapping customers and suppliers phenomenon is in line with the industry practice in the automobile parts engineering plastic products market.



Source: Frost & Sullivan Analysis

Market Size of Automobile Parts Engineering Plastic Products Market in China



Source: Frost & Sullivan Analysis

From 2016 to 2021, the sales revenue of automobile parts engineering plastic products increased from RMB32,801.1 million to RMB46,511.2 million, with a CAGR of 7.2%. In the future, with the growing trend of automobile lightweight and the increase in the automobile production volume, especially the new energy vehicles, the sales volume of automobile parts engineering plastic products is expected to reach RMB64,227.2 million in 2026, representing a CAGR of 6.7% from 2021 to 2026.

Future Opportunities

Increase of Automobile Holding Volume: In recent years, China's automobile industry has developed rapidly and ranked first in the world, in terms of the total sales volume in 2021. With the steady growth of China's economy, the increase of urbanisation rate and the continuous improvement of residents' consumption capacity, the holding capacity of the passenger automobile has increased rapidly. In 2021, automobile ownership per 1,000 people is about 214, 661, and 860 for China, Germany and United States, respectively. The accelerated urbanisation and continuous growth of per capita disposable income of urban households will enhance the consumption capability of residents and increase the sales volume of automobile, which will promote the development of automobile part engineering plastic products market in China.

Growing Demand from New Energy Vehicles: The government continues to announce favourable policies of developing new energy vehicles. For example, in 2021, the State Council issued the "Carbon Peaking Action Plan by 2030", which proposed to raise the proportion of sales of new energy vehicles in total sales of vehicles in the current year to 40% by 2030. Such policies drove the new energy vehicle market. With the wide application of power batteries due to the rapid development of the new energy vehicle market, the requirements for lightweights and plastic application volume continue to increase. In the future, with the popularisation of new energy vehicles, the demand for automobile parts, such as battery casings, will experience rapid growth, which is expected to promote the development of the automobile part engineering plastic products market in China.

Shorter Upgrade Cycle of Automobile: Nowadays, the customers have higher requirements for the quality of automobile and an increased demand for a greater variety of vehicle types. In order to maintain the advantages in competition and meet the requirements of customers, automobile manufacturing companies continue to speed up the upgrade and replacement of automobiles, and shorten the development cycle of new automobile models. The shorter upgrade cycle of automobiles will put forward larger demands for automobile parts engineering plastic products, so as to stimulate the development of the market.

Challenges

Fluctuation of Supply and Price of Raw Materials: The operations and financial results of automobile parts engineering plastic products producers are highly relying on their ability to obtain adequate and stable supply of high-quality raw materials. The prices and availability of engineering plastic raw materials depend on a variety of factors, including the oil price, technique development, local government policies and market demand which may lead to price fluctuations. The difficulties in obtaining stable supply of raw materials and the price fluctuation may affect the normal production and sales of automobile parts engineering plastic products processer and reduce their profitability.

Entry Barriers

Quality Authentication: Quality authentication certificate is an entry barrier for automobile part engineering plastic products markets. For example, ISO 9001 certification outlines the importance of high-quality goods and services. Moreover, for automobile industry specifically, the IATF 16949 certification is a merit badge for companies that are responsible for creating and supplying automobile elements or assemblies to the customers. When a company attains an IATF 16949 certification, it signifies a number of high marks about its products to a prospective buyer. Therefore, only companies with relative competitive advantages in technology R&D, enterprise management, quality control, production organisation and product supply can successfully pass the above certification and audit process and thus to obtain the quality authentication certificate is an entry barrier for the potential participants.

Customer Base and Relationship: Downstream customers often have requirements for the stable and continuous supply of engineering plastics, whilst large-scale customers that require high supply volume normally have higher requirements for the production track record of engineering plastic suppliers. Therefore, once they have established a successful cooperation with the engineering plastic products producers, the customers tend to prefer existing suppliers over new entrants. Existing suppliers with established track record are also much easier to attract new customers than the new entrants.

Capital Investment: The automobile parts engineering plastic products market has a high requirement on capital investment, as the construction of production facilities and the procurement of production equipment require a high capital investment. Therefore, capital investment is one of the main barriers for new entrants in the automobile parts engineering plastic products market.

Competitive Landscape of Automobile Parts Engineering Plastic Products Market

With more than 10,000 players in this market, China's automobile parts engineering plastic products market is fragmented, and each participant has its own product categories focus. Our Group accounted for approximately 0.04% of the automobile part engineering plastic products market in terms of sales revenue in 2021.

PRC laws, rules and regulations affect many aspects of our business. This section summarises the material PRC laws, rules and regulations that we believe are relevant to our business and operations.

LAWS AND REGULATIONS RELATING TO FOREIGN INVESTMENT

Foreign Investment

Some of our subsidiaries in the PRC are foreign-invested companies after the completion of the Reorganisation.

Investment activities in the PRC by foreign investors are principally governed by *The Special Administrative Measures (Negative List) for Access of Foreign Investment (2021 version)* (《外商投資准入特別管理措施(負面清單)(2021年版)》), or the Negative List, and *Catalogue of Industries for Encouraging Foreign Investment (2022 version)* (《鼓勵外商投資產業目錄 (2022年版)》), or the 2022 Encouraging List. The Negative List, which came into effect on 1 January 2022, sets out special administrative measures in respect of the access of foreign investments in a unified manner. The Encouraging List, which came into effect on 1 January 2023, sets out the encouraged industries for foreign investment. According to the Negative List, our business is not included in it.

Foreign-Invested Enterprises

On 29 December 1993, the SCNPC promulgated the *PRC Company Law* (《中華人民共和國公司法》), or the Company Law, which was latest amended on 26 October 2018. On 24 December 2021, the SCNPC issued the *PRC Company Law (Amended Draft)* (《中華人民共和國公司法(修訂草案)》) and solicited comments from the public. The deadline for public feedback is 22 January 2022. The Company Law regulates the establishment, operation and management of corporate entities in China and classifies companies into limited liability companies and limited companies by shares.

According to the *Foreign Investment Law of the PRC* (《中華人民共和國外商投資法》) promulgated by the NPC on 15 March 2019 and came into effect on 1 January 2020, the state shall implement the management systems of pre-establishment national treatment and negative list for foreign investment, and shall give national treatment to foreign investment beyond the negative list. Simultaneously, *Sino-foreign Equity Joint Ventures of the PRC* (《中華人民共和國中外合資經營企業法》), the *Wholly Foreign-owned Enterprises Law of the PRC* (《中華人民共和國外資企業法》) and *Sino-foreign Cooperative Joint Ventures of the PRC* (《中華人民共和國中外合作經營企業法》) have been repealed since 1 January 2020.

On 26 December 2019, the State Council promulgated the *Regulations on Implementing the Foreign Investment Law of the PRC* (《中華人民共和國外商投資法實施條例》), which came into effect on 1 January 2020. After the *Regulations on Implementing the Foreign Investment Law of the PRC* came into effect, the *Regulation on Implementing the Sino-Foreign Equity Joint Venture of the PRC* (《中華人民共和國中外合資經營企業法實施條例》), *Provisional Regulations on the Duration of Sino-Foreign Equity Joint Venture* (《中外合資經營企業合營期限暫行規定》), the *Regulations on Implementing the Wholly Foreign-owned Enterprise Law of the PRC* (《中華人民共和國外資企業法實施細則》) and the *Regulations on Implementing the Sino-foreign Cooperative Joint Venture of the PRC* (《中華人民共和國中外合作經營企業法實施細則》) have been repealed simultaneously.

On 30 December 2019, the Ministry of Commerce and the State Administration for Market Regulation promulgated the *Measures for the Reporting of Foreign Investment Information* (《外商投資信息報告辦法》), which came into effect on 1 January 2020 and replaced the *Interim Measures for the Recordation Administration of the Incorporation and Change of Foreign-Invested Enterprises* (《外商投資企業設立及變更備案管理暫行辦法》), for carrying out investment activities directly or indirectly in PRC, the foreign investors or foreign-invested enterprises shall submit investment information to the commerce authorities through the enterprise registration system and the National Enterprise Credit Information Publicity System pursuant to these measures.

MAJOR GOVERNMENT POLICIES RELATING TO PLASTIC PRODUCTS

State Level

According to the *Law of the PRC on the Prevention and Control of Environmental Pollution by Solid Wastes* (《中華人民共和國固體廢物污染環境防治法》), which came into effect on 1 April 1996 with latest amendment on 29 April 2020, the state legally prohibits, restricts the production, sale, and use of non-degradable plastic bags and other disposable plastic products. The state encourages and guides the reduction of use and active recycling of disposable plastic products such as plastic bags, and promotes the application of recyclable, easily recyclable, and degradable alternative products.

According to the *Notice of the General Office of the State Council on Restricting the Production and Sales of Plastic Shopping Bags* (《國務院辦公廳關於限制生產銷售使用塑料購物袋的通知》) issued and effective on 31 December 2007, enterprises are urged to produce in strict accordance with national standards to ensure the quality of plastic shopping bags. Since 1 June 2008, the system of paid to use of plastic shopping bags has been implemented in all supermarkets, shopping malls, bazaars and other commodity retail places, and plastic shopping bags shall not be provided free of charge. Science and technology departments should increase support for the research and development of waste plastic treatment and disposal technologies, and finance and taxation departments should study and formulate tax policies to curb waste plastic pollution as soon as possible.

According to *the Opinions on Further Strengthening the Control of Plastic Pollution* (《關於進一步加強塑料污染治理的意見》) which was jointly released by the NDRC and the Ministry of Ecology and Environment and came into effect on 16 January 2020, by the end of 2020, non-degradable plastic bags should be prohibited in shopping malls, supermarkets, pharmacies, bookstores and other places in urban built-up areas of centrally-administered municipalities, provincial capitals and cities specifically designated in the state plan, as well as catering packing take-out services and various exhibition activities. And marketplace should regulate and limit the use of non-degradable plastic bags. By the end of 2022, the implementation scope should be expanded to all urban built-up areas of cities at and above the provincial-level and built-up areas of counties in coastal areas. By the end of 2025, trade markets in these areas will ban the use of non-degradable plastic bags. Regions, where conditions permit, are encouraged to stop the use of non-degradable plastic bags at trade markets in rural-urban fringe, towns, and rural areas. In addition, the Opinions also emphasise the promotion and the application of alternative products. In shopping malls, supermarkets, drugstores, bookstores and other places, non-plastic products such as cloth bags and paper bags and degradable shopping bags should be promoted. There are also relevant prohibitions and restrictions on the use of disposable plastic tableware and express plastic packaging.

On 10 April 2020, the NDRC issued the *Catalogue of Plastic Products Prohibited or Restricted From Production, Sale, and Use (Draft for comments)* (《禁止、限制生產、銷售和使用的塑料製品目錄(徵求意見稿)》), which aims to solicits public opinions on rules regarding the prohibited or restricted scope of plastic products. The deadline for public feedback is 19 April 2020. According to the *Catalogue of Plastic Products Prohibited or Restricted From Production, Sale, and Use (Draft for comments)*, the prohibited and restricted plastic products are listed, including non-degradable plastic bags, non-degradable disposable plastic tableware, non-degradable disposable plastic straw, disposable plastic articles for hotels and express plastic packaging. As at Latest Practicable Date, there is no formal announcement of when it will be implemented.

On 16 July 2021, the MOFCOM issued the *Administrative Measures for the Use and Report of Disposable Plastic Products (Draft for comment)* (《一次性塑料製品使用、報告管理辦法(徵求意見稿)》) and updated it as the *Administrative Measures for the Use and Report of Disposable Plastic Products in Commercial Field (Second Draft for comment)* (《商務領域一次性塑料製品使用、報告管理辦法(第二次徵求意見稿)》) on 20 January 2022. The deadline for feedback is 26 January 2022. The *Second draft for comment* encouraged the reduction of the use of disposable plastic products and scientifically promoted the application of recyclable and degradable alternative products. Commodity retail entities (such as all kinds of supermarkets, shopping malls, and trade markets that provide retail services to consumers), enterprises on e-commerce platforms (including take-out platforms) and take-out enterprises shall report the use and recycling of disposable plastic products to the competent commercial authorities in accordance with the measures. Catering operators should reasonably choose environment-friendly alternative products or disposable plastic products to provide packaged takeout services according to the food type. E-commerce operators are encouraged to cooperate with shipping and delivery enterprises to promote the application of recyclable packaging and reduce the use of single-use plastic products. As at Latest Practicable Date, there is no formal announcement of when it will be implemented.

According to the *Opinions on Accelerating the Prevention and Control of Agricultural Film Pollution* (《關於加快推進農用地膜污染防治的意見》) which was issued and implemented by the NDRC, the Ministry of Industry and Information Technology and 4 other departments on 26 June 2019 and the *Notice on Solid progress of plastic pollution control* (《關於扎實推進塑料污染治理工作的通知》) which was issued and implemented by the NDRC, the Ministry of Industry and Information Technology and 7 other departments on 10 July 2020, agricultural producers are supported to use biodegradable agricultural film. And to ensure that plastic pollution control is on schedule to complete by the end of 2020, encourage the implementation of territorial management responsibilities, pay close attention to key regions and promote policy, strengthen daily supervision and special inspection, and strengthen propaganda and guidance.

According to the *Notice on Further Strengthening the Control of Plastic Pollution in Commercial Field* (《關於進一步加強商務領域塑料污染治理工作的通知》) issued and implemented by the general office of MOFCOM on 28 August 2020, it would solidly conduct plastic pollution control in the commercial field to ensure that all objectives of plastic pollution control are completed on schedule, through implementing relevant regulations on plastic prohibition and restriction, clarifying the local and industrial management responsibilities, reporting on disposable plastic products, improving the supervision mechanism of law enforcement, strengthening policy support and guarantee, and strengthening publicity and guidance.

The *Development Plan of Circular Economy in the 14th Five-Year Plan* (《"十四五"循環經濟發展規劃》) which was issued and implemented by the NDRC on 1 July 2021, provided that in order to develop the circular economy and promote the economical and efficient use of resources, actions shall be taken including strengthening the sorting and recycling of plastic waste, promoting biodegradable plastics, encouraging the public to reduce the use of disposable plastic products and steadily promoting degradable plastics according to local conditions, improving standard systems, improving inspection and detection capabilities, standardising the application and treatment, and strengthening market supervision and severely crack down on illegal production and sales of plastic products ban by governments. By 2025, e-commerce express packages will no longer have secondary packaging, and the application scale of recyclable express packages will reach 10 million.

The *Action Plan for Plastic Pollution Control in the 14th Five-Year Plan"* (《"十四五"塑料污染治理行動方案》), which was issued and implemented by the NDRC and the Ministry of Ecology and Environment on 8 September 2021, actively promotes the reduction of plastic production and use at the source, by developing green design standards with the focus on single-use plastic products, continuing to promote reduction in the use of single-use plastic products and scientifically and steadily promoting the plastic alternative products including degradable plastic products such as improving standard systems, issuing biodegradable plastics standards, standardising application fields, and clarifying degradation conditions and treatment methods, increasing the research of core technologies and achievement transformation of degradable plastics, continuously improving product quality and performance, and reducing application costs, promoting the orderly development of the biodegradable plastics industry, guiding the rational layout of the industry, and preventing the excessive expansion of production capacity, etc.

The *Work Plan for the Construction of "Waste-free Cities" During the 14th Five-Year Plan Period* (《"十四五"時期"無廢城市"建設工作方案》), which issued and implemented by the NDRC, the Ministry of Industry and Information Technology and 16 other departments on 10 December 2021, states that in order to promote the formation of a green and low-carbon lifestyle and construct a "Waste-free Cities", actions shall be taken including promoting the full chain treatment of plastic pollution, significantly reducing the use of single-use plastic products, promoting the use of biodegradable alternative products, and strengthening the recycling and utilisation of waste plastic products.

Provincial level

Jilin Province

On 13 February 2014, the Government of Jilin Province released the Regulations of *Jilin Province on Prohibiting the Production and Sale and Providing Disposable Non-degradable Plastic Shopping Bags and Plastic Tableware* (《吉林省禁止生產銷售和提供一次性不可降解塑料購物袋、塑料餐具規定》) which came into effect on 1 January 2015. The production and sale of non-degradable plastic shopping bags and plastic tableware shall be prohibited within the administrative area of Jilin province. And it is prohibited to provide non-degradable plastic shopping bags and plastic tableware to consumers in commodity sales and commercial service activities.

On 6 August 2020, Jilin Province Development and Reform Commission and Ecology and Environment Department of Jilin Province issued the *Key Work Account of Further Strengthening plastic pollution Control in Jilin Province* (《吉林省進一步加強塑料污染治理重點工作台帳》). It indicated that in order to further strengthen the control of plastic pollution in Jilin province, establish and improve the long-term management mechanism of plastic products, actions shall be taken including prohibiting the production, sale, and supply of plastic products that do not meet the regulations, phasing out non-degradable plastic packaging for express delivery, and banning the use of non-degradable plastic bags, plastic tape and disposable plastic woven bags in postal delivery outlets across the province by the end of 2025, and strengthening promotion of degradable plastic products.

Liaoning Province

On 22 August 2020, the Liaoning Provincial Development and Reform Commission and the Department of Ecology and Environment of Liaoning Province jointly issued the *Implementation Opinions of Liaoning Province on Further Strengthening the Control of Plastic Pollution* (《遼寧省關於進一步加強塑料污染治理的實施意見》). By the end of 2020, in shopping malls, supermarkets, pharmacies, bookstores, and other places in the built-up areas of Shenyang and Dalian, as well as food and beverage takeaway services and various exhibition activities, the use of non-degradable plastic bags will be prohibited, and the bazaar will regulate and restrict the use of non-degradable plastics bags. By the end of 2022, the scope of prohibiting the use of non-degradable plastic bags will be expanded to the built-up areas of cities above the prefecture-level and the built-up areas of counties in coastal areas. By the end of 2025, the bazaars in the abovementioned areas will ban the use of non-degradable plastic bags.

Heilongjiang Province

On 17 September 2020, the Development and Reform Commission of Heilongjiang Province and the Department of Ecology and Environment of Heilongjiang Province jointly issued *the Implementation Plans for Plastic Pollution Control in Heilongjiang Province* (《黑龍江省塑料污染治理工作實施方案》). It stipulates that by the end of 2020, in bookstores, shopping malls, supermarkets, pharmacies, and other places in the built-up area of Harbin, as well as food and beverage take-away services and various exhibition activities, the use of non-degradable plastic bags is prohibited, and the bazaars in built-up areas of Harbin regulate and restrict the use of non-degradable plastic bags. By the end of 2022, in bookstores, shopping malls, supermarkets, pharmacies, and other places in the built-up areas of cities above the prefecture-level in the province, as well as catering take-out services and various exhibition activities, the use of non-degradable plastic bags will be prohibited, and the bazaars in built-up areas of cities above the prefecture-level in the province will regulate and restrict the use of non-degradable plastics bags. By the end of 2025, the use of non-degradable plastic bags will be banned in bazaars in built-up areas of cities above the provincial-level in the province.

Other Key policies of Southern provinces in China

On 10 September 2020, Shanghai Municipal Development and Reform Commission and 9 other departments issued the *Shanghai Implementation Plan on Strengthening the Control of Plastic Pollution* (《上海市關於進一步加強塑料污染治理的實施方案》) which came into effect on 1 October 2020. It stipulates that, by the end of 2020, the use of disposable plastic shopping bags shall be banned in shopping malls, supermarkets, pharmacies, bookstores and other places and all kinds of exhibition activities; the use of non-biodegradable plastic shopping bags should be banned for catering packaged takeaway services; and the use of non-degradable disposable plastic straws shall be banned in the catering industry. Besides, it provides that the use of disposable plastic shopping bags should be regulated and restricted in market by the end of 2020 and it shall be banned to use by the end of 2023, and the use of non-degradable disposable plastic tableware in the food takeout industry in Shanghai shall be reduced by more than 30% by the end of 2025.

On 20 August 2020, Guangdong Provincial Development and Reform Commission and Department of Ecology and Environment of Guangdong Province issued the *Opinions on Further Strengthening the Control of Plastic Pollution* (《關於進一步加強塑料污染治理的實施意見》) which came into effect on 1 September 2020. Guangdong Provincial Development and Reform Commission and Department of Ecology and Environment of Guangdong Province also issued the *Catalogue of Plastic Products Banned and Restricted from Production, Sale and Use in Guangdong Province (2020 Edition)* (《廣東省禁止、限制生產、銷售和使用的塑料製品目錄(2020年版)》) on 21 September 2020 which came into effect on the same day. These policies stipulate that by the end of 2020, non-biodegradable disposable plastic straws shall be banned in the catering industry across the province and non-biodegradable plastic bags shall be banned in shopping malls, supermarkets, pharmacies, bookstores and other places in built-up area of Guangzhou and Shenzhen, as well as in food and beverage delivery services and all kinds of exhibition activities. Besides, it provides that by the end of 2022, the use of non-biodegradable plastic bags shall be banned in all urban built-up areas at the prefectural level and above, as well as the built-up areas of coastal cities and counties, while the use of non-biodegradable plastic bags and disposable plastic woven bags shall be prohibited in postal and express outlets throughout the province, and by the end of 2025, the use of non-degradable disposable plastic tableware in the food takeout industry in cities above prefecture level shall be reduced by more than 30%.

On 19 November 2020, Hunan Provincial Development and Reform Commission, Department of Ecology and Environment of Hunan Province issued the *Implementation Plan for Further Strengthening the Control of Plastic Pollution in Hunan Province* (《湖南省進一步加強塑料污染治

理的實施方案》) which came into effect on the same day. It stipulates that by the end of 2020, non-biodegradable disposable plastic straws shall be banned to use in the catering industry across the province, and non-biodegradable plastic bags shall be banned to use in shopping malls, supermarkets, pharmacies, bookstores and other places in build-up area of Changsha, as well as in food and beverage delivery services and various exhibitions; by the end of 2022, the implementation of the non-biodegradable-plastic-bags-ban shall be extended to the built-up areas of cities and autonomous prefecture in Hunan Province and the county-level built-up areas of Changsha, Zhuzhou and Xiangtan Cities; and by the end of 2025, the use of non-biodegradable plastic bags shall be banned in the marketplaces in the above-mentioned areas. Besides, it provides that by the end of 2022, non-biodegradable disposable plastic tableware shall be banned from the catering and dining services of all A-level tourist attractions in built-up areas of the county, and by the end of 2025, the use of non-degradable disposable plastic tableware shall be reduced by 30 percent in food takeout industry at prefectural level and above, and the use of disposable plastic tableware shall be banned for rural catering.

On 10 February 2020, Standing Committee of Hainan Provincial People's Congress issued the *Regulations on the Prohibition of Single-Use Non-Degradable Plastic Products in Hainan Special Economic Zone* (《海南經濟特區禁止一次性不可降解塑料製品規定》) which came into effect on 1 December 2020. It prohibited to produce, transport, sell, store and use some types of disposable non-degradable plastic bags, plastic tableware and other disposable non-degradable plastic products in Hainan Special Economic Zone, and the specific types of prohibited disposable non-degradable plastic products shall be listed and be published to the public. Hainan Provincial Department of Ecology and Environment issued the List of Banned Disposable Non-Degradable Plastic Products in Hainan Province(First batch) (《海南省禁止生產銷售使用一次性不可降解塑料製品名錄(第一批)》) which came into effect on 1 December 2020 and the List of Banned Disposable Non-Degradable Plastic Products in Hainan Province(Second batch) (《海南省禁止生產銷售使用一次性不可降解塑料製品名錄(第二批)》) which came into effect on 1 September 2021. These lists include disposable films, bags and tableware containing certain non-biodegradable polymer materials.

LAWS AND REGULATIONS RELATING TO PRODUCTION SAFETY AND PRODUCT QUALITY

Production Safety

According to the *Production Safety Law of the PRC* (《中華人民共和國安全生產法》), which came into effect on 1 November 2002 with latest amendment on 10 June 2021, a manufacturing enterprise shall comply with the laws and regulations related to production safety, strengthen the production safety management, establish and improve the accountability system and relevant rules and regulations of production safety, improve the conditions of production safety and promote the establishment of production safety standards, so as to improve and ensure safe production. No production is allowed if such manufacturing enterprise has no such safe working conditions in place as required under the Production Safety Law of the PRC and relevant laws, administrative regulations and national or industrial standards. If the company fails to comply with the provisions of the *Production Safety Law* of the PRC, the supervisory authority on production safety may issue a rectification order, impose a fine, order the company to cease production and operation, or revoke the relevant permit; and if the violation constitutes any crime, the company may be subject to criminal liability.

Fire Control

According to the *Fire Control Law of the PRC* (《中華人民共和國消防法》), which came into effect on 1 September 1998 with latest amendment on 29 April 2021, The Ministry of Housing and Urban-Rural Development and its local counterparts shall, in accordance with the law, conduct the fire control design review, inspection, filing and spot check of fire control facilities of construction projects to oversee the fire control of construction projects. Fire rescue departments shall carry out supervision and inspection of compliance of fire control laws and regulations by agencies, bodies, enterprises, institutions, etc. pursuant to the law.

Product Liability

According to the *Product Quality Law of the PRC* (《中華人民共和國產品質量法》), which came into effect on 1 September 1993 with latest amendment on 29 December 2018, the producers and sellers shall develop and improve the internal product quality management system, and rigorously implement quality standards, quality liabilities and relevant assessment measures for each position. Quality of products shall pass standard examinations and no sub-standard products shall be used as standard ones. Producers shall be responsible for the quality of their products and assume product quality liabilities in accordance with the requirements of such law.

The Law on Protection of the Rights and Interests of Consumers of the PRC (《中華人民共和國消費者權益保護法》) was promulgated on 31 October 1993 with latest amendment on 25 October 2013, to protect consumers' rights when they purchase or use goods and accept services. All business operators must comply with this law when they manufacture or sell goods and/or provide services to customers. Consumers suffering personal injury or property damage due to production defects may be compensated by either the seller or the producer in accordance with the law. After paying compensations, sellers have the right to recover the losses from the liable producers.

Occupational Disease Prevention and Control

According to the *Law of the PRC on Prevention and Control of Occupational Diseases* (《中華人民共和國職業病防治法》), which was promulgated on 27 October 2001, became effective on 1 May 2002 and last amended on 29 December 2018, the employer shall create the working environment and conditions that conform to the national norms for occupational health and requirements for public health, provide protection facilities. The employer shall establish and improve the occupational health management system, and regularly conduct inspection and evaluation of occupational disease hazards in the workplace in accordance with the regulations of the health administrative department of the State Council.

According to the *Measures For The Declaration Of Occupational-Disease-Hazard Items* (《職業病危害項目申報辦法》), promulgated on 27 April 2012, became effective on 1 June 2012, where the employer (except coal mine) has occupational-disease-hazard factors listed in The Catalogue Of Occupational Diseases in its workplace, it shall timely and truthfully declare the occupational-disease-hazard items to the local supervision and administration department of production safety, and accept the supervision and administration of the said department. The occupational-disease-hazard factors are determined in accordance with the Catalogue Of Occupational Diseases Hazard Factors (《職業病危害因素分類目錄》). The latest Catalogue was promulgated and became effective on 17 November 2015.

Special Equipment

According to the *Special Equipment Safety Law of the PRC* (《中華人民共和國特種設備安全法》), which came into effect on 1 January 2014, the production (including design, manufacturing, installation, retrofitting and repair), operation, use, inspection and testing of special equipment, supervision and management of special equipment safety, emergency response, rescue, investigation and handling of accidents and other relevant matters shall be in compliance with the requirements of such law.

LAWS AND REGULATIONS RELATING TO ENVIRONMENTAL PROTECTION

According to the *Environmental Protection Law of the PRC* (《中華人民共和國環境保護法》), which came into effect on 26 December 1989 with latest amendment on 24 April 2014, all entities and individuals shall have the obligation to protect the environment. Enterprises, public institutions and other business operators shall prevent and reduce environmental pollution and ecological disruption, and assume liabilities for damage caused by them. The environmental protection administrative department under the State Council shall develop the national environmental quality standards, national pollutant discharge standards and monitoring regulations. For matters not included in the national environmental quality standards and the national pollutant discharge standards, the people's governments of provinces may develop local environmental quality standards and pollutant discharge standards; and for matters included in the national environmental quality standards and the national pollutant discharge standards, they may develop more stringent environmental quality standards and local pollutant discharge standards than the national standards. Local environmental quality standards and pollutant discharge standards shall be filed with the environmental protection administrative department under the State Council.

According to the *Environmental Impact Assessment Law of the PRC* (《中華人民共和國環境影響評價法》), which came into effect on 1 September 2003 with latest amendment on 29 December 2018, the *Administrative Rules on Environmental Protection of Construction Projects* (《建設項目環境保護管理條例》), which came into effect on 29 November 1998 with latest amendment on 16 July 2017, and the *Classified Administration Catalogue of Environmental Impact Assessments for Construction Projects (2021 Edition)* (《建設項目環境影響評價分類管理名錄(2021年版)》), which came into effect on 1 January 2021, the *Measures on Filing Administration of Environmental Impact Registration Forms of Construction Projects* (《建設項目環境影響登記表備案管理辦法》), which came into effect on 1 January 2017, and the *Interim Measures for Acceptance of Environmental Protection on Completion of Construction Projects* (《建設項目竣工環境保護驗收暫行辦法》), which came into effect on 20 November 2017, for construction projects with environmental impact carried out within the territory of the PRC or within other seas subject to the jurisdiction of the PRC, environmental impact assessment shall be conducted according to relevant laws. The State implements classification-based management on the environmental impact assessment of construction projects based on the impact of the construction projects on the environment. Constructors shall prepare Environmental Impact Report or Environmental Impact Statement or fill out the Environmental Impact Registration Form according to the Classified Administration Catalogue of Environmental Impact Assessments for Construction Projects. The constructors shall submit the Environmental Impact Report or Environmental Impact Statement of construction projects to the competent authorities for ecology with approving power for approval, or shall complete the filing procedures for the Environmental Impact Registration Form. For construction projects the Environmental Impact Report or Environmental Impact Statement of which failed to be approved by relevant approving department, the constructors shall not commence construction. The environmental protection facilities that required to be built together with the construction projects shall be designed, constructed and put into operation simultaneously with the construction of main body. Upon completion of the construction projects that required the preparation of Environmental Impact Report and Environmental Impact Statement, the constructors shall perform inspection and acceptance procedures for the environmental protection facilities and prepare the inspection report in accordance with the standards and procedures required by the competent administrative authorities for environmental protection under the State Council. For construction projects that are constructed and put into production or use in phases, the environmental protection facilities shall also go through inspection and acceptance procedures in phases.

According to the *Law of the PRC on Prevention and Control of Water Pollution* (《中華人民共和國水污染防治法》), which came into effect on 1 November 1984 with latest amendment on 27 June 2017, the *Law of the PRC on Prevention and Control of Environmental Pollution Caused by Solid Wastes* (《中華人民共和國固體廢物污染環境防治法》), which came into effect on 1 April 1996 with latest amendment on 29 April 2020, the *Law of the PRC on Prevention and Control of Atmospheric Pollution* (《中華人民共和國大氣污染防治法》), which came into effect on 1 June 1988 with latest amendment on 26 October 2018, and the *Law of the PRC on Prevention and Control of Environmental Noise Pollution* (《中華人民共和國環境噪聲污染防治法》), which came into effect on 1 March 1997 with latest amendment on 29 December 2018 and is replaced by the Law of the PRC on Noise Pollution Prevention and Control (《中華人民共和國噪聲污染防治法》) on 5 June 2022, the PRC adopts the pollutant discharge permit administration system. The enterprises, public institutions and other business operators that are subject to the pollutant discharge permit administration shall discharge pollutants according to the requirements under the pollutant discharge permit and shall not discharge pollutants without obtaining the pollutant discharge permit.

Regulation on the Administration of Permitting of Pollutant Discharges (《排污許可管理條例》) promulgated by the State Council on 24 January 2021 and became effective on 1 March 2021 provided that, enterprises, public institutions or any other producers and operators which are subject to the administration of permitting of pollutant discharges under the law shall apply for pollutant discharge permits under the provisions of this Regulation; those pollutant-discharging entities which have not obtained pollutant discharge permits shall not be allowed to discharge pollutants. According to the *Measures for Administration of Pollutant Discharge Permit (For Trial Implementation)* (《排污許可管理辦法(試行)》), which came into effect on 10 January 2018 with latest amendment on 22 August 2019, the Ministry of Environmental Protection shall develop and issue a classification administration list of pollutant discharge permitting for fixed pollution sources and specify the scope under pollutant discharge permitting administration and the application time limit. Enterprises, institutions and other producers and operators on the list shall apply for and obtain a pollutant discharge permit according to the prescribed application time limit; and those not on the list are not required to do so for the time being.

LAWS AND REGULATIONS RELATING TO INFORMATION SECURITY AND CYBERSECURITY

On 10 June 2021, the SCNPC promulgated the *PRC Data Security Law* (《中華人民共和國數據安全法》), which took effect in September 2021. The Data Security Law introduces a data classification and hierarchical protection system based on the materiality of data in economic and social development, as well as the degree of harm it will cause to national security, public interests, or legitimate rights and interests of persons or entities when such data is tampered with, destroyed, divulged, or illegally acquired or used. It also provides for a security review procedure for the data activities which may affect national security.

On 14 November 2021, the Cyberspace Administration of China published the *Regulations on the Administration of Cyber Data Security (Draft for Comments)* (《網絡數據安全管理條例(徵求意見稿)》). The deadline for feedback is 13 December 2021. According to the *Regulations on the Administration of Cyber Data Security (Draft for Comments)*, it applies to the activities relating to the use of networks to carry out data processing activities and the supervision and management of network data security within the territory of the PRC and some activities of domestic data processing outside the PRC. As at the Latest Practicable Date, the Regulations on the Administration of Cyber Data Security had not come into effect.

On 28 December 2021, the Cyberspace Administration of China and other 12 PRC regulatory authorities jointly revised and promulgated the *Cybersecurity Review Measures* (《網絡安全審查辦法》), which became effective on 15 February 2022. According to the *Cybersecurity Review Measures*, it applies to the procurement of online products and services by operators of critical information infrastructure and data processing activities by operators of online platforms where those procurement or processing activities affect or may affect national security.

As advised by our PRC Legal Advisers, given the fact that the Group is a manufacturer of biodegradable plastic products, who itself is not an operator of critical information infrastructure or network platform, nor does its business involve data processing, therefore obligations imposed on related operators and data processors under Regulations on the Administration of Cyber Data Security (Draft for Comments) (if the above draft regulations become effective in the current form) and Cybersecurity Review Measures shall not be applicable to the Group.

LAWS AND REGULATIONS RELATING TO INTELLECTUAL PROPERTIES

Patents

According to the *Patent Law of the PRC* (《中華人民共和國專利法》), or the Patent Law, promulgated by the SCNPC on 12 March 1984, and latest amended on 17 October 2020 and came into effect on 1 June 2021, and the Rules for the *Implementation of the Patent Law of the PRC* (《中華人民共和國專利法實施細則》) promulgated by the State Council on 15 June 2001, last amended on 9 January 2010 and became effective on 1 February 2010, the patent administrative department under the State Council is responsible for administration of patent-related work nationwide. The patent administration departments of province or autonomous regions or municipal governments are responsible for administering patents within their respective jurisdictions. The PRC Patent Law and its implementation rules divide patents into three types, “invention”, “utility model" and "design". Invention patents are valid for twenty years, while design patents are valid for fifteen years and utility model patents are valid for ten years, from the date of application. The patentee shall pay an annual fee commencing from the year in which the patent right is granted. The PRC patent system adopts a "first come, first file" principle, which means that where more than one person files a patent application for the same invention, a patent will be granted to the person who files the application first. A third-party user must obtain consent or a proper licence from the patent owner to use the patent. Otherwise, the use constitutes an infringement of the patent rights.

Trademarks

Trademarks are protected by the *Trademark Law of the PRC* (《中華人民共和國商標法》), or the PRC Trademark Law which was promulgated by SCNPC on 23 August 1982 and subsequently amended on 22 February 1993, 27 October 2001, and 30 August 2013, respectively, and was last amended on 23 April 2019, and came into force on 1 November 2019, as well as the *Implementation Regulation of the Trademark Law of the PRC* (《中華人民共和國商標法實施條例》 adopted by the State Council on 3 August 2002, subsequently amended on 29 April 2014, and became effective on 1 May 2014. In China, registered trademarks include commodity trademarks, service trademarks, collective marks and certification marks.

The Trademark Office (商標局) under the National Intellectual Property Administration (國家知識產權局) handles trademark registrations and grants a term of ten-year from the date of registration to registered trademarks. Trademarks are renewable every ten years where a registered trademark needs to be used after the expiration of its validity term. A registration renewal application shall be filed within twelve months prior to the expiration of the term. A trademark registrant may licence its registered trademark to another party by entering into a trademark licence contract. Trademark licence agreements must be filed with the Trademark Office for record. The licensor shall supervise the quality of the commodities on which the trademark is used and the licensee shall guarantee the quality of such commodities, the licensee shall display the name of the licensee and the place of origin on the commodities that bear the licenced registered trademark. As to trademarks, the PRC Trademark Law has adopted a "first come, first file" principle with respect to trademark registration. Where trademark for which a registration application has been made is identical or similar to other person's trademark which has already been registered or been passed through a preliminary examination on the same kind of or similar commodities or services, the application for registration of such trademark may be rejected. Any person applying for the registration of a trademark may not prejudice the existing right first obtained by others, nor may any person register in advance a trademark that has already been used by another party and has already gained a "sufficient degree of reputation" through such party's use.

Domain Names

In accordance with the *Measures for the Administration of Internet Domain Names* (《互聯網域名管理辦法》), which was promulgated by the Ministry of Information Industry on 24 August 2017 and came into effect on 1 November 2017, the Ministry of Industry and Information Technology of the PRC is responsible for supervision and administration of domain name services in the PRC. Communication administrative bureaus at provincial levels shall conduct supervision and administration of the domain name services within their respective administrative jurisdictions. Domain name registration services shall, in principle, be subject to the principle of "first apply, first register". A domain name registrar shall, in the process of providing domain name registration services, ask the applicant for which the registration is made to provide authentic, accurate and complete identity information on the holder of the domain name and other domain name registration related information.

LAWS AND REGULATIONS RELATING TO OVERSEAS SECURITIES OFFERING AND LISTING BY DOMESTIC COMPANIES

On 17 February 2023, the China Securities Regulatory Commission (CSRC) promulgated the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Enterprises (《境內企業境外發行證券和上市管理試行辦法》) (the "**Trial Measures**"), the Notice on Filing Management Arrangements for Overseas Listing of Domestic Enterprises (《關於境內企業境外發行上市備案管理安排的通知》) (the "**Filing Notice**") and corresponding guidelines (collectively referred to as the "**Filing Measures**"). The Trial Measures shall come into force as of 31 March 2023.

According to the Filing Measures, domestic Chinese enterprises that directly or indirectly issue securities in offshore areas or list their securities for trading in offshore areas must file a record to the CSRC within 3 business days from the submission of their listing application documents to the relevant regulatory authorities where the enterprises plan to list its securities. Domestic enterprises' direct overseas issuance of securities or trading of their securities on the overseas market refers to issuance of securities overseas or listing of their securities for trading overseas by companies limited by shares registered within the territory of the PRC. Domestic enterprises' indirect overseas issuance of securities or trading of their securities on the overseas market refers to the overseas issuance or the overseas listing and trading of securities, in the name of an overseas enterprise, by an enterprise whose primary business and operating activities are within the territory of the PRC, based on the equity, assets, incomes, or other similar rights and interests of the domestic enterprise. Determination of indirect overseas offering and listing of domestic enterprises shall be made on a substance over form basis. In addition, the CSRC clarifies that companies that satisfy all of the following conditions shall be deemed as "Existing Applicants (存量企業)" and are not required to complete the overseas listing filing immediately, but shall complete filings as required if they conduct refinancing or are involved in other circumstances that require filing with the CSRC: (i) the application for overseas offering or listing shall have been approved by the relevant overseas regulatory authorities or stock exchanges (such as passing the hearing for the listing application of its shares on the Stock Exchange) prior to 31 March 2023 and is not required to reapply for offering and listing procedures to the overseas regulatory authorities or securities exchanges after 31 March 2023, and (ii) such overseas securities offering or listing shall be completed on or prior to 30 September 2023.

Therefore, based on the above mentioned measures and our current expected timetable, if we complete the Listing before 30 September 2023, as advised by our PRC Legal Advisers, we are not required to complete the overseas listing filing.

LAWS AND REGULATIONS RELATING TO FOREIGN EXCHANGE AND OVERSEAS INVESTMENT

Foreign Exchange

On 29 January 1996, the State Council promulgated the *Administrative Regulations on Foreign Exchange of the PRC* (《中華人民共和國外匯管理條例》) which became effective on 1 April 1996 and was amended on 14 January 1997 and 5 August 2008. Foreign exchange payments under current account items shall, pursuant to the administrative provisions of the foreign exchange control department of the State Council on payments of foreign currencies and purchase of foreign currencies, be made using self-owned foreign currency or foreign currency purchased from financial institutions engaging in conversion and sale of foreign currencies by presenting the valid document. Domestic entities and domestic individuals making overseas direct investments or engaging in issuance and trading of overseas securities and derivatives shall process registration formalities pursuant to the provisions of the foreign exchange control department of the State Council.

On 19 November 2012, the State Administration of Foreign Exchange, or the SAFE, promulgated the *Circular of Further Improving and Adjusting Foreign Exchange Administration Policies on Direct Investment* (《關於進一步改進和調整直接投資外匯管理政策的通知》), or the SAFE Circular 59, which came into effect on 17 December 2012 and was revised on 4 May 2015, 10 October 2018 and partially abolished on 30 December 2019. The SAFE Circular 59 aims to simplify the foreign exchange approval procedure and promote the facilitation of investment and trade. According to the SAFE Circular 59, the opening of foreign exchange accounts under the direct investment, such as pre-establishment expenses accounts, foreign exchange capital accounts and guarantee accounts, the reinvestment of RMB proceeds legally derived by foreign investors in the PRC, and remittance of foreign exchange profits and dividends by a foreign-invested enterprise to its foreign shareholders no longer require the approval or verification of SAFE, as well multiple capital accounts for the same entity may be opened in different provinces. Later, the SAFE promulgated the *Circular on Further Simplifying and Improving Foreign Exchange Administration Policies in Respect of Direct Investment* (《關於進一步簡化和改進直接投資外匯管理政策的通知》) in February 2015, which was partially abolished in December 2019 and prescribed that the bank instead of SAFE can directly examine and handle the foreign exchange registration under foreign direct investment while SAFE and its branches indirectly supervise the foreign exchange registration under foreign direct investment through the bank.

On 10 May 2013, the SAFE promulgated the *Administrative Provisions on Foreign Exchange in Domestic Direct Investment by Foreign Investors* (《外國投資者境內直接投資外匯管理規定》), or the SAFE Circular 21, which became effective on 13 May 2013, amended on 10 October 2018 and partially abolished on 30 December 2019. The SAFE Circular 21 specifies that the administration by SAFE or its local branches over direct investment by foreign investors in the PRC must be conducted by way of registration and banks must process foreign exchange business relating to the direct investment in the PRC based on the registration information provided by SAFE and its branches.

According to the *Notice of the State Administration of Foreign Exchange on Reforming the Management Mode of Foreign Exchange Capital Settlement of Foreign Investment Enterprises* (《國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知》), or the SAFE Circular 19 promulgated on 30 March 2015, coming effective on 1 June 2015 and partially abolished on 30 December 2019, foreign-invested enterprises could settle their foreign exchange capital on a discretionary basis according to the actual needs of their business operations. Whilst, foreign-invested enterprises are prohibited to use the foreign exchange capital settled in RMB (a) for any expenditures beyond the business scope of the foreign-invested enterprises or forbidden by laws and regulations; (b) for direct or indirect securities investment, unless otherwise provided by laws and regulations; (c) to directly or indirectly provide entrusted loans (unless permitted in the business scope), repay loans between enterprises (including advances by third parties) or repay RMB bank loans that have been on lent to a third party; and (d) to purchase real estates not for self-use purposes (save for real estate enterprises).

On 9 June 2016, SAFE promulgated the *Notice of the State Administration of Foreign Exchange on Reforming and Standardising the Foreign Exchange Settlement Management Policy of Capital Account* (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》), or the SAFE Circular 16, which came into effect on the same day. The SAFE Circular 16 provides that discretionary foreign exchange settlement applies to foreign exchange capital, foreign debt offering proceeds and remitted foreign listing proceeds. However, there remain substantial uncertainties with respect to SAFE Circular 16's interpretation and implementation in practise.

On 23 October 2019, SAFE promulgated the *Notice on Further Facilitating Cross-Board Trade and Investment* (《國家外匯管理局關於進一步促進跨境貿易投資便利化的通知》), which became effective on the same date (except for Article 8.2, which became effective on 1 January 2020). The notice cancelled restrictions on domestic equity investments made with capital funds by non-investing foreign-funded enterprises. In addition, restrictions on the use of funds for foreign exchange settlement of domestic accounts for the realisation of assets have been removed and restrictions on the use and foreign exchange settlement of foreign investors' security deposits have been relaxed. Eligible enterprises in the pilot area are also allowed to use revenues under capital accounts, such as capital funds, foreign debts and overseas listing revenues for domestic payments without providing materials to the bank in advance for authenticity verification on an item-by-item basis, while the use of funds should be true, in compliance with applicable rules and conforming to the current capital revenue management regulations.

Pursuant to the *Circular of the SAFE on Relevant Issues concerning Foreign Exchange Administration of Overseas Investment and Financing and Round-tripping Investments Conducted by Domestic Residents through Overseas Special Purpose Vehicles* (《國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》), or the Circular 37, which was promulgated by the SAFE and became effective on 4 July 2014, a PRC resident shall register with the local SAFE branch before he or she contributes the legitimate assets or equity interests in domestic enterprises or the legitimate offshore assets or equity interests to an overseas special purpose vehicle, or the Overseas SPV, that is directly established or controlled by the PRC resident for the purpose of conducting investment or financing. Following the initial registration, if there is any change in the basic information of the Overseas SPV, such as the PRC resident individual shareholder, name, term of business, or a significant change such as increase or reduction of capital contribution, equity transfer or exchange by the PRC resident individual, merger or division, foreign exchange registration change formalities shall be promptly completed with the foreign exchange bureau. Pursuant to the *Circular of the SAFE on Further Simplifying and Improving the Direct Investment Related Foreign Exchange Administration Policies* (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》), or the Circular 13, which was promulgated on 13 February 2015, coming effective on 1 June 2015 and partially abolished on 30 December 2019, the above mentioned registration will be handled directly by the bank that has obtained the financial institution identification codes promulgated by the foreign exchange regulatory authorities and has opened the capital account information system at the foreign exchange regulatory authorities in the place where it is located and the foreign exchange regulatory authorities shall perform indirect regulation over the direct investment related foreign exchange registration via banks.

LAWS AND REGULATIONS RELATING TO ANTI-UNFAIR COMPETITION AND ANTI-MONEY LAUNDERING

Anti-unfair Competition

According to the *Anti-Unfair Competition Law of the PRC* (《中華人民共和國反不正當競爭法》), or the Anti-unfair Competition Law, which became effective on 1 December 1993, and last amended on 23 April 2019, unfair competition refers to that the operator disrupts the market competition order and damages the legitimate rights and interests of other operators or consumers in violation of the provisions of the Anti-unfair Competition Law in the production and operating activities. Pursuant to the Anti-unfair Competition Law, operators shall abide by the principle of voluntariness, equality, impartiality, integrity and adhere to laws and business ethics during market transactions. Operators in violation of the Anti-unfair Competition Law shall bear corresponding civil, administrative or criminal liabilities depending on the specific circumstances.

Anti-Money Laundering

According to the *Anti-money Laundering Law of the PRC* (《中華人民共和國反洗錢法》), or the anti-money laundering law, which became effective on 1 January 2007, anti-money laundering referred to that the adoption of relevant measures stipulated in anti-money laundering law to prevent money laundering activities by various means to hide or conceal the source and nature of gains and other profits from drug offences, organised crime, terrorist activities, smuggling, corruption and bribery, disruption of financial order, financial fraud, etc. Any organisation or individual shall have the right to report any discovery of money laundering to the anti-money laundering administrative authorities or the public security department. The agency that accepts the report shall maintain in confidence the informant's identity and the contents of the report.

LAWS AND REGULATIONS RELATING TO PROFIT DISTRIBUTION

The principal law governing profit distributions by our PRC Subsidiaries is the PRC Company Law, while the profit distribution by wholly foreign-owned enterprises ("**WFOE**") is further governed by Foreign Investment Law and its implementation regulations. According to the above laws and regulations, Chinese companies (including foreign-owned enterprises) may only make distributions based on the accumulated profits calculated in accordance with PRC accounting principles.

In addition, in accordance with the PRC Company Law, when a company distributes their after-tax profits for a given year, they shall allocate 10% of after-tax its profits to their statutory common reserve. Companies shall no longer be required to make allocations to their statutory common reserve once the aggregate amount of such reserve exceeds 50% of their registered capital unless the provisions of laws regarding foreign investment otherwise provided. If a company's statutory common reserve is insufficient to make up its losses of the previous years, such losses shall be made up from the profit for the current year prior to making allocations to the statutory common reserve pursuant to the preceding paragraph. No cash distribution shall be made out of such statutory common reserve.

LAWS AND REGULATIONS RELATING TO LEASE OF PROPERTY

Pursuant to the *Administrative Measures for Commodity Housing Tenancy* (《商品房屋租賃管理辦法》) promulgated by the Ministry of Housing and Urban-Rural Development (住房和城鄉建設部) on 1 December 2010 and came into effect on 1 February 2011, the parties concerned to a housing tenancy shall go through the housing tenancy registration formalities with the competent construction (real-estate) departments of the municipalities directly under the Central Government, cities and counties where the housing is located within 30 days after the housing tenancy contract is signed. Where the content of the housing tenancy registration is altered, or the housing tenancy contract is renewed or terminated, the parties concerned shall, within 30 days, go through housing tenancy registration amendment, renewal or termination formalities at the department which originally registered the housing tenancy. The competent construction (real estate) department of the people's governments of the municipalities directly under the central government of the PRC, cities and counties shall urge those who do not register on time hereof to make corrections within a specified time limit, and shall impose a fine below RMB1,000 on individuals who fail to make corrections within the specified time limit, and a fine between RMB1,000 and RMB10,000 on institutions which fail to make corrections within the specified time limit.

LAWS AND REGULATIONS RELATING TO EMPLOYMENT AND SOCIAL SECURITIES

Employment

The major PRC laws and regulations that govern employment relationship are the *Labour Law of the PRC* (《中華人民共和國勞動法》), or the Labour Law, promulgated by the SCNPC on 5 July 1994, came into effect on 1 January 1995 and revised on 27 August 2009 and 29 December 2018, the *Labour Contract Law of the PRC* (《中華人民共和國勞動合同法》), or the Labour Contract Law, which was promulgated by the SCNPC on 29 June 2007 and became effective on 1 January 2008, and then amended on 28 December 2012, and the *Implementation Rules of the Labour Contract Law of the PRC* (《中華人民共和國勞動合同法實施條例》), which was promulgated by the State Council on 18 September 2008 and came into effect on the same day. According to the aforementioned laws and regulations, labour relationships between employers and employees must be executed in written form. The laws and regulations above impose stringent requirements on the employers in relation to entering into fixed-term employment contracts, hiring of temporary employees and dismissal of employees. As prescribed under the laws and regulations, employers shall ensure its employees have the right to rest and the right to receive wages no lower than the local minimum wages. Employers must establish a system for labour safety and sanitation that strictly abide by state standards and provide relevant education to its employees. Violations of the Labour Contract Law and the Labour Law may result in the imposition of fines and other administrative liabilities and/or incur criminal liabilities in the case of serious violations.

Social Securities

According to the *Social Insurance Law of PRC* (《中華人民共和國社會保險法》), which promulgated by the SCNPC on 28 October 2010 and came into effect on 1 July 2011 and was newly revised on 29 December 2018, enterprises and institutions in the PRC shall provide their employees with welfare schemes covering basic pension insurance, unemployment insurance, maternity insurance, work-related injury insurance and basic medical insurance. The employer shall apply to the local social insurance agency for social insurance registration within 30 days from the date of its formation. And it shall, within 30 days from the date of employment, apply to the social insurance agency for social insurance registration for the employee. Any employer who violates the regulations above shall be ordered to make correction within a prescribed time limit; if the employer fails to rectify within the time limit, the employer and its directly liable person will be fined. If the employer fails to pay social insurance contributions on time and in full, the social insurance agency shall place an order with the employer demanding full payment within a prescribed period, and an overdue payment fine at the rate of 0.5‰ shall be levied as at the date of due payment. When the payment is not made at the expiry of the prescribed period, a fine above the outstanding amount but less than its triple shall be demanded by the authoritative administrative department. Meanwhile, the *Interim Regulation on the Collection and Payment of Social Insurance Premiums* (《社會保險費徵繳暫行條例》) (promulgated by the State Council on 22 January 1999 and came into effect on the same day and was recently revised on 24 March 2019) prescribes the details concerning the social securities.

Apart from the general provisions about social insurance, specific provisions on various types of insurance are set out in the *Regulation on Work-Related Injury Insurance* (《工傷保險條例》) (promulgated by the State Council on 27 April 2003, came into effect on 1 January 2004 and revised on 20 December 2010), the *Regulations on Unemployment Insurance* (《失業保險條例》) (promulgated by the State Council on 22 January 1999 and came into effect on the same day), the *Trial Measures on Employee Maternity Insurance of Enterprises* (《企業職工生育保險試行辦法》) (promulgated by the Ministry of Labour on 14 December 1994 and came into effect on 1 January 1995). Enterprises subject to these regulations shall provide their employees with the corresponding insurance.

Housing Provident Fund

According to the *Regulation Concerning the Administration of Housing Provident Fund* (《住房公積金管理條例》), implemented since 3 April 1999 and amended on 24 March 2002 and 24 March 2019, any newly established entity shall make deposit registration at the housing accumulation fund management centre within 30 days from its establishment. After that, the entity shall open a housing accumulation fund account for its employees in an entrusted bank. Within 30 days from the date an employee is recruited, the entity shall make deposit registration at the housing accumulation fund management centre and seal up the employee's housing accumulation fund account in the bank mentioned above within 30 days from termination of the employment relationship.

Any entity that fails to make deposit registration of the housing accumulation fund or fails to open a housing accumulation fund account for its employees shall be ordered to complete the relevant procedures within a prescribed time limit. Any entity failing to complete the relevant procedure within the time limit will be fined RMB10,000 to RMB50,000. Any entity fails to make payment of housing provident fund within the time limit or has shortfall in payment of housing provident fund will be ordered to make the payment or make up the shortfall within the prescribed time limit, otherwise, the housing provident management centre is entitled to apply for compulsory enforcement with the People's Court.

LAWS AND REGULATIONS RELATING TO TAXATION

Enterprise Income Tax

The *Enterprise Income Tax Law of the PRC* (《中華人民共和國企業所得稅法》), or the EIT Law, promulgated by the NPC on 16 March 2007, came into effect on 1 January 2008 and amended on 24 February 2017 and 29 December 2018, as well as the *Implementation Rules of the EIT Law* (《中華人民共和國企業所得稅法實施條例》), or the EIT Implementation Rules, promulgated by the State Council on 6 December 2007, came into force on 1 January 2008 and amended on 23 April 2019, are the principal law and regulation governing enterprise income tax in the PRC. According to the EIT Law and the EIT Implementation Rules, enterprises are classified into resident enterprises and non-resident enterprises. Resident enterprises refer to enterprises that are legally established in the PRC, or are established under foreign laws but whose actual management bodies are located in the PRC. And non-resident enterprises refer to enterprises that are legally established under foreign laws and have set up institutions or sites in the PRC but with no actual management body in the PRC, or enterprises that have not set up institutions or sites in the PRC but have derived incomes from the PRC. A uniform income tax rate of 25% applies to all resident enterprises and non-resident enterprises that have set up institutions or sites in the PRC to the extent that such incomes are derived from their set-up institutions or sites in the PRC, or such income are obtained outside the PRC but have an actual connection with the set-up institutions or sites. Enterprise income tax for key advanced and new technology enterprises supported by the State shall be at a reduced tax rate of 15%. And non-resident enterprises that have not set up institutions or sites in the PRC or have set up institutions or sites but the incomes obtained by the said enterprises have no actual connection with the set-up institutions or sites, shall pay enterprise income tax at the rate of 10% in relation to their income sources from the PRC.

Value-Added Tax

The major PRC law and regulation governing value-added tax are the *Interim Regulations on Value-added Tax of the PRC* (《中華人民共和國增值稅暫行條例》) (promulgated on 13 December 1993 by the State Council, came into effect on 1 January 1994, and revised on 10 November 2008, 6 February 2016 and 19 November 2017), as well as the *Implementation Rules for the Interim Regulations on Value-Added Tax of the PRC* (《中華人民共和國增值稅暫行條例實施細則》) (promulgated on 25 December 1993 by the Ministry of Finance, or the MOF, came into effect on the same day and revised on 15 December 2008 and 28 October 2011), any entities and individuals engaged in the sale of goods, supply of processing, repair and replacement services, and import of goods within the territory of the PRC are taxpayers of VAT and shall pay the VAT in accordance with the law and regulation. Unless otherwise required, the rate of VAT shall be 17%. Any entities and individuals engaged in the sale of services and intangible assets shall be 6%, unless otherwise stipulated in the Regulations.

On 23 March 2016, the MOF and the State Administration of Taxation, or the SAT promulgated the *Notice of the Ministry of Finance and the State Administration of Taxation on Full Launch of the Pilot Scheme on Levying Value-added Tax in Place of Business Tax* (《財政部、國家稅務總局關於全面推開營業稅改徵增值稅試點的通知》), which is amended on 11 July 2017 and on 20 March 2019, under which the rate of VAT shall be (1) 11% for providing transportation, postal, basic telecommunication, construction services, leasing of immovables, sale of immovables and transfer of land use right; (2) 17% for providing leasing services of tangible movables; (3) zero for cross-border taxable acts of entities or individuals in China, and the specific scope shall be separately stipulated by the MOF and the SAT; and (4) 6% for the other items excluding above items, where a taxpayer conducts any taxable act.

With the VAT reforms in the PRC, the rate of VAT has been changed several times. The MOF and SAT promulgated the *Notice of the Ministry of Finance and the State Administration of Taxation on Adjusting VAT Rates* (《財政部、稅務總局關於調整增值稅稅率的通知》) on 4 April 2018 to adjust the tax rates of 17% and 11% applicable to any taxpayer's VAT taxable sale or import of goods to 16% and 10%, respectively, this adjustment became effect on 1 May 2018. Subsequently, the MOF, the SAT and the General Administration of Customs jointly promulgated the *Announcement of the Ministry of Finance, the State Taxation Administration and the General*

Administration of Customs on Relevant Policies for Deepening the VAT Reform (《財政部、國家稅務總局、海關總署關於深化增值稅改革有關政策的公告》) on 20 March 2019 to make a further adjustment that the tax rate of 16% applicable to the VAT taxable sale or import of goods shall be adjusted to 13%, and the tax rate of 10% applicable thereto shall be adjusted to 9%.

Stamp Duty

According to the *Provisional Regulations of the PRC on Stamp Duty* (《中華人民共和國印花稅暫行條例》) promulgated on 6 August 1988 and became effective on 1 October 1988 and revised on 8 January 2011 and the *Detailed Rules for Implementation of the Provisional Regulations of the People's Republic of China on Stamp Duty* (《中華人民共和國印花稅暫行條例施行細則》) promulgated on 29 September 1988, became effective on 1 October 1988 and was revised on 5 November 2004, all units and individuals which conclude or receive any of the following documents in the PRC shall pay stamp duty: documents issued for purchase and sale transactions, process contracting, construction project contracting, property leasing, commodity transportation, storage and custody of goods, loans, property insurance, technology contracts and other documents of a contractual nature; documents of transfer of property title; books of accounts for business; documentation of rights or licences; other documents determined by the MOF to be taxable. Pursuant to the Table of Items and Rates of Stamp Duty, stamp duty for purchase and sale contract and technology contract shall be paid at 0.03% of the purchase and sale amount and the contract amount, respectively; stamp duty for survey and design contract of construction project shall be paid at 0.05% of the charged amount; stamp duty for construction and installation contracting contract shall be paid at 0.03% of the contracting amount; stamp duty for loan contract shall be paid at 0.005% of the loan amount; and in respect of property transfer, the contracting parties shall pay stamp duty at 0.05% of the contract price of the property transferred; stamp duty for property leasing shall be paid at 0.1% of the lease amount while taxes less than one yuan shall be charged for one yuan.

The Provisional Regulations of the PRC on Stamp Duty has been repealed by the *Stamp Duty Law of the PRC* (《中華人民共和國印花稅法》), or the Stamp Duty Law, which is promulgated by the SCNPC on 10 June 2021 and comes into effect on 1 July 2022. According to the Table of Items and Rates of Stamp Duty attached to the Stamp Duty Law, stamp duty for purchase and sale contract shall be paid at 0.03% of the price, stamp duty for contracting contract shall be paid at 0.03% of the reward; and stamp duty for the transfer documents for trademark exclusive rights, work rights, patent rights, and proprietary technology use rights shall be paid at 0.03% of the contract price.

Urban Maintenance and Construction Tax as well as Education Surtax

In accordance with the *Provisional Provisions on the Collection of Educational Surtax* (《徵收教育費附加的暫行規定》), which was last amended on 8 January 2011, all entities and individuals who pay consumption tax, VAT and business tax shall also be required to pay educational surtax, except for entities paying additional charges for rural education pursuant to relevant regulations. The educational surtax rate is 3% of the amount of VAT, business tax and consumption tax actually paid by each entity or individual, and the educational surtax shall be paid simultaneously with VAT, business tax and consumption tax. In accordance with the *Urban Maintenance and Construction Tax Law of the PRC* (《中華人民共和國城市維護建設稅法》) which was promulgated on 11 August 2020 and came into effect on 1 September 2021, any entity or individual liable to consumption tax and VAT shall also be required to pay urban maintenance and construction tax. Payment of urban maintenance and construction tax shall be based on the consumption tax and VAT which a taxpayer actually pays and shall be made simultaneously when the latter are paid. The rates of urban maintenance and construction tax shall be 7%, 5% and 1% for a taxpayer in a city, in a county town or town and in a place other than a city, county town or town respectively.

Dividend Withholding Tax

The Enterprise Income Tax Law and its implementing regulations provide that since 1 January 2008, an income tax rate of 10% will normally be applicable to dividends declared to non-PRC resident investors that do not have an establishment or site in China, or that have such establishment or site but the relevant income is not effectively connected with the establishment or site, to the extent such dividends are derived from sources within China.

Pursuant to the *Arrangement Between the Mainland of 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* (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》), and other applicable PRC laws, if a Hong Kong resident enterprise is determined by the competent PRC tax authority to have met the relevant conditions and requirements under this arrangement and other applicable laws, the 10% withholding tax on the dividends the Hong Kong resident enterprise receives from a PRC resident enterprise may be reduced to 5%. However, based on the *Circular on Certain Issues with Respect to the Enforcement of Dividend Provisions in Tax Treaties* (《國家稅務總局關於執行稅收協定股息條款有關問題的通知》) promulgated on 20 February 2009, if the relevant PRC tax authorities determine, in their discretions, that a company benefits from such reduced income tax rate due to a structure or arrangement that is primarily tax-driven, such PRC tax authorities may adjust the preferential tax treatment. Pursuant to the *Circular on Several Questions regarding the "Beneficial Owner" in Tax Treaties* (《國家稅務總局關於稅收協定中"受益所有人"有關問題的公告》), which was promulgated on 3 February 2018 by the SAT and became effective on 1 April 2018, when determining the applicant's status as the "beneficial owner" regarding tax treatments in connection with dividends, interests, or royalties in the tax treaties, several factors, including, without limitation, whether the applicant is obligated to pay more than 50% of his or her or its income in twelve months to residents in third country or region, whether the business operated by the applicant constitutes the actual business activities, and whether the counter party country or region to the tax treaties does not levy any tax or grant any tax exemption on relevant incomes or levy tax at an extremely low rate, will be taken into account, and such factors will be analysed according to the actual circumstances of the specific cases. This circular further provides that an applicant who intends to prove his or her or its status as the "beneficial owner" must submit the relevant documents to the relevant tax bureau pursuant to the Announcement on Issuing the Measures for the *Administration of Non-Resident Taxpayers' Enjoyment of the Treatment under Tax Agreements* (《國家稅務總局關於發布〈非居民納稅人享受稅收協定待遇管理辦法〉的公告》) which has been repealed by the Announcement of the SAT on Issuing the Measures for the Administration of Non-resident Taxpayers' Enjoyment of the Treatment under Treaty (《國家稅務總局關於發佈〈非居民納稅人享受協定待遇管理辦法〉的公告》).

Tax on Indirect Transfer

On 3 February 2015, the SAT promulgated the *Circular on Issues of Enterprise Income Tax on Indirect Transfers of Assets by Non-PRC Resident Enterprises* (《國家稅務總局關於非居民企業間接轉讓財產企業所得稅若干問題的公告》), or SAT Circular 7, which was amended on 17 October 2017 and 29 December 2017. Pursuant to SAT Circular 7, an "indirect transfer" of assets, including equity interests in a PRC resident enterprise, by non-PRC resident enterprises, may be recharacterised and treated as a direct transfer of PRC taxable assets, if such arrangement does not have a reasonable commercial purpose and was established for the purpose of avoiding payment of PRC enterprise income tax. As a result, gains derived from such indirect transfer may be subject to PRC enterprise income tax. When determining whether there is a "reasonable commercial purpose" in the transaction arrangement, features to be taken into consideration include, inter alia, whether the main value of the equity interest of the relevant offshore enterprise derives directly or indirectly from PRC taxable assets; whether the assets of the relevant offshore enterprise mainly consists of direct or indirect investment in China or if its income is mainly derived from China; and whether the offshore enterprise and its subsidiaries directly or indirectly holding PRC taxable assets have a real commercial nature which is evidenced by their actual function and risk exposure. Pursuant to SAT Circular 7, where the payer fails to withhold any or sufficient tax, the transferor shall declare and pay such tax to the tax authority by itself within the statutory time limit. Late payment of applicable tax will subject the transferor to default interest. SAT Circular 7 does not apply to transactions of sale of shares by investors through a public stock exchange where such shares were acquired on a public stock exchange. On 17 October 2017, the SAT promulgated the *Circular on Issues of Source Withholding Regarding Non-PRC Resident Enterprise Income Tax* (《國家稅務總局關於非居民企業所得稅源泉扣繳有關問題的公告》), or SAT Circular 37, which was amended by the *Announcement of the State Administration of Taxation on Revising Certain Taxation Normative Documents* (《國家稅務總局關於修改部分稅收規範性文件的公告》) promulgated on 15 June 2018 by the SAT. SAT Circular 37 further elaborates the relevant implemental rules regarding the calculation, reporting, and payment obligations of the withholding tax by the non-resident enterprises.

HISTORY AND DEVELOPMENT

Overview

Our history could be traced back to 2014 when our founders, Ms. Zhang and Mr. Shan, founded Jilin Kaishun (吉林開順). Prior to co-founding our Group, Ms. Zhang and Mr. Shan were in the logistics services business and in the construction materials business. Leveraging on the business experiences, personal networks and contacts gained from their other business ventures, Ms. Zhang and Mr. Shan ventured into the non-biodegradable automobile plastic parts industry and established Jilin Kaishun in March 2014. At the time of establishment, Jilin Kaishun primarily manufactured and sold non-biodegradable automobile plastic parts. Around the same time, the PRC Government started to focus on addressing environmental issues in the PRC. In February 2014, the Standing Committee of Jilin Province People's Government (吉林省人民政府常委會) approved the policy of Prohibition of Production, Sale and Supply of Single-Use Non-Degradable Plastic Shopping Bags and Utensils in Jilin Province (吉林省禁止生產銷售和提供一次性不可降解塑料購物袋、塑料餐具規定), which took effect from 1 January 2015 and restricted the production and sale of non-degradable plastic bags and utensils and required shopping malls, shops and markets' organisers to monitor the implementation of the plastic ban. To comply with the provisions of these policies, Ms. Zhang and Mr. Shan realised that the automobile plastic parts that Jilin Kaishun was producing were non-biodegradable products and they saw the opportunities that were presented in industries to protect the environment and with the new direction from the PRC Government, they therefore started to venture into the biodegradable plastic product manufacturing industry and added manufacturing of biodegradable shopping bags into our Company's business scope in 2015. Their vision was to produce biodegradable plastic products and by doing so, to partake in this environmental protection initiative.

With Jilin Kaishun's business becoming more established and Ms. Zhang's and Mr. Shan's focusing their energy in managing and expanding Jilin Kaishun, they voluntarily wound-down their construction materials business through Kaishun Insulation Materials and through merger, the parcel of land and building (i.e. Lot 1) held by Kaishun Insulation Materials became owned by Jilin Kaishun in May 2016.

With the growth of our business and with a vision to further increase our production capacity, we leased a property with a gross floor area of approximately 19,055 sq.m. (i.e. Lot 2), which is in close proximity to Lot 1 to streamline our production and separate the production of our biodegradable plastic products and non-biodegradable plastic products, which commenced operation in October 2021.

Business Milestones

We set out below our major business milestones and achievements:

Year	Event
2014	Ms. Zhang and Mr. Shan co-founded Jilin Kaishun
	We commenced production of non-biodegradable automobile plastic parts in Changchun, Jilin Province, PRC
2015	We started to sell our biodegradable plastic shopping bags, which marked the commencement of our biodegradable plastics business
2017	Jilin Kaishun received the Certificate of Technology Small Giant Enterprise of Jilin Province (吉林省科技小巨人企業認定證書), which was awarded by Jilin Provincial Department of Science and Technology (吉林省科學技術廳), Jilin Provincial Department of Industry and Information Technology (吉林省工業和信息化廳) and Jilin Province Department of Finance (吉林省財政廳)
2018	Obtained the "High and New Technology Enterprise Certificate" and renewed the certificate in 2021
2019	The standard for biodegradable plastic shopping bags issued by the SAMR and the Standardisation Administration of the PRC (國家標準化管理委員會) "GB/T 38082-2019" that Jilin Kaishun had contributed to the discussion and its formulation
2020	Jilin Kaishun was recognised as "green factory" under the 2020 Second Batch Provincial Manufacturing Demonstration Projects (2020年度省級第二批綠色製造示範項目) by Jilin Provincial Department of Industry and Information Technology (吉林省工業和信息化廳)
2021	We leased Lot 2, which has a gross floor area of approximately 19,055 sq.m. in Jilin Province to expand our production capabilities of biodegradable plastic products
	Jilin Kaishun was recognised as the Provincial Certification Enterprise Technology Centre (省級企業技術中心) by Jilin Provincial Department of Industry and Information Technology (吉林省工業和信息化廳), Jilin Provincial Department of Science and Technology (吉林省科學技術廳), Jilin Province Department of Finance (吉林省財政廳), Changchun Customs District of PRC (中華人民共和國長春海關), Jilin Provincial Taxation Bureau of SAT (國家税務總局吉林省税務局) and JPDRC

CORPORATE DEVELOPMENT AND STRUCTURE

Our Company

Our Company was incorporated on 21 January 2022 as an exempted company with limited liability in the Cayman Islands. At the time of incorporation, the initial authorised share capital of our Company was HK$380,000 divided into 38,000,000 Shares having a par value of HK$0.01 each. On 21 January 2022, one subscriber Share of our Company was issued to the subscriber, credited as fully-paid, which was subsequently transferred to Lvsesenlin Technology on 1 February 2022.

On 23 May 2022, to reflect the shareholding structure of Jilin Kaishun upon completion of Pre-IPO Investments, as part of Reorganisation, our Company allotted and issued 470,470 Shares to Lvsetianye Technology, 186,447 Shares to Lvsesenlin Technology, 126,666 Shares to Daziran Technology, 120,000 Shares to CPEP Holdings, 59,444 Shares to Shenzhou Technology, 13,889 Shares to Languang Technology and 13,083 Shares to Tianxingjian Technology, at par value and credited as fully-paid. On 24 May 2022, our Company further allotted and issued 10,000 Shares at par credited as fully-paid to EP Technology as consideration of our Company's acquisition of the entire issued share capital of Lvshui Technology from EP Technology. Please refer to the paragraph headed "— Reorganisation — 3. Acquiring Jilin Kaishun — (ii) Offshore Issuance of Shares by our Company" below for details. Upon completion of the said share issuances on 24 May 2022, our Company was owned by Lvsetianye Technology as to 47.0470%, Lvsesenlin Technology as to 18.6448%, Daziran Technology as to 12.6666%, CPEP Holdings as to 12.0000%, Shenzhou Technology as to 5.9444%, Languang Technology as to 1.3889%, Tianxingjian Technology as to 1.3083% and EP Technology as to 1.0000%.

On 9 March 2023, the authorised share capital of our Company increased by HK$99,620,000 divided by the creation of 9,962,000,000 Shares with par value of HK$0.01 each, ranking *pari passu* in all respects with the then existing Shares. Immediately following such increase, the authorised capital of our Company was HK$100,000,000 divided into 10,000,000,000 Shares with par value of HK$0.01 each.

Our Operating Subsidiaries

Our Group has two operating subsidiaries in the PRC, namely, Jilin Kaishun (吉林開順) and Yizheng Juxinyuan (儀徵聚鑫源), during the Track Record Period. The following table sets out the principal business activities, and the date and place of establishment of Jilin Kaishun (including its branch company) and Yizheng Juxinyuan:

Name of subsidiary	Date of establishment	Place of establishment	Principal business activities
Jilin Kaishun	7 March 2014	PRC	Development and manufacture of biodegradable plastic products and non-biodegradable automobile plastic parts
Jilin Kaishun (branch company).	19 October 2021	PRC	As at the Latest Practicable Date, Jilin Kaishun (branch company) did not commence any substantive operation and was intended to carry out sales of our plastic products in the future
Yizheng Juxinyuan	28 February 2017	PRC	Trading of our Group's biodegradable packaging materials

Jilin Kaishun (吉林開順)

At the time of establishment on 7 March 2014, the registered capital of Jilin Kaishun was RMB10,000,000, which was owned as to 60% by Ms. Zhang and 40% by Mr. Shan. As at the Latest Practicable Date, the registered capital of Jilin Kaishun was RMB77,623,941.71 and was fully paid-up.

Since the establishment of Jilin Kaishun and before the commencement of the Reorganisation, the changes to the registered capital and shareholding of Jilin Kaishun were as follows:

Date[(1)]	Nature of change	Amount of change of registered capital/equity interests	Total registered capital after change	Interest after the change in registered capital/equity interest	Status of payment
7 March 2014. . . .	Upon establishment	—	RMB10,000,000	1. 60% by Ms. Zhang 2. 40% by Mr. Shan	Fully-paid as at 11 April 2017
31 March 2016 . . .	Investment by Previous Investors[(2)]	Increase of RMB1,740,000 to be contributed by Jilin Innovative Investment	RMB11,740,000	1. 51.11% by Ms. Zhang 2. 34.07% by Mr. Shan 3. 14.82% by Jilin Innovative Investment	Registered capital of RMB1,740,000, being part of the consideration of RMB2,000,000, was fully-paid by Jilin Innovative Investment on 10 March 2016
29 March 2017 . . .	Registered capital increase	Increase of RMB32,000,000 (RMB18,000,000 to be contributed by Ms. Zhang, RMB14,000,000 to be contributed by Mr. Shan)	RMB43,740,000	1. 54.87% by Ms. Zhang 2. 41.15% by Mr. Shan 3. 3.98% by Jilin Innovative Investment	Fully-paid as at 11 April 2017
12 April 2017. . . .	Registered capital increase	Increase of RMB11,000,000 (RMB4,000,000 to be contributed by Ms. Zhang, RMB7,000,000 to be contributed by Mr. Shan)	RMB54,740,000	1. 51.15% by Ms. Zhang 2. 45.67% by Mr. Shan 3. 3.18% by Jilin Innovative Investment	Fully-paid as at 11 April 2017
28 April 2017. . . .	Investment by Previous Investors[(2)]	Increase of RMB4,310,000 to be contributed by Jilin Technology Fund	RMB59,050,000	1. 47.42% by Ms. Zhang 2. 42.34% by Mr. Shan 3. 7.30% by Jilin Technology Fund 4. 2.94% by Jilin Innovative Investment	Registered capital of RMB4,310,000, being part of the consideration of RMB5,000,000, was fully-paid by Jilin Technology Fund on 12 April 2017
30 January 2018 . .	Investment by Previous Investors[(2)]	Increase of RMB4,310,000 to be contributed by Jilin Technology Fund	RMB63,360,000	1. 44.20% by Ms. Zhang 2. 39.45% by Mr. Shan 3. 13.60% by Jilin Technology Fund 4. 2.75% by Jilin Innovative Investment	Registered capital of RMB4,310,000, being part of the consideration of RMB5,000,000, was fully-paid by Jilin Technology Fund on 25 January 2018
2 September 2020 . .	Investment by Previous Investors[(2)]	Increase of RMB6,779,700 to be contributed by Jilin Innovative Investment	RMB70,139,700	1. 39.92% by Ms. Zhang 2. 35.64% by Mr. Shan 3. 12.29% by Jilin Technology Fund 4. 12.15% by Jilin Innovative Investment	Registered capital of RMB6,779,700, being part of the consideration of RMB8,000,000, was fully-paid by Jilin Innovative Investment on 1 September 2020

Date[1]	Nature of change	Amount of change of registered capital/equity interests	Total registered capital after change	Interest after the change in registered capital/equity interest	Status of payment
13 October 2021 . .	Transfer of equity interest by the Previous Investors[2]	1. Jilin Innovative Investment's 12.15% equity interest to be transferred to Ms. Zhang 2. Jilin Technology Fund's 12.29% equity interest to be transferred to Mr. Shan	No change	1. 52.07% by Ms. Zhang 2. 47.93% by Mr. Shan	1. Consideration of RMB 11,347,800 for the transfer of 12.15% equity interest held by Jilin Innovative Investment was fully-paid by Ms. Zhang to Jilin Innovative Investment on 17 December 2021 2. Consideration of RMB13,137,500 for the transfer of 12.29% equity interest held by Jilin Technology Fund was fully-paid by Mr. Shan to Jilin Technology Fund on 25 August 2021
30 December 2021 . .	Pre-IPO Investments[3]	Increase of RMB7,484,241.71, of which: 1. Mr. Chen Guobin (陳國斌) to contribute RMB4,614,312.09 2. Mr. Li to contribute RMB1,078,110.30 3. Mr. Lu Changdong (盧昌東) to contribute RMB1,015,579.90 4. Green Environmental HK to contribute RMB776,239.42	RMB77,623,941.71	1. 47.0470% by Ms. Zhang 2. 43.3114% by Mr. Shan 3. 5.9444% by Mr. Chen Guobin 4. 1.3889% by Mr. Li 5. 1.3083% by Mr. Lu Changdong 6. 1.0000% by Green Environmental HK	1. Registered capital of RMB4,614,312.09, being part of the consideration of RMB21,400,000 from Mr. Chen Guobin, was fully-paid on 15 December 2021 2. Registered capital of RMB1,078,110.30, being part of the consideration of RMB5,000,000 from Mr. Li, was fully-paid on 3 November 2021 3. Registered capital of RMB1,015,579.90, being part of the consideration of RMB4,710,000 from Mr. Lu Changdong, was fully-paid on 10 December 2021 4. Registered capital of RMB776,239.42, being part of the consideration of RMB3,600,000 from Green Environmental HK, was fully-paid on 18 February 2022

Notes:

1. Dates in this table represent the registration dates of the registered capital changes in Jilin Kaishun with the relevant Market Regulation Administration.

2. For details of background of the Previous Investors, namely, Jilin Innovative Investment and Jilin Technology Fund, please refer to the paragraph headed "— Pre-IPO Investments — Previous Investors' Investments in Jilin Kaishun" below.

3. Save for Mr. Li (being an executive Director), each of the Pre-IPO Investors, namely, Mr. Chen Guobin, Mr. Lu Changdong and Mr. Zhang Zhifang (investing through Green Environmental HK) is an Independent Third Party. For details of the background of Mr. Li, Mr. Chen Guobin, Mr. Lu Changdong, Mr. Zhang Zhifang and Green Environmental HK, please refer to the paragraph headed "— Pre-IPO Investments —Pre-IPO Investments from the Pre-IPO Investors" below.

As part of our Reorganisation, Jilin Kaishun became an indirect subsidiary of our Company. Please refer to the paragraph headed "Reorganisation" below for details.

Yizheng Juxinyuan (儀徵聚鑫源)

At the time of the establishment on 28 February 2017, the registered capital of Yizheng Juxinyuan was RMB10,000,000 which was owned as to 80% by Mr. Shan and 20% Mr. Li Peng (李鵬), our executive Director. Yizheng Juxinyuan is primarily engaged in trading of our Group's biodegradable packaging materials in Jiangsu Province. As at the Latest Practicable Date, the registered capital of Yizheng Juxinyuan was fully-paid. During the Track Record Period, Yizheng Juxinyuan was principally engaged in the trading of biodegradable packaging materials.

As part of our Reorganisation, Yizheng Juxinyuan became a direct wholly-owned subsidiary of Jilin Kaishun and an indirect subsidiary of our Company. Please refer to the paragraph headed "Reorganisation" below for details.

PRE-IPO INVESTMENTS

Our pre-IPO investments can broadly be divided into two categories. The first category being pre-IPO investments from the Previous Investors, namely, Jilin Innovative Investment and Jilin Technology Fund. The Previous Investors exited their investments in Jilin Kaishun in October 2021. The second category being the existing Pre-IPO Investments.

Previous Investors' Investments in Jilin Kaishun

We set out below the investments and the exits of the investments by the Previous Investors.

1. First tranche of investment from Jilin Innovative Investment

On 9 June 2015, pursuant to the JII Investment Agreement No. 1, which was entered into between Jilin Kaishun as the target company, Ms. Zhang as the controlling shareholder, Mr. Shan as a founding shareholder, and Jilin Innovative Investment as the investor, Jilin Innovative Investment agreed to acquire 14.82% of Jilin Kaishun for a total consideration of RMB2,000,000, of which, RMB1,740,000 would be used to increase the registered capital of Jilin Kaishun and the balance of RMB260,000 would be recorded as capital reserve. The consideration was determined on an arm's length basis between the parties with reference to the amount of the registered capital of RMB10,000,000 at the time of the JII Investment Agreement No. 1. The consideration was fully paid on 10 March 2016.

2. *First tranche of investment from Jilin Technology Fund*

On 10 April 2017, pursuant to the JTF Investment Agreement No. 1, which was entered into between Jilin Kaishun as the target company, Ms. Zhang, Mr. Shan and Jilin Innovative Investment as the shareholders and Jilin Technology Fund as the investor, Jilin Technology Fund agreed to acquire 7.30% in Jilin Kaishun for a consideration of RMB5,000,000, of which, RMB4,310,000 would be used to increase the registered capital of Jilin Kaishun and the balance of RMB690,000 would be recorded as capital reserve. The consideration was determined on an arm's length basis between the parties with reference to the amount of the registered capital of RMB54,740,000 at the time of the JTF Investment Agreement No. 1. The consideration was fully paid on 12 April 2017.

3. *Second tranche of investment from Jilin Technology Fund*

On 26 January 2018, pursuant to the JTF Investment Agreement No. 2, which was entered into between Jilin Kaishun as the target company, Ms. Zhang, Mr. Shan and Jilin Innovative Investment as the shareholders and Jilin Technology Fund as the investor, Jilin Technology Fund agreed to further acquire equity interest in Jilin Kaishun for a consideration of RMB5,000,000, of which, RMB4,310,000 would be used to increase the registered capital of Jilin Kaishun and the balance of RMB690,000 would be recorded as capital reserve. The consideration was determined on an arm's length basis between the parties with reference to the amount of the registered capital of RMB59,050,000 at the time of the JTF Investment Agreement No. 2. The consideration was fully paid on 25 January 2018.

4. *Second tranche of investment from Jilin Innovative Investment*

On 1 September 2020, pursuant to JII Investment Agreement No. 2, which was entered into between Jilin Kaishun as the target company, Ms. Zhang, Mr. Shan and Jilin Technology Fund as shareholders, and Jilin Innovative Investment as the investor, Jilin Innovative Investment agreed to further acquire equity interest in Jilin Kaishun for a consideration of RMB8,000,000, of which, RMB6,779,700 would be used to increase the registered capital of Jilin Kaishun and the balance of RMB1,220,300 would be recorded as capital reserve. The consideration was determined on an arm's length basis between the parties with reference to the amount of the registered capital of RMB63,360,000 at the time of the JII Investment Agreement No. 2. The consideration was fully paid on 1 September 2020.

5. *Exit of Investments by Jilin Innovative Investment and Jilin Technology Fund*

Pursuant to the JII Exit Agreements, Ms. Zhang agreed to acquire and Jilin Innovative Investment agreed to sell its 12.15% equity interest in Jilin Kaishun to Ms. Zhang at a total consideration of RMB11,347,800. The consideration was determined with reference to the total investment made by Jilin Innovative Investment of RMB10,000,000 plus an agreed return and disbursements as at 18 August 2021 of RMB1,347,800 through arm's length negotiation, which was fully settled on 17 December 2021.

Pursuant to the JTF Exit Agreements, Jilin Technology Fund as seller agreed to sell its entire interest in Jilin Kaishun and Mr. Shan as buyer agreed to buy at a total consideration of RMB13,137,500, which was determined with reference to the total investment made by Jilin Technology Fund plus an agreed return, determined through arm's length negotiation, which was fully settled on 25 August 2021.

Upon completion of the exit of investments by the Previous Investors, the Previous Investors were no longer interested in any equity interest in Jilin Kaishun and all the special rights mentioned below were no longer in effect.

6. Principal terms of the investments by the Previous Investors

We set out below the principal terms of the investments by the Previous Investors:

	Jilin Innovative Investment	Jilin Technology Fund
Background	Jilin Innovative Investment is a company ultimately controlled by Jilin Province Department of Finance* (吉林省財政廳) with a focus to assist the growth of small and medium enterprises. Other than the interest of Jilin Innovative Investment in Jilin Kaishun, Jilin Innovative Investment and its beneficial owners are Independent Third Parties. Around 2015, Mr. Shan applied for Jilin Kaishun to take part in a project with JPDRC, and came to know that Jilin Innovative Investment may have funding for start-ups in the environmental related businesses. Based on the best knowledge, information and belief of our Directors, Jilin Innovative Investment was interested to invest in the biodegradable plastic materials industry in the PRC, it therefore decided to invest in Jilin Kaishun.	Jilin Technology Fund is a company which is indirectly wholly owned by Jilin Province Department of Finance* (吉林省財政廳). Jilin Technology Fund is principally engaged in investment with a focus on transformation projects of high-tech achievements with independent intellectual property rights, mature technology, high growth potential and capable of driving industrial technological progress. Other than the interest of Jilin Technology Fund in Jilin Kaishun, Jilin Technology Fund and its beneficial owners are Independent Third Parties. Around 2017, Mr. Shan came to know through JPDRC that Jilin Technology Fund may have funding for companies in the environmental related businesses. Based on the best knowledge, information and belief of our Directors, Jilin Technology Fund considered Jilin Kaishun's business in line with its investment areas and it was interested to invest in the biodegradable plastic material, it therefore decided to invest in Jilin Kaishun.
Date of investment agreement	First tranche: 9 June 2015 Second tranche: 1 September 2020	First tranche: 10 April 2017 Second tranche: 26 January 2018

	Jilin Innovative Investment		Jilin Technology Fund	
Investment agreements :	First tranche:	JII Investment Agreement No. 1	First tranche:	JTF Investment Agreement No. 1
	Second tranche:	JII Investment Agreement No. 2	Second tranche:	JTF Investment Agreement No. 2
Amount of consideration paid :	First tranche:	RMB2,000,000	First tranche:	RMB5,000,000
	Second tranche:	RMB8,000,000	Second tranche:	RMB5,000,000
	Total	RMB10,000,000	Total	RMB10,000,000
Amount credited for increase in registered capital :	First tranche:	RMB1,740,000	First tranche:	RMB4,310,000
	Second tranche:	RMB6,779,700	Second tranche:	RMB4,310,000
	Total:	RMB8,519,700	Total:	RMB8,620,000
Payment date of consideration :	First tranche:	10 March 2016	First tranche:	12 April 2017
	Second tranche:	1 September 2020	Second tranche:	25 January 2018
Cost per Share paid :	Not applicable. See note 1 below.		Not applicable. See note 1 below.	
Discount to IPO price :	Not applicable. See note 1 below.		Not applicable. See note 1 below.	
Use of proceeds :	First tranche:	General working capital purpose	First tranche:	General working capital purpose
	Second tranche:	General working capital purpose	Second tranche:	General working capital purpose
Strategic benefits :	Obtaining capital for development and expansion of Jilin Kaishun's business		Obtaining capital for development and expansion of Jilin Kaishun's business	
Shareholding in our Company upon the Listing :	Not applicable. See note 1 below.		Not applicable. See note 1 below.	
Special rights				
Repurchase rights :	After the third year anniversary, the controlling shareholder of Jilin Kaishun may repurchase the equity interest in Jilin Kaishun, and the repurchase price shall be negotiated among the parties.		After Jilin Technology Fund completed the investment and after the third year anniversary, Ms. Zhang and Mr. Shan as the original shareholders had the right to repurchase the equity interest in Jilin Kaishun, and the repurchase price shall be negotiated among the parties.	
	If the controlling shareholder declined to repurchase the interests, Jilin Innovative Investment may sell the shares to third parties.		If the original shareholders declined to repurchase the interests, Jilin Technology Fund may sell the shares to third parties.	

		Jilin Innovative Investment	Jilin Technology Fund
Others	:	Jilin Innovative Investment had other special rights, including but not limited to restriction in introducing new investor/new investment, restriction in transfer and right to appoint a director.	Jilin Technology Fund had other special rights, including but not limited to information rights, restriction in introducing new investor/new investment, and right to appoint a director and a supervisor.
Divestment agreements . .	:	JII Exit Agreements	JTF Exit Agreements
Consideration for divestment	:	RMB11,347,800	RMB13,137,500
Dividends received	:	RMB16,640,562.48	RMB16,832,305.58
Return on investment Including dividends[(2)] . .	:	179.88%	199.70%
Annualised[(3)]*:*	:	20.85%	29.39%
Reason for divestment . . .	:	In 2021, with our plan for the Listing on the Stock Exchange and considering the procedures and time required for Jilin Innovative Investment (being ultimately controlled by Jilin Province Department of Finance*) to obtain the required internal approval for our Listing in Hong Kong, Jilin Innovative Investment decided to exit the investment and transfer its entire interest in Jilin Kaishun to Ms. Zhang.	In 2021, with our plan for the Listing on Stock Exchange and considering the procedures and time required for Jilin Technology Fund (being ultimately controlled by Jilin Province Department of Finance*) to obtain the required internal approval for our Listing in Hong Kong, Jilin Technology Fund decided to exit the investment and transfer its entire interest in Jilin Kaishun to Mr. Shan.

Notes:

(1) Each of Jilin Innovative Investment and Jilin Technology Fund does not own any shares in our Company prior to Reorganisation and no longer has any interest in our Group.

(2) The return on investment is calculated based on the sum of all returns received by the Previous Investor (including the consideration received and dividends) over the amount of investment made.

(3) The annualised return on investment is calculated by dividing the return on investment (including dividends) by the number of years (being 365 days divided by number of days being a shareholder) that the Previous Investor held its interest in Jilin Kaishun.

Pre-IPO Investments from the Pre-IPO Investors

1. Overview

On 2 November 2021, Mr. Chen Guobin, Mr. Li, Mr. Lu Changdong and Green Environmental HK as the investors, and Ms. Zhang and Mr. Shan as the shareholders entered into the Pre-IPO Equity Increase Agreement pursuant to which, the investors agreed to invest a total of RMB34,710,000 by increasing the registered capital of Jilin Kaishun by RMB7,484,241.71 from RMB70,139,700 to RMB77,623,941.71.

2. *Principal Terms of the Pre-IPO Investments*

We set out below the principal terms of the Pre-IPO Equity Increase Agreement dated 2 November 2021:

	Mr. Chen Guobin	Mr. Li	Mr. Lu Changdong	Mr. Zhang Zhifang
Background . . . . :	Mr. Chen Guobin is a friend of Mr. Shan and an Independent Third Party. Mr. Chen has more than five years of experience in corporate management and investment consulting in financial services sector. From June 2014 to September 2015, Mr. Chen served as a business manager of Harbin Fengniao Investment Consulting Co., Ltd* (哈爾濱蜂鳥投資諮詢有限公司), which is principally engaged in corporate management. From September 2015 to December 2018, Mr. Chen served as a vice general manager of Shenzhen City Financing and Crediting Financial Service Co., Ltd* (深圳市融信合金融服務有限責任公司) ("**Shenzhen FCFS**"), which is principally engaged in corporate consulting in financial service. In December 2018, Mr. Chen served as the chief consultant of Shenzhen City Hongsheng Easy-Loan Development Co., Ltd* (深圳市鴻盛易貸發展有限公司), which is principally engaged in provision of corporate consulting and small loan services. In 2020, he also invested in Shenzhen FCFS and held its 30% interest and he ceased to hold any interest in Shenzhen FCFS in early 2021. Prior to June 2014, Mr. Chen worked for about six years with Harbin Nangang District Jinqiao Logistics Centre* (哈爾濱南崗區金橋物流中心), which principally engaged in the provision of logistics services, particularly in the consolidation and distribution of cargos and courier parcels. During this period, Mr. Chen established relationships with a number of businesses in Northeastern China. In early 2021, Mr. Chen Guobin, through Mr. Shan, came to know of the potential Pre-IPO Investments opportunity. Mr. Chen considers that the growing logistics services industry, in particular where e-commerce transactions are increasing in recent years in the PRC, will trigger an increase in demand for transportation packaging materials. With the PRC national and provincial policies restricting or limiting the use of non-biodegradable plastic bags or packaging materials, Mr. Chen Guobin believes it is likely that biodegradable packaging materials will be a trend in the future. Mr. Chen therefore is confident in the growth potential and prospects of the environmental friendly materials industry in the PRC, and is optimistic about the potential business growth of our Group and decided to participate in the Pre-IPO Investments.	Mr. Li is a friend of Mr. Shan for over 20 years and is one of our executive Directors. See "Directors and Senior Management" of this prospectus for details of Mr. Li's biography. Mr. Li first became acquainted with Mr. Shan when he worked at Shenyang Military Region Insurance Service Centre (瀋陽軍區保險服務中心) in 1995. In early 2021, Mr. Li, through Mr. Shan, came to know about the potential Pre-IPO Investments opportunity. Prior to joining our Group, Mr. Li worked as the administrative general manager of Jiamusi City Oriental Hospital Co., Ltd. (佳木斯市東方醫院有限責任公司) for over ten years. With Mr. Li's experience in the medical sector, and taking into consideration of the PRC national and provincial policies of restricting or limiting the use of non-biodegradable plastic bags or packaging materials, Mr. Li believes it will become a trend in the medical sector to increase the use of biodegradable medical packaging materials. Mr. Li is therefore confident in our potential business growth and decided to participate in the Pre-IPO Investments. Mr. Li also decided to join our Group as the vice president of the administrative department, which enables him to support Mr. Shan for development of our business, taking advantage of his 10 years of investment experience and almost 20 years of corporate management experience in different industries.	Mr. Lu Changdong is a friend of Mr. Shan and an Independent Third Party. Since 2013, Mr. Lu Changdong has founded two companies, including Shenzhen City Sibaite Technology Co., Ltd* (深圳市斯佰特科技有限公司), which is principally engaged in the production and R&D of electronics and intelligent products. He has around 10 years of experiences in corporate management and business operations, and in particular in Southern China and Shenzhen area. In early 2021, through Mr. Shan, Mr. Lu Changdong came to know of the potential Pre-IPO Investments opportunity. Mr. Lu believes that with the PRC national and provincial policies restricting or limiting the use of non-biodegradable plastic bags or packaging materials, it may become a trend in the electronic sector to use biodegradable packaging materials in the future. He is therefore confident in our potential business growth, and decided to participate in the Pre-IPO Investments.	Mr. Zhang Zhifang is a friend of Mr. Shan and an Independent Third Party. Mr. Zhang Zhifang has experiences in cross-border logistic industry. In January 2020, Mr. Zhang Zhifang incorporated Joint International Group Holding Limited (九州通國際集團控股有限公司) in Hong Kong, which is principally engaged in the provision of cross-border supply chain service, and has since served as its director and general manager. Mr. Zhang Zhifang is also the executive president of Hong Kong Cross-Border E-Commerce Association (香港跨境電商協會). In early 2021, Mr. Zhang Zhifang, through Mr. Shan, came to know about the potential Pre-IPO Investments opportunity. Mr. Zhang believes that taking into consideration of the PRC national and provincial policies of restricting or limiting the use of non-biodegradable plastic bags or packaging materials, it will be a trend in the future for the cross-border logistics industry to use biodegradable packaging materials. Mr. Zhang Zhifang is therefore confident in the growth potential and prospects of the biodegradable materials industry in the PRC, and is optimistic about the potential business growth of our Group, he therefore decided to participate in the Pre-IPO Investments by entering into the Pre-IPO Equity Increase Agreement through Green Environmental HK, which, at the time, was indirectly wholly owned by Mr. Zhang Zhifang.

	Mr. Chen Guobin	Mr. Li	Mr. Lu Changdong	Mr. Zhang Zhifang
Consideration, of which	RMB21,400,000.00	RMB5,000,000.00	RMB4,710,000.00	RMB3,600,000.00
– *Registered capital*	RMB4,614,312.09	RMB1,078,110.30	RMB1,015,579.90	RMB776,239.42
– *Capital reserve*	RMB16,785,687.91	RMB3,921,889.70	RMB3,694,420.10	RMB2,823,760.58
Basis of consideration[(1)]	Determined with reference to the fair value of Jilin Kaishun as at 31 December 2020 of approximately RMB377.5 million through arm's length negotiation among the parties.			
Consideration settlement date	15 December 2021	3 November 2021	10 December 2021	18 February 2022
Cost per Share paid[(2)]	HK$0.50			
Discount to IPO price[(1) (3)]	Approximately 58.6%			
Use of proceeds	For our general working capital purpose. As at the Latest Practicable Date, we have fully utilised the proceeds from the Pre-IPO Investments.			
Strategic benefits	Our Directors believe that the investment of Mr. Chen Guobin not only provides additional working capital for our Group's business operation but also provides us with potential business opportunities. Since Mr. Chen confirmed his interest in the Pre-IPO Investments, Mr. Chen introduced potential customers to us, including one of our supermarket customers in Harbin, the PRC. With Mr. Chen's connections and experience in the logistics industry in Northeastern China coupled with Mr. Chen successfully introducing a customer to us, our Directors believe that Mr. Chen will be able to continue to introduce new business opportunities to us going forward. This will create additional business opportunities for our Company, enlarge our customers base and increase our sales especially for the upcoming expansion of our Changchun Production Base.	Our Directors believe that since Mr. Li is an executive Director and vice president of our administrative department, with Mr. Li taking a personal stake in our Company, it will help motivate him to thrive for our success. Since Mr. Li joined our Group and also became a shareholder, Mr. Li introduced us to a potential pharmaceutical chain who we continued to work on for concluding our first sales as at the Latest Practicable Date. With Mr. Li's connections and experience in the medical industry in Northeastern China, our Directors believe that Mr. Li will be able to continue to introduce new business opportunities to us, in particular to introduce us to potential customers in the medical sector and for our biodegradable shopping bags for medical packaging use. This will create additional business opportunities for our Company, enlarge our customers base and potentially to increase our sales especially for the upcoming expansion of our Changchun Production Base.	Our Directors believe that leveraging on Mr. Lu Changdong's experience in corporate management and business operation, as well as his knowledge of the business and market environment in Southern China and Shenzhen, Mr. Lu Changdong may be beneficial to our expansion to Southern China and Shenzhen. In particular, after Mr. Lu invested in the Pre-IPO Investments and knew of our expansion plan, Mr. Lu assisted us to search for suitable property for our Huizhou Production Base. Mr. Lu introduced us to our landlord for our leased property of our Huizhou Production Base.	Our Directors believe that Mr. Zhang Zhifang's knowledge and business network developed through his Hong Kong and mainland cross-border logistic working experiences can help us expand our customers bases and introduce us to sales opportunities for our products, particularly stretch wraps for the logistic industry and for the products from our new Huizhou Production Base. With Mr. Zhang's cross-border logistics experience, Mr. Zhang's connections may be useful for us if we decide to further expand our business to other geographical regions in the future. As at the Latest Practicable Date, we have no other expansion plan other than those disclosed in this prospectus.
Shareholding in our Company upon the Listing[(4)]	4.8150%	1.1250%	1.0597%	0.8100%
Lock-up period	Six months from the Listing Date			
Special rights	None			

Notes:

(1) We and the Pre-IPO Investors agreed to use financial of FY2020 as the basis of the valuation for the Pre-IPO Investments as (i) the negotiation commenced and the parties reached consensus in the first half of 2021; (ii) our latest financial year was FY2020 at the relevant time; and (iii) we and the Pre-IPO Investors agreed that the Pre-IPO Investments shall only take place after the completion of the divestment by the Previous Investors as such divestment would involve the distribution of dividends for distributable earnings up to 31 July 2021. Furthermore, during the negotiation of the Pre-IPO Investments, the negotiation of the consideration included (a) the Pre-IPO Investments would not include any special rights and the Pre-IPO Investors would only hold ordinary shares; (b) the Pre-IPO Investors would need to bear all risks of becoming a shareholder of a private and unlisted company; and (c) there is no certainty of whether and when the Listing would take place. Also, the negotiation at the material time did not take into consideration of the revenue and the net profit of Jilin Kaishun for FY2021, the Offer Price range and the discount to IPO price as such information were not available at the time.

(2) Converted from RMB based on the published HK$ to RMB exchange rate of HK$1:RMB0.898 on the Latest Practicable Date published by PBOC.

(3) The discount to Offer Price is calculated based on the Offer Price of HK$1.20 per share, being the mid-point of the indicative Offer Price range from HK$1.05 to HK$1.35 and that 190,000,000 Shares will be issued under the Global Offering (assuming none of the Over-Allotment Option and the options to be granted under the Share Option Scheme is exercised). As the discount was calculated based on the equivalent cost per Share paid converted from RMB (see note (2) above), the discount to IPO price would also be affected by the fluctuation of the exchange rate between RMB and HK$.

(4) Assuming none of the Over-allotment Option and options that may be granted under the Share Option Scheme is exercised.

3. Public Float

To the best knowledge, information and belief of our Directors, all the Pre-IPO Investors other than Mr. Li are Independent Third Parties of our Group. Mr. Li is an executive Director and therefore a connected person. As such, other than the Shares held by Mr. Li through Languang Technology will not be counted towards the public float, the Shares held by the Pre-IPO Investors will be counted towards the public float for the purpose of Rule 8.08 of the Listing Rules after the Global Offering.

4. Compliance with Interim Guidance and Guidance Letter

On the basis that (i) the consideration for the Pre-IPO Investments was settled more than 28 clear days before the date of our first submission of the listing application form to the Listing Division of the Stock Exchange in relation to the Listing; and (ii) no special rights granted to the Pre-IPO investors will survive after the Listing, the Sponsor has confirmed that the Pre-IPO Investments are in compliance with the Guidance Letter HKEx-GL29-12 issued by the Stock Exchange in January 2012 and as updated in March 2017, and the Guidance Letter HKEx-GL43-12 issued by the Stock Exchange in October 2012 and as updated in July 2013 and March 2017.

DISPOSAL OF JIBEI TECHNOLOGY AND JIYUAN BIOTECHNOLOGY BY OUR CONTROLLING SHAREHOLDERS

Jibei Technology

Background

From 14 September 2020 to 5 August 2021, Ms. Zhang and Mr. Shan was interested in Jibei Technology, which has not commenced any business operations save for holding a parcel of land, as to 30% and 70%, respectively. Ms. Zhang and Mr. Shan acquired Jibei Technology from an Independent Third Party as Jibei Technology held the land use rights of Lot 2 which was in close proximity to Lot 1 on Jing-Er Road, Kalun Industrial South Region, Jiutai Economy Development Zone, Changchun, Jilin province, the PRC. Ms. Zhang and Mr. Shan originally intended to eventually sell Lot 2 to Jilin Kaishun to expand its production capacity where its production base was located on Lot 1 at the time.

Disposal of Jibei Technology by Ms. Zhang and Mr. Shan

Shortly after the acquisition, Ms. Zhang and Mr. Shan considered the possibility of going for the Listing and commenced the discussion of investment exits with the Previous Investors. As part of the investment exit terms of the Previous Investors, Jilin Kaishun would need to declare and pay the distributable earnings of Jilin Kaishun up to 31 July 2021 to the then shareholders of Jilin Kaishun at the time so that the Previous Investors could realise the return of their investments. In early 2021, Jilin Kaishun also commenced discussions with the Pre-IPO Investors of the potential Pre-IPO investment in Jilin Kaishun, where the parties agreed that the Pre-IPO Investors would invest into Jilin Kaishun only after the Previous Investors have completed the exit of their investment. Jilin Kaishun declared the first tranche of the dividends in April 2021 of approximately RMB90.2 million, representing all distributable earnings up to 31 December 2020, and an addition of approximately RMB46.7 million representing all distributable earnings between 1 January 2021 and 31 July 2021.

Around June 2021, after Jilin Kaishun declared and paid the first trench of the dividends to the then shareholders (including the Previous Investors), Ms. Zhang and Mr. Shan explored whether it would be viable for Jilin Kaishun to acquire Jibei Technology and to develop Lot 2 for its new factory. Jibei Technology then obtained a preliminary quotation for the construction of the new factory, which would have cost at least RMB33.3 million. At the time, Jilin Kaishun would still need to declare the dividends for the distributable earnings between 1 January 2021 and 31 July 2021. It would be prudent for Jilin Kaishun to be conservative in its expenses to ensure sufficient working capital for its operations and expansion. Ms. Zhang and Mr. Shan also considered the time constraint whereby the construction would need to be commenced in

September 2020 and completed by September 2022 pursuant to supplemental agreement to the construction land use rights transfer agreement* (《國有建設用地使用權出讓合同》補充協議) entered into in September 2020 between Jibei Technology and Changchun City Jiutai District Natural Resources Bureau* (長春市九台區自然資源局). Furthermore, in accordance with Treatment of Idle Land Regulation* (《閒置土地處置辦法》), if the entity has not commenced construction within one year pursuant to the land use rights transfer agreement, the entity would need to pay an idle land penalty equivalent to 20% of the consideration of the land use rights; and if the construction has not commenced within two years, the authority can repossess the land without compensation. As such, Ms. Zhang and Mr. Shan explored for opportunities in selling Jibei Technology to a buyer who would be willing to invest in constructing the factory and commence the construction by September 2021 to avoid the idle land penalty and lease back to us.

Around the same time, Ms. Zhang and Mr. Shan learnt that Mr. Wang Hongda and Mr. Long Xianbin (the "**Jibei Purchasers**"), being Independent Third Parties, were interested in acquiring Lot 2 as the Jibei Purchasers believed that the value of Lot 2 would have great potential for capital appreciation, and they were looking for investment with stable return (such as rental income) during the material time. In or around June 2021, Ms. Zhang and Mr. Shan discussed with the Jibei Purchasers about their plan to construct a new factory on a parcel of land already held by them, and their lack of immediately available funding for such plan. The Jibei Purchasers indicated that they were open to leasing the factory to Jilin Kaishun after constructing the same if they could acquire Jibei Technology. In or around June 2021, the Jibei Purchasers agreed to (i) acquire the parcel of land (for RMB5.0 million), and (ii) construct a general-purpose and multi-story factory (for approximately RMB30.0 million) with an understanding that the market rent for such factory situated on Lot 2 would be around RMB2.0 million to RMB3.0 million (approximately 6.0% to 9.0% rent return per annum). Considering that Ms. Zhang and Mr. Shan had known Mr. Wang Hongda's father for a long time, and to the best of their knowledge, Mr. Wang Hongda's family is engaged in the infrastructure construction business in Jilin Province and Mr. Wang Hongda's father is a well known businessman locally, as such, Ms. Zhang and Mr. Shan are confident that the Jibei Purchasers can commence construction of the factory within the time limit and will have sufficient funds, or that Mr. Wang Hongda will be able to obtain financial support, from his family or otherwise, to complete construction of factory in Lot 2, and that Jilin Kaishun can lease Lot 2 from the Purchasers after the factory is built. Furthermore, the factory in Lot 2 is a general-purpose factory not tailor made to any specifications requested by Jilin Kaishun, and the Directors consider that whilst leasing the factory located at Lot 2 was the most logical and convenient choice given its proximity to Lot 1, there are also other available factory premises available for lease nearby should the plan to lease the factory located at Lot 2 fail to materialise. As such, Ms. Zhang and Mr. Shan decided to dispose of entire equity interests in Jibei Technology to the Jibei Purchasers. As at the date of disposal of Jibei Technology, Jibei Technology held the land use rights certificate of Lot 2 and had a temporary storage structure on Lot 2 but no other structure was built on Lot 2. The total consideration of the disposal of Jibei Technology by Ms.

Zhang and Mr. Shan was RMB5.0 million, which was determined with reference to the valuation of Lot 2, and the disposal was completed in August 2021. In order to maintain flexibility, the Jibei Purchasers only completed basic construction of the new factory building and did not do any interior work and finishing so that the factory building could be adapted to the requirements of any possible tenant. The Jibei Purchasers neither signed any lease agreement nor negotiated the rent with Ms. Zhang and Mr. Shan before the factory construction was almost completed. On 1 October 2021, Jibei Technology and Jilin Kaishun entered into a lease agreement, pursuant to which, Jibei Technology, and Jilin Kaishun agreed the usage and the rent of the factory on Lot 2 and the annual rent is fixed at RMB2.5 million (i.e., rental return approximately 7% per annum), which is within the desired range of return previously estimated by the Jibei Purchasers.

Provision of Guarantee and Pledges for Borrowings of Jilin Kaishun

During the Track Record Period when Jibei Technology was wholly-owned by Ms. Zhang and Mr. Shan, Jibei Technology provided the following guarantee and pledges for certain loan facilities and/or loans of Jilin Kaishun:

(i) a corporate guarantee for a revolving loan facility with a maximum of RMB30.0 million through entrusted loans arrangement provided by長春新投工業發展投資中心(有限合夥) (Changchun Xintou Industrial Development Investment Center (Limited Partnership)* between 15 December 2020 and 14 December 2023 (the "**Revolving Loan Facility**"); and

(ii) leasehold land and buildings held by Jibei Technology.

Furthermore, Ms. Zhang and Mr. Shan provided equity interest pledges of their interest held in Jibei Technology, representing the registered capital of RMB20.0 million.

During the Track Record Period, Jilin Kaishun drawn down two loans for a total of RMB7.0 million under the Revolving Loan Facility which were secured by the above guarantee and pledges. The said loans were fully repaid by November 2021. The corporate guarantee provided by Jibei Technology and the pledges of the leasehold land and buildings held by Jibei Technology were released upon the full repayment of the loans in November 2021. Ms. Zhang and Mr. Shan agreed with the Jibei Purchasers that considering (i) the loans were for a total of RMB7.0 million; (ii) the loans would be repaid shortly after the disposal of Jibei Technology; (iii) the loans were secured by other guarantees (including personal guarantees provided by the Controlling Shareholders and by Yizheng Juxinyuan), the corporate guarantee and the pledge of leasehold land and buildings provided by Jibei Technology were agreed to be released upon the repayment of the two loans. Therefore, the corporate guarantee and the pledge of leasehold land and buildings by Jibei Technology were not released prior to or at the time of disposal by Ms. Zhang and Mr. Shan in August 2021. As for the equity interest pledges of Jibei Technology, such pledge was released on 16 July 2021 to facilitate the disposal of Jibei Technology to the Jibei Purchasers by Ms. Zhang and Mr. Shan.

Financials and Legal Compliance of Jibei Technology

The table below sets out the unaudited financial information of Jibei Technology for the periods indicated:

	For the 12 months ended 31 August 2020(1)	For the eleven months ended 31 July 2021(2)
	RMB	*RMB*
Revenue	—	—
Profit/ (Loss) before tax	(53,000)	(52,000)
Net liabilities	(312,000)	(403,000)

Notes:

(1) The 12 months ended 31 August 2020 represented the 12-month period before Ms. Zhang and Mr. Shan acquired Jibei Technology.

(2) The eleven months ended 31 July 2021 represented the material time when Ms. Zhang and Mr. Shan owned Jibei Technology, during which Jibei Technology did not incur any capital expenditure for Lot 2.

To the best of the knowledge of our Directors upon making reasonable due diligence inquires, and as separately confirmed by Ms. Zhang and Mr. Shan, our Directors confirm that Jibei Technology did not have any material non-compliances, litigations or claims nor were exposed to any actual or contingent liabilities up to the date of disposal (being 6 August 2021).

Jiyuan Biotechnology

Background

Jiyuan Biotechnology was a company owned by Ms. Zhang and Mr. Shan between 23 September 2020 and 8 September 2021, which Ms. Zhang and Mr. Shan acquired from the parents of Ms. Zhang (i.e. parents-in-laws of Mr. Shan), who held Jiyuan Biotechnology between July 2018 and September 2020. Jiyuan Biotechnology was a company to support Ms. Zhang's parents to establish a trading business in raw materials for biodegradable products. As disclosed in "Relationship with our Controlling Shareholders — Financial Independence" in this prospectus, Jilin Kaishun advanced an aggregate of RMB24,553,000 during the Track Record Period to Jiyuan

Biotechnology to support Ms. Zhang's parents to establish a trading business in raw materials for biodegradable products, which did not materialise as expected. During the period when Ms. Zhang's parents held Jiyuan Biotechnology, Jiyuan Biotechnology generated minimal business and had only acquired one customer and for the sales of plastic bags rather the raw materials for biodegradable products. Mr. Shan also registered nine patents under Jiyuan Biotechnology as support of Jiyuan Biotechnology's business. Therefore, in September 2020, considering Jiyuan Biotechnology owed Jilin Kaishun an aggregate of approximately RMB24,553,000, Ms. Zhang and Mr. Shan took over Jiyuan Biotechnology by acquiring its entire equity interests in September 2020. During the time when Ms. Zhang and Mr. Shan held Jiyuan Biotechnology, no business was carried out through Jiyuan Biotechnology.

Financials and Legal Compliance of Jiyuan Biotechnology

The table below sets out the unaudited financial information of Jiyuan Biotechnology for the years/period indicated:

	FY2018	**FY2019**	**FY2020**	**For the eight months ended 31 August 2021**
	RMB	*RMB*	*RMB*	*RMB*
Revenue	—	1,515,297*(note)*	—	—
Profit/(Loss) before tax	(3,606)	1,271,137	13,190	1,394
Net asset value	952,054	1,905,407	1,915,299	1,909,972

Note: The revenue generated was derived from the sales of plastic bags to a supermarket in Jilin province between July and October 2019 (during which the parents of Ms. Zhang (parents-in-law of Mr. Shan) held Jiyuan Biotechnology).

To the best of the knowledge of our Directors upon making reasonable due diligence inquires, and as separately confirmed by Ms. Zhang and Mr. Shan, our Directors confirm that Jiyuan Biotechnology did not have any material non-compliances, litigations or claims nor were exposed to any actual or contingent liabilities up to the date of disposal (being 9 September 2021).

Disposal of Jiyuan Biotechnology

During the time when Ms. Zhang and Mr. Shan held Jiyuan Biotechnology, no business was carried out through Jiyuan Biotechnology. With the preparation of the Listing and that Ms. Zhang and Mr. Shan were focusing on our business, Ms. Zhang and Mr. Shan decided to dispose of Jiyuan Biotechnology. Shortly before the disposal of Jiyuan Biotechnology, all of the outstanding amount due from Jiyuan Biotechnology was repaid to Jilin Kaishun in August 2021 and all patents held by Jiyuan Biotechnology were transferred to Jilin Kaishun. Ms. Zhang and Mr. Shan learnt that the Jibei Purchasers were interested in acquiring Jiyuan Biotechnology and agreed to dispose of Jiyuan Biotechnology along with Jibei Technology. The total consideration from the disposal of equity interests in Jiyuan Biotechnology was RMB2.0 million, which was determined with reference to the net asset value of Jiyuan Biotechnology at the time. The disposal was completed in September 2021. The net asset value of Jiyuan Biotechnology as at the 31 August 2021 was primarily the cash balance of RMB1,914,972, of which, RMB1,000,000 was from the paid-up registered capital. The remaining balance was primarily derived from the profit made in FY2019. At the time of disposal, the cash balance remained with Jiyuan Biotechnology. Hence, despite Jiyuan Biotechnology's patents were transferred to Jilin Kaishun, Ms. Zhang and Mr. Shan were able to sell Jiyuan Biotechnology at a consideration of RMB2.0 million to Jibei Purchasers.

Independence with Jibei Technology, Jiyuan Biotechnology and its shareholders

Save for the (i) lease entered into with Jibei Technology for the leased properties located at Lot 2; (ii) Ms. Zhang and Mr. Shan previously owned Jibei Technology between September 2020 and August 2021 and Jiyuan Biotechnology between September 2020 and September 2021; (iii) parents of Ms. Zhang (i.e. parents-in-law of Mr. Shan) previously owned Jiyuan Biotechnology between July 2018 and September 2020; (iv) Jiyuan Biotechnology previously held nine of our patents, which were transferred to our Group prior to Ms. Zhang and Mr. Shan disposed Jiyuan Biotechnology; and (v) Jibei Technology previously provided corporate guarantee and pledges to Changchun Xintou Industrial Development Investment Center (Limited Partnership) for Jilin Kaishun's loans, as at the Latest Practicable Date, there is no other past or present relationships (in particular, business, employment, family, financing or otherwise) between (i) Jibei Technology, Jiyuan Biotechnology and its shareholders (namely, the Jibei Purchasers), directors and associates; and (ii) the Group and its shareholders and directors and associates.

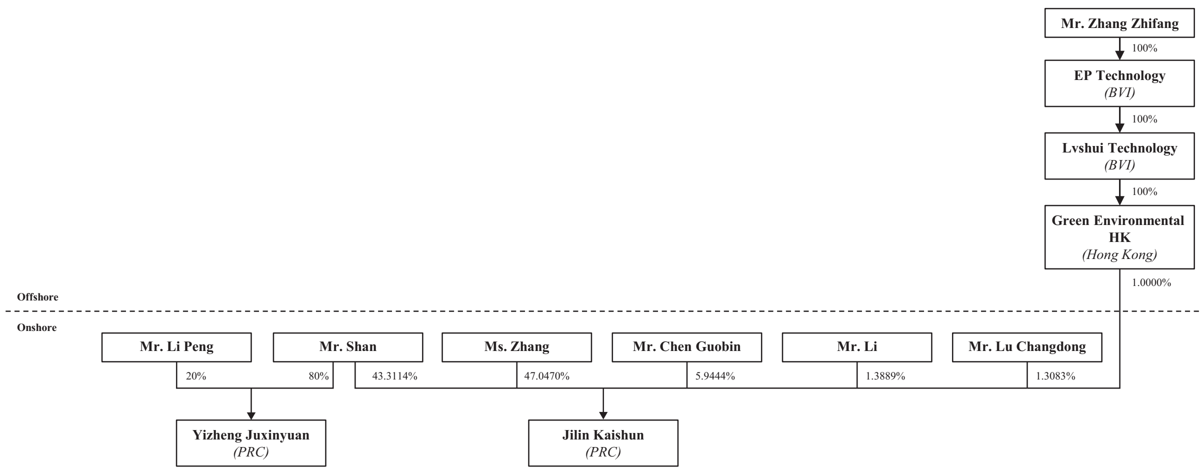
MAJOR ACQUISITIONS AND DISPOSALS

During the Track Record Period and up to the Latest Practicable Date, save as disclosed in the paragraph headed "— Reorganisation" below and conducted as part of the Reorganisation, we did not conduct any major acquisitions, disposals or mergers.

REORGANISATION

Group Structure Immediately Prior to the Reorganisation

The corporate chart below illustrates the shareholding structure of our Group immediately prior to the Reorganisation:



In preparation for the Global Offering, we underwent the following Reorganisation:

1. Incorporation of the Offshore Group Companies

(i) Incorporation of Our Company

Our Company was incorporated as part of the Reorganisation. Our Company was incorporated on 21 January 2022. Our Company has an authorised share capital of HK$380,000, which is divided into 38,000,000 Shares with par value of HK$0.01 each. On the same day, one Share was issued to the subscriber, credited as fully-paid. On 1 February 2022, the said subscriber Share was transferred to Lvsesenlin Technology. Upon completion of such transfer, our Company was wholly owned by Lvsesenlin Technology.

(ii) Incorporation of Tianshun International BVI

Tianshun International BVI was incorporated under the laws of the BVI with limited liability on 1 February 2022. Tianshun International BVI has an authorised share capital of US$50,000, which is divided into 50,000 shares with par value of US$1.00 each. On the same day, one share of Tianshun International BVI was allotted and issued to our Company, credited as fully-paid at par value.

(iii) Incorporation of Tianshun International HK

Tianshun International HK was incorporated as a limited company under the laws of Hong Kong on 1 March 2022 with one share allotted and issued to Tianshun International BVI at a nominal value of HK$1.00 per share, credited as fully-paid.

2. Establishment of Jilin Maisheng (吉林邁盛) and Changchun Guangke (長春廣科)

(i) Establishment of Jilin Maisheng

Jilin Maisheng was established under the laws of the PRC as a limited liability company on 15 April 2022 with a registered capital of RMB1,000,000, which was directly wholly owned by Tianshun International HK. As at the Latest Practicable Date, the registered capital of Jilin Maisheng was fully-paid.

(ii) Establishment of Changchun Guangke

Changchun Guangke was established under the laws of the PRC as a limited liability company on 17 April 2022 with a registered capital of RMB1,000,000, which was directly wholly owned by Jilin Maisheng. As at the Latest Practicable Date, the registered capital of Changchun Guangke was fully-paid.

3. Acquiring Jilin Kaishun

(i) Onshore Acquisition of Jilin Kaishun

Pursuant to the Guangke Capital Increase Agreement, Ms. Zhang, Mr. Shan, Mr. Chen Guobin, Mr. Li and Mr. Lu Changdong subscribed to an aggregate of 1% registered capital of RMB10,101.01 in Changchun Guangke and the consideration was satisfied by their respective interests in Jilin Kaishun to be transferred to Changchun Guangke. The consideration was determined with reference to their respective interests in Jilin Kaishun. Upon completion of the capital increase, the registered capital of Changchun Guangke is increased to RMB1,010,101.01 on 20 April 2022, which is owned by Jilin Maisheng as to 99.0000%, Ms. Zhang (our Controlling Shareholder, executive Director and the chair of our Board) as to 0.4752%, Mr. Shan (our Controlling Shareholder, executive Director and the chief executive officer of our Company) as to 0.4375%, Mr. Chen Guobin (a Pre-IPO Investor) as to 0.0601%, Mr. Li (the vice president of the administrative department of our Company and executive Director, and a Pre-IPO Investor) as to 0.0140% and Mr. Lu Changdong (a Pre-IPO Investor) as to 0.0132%. There is no special right granted to any of the shareholders of Changchun Guangke, namely, Jilin Maisheng, Ms. Zhang, Mr. Shan, Mr. Chen Guobin, Mr. Li and Mr. Lu Changdong, and all of the shareholders are interested only in the equity interest of Changchun Guangke. As such, there is no implication on our Group's control of the business, operation, assets and/or financial results of Changchun Guangke, Jilin Kaishun and Yizheng Juxinyuan that Ms. Zhang, Mr. Shan, Mr. Chen Guobin, Mr. Li and Mr. Lu Changdong held an aggregate 1.00% in Changchun Guangke.

The transfer of 99% equity interest of Jilin Kaishun from Ms. Zhang, Mr. Shan, Mr. Chen Guobin, Mr. Li and Mr. Lu Changdong to Changchun Guangke (being the settlement of the consideration of the capital increase in Changchun Guangke) was completed on 10 May 2022 and Jilin Kaishun became owned by Changchun Guangke as to 99% and Green Environmental HK as to 1%.

(ii) Offshore Issuance of Shares by our Company

To reflect the shareholding of Ms. Zhang, Mr. Shan, Mr. Chen Guobin, Mr. Li and Mr. Lu Changdong in our Company, on 23 May 2022, Ms. Zhang, Mr. Shan, Mr. Chen Guobin, Mr. Li and Mr. Lu Changdong subscribed to an aggregate of 989,999 Shares at par value, credited as fully-paid, through their respective companies in the BVI as follows:

Name	Shares subscribed by and issued to	Number of Shares subscribed	Consideration	Total Number of Shares after the subscription	Percentage of interest after the subscription
Ms. Zhang	Lvsetianye Technology	470,470	HK$4,704.70	470,470	47.5222%
Mr. Shan	Lvsesenlin Technology	186,447	HK$1,864.47	186,448	18.8331%
	Daziran Technology	126,666	HK$1,266.66	126,666	12.7945%
	CPEP Holdings	120,000	HK$1,200.00	120,000	12.1212%
Mr. Chen Guobin . . .	Shenzhou Technology	59,444	HK$594.44	59,444	6.0044%
Mr. Li.	Languang Technology	13,889	HK$138.89	13,889	1.4029%
Mr. Lu Changdong . .	Tianxingjian Technology	13,083	HK$130.83	13,083	1.3215%
	Total	989,999	HK$9,900	990,000	100.00%

The allotment and issue of Shares by our Company as set out in table above was completed on 23 May 2022.

4. Acquisition of Lvshui Technology by our Company

Pursuant to a sale and purchase agreement dated 23 May 2022 entered into between EP Technology as the seller and our Company as the purchaser, EP Technology agreed to sell and our Company agreed to purchase the entire issued share capital of Lvshui Technology (which wholly owned Green Environmental HK and was indirectly interested in 1.0000% of the equity interest in Jilin Kaishun) in consideration of our Company issuing 10,000 Shares to EP Technology, representing 1.0000% of our Company upon completion of the allotment and issuance of Shares. The consideration was with reference to Lvshui Technology's interest in Jilin Kaishun. The acquisition of Lvshui Technology by our Company and the allotment and issue of 10,000 Shares by our Company to EP Technology were completed on 24 May 2022, and Lvshui Technology became a wholly-owned subsidiary of our Company. The following table sets out our Shareholders and their respective shareholdings in our Company upon completion of the said transfer:

Name of Shareholder	Number of Shares	Percentage of interest (after issuance)
Lvsetianye Technology	470,470	47.0470%
Lvsesenlin Technology	186,448	18.6448%
Daziran Technology	126,666	12.6666%
CPEP Holdings	120,000	12.0000%
Shenzhou Technology	59,444	5.9444%
Languang Technology	13,889	1.3889%
Tianxingjian Technology	13,083	1.3083%
EP Technology	10,000	1.0000%
Total	**1,000,000**	**100.00%**

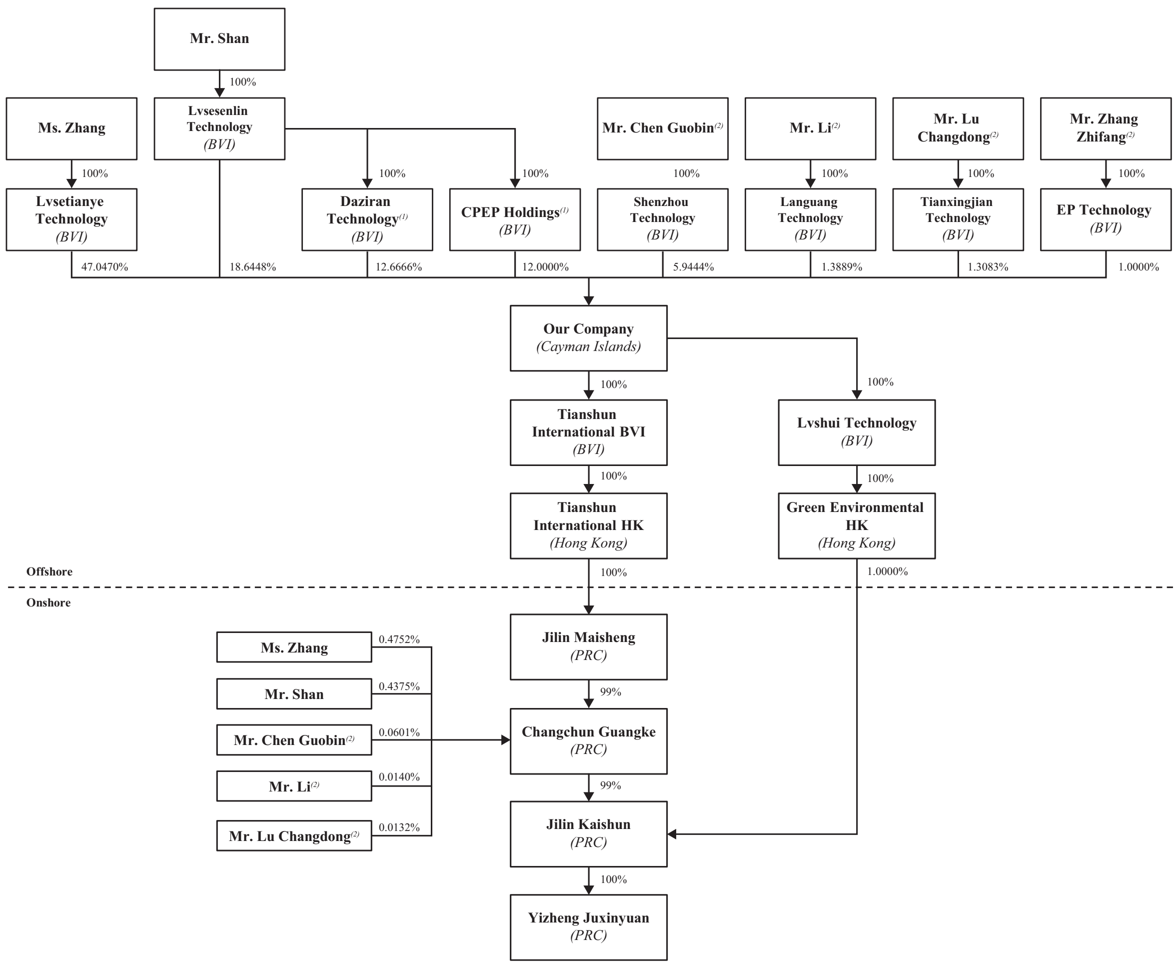
5. Acquisition of Yizheng Juxinyuan

As part of our expansion plan, we plan to establish a sales base in Jiangsu Province through Yizheng Juxinyuan. At the material time, we considered that (i) Yizheng Juxinyuan's business was part of our Group since its establishment; (ii) despite that Yizheng Juxingyuan's operation track record was shorter than that of Jilin Kaishun, it was one of the suppliers for supermarket chains and a hypermarket originated from the United States, which our Directors believe that it has growth potential, with such new demand being served by the new production capacity brought by our Group's expansion of the Changchun Production Base; (iii) it covers business opportunities in Central China; and (iv) it already had an operation track record of five years and established the corporate image and reputation in the market as compared to a newly established company, and therefore we could use Yizheng Juxinyuan for the expansion rather than establishing a new company for our Group and closing Yizheng Juxinyuan, and considered this approach as commercially justifiable and beneficial to our Group. As such, as part of the Reorganisation and to consolidate the interests in Yizheng Juxinyuan , Mr. Shan as the buyer and Mr. Li Peng (an executive Director) as the seller entered into an equity transfer agreement on 27 May 2022 where the parties agreed to the sale and purchase of the 20% equity interest of Yizheng Juxinyuan held by Mr. Li Peng at a total consideration of RMB1,775,000, which was determined with reference to Mr. Li Peng's paid-up registered capital of Yizheng Juxinyuan (rather than with reference to the net liability position of Yizheng Juxinyuan of approximately RMB1.2 million as at 30 April 2022) through arm's length negotiation between the parties. To elaborate, Mr. Shan agreed to acquire Mr. Li Peng's 20% interests with reference to his paid-up registered capital in Yizheng Juxinyuan as Mr. Li Peng is an employee of our Group and does not have any major interests in our business. By doing so, Mr. Shan used his own funds rather than using our Group's funds to ensure that Mr. Li Peng could recuperate his investment in Yizheng Juxinyuan.

On the same date, Mr. Shan as the seller and Jilin Kaishun as the purchaser entered into an equity transfer agreement, pursuant to which Jilin Kaishun acquired the entire equity interest of Yizheng Juxinyuan for a total consideration of RMB3,240,100 from Mr. Shan, which was determined with reference to the paid-up registered capital of Yizheng Juxinyuan through arm's length negotiation between parties after considering various relevant factors, including, among others, (i) Yizheng Juxinyuan was established in 2017 with five-year operating track record and we noted that Yizheng Juxinyuan has engaged a number of customers; (ii) the consideration paid by our Group to Mr. Shan represented an investment by our Group on an "as if" basis (i.e. the investment of Yizheng Juxinyuan was treated as an investment made by our Group like other subsidiaries under the common control of our Controlling Shareholders); and (iii) the basis of consideration is consistent with the requirements of the relevant laws and regulations in the PRC as advised by our PRC Legal Advisers, and is common for similar types of reorganisation in the PRC. The said consideration was fully-paid on 1 June 2022. Upon completion of the said transfers, Yizheng Juxinyuan became a wholly-owned subsidiary of Jilin Kaishun.

GROUP STRUCTURE IMMEDIATELY AFTER THE REORGANISATION AND IMMEDIATELY BEFORE THE LISTING

The corporate chart below illustrates the shareholding structure of our Group after the Reorganisation and prior to the Capitalisation Issue and the Global Offering:



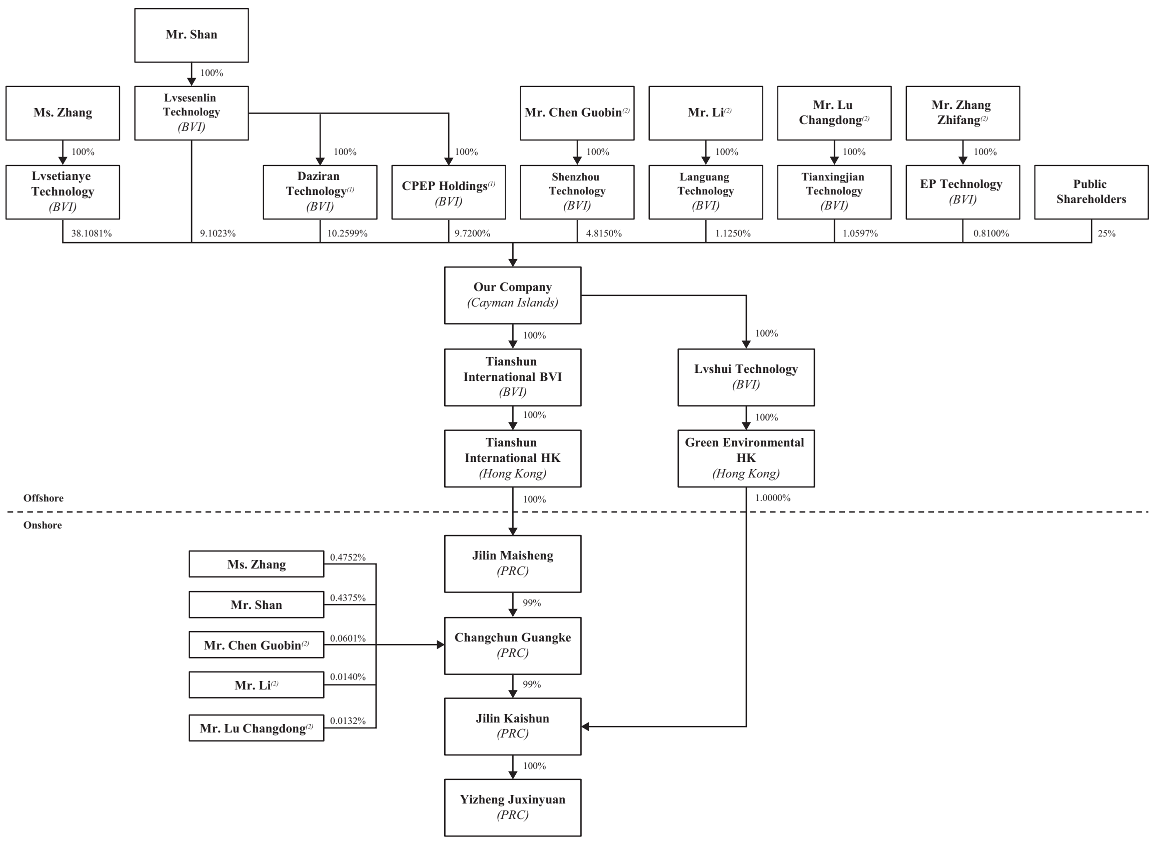
Notes:

(1) Each of Daziran Technology and CPEP Holdings is a wholly-owned subsidiary of Lvsesenlin Technology, which is in turn wholly owned by Mr. Shan, our executive Director, chief executive officer and one of our Controlling Shareholders. Mr. Shan is also the sole director of each of Daziran Technology and CPEP Holdings. The Shares held by Daziran Technology is intended to be used for purpose of future estate and family succession planning.

(2) Mr. Chen Guobin, Mr. Li, Mr. Lu Changdong and Mr. Zhang Zhifang are the Pre-IPO Investors. Save for Mr. Li (being an executive Director), each of the Pre-IPO Investors is an Independent Third Party. For details of the background of the Pre-IPO Investors, please refer to the paragraph headed "— Pre-IPO Investments from the Pre-IPO Investors" above.

GROUP STRUCTURE AFTER REORGANISATION AND UPON LISTING

The corporate chart below illustrates the shareholding structure of our Group immediately after the Reorganisation, the Capitalisation Issue and the Global Offering (assuming the Over-allotment Option is not exercised and none of the options that may be granted under the Share Option Scheme is exercised):



Notes:

(1) Each of Daziran Technology and CPEP Holdings is a wholly-owned subsidiary of Lvsesenlin Technology, which is in turn wholly owned by Mr. Shan, our executive Director, chief executive officer and one of our Controlling Shareholders. Mr. Shan is also the sole director of each of Daziran Technology and CPEP Holdings. The Shares held by Daziran Technology is intended to be used for purpose of future estate and family succession planning.

(2) Mr. Chen Guobin, Mr. Li, Mr. Lu Changdong and Mr. Zhang Zhifang are the Pre-IPO Investors. Save for Mr. Li (being an executive Director), each of the Pre-IPO Investors is an Independent Third Party. For details of the background of the Pre-IPO Investors, please refer to the paragraph headed "— Pre-IPO Investments from the Pre-IPO Investors" above.

PRC REGULATORY REQUIREMENTS

Our PRC Legal Advisers have confirmed that all material regulatory approvals in relation to the equity transfers in respect of the PRC companies in our Group as described above have been obtained, the equity transfers have been legally completed in accordance with the relevant equity transfer agreements, and the procedures involved have been carried out in accordance with applicable PRC laws and regulations.

The Rules on the Mergers and Acquisitions of Domestic Enterprises by Foreign Investors in the PRC ("M&A Rules")

According to the M&A Rules, where a domestic company, enterprise or natural person intends to acquire its or his/her related domestic company in the name of an offshore company which it or he/she lawfully establishes or controls, the acquisition shall be subject to the examination and approval of the MOFCOM, and where a domestic company or natural person holds an equity interest in a domestic company through an offshore special purpose company by paying the acquisition price with equity interests, the overseas listing of that special purpose company shall be subject to approval by the CSRC.

Our PRC Legal Advisers are of the view that the M&A Rules do not apply to the Reorganisation, as at the time of acquisition of 99% equity interests in Jilin Kaishun by Changchun Guangke, Jilin Kaishun was a sino-foreign joint venture, instead of a domestic enterprise, and therefore the M&A Rules are not applicable to the said acquisition. Our PRC Legal Advisers also confirmed that we are not required to obtain approval from the CSRC, MOFCOM and/or other relevant PRC authorities for the Listing.

SAFE Registration in the PRC

Pursuant to the Circular 37, where the PRC individual residents conduct investment in offshore special purpose vehicle with their legitimate onshore and offshore assets or equities, they must register with local SAFE branches with respect to their investments. SAFE Circular No. 37 also requires the PRC residents to file changes to their registration where their offshore special purpose vehicle undergoes material events such as the change of basic information including PRC residence, name and operation period, as well as capital increase or decrease, share transfer or exchange, merger or division.

Each of Ms. Zhang, Mr. Shan, Mr. Chen Guobin, Mr. Li and Mr. Lu Changdong has completed the registration pursuant to Circular 37 in relation to their offshore investment as PRC resident, on 4 March 2022.

OVERVIEW

We principally engage in the development and manufacturing of biodegradable plastic products in Northeast China and our production base locates in Changchun, Jilin province, the PRC during the Track Record Period. Our biodegradable plastic products are sold to our customers (such as supermarket chains, department stores, outlets) mainly in the form of biodegradable produce bag rolls and biodegradable shopping bags. During the Track Record Period, we generated 90% or more of our revenue from the sales of biodegradable plastic products, whereas only not more than 10% of our revenue was generated from the sales of non-biodegradable automobile plastic parts. We sell biodegradable masterbatches, that can be used to manufacture our biodegradable plastic products. We sell our biodegradable masterbatches to manufacturers who lack the necessary production knowhow and/or capabilities to produce biodegradable masterbatches. Through the selling of masterbatches to other biodegradable plastic product manufacturers, we can also keep abreast with the latest market development and manufacturing trend. We generally manufacture biodegradable masterbatches based on our customers' requirements. We are not in the business of trading masterbatches and its raw materials.

We were established in March 2014. At our inception, we were primarily engaged in the development and manufacturing of non-biodegradable automobile plastic parts. With a vision that the implementation of encouraging policies in the PRC, which restricted or prohibited the sale and use of non-degradable plastic bags and utensils and required shopping malls, shops and markets' organisers to monitor the implementation of the plastic ban, our founders, Controlling Shareholders and executive Directors, Ms. Zhang and Mr. Shan gradually diversified our business in 2015 into the development and manufacture of biodegradable plastic products. We maintained non-biodegradable automobile plastic products segment for potential future conversion as we consider biodegradable automobile plastic parts will become a trend one day.

We believe our investment in R&D of biodegradable plastic products has enabled us to continuously develop new products and upgrade our existing products to meet evolving customers' needs and keep pace with market development. In addition, our biodegradable plastic products are customised and we collaborate with our customers closely at the early stage of the production cycle to initiate and develop product prototypes. Through continuous communication with our customers, we have developed an understanding of the needs of our customers, which allows us to offer products with custom-made specifications (such as size, thickness, colour, weight holding capacity, tear resistance and light transmittance) to the extent permitted by the relevant standards. We believe our collaboration with customers during the design stage allows us to gain insight into our customers' priorities and specifications, which enables us to be one of the preferred suppliers of our customers and create brand value beyond conventional manufacturing services.

Having the expertise in the development and manufacture of biodegradable plastic products, our Company contributed to the discussion and formulation of the national standard for biodegradable plastic shopping bags, namely "GB/T 38082-2019"[1], which was issued by the

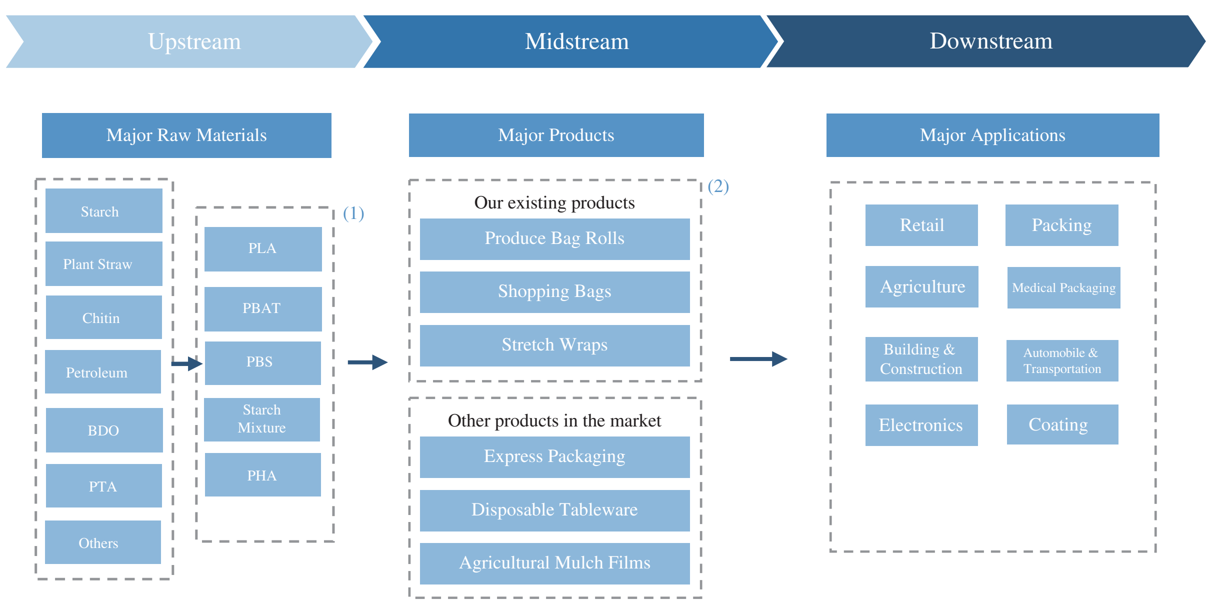
Note:

(1) This standard was released in October 2019 and became effective in May 2020. All biodegradable plastic shopping bags shall comply with the specified requirements (such as dimension margin of error, colour, smell, appearance, thickness, tear resistance, stretchability and weight holding capacity).

SAMR and the Standardisation Administration of the PRC (國家標準化管理委員會) in October 2019. As at the Latest Practicable Date, "GB/T 38082-2019" remained the sole and only national standard in the PRC for biodegradable plastic bags which stipulates the terms and definitions, requirements, test methods, inspection rules, packaging, transportation, and storage of biodegradable plastic shopping bags.

We consider the results of our investment in R&D as our valuable assets. We, apart from in-house research which is mainly material related, have conducted R&D by collaborating with CIAC (中國科學院長春應用化學研究所), a third-party research institute, since 2018. As at the Latest Practicable Date, we held 29 utility model patents, two invention patents and three registered trademarks in the PRC, in relation to the manufacturing of our biodegradable plastic products. We were also in the process of application of one patent to protect our R&D results as at the Latest Practicable Date. We joined plastic production related industry associations in the PRC, including the Degradable Plastics Committee of China Plastic Processing Industry Association (中國塑料加工工業協會降解塑料專業委員會) and the Changchun Die & Mould Industry Association (長春市模具工業協會), so as to keep ourselves abreast of the market trends and to seek other potential business opportunities.

The following chart sets forth the simplified value chain of the biodegradable plastic products market and our operational focus:



Notes:

(1) For FY2021, PLA, PBAT and PBS accounted for approximately 73.4% of our total costs of raw materials.

(2) During the Track Record Period, we derived 90% or more of our revenue from the sales of biodegradable plastic products.

As at the Latest Practicable Date, our production base was located in Changchun, Jilin province, the PRC. At our Changchun Production Base, we have separate plants for biodegradable plastic products and non-biodegradable plastic products, namely, the biodegradable plastic products production plant on Lot 2; and the non-biodegradable automobile plastic parts production plant on Lot 1.

We market our products to customers directly through our sales and marketing department which serves our customers. As at 30 September 2022, we had six staff members responsible for sales and marketing functions. Generally, we maintain contact with our customers through phone calls, messaging apps and visits.

During the Track Record Period, we sold all our products to our customers in the PRC. The following table sets forth the breakdown of our revenue by geographic locations, based on the registered address of the relevant contractual parties:

	FY2019		FY2020		FY2021		9M2021		9M2022	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* (unaudited)	*%*	*RMB'000*	*%*
Northeast China	80,118	78.0	132,144	79.3	200,995	78.3	150,720	79.2	165,650	77.4
— Jilin province	77,589	75.5	126,441	75.8	194,326	75.7	146,065	76.8	158,990	74.3
— Heilongjiang province	2,435	2.4	5,526	3.3	6,188	2.4	4,655	2.4	6,034	2.8
— Liaoning province	94	0.1	177	0.1	481	0.2	—	—	626	0.3
Others(1)	22,582	22.0	34,578	20.7	55,745	21.7	39,542	20.8	48,461	22.6
Total	**102,700**	**100.0**	**166,722**	**100.0**	**256,740**	**100.0**	**190,262**	**100.0**	**214,111**	**100.0**

Note:

(1) Others mainly include Beijing, Shandong province, Zhejiang province, Shanghai and Guangdong province, the PRC.

During the Track Record Period, Jilin province contributed the majority of our revenue, which accounted for approximately 75.0%, this is largely due to:

(i) we were established in Jilin province, and began our operation and business in Jilin province, having production base located in Changchun, Jilin province;

(ii) we received prior investments to fund our early operation from Jilin Innovative Investment and Jilin Technology Fund, both of which were ultimately controlled by Jilin Province Department of Finance* (吉林省財政廳), with a focus to assist the growth of small and medium enterprises in Jilin province;

(iii) we maintained a close and good working relationship with CIAC, a third-party research institute located in Changchun for the Company's biodegradable plastic product related R&D;

(iv) we are a member of Changchun Die & Mold Industry Association, which allows us to keep ourselves up to date of the market trends and to seek other potential business opportunities in Jilin province more easily;

(v) during the Track Record Period, approximately 45.8%, 56.3%, 52.7% and 48.6% of our revenue was derived from major customers, whose principal place of business were mainly in Jilin province;

(vi) Jilin province was the first province in China to fully ban the production and sale of non-degradable plastic bags and utensils, and require shopping malls, shops, and markets' organisers to monitor the implementation of the plastic ban. The People's Government of Jilin Province (吉林省人民政府) has been and is a pioneer in enforcing new laws and regulations to prohibit the production, sale and supply of non-degradable plastic products, where People's Government of Jilin Province (吉林省人民政府) approved the Policy of Prohibition of Production, Sale and Supply of Single-Use Non-Degradable Plastic Shopping Bags and Utensils in Jilin Province (吉林省禁止生產銷售和提供一次性不可降解塑料購物袋、塑料餐具規定) in 2014, aimed at reducing plastic waste and conserving resources; and

(vii) as at 2022, Jilin province remains to be one of the pioneers with strictest level of enforcement against the production and sale of non-degradable plastic products, and during the material time, the enforcement of these policies on comprehensively prohibiting the production, sale, and use of plastic products in other provinces (such as Heilongjiang province and Liaoning province) was less stringent due to the implementation of these policies was later in these provinces than Jilin province.

Our biodegradable plastic products mainly comprise (i) biodegradable produce bag rolls (生物降解連卷袋); (ii) biodegradable shopping bags (生物降解購物袋); and (iii) biodegradable stretch wraps (生物降解包裝纏繞膜). During the Track Record Period, 90.0% or more of our revenue was generated from the sales of biodegradable plastic products. The customers of our biodegradable produce bag rolls and biodegradable shopping bags are mainly supermarket chains, department stores and outlets. To a lesser extent, we also sell our biodegradable shopping bags to hospitals, clinics and pharmacies for medical packaging use. Moreover, we sell biodegradable stretch wraps to automobile components companies and food and beverages companies to stretch wrap the pallets after cargos are loaded onto the pallets. Our biodegradable plastic products generally after a few months in landfill would react with bacteria, biomass and microorganisms and would begin to decompose.

Our Directors consider that our biodegradable shopping bags are fast-moving products. Generally, fast-moving products are products that are consumed quickly and at a relatively low cost. Furthermore, our biodegradable plastic products, in contrast to conventional non-biodegradable plastic products, can be easily decomposed. The following table sets forth the breakdown of our revenue and sales volume by products segment during the Track Record Period:

	FY2019			FY2020			FY2021			9M2021 (unaudited)			9M2022		
	Revenue		Sales volume	Revenue		Sales volume	Revenue		Sales volume	Revenue		Sales volume	Revenue		Sales volume
	RMB'000	*%*	*kg'000 (approximately)*	*RMB'000*	*%*	*kg'000 (approximately)*	*RMB'000*	*%*	*kg'000 (approximately)*	*RMB'000*	*%*	*kg'000 (approximately)*	*RMB'000*	*%*	*kg'000 (approximately)*
Biodegradable plastic products	97,200	94.6	2,791	150,068	90.0	4,303	238,773	93.0	7,136	177,143	93.1	5,238	198,872	92.9	5,733
Non-biodegradable automobile plastic parts	5,500	5.4	156	16,654	10.0	809	17,967	7.0	790	13,119	6.9	588	15,239	7.1	664
Total	**102,700**	**100.0**	**2,947**	**166,722**	**100.0**	**5,112**	**256,740**	**100.0**	**7,926**	**190,262**	**100.0**	**5,826**	**214,111**	**100.0**	**6,397**

COMPETITIVE STRENGTHS

We believe that the following competitive strengths of our Group have contributed to our success in the industry.

We are a leading player in the disposable biodegradable plastic products manufacturers in China

We have diversified our business into the development and manufacturing of biodegradable plastic products in December 2015. We have been a biodegradable plastic products manufacturer in Northeast China and were awarded the "Certificate of Technology Small Giant Enterprise of Jilin Province" (吉林省科技小巨人企業認定證書) in 2017. We have also been recognised as "High and New Technology Enterprise" (高新技術企業) since 2018 and was being recognised as "Provincial Certification Enterprise Technology Centre" (省級企業技術中心) in 2021. We believe that these recognitions have reflected and shaped our position and reputation in the industry.

With the growing awareness of environmental issues and greater emphasis being placed on the importance to control plastic pollution by the PRC Government, the demand of biodegradable plastic products has been increasing in recent years. According to the Frost & Sullivan Report, the sales revenue of disposable biodegradable plastic products (in particular Disposable Biodegradable Shopping Bags) in the PRC and in Northeast China is expected to grow at a CAGR of 36.7% and 36.1% from RMB9,099.5 million and RMB787.1 million in 2021 to RMB43,496.3 million and RMB3,674.2 million in 2026, respectively. Such an increase in sales and demand of disposable biodegradable plastic products was supported by a number of favourable government policies concerning the biodegradable plastic products market in China. For example, in 2020, the NDRC and Ministry of Ecology and Environment (生態環境部) jointly released the Opinions on Further Strengthening the Control of Plastic Pollution (《關於進一步加強塑料污染治理的意見》), which stated that by 2022, shopping malls, supermarket chains, pharmacies, bookstores, and other catering takeaway service are prohibited from using non-degradable plastic bags, and the prohibition on the use of non-degradable plastic bags will be expanded to the various marketplaces by the end of 2025.

In addition, the MOFCOM issued the Administrative Measures for Use and Report of Disposable Plastic Products (Draft for comments) (《一次性塑料製品使用、報告管理辦法（徵求意見稿）》) in 2021 and the Administrative Measures for Use and Report of Disposable Plastic Products (2nd Draft for comments) (《一次性塑料製品使用、報告管理辦法(第二次徵求意見稿)》 in 2022 which encourage reducing the use of non-degradable disposable plastic products, and promote using recyclable and biodegradable alternative products.

The PRC authorities have actively enforced prohibition of non-degradable plastic policies, which further speeded up the market's switch to biodegradable alternatives. For example, in 2019 and 2020, various prefectures or cities in Jilin province implemented enhancement measures for the prohibition of production, sale and use of disposable non-degradable plastic shopping bags and plastic tableware. Relevant authorities also performed checks in 2020 at various venues such as supermarket chains and pharmacies to ensure that the product quality of biodegradable shopping bags comply with the relevant national standards and regulations.

We believe that by leveraging on our position as a leading manufacturer of biodegradable plastic products in Northeast China, we have the advantages and capabilities in capturing the growing business opportunities in the PRC.

We invest in the R&D and the manufacturing of biodegradable plastic products

Since we expanded our business scope to the development and manufacturing of biodegradable plastic products, we have devoted a considerable amount of time and efforts to the R&D and the manufacturing of biodegradable plastic products. Since December 2017, we have been collaborating with CIAC to conduct R&D of biodegradable plastic products in Northeast China. Typically, our R&D department, after receiving feedbacks from our customers and other departments, would conduct preliminary research to identify ways to improve our biodegradable plastic products. Upon the identification of such technology, direction or research projects, our R&D department would liaise with CIAC to conduct research on these technology and direction. Our R&D department would monitor the research progress, review the R&D results, and provide feedback to CIAC from time to time.

Save for the R&D collaboration agreements, we did not maintain any other memorandum of understandings or exclusivity agreements with CIAC. Pursuant to the R&D collaboration agreements, we own all the intellectual property rights to the research findings and outcomes resulting from the research collaboration between CIAC and us. Further, the R&D collaboration agreements stipulate that CIAC must maintain confidentiality regarding all trade or technical secrets that had come into their knowledge during the research process and cannot disclose these secrets to any third parties without our prior written consent.

Our R&D efforts with CIAC has been recognised by the government authorities and industry peers. We have been recognised as "High and New Technology Enterprise" by Jilin Provincial Department of Science and Technology (吉林省科學技術廳), Jilin Province Department of Finance (吉林省財政廳) and Jilin Provincial Taxation Bureau of SAT (國家稅務總局吉林省稅務局) since November 2018. Also, with the expertise in the development and manufacturing of biodegradable plastic products, our Company contributed to the discussion and formulation of the national standard for biodegradable plastic shopping bags, namely "GB/T 38082-2019", which was then issued by the SAMR and the Standardisation Administration of the PRC. As at the Latest Practicable Date, this was the sole and only national standard in the PRC which stipulates the terms and definitions, requirements, test methods, inspection rules, packaging, transportation, and storage of biodegradable plastic shopping bags.

We considered our collaboration with CIAC a cost-effective way to develop our biodegradable plastic products. While CIAC can obtain research directions and fundings from us, we can rely on the talents and technical advices from CIAC and minimise our R&D headcount. During the Track Record Period, we cooperated with CIAC to research on new technologies for the development and manufacturing of biodegradable plastic products.

As at 30 September 2022, our R&D department consisted of 9 staff members and was headed by Mr. Shan. The majority of the members in our R&D team have over 10 years of experience in the biodegradable plastic products industry. The table below sets out the educational background of our R&D team:

Name	Name of degree/programme	Qualification	Institution	Awarded time	Date of joining the Company
Mr. Zhang Yutao (張玉濤)	Mould design and manufacturing	Diploma	Changchun Machinery Industrial School	July 2006	March 2014
Mr. Liu Shiji (劉世紀)	Mechanical engineering	Diploma	Changchun University	June 2003	November 2015
Mr. Li Peng (李鵬) . .	Mechatronics technology	Undergraduate degree	Heilongjiang Industry and Commerce Technology Institute	July 2016	July 2016
Mr. Guo Ye (郭野) . .	Construction	Diploma	The Open University of China (Changchun Campus)	January 2022	November 2016
Mr. Gan Li (甘理) . .	Material engineering	Master's degree	Beijing University of Chemical Technology	June 2001	December 2016
Mr. Yang Yongkuan (楊永寬)(1)	Polymer physics	Senior engineer certificate	CIAC	May 1988	December 2016
Mr. Wu Han (吳晗) .	Pharmaceutical engineering	Undergraduate degree	Inner Mongolia Agricultural University	July 2012	September 2017
Mr. Wang Chongfeng (王崇峰)	Purchasing and supply management	Diploma	Jilin Vocational College of Industry and Technology	July 1998	August 2018
Mr. Ma Changjia (馬長佳)(2)	Mechanical and electrical engineering	Undergraduate degree	Liaoning Institute of Science and Engineering	July 2016	December 2019

Notes:

(1) In January 2019, Mr. Yang was rated as an outstanding engineer by the Degradable Plastic Professional Committee from the China Plastic Processing Industry Association.

(2) Mr. Ma has extensive experience in the moulding industry. Prior to joining our Company, he worked in Ningbo Beilun Hengyong Mould Co., Ltd. (寧波北侖恒甬模具有限公司) for over ten years as a supervisor in the production department.

During the Track Record Period, through the efforts of our R&D department, we commenced a total of 14 R&D projects and completed 13 of them, with one still in progress, in relation to the manufacturing of our biodegradable plastic products. The table below sets out our major R&D projects with CIAC during the Track Record Period:

Year of announcement of the project	Name of the Project	Details	Overall project sum	Status
			(RMB'000) *(approximately)*	
2019	Development of an injection mould tool for degradable materials (一種用於降解材料的注塑模具的研發)	This project aims to improve the moulding result by utilising mercury conduction to energise an electromagnet to control the position of the electro-discharge port, allowing the heating wire to heat-up the raw materials in a more effective manner.	300	Completed
2019	Development of a high-speed film blowing machine (一種高速吹膜機的研發)	This project aims to improve the manufacturing process of film blowing, one of the key steps in our manufacturing process, which aims to improve the stretchability and cooling efficiency of plastic film.	360	Completed
2020	Development of an automated burr cutting device for plastic processing (一種塑料加工用自動化毛刺切割裝置的研發)	This project aims to improve the methodology of traditional burr cutting method, thereby improving manufacturing efficiency.	880	Completed
2020	Development of a multifunctional cooling device for plastic injection moulding (一種塑料注塑用多功能冷卻降溫裝置的研發)	This project aims to enhance the moulding separation techniques of our manufacturing process, thereby enhancing manufacturing efficiency.	1,100	Completed
2020	Development of an automated plastic parts punching device (一種自動化塑料零件打孔裝置的研發)	This project aims to improve the manufacturing process of hole-punching, one of the key steps in our manufacturing process.	880	Completed
2021	Blown film resin and film bag products (吹膜樹脂及膜袋製品)	This project aims to develop low cost and high starch content blown film resin and film bag products.	4,000	Completed
2021	Blown film resin composition and film conformation (吹膜樹脂組成與薄膜構效)	This project aims to research on the biochemical relationships between the composition and film properties of biodegradable blown film resins for performance assessment.	12,500	In progress. As at 30 September 2022, 16.0% of the project was completed

Year of announcement of the project	Name of the Project	Details	Overall project sum	Status
			(RMB'000) *(approximately)*	
2022	Injection moulding resin and products (注塑樹脂及製品)	This project aims to study how to replace non-degradable injection moulding products with biodegradable injection moulding products such as lunch boxes, serving trays and tableware using PLA and PBS by using injection moulding. We conduct this research because of their tremendous market demand and compliance with social development regarding their application prospect.	500	Completed

We consider our investment in R&D our valuable assets. As at the Latest Practicable Date, we held 29 utility model patents, two invention patents and three registered trademarks in the PRC, in relation to the development and manufacturing of our biodegradable plastic products. As at the Latest Practicable Date, we were in the process of application of one patent to protect our R&D results.

In FY2019, FY2020, FY2021, 9M2021 and 9M2022, our R&D expenses amounted to approximately RMB4.5 million, RMB7.6 million, RMB9.7 million, RMB7.2 million and RMB7.2 million, respectively.

We have stringent quality control to our products

We believe that the quality and consistency of our products are critical to our customers and our reputation. All biodegradable produce bag rolls and biodegradable shopping bags produced by us are in compliance with national standards "GB/T 33798-2017" and "GB/T 38082-2019", respectively. Our Company contributed to the discussion and formulation of the standard "GB/T 38082-2019", the sole and only national standard in the PRC for biodegradable plastic shopping bags issued by the SAMR and the Standardisation Administration of the PRC in October 2019.

As a biodegradable plastic products manufacturer whose products demand a high degree of consistency, accuracy and performance from its equipment, we are highly selective when choosing suppliers which can meet such stringent technical specifications and quality standards. Furthermore, we are also IATF16949 (Automobile Quality Management System), ISO9001 (Quality Management System) and ISO14001 (Environmental Management System) accredited. We believe that our stringent quality assurance procedures will help us remain competitive; and our experience and commitment to quality, coupled with the customisation services we offer to our customers, will enable us to reinforce our current market position and create new business opportunities in the biodegradable plastic products industry in the PRC.

As at 30 September 2022, our quality control department consisted of five staff members and was headed by Ms. Zhang, a co-founder of our Group and has over seven years of experience in this industry. To keep our team abreast of stringent quality control measures, we have in place a quality control management system manual and training materials relating to the usage of quality control equipment and procedures of quality control testing.

As a result of our stringent quality control management system, we did not experience any material product return during the Track Record Period. We consider our dedication to quality control as one of the key contributing factors for us to establish our reputation in the market, receive recurring orders from our existing customers and maintain long-term business relationships with our customers.

We have established stable business relationships with our major customers

We believe that our strong customer base is the cornerstone of our business growth. Our five largest customers during the Track Record Period have established business relationships with us ranging from three to seven years.

Furthermore, recurring sales orders from our customers enabled us to have growing sales during the Track Record Period. For FY2019, FY2020, FY2021 and 9M2022, approximately 98.4%, 99.5%, 95.6% and 97.3% of our revenue were generated from recurring customers[(1)]. Our Directors believe with repeat orders from the same customer it allows us to lower our R&D and production costs as well as production lead time, and thus help to improve our profitability.

We are committed to maintaining customer relationships and providing customers with quality products. Our sales team, headed by Mr. Shan, has established relationships with our major customers, and keeps abreast of their latest business development and change in their demand on our products.

Note:

(1) "Recurring customers" refer to any customer who purchased products from us during the Track Record Period for more than one year.

Typically, we manufacture our biodegradable plastic products to our customers according to their specifications, to the extent permitted by the relevant standards. Upon receiving requests from our customers, our sales and marketing department and R&D department will study the specifications and adjust the production formula to produce the biodegradable plastic products.

We have a seasoned management team with extensive experience

We have a seasoned management team with extensive experience in the biodegradable plastic products manufacturing industry. Our Group was founded by Ms. Zhang and Mr. Shan, who are our Controlling Shareholders and executive Directors. Both Ms. Zhang and Mr. Shan have over seven years of experience and knowledge in biodegradable plastic products manufacturing and have led our management team since our establishment. For further details of the industry experience of our Directors, please refer to the section headed "Directors and Senior Management" in this prospectus.

We believe that our experienced management team are instrumental to our success. Under the leadership of our management team, we can formulate and execute strategies to seize opportunities and keep up with the market development in the biodegradable plastic product industry.

BUSINESS STRATEGIES

As the biodegradable plastic product industry is expected to be supported by policies from the PRC Government in the foreseeable future, we aim to strengthen our position as one of the leading manufacturers of biodegradable plastic products in China and to expand our business footprint to other regions of the PRC. To achieve this, we intend to implement the business strategies as set out below.

Enhancing our production capacity and broadening our business coverage

According to the Frost & Sullivan Report, the biodegradable plastic products industry in the PRC has experienced a continuous growth, with the total market size increasing from approximately RMB3,386.3 million in 2016 to approximately RMB9,099.5 million in 2021, with a CAGR of approximately 21.9%. The biodegradable plastic products industry in the PRC is expected to reach RMB43,496.3 million in 2026, due to a combination of the following factors:

- favourable policies and active enforcement of such policies that promoted the application of biodegradable plastic for substitution of conventional non-degradable plastic;

- evolving technology has greatly improved the industrial transformation and upgrading of the biodegradable plastic product market; and

- growing awareness in extending the application of biodegradable plastics and further development of its downstream applications.

In particular, according to the Frost & Sullivan Report, the biodegradable plastic products industry in Northeast China recorded a CAGR of approximately 23.1%, from 2016 to 2021, and is expected to reach approximately RMB3,674.2 million in 2026.

The following table demonstrates the designed production capacity, actual production volume and utilisation rate of our masterbatch mixers and production lines for biodegradable plastic products and non-biodegradable automobile plastic parts for the years/periods indicated:

	FY2019			FY2020			FY2021			9M2021			9M2022		
	Effective designed capacity (1)(2)	Actual production volume	Effective utilisation rate(3)	Effective designed capacity (1)(2)	Actual production volume	Effective utilisation rate(3)	Effective designed capacity (1)(2)	Actual production volume	Effective utilisation rate(3)	Effective designed capacity (1)(2)	Actual production volume	Effective utilisation rate(3)	Effective designed capacity (1)(2)	Actual production volume	Effective utilisation rate(3)
	(kg'000)	*(kg'000)*	%	*(kg'000)*	*(kg'000)*	%	*(kg'000)*	*(kg'000)*	%	*(kg'000)*	*(kg'000)*	%	*(kg'000)*	*(kg'000)*	%
Masterbatch mixers(4) . . .	11,844	2,788	23.5	11,844	5,353	45.2	11,844	7,224	61.0	8,883	5,766	65.0	8,883	6,310	71.0
Biodegradable plastic products(5)	5,796	2,653	45.8	6,440	4,520	70.2	6,440	6,182	96.0	4,830	5,116	105.9	4,830	5,463	113.1
Non-biodegradable automobile plastic parts(5).	8,064	135	1.7	10,080	833	8.3	10,080	830	8.2	7,560	602	8.0	7,560	649	8.6

Notes:

1. The effective designed capacity is determined and calculated by multiplying the daily capacity of our production lines (biodegradable plastic products production lines and non-biodegradable plastic production lines) with the applicable number of days of operation per year (excluding all employees' general holiday and public holidays but including downtime due to maintenance/inspection).
2. We assume the daily operating hours for our production lines to be 24 hours (three eight-hour shifts, including meal time, rest breaks, equipment downtime and shift changes) for FY2019, FY2020, FY2021, 9M2021 and 9M2022. It is assumed that all of our production lines operated for 280 days in FY2019, FY2020 and FY2021 and 210 days in 9M2021 and 9M2022, respectively (excluding all employees' general holiday and public holidays but including downtime due to maintenance/inspection).
3. The effective utilisation rate for each of the relevant years/periods is derived by dividing the actual production volume by the effective designed capacity.
4. Our masterbatch mixers can be used inter-changeably for masterbatch products for both our biodegradable and non-biodegradable plastic product production lines.
5. The effective utilisation rate for each of the biodegradable and non-biodegradable plastic production lines have excluded the effective designed capacity and actual production volume of masterbatch production line.

Our expansion plan

Taking into account that the biodegradable plastic industry is policy-driven, its positive long term outlook and our growing utilisation rate, we plan to expand our production capacity and broaden our business coverage in Southeast China so as to capture the potential opportunities to fuel our growth. As we have diversified our business into the development and manufacturing of biodegradable plastic products in 2015 though we have continued to operate our non-biodegradable plastic products, our expansion plan mainly focus on the expansion of our biodegradable plastic products production. The following table sets forth the details of our expansion plan:

	Region	Description	Approximate amount of net proceeds	Approximate amount which is expected to be settled by our Group's internal resources
(i)	Northeast China .	expand our operation in our Changchun Production Base	RMB54.5 million[(1)]	RMB27.7 million
(ii)	Southeast China .	establish a new production base in Huizhou (惠州), Guangdong province	RMB54.4 million	RMB21.4 million
		Total	**RMB108.9 million, representing approximately 66.5% of the net proceeds from the Global Offering**	**RMB49.1 million**

As at the Latest Practicable Date, we had already identified a site in Boluo, Huizhou, Guangdong province and entered into a tenancy agreement to carry out our expansion plan for our Huizhou Production Base. For further details, please refer to the paragraph headed "— Properties" in this section.

Note:

(1) The total cost for expanding our operation in our Changchun Production Base is approximately RMB83.3 million, of which approximately RMB1.1 million is expected to be settled by our Group by internal resources in 2022 and the first half of 2023.

With a view to spreading out the investment cost while maximising the annual production capacity of the production lines, our Directors have considered the market potential of our products, operational risks, future strategy to broaden the sales network into Southeast China as well as the Group's business growth and believe it is vital and essential to expand our Changchun Production Base and establish our Huizhou Production Base given it can (i) help to strengthen our established position in Northeast China; and (ii) enable us to geographically expand into Southeast China:

Changchun Production Base

- During the Track Record Period, the demand for our products continued to grow due to the implementation of favourable policies by the PRC Government and the fact that we were able to obtain recurring orders from our established customers. The utilisation rate of the masterbatch production in our production facilities has steadily increased from 23.5% in FY2019 to 61.0% in FY2021 and further to 71.0% in 9M2022.

- Our current capacity to produce biodegradable plastic products (including biodegradable produce bag rolls, biodegradable shopping bags, and biodegradable stretch wraps production lines) is approaching its operation limit, further increase in machine time and work hours may negatively impact our staff morale and develop machine fatigue. The utilisation rate of our existing production lines for biodegradable plastic products already reached around 96.0% in FY2021 and 113.1% in 9M2022. This limits our ability to obtain new orders and solicit new customers.

- For FY2021 and 9M2022, although the utilisation rate of our non-biodegradable automobile plastic parts production lines were only 8.2% and 8.6% respectively, it is currently not commercially nor technically feasible to convert our non-biodegradable plastic products production lines into biodegradable plastic products production lines. This is because the production techniques, technical specifications, machinery requirements, raw materials and additives involved in the production process of our biodegradable plastic products (i.e. biodegradable produce bag rolls, biodegradable shopping bags and biodegradable stretch wraps) and non-biodegradable plastic products (i.e. non-biodegradable automobile plastic parts) are different in multiple aspects such as size, hardness or durability. For instance, one of the notable differences is that our existing non-biodegradable products are shaped by moulding and injection machine while biodegradable products are shaped by blowing machine. We set out below a comparison in (i) raw materials, (ii) major machines, and (iii) production process involved between biodegradable plastic products and non-biodegradable automobile plastic parts.

	Biodegradable plastic products	Non-biodegradable automobile plastic parts
Raw materials	Mainly PLA, PBAT and PBS	Mainly PP and PE
Major machines	Blowing machine	Moulding and injection machine
Production process	**Step 1** Different kinds of raw materials are weighed according to the required ratio and being mixed in a screw extruder granulator. Once the process is completed, the biodegradable masterbatches will be stored in the tank.	**Step 1** We prepare the plastic masterbatches based on the specification by mixing different kinds of plastic polymers, pursuant to the required ratio.
	Step 2 Biodegradable masterbatches will be pressurised and heated until they become liquefied and pliable. They are then extruded through a circular die to form a continuous tube of plastic. In the film blowing machine, air is blown through the tube of plastic from the centre of the die, creating a long pliable plastic film in accordance with the size and thickness of the required product. When the plastic film cools down, it is flattened out by rollers and is cut on each side of the film to obtain the required width. The rolls of plastic film are then ready for printing.	**Step 2** Injection mould is placed into our plastic injection moulding machine, where we set and adjust the production parametres. Plastic masterbatches are heated under controlled conditions until they become liquefied and pliable. The molten plastic would then be injected into the injection mould.

Biodegradable plastic products	Non-biodegradable automobile plastic parts
Step 3 The plastic can then be shaped and cut into the required size and shape based on the use or application. The next step starts with pressing the two printed sheets together to create the sides of the bag in the plastic bag making machine. Additional customisations can be added at this stage, such as hole-punching or customised logo.	**Step 3** After the injection procedure, the molten plastic is formed into desired shape as restricted by the mould with the application of pressure. We remove all excessive materials on the casting. If the casting does not require any further processing, it is considered finished product and ready for quality inspections. We perform secondary processes on certain semi-finished products (e.g., installation of snap fit joint), depending on the product requirement and customers' request, which allow for easier installation onto the cabin and other parts of vehicles. Not all products require further assembling.
Step 4 Testing and quality checks will be performed on samples of the end products before they are delivered for packaging and storage.	**Step 4** The quality control team performs final inspection of our products to ensure our compliance with the product specifications and quality standards. After the final inspection procedure, we place its products into boxes or on racks for storage and/or delivery.

- Given our biodegradable plastic products were the major revenue drivers of our growth during the Track Record Period, we consider it is essential to expand our production capacity, which allows us to produce more biodegradable plastic products, as to maintain and further strengthen our leading position in Northeast China in view of growing demand in the future.

- Moreover, given that the relevant government authorities in Northeast China continued to announce and implement policies related to the restriction or prohibition of production, sale and use of non-degradable disposable plastic products (such as plastic shopping bags, plastic tableware and plastic straws)[1], we believe it is vital for us to expand our biodegradable products offerings to capture potential business opportunities and to diversify our income streams. Therefore, in addition to expanding our production capacity to produce our existing biodegradable plastic products, we also intend to establish new production lines to produce new products, such as biodegradable tableware, biodegradable straws, biodegradable packaging bags and biodegradable agricultural mulch films. As at the Latest Practicable Date, for R&D and trial purposes, we had successfully developed and manufactured biodegradable masterbatches that can be used to produce the abovementioned biodegradable products. Since we already possess the formulae and techniques to manufacture the relevant masterbatches for these biodegradable products, we believe we can materialise our plans once we acquire the necessary machines for producing these new biodegradable products.

Latest developments and estimated timeframe for the production of new products

New Products	**Status as at the Latest Practicable Date**
Express packaging bags. . . .	We had successfully developed and manufactured biodegradable express packaging bags. The products have already been used by one of our existing customers, Customer U.
Biodegradable tableware and straws	We had successfully developed and manufactured sample products. Sample products have been provided to prospective customers for feedbacks.
Biodegradable agricultural mulch film.	We had successfully developed and manufactured sample products. Sample products have been provided to prospective customers for feedbacks.

- Furthermore, we consider the production formulae of our biodegradable masterbatches and the technical know-how to manufacture reliable, quality and consistent masterbatches our valuable assets. To protect our intellectual property and ensure the quality of our biodegradable masterbatches, we do not intend to move our existing masterbatch production line to or establish new masterbatch production line in our

Note:

(1) For example, the Implementation Opinions of Liaoning Province on Further Strengthening the Control of Plastic Pollution (遼寧省關於進一步加強塑料污染治理的實施意見) restricts the production, sale and use of certain non-degradable plastic products, and promotes the application of alternative plastic products since August 2020; and the Implementation Plan for Plastic Pollution Control in Heilongjiang Province (黑龍江省塑料污染治理工作實施方案) sets out the provincial government's target to decrease the usage of non-degradable plastic tableware in Heilongjiang province by 2025.

Huizhou Production Base. The headquarters of our Group will remain in Changchun and our Changchun Production Base will be responsible for supplying biodegradable masterbatches to our Huizhou Production Base. We, therefore, expect the utilisation rate of our masterbatch mixers in Changchun Production Base will continue to grow. Also, in order to cater the anticipated growing demand for biodegradable products in the PRC, we believe it will be in our Group's best interest to purchase additional equipment for our masterbatch production line in Changchun Production Base.

As such, we intend to apply such portion of the net proceeds from the Global Offering in Changchun Production Base as follows:

	Description	Approximate amount of net proceeds	Approximate amount which is expected to be settled by our Group's internal resources
(i)	purchasing production machines and equipment for masterbatches	RMB8.0 million	RMB4.8 million
(ii)	purchasing production machines and equipment for our existing biodegradable plastic products (including biodegradable produce bag rolls, biodegradable shopping bags and biodegradable stretch wraps) . . .	RMB12.3 million	—
(iii)	purchasing production machines and equipment for our new biodegradable plastic products production lines (including biodegradable straws, biodegradable tableware, biodegradable packaging bags, and biodegradable agricultural mulch films production lines)	RMB15.4 million	RMB19.2 million
(iv)	renovating the production plants and improving the office environment in Changchun Production Base . .	RMB12.0 million	—
(v)	recruiting 65 staff members for the operation of our Changchun Production Base	RMB1.8 million	RMB3.7 million
(vi)	purchasing additional transportation vehicles to support our operation	RMB2.0 million	—

	Description	Approximate amount of net proceeds	Approximate amount which is expected to be settled by our Group's internal resources
(vii)	purchasing quality inspection and control related equipment	RMB3.0 million	—
Total		**RMB54.5 million(1), representing approximately 33.3% of the net proceeds from the Global Offering**	**RMB27.7 million**

Huizhou Production Base

- We expect the PRC Government will continue to place emphasis on environmental protection issues, plastic pollution control, and non-degradable plastic ban. Therefore, given that the biodegradable plastic products industry is heavily policy-driven, it is anticipated that the demand for biodegradable plastic products will continue to rise in the foreseeable future. Moreover, local governments across various provinces and cities in Southern China have released policies or regulations in recent years to combat plastic pollution. Details of key favourable PRC Government policies in Southern China are as follows:

Province/ municipal city	Government policies	Announce/ Effective Date	Area of focus
Shanghai	Shanghai Implementation Plan on Strengthening the Control of Plastic Pollution*《上海市關於進一步加強塑料污染治理的實施方案》	October 2020	It imposed a city-wide ban on (i) the use of non-degradable disposable plastic straws in the catering industry and (ii) the use of non-degradable disposable plastic tableware in restaurants since 2020 and aims to reduce the use of non-degradable disposable plastic tableware in the catering industry by 30% or more by 2025.

Note:

(1) The total cost for expanding our operation in our Changchun Production Base is approximately RMB83.3 million, of which approximately RMB1.1 million is expected to be settled by our Group by internal resources in 2022 and the first half of 2023.

Province/ municipal city	Government policies	Announce/ Effective Date	Area of focus
Guangdong	Opinions on Further Strengthening the Control of Plastic Pollution in Guangdong Province* 廣東省《關於進一步加強塑料污染治理的實施意見》	September 2020	These policies imposed a province-wide ban on (i) non-degradable disposable plastic straws in restaurants since 2021 and (ii) non-degradable disposable plastic tableware in restaurants from January 2023 and aim to reduce the use of non-degradable disposable plastic tableware in the catering industry by 30% or more by 2025.
	Catalogue of Plastic Products Banned and Restricted from Production, Sale and Use in Guangdong Province (2020 Edition)*《廣東省禁止、限制生產、銷售和使用的塑料製品目錄(2020年版) 》	September 2020	
Hunan	Implementation Plan for Further Strengthening the Control of Plastic Pollution in Hunan Province*《湖南省進一步加強塑料污染治理的實施方案》	November 2020	It imposed a province-wide ban on (i) the use of non-degradable disposable plastic straws in the catering industry by the end of 2020 and (ii) the use of non-degradable disposable plastic tableware at restaurants by the end of 2022 and aims to reduce the use of non-degradable disposable plastic tableware in the catering industry by 30% or more by 2025.
Hainan.	Regulations on the Prohibition of Single-Use Non-Degradable Plastic Products in Hainan Special Economic Zone*《海南經濟特區禁止一次性不可降解塑料製品規定》	December 2020	These policies prohibited the production, transportation, sale, storage and use of disposable films and bags containing certain non-biodegradable polymer materials.
	List of Banned Disposable Non-Degradable Plastic Products in Hainan Province*《海南省禁止生產銷售使用一次性不可降解塑料製品名錄》	December 2020 (First batch)/ September 2021 (Second batch)	

- In addition, as some of our existing customers (including our major customers) have operations in Southeast China and their operations in Southeast China will also require biodegradable plastic products, we believe a regional office in Huizhou (惠州), situated on the Southeast China, adjacent to the Pearl River Delta region, will enable us to expedite further marketing activities in Southeast China's market. Accordingly, we are confident that we can establish our presence in the Southeast China by leveraging on our previous success and existing customer network. Additionally, we consider regionalisation is crucial when it comes to business expansion, as local market conditions, business culture, dialect, customer preference in selecting products, government policy and relationship management with customers vary in different regions of China.

Further reasons for establishing new production base in Huizhou

Moreover, other than the growing demand and potential business opportunities in Southeast China, we have considered various factors below and concluded that the benefits of establishing a production base in Huizhou outweighed the extra costs involved:

(i) lower the operational risk (such as shutdown or transportation delay) of having only a single production base will be too concentrated with the increase in operation scale and national coverage;

(ii) lower the transportation cost and time cost (a) from Changchun Production Base to Huizhou Production Base, (b) from Changchun Production Base to various major cities in Southeast China, (c) from Huizhou Production Base to various major cities in Southeast China; and

(iii) lower the chance of product damages during transportation.

Operational risk and the increase in operation scale and national coverage

In the event that there are severe machinery and equipment breakdowns or unexpected disruptions (such as travel restrictions due to COVID-19) at our Changchun Production Base, our new production base in Huizhou (i.e., Southeast China) might serve as a temporary backup production base thereby diversifying from the risk of single production base to ensure our product supply stability.

Moreover, having a production base in the market we intend to penetrate or/and expand into will be crucial as it could facilitate timely communication with customers. This is especially important during the customer acquisition stage for the Huizhou Production Base, as customers might want to conduct factory visits and we will need to deliver product prototypes (which need to be revised over a number of rounds) to potential customers in Southeast China and respond to any of their product adjustment requests to secure the sales orders in a timelier manner.

Transportation cost and time cost

It is our current strategy to establish a new production base in Huizhou without masterbatches production lines to ensure the mix of masterbatches will be properly handled by Changchun Production Base for consistency and business secrecy.

We consider the production formulae of our biodegradable masterbatches, even though not patented, and the technical know-how into manufacture reliable, quality and consistent masterbatches our valuable assets. To protect our production formulae from possible leakage, the production line of masterbatches will remain in Changchun Production Base.

In other words, the masterbatches required for the production of biodegradable plastic products in Huizhou Production Base will need to be shipped from our Changchun Production Base from time to time. Based on logistics service providers' indicative quotations and the best estimate of our Directors, the transportation time and costs regarding the shipping of products are set out below:

(i) Shipping from Changchun Production Base

The transportation time required for shipping products from Changchun Production Base to major cities in Northeast China(1) will be approximately two days while the transportation time required for shipping products to major cities in Southeast China(2) will be approximately seven to nine days. It also takes about seven days to ship masterbatches from our Changchun Production Base to Huizhou Production Base.

(ii) Shipping time from Huizhou Production Base

The transportation time required for shipping products to from Huizhou Production Base major cities in Northeast China will be approximately six to seven days while the transportation time required for shipping products to major cities in Southeast China will be approximately two to four days. No masterbatches will be manufactured in the Huizhou Production Base.

Notes:

(1) Major cities in Northeast China (excluding Jilin province) are the capital city of each of their respective province i.e., Harbin and Shenyang.

(2) Major cities in Southeast China are the capital city of each of their respective province i.e., Guangzhou, Nanjing, Kunming, Haikou, Fuzhou and Guiyang.

(iii) Cost of shipping if we deliver all of our products from Changchun Production Base

Based on logistics service providers' indicative quotations, the cost of shipping products from Changchun Production Base to major cities in Northeast China is lower than that of the same shipping from Huizhou Production Base, while the cost of shipping products from Changchun Production Base to major cities in Southeast China is higher than that of the same shipping from Huizhou Production Base.

(iv) Cost of shipping if we deliver all of our products from Huizhou production base

Based on logistics service providers' indicative quotations, the cost of shipping products from Huizhou Production Base to major cities in Southeast China is lower than that of the same shipping from Changchun Production Base, while the cost of shipping products from Huizhou Production Base to major cities in Northeast China is higher than that of the same shipping from Changchun Production Base.

Chance of product damages during transportation

As stipulated in the national standards GB/T 38082-2019 biodegradable shopping bags shall be transported under specific conditions, including:

(i) Store in temperature below 50°C;
(ii) keep away from heat sources;
(iii) avoid direct sun exposure;
(iv) avoid getting wet;
(v) avoid collisions; and
(vi) avoid contact with sharp-edged objects.

Failure to comply with any of the above conditions might render deterioration of product quality and reduction of shelf life. Given a longer shipping distance increases difficulty for the Company to fully comply with the above requirements, we are of the view that shipping our biodegradable products from Changchun Production Base to Southeast China, though feasible, is not commercially sound considering the above risks.

Reasons for establishing a new production base in Huizhou instead of solely expanding Changchun base considering the slightly higher total cost

Further to the above, although the estimated total cost of (i) shipping masterbatches from Changchun Production Base to Huizhou Production Base; plus (ii) shipping finished products from Huizhou Production Base to major cities in Southeast China will be higher when compared to the estimated total cost of shipping finished products from Changchun Production Base to major cities in Southeast China, we believe it is vital to establish a new production base in Huizhou instead of further expanding the Changchun base due to the following reasons:

(i) reduce operational risk (such as lock down or transportation delay) of having only one single production base in Changchun to serve the entire PRC market. In this regard, we noted that one of its competitors in Southeast China has five production bases: two located in the PRC (Taizhou, Zhejiang province), one in the United States, one in Mexico, and one in Indonesia;

(ii) facilitate timely communication with prospective Southeast China customers during acquisition stage and respond to any product adjustment requests from them in order to secure the sales orders in a timelier manner;

(iii) shorten transportation time and cost by delivering from the Huizhou Production Base to various major cities in Southeast China compared to delivering from the Changchun Production Base; and

(iv) lower the chances of product damage risks during transportation, which tend to increase over distance travelled.

Despite the estimated total cost might be slightly higher, as at the Latest Practicable Date, we are in the preliminary stage of discussion with a logistic service provider in Changchun to secure an annual transportation arrangement for a regular route from Changchun Production Base to Huizhou Production Base for masterbatches. We expect that the terms will be more favourable than the current price level given the dimension of finished products are varied which might trigger additional cost as certain costs are measured by dimensions apart from weight, while masterbatches are normally in resin forms stored in bags. Furthermore, a regular route should be cheaper which would lower cost. In any event, our Directors consider the additional cost (if any) of establishing a base on Huizhou would be outweighed when considering the totality of benefits.

Moreover, according to the Frost & Sullivan Report, the consumption volume of disposable biodegradable plastic products in Southeast China are anticipated to grow at a CAGR of 34.4% and 36.5%, from 2021 to 2026, respectively.

Taking into consideration of the above-mentioned factors, we intend to apply such portion of the net proceeds from the Global Offering in Huizhou Production Base as follows:

	Description	Approximate amount of net proceeds	Approximate amount which is expected to be settled by our Group's internal resources
(i)	establishing new production base in Huizhou (惠州) Guangdong province for the production of our biodegradable plastic products (including biodegradable produce bag rolls, biodegradable shopping bags, biodegradable stretch wraps, biodegradable straws, biodegradable tableware and biodegradable agricultural mulch films production lines)	RMB29.5 million	—
(ii)	rental payment for Huizhou Production Base	—	RMB10.0 million
(iii)	constructing the production plant and office in Huizhou Production Base	RMB18.0 million	RMB4.6 million
(iv)	recruiting 55 staff members for the operation of Huizhou Production Base	RMB1.2 million	RMB3.8 million
(v)	purchasing transportation vehicles to support our operation	—	RMB2.6 million
(vi)	establishing quality control laboratory, purchasing quality control related equipment and hiring quality control specialists	RMB5.7 million	RMB5.0 million
	Total	**RMB54.4 million, representing approximately 33.2% of the net proceeds from the Global Offering**	**RMB21.4 million**

Our Huizhou Production Base is expected to commence trial production by fourth quarter of 2023 if the working capital to fund the project can be financed by the net proceeds from the Global Offering. We believe our expansion plan will not only enhance our production capacity and broaden our business coverage in Southeast China but also enable our Group to maintain its competitiveness in the PRC in the future.

For further details, please refer to the subsection headed "— Our Production Facilities — Expansion Plan" in this section.

Reasons to expand in both Northeast and Southeast China

Growing market demand

According to the Frost & Sullivan Report, the PRC market demand for Disposable Biodegradable Shopping Bags have been growing and is expected to continue to grow and reach RMB31,317.4 million[(1)] in terms of sales revenue by 2026 (i.e., in terms of production volume, approximately 522.0 thousand tonnes). Below we set out the market demand for the respective products in 2021 and the expected demand in 2026 of the respective regions.

	Northeast China		Southeast China	
	Sales Revenue *(RMB' in millions)*			
	2021	2026E	2021	2026E
Masterbatches	627.8	3,074.7	4,672.2	24,164.8
Express Packaging Bags	33.7	137.7	223.1	993.9
Disposable Tableware	159.3	773.1	1,002.7	5,235.8
Biodegradable produce bag rolls, and biodegradable shopping bags	574.8	2,712.1	3,382.9	17,115.6
Others[(2)]	19.3	51.3	109.4	295.0

Source: Frost & Sullivan Analysis

Notes:

(1) According to Frost & Sullivan, it is expected that Northeast China and Southeast China would account for approximately 8.7% and 54.7% (i.e., RMB2,712 million and RMB17,116 million), respectively, by 2026.

(2) Others include agricultural mulch film etc.

According to Frost & Sullivan, we contributed to approximately 3.6% of the total sales revenue of (i) biodegradable produce bag rolls and (ii) biodegradable shopping bags in China in 2021, and in view of:

(i) there will be ample and sustainable market demand for biodegradable products in the PRC as a result of favourable government policies that will continue to prohibit or restrict the usage of non-biodegradable plastic in different aspects; currently non-biodegradable plastic products are widely applied in many mass market products such as tableware, straw, glove, mask etc. As these products are not yet included in current market demand forecast, our Directors consider the coming market demand probably will be more than expected if any one of these products will be prohibited in the future;

(ii) the biodegradable plastic products market in China was relatively fragmented with approximately 1,200 market participants (market data as at 31 December 2021), and currently there is no dominant player with market dominance in the market. Hence, our Directors consider it is time for the Company to take proactive steps to capture additional market share; and

(iii) assuming the average selling price will not materially change, after the Expansion Plans, it is projected that the Company's (i) biodegradable produce bag rolls and (ii) biodegradable shopping bags will only account for approximately 5.2% (i.e., increased from 3.6% in 2021) of the estimated total sales revenue of the market share in China in 2026.

Therefore, based on the foregoing, our Directors consider the expansion plans are not over optimistic, and are a practical and achievable target. Furthermore, such expansion plans will also help to strengthen the Company's current position in the market.

Feasibility conducted on the market demand with the basis of assumptions

In formulating our expansion plan, we have considered the following with certain key assumptions:

Key consideration

— alternative or substitutable products and direct competitors;

— applications (residential, commercial, and industrial);

— anticipated future market potential and target customers (based on different geographic regions such as Northeast China and Southeast China);

— distribution channels (such as hypermarkets, supermarkets, online retails, convenience stores, restaurant, coffee shops, clinics, hospital, pharmacy, office, households, schools, industries);

— pricing, market share and sales volume projections;

— projected revenue and cost of sales; and

— government policies and regulations particularly in Northeast China and Southeast China.

Key assumptions

— *Economic growth in China:* Macro economy in China is expected to maintain a stable development trend, with the nominal GDP growing at a CAGR of approximately 7.0% from 2021 to 2026.

— *Raising awareness on environmental issues and climate change:* With raising awareness around environmental and climate change issues, it is expected that the PRC Government will continue to place great efforts to protect the environment.

— *Favourable local government policies:* It is expected the various local government policies will continue to accelerate the development and demand of the biodegradable plastics market in China.

— *Advances in technology:* Our Directors believes that China's scientific and technological advances will continue to improve, which will lead to a decrease in the cost of manufacturing biodegradable plastics products and drive the sustainable development of the biodegradable plastics market.

Competitive landscape — Northeast China/Southeast China

For the discussion on the market size and competitive landscape of biodegradable plastic products market in Southeast China, please refer to the section headed "Industry Overview" in this prospectus.

How we will be able to secure orders and compete with existing suppliers of our customers that have indicated a willingness to consider purchasing our proposed new products once Huizhou Production Base commences production

To ensure there will be sufficient demand for our proposed new products once the Huizhou Production Base commences production, we had communicated our intention to extend our business coverage to Southeast China with, and have successfully obtained written indicative confirmations from the following:

Company's name	Existing customers	Product(s) to be procured	Status as at the Latest Practicable Date
Customer Group B	Yes	Company's existing and new biodegradable plastic products	Sample products have been provided for evaluation.
Customer Group C	Yes	Company's existing and new biodegradable plastic products	Sample products have been provided for evaluation.
Customer V	No	Company's existing biodegradable plastic products	Sample products have been provided for evaluation and commenced contract negotiation.

Note:

For the avoidance of doubt, Customer Group B, Customer Group C and Customer V have business coverage in Southeast China.

We believe these companies had expressed willingness to consider purchasing our existing and new biodegradable plastic products for their business operations in Southeast China once the Huizhou Production Base commences production. As at the Latest Practicable Date, we have provided sample to them for evaluation and the parties are in negotiation of the detailed terms of the orders, including quantity and specifications.

Information of competitors in Southeast China and competitive edge

For illustrative purpose, below we set out the names and the competitive edges of the Company's potential competitors in Southeast China:

Company's Name	Background	Competitive edge
Competitor A	Please refer to Company A as stated in "Industry Overview" section.	Mainly produces biodegradable films, biodegradable commercial and industrial packaging materials, agricultural mulch film etc.
Competitor B	Please refer to Company C as stated in "Industry Overview" section.	Mainly produces advanced blown film and plastic packaging making equipment, export to overseas market and supply various kinds of dissolvable and paper-plastic packaging and plastic packaging products for "Fortune 500" enterprises.
Competitor C	Please refer to Company D as stated in "Industry Overview" section.	Mainly produces biodegradable PLA coated paper cups/bowls/lids, coated paper lunch boxes, cutlery and spoons, straws, etc.; PE coated paper cups/bowls, PP/PET cups/lids, lunch boxes, PS cup lids, etc. Export to overseas market.
Competitor D	Please refer to Company K as stated in "Industry Overview" section.	Mainly produces biodegradable plastic masterbatches (PLA, PBAT based materials) and biodegradable plastic products such as shopping bags and garbage bags. Export to overseas market.

Company's Name	Background	Competitive edge
Competitor E	Please refer to Company J as stated in "Industry Overview" section.	Mainly produces biodegradable PLA straws, tableware, paper cups and bowls, coffee lids and other biodegradable products, and PP/PET recyclable products (cutlery, packaging container, tableware, etc.) Export to overseas market.

We believe we possess the following competitive strengths over our competitors:-

(i) *Leading player in the market:* with our leading position in Northeast China and the background of being awarded various recognitions such as "Certificate of Technology Small Giant Enterprise of Jilin Province" and "Provincial Certification Enterprise Technology Centre", we believe we have already established a leading market position and reputation in the industry. On the other hand, the Southeast China market is relatively fragmented and seems lack of any market leader, we believe our Company, as an established market leader in Northeast China, by leveraging our reputation in Northeast China and the industry, can outperform our competitors in Southeast China as we possess comparatively a superior brand image and coverage across the entire PRC market.

(ii) *Stable business relationships with our customers*: during the Track Record Period, we have recurring sales orders from our customers, contributed to approximately 98.4%, 99.5%, 95.6% and 97.3% of our revenue during FY2019, FY2020, FY2021 and 9M2022. We consider this demonstrates our ability to provide stable and consistent quality of products to our customers. Moreover, some of our recurring customers have national presence across China and we consider these companies are very likely to purchase our existing and new biodegradable plastic products for their business operations in Southeast China once our Huizhou Production Base commences production. To our best knowledge, we observe some of our competitors in Southeast China are more focus in exporting their products overseas and serving overseas customers (such as (i) Competitor C, where 50%–80% of their revenue are generated from overseas market during FY2019–FY2021, and (ii) Competitor E, where over 80% of their revenue are generated from overseas market during FY2019–FY2021)[1]. Hence, our competitors might place more focus and priority on the overseas market instead of local PRC market.

(iii) *New production base in Huizhou:* once our Huizhou Production Base commences production, we will have one production base in Changchun and another one in Huizhou, we believe such arrangement would reduce our operational risk (such as lock down or transportation delay) of having only a single production base to serve the entire PRC market. Moreover, this will facilitate timely communication with prospective Southeast China customers and shorten transportation time and cost against some of our competitors in Southeast China. Given some of our competitors have only one production base (or several production facilities within the same area), we consider in the event that such production base was shut down or experienced any transportation difficulties, it is very likely their entire production could be paralysed.

(iv) *Product diversification*: our Directors believe via adding new products to our product portfolio, it will allow us to have greater chances of reaching a wider audience, improve customer visibility and credibility in the market, this will also help us to get a firmer hold of our current market for our existing products. Moreover, our Directors believe adding new product will decrease our customer retention costs and increase customer stickiness. We observe that some of our Southeast China competitors are only able to offer a limited selection of their products, while we will be able to provide a wide range of product selection, ranging from shopping bag to agricultural mulch film, tableware and logistics packaging bags. We consider expanding our portfolio can help us to maintain traction in the industry and decrease product reliance risk if any one of our products becomes obsolete or uncompetitive on the market.

Low switching cost for our prospective customers in Southeast China to use our products

We consider the switching cost for our prospective customers in the Southeast China market to use our products are low given (i) it is not common in the industry to sign any long-term sales framework agreement with the supplier; (ii) although there are some non-monetary switching cost (such as psychological and time-based) and potential risks of switching to a new supplier, given the nature and the specification standardisation of shopping bags and produce bag rolls, such potential risks are minimal; and (iii) in the absence of any tight connection between our

Note:

(1) Information for Competitor D's overseas sales is not available in the public domain.

prospective customers and their current suppliers (i.e. our competitor), we believe we have the ability to persuade our prospective customers in the Southeast China market to use our products as we have established a reputation in serving, and are experienced and capable in serving large-scale supermarket chains, department stores, and outlets.

Strategies to compete with and capture the market demand in Northeast China and Southeast China

In view of the growing economic development and the implementation of environmental protection-related policies in China, together with the business performance of our Company during the Track Record Period, our Directors formulated the following strategies to compete and capture the market demand in Northeast China and Southeast China.

(1) Leveraging on our established clientele

We are confident to solicit and secure further business opportunities by leveraging on our existing customers, some of which have nationwide coverage and businesses to which our new products (e.g., biodegradable tableware) target. For example, among our major customers during the Track Record Period, Customer Group A[(1)], Customer Group B[(2)] and Customer Group C[(3)], are all listed companies with nationwide distribution networks and businesses related to the food and beverages industry. Furthermore, we also have other non-listed customers with nationwide coverage, which have stable business relationship with us since 2016, such as Customer Group D[(4)].

We have also communicated our intention to extend business coverage to Southeast China and to manufacture biodegradable plastic products for our customers. Customer Group B and Customer Group C have expressed their willingness to consider purchasing our existing and new biodegradable plastic products for their business operations in Southeast China once the Huizhou Production Base commences production, and we have obtained written indicative confirmations from them.

Notes:

(1) Customer Group A comprises 13 companies and two branch companies established in the PRC, all of which are under control of the same ultimate controlling party. Transactions with Customer Group A is presented on common controlling party group basis. For details, please refer to the "— Our Major Customers" in this section.

(2) Customer Group B comprises five companies and three branch companies established in the PRC, all of which are under control of the same ultimate controlling party. Transactions with Customer Group B is presented on common controlling party group basis. For details, please refer to the "— Our Major Customers" in this section.

(3) Customer Group C comprises one company and four branch companies established in the PRC, all of which are under control of the same ultimate controlling party. Transactions with Customer Group C is presented on common controlling party group basis. For details, please refer to the "— Our Major Customers" in this section.

(4) Customer Group D comprises a company established in the PRC and one of its branches.

Our Directors believe that we would be able to secure further business opportunities from these customers through continuous marketing efforts, in pace with the development of the Huizhou Production Base.

(2) Establish our presence in other regions of China

We intend to establish our presence and recognition in other regions of China by adhering to the following principles.

(a) Solidify our market share in Northeast China

Since March 2014, our Company has established a solid position in Northeast China, with its headquarters located at Changchun. The headquarters will be responsible for key and overarching strategic management and overall coordination of the other regional offices. It will also focus on the sales and marketing activities in (i) Northeast China, (ii) North China and (iii) Central China regions. Leveraging on our success, established sales network in Northeast China and our Pre-IPO investors' extensive network of business contacts and relationships, our Company intends to commit further resources to develop new products (e.g. agricultural mulch film, tableware and logistics packaging bags) and enhance our existing products. Our Directors are of the view that these strategies would allow us to expand our market share in other provinces in Northeast China (such as Heilongjiang and Liaoning).

(b) Time efficiency and stable product supply

Given the growing market demand for biodegradable plastic products in China and to sustain the Company's revenue growth, in addition to expanding the Changchun production base, the Company plans to establish a new production base in Huizhou, Guangdong. Products manufactured in the Huizhou Production Base are targeted for sale in the Southeast China regions such as Guangdong province, Guangxi Zhuang Autonomous Region, Fujian province, Hainan province, Yunnan province and Guizhou province, while products from Changchun Production Base are targeted for sale in the Northeast China, North China and Central China regions. By having a production base in Huizhou, our Company intends to penetrate and expand its market coverage and reduce the required time for shipping and logistics costs. Moreover, in the early stage of customer engagement, our Company often has to deliver product prototypes to potential customers, and by having a production base in Southeast China, our Company can respond to product adjustment requests from our clients located in Southeast China in a timely manner.

Also, in the unlikely event that there are machinery and equipment breakdowns or unexpected disruptions (such as travel restrictions due to COVID-19) in our Changchun production base, the Company's new production base in Huizhou (i.e., Southeast China) might serve as a temporary backup production base thereby diversifying from the risk of single production base to ensure the Company's stability of product supply.

(c) Three offices in different regions/Extended business coverage

Apart from our Changchun headquarters to cover Northeast China, we strategically established two more offices in Shenzhen and Yizheng to cover Southern and Central China.

The offices in different regions can (i) strengthen our Company's brand name; (ii) reduce market information asymmetries by providing up-to-date requisite location-bound market insight and knowledge; (iii) enhance our Company's understanding of the needs and preferences of regional customers; (iv) serve as a business hub for the sales and marketing team to approach clients; and (v) showcase our Company's products to the regional customers.

(3) Capitalise on our products and market experience in the biodegradable plastic products industry

Our management team has extensive experience in the biodegradable plastic products market. Our founders, Mr. Shan and Ms. Zhang, have years of experience in the biodegradable plastic products manufacturing and logistic industries. Our Company contributed to the discussion and drafting of GB/T 38082-2019 standard which positively impacts the Company's reputation and credibility. Our Directors believe that those previous accomplishments and the relevant technical know-how to manufacture reliable, quality and consistent masterbatches will continue to benefit the Company in expanding into other regions of China.

Our strategies to capture the market demand from and compete with existing market players in Southeast China

Although no formal contract has been signed (unlike Customer Group B, Customer Group C and Customer V above), given we have maintained long and stable relationships with our existing customers set out below, we consider these companies will likely purchase our existing and new biodegradable plastic products for their business operations in Southeast China once the Huizhou Production Base commences production.

Name	Background	Business relationship since
Customer Group D	Located in Jilin Province with a registered capital of RMB100 million and their principal business is mainly operation of cattle processing business.	2016
Customer W	A limited company with a registered capital of approximately USD680 million and its principal business is mainly operation of hypermarkets and e-commerce platforms in China.	2018
Customer X	A limited liability company located in Jilin Province with a registered capital of RMB380 million and its principal business is mainly sales of pre-packaged and bulk food.	2019
Customer Y	A limited liability company located in Guangdong Province with a registered capital of approximately USD278 million and its principal business is mainly domestic trade agency, the sales of medical equipment and daily necessities.	2019

Note:

For the avoidance of doubt, Customer Group D, Customer W, Customer X and Customer Y have business coverage in Southeast China.

In terms of business coverage, apart from its Changchun headquarters to cover Northeast China market, we have strategically established a branch office in Shenzhen to cover Southeast China. We consider the branch office in Shenzhen can:

(i) strengthen the Company's brand name and capture the market demand for the Group's products in Southeast China by establishing a strong local business network;

(ii) reduce market information asymmetries by establishing a communication channel between our Group and the local market and providing up-to-date requisite location-bound market insight and knowledge;

(iii) enhance the Company's understanding of the needs and preferences of Southeast China customers by attending local networking events and developing business relationship with the local market players;

(iv) serve as a business hub for the sales and marketing team to approach prospective customers in Southeast China by injecting more resources and human capital into expanding the local business network;

(v) showcase the Group's products to the Southeast China customers by conducting different types of promotion and marketing for the Group's products in the local regions; and

(vi) liaise with the local government in Southeast China and request potential financial and regulatory support therefrom.

In addition to the Shenzhen branch office, we consider that during the customer acquisition stage, the Huizhou Production Base will allow the Company to deliver its product prototypes to potential customers in Southeast China and respond to any of their product adjustment requests to secure the sales orders in a timelier manner.

Apart from the above, through existing customers' referral, we engage in frequent contact with prospective customers through phone calls and visits. We intend to promote its brand and products through, amongst others, participating in domestic exhibitions and trade fairs, joining industry associations, and attending industry conferences.

Future plan for allocating and managing the production of masterbatches to be sold to customers versus self-use

Prior to FY2021, we did not sell masterbatches to its customers, and we only started to sell masterbatches in FY2021. During 9M2022, approximately 96.5% (FY2021: 97.1%) of the masterbatches we produced (in terms of volume) were for self-use and only 3.5% (FY2021: 2.9%) were for selling to other plastic product manufacturers.

Based on the current projection in FY2023, our Directors consider a substantial amount of the production of masterbatches will be self-use. Our Directors consider no more than 5.0% we produced (in terms of volume) will be sold to external customers.

Future plan and positioning for our non-biodegradable automobile plastic parts business

We are not intended to allocate any proceeds raised from the Global Offering to the non-biodegradable automobile plastic parts business. However, we will continue to operate this business segment due to the following reasons:

(i) *Performance of the business:* Although the business segment of non-biodegradable automobile plastic parts contributed lesser revenue, it recorded profit during the Track Record Period. Hence currently we have no intention to suspend this business segment in view of business diversification. For 9M2022, the revenue contributed by non-biodegradable automobile plastic parts products was approximately 7.1% (9M2021: 6.9%).

(ii) *Establish relationship with automobile plastic products manufacturers:* We started our cooperation with Changchun Hengxing and Customer Z since 2014 and 2015, respectively, when Ms. Zhang and Mr. Shan founded Jilin Kaishun. Our Directors submit that we have gradually formed a stable business relationship with these automobile plastic manufacturers. For instance, our Directors consider it takes time for companies to identify reliable supplier and customer with acceptable purchase amount and price.

(iii) *Increasing use of plastics in automotive manufacturing:* According to the Frost & Sullivan Report, automotive manufacturers are becoming increasingly dependent on using plastic parts, given that it is lightweight (hence burning less fuel and emitting less greenhouse gas), cheaper and that they can be easily moulded and replaced.

(iv) *Current technology constraint:* According to Frost & Sullivan, currently there is only a limited number of PRC manufacturers possess the technology to manufacture biodegradable automobile plastic parts, the use of non-biodegradable automobile plastic parts currently still prevails in the PRC.

(v) *Future vision:* notwithstanding point (iv) above, in the view of the raising awareness on environmental and climate change issues, it is expected that the PRC Government will continue to place great efforts to protect the environment, thus the Directors consider bio-degradable plastics will be one of the future trends for automobile parts.

Possibility of manufacture automobile plastic parts with our biodegradable masterbatches

Our Directors are of the view that currently it is technically not practical nor commercially feasible to manufacture automobile plastic parts with our biodegradable masterbatches due to properties constraints (hardness, heat resistant, etc). Currently, the raw materials of our biodegradable plastic products are mainly PBAT, PBS and PLA. While the characteristics of these raw materials are suitable for producing our biodegradable plastic products, they are not suitable (at this stage) for the production of automotive plastic parts as our current technology cannot utilise these raw materials in such a way that they can achieve the required level of impact strength, heat resistance, flame retardance, surface hardness and UV resistance of automobile plastic parts, which could only be achieved by using masterbatches produced by non-biodegradable ingredient, such as PP.

Furthermore, bioplastic such as PLA costs more than traditional plastic. Without government policy support, the demand for biodegradable plastic car components used in automotive manufacturing will not rise notably in comparison to the demand for our other biodegradable plastic products used in the general consumer market.(1) Considering the costs required in the R&D of biodegradable automobile plastic parts and the expected demand in the near term, our Directors are of the view that it is not commercially justifiable and not practicable to convert our existing biodegradable plastic production lines into those for the production of biodegradable automobile plastic parts.

Although we do not possess the necessary technique to manufacture biodegradable automobile plastic parts, our Directors will keep abreast of any new technology for manufacturing biodegradable automobile plastic parts products while committing to continue our early business of manufacturing non-biodegradable automobile plastic parts, as we consider biodegradable automobile plastic parts might become a trend in the near future.

Note:

(1) According to Frost & Sullivan, current anti-plastic policies from China focus on restricting single-use plastic products such as plastic bags and straws, while the restrictions on other plastic products (such as automobile part or components) are not as stringent as those on single-use plastic products.

Strengthening our R&D capabilities, upgrading our existing R&D equipment, financing our R&D projects and expanding our product portfolio

Collaboration with CIAC (中國科學院長春應用化學研究所)

We have experience in improving our production techniques and developing new biodegradable plastic products by collaborating with CIAC. For example, we commenced to cooperate with CIAC to research on new technologies for the improvement of production techniques and development of new biodegradable plastic products before the Track Record Period.

Recruitment and facilities upgrade

Moreover, we believe that R&D is crucial in maintaining our competitiveness. We plan to develop our internal R&D team by recruiting R&D specialists and upgrade our existing R&D equipment by procuring new machines.

Our plan

In view of the abovementioned, we intend to apply approximately RMB43.1 million, representing approximately 26.3% of the net proceeds from the Global Offering as follows:

- approximately 21.4% or RMB35.0 million will be spent on 7 R&D projects to improve our production techniques and develop new products (the total cost for these projects are approximately RMB45.5 million). For details of the R&D projects we collaborated with CIAC, please refer to the subsection headed "— Research and development" in this section;

- approximately 3.7% or RMB6.1 million will be used for upgrading our existing R&D equipment and expanding our R&D laboratory by procuring new machines; and

- approximately 0.6% or RMB1.0 million will be used for recruiting R&D specialists.

We consider the abovementioned R&D projects and investment in our equipment and R&D personnel to be value-adding to our business in the long run. In order to enhance our existing biodegradable products and develop new biodegradable products, the Company intends to purchase new R&D equipment for our Changchun Production Base and Huizhou Production Base. The following tables set out the R&D machines we intend to procure as at the Latest Practicable Date:

Changchun Production Base

R&D equipment category	Details	Number of equipment involved
(1) . . R&D equipment to test the basic qualities of our biodegradable plastic products	Equipment to test various basic attributes of our biodegradable plastic products such as thickness, tearing strength, impact resistance, light transmittance, weight, moisture content, ageing process under UV light, hardness, hygiene, vertical vibration fatigue and infrared absorption.	22
(2) . . R&D equipment to test the permeability of our biodegradable plastic products	Equipment to test gas and water vapour permeability of our biodegradable plastic products.	4
(3) . . R&D equipment that utilises thermal energy to test our biodegradable plastic products	Equipment to conduct tests on our biodegradable products to determine (i) heat shrinkage performance, (ii) heat distortion temperature, (iii) flow rate of melt mass and volume, (iv) drying constant temperature, (v) ageing process under high temperature, and (vi) different material components.	12
(4) . . R&D equipment to test our biodegradable plastic films	Equipment to test the tensile and peel strength, smoothness, and pendulum impact resistance of our biodegradable film products.	6
(5) . . R&D equipment to test our biodegradable plastic packaging	Equipment to test the sealing strength and ink fastness of our biodegradable plastic packaging materials.	10

Huizhou Production Base

R&D equipment category	Details	Number of equipment involved
(1) . . R&D equipment to test the basic qualities of our biodegradable plastic products	Equipment to test various basic attributes of our biodegradable plastic products such as thickness, tearing strength, impact resistance, light transmittance, weight, moisture content, ageing process under UV light, hardness, hygiene, vertical vibration fatigue and infrared absorption.	11
(2) . . R&D equipment to test the permeability of our biodegradable plastic products	Equipment to test gas and water vapour permeability of our biodegradable plastic products.	2
(3) . . R&D equipment that utilises thermal energy to test our biodegradable plastic products	Equipment to conduct tests on our biodegradable products to determine (i) heat shrinkage performance, (ii) heat distortion temperature, (iii) flow rate of melt mass and volume, (iv) drying constant temperature, (v) ageing process under high temperature, and (vi) different material components.	6
(4) . . R&D equipment to test our biodegradable plastic films	Equipment to test the tensile and peel strength, smoothness, and pendulum impact resistance of our biodegradable film products.	3
(5) . . R&D equipment to test our biodegradable plastic packaging	Equipment to test the sealing strength and ink fastness of our biodegradable plastic packaging materials.	5
(6) . . R&D equipment for the production of our biodegradable plastic products	Equipment to improve and fine-tune the production process of our biodegradable plastic products such as stretch wraps, straws, and tableware.	10

The scope of our R&D projects is tailored to enhance our production techniques and expand our biodegradable plastic products portfolio. The following table sets out the R&D projects we had commenced or anticipated to commence with CIAC as at the Latest Practicable Date:

Year of commencement of the project	Name of the Project	Details of research and its targeted results	Expected year of completion
2021	Blown film resin compositions and film conformation (吹膜樹脂組成與薄膜構效)	Blown film resin mainly comprises PBAT, PLA, starch, calcium carbonate and various additives. PBAT, PLA and starch are all biodegradable. As the prices of starch and calcium carbonate are low, the cost of blown film resin and film bag products can be reduced substantially by incorporating these two ingredients. The project aims to research the biochemical relationships of the ingredients to uncover their synergy such that we can obtain low-cost and fully biodegradable blown film resin and film bag products.	2023
2022	Injection moulding resin and products (注塑樹脂及製品)	This project aims to study how to replace non-degradable injection moulding products with biodegradable injection moulding products such as lunch boxes, serving trays and tableware using PLA and PBS by using injection moulding. We conduct this research because of their tremendous market demand and compliance with social development regarding their application prospect.	2022[(1)]
2023	Composition and properties of resins for biodegradable injection moulding (注塑專用樹脂組成與性能構效)	Injection moulding resin mainly consists of PLA, PBS, starch, calcium carbonate, talcum powder and various additives. As the prices of starch, calcium carbonate and talcum powder are low, the cost of injection moulding resin products can be reduced substantially by incorporating these three ingredients. Furthermore, starch also enhances the degradability of injection moulding resin products. This project aims to research the biochemical relationships of these ingredients to uncover their synergy to obtain low-cost biodegradable injection moulding resin and injection moulding products.	2023

Note:

(1) This project is completed at the Latest Practicable Date.

Year of commencement of the project	Name of the Project	Details of research and its targeted results	Expected year of completion
2023	Industrialisation technology of low-cost PBAT/PLA/starch membrane (低成本PBAT/PLA/澱粉膜的產業化技術)	Blown film resin mainly comprises PBAT, PLA, starch, calcium carbonate and various additives. As the price of starch is low, the cost of blown film resin and film bag products can be reduced substantially by incorporating it. Starch also enhances the degradability of films and heat seal strength of film bags. The project is an innovative project which aims to uncover the synergy of PBAT, PLA, starch and various additives, in addition to processing with a twin-screw reactive blending extruder to develop low-cost and fully biodegradable blown film resin and film bag products.	2024
2024	PBAT/PLA/PPC blown film resin and bag making technology (PBAT/PLA/PPC吹膜樹脂及製袋技術)	Blown film resin mainly consists of PBAT, PLA, PPC and various additives. PBAT, PLA and PPC are all biodegradable. PPC substantially enhances the stretchability of films. This project aims to achieve synergy of PBAT, PLA, PPC and various additives to obtain anti-ageing, fully biodegradable blown film resin and film bag products and a complete set of industrialisation technology.	2024
2024	Low-cost injection moulding process (低成本注塑製品成型加工)	Low-cost injection moulding products mainly consist of PLA, PBS, calcium carbonate, talcum powder and various additives. PLA and PBS are all crystalline plastics, and the crystallisation of PLA is slow and needs to be accelerated. By adding an efficient nucleating agent, heat endurance of injection moulding products, the crystallinity of PLA and PBS and impact strength and heat endurance of injection moulding can be enhanced. The heat deflation temperature of injection moulding products can also be increased. This project aims to research the synergy of PLA, PBS, calcium carbonate, talcum powder and various additives to obtain low-cost biodegradable injection moulding resin and injection moulding products and a complete set of industrialisation technology of injection moulding products.	2024

Year of commencement of the project	Name of the Project	Details of research and its targeted results	Expected year of completion
2024	PBAT/PLA/PPC agricultural mulch resin and blown film (PBAT/PLA/PPC地膜專用樹脂及吹膜)	Blown film resin mainly consists of PBAT, PLA, PPC and various additives. PLA increases the stretchability, transparency and tensile modulus of film, which are required for agricultural mulch films. PPC substantially enhances films' blocking ability and moisture retaining capacity, extending the ageing cycle for agricultural mulch films. This project aims to optimise PBAT, PLA, PPC and various additives to obtain fully biodegradable blown film resin and agricultural mulch products.	2024
2024	Optimisation of injection moulding resin and product technology (注塑樹脂及製品技術優化)	Injection moulding resin mainly consists of PLA, PBS, PBAT, starch, Calcium Carbonate, talcum powder and various plastic additives. PLA increases the hardness and transparency of injection moulding product, PBS enhances the impact strength and heat resistance as well as the heat deflection temperature, while PBAT improves the impact strength of injection moulding resin. This project aims to synergise the ingredients of injection moulding resin to improve the time for injection moulding and achieve crystallisation under different temperature within the injection mould, to enable us to obtain low-cost biodegradable injection moulding resin and injection moulding products.	2024

During the Track Record Period, we received feedbacks on our products from our customers and our management, including but not limited to (i) the quality and performance of our products; (ii) the manufacturing process; and (iii) comments from the end-users. The nature of the abovementioned R&D projects is determined after taking into account these feedbacks and comments.

Furthermore, we believe that these R&D projects can improve our internal production efficiency and the quality of our products, and thereby adding value to the Group's business and enhancing the competitiveness of our Group in the long run.

Strengthening our IT system and increasing our operation efficiency

As we continue to expand our business, we believe the possession of an up-to-date IT system is essential for our business operations as an effective IT system can upgrade our overall efficiency in our management, production operation and day-to-day operations. In particular, our focus is to enhance our existing setup by:

- upgrading, developing and integrating

  (i) our internal operational reporting system to enhance the operational efficiency and management needs in monitoring the performance of different departments across various regions (including our Northeast head office, Yizheng branch office, Shenzhen office and Southeast branch office); and

  (ii) a cloud-based financial reporting system to match with our enhanced operational reporting system as set out in (i) above such that updated financial information could be analysed with the operating information.

- purchasing and upgrading our hardware and relevant IT equipment to align with these enhanced systems and software upgrades.

In order to fulfil the abovementioned objectives, we plan to apply approximately RMB5.0 million, representing approximately 3.0% of the net proceeds from the Global Offering, to upgrade our IT system.

We are of the view that upgrading our IT system will allow us to (i) increase the efficiency of our overall business operations; (ii) strengthen our control and management in different departments across various regions; and (iii) lower our management and administrative expenses in the long run.

For details of our use of proceeds, please refer to the section headed "Future Plans and Use of Proceeds" in this prospectus.

OUR BUSINESS MODEL

We principally develop and manufacture biodegradable plastic products with our business operations located in Northeast China, the PRC. We also engage in the development and manufacturing of non-biodegradable automobile plastic parts such products only accounted for 5.4%, 10.0%, 7.0% and 7.1% of our revenue during the Track Record Period. Our biodegradable plastic products mainly comprise (i) biodegradable produce bag rolls; (ii) biodegradable shopping bags; and (iii) biodegradable stretch wraps. During the Track Record Period, 90.0% or more of our revenue was generated from the sales of biodegradable plastic products. The customers of our biodegradable produce bag rolls and biodegradable shopping bags are mainly supermarket chains, department stores and outlets. To a lesser extent, we also sell our biodegradable shopping bags to hospitals, clinics and pharmacies for medical packaging use. Moreover, we sell our biodegradable stretch wraps to automobile components companies, and food and beverages companies for stretch wrapping the pallets after cargos are loaded onto the pallets.

The following table sets forth the breakdown of our revenue by products during the Track Record Period:

	FY2019		FY2020		FY2021		9M2021		9M2022	
							(unaudited)			
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Biodegradable plastic products										
— Produce bag rolls	56,673	55.2	94,862	56.9	124,942	48.7	92,271	48.5	96,514	45.1
— Shopping bags	40,320	39.3	54,349	32.6	108,154	42.1	82,645	43.4	96,515	45.1
— Stretch wraps	207	0.1	857	0.5	1,698	0.7	1,098	0.6	1,621	0.8
— Masterbatches	—	—	—	—	3,979	1.5	1,124	0.6	4,222	2.0
Sub-total	**97,200**	**94.6**	**150,068**	**90.0**	**238,773**	**93.0**	**177,143**	**93.1**	**198,872**	**92.9**
Non-biodegradable automobile plastic parts	**5,500**	**5.4**	**16,654**	**10.0**	**17,967**	**7.0**	**13,119**	**6.9**	**15,239**	**7.1**
Total	**102,700**	**100.0**	**166,722**	**100.0**	**256,740**	**100.0**	**190,262**	**100.0**	**214,111**	**100.0**

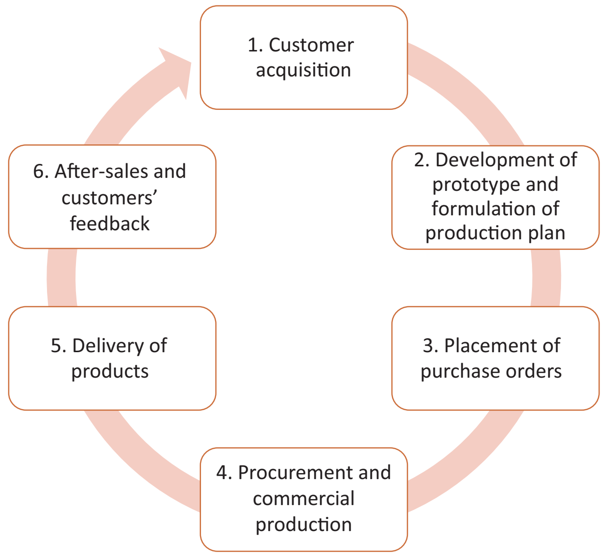
During the Track Record Period, all our products were sold to our customers in the PRC, mainly in Northeast China. The following table sets forth the breakdown of our revenue by geographical locations, based on the registered address of the relevant contractual party, during the Track Record Period:

	FY2019		FY2020		FY2021		9M2021		9M2022	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
							(unaudited)			
Northeast China	80,118	78.0	132,144	79.3	200,995	78.3	150,720	79.2	165,650	77.4
— Jilin province	77,589	75.5	126,441	75.8	194,326	75.7	146,065	76.8	158,990	74.3
— Heilongjiang province	2,435	2.4	5,526	3.3	6,188	2.4	4,655	2.4	6,034	2.8
— Liaoning province	94	0.1	177	0.1	481	0.2	—	—	626	0.3
Others (1)	22,582	22.0	34,578	20.7	55,745	21.7	39,542	20.8	48,461	22.6
Total	**102,700**	**100.0**	**166,722**	**100.0**	**256,740**	**100.0**	**190,262**	**100.0**	**214,111**	**100.0**

Note:

(1) Others mainly include Beijing, Shandong province, Zhejiang province, Shanghai and Guangdong province, the PRC.

The key phases of our business operations are as follows:



Phase 1: Customer acquisition

Our sales team typically calls and visits our customers to promote our products. We also promote our products and reach out to potential customers through, amongst others, joining events and meetings organised by industry associations such as Degradable Plastics Committee of China Plastic Processing Industry Association and the Changchun Die & Mould Industrial Association. Our potential customers may contact our sales team and request for information directly. During the customer acquisition process, our sales team will gather background information of the customers, including their contact details, corporate information and scale of operation (where available).

Phase 2: Development of prototype and formulation of production plan

Our sales team will liaise with the customers to understand their specific requirements and inform our R&D department of such specifications, such as the size, thickness, colour, weight holding capacity, tear resistance and light transmittance. Our R&D department will then adjust the formula for production based on the product specifications to the extent permitted by the relevant standard, and formulate, together with our sales team, a proposal on the development of the product in order to fulfil the customers' requirements.(1) Prototype will be produced for customers' examination and selection. At the same time, our production team will formulate a production plan and prepare for commercial production.

Note:

(1) For example, the structural properties of PBAT can be strengthened or reinforced by the incorporation of Calcium Carbonate. Likewise, the transparency properties of PLA can be varied by adjusting the relative content of the D-isomers and L-isomers within the PLA.

Phase 3: Placement of purchase orders

If our customers accept our prototypes, we will provide fee quotation to the customers. Our customers generally enter into one-year framework sales agreements with us and place orders with us for each time of purchase. Our sales team communicate with our customers on the terms of each purchase order, including the pricing, quantity and payment terms. For details on the salient terms of the sales agreements, please refer to the subsection headed "— Our Sales and Customers — Sales Negotiation and Sales Agreement" in this section.

Phase 4: Procurement and commercial production

After our customers place the purchase orders, our sales personnel will liaise with the production department for commercial production and co-ordinate with the procurement department to procure the relevant raw materials (if necessary). For details in relation to our procurement process, please refer to the subsection headed "— Raw Materials and Major Suppliers — Procurement Planning" in this section.

Prior to product delivery, our quality control department conducts internal inspection on a sampling basis to ensure that their specifications and functions meet our customers' requirements and comply with the relevant national standards.

We implement quality control measures covering our major steps of operation, starting from the selection of suppliers, and ensure that the production process is carried out properly and that there are no material defects which may undermine the quality of our products. For details of our quality control measures, please refer to the subsection headed "— Quality Control" in this section.

Phase 5: Delivery of products

After completing the manufacturing process of our products, we deliver products that pass our internal inspection to our customers. Pursuant to the sales agreements, we are generally responsible for arranging delivery of our products to the location designated by our customers. In general, we arrange our own transportation fleet for delivery of our products to the locations within Jilin province[(1)]. As of the locations outside of Jilin province, we rely on third-party logistics service providers, which are Independent Third Parties, to deliver our products to our customers. We generally enter into transportation service contracts with these logistics service providers for a term of one year and renew their contracts upon expiry. For details in relation to the terms of these transportation service contracts, please refer to the subsection headed "— Our Sales and Customers — Delivery and Logistics" in this section.

Note:

(1) On a needed basis, we might arrange for third-party logistics service providers to deliver our products within Jilin province.

Phase 6: After-sales and customers' feedback

Upon request by our customers, our sales team may provide after-sale services, such as checking the products delivered if there is any potential quality issue. In such cases, our sales team will call and visit our customers to collect their feedback on our products (which also include the feedback from end-users of those biodegradable produce bag rolls and biodegradable shopping bags), and report to our management team. Our management team will meet regularly with the department heads to discuss various topics such as how to enhance our products, production and/or services, so as to address our customers' feedback. We believe this follow-up exercise can strengthen our relationship with our customers and encourage recurring orders.

OUR PRODUCTS

The PRC government has put great emphasis on controlling plastic pollution in recent years. The differences between non-degradable, degradable, and biodegradable plastic products depends on the way to decompose or breakdown. Non-degradable plastic products are plastic products that are incapable of being broken down into simple compounds. Degradable plastic products are plastic products that will decompose or breakdown with the passage of time. Biodegradable plastic products are plastic products that can be degraded naturally through living organisms/bacteria, regardless of the original material from which it derives.

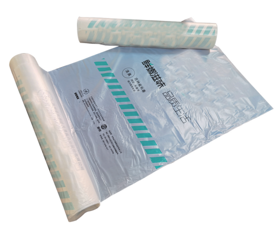
During the Track Record Period, we principally developed and manufactured biodegradable plastic products in Northeast China. Our biodegradable plastic products mainly comprise (i) biodegradable produce bag rolls; (ii) biodegradable shopping bags; and (iii) biodegradable stretch wraps. The customers of our biodegradable produce bag rolls and biodegradable shopping bags are mainly supermarket chains, department stores and outlets. To a lesser extent, we also sell our biodegradable shopping bags to hospitals, clinics and pharmacies for medical packaging use. Moreover, we sell biodegradable stretch wraps to automobile components companies, and food and beverages companies for stretch wrapping the pallets after cargos are loaded onto the pallets.

Our biodegradable plastic products generally after a few months in landfill would react with bacteria, biomass and microorganisms and would begin to decompose. Our Directors consider that our biodegradable shopping bags are considered as fast-moving products which are normally consumed quickly at a relatively low cost. Furthermore, in contrast to conventional non-biodegradable plastic products, our biodegradable plastic products can be more easily decomposed.

During the Track Record Period, 90% or more of our revenue was generated from the sales of biodegradable plastic products, whereas only not more than 10% of our revenue was generated from the sales of non-biodegradable automobile plastic parts.

Below are extracted examples and photos [1] of our products:

1. Biodegradable produce bag rolls



Product Name	Produce bag rolls
Major ingredients	PLA, PBAT and PBS [2]
Nature	Biodegradable
Standard	National standard "GB/T 33798-2017"
Description	The product can be biodegraded after a few months in landfill. Typical customers are supermarket chains. Suitable for fruits, vegetable, bread, and food storage. Generally, produce bag rolls are provided to end users (i.e., consumers in supermarkets) for free.

Notes:

(1) Sensitive information in the photos is redacted as appropriate.

(2) The properties of the end product will vary according to different composition of these ingredients and/or other additives and the manufacturing processes. A typical biodegradable produce bag roll is approximately 80% composed of PLA, PBAT and PBS mixture and/or other additives. The ingredient composition of biodegradable produce bag rolls and biodegradable shopping bags are similar.

2. Biodegradable shopping bags

Product name	Shopping bags
Major ingredients	PLA, PBAT and PBS [(1)]
Nature	Biodegradable
Standard	National standard "GB/T 38082-2019"
Description	The product can be biodegraded after a few months in landfill. Typical customers are supermarket chains, department stores and outlets. Generally, supermarket chains, department stores, and outlets will charge their customers when offering these shopping bags.

Note:

(1) The properties of the end product will vary according to different composition of these ingredients and/or other additives and the manufacturing processes. A typical biodegradable shopping bag is approximately 80% composed of PLA, PBAT, PBS mixture and/or other additives. The ingredient composition of biodegradable produce bag rolls and biodegradable shopping bags are similar.

3. Biodegradable plastic stretch wraps

Product Name	Stretch wraps
Major ingredients	PLA, PBAT, Starch Mixture
Nature	Biodegradable
Standard	Not applicable
Description	We introduced this product in FY2019. Typical customers are automobile components companies and food and beverages companies. Suitable for stretch wrapping the pallets after cargos are loaded onto the pallets.

4. Biodegradable masterbatches

A masterbatch is a mixed plastic pellet that contains different additives and colorants and its properties vary depending on the mixture of additives and colorants, and the requirements of our underlying biodegradable and non-biodegradable plastic products to be produced. The production of masterbatches requires specific technical skills and machinery such as a mixing extruder granulator as the additives and colorants need to be fully mixed into the base polymer homogeneously. We commenced the manufacturing and sales of biodegradable masterbatches in FY2021, which accounted for approximately 1.5% and 2.0% of our revenue for FY2021 and 9M2022, respectively.

Product Name	Masterbatches
Major ingredients	We manufacture our biodegradable masterbatches depending on customer's requirement
Nature	Biodegradable
Standard	Not applicable
Description	During the Track Record Period, the masterbatches we manufacture are mainly used for the production of our biodegradable and non-biodegradable plastic products. Prior to FY2021, we did not sell masterbatches to our customers, and we started to sell masterbatches in FY2021 to diversify our revenue sources. We sell our masterbatches to manufacturers who lack the necessary production knowhow and/or capabilities to produce biodegradable masterbatches. Through the selling of masterbatches to other biodegradable plastic product manufacturers, we can also keep abreast with the latest market development and manufacturing trend. Masterbatches are relatively easier and cheaper to transport than other products (such as biodegradable produce bag rolls or biodegradable shopping bags). We generally manufacture biodegradable masterbatches base on our customers' requirements. We are not in the business of trading masterbatches and its raw materials. During 9M2022, approximately 96.5% (97.1% in FY2021) of the masterbatches we produced (in terms of volume) were for self-use and only 3.5% (2.9% in FY2021) were for selling to other plastic product manufacturers.

5. Non-biodegradable automobile plastic parts


Fender
(擋水板)


Air dams
(擾流板)


Glove compartment
(放物盒)


Mudguards
(擋泥板)


Engine guard
(下護板)


Side panel
(側圍底板)

Product Name	Fender, Air dams, Glove compartment, Mudguards, Engine guard, Side panel
Major ingredients	PP, PE [(1)]
Nature	Non-biodegradable
Standard	Not applicable

Note:

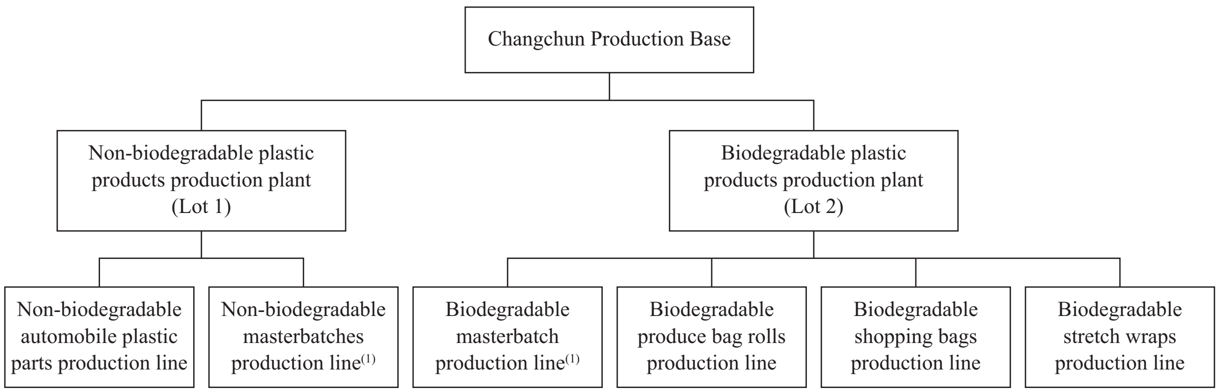
(1) PP and PE are non-biodegradable.

OUR PRODUCTION FACILITIES

Our Production Facilities

As at the Latest Practicable Date, our production base is located in Changchun, Jilin province, the PRC. At our Changchun Production Base, we have two separate plants for biodegradable plastic products and non-biodegradable plastic products, namely, the biodegradable plastic products production plant on Lot 2; and the non-biodegradable automobile plastic parts production plant on Lot 1. Our production lines operate 24 hours per day, split into three eight-hour shifts (including meal and rest breaks, equipment downtime and shift changes with rotating shift schedule).

The following chart illustrates the production lines in our Changchun Production Base as at the Latest Practicable Date.



Note:

(1) All of our masterbatch mixers can be used inter-changeably for masterbatch production for both biodegradable plastic product and non-biodegradable plastic product production lines.

Biodegradable plastic products production plant

Our biodegradable plastic products production plant, located in Lot 2 with a total gross floor area of approximately 19,055 sq.m., comprised our biodegradable produce bag rolls production line, biodegradable shopping bags production line, biodegradable stretch wraps production line, and biodegradable masterbatches production line as at the Latest Practicable Date.

Prior to October 2021, all of our production lines (i.e. for all of biodegradable and non-biodegradable production lines) were located in Lot 1 with a total gross floor area of approximately 12,412 sq.m. In October 2021, to streamline our production and separate the production of our biodegradable plastic products and non-biodegradable plastic products, we moved our production lines for biodegradable plastic products to this new plant in Lot 2, while our production lines for non-biodegradable plastic products remained at the existing plant in Lot 1. At the new plant in Lot 2, we manufactured and stored biodegradable plastic products that we produced. For further details about our biodegradable plastic products production plant, please refer to the subsection headed "— Properties" in this section.

The following table sets forth the utilisation rate of our biodegradable plastic products production lines (excluding the utilisation of masterbatch production) for the years/periods indicated:

	FY2019	FY2020	FY2021	9M2021	9M2022
Effective designed capacity *(kg'000)* [1][2]	5,796	6,440	6,440	4,830	4,830
Actual production volume *(kg'000)*	2,653	4,520	6,182	5,116	5,463
Effective utilisation rate *(%)* [3][4]	45.8	70.2	96.0	105.9[5]	113.1[5]

Notes:

1. The effective designed capacity is determined and calculated by multiplying the daily capacity of our production lines with the applicable number of days of operation per year (excluding all employees' general holiday and public holidays but including downtime due to maintenance/inspection).
2. We assume the daily operating hours for our production lines to be 24 hours (three eight-hour shifts, including meal time, rest breaks, equipment downtime and shift changes) for FY2019, FY2020, FY2021, 9M2021 and 9M2022. It is assumed that our production lines operated for 280 days in FY2019, FY2020 and FY2021 and 210 days in 9M2021 and 9M2022, respectively (excluding all employees' general holiday and public holidays but including downtime due to maintenance/inspection).
3. The effective utilisation rate for each of the relevant years/periods is derived by dividing the actual production volume by the effective designed capacity.
4. Due to the implementation of favourable policies by the PRC Government, the demand for biodegradable plastic products has increased significantly in recent years and the effective utilisation rate of our biodegradable plastic products production line has increased from 45.8% in FY2019 to 96.0% in FY2021.
5. Given the increased demand of our products during 9M2021 and 9M2022, the actual production volumes were larger than the effective designed capacity and hence, the effective utilisation rates were 105.9% and 113.1%, respectively. This was achieved by shortening the downtime due to maintenance/inspection as well as the slack/cleaning time. However, we consider this was not a long-term arrangement as problems such as machine overrun, overheat, metal fatigue or machinery failure may arise when the effective utilisation rate of production lines approach or over 100% for prolonged period.

   In any event, as advised by our PRC Legal Advisers and to the best knowledge and belief of the Directors, there is no material non-compliance or violations of any labour or environmental protection laws and regulations currently exist or persist that could adversely affect our business operations and financial conditions during the Track Record Period.

Non-biodegradable automobile plastic parts production plant

Our non-biodegradable automobile plastic parts production plant, located in Lot 1 with a total gross floor area of approximately 12,412 sq.m., comprised of our non-biodegradable automobile plastic parts production line and non-biodegradable masterbatches production line as at the Latest

Practicable Date. During the Track Record Period, we did not sell or derive any sales revenue from non-biodegradable masterbatches. For further details about our automobile plastic parts production plant, please refer to the paragraph headed "— Properties" of this section.

The following table sets forth the utilisation rate of our non-biodegradable automobile plastic parts production lines (excluding the utilisation of masterbatch production) for the years/periods indicated:

	FY2019	**FY2020**	**FY2021**	**9M2021**	**9M2022**
Effective designed capacity *(kg'000)* (1)(2)	8,064	10,080	10,080	7,560	7,560
Actual production volume *(kg'000)*	135	833	830	602	649
Effective utilisation rate *(%)* (3)(4)	1.7	8.3	8.2	8.0	8.6

Notes:

1. The effective designed capacity is determined and calculated by multiplying the daily capacity of our production lines with the applicable number of days of operation per year (excluding all employees' general holiday and public holidays but including downtime due to maintenance/inspection).

2. We assume the daily operating hours for our production lines to be 24 hours (three eight-hour shifts, including meal time, rest breaks, equipment downtime and shift changes) for FY2019, FY2020, FY2021, 9M2021 and 9M2022. It is assumed our production lines operated for 280 days in FY2019, FY2020 and FY2021 and 210 days in 9M2021 and 9M2022 respectively (excluding all employees' general holiday and public holidays but including downtime due to maintenance/inspection).

3. The effective utilisation rate for each of the relevant years/periods is derived by dividing the actual production volume by the effective designed capacity.

4. Currently, it is not commercially viable nor technically practicable to convert our non-biodegradable plastic products production lines into biodegradable plastic products production lines given the different technical specifications and functions, and the production of our biodegradable plastic products and non-biodegradable plastic products require different machines. For instance, one of the notable differences is that the non-biodegradable products are shaped by moulding and injection machine while biodegradable products are shaped by blowing machine.

Whether the low utilisation rates in the non-biodegradable automobile plastic parts production line will impact the Group's gross profit margins and profit margins

Below we set out the revenue contribution, utilisation rates, the gross profit margin of biodegradable plastic products and non-biodegradable automobile plastic parts, our overall gross profit margins, and net profit margins during the Track Record Period:

	FY2019	FY2020	FY2021	9M2022
Non-biodegradable automobile plastic parts revenue contribution *(%)*	5.4	10.0	7.0	7.1
Non-biodegradable automobile plastic parts utilisation rates *(%)*	1.7	8.3	8.2	8.6
Biodegradable plastic products gross profit margin *(%)*	41.1	41.3	43.7	40.0
Non-biodegradable automobile plastic parts gross profit margin *(%)*	30.8	48.6	49.3	42.5
Group's gross profit margins *(%)*	40.5	42.1	44.1	40.2
Group's net profit margins *(%)*	26.4	29.6	30.5	21.2

As illustrated above, although the non-biodegradable automobile plastic parts business segment contributed lesser revenue, it recorded revenue and gross profit during the Track Record Period. We also consider it is beneficial for the Group to diversify its business activities. As such, we have no current intention to suspend this business segment.

Furthermore, we consider the low utilisation rates in the non-biodegradable automobile plastic parts production lines has not materially impacted our gross profit margins and net profit margins. Rather, as highlighted in the box above, apart from FY2019, the gross profit margin of non-biodegradable automobile plastic parts were higher or remain at a similar level to the gross profit margin of the biodegradable plastic products business segment.

Masterbatch production

Before October 2021, all of our masterbatch mixers were located in our existing plant in Lot 1 and were utilised to produce masterbatches for both biodegradable plastic products and non-biodegradable plastic products. In October 2021, we moved some of our masterbatch mixers to the new plant located in Lot 2 when we separated our biodegradable plastic products and non-biodegradable plastic products production lines. Nevertheless, all of our masterbatch mixers can still be used inter-changeably for masterbatch production for both our biodegradable plastic product and non-biodegradable plastic product production lines.

As the demand for our products rose due to the implementation of favourable policies by the PRC Government, the utilisation rate of the masterbatch mixers in our production facilities has steadily increased from 23.5% in FY2019 to 61.0% in FY2021 and further to 71.0% in 9M2022, which is in line with the increase in utilisation rate of our biodegradable plastic products production line. The following table sets forth the utilisation rate of all of our masterbatch mixers for the years/periods indicated:

	FY2019	FY2020	FY2021	9M2021	9M2022
Effective designed capacity *(kg'000)*[(1)(2)]	11,844	11,844	11,844	8,883	8,883
Actual production volume *(kg'000)*	2,788	5,353	7,224	5,766	6,310
Effective utilisation rate *(%)*[(3)]	23.5	45.2	61.0	65.0	71.0

Notes:

1. The effective designed capacity is determined and calculated by multiplying the daily capacity of our production lines with the applicable number of days of operation per year (excluding all employees' general holiday and public holidays but including downtime due to maintenance/inspection).
2. We assume the daily operating hours for our production lines to be 24 hours (three eight-hour shifts, including meal time, rest breaks, equipment downtime and shift changes) for FY2019, FY2020, FY2021, 9M2021 and 9M2022. It is assumed, our production lines operated for 280 days in FY2019, FY2020 and FY20201 and 210 days in 9M2021 and 9M2022, respectively (excluding all employees' general holiday and public holidays but including downtime due to maintenance/inspection).
3. The effective utilisation rate for each of the relevant years/periods is derived by dividing the actual production volume by the effective designed capacity.

Our production plants were not subject to operation suspension or business closing-down due to confirmed COVID-19 cases. Accordingly, all of our production lines remained in operation during the Track Record Period and up until the Latest Practicable Date.

Our Production Equipment and Machinery

We purchased our production equipment and machinery from Independent Third Parties in the PRC. We maintained records of scheduled downtime for maintenance and repairs, and regular inspection of our production equipment and machinery in order to ensure our production lines run smoothly and operate at optimal levels. Regular maintenance of our production facilities are generally performed on a monthly basis and are scheduled to rotate among different equipment to avoid complete shutdown of our operation.

During the Track Record Period, we did not experience any material or prolonged interruption to our production processes due to equipment or machinery failure.

The table below sets forth information on our major equipment and machineries as at 30 September 2022:

Type of major equipment and machineries	Number of equipment and machineries	Estimated average useful lives	Average remaining useful lives
		(years)	*(years)*
Single screw extruder granulator	1	10	2.9
Twin screw extruder granulator	8	10	4.7
Injection moulding machine[(1)]	19	10	4.7
Bag making machine	14	10	5.1
Blowing machine	9	10	4.4
Masterbatch mixer	6	10	3.9
Homogeniser[(2)]	2	10	6.5

Notes:

(1) In view of the increasing interest from prospective customers, we have purchased an addition injection moulding machine as at the Latest Practicable Date, for product sampling purpose and the preparation of our biodegradable tableware production.

(2) A homogeniser is a type of mixing equipment used to create a uniform and consistent mixture of masterbatches.

Expansion Plan

Changchun Production Base

As part of our business strategies, details regarding the new biodegradable plastic products production lines in our Changchun Production Base are set out below:

Location: Lot 2

Timing to commence construction: Around 1st quarter of 2023.

Expected timing of commencement of trial production: By 1st quarter of 2023.

Expected maximum annual production capacity: Biodegradable masterbatches: increase from approximately 11,844 thousand kilogrammes to approximately 45,892 thousand kilogrammes.

Biodegradable plastic products (excluding biodegradable masterbatches): increase from approximately 6,440 thousand kilogrammes to approximately 28,840 thousand kilogrammes.

Expected capital expenditure: Approximately RMB83.3 million.

Source of funding:

- Total cost for expanding the biodegradable plastic products production line at Changchun Production Base: RMB83.3 million
- Amount which is expected to be settled by our Group's by internal resources in 2022 and the first half of 2023: RMB1.1 million
- Approximate amount to be funded from the net proceeds of the Global Offering: RMB54.5 million
- Remaining mount which is expected to be settled by our Group's by internal resources: RMB27.7 million

Estimated investment payback period(1): The investment payback period of the new production lines at our Changchun Production Base is expected to be approximately 2.0 years.

Estimated breakeven period(2): The breakeven period of the new production lines at our Changchun Production Base is expected to be approximately 2 months.

Notes:

(1) The investment payback period refers to the estimated number of years needed for the new production lines at our Changchun Production Base to result in net cash inflows compared to the initial cash investments.

(2) The breakeven period refers to the estimated number of months needed for the new production lines at our Changchun Production Base to result in no net loss.

Proposed management of the new production lines and source of labour:	Our production lines at Changchun Production Base will be managed by a professional team to be led by Mr. Li Peng, an executive Director and the vice president of our production department, who is responsible for supervising the production operation of our Group. In addition, our Group will also recruit 65 staff members for the operation of our Changchun Production Base. For details of experience and qualifications of Mr. Li Peng, please refer to the section headed "Directors and Senior Management" in this prospectus.

Major equipment and machineries of the new production lines:

Equipment and machineries	Purpose	Number of equipment and machineries	Estimated average costs per item	Estimated average useful lives	Expected additional depreciation per year
			(RMB'000)	*(years)*	*(RMB'000)*
Twin screw extruder granulator	For production of masterbatches	16	800	10	80
Blowing and printing machines	For biodegradable shopping bag production	13	370	10	37
Bag making machines . . .	For biodegradable shopping bag production	10	450	10	45
Back-to-back rolling machines	For produce bag roll production	10	300	10	30
Sheet machines	For biodegradable tableware production	4	2,000	10	200
Suction moulding machines	For biodegradable tableware production	4	1,500	10	150
Injection moulding machines	For biodegradable tableware production	5	1,200	10	120
Straw making machine . . .	For biodegradable straw production	10	350	10	35

Equipment and machineries	Purpose	Number of equipment and machineries	Estimated average costs per item	Estimated average useful lives	Expected additional depreciation per year
			(RMB'000)	*(years)*	*(RMB'000)*
Mulch film making machine	For biodegradable agricultural mulch film production	5	300	10	30
Laminating machine	For biodegradable express packaging bag production	4	1,200	10	120
Multi-coloured gravure printing machines	For biodegradable express packaging bag production	3	1,600	10	160

Huizhou Production Base

Details regarding the new plant and biodegradable plastic products production lines in our Huizhou Production Base are set out below:

Location: Santiao bridge, Baiziling, Xiaojin Village, Luoyang, Boluo, Huizhou, Guangdong Province (廣東省惠州市博羅縣羅陽鎮小金村柏子嶺三條橋地段).

Expected timing to commence construction: By 3rd quarter of 2023.

Expected timing of commencement of trial production: By 4th quarter of 2023.

Expected maximum annual production capacity: increase from nil to approximately 17,528 thousand kilogrammes.

Estimated capital expenditure: approximately RMB54.4 million.

Source of funding:	• Total capital expenditure for the establishment of the new plant and production lines at Huizhou Production Base: RMB75.8 million • Approximate amount to be funded from the net proceeds of the Global Offering: RMB54.4 million • Remaining amount which is expected to be settled by our Group's by internal resources: RMB2.4 million • As at the Latest Practicable Date, approximately RMB340,000 had been settled as a deposit for the new biodegradable plastic products production lines
Estimated investment payback period[(1)]:	The investment payback period of the new plant and production lines at our Huizhou Production Base is expected to be approximately 3.6 years.
Estimated breakeven period[(2)]:	The breakeven period of the new plant and production lines at our Huizhou Production Base is expected to be approximately 19 months.
Proposed management of the new plant and production lines and source of labour:	Our Group's new plant and production lines will be managed by a professional team to be led by Mr. Li Peng, an executive Director and the vice president of our production department, who is responsible for supervising the production operation of our Group. In addition, our Group will also recruit 55 staff members for the operation of our Huizhou Production Base. For details of experience and qualifications of Mr. Li Peng, please refer to the section headed "Directors and Senior Management" in this prospectus.

Notes:

(1) The investment payback period refers to the estimated number of years needed for the new production lines at our Huizhou Production Base to result in net cash inflows compared to the initial cash investments.

(2) The breakeven period refers to the estimated number of months needed for the new production lines at our Huizhou Production Base to result in no net loss.

Major equipment and machineries of the new plant and production lines:

Equipment and machineries	Purpose	Number of equipment and machineries	Estimated average costs	Estimated average useful lives	Expected additional depreciation per year
			(RMB'000)	*(years)*	*(RMB'000)*
Blowing and printing machines	For biodegradable shopping bag production	14	370	10	37
Bag making machines . . .	For biodegradable shopping bag production	10	450	10	45
Back-to-back rolling machines	For produce bag roll production	10	300	10	30
Sheet machines	For biodegradable tableware production	2	2,000	10	200
Suction moulding machines	For biodegradable tableware production	3	1,500	10	150
Injection moulding machines	For biodegradable tableware production	5	1,200	10	120
Straw making machine . . .	For biodegradable straw production	5	350	10	35
Mulch film making machine	For biodegradable agricultural mulch film production	2	300	10	30

Below we set out the breakdown for production capacity by type of products:

Changchun Production Base	Production capacity before expansion	Additional production capacity	Production capacity after expansion
	(kg'000)	*(kg'000)*	*(kg'000)*
Produce bag rolls/shopping bags	6,440	8,736	15,176
Tableware and straws	—	9,408	9,408
Agricultural mulch film	—	2,240	2,240
Express packaging bags	—	2,016	2,016
Sub-total	6,440	22,400	28,840

Huizhou Production Base	Production capacity before expansion	Additional production capacity	Production capacity after expansion
	(kg'000)	*(kg'000)*	*(kg'000)*
Produce bag rolls/shopping bags	—	9,408	9,408
Tableware and straws	—	7,224	7,224
Agricultural mulch film	—	896	896
Sub-total	—	17,528	17,528

Below set out a summary of the expansion plan of our production capacity and the key timing of our expansion plan.

	Annual maximum production capacity before expansion	Annual maximum production capacity after expansion	Expected trial production time	Expected completion time
	(kg'000)	*(kg'000)*		
Changchun Production Base				
Biodegradable Masterbatches	11,844	45,892	2nd quarter of 2023	2nd quarter of 2024
Biodegradable Plastic Products (excluding biodegradable masterbatches)	6,440	28,840	1st quarter of 2023	2nd quarter of 2024
Huizhou Production Base				
Biodegradable Plastic Products (excluding biodegradable masterbatches)	—	17,528	4th quarter of 2023	1st quarter of 2024

The estimated breakeven period, investment payback period and utilisation rate

Below set out the estimated breakeven period, investment payback period and estimated utilisation rate in 2023 for the new production lines in Changchun Production Base and Huizhou Production Base:

	Estimated breakeven period	Estimated investment payback period	Estimated utilisation rate in 2023
New production lines in Changchun Production Base(1) . .	2 months	2.0 years	23.5%
New production lines in Huizhou Production Base	19 months	3.6 years	3.8%(2)

Notes:

(1) The historical breakeven period of the biodegradable production lines in Changchun Production Base was approximately 1.3 months and the investment payback period of these production lines was approximately 1.9 years. While calculating the breakeven and investment payback period in Changchun Production Base, we adopted the assets value as at 1 January 2019 as basis date for calculation.

(2) The estimated utilisation of Huizhou Production Base in FY2023 will be low as we assumed trial production will commence 1st quarter of 2024 after we apply proceeds for the development. Also, we need time to produce sample with our customers before mass production.

Assumptions of the estimated breakeven period analysis

For reference and illustration purpose only, set out below are certain assumptions used in calculating the breakeven period in respect of the new production lines in Changchun Production Base and Huizhou Production Base.

— The new production lines in Changchun Production Base will commence trial production in the 1st quarter of 2023, while the new production lines in Huizhou Production Base will commence trial production in the 4th quarter of 2023.

— The total capital expenditure required for the development of the new production lines in Changchun Production Base and Huizhou Production Base is based on the expected use of proceeds to be spent on the construction after the proposed Listing. For further details, please refer to the section headed "Future Plans and Use of Proceeds" in this prospectus.

— The future interest rate which is reference to the data released by the PBOC.

— There will be no material change to the existing accounting policies.

— The lease of Changchun Production Base and Huizhou Production Base will be successfully renewed upon expiration with commercially viable terms.

— In respect of the new production line in Changchun Production Base, the average selling prices and average unit costs of our products are project based on FY2021. Only revenue, costs and expenses to be generated from the investment of new production based are considered.

— In respect of the new production line in Huizhou Production Base, the average selling prices and average unit costs of our products are assumed to be the same as that of Changchun Production Based in FY2021.

Directors' views on payback period analysis

After considering (i) historic performance of our Company during the Track Record Period; (ii) alternative or substitute products and direct competitors; (iii) applications (residential, commercial, and industrial); (iv) anticipated future market potential and target customers; (v) pricing, market share and sales volume projections; (vi) projected revenue and cost of sales and the relevant competitive landscape as disclosed under "Industry Overview" section; and (vii) governmental policies and regulations as disclosed under "Regulatory Overview" section, our Directors consider the payback period analysis is reasonable.

Relevant licences, permits, filing, registration or approvals

We will file the applications for the construction of the aforesaid (i) new production lines for our biodegradable plastic products at our Changchun Production Base; and (ii) new plant and production lines for our biodegradable plastic products at our Huizhou Production Base. As confirmed by our PRC Legal Advisers and Directors, provided that we submit all necessary documents required by the authorities, there is no legal impediment for us to complete such filing procedures.

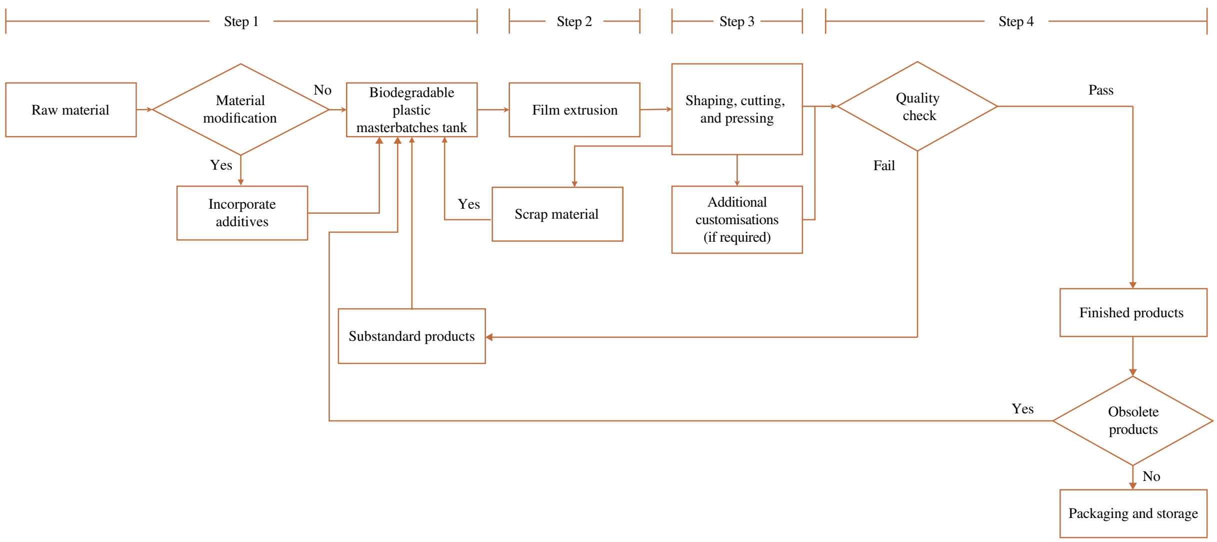
Save for the above, no other licences, permits, filing, registration or approvals are required from our Group regarding such application filings. According to the relevant PRC laws and regulations, before we can commence the operation of the aforesaid new plant and production lines for our biodegradable plastic products, we should pass the completion inspection for the relevant plant and production lines.

PRODUCTION PROCESS

During the Track Record Period, we carried out all the production processes of our products in our production facilities, which operate 24 hours per day, split into three eight-hour shifts (including meal and rest breaks, equipment downtime and shift changes with rotating shift schedule).

Manufacturing of biodegradable plastic products

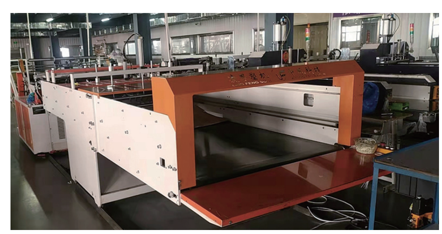
The following flowchart illustrates the typical major production process of biodegradable plastic products.



	Production process	Details	Photos of major equipment and machineries used in the relevant process (For illustrative purposes only)
Step 1	Raw material, incorporate additives and material modification based on the product specifications[1] . .	Different kinds of raw material (including PLA, PBAT and PBS), each with specific properties, are weighed according to the required ratio and being mixed in a screw extruder granulator. Once the process is completed, the output, being biodegradable masterbatches will be stored in the tank.	

Note:

(1) The properties of the end product will vary according to different composition and different manufacturing process of these ingredients. For example, the structural properties of PBAT can be strengthened or reinforced by the incorporation of starch-mixture or Calcium Carbonate. Likewise, our biodegradable produce bag rolls and biodegradable shopping bags have similar ingredient composition, but the properties of them are different due to the varied composition of these ingredients and different manufacturing processes. A typical biodegradable produce bag roll or biodegradable shopping bag is approximately 80% composed of PLA, PBAT and PBS mixture and/or other additives.

	Production process	Details	Photos of major equipment and machineries used in the relevant process (For illustrative purposes only)
Step 2	Film extrusion	Biodegradable masterbatches will be pressurised and heated until they become liquefied and pliable. Once the biodegradable masterbatches reach the desired level of pliability, they are extruded through a circular die to form a continuous tube of plastic. In the film blowing machine, air is blown through the tube of plastic from the centre of the die, creating a long pliable plastic film in accordance with the size and thickness of the required product. When the plastic film cools down, it is flattened out by rollers and is cut on each side of the film to obtain the required width. The rolls of plastic film are then ready for printing.	 
Step 3	Shaping, cutting, and pressing[(1)]. . .	The plastic can then be shaped and cut into the required size and shape based on the use or application. The next step starts with pressing the two printed sheets together to create the sides of the bag in the plastic bag making machine. Additional customisations can be added at this stage, such as hole-punching or customised logo.	 

	Production process	Details	Photos of major equipment and machineries used in the relevant process (For illustrative purposes only)
Step 4	Quality check, packaging and storage[(1)]	Testing and quality checks will be performed on samples of the end products before they are delivered for packaging and storage.	 

Note:

(1) Any production waste, scrap materials (such as edge trimmings and ends), substandard or obsolete products are returned to the biodegradable plastic masterbatches tank for re-use purpose (where applicable).

Lead time

During the Track Record Period, the production lead time for our biodegradable plastic products was generally less than two weeks (depending on the quantity required, our production capacity and production complexity of the relevant products).

Production Yield

Production yield is a ratio of the production quantity of products available for sale over the amount of raw materials used. Our Directors believe that it is not possible for biodegradable plastic products manufacturers to achieve a yield of 100% because our major raw materials, such as PLA, PBAT and PBS, are mixed to form an emulsion for reaction in the manufacturing process and some of the materials contained therein will be evaporated during the manufacturing process, and there are scrap materials that cannot be re-used. During the Track Record Period, the production yield for our biodegradable plastic products was approximately 92.9%, 94.6%, 93.7%

and 93.4% for FY2019, FY2020, FY2021 and 9M2022, respectively. According to Frost & Sullivan, our production yield is similar to that of other established biodegradable plastic products manufacturers in the PRC.

Manufacturing of non-biodegradable automobile plastic parts

We manufacture the plastic masterbatches based on the designated specification by mixing different kinds of plastic polymers according to the required ratio. The plastic masterbatches would be melted down under controlled conditions until they become liquefied and pliable. The melted plastic would then be moulded and shaped into different plastic parts by the plastic injection moulding machine. The plastic parts would be welded into the designated form and structure, and passed to final finishing and fixing works thereafter.

OUR SALES AND CUSTOMERS

We market our products to our customers directly through our sales team. By leveraging the extensive business connections of our executive Directors, Ms. Zhang Yuqiu and Mr. Shan Yuzhu, our sales team was able to establish a sizable client base in Northeast China with a small team. Our sales strategy focuses on building stable and long-term relationships with customers and providing comprehensive service to satisfy our customers' needs. We maintain frequent contact with our customers and visit them to obtain feedback on our products, gauge customer satisfaction and improve our business relationships with them. We believe that our current sales and marketing strategies are effective and we intend to expand and enhance our sales and marketing functions by adopting similar measures in the future.

Our sales and marketing department is responsible for our sales activities. As at 30 September 2022, our sales and marketing department, which was headed by Mr. Shan, had six staff members responsible for sales and marketing functions. Our sales and marketing department is responsible for formulating our overall sales strategies, collecting and analysing market data, negotiating and finalising sales terms with our customers and providing after-sales services to our customers. Our sales personnel is responsible for advising our customers on their purchase, managing the purchase orders from our customers, keeping track of the payment schedule and reminding our customers to settle the payment, as well as visiting and contacting our customers from time to time to understand their enquiries and demand.

During the Track Record Period, all our customers were located in the PRC. Our top three customers (all of which are our biodegradable shopping bag customers) during the Track Record Period are subsidiaries of listed companies in the PRC or in Hong Kong. Our biodegradable plastic products mainly comprise (i) biodegradable produce bag rolls; (ii) biodegradable shopping bags; and (iii) biodegradable stretch wraps. The customers of our biodegradable produce bag rolls and biodegradable shopping bags are mainly supermarket chains, department stores and outlets. To a lesser extent, we also sell our biodegradable shopping bags to hospitals, clinics and pharmacies for medical packaging use. Moreover, we sell biodegradable stretch wraps to automobile components companies, and food and beverages companies for stretch wrapping the pallets after cargos are loaded onto the pallets. Our customers of non-biodegradable automobile plastic parts are mostly trading companies of non-biodegradable automobile plastic parts. We started to sell masterbatches in FY2021 to diversify our revenue sources. We sell our biodegradable masterbatches to manufacturers who lack the necessary production knowhow and/or capabilities to produce biodegradable masterbatches. Through the selling of masterbatches to other biodegradable plastic product manufacturers, we can also keep abreast with the latest market development and manufacturing trend. Masterbatches are relatively easier and cheaper to transport than other products (such as biodegradable produce bag rolls or biodegradable shopping bags). We generally manufacture biodegradable masterbatches base on our customers' requirements. We are not involved in the trading business of masterbatches and its raw materials.

Our biodegradable plastic products are sold directly to our customers. We did not appoint any distributors or agents to conduct sales of any of our products during the Track Record Period.

We plan to place more resources and efforts in marketing and promoting our products. We intend to expand our sales and marketing department by hiring 4 additional staff by 2023 we expect our business will continue to grow in Northeast and Southeast China after Listing. In addition, we will continue to participate in plastic production related industry associations such as the Degradable Plastics Committee of China Plastic Processing Industry Association and the Changchun Die & Mold Industry Association, so as to keep ourselves abreast of the market trends and to seek other potential business opportunities.

Sales network

During the Track Record Period, all our products are sold to our customers in the PRC, mainly in Northeast China. The following table sets forth the breakdown of our revenue by geographical locations, based on the registered addresses of the relevant contractual party, during the Track Record Period:

	FY2019		FY2020		FY2021		9M2021		9M2022	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* (unaudited)	*%*	*RMB'000*	*%*
Northeast China	80,118	78.0	132,144	79.3	200,995	78.3	150,720	79.2	165,650	77.4
— Jilin province	77,589	75.5	126,441	75.8	194,326	75.7	146,065	76.8	158,990	74.3
— Heilongjiang province	2,435	2.4	5,526	3.3	6,188	2.4	4,655	2.4	6,034	2.8
— Liaoning province	94	0.1	177	0.1	481	0.2	—	—	626	0.3
Others[(1)]	22,582	22.0	34,578	20.7	55,745	21.7	39,542	20.8	48,461	22.6
Total	**102,700**	**100.0**	**166,722**	**100.0**	**256,740**	**100.0**	**190,262**	**100.0**	**214,111**	**100.0**

Note:

(1) Others mainly include Beijing, Shandong province, Zhejiang province, Shanghai and Guangdong province, the PRC.

Sales Negotiation and Sales Agreement

Sales Negotiation

After our customers are satisfied with the sample products, we will proceed to the negotiations of sales agreements with our customers. Our customers generally enter into one-year framework sales agreements with us and place orders with us for each time of purchase. Our sales team communicates with our customers on the terms of each purchase order, including the price and quantity of products.

Our Directors confirm that there was no material breach of the terms of our framework sales agreements with our customers during the Track Record Period and up to the Latest Practicable Date.

Salient terms of our sales agreement

The table below sets forth the salient terms of our framework sales agreement:

Pricing, quantity and specification of products	:	To be determined and subject to the purchase order each time.
Annual purchase amount	:	Generally, customers are required to have minimum annual purchase amount from us to be determined each year.
Minimum purchase amount per each purchase order	:	In general 10,000 pieces for each product in one single purchase order.
Delivery	:	Generally, we deliver the products to the customers within 15 days (for first purchase order) or seven days (for recurring purchase orders) upon receipt of the purchase order. We are responsible for the delivery of our products to the location designated by our customers. We bear the transportation costs for delivering the products to the customers.
Inspection and products return policies	:	Our customers are obliged to inspect the products upon delivery to their sites and inform us of any discrepancy in the product specification and quantity. If there is any discrepancy, we shall arrange for replacement at our own expenses, or return with refund. For further details, please refer to the subsection headed "— Our Sales And Customers — Products Return" in this section.
Payment terms	:	The credit period is usually 90 days after delivery of products. The customers shall settle the payment either by bank transfer or other methods as agreed by us.

Conditions for terminating the agreement :	The agreement may be terminated by written notice of both parties, or by the occurrence of certain events, such as customer's failure to fulfil the annual purchase amount as stipulated in the sales agreement (if any), our failure to deliver the required number of products to the customers, and failure to deliver the products within the timeframe as stipulated in the sales agreement. During the Track Record Period, we did not terminate our framework sales agreement with any of our customers due to customer's failure to fulfil the minimum annual purchase amount.

Upon entering into the framework sales agreements and receipt of the purchase orders, our sales team passes the intended sales volume and the delivery date of the purchase orders to the procurement department for them to make plans on raw materials procurement and to the production department to formulate production schedules.

Pricing Strategy and Policy

Our pricing policy aims to facilitate our sustainable growth strategy. We generally sell our biodegradable plastic products to supermarket chains, department stores, outlets, automobile components companies and food and beverages companies, and our non-biodegradable plastic products to automobile manufacturing companies.

In general, selling prices of our products are affected by various factors including the cost of raw materials, the product specifications and complexity to manufacture the products, quantity, relationship with the customer, historical sales data, labour costs, and prevailing market trend. So long as we have the capacity and order is profitable with an overall desirable margin, we will accept the order from our customers.

Although the composition and costs of producing biodegradable shopping bags and biodegradable produce bag rolls are similar as their composition are close, our biodegradable shopping bags are, in general, sold at a relatively higher price than our biodegradable produce bag rolls due to the following reasons:

(i) the product specification for biodegradable shopping bags is relatively more complicated than that of biodegradable produce bag rolls. For instance, shopping bags need to be designed and cut costs for easier handling; and

(ii) produce bag rolls are usually provided to end-users for free while shopping bags will be charged, our customers (such as supermarket chains, department stores and outlets) are therefore more sensitive to price changes in produce bag rolls than shopping bags.

Furthermore, to stay competitive, we adjust our prices from time to time to cope with the changing business environment.

Seasonality

During the Track Record Period, our business has no obvious cyclical or seasonal fluctuation.

Credit Period and Payments

We normally grant our customers a credit period of not more than 90 days based on factors including their length of business relationship with us and historical payment records. Our customers mainly settled our payment in RMB by way of bank transfer.

During the Track Record Period, we did not experience any major defaults in payments or bad debts from our customers which may materially affect our financial condition and operating results.

Delivery and Logistics

During the Track Record Period, we were generally responsible for the delivery of our products to the location designated by our customers. In general, subject to the quantity and availability of our logistic team we will arrange our own transportation fleet for the delivery of our products to locations within Jilin province. As for the locations outside of Jilin province, we would engage third party logistics service providers to deliver our products from our production facilities to the location specified by our customers in the PRC. The selection criteria of our third party logistics service providers include, amongst others, scale of operation, traffic volume, available delivery routes, insurance policies, past performance and any past dealings with them, as well as the fee they charge.

In FY2019, FY2020, FY2021, 9M2021 and 9M2022, logistic service fee amounted to approximately RMB0.4 million, RMB0.5 million, RMB0.7 million, RMB0.5 million and RMB1.8 million, respectively. The logistics service provider is liable for any delay of delivery, damage or loss of products which arises during transportation. During the Track Record Period, we did not experience nor seek any damages for any delay of delivery from our logistics service providers.

During the Track Record Period, we entered into service agreements with our third-party logistics service providers for delivering our products to locations outside of Jilin province or for urgent orders which our own logistic team cannot handle. The general salient terms of the service agreements are set out below:

Term of service	:	Fixed term of one year.
Major terms	:	The relevant service provider will provide transportation services of our products at such time and to such location as requested by us, in consideration for the payment of transportation service fee to the relevant service provider.
Service fee	:	By weight (per thousand kilogramme) and by distance, depending on location.
Payment terms	:	Monthly.

Except for damage or loss caused by natural disasters or by the fault of our Group or the recipients (i.e., our customers), the risks of any damage or loss during delivery of our products are generally borne by our third-party logistics service providers. Any costs arising from delays in delivery or damages to our products are also borne by our third-party logistics service providers unless they were not at fault in causing the delay or damages.

Our Directors confirm that we did not experience any material disruption or damage to our products in the delivery of our products during the Track Record Period.

Products Return

We may allow product returns when the quality of our products falls below the required standard due to reasons attributable to us. In general, our customers will notify us to request for replacement at our expenses or refund when our products fail to meet the required standard. Depending on the circumstances, our quality control department may conduct in-house tests to verify whether such products fall below the required standard as alleged by our customers and/or request customers to send us photos or details of the defective products. Application for return of products shall be verified by the managers of the sales and marketing department and quality control department. If it is determined that the complaint is valid, defective products are generally returned to us for refund or replaced by non-defective products at our own costs to our customers.

During the Track Record Period and up to the Latest Practicable Date, we did not receive any material product return requests, complaints or claims that would impose any material adverse effect on our business operation or financial positions.

After-sale Service

Upon request by our customers, our sales team may provide after-sale services, such as checking the products delivered if there is any potential quality issue. In such cases, our sales team will call and visit our customers to collect their feedback on our products (which also include the feedback from end-users of those biodegradable produce bag rolls and biodegradable shopping bags), and report to our management team. Our management team will meet regularly with the department heads to discuss various topics such as how to enhance our products, production and/or services, so as to address our customers' feedback.

Our Major Customers

During the Track Record Period, our major customers are mainly supermarket chains, department stores, and outlets, of which our top three major customers are all subsidiaries of listed companies in the PRC or in Hong Kong (all of which are our biodegradable plastic products customers). In FY2019, FY2020, FY2021 and 9M2022, sales to our five largest customers in each year/period during the Track Record Period represented approximately 45.8%, 56.3%, 52.7% and 48.6% of our total revenue, respectively. Sales to our largest customer in each year/period during the Track Record Period represented approximately 15.5%, 16.1%, 16.1% and 15.1% of our total revenue, respectively, over the same period.

The tables below set forth a summary of our five largest customers in FY2019, FY2020, FY2021 and 9M2022, respectively.

FY2019

Rank	Customer	Background	Products sold	Sales amount (approx.)	% of total revenue	Business relationship since	Credit terms	Settlement method
				(RMB'000)				
1 . . .	Customer Group A [1]	A group of companies which are subsidiaries of an A-share company listed in Shanghai with a registered capital of approximately RMB 159 million, and their principal business are mainly operation of department stores, commercial complexes, and supermarket chains.	Biodegradable produce bag rolls, biodegradable shopping bags	15,929	15.5	2016	within 90 days	bank transfer

Rank	Customer	Background	Products sold	Sales amount (approx.)	% of total revenue	Business relationship since	Credit terms	Settlement method
				(RMB'000)				
2 . . .	Customer Group B (2)	A group of companies which are indirect subsidiaries (or branches of the indirect subsidiaries) of a Hong Kong listed company with a market capitalisation of approximately HK$22.6 billion, and their principal business are mainly operation of hypermarkets and e-commerce platforms in China.	Biodegradable produce bag rolls, biodegradable shopping bags	12,381	12.1	2016	within 90 days	bank transfer
3 . . .	Customer Group C (3)	A group of companies which are subsidiaries or branches (or branches of subsidiaries) of an A-share company listed in Shanghai with a registered capital of RMB665.8 million, and their principal business are mainly operation of supermarket chains.	Biodegradable produce bag rolls, biodegradable shopping bags	10,487	10.2	2016	within 90 days	bank transfer
4 . . .	Customer Group D (4)	Located in Jilin Province with a registered capital of RMB100 million, and their principal business are mainly operation of cattle processing business.	Biodegradable produce bag rolls, biodegradable shopping bags	4,333	4.2	2016	within 90 days	bank transfer
5 . . .	Changchun Hengxing	Established in 2004, located in Jilin Province with a registered capital of RMB 6 million, and their principal business are mainly production and selling of automobile plastic products.	Non-biodegradable automobile plastic parts, biodegradable shopping bags, biodegradable plastic stretch wraps	3,943	3.8	2014	within 90 days	bank transfer/ bank acceptance bill
	Total			**47,073**	**45.8**			

FY2020

Rank	Customer	Background	Products sold	Sales amount (approx.)	% of total revenue	Business relationship since	Credit terms	Settlement method
				(RMB'000)				
1 . . .	Customer Group B (2)	As disclosed in the table above.	Biodegradable produce bag rolls, biodegradable shopping bags	26,795	16.1	2016	within 90 days	bank transfer
2 . . .	Customer Group A (1)	As disclosed in the table above.	Biodegradable produce bag rolls, biodegradable shopping bags	24,415	14.6	2016	within 90 days	bank transfer
3 . . .	Customer Group C (3)	As disclosed in the table above.	Biodegradable produce bag rolls, biodegradable shopping bags	18,996	11.4	2016	within 90 days	bank transfer
4 . . .	Changchun Hengxing	As disclosed in the table above.	Non-biodegradable automobile plastic parts, biodegradable shopping bags, biodegradable plastic stretch wraps	16,186	9.7	2014	within 90 days	bank transfer / bank acceptance bill
5 . . .	Customer Group D (4)	As disclosed in the table above.	Biodegradable produce bag rolls, biodegradable shopping bags	7,536	4.5	2016	within 90 days	bank transfer
	Total			**93,928**	**56.3**			

FY2021

Rank	Customer	Background	Products sold	Sales amount (approx.)	% of total revenue	Business relationship since	Credit terms	Settlement method
				(RMB'000)				
1 . . .	Customer Group A [1]	As disclosed in the FY2019 table above.	Biodegradable produce bag rolls, biodegradable shopping bags	41,240	16.1	2016	within 90 days	bank transfer
2 . . .	Customer Group B [2]	As disclosed in the FY2019 table above.	Biodegradable produce bag rolls, biodegradable shopping bags	37,807	14.7	2016	within 90 days	bank transfer
3 . . .	Customer Group C [3]	As disclosed in the FY2019 table above.	Biodegradable produce bag rolls, biodegradable shopping bags	29,033	11.3	2016	within 90 days	bank transfer
4 . . .	Customer Group E [5]	A group of companies located in Jilin Province, and their principal business are mainly operation of supermarket chains.	Biodegradable produce bag rolls, biodegradable shopping bags	15,030	5.9	2018	within 90 days	bank transfer
5 . . .	Changchun Hengxing	As disclosed in the FY2019 table above.	Non-biodegradable automobile plastic parts, biodegradable shopping bags, biodegradable plastic stretch wraps	12,067	4.7	2014	within 90 days	bank transfer / bank acceptance bill
	Total			**135,177**	**52.7**			

9M2022

Rank	Customer	Background	Products sold	Sales amount (approx.)	% of total revenue	Business relationship since	Credit terms	Settlement method
				(RMB'000)				
1. . . .	Customer Group A [(1)]	As disclosed in the FY2019 table above.	Biodegradable produce bag rolls, biodegradable shopping bags	32,378	15.1	2016	within 90 days	Bank transfer
2. . . .	Customer Group B [(2)]	As disclosed in the FY2019 table above.	Biodegradable produce bag rolls, biodegradable shopping bags	26,982	12.6	2016	within 90 days	Bank transfer
3. . . .	Customer Group C [(3)]	As disclosed in the FY2019 table above.	Biodegradable produce bag rolls, biodegradable shopping bags	21,761	10.2	2016	within 90 days	Bank transfer
4. . . .	Customer Group E [(5)]	As disclosed in the FY2021 table above.	Biodegradable produce bag rolls, biodegradable shopping bags	12,897	6.0	2018	within 90 days	Bank transfer
5. . . .	Changchun Hengxing	As disclosed in the FY2019 table above.	Non-biodegradable automobile plastic parts, biodegradable shopping bags, biodegradable plastic stretch wraps	10,090	4.7	2014	within 90 days	Bank transfer / bank acceptance bill
	Total			**104,108**	**48.6**			

Notes:

(1) Customer Group A comprises 13 companies and two branch companies established in the PRC, all of which are under control of the same ultimate controlling party. Transactions with Customer Group A is presented on common controlling party group basis.

(2) Customer Group B comprises five companies and three branch companies established in the PRC, all of which are under control of the same ultimate controlling party. Transactions with Customer Group B is presented on common controlling party group basis.

(3) Customer Group C comprises one company and four branch companies established in the PRC, all of which are under control of the same ultimate controlling party. Transactions with Customer Group C is presented on common controlling party group basis.
(4) Customer Group D comprises a company established in the PRC and one of its branches.
(5) Customer Group E comprises five companies and two branch companies established in the PRC, all of which are under control of the same ultimate controlling party. Transactions with Customer Group E is presented on common controlling party group basis.

Our five largest customers during the Track Record Period are Independent Third Parties. To the best knowledge and belief of our Directors, (i) none of our Directors or any of their respective close associates or, any of our Shareholders who owns more than 5% of the Shares in issue, had any interest in any of our five largest customers for the Track Record Period; and (ii) save for the sale and purchase of our products, none of our five largest customers, their respective shareholders or any of their senior management had any past or present relationships (including but not limited to business, employment, family, trust, financing, fund flow or otherwise) with our Company, its subsidiaries, their respective shareholders, directors, senior management or any of their respective associates during the Track Record Period.

Our ability in securing new customers during the Track Record Period

Biodegradable plastic products

The following table sets out the movement of the number of our biodegradable plastic products customers during the Track Record Period:

	2019	2020	2021	From 1 January 2022 up to 30 September 2022
As at the beginning of the year/period	93	100	90	89
Addition of new customers during the relevant year/period[1]	23	13	21	15
Non-renewal of existing customers	(16)	(23)	(22)	4
Net increase/(decrease) in customers	7	(10)	(1)	19
As at the end of the year/period	100	90	89	108
Ratio of new customers to the total number of customers	23%	14%	24%	14%

As illustrated above, the number of additional new customers varied during the Track Record Period, however, we consider the total number of additions of new customers is not a key indicator of our business performance due to:

(i) prospective customers might resort to other plastic alternatives due to their internal policy (for example: a French-based multinational sports retailer, one of the Company's customers during the Track Record Period, adopted the policy of not using any plastic shopping bag (irrespective of whether biodegradable or not) in their sales since FY2021);

(ii) prospective customers might experience a change in operation or financial circumstance (as the retail market is highly competitive in the PRC); or

(iii) prospective customers might purchase our competitors' products or alternate products.

In any event, we have been able to acquire new customers each year and the total number of customers did not fluctuate significantly as a whole during the Track Record Period. Moreover, we prefer large-scale recurring customers with whom we have established relationship and intend to maintain long-term business relationships with them. Servicing repeated orders from large-scale and recurring customers would allow us to lower our costs of R&D, production costs and production lead-time as the demands from these customers are usually larger. This will in turn improve our efficiency and profitability.

Non-biodegradable automobile plastic parts

The following table sets out the movement of the number of our non-biodegradable automobile plastic parts customers during the Track Record Period:

	2019	**2020**	**2021**	**From 1 January 2022 up to 30 September 2022**
As at the beginning of the year/period	4	4	2	7
Addition of new customers during the relevant year/period[1]	—	—	5	1
Non-renewal of existing customers	—	(2)	—	1
Net increase/(decrease) in customers	—	(2)	5	—
As at the end of the year/period	4	2	7	7

Note:

(1) The contract sum contributed by new customers was approximately RMB1.6 million, RMB0.8 million, RMB11.3 million and RMB8.8 million during the Track Record Period. During the Track Record Period, contribution from new customers is not material as we are more focused on cultivating business with our recurring customers.

Underlying reason for us to have a high revenue concentration from the largest five customers during the Track Record Period

We have a concentration of customers during the Track Record Period and for FY2019, FY2020, FY2021 and 9M2022, sales to our top five customers amounted to approximately RMB47.1 million, RMB93.9 million, RMB135.2 million and RMB104.1 million, representing approximately 45.8%, 56.3%, 52.7% and 48.6% of our total revenue, respectively, of which, Customer Group A, being our largest customer of FY2019, FY2021 and 9M2022 (and second largest in FY2020), accounted for approximately 15.5%, 14.6%, 16.1% and 15.1% of our total revenue for the same years/periods, respectively. This is largely due to:

(i) from the customer's perspective, it is common for our major customers (mainly supermarket chains, department stores, and outlets) which had engaged suppliers to have place a high volume of standardised order or repeated order for produce bag rolls and/or shopping bags once they have selected a trust-worthy supplier as their order volume could enhance their bargaining power, quality assurance process and administrative efficiency. Therefore, if we decide to provide services to such customers, the relevant customer may easily become one of our major customers;

(ii) from our perspective, given the high volume of standardised order or repeated order can lower our costs of R&D, production costs and production lead-time as the demands from these major customers are usually larger. This will in turn improve our efficiency and profitability; and

(iii) according to Frost and Sullivan, the above mutual reliance relationship is an industry norm practice, and by maintaining the well-established business and co-operation relationship with these major customers, our Directors consider such arrangement has been bringing, and will bring, in additional commercial and financial benefits to us and would not be detrimental to our long term substantiality.

Recurring customers[1] and the reason for us to have a high concentration of recurring customers during the Track Record Period

As each of our customers has their product specifications of biodegradable produce bag rolls and biodegradable shopping bags (such as size, thickness, colour, weight holding capacity, tear resistance and light transmittance), and the development of biodegradable produce bag rolls and biodegradable shopping bags with new properties requires time and effort, with repeat orders from the same customer it allows us to lower our R&D and production costs and production lead time. This, in turn, help to improve our profitability.

Hence, during the Track Record Period, we placed heavier emphasis to formulate our business plans to cultivate relationship with existing customers. Moreover, according to Frost and Sullivan, such business strategy is also an industry norm in the biodegradable plastic products market.

We have established stable and long-term relationships with our customers. Our five largest customers during the Track Record Period have established business relationship with us from three to seven years. Most of our revenue during the Track Record Period was derived from recurring customers, despite not having entered into any long-term sales framework agreement with us. For FY2019, FY2020, FY2021 and 9M2022, RMB101.1 million, RMB165.8 million, RMB245.3 million and RMB208.4 million, representing approximately 98.4%, 99.5%, 95.6% and 97.3% of the total revenue, was derived from our recurring customers.

During the Track Record Period, our recurring customers profile also included (i) an American multinational food and beverage company that is most well-known for its carbonated soft drinks; and (ii) a French-based multinational sports retailer. Given these customers possess business operations in Southeast China, our Directors are of the view that their Southeast China operations will also require biodegradable plastic products. Therefore, by leveraging our existing customer network, we are confident about the prospects of our business in Southeast China once our Huizhou Production Base enters into operation.

Note:

(1) "Recurring customers" refer to any customer who purchased products from us during the Track Record Period for more than one year.

Detailed plan with quantitative information on how the Company could be able to secure new orders from new and/or existing customers for the additional production volume

The existing policies on prohibiting the use of non-degradable plastic bags are mainly related to plastic bags. However, the PRC Government had further announced on the restriction on other plastic products recently. For example, in 2022, "9917 Project" was issued by The State Post Bureau which stated that *"by the end of 2025, non-degradable plastic bags will be prohibited in postal and express outlets"*.

Currently we have successfully developed and manufactured biodegradable express packaging bags. Sample products have been provided to China Post (中國郵政) for feedbacks. It is anticipated demand in biodegradable express packaging bags will be increased once the specification is finalised.

Sample express packaging bags developed by us

Moreover, other than various policies banning the usage of non-biodegradable shopping bags, there are also policies to prohibit or restrict the use of plastic utensils (i.e. tableware and straw) such as

(i) Opinions on Further Strengthening the Control of Plastic Pollution (《關於進一步加強塑料污染治理的意見》) issued by the National Development and Reform Commission and Ministry of Ecology and Environment in 2020, which stated that by the end of 2020, non-biodegradable disposable plastic straws should be prohibited in the catering industry nationwide, and the use of non-degradable disposable plastic tableware should be prohibited in the dining services in certain areas; and

(ii) Administrative Measures for Use and Report of Disposable Plastic Products (Draft for comments)（《一次性塑料製品使用、報告管理辦法（徵求意見稿）》）issued by Ministry of Commerce in 2021, which stated that catering operators should reasonably choose environment-friendly alternative products or disposable plastic products for takeout services.

Although it is possible to use woods and bamboos as alternative raw materials, our Directors submit that woods and bamboos are generally used to produce disposable tableware with less complicated product design (such as chopsticks) in contrast to disposable plastic tableware (such as dinner plates, food containers, rice bowls, drinking cups, straw, lunchbox ...etc). According to Frost & Sullivan, characteristics of biodegradable plastic, being light, mouldable, durable and high-water resistance, would allow biodegradable plastic products to occupy a sustainable competitive position over woods and bamboos.

Sample food containers, straw developed by us

In any event, despite the expected annual maximum production capacity of biodegradable plastic products after expansion will increase from 6,440 tonnes to 46,368 tonnes (i.e., Changchun: 28,840 tonnes and Huizhou: 17,528 tonnes), the expansion plans are commercially justifiable given we expected there will be a potential increase in market demand, in terms of sales revenue of (i) biodegradable produce bag rolls and (ii) biodegradable shopping bags in China. According to Frost & Sullivan, the PRC market demand for (i) biodegradable produce bag rolls and (ii) biodegradable shopping bags is expected to reach approximately 522,000 tonnes by 2026, in terms of production volume.

Lastly, we have considered that the maximum capacity should be able to support its expansion not only for 2-3 years as the useful life of these production machines, if properly maintained, could be 10 years or longer. Therefore, based on the foregoing, our Directors consider the Expansion Plans is a practical and achievable target.

Details on the potential customers' intention or indicated interest from customers

For potential customers' intention or indicated interest from customers, please refer to our discussion progress with Customer Group B, Customer Group C and Customer V under subsection headed "— Reasons to expand in both Northeast and Southeast China". Moreover, as at the Latest Practicable Date, we have received orders from the following new customers as set out in the table below.

	Customer's name	Product(s) to be procured	Contract signed	Date of contract signed	Sources of new customers
1	Customer U	Express packaging bags	Yes	July 2022	Referred by existing customers
2	Customer T	Produce bag rolls	Yes	October 2022	Through industry exhibitions
3	Customer S	Shopping bags	Yes	October 2022	Referred by existing customers
4	Customer R	Shopping bags	Yes	October 2022	Through industry exhibitions
5	Customer Q	Shopping bags	Yes	October 2022	Cold calling by us
6	Customer P	Shopping bags	Yes	October 2022	Referred by existing customers
7	Customer O	Shopping bags	Yes	October 2022	Cold calling by us
8	Customer N	Produce bag rolls & shopping bags	No	Contract signing process is in progress.	Cold calling by the customer itself
9	Customer M	Produce bag rolls	No	Contract signing process is in progress.	Referred by existing customers

Prospective customers of our new products

As at the Latest Practicable Date, we have manufactured samples and/or entered into purchasing contract with the following prospective customers. We are of the view that below has demonstrated our potential customers' intention / interest in our Company's existing and new products.

Name of prospective customer	Product(s) to be procured	Status as at the Latest Practicable Date
New customer		
Customer V	Biodegradable produce bag rolls, biodegradable shopping bags	Sample products have been provided to customers for evaluation and the parties are finalising the order quantity and specification
Existing customers		
Customer Group C	Biodegradable produce bag rolls, biodegradable shopping bags, and, if required, other related products	Sample products have been provided to customers for feedbacks and the parties are finalising the order quantity and specification
Customer U	Express packaging bags	Products already delivered to customers and in use.

RAW MATERIALS AND MAJOR SUPPLIERS

Principal Raw Materials

The primary raw materials used in the manufacturing of biodegradable plastic products are PLA, PBAT and PBS, whereas the major raw materials used in the production of non-biodegradable automobile plastic parts are PP and PE. All our raw materials for production are purchased from suppliers located in the PRC.

In FY2019, FY2020, FY2021, 9M2021 and 9M2022, the cost of raw materials accounted for approximately 78.4%, 85.6%, 87.2%, 88.5% and 86.4%, respectively, of our total cost of sales.

The following table sets out the breakdown of our total costs of raw materials during the Track Record Period:

	FY2019		FY2020		FY2021		9M2021		9M2022	
							(unaudited)			
	RMB'000	*% of cost of raw materials*	*RMB'000*	*% of cost of raw materials*	*RMB'000*	*% of cost of raw materials*	*RMB'000*	*% of cost of raw materials*	*RMB'000*	*% of cost of raw materials*
PLA, PBAT, PBS	35,932	75.0	63,323	76.6	91,977	73.4	67,891	72.9	87,649	79.2
Consumables	3,053	6.4	2,242	2.7	3,799	3.0	2,686	2.9	5,234	4.7
Other materials(1)	8,941	18.6	17,131	20.7	29,488	23.6	22,572	24.2	17,815	16.1
Total(2)	**47,926**	**100.0**	**82,696**	**100.0**	**125,264**	**100.0**	**93,149**	**100.0**	**110,698**	**100.0**

Notes:

(1) Other materials include raw materials for automobile plastic parts such as PP, PE etc.

(2) In FY2019, FY2020, FY2021, 9M2021 and 9M2022, raw material cost as a percentage of revenue were approximately 46.7%, 49.6%, 48.8%, 49.0% and 51.7%, respectively.

Procurement Planning

Our procurement department formulates the procurement plan for raw materials primarily based on specifications agreed with the customers, our prior experience on production, quantity, production complexity of the relevant products.

For raw materials where there are available inventories, our production department will place an internal raw material withdrawal request form to retrieve the necessary amount of raw materials from our warehouse. Since PLA, PBAT, and PBS are commonly used in our products, we formulate bulk purchase plan with reference to our historical purchase amount and raw material inventory level. Moreover, for the raw materials to be purchased from new supplier for the first time, or the raw materials that are expected to have material price fluctuation from time to time, our procurement team would request price quotations from alternative suppliers from our list of qualified suppliers to obtain the best price for such raw materials.

Our Suppliers

During the Track Record Period, all our suppliers were located in the PRC. We sourced the raw materials for our production, mainly including PLA, PBAT, and PBS from them. To the best of our knowledge, we sourced our raw materials from our suppliers in the PRC.

As at 30 September 2022, we had 24 qualified suppliers. We adopt strict procedures in selecting our suppliers. We review background information of potential suppliers and assess their qualities from different aspects including their scale of operation, reputation in the industry, prices, quality control and financial position. Having met our selection criteria, such potential suppliers will become our qualified suppliers. We also evaluate our qualified suppliers and examine the validity of their relevant licences and permits, from time to time.

Although we have not entered into any long term or framework supply agreement with our suppliers, we do not foresee any significant difficulty in finding alternate suppliers for our raw materials. We believe this arrangement provides us with flexibility in choosing our suppliers and obtaining a competitive price for the raw materials we require in our production process.

During the Track Record Period, we did not experience any material return of raw materials sold from our suppliers. We have not experienced any material dispute with our suppliers, nor any disruption, shortage or delay in relation to the supply of our raw materials which may materially and adversely affect our operations and financial condition.

Our suppliers generally grant us a credit term ranging from cash on delivery to 60 days. We mainly settled payment with our suppliers in RMB by bank transfer and/or bank acceptance bills.

Our Major Suppliers

In FY2019, FY2020, FY2021 and 9M2022, transactions with our five largest suppliers in each year/period during the Track Record Period were approximately RMB42.5 million, RMB75.7 million, RMB99.5 million and RMB95.6 million, representing approximately 80.0%, 85.2%, 82.2% and 69.3% of our total purchase, respectively, over the same period. Purchases from our largest supplier in each year/period during the Track Record Period were approximately RMB12.1 million, RMB22.6 million, RMB35.1 million and RMB34.1 million, representing approximately 22.8%, 25.4%, 29.0% and 24.7% of our total purchase, respectively, over the same period. All of our major suppliers are Independent Third Parties.

The tables below set forth a summary of our five largest suppliers in FY2019, FY2020, FY2021 and 9M2022, respectively.

FY2019

Rank	Supplier	Background	Products received by the Group	Purchase amount (approx.)	% of total purchase	Business relationship since	Credit terms	Settlement method
				(RMB'000)				
1	Supplier Group A[1]	A group of companies located in Xinjiang. Their principal business are mainly production of chemical materials such as PET, PBAT and PBS.	PBAT, PBS	12,106	22.8	2014	within 60 days	bank transfer / bank acceptance bill
2	Supplier Group B[2]	A group of companies located in Zhejiang Province. Their principal business are mainly production of PLA.	PLA	10,520	19.8	2017	within 60 days	bank transfer / bank acceptance bill
3	Supplier Group C[3]	An A-share company listed in Shenzhen with registered capital of approximately RMB1.23 billion and one of its subsidiaries, which are located in Zhejiang Province, and their principal business are mainly production and sales of PLA and polymer materials.	PBAT	10,504	19.8	2015	within 60 days	bank transfer / bank acceptance bill
4	Supplier D	Established in 2012, located in Shanxi Province with a registered capital of RMB100 million. Mainly engages in production and sales of IUPAC (丁二酸) and PBAT.	PBAT	7,698	14.5	2016	within 60 days	bank transfer / bank acceptance bill
5	Changchun Hengxing	Established in 2004, located in Jilin Province with a registered capital of RMB6 million, and their principal business are mainly production and selling of automobile plastic products.	PP	1,662	3.1	2014	within 60 days	bank transfer / bank acceptance bill
	Total			**42,490**	**80.0**			

FY2020

Rank	Supplier	Background	Products received by the Group	Purchase amount (approx.)	% of total purchase	Business relationship since	Credit terms	Settlement method
				(RMB'000)				
1	Supplier Group C[(3)]	As disclosed in the table above.	PBAT	22,598	25.4	2015	within 60 days	bank transfer / bank acceptance bill
2	Supplier Group B[(2)]	As disclosed in the table above.	PLA	18,196	20.5	2017	within 60 days	bank transfer / bank acceptance bill
3	Supplier Group A[(1)]	As disclosed in the table above.	PBAT, PBS	13,748	15.5	2014	within 60 days	bank transfer / bank acceptance bill
4	Supplier D	As disclosed in the table above.	PBAT	12,257	13.8	2016	within 60 days	bank transfer / bank acceptance bill
5	Changchun Hengxing	As disclosed in the table above.	PP	8,889	10.0	2014	within 60 days	bank transfer / bank acceptance bill
	Total			**75,688**	**85.2**			

FY2021

Rank	Supplier	Background	Products received by the Group	Purchase amount (approx.)	% of total purchase	Business relationship since	Credit terms	Settlement method
				(RMB'000)				
1	Supplier Group C(3)	As disclosed in the FY2019 table above.	PBAT	35,119	29.0	2015	within 60 days	bank transfer / bank acceptance bill
2	Supplier Group B(2)	As disclosed in the FY2019 table above.	PLA	28,102	23.2	2017	within 60 days	bank transfer / bank acceptance bill
3	Supplier Group A(1)	As disclosed in the FY2019 table above.	PBAT, PBS	20,712	17.1	2014	within 60 days	bank transfer / bank acceptance bill
4	Supplier D	As disclosed in the FY2019 table above.	PBAT	9,519	7.9	2016	within 60 days	bank transfer / bank acceptance bill
5	Beijing Xingbeida Chemical Material Co., Ltd. (星貝達（北京）化工材料有限公司)	Established in 1998, located in Beijing with a registered capital of RMB5 million. Mainly engages in production and sales of polymer additive.	EBS, Erucamide	6,094	5.0	2015	within 60 days	bank transfer / bank acceptance bill
	Total			**99,546**	**82.2**			

9M2022

Rank	Supplier	Background	Products received by the Group	Purchase amount (approx.)	% of total purchase	Business relationship since	Credit terms	Settlement method
				(RMB'000)				
1.	Supplier Group C[3]	As disclosed in the FY2019 table above.	PBAT	34,082	24.7	2015	within 60 days	bank transfer / bank acceptance bill
2.	Supplier Group B[2]	As disclosed in the FY2019 table above.	PLA	27,038	19.6	2017	within 60 days	bank transfer / bank acceptance bill
3.	Supplier Group A[1]	As disclosed in the FY2019 table above.	PBAT, PBS	17,555	12.7	2014	within 60 days	bank transfer / bank acceptance bill
4.	Supplier D	As disclosed in the FY2019 table above.	PBAT	8,579	6.2	2016	within 60 days	bank transfer / bank acceptance bill
5.	Supplier E	Established in 2010, located in Liaoning Province with a registered capital of RMB10 million, mainly engages in the production of chemical materials.	PBAT	8,373	6.1	2019[4]	within 60 days	bank transfer / bank acceptance bill
	Total			**95,627**	**69.3**			

Notes:

(1) Supplier Group A comprises three companies established in the PRC, all of which are under control of the same ultimate controlling party. Transactions with Supplier Group A is presented on common controlling party group basis.

(2) Supplier Group B comprises a company established in the PRC and one of its subsidiaries.

(3) Supplier Group C comprises a company established in the PRC and one of its subsidiaries.

(4) We purchased additives from Supplier E from FY2019 to FY2021.

Our five largest suppliers during the Track Record Period are Independent Third Parties. To the best knowledge and belief of our Directors, (i) none of our Directors or any of their respective close associates or, any of our Shareholders who own more than 5% of the Shares in issue, had any interest in any of our five largest suppliers for the Track Record Period; and (ii) save for the sale and purchase of raw materials for our production, none of our five largest suppliers, their respective shareholders or any of their senior management had any past or present relationships (including but not limited to business, employment, family, trust, financing, fund flow or otherwise) with our Company, its subsidiaries, their respective shareholders, directors, senior management or any of their respective associates during the Track Record Period.

Whether the shortage of raw materials will have any adverse impact on our expansion plan

Our major raw materials, namely PLA, PBAT and PBS accounted for approximately 75.0%, 76.6%, 73.4%, 72.9% and 79.2% of the total costs of raw materials in FY2019, FY2020, FY2021, 9M2021 and 9M2022, respectively. The prices and availability of these major raw materials are sensitive to transport disruptions, government policies, general economic conditions, and many other factors that are beyond our control. We also have limited control over the supply and availability of these major raw materials. As a result, the shortage of raw materials might have adverse impact on our expansion plans.

Nonetheless, based on publicly available information, and within the knowledge of our Directors, our Directors are not aware that there has been and do not expect to have any material disputes with any of our major suppliers, and our Directors believe that we will be able to maintain business relationships with existing major suppliers in foreseeable future. In the event that any of our existing suppliers fail to deliver raw materials (or to satisfy our demand in terms of quality and quantity in a timely manner, or on commercially acceptable terms), we can purchase raw materials from our list of 24 qualified suppliers as alternative suppliers (as at 30 September 2022).

ENTITY WHO IS OUR CUSTOMER AND ALSO OUR SUPPLIER

The following table sets out the details of our major customer with a dual role as our supplier during the Track Record Period:

Name of entity	Amount of sales and percentage to our total revenue	Ranking among our customers	Major products sold by us	Amount of purchases and percentage to our total purchases	Ranking among our suppliers	Major raw materials purchased by us	Gross settlement[1]
	(RMB'000)			*(RMB'000)*			
Changchun Hengxing	FY2019: RMB3,943 (3.8%)	5	Non-biodegradable automobile plastic parts, biodegradable shopping bags, biodegradable plastic stretch wraps	FY2019: RMB1,662 (3.1%)	5	PP	Yes
	FY2020: RMB16,186 (9.7%)	4	Non-biodegradable automobile plastic parts, biodegradable shopping bags, biodegradable plastic stretch wraps	FY2020: RMB8,889 (10.0%)	5	PP	Yes
	FY2021: RMB12,067 (4.7%)	5	Non-biodegradable automobile plastic parts, biodegradable shopping bags, biodegradable plastic stretch wraps	FY2021: RMB324 (0.3%)	13	PP	Yes
	9M2022: RMB10,090 (4.7%)	5	Non-biodegradable automobile plastic parts, biodegradable shopping bags, biodegradable plastic stretch wraps[2]	9M2022: RMB4,801 (3.5%)	8	PP[2]	Yes

Notes:

(1) Each sales transaction and purchase transaction was negotiated, made and settled on a separate and individual standalone basis.

(2) We purchased the raw material of our Group's non-biodegradable plastic products, including PP from Changchun Hengxing, while we sold non-biodegradable automobile plastic parts, biodegradable shopping bags and biodegradable plastic stretch wraps to Changchun Hengxing, which are of different nature. As such, our Directors consider a gross profit margin analysis not meaningful to investors. Furthermore, the raw materials purchased from Changchun Hengxing were not necessarily or solely used for the production of non-biodegradable automobile plastic parts sold to Changchun Hengxing during the Track Record Period.

We sold to and purchased from Changchun Hengxing during the Track Record Period because, to the best knowledge and belief of our Directors, (i) Changchun Hengxing is a company specialising in selling (a) non-biodegradable automobile plastic parts; and (b) non-biodegradable plastic material including PP; (ii) PP is necessary for our production of certain non-biodegradable automobile plastic parts; and (iii) Changchun Hengxing was able to provide the required raw materials within the designated timeframe. As confirmed by our Directors, the raw materials purchased from Changchun Hengxing were not necessarily or only used for the production of non-biodegradable automobile plastic parts sold to Changchun Hengxing during the Track Record Period.

To the best knowledge and belief of our Directors, Changchun Hengxing and its ultimate beneficial owners are Independent Third Parties. Our Directors confirm that each transaction with Changchun Hengxing was (i) conducted through arm's length negotiation; (ii) conducted with the terms thereof being subject to negotiation in each individual order; (iii) independent and not inter-connected nor inter-conditional with each other; and (iv) made on a separate individual standalone order-by-order basis. During the Track Record Period, all products or materials purchased from and sold to Changchun Hengxing were completely different in nature.

QUALITY CONTROL

We have implemented a quality control system in accordance with the requirements under the relevant PRC laws and regulations and quality control measures throughout our manufacturing process.

Our quality control team is responsible for quality control management. They are responsible for identifying quality control issues and providing solutions to the production team to address the quality control issues. We allocate quality control staff to examine our products at each key stage of production to ensure that the quality of our products meets the product specifications. Our quality control team possess relevant knowledge and attend trainings in relation to the manufacture and product assessment on a regular basis.

As a biodegradable plastic products manufacturer whose products demand a high degree of consistency, accuracy and performance from its equipment and who are highly selective when choosing suppliers to meet its stringent technical specifications and quality standards, we are IATF16949 (Automobile Quality Management System), ISO9001 (Quality Management System) and ISO14001 (Environmental Management System) certified. We believe that our quality assurance procedures will help us remain competitive; and our experience and commitment to quality, coupled with the customisation we offer to our customers, will enable us to reinforce our current market position and create new business opportunities in the biodegradable plastic products industry in the PRC.

Quality control of the biodegradability of our products

To ensure the biodegradability of our products, we adhere the following quality check procedure during the production process.

Stage	Procedure related to biodegradability
During raw materials preparation stage	Moisture content check Impurities/ash content check Density check Masterbatches composition check Viscosity check (measure of fluid's resistance to deformation at a given rate)
During film extrusion, shaping, cutting and pressing stage	Melt point check Melt flow index check (measure of the ease of flow of the melt of a polymer)
Final product	Internal and external quality check (see below)

Quality Check — Internal Testing

Typically, our QC technician will incubate the testing sample under decomposed fermented organic fertiliser environment. Then our QC technician will measure the carbon dioxide emitted from the test samples during the incubation period. To simulate a decomposed fermented organic fertiliser environment, mixtures of test samples and municipal solid waste are incubated in a composting vessel at a steady test temperature. As biodegradation of the samples will finally convert the organic carbon into carbon dioxide, the carbon dioxide content of the samples emitted from the composting vessel is used to calculate the degree of biodegradation of the samples.

Relevant equipment including gas chromatography, temperature controlling apparatus, pH metre, analytical balance, composting vessels (such as conical or erlenmeyer flasks or bottles that allow an even gas purge in an upward direction).

Quality Check — External Testing

On an irregular basis, we send our product to inspection agency for quality check (such as Jilin Province Product Quality Supervision and Inspection Institute (吉林省產品質量監督檢驗院), a government-related inspection institution) to ensure the Company's biodegradable products follow "GB/T 33798-2017" and "GB/T 38082-2019".

Biodegradability of our biodegradable shopping bags and biodegradable produce bag rolls

Our biodegradable produce bag rolls and biodegradable shopping bags are in compliance with "GB/T 33798-2017" and "GB/T 38082-2019", respectively. "GB/T 33798-2017" and "GB/T 38082-2019" are national standards for biodegradable plastic produce bag rolls and biodegradable plastic shopping bags, respectively, issued by the SAMR and the Standardisation Administration of the PRC (國家標準化管理委員會).

According to the standards of GB/T 38082-2019 and GB/T 33798-2017 (as well as the specific testing methodology per GB/T19277.1-2011), the testing sample has to be exposed to inoculum derived from compost, and for the relevant sample to satisfy the biodegradability requirements under these standards, the relevant biodegradation rates within 180 days (six months) should be no less than 60%. Based on various test reports prepared by Jilin Province Product Quality Supervision and Inspection Institute (吉林省產品質量監督檢驗院), our biodegradable produce bag rolls and biodegradable shopping bags are in compliance with "GB/T 33798-2017" and "GB/T 38082-2019" during the Track Record Period.

Degradation timeline for each of our biodegradable plastic products[1]

Under the relevant national standards GB/T 38082-2019 (i.e. for biodegradable plastic shopping bags) and GB/T 33798-2017 (i.e. for produce bag rolls), it did not set out any biodegradability requirements for the product being biodegraded at 25%, 50% and 100%. Under the statutory requirement of the relevant national standards, for the Company's biodegradable products to satisfy the biodegradability requirements, the biodegradation rate within 180 days (six months) should be no less than 60%.

For illustrative purpose, we set out below the data obtained from testing reports prepared by Jilin Province Product Quality Supervision and Inspection Institute (吉林省產品質量監督檢驗院) showing the average decomposition timeline of our (i) biodegradable plastic shopping bags; and (ii) biodegradable produce bag rolls at 25%, 50%, 60% and 90%, respectively.

	Decomposition timeline[2]			
	25%	*50%*	*60%*	*90%*
Biodegradable plastic shopping bags	25 days	35 days	43 days	117 days
Industry average[3]	20-30 days	30-50 days	40-60 days	90-160 days
Biodegradable produce bag rolls	15 days	33 days	42 days	118 days
Industry average[4]	15-25 days	30-50 days	40-60 days	90-160 days

Whether it is possible to reach 100% decomposition under a controlled environment in the laboratory

The biodegradability of biodegradable plastic bags is tested under a controlled environment in the laboratory, typically by measuring the amount of CO_2 released when microorganisms degrade biodegradable plastics. Under a controlled environment, the concentration level of CO_2 released

Notes:

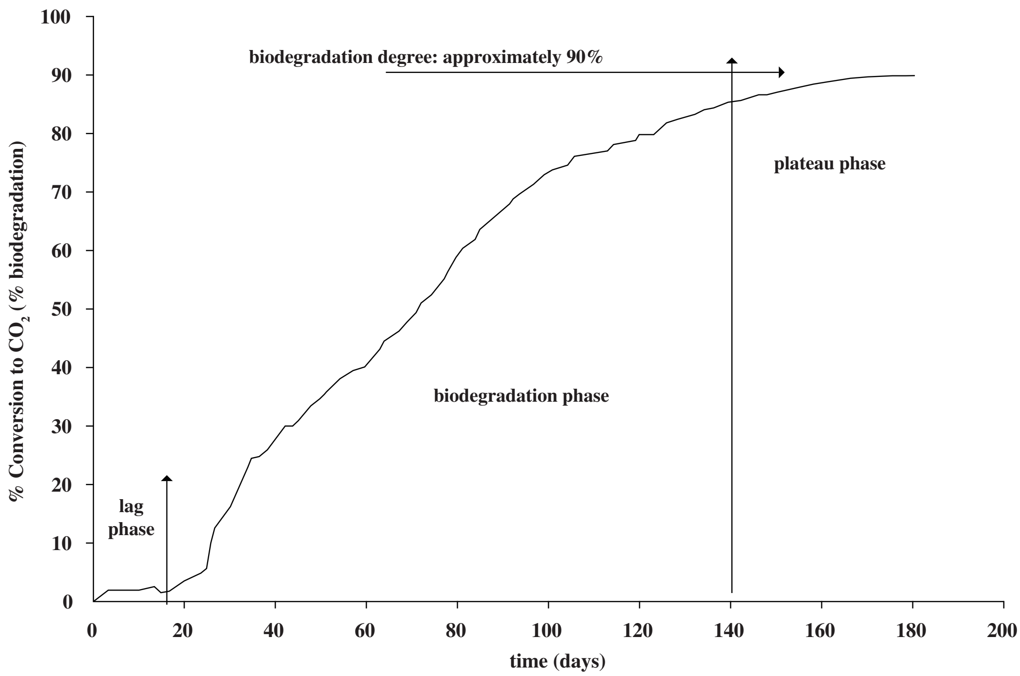
(1) There is no specific national standards for stretch wraps and no data was available for such product.

(2) Testing condition: Decomposed fermented organic fertiliser

(3) Source: Frost & Sullivan analysis

(4) Source: Frost & Sullivan analysis

recorded a curve, similar to the bacterial growth curve, which typically shows three phases (i) lag phase, (ii) biodegradation phase, and (iii) plateau phase. Below we set out a biodegradation timeline chart for illustrative purpose:



Note: For illustrative purposes only, data shown above is not related to our products. The data illustrated above is not intended to be indicative of the decomposition level or timeline of our products.

The plateau phase typically begins with around 90% biodegradation rate, such rate sometimes could gradually move towards 100% but usually flattens out for an indefinite period of time in the end. This is because under a controlled environment (i.e. inside a laboratory) the growth rate of bacteria will eventually reach a static state following a period of activity, that is from a scientific perspective, the growth rate of new bacteria equals the death rate of old bacteria. Even if there are nutrients (i.e. biodegradable plastic) left for bacteria to consume and grow, the rate of growth of the bacterial is limited by the accumulation of toxic compounds and the depletion of other nutrients in the testing sample. Therefore, eventually, the total number of bacteria falls as the death rate of bacteria is greater than the growth rate of bacteria.

As the total number of bacteria remains constant or falls as mentioned in the paragraph above, the biodegradation rate of plastic slows down and may eventually stops when all bacteria die. Therefore, in general circumstance, the biodegradable rate will not reach 100% (i.e. there will still be some plastic left undegraded when this happens).

As such, although theoretically, it is possible for a biodegradable plastic bag to have a 100% biodegradable rate, there are practical difficulties to achieve such result, i.e. 100% degradation, even under a laboratory environment. Given the above constraints, we are not able to provide degradation data for its products being biodegraded at 100% but can only demonstrate the trend of its biodegradable process along the lines described above.

INVENTORY MANAGEMENT

Our inventory comprises raw materials and finished products. We do not record work-in-progress as our production lead time is generally less than one day. We have implemented an effective inventory control system that requires close co-ordination among our various functional departments including the procurement, production, R&D and finance departments. We closely monitor our inventory level to meet our production requirements, minimise any wastage on inventory and avoid obsolete inventory.

Raw Materials and Warehouse Management

Our inventory level is determined principally by our production requirements and the orders received by us; and we order additional raw materials on a needed basis. We continuously monitor our inventory level by conducting regular checks on quality and quantity. In addition, our procurement staff members work closely with our production staff members to formulate our procurement plan and budget.

Finished Goods

As we normally proceed to production pursuant to the confirmed orders placed by our customers, we do not maintain excessive inventory for finished goods.

As at 31 December 2019, 2020, 2021 and 30 September 2022, our finished goods balances amounted to approximately RMB17.9 million, RMB20.7 million, RMB7.3 million and RMB6.6 million, respectively.

RESEARCH AND DEVELOPMENT

As at 30 September 2022, our R&D department consisted of nine staff members and was headed by Mr. Shan. The majority of the members in our R&D team have over 14 years of experience in the biodegradable plastic products industry. During the Track Record Period, through the efforts of our R&D department and our collaboration with CIAC, we commenced a total of 14 R&D projects and completed 13 of them, with one still in progress, in relation to the manufacturing processes of our biodegradable plastic products. We own the intellectual property rights of all our R&D projects, and all profits and economic benefits deriving from our R&D projects belong to our Group and not our research partner.

The table below sets out our major R&D projects with CIAC completed during the Track Record Period:

Year of commencement of the project	Name of the Project	Details	Overall project sum	Status
			(RMB'000) *(approximately)*	
2019	Development of an injection mould tool for degradable materials (一種用於降解材料的注塑模具的研發)	This project aims to improve the moulding result by utilising mercury conduction to energise an electromagnet to control the position of the electro-discharge port, allowing the heating wire to heat-up the raw materials in a more effective manner.	300	Completed
2019	Development of a high-speed film blowing machine (一種高速吹膜機的研發)	This project aims to improve the manufacturing process of film blowing, one of the key steps in our manufacturing process, which aims to improve the stretchability and cooling efficiency of plastic film.	360	Completed
2020	Development of an automated burr cutting device for plastic processing (一種塑料加工用自動化毛刺切割裝置的研發)	This project aims to improve the methodology of traditional burr cutting method, thereby improving manufacturing efficiency.	880	Completed
2020	Development of a multifunctional cooling device for plastic injection moulding (一種塑料注塑用多功能冷卻降溫裝置的研發)	This project aims to enhance the moulding separation techniques of our manufacturing process, thereby enhancing manufacturing efficiency.	1,100	Completed
2020	Development of an automated plastic parts punching device (一種自動化塑料零件打孔裝置的研發)	This project aims to improve the manufacturing process of hole-punching, one of the key steps in our manufacturing process.	880	Completed
2021	Blown film resin and film bag products (吹膜樹脂及膜袋製品)	This project aims to develop low cost and high starch content blown film resin and film bag products.	4,000	Completed

Year of commencement of the project	Name of the Project	Details	Overall project sum	Status
			(RMB'000) (approximately)	
2022	Injection moulding resin and products (注塑樹脂及製品)	This project aims to study how to replace non-degradable injection moulding products with biodegradable injection moulding products such as lunch boxes, serving trays and tableware using PLA and PBS by using injection moulding. We conduct this research because of their tremendous market demand and compliance with social development regarding their application prospect.	500	Completed

The following table sets out the R&D projects we had commenced or anticipated to commence with CIAC as at the Latest Practicable Date:

Year of commencement of the project	Name of the Project	Details of research and its targeted results	Overall project sum	Status	Source of funding	Amount of net proceeds
			(RMB'000) (approximately)			(RMB'000) (approximately)
2021	Blown film resin compositions and film conformation (吹膜樹脂組成與薄膜構效)	Refer to page 221 for details	12,500	In progress (16.0% of the project was completed as at 30 September 2022, an additional 68.0% of the project is expected to be completed in 2022 and the first half of 2023 by internal funding, and the remaining 16.0% of the project is expected to be completed by 2023)	84.0% of the project is funded by internal funding, the remaining 16.0% will be funded by net proceeds from the Global Offering	2,000
2023	Composition and properties of resins for biodegradable injection moulding (注塑專用樹脂組成與性能構效)	Refer to page 221 for details	3,000	Contract signed but not yet commenced (expected to be completed in 2023)	Net proceeds from the Global Offering	3,000

Year of commencement of the project	Name of the Project	Details of research and its targeted results	Overall project sum	Status	Source of funding	Amount of net proceeds
			(RMB'000) *(approximately)*			*(RMB'000)* *(approximately)*
2023	Industrialisation technology of low-cost PBAT/PLA/starch membrane (低成本PBAT/PLA/澱粉膜的產業化技術)	Refer to page 222 for details	13,000	Contract signed but not yet commenced (expected to be completed in 2024)	Net proceeds from the Global Offering	13,000
2024	PBAT/PLA/PPC blown film resin and bag making technology (PBAT/PLA/PPC吹膜樹脂及製袋技術)	Refer to page 222 for details	9,000	Contract signed but not yet commenced (expected to be completed in 2024)	Net proceeds from the Global Offering	9,000
2024	Low-cost injection moulding process (低成本注塑製品成型加工)	Refer to page 222 for details	3,000	Contract signed but not yet commenced (expected to be completed in 2024)	Net proceeds from the Global Offering	3,000
2024	PBAT/PLA/PPC agricultural mulch resin and blown film (PBAT/PLA/PPC地膜專用樹脂及吹膜)	Refer to page 223 for details	1,500	Contract signed but not yet commenced (expected to be completed in 2024)	Net proceeds from the Global Offering	1,500
2024	Optimisation of injection moulding resin and product technology (注塑樹脂及製品技術優化)	Refer to page 223 for details	3,500	Contract signed but not yet commenced (expected to be completed in 2024)	Net proceeds from the Global Offering	3,500
Total						**35,000**

Background of Chinese Academy of Sciences, Changchun Institute of Applied Chemistry

Chinese Academy of Sciences, Changchun Institute of Applied Chemistry (CIAC) was founded and established in 1948 and has been involved in scientific research and discovery for over 70 years. CIAC is a multidisciplinary chemistry institute, comprising 10 laboratories and units that conduct basic and applied research and high-tech innovation in polymer sciences. CIAC's research focuses on resources and the environment; advanced materials; and new and renewable energy. As at the end of 2021, CIAC had 895 employees, including 490 scientists, of whom 140 are full-time professors. CIAC has seven fellows from the Chinese Academy of Sciences and four fellows from The World Academy of Sciences on its staff list.

AWARDS AND RECOGNITIONS

The table below sets out our major awards or recognitions achieved as at the Latest Practicable Date:

Award/Recognition	Entity	Awarding authority/entity or certification body	Date of grant/ Validity period
Certificate of Technology Small Giant Enterprise of Jilin Province	Jilin Kaishun	Jilin Provincial Department of Science and Technology, Jilin Provincial Department of Industry and Information Technology, Jilin Province Department of Finance	2017
Recognised as "Green Factory" under the 2020 Second Batch Provincial Manufacturing Demonstration Projects	Jilin Kaishun	Jilin Provincial Department of Industry and Information Technology	April 2020
Provincial Certification Enterprise Technology Centre	Jilin Kaishun	Jilin Provincial Department of Industry and Information Technology, JPDRC, Jilin Provincial Department of Science and Technology, Jilin Province Department of Finance, Changchun Customs District of PRC, Jilin Provincial Taxation Service Bureau of SAT	August 2021
Certificate of High and New Technology Enterprise*	Jilin Kaishun	Jilin Provincial Department of Science and Technology, Jilin Province Department of Finance, Jilin Provincial Taxation Service Bureau of SAT	September 2021 — September 2024
GB/T 19001-2016/ ISO9001:2015 — Quality Management Systems	Jilin Kaishun	Zhongjian Certification Co., Ltd.	March 2021 — March 2024

Award/Recognition	Entity	Awarding authority/entity or certification body	Date of grant/ Validity period
GB/T 24001-2016/ ISO14001:2015 — Environmental Management Systems.	Jilin Kaishun	Zhongjian Certification Co., Ltd.	March 2021 — March 2024
GB/T 45001-2020/ ISO 45001:2018 — Occupational Health and Safety Management Systems	Jilin Kaishun	Zhongjian Certification Co., Ltd.	April 2021 — March 2024
IATF 16949:2016 — Quality Management Systems	Jilin Kaishun	Shanghai NQA Certification Co., Ltd.	February 2022 — February 2025

MARKET AND COMPETITION

Competitive landscape

Biodegradable plastic products market

According to the Frost & Sullivan Report, the disposable biodegradable plastic products market in China is relatively fragmented with approximately 1,200 market participants as at 31 December 2021.

The major challenge we may face is the rising costs of raw materials. According to the Frost & Sullivan Report, the price of PBAT and PLA is greatly affected by the prices of their unprocessed materials, such as BDO, PTA and corn. The supply of BDO is restricted because of the shortage of its primary material calcium carbide, and the limited supply of BDO increased the price of PBAT. The unstable supply of raw materials may directly affect the profitability of biodegradable plastic product manufacturers.

We may also have to face competition from new market entrants in the industry, notwithstanding the key entry barriers they may need to break through, such as technology capability, talent reserve, customer relationship and initial investment.

Biodegradable plastic masterbatches market

The biodegradable plastics masterbatches market in the PRC is relatively concentrated. As of 31 December 2021, there were over 30 biodegradable plastics producers that produce biodegradable plastic masterbatches in the PRC, with the top five producers accounting for approximately 48.0% in terms of production capacity of biodegradable plastic masterbatches and the annual revenue of masterbatches amounted to approximately RMB8,426 million in 2021.

Key market drivers

According to the Frost & Sullivan Report, the development of disposable biodegradable plastic products market in the PRC relies on the policies and regulations introduced by the PRC government. For example, the issue of Opinions on Further Strengthening the Control of Plastic Pollution (《關於進一步加強塑料污染治理的意見》) in 2020, the issue of Administrative Measures for Use and Report of Disposable Plastic Products (Draft for comments) (《一次性塑料製品使用、報告管理辦法（徵求意見稿）》) in 2021, and the issue of the Administrative Measures for Use and Report of Disposable Plastic Products (2nd Draft for comments)《一次性塑料製品使用、報告管理辦法（第二次徵求意見稿）》 in January 2022 have encouraged the reduction of the use of non-degradable plastic products and increased the sales of disposable biodegradable plastic products in recent years.

Moreover, in 2020, the PRC government announced the goals of carbon peak and carbon neutrality, and proposed to implement the goal of national independent contribution to strive to reach the peak of carbon dioxide emissions by 2030 and mounting efforts to achieve carbon neutrality by 2060. It is expected that the application of biodegradable plastic products will contribute to a great amount of carbon reduction. This has promoted the development of the biodegradable plastic products market, and thus increasing the demand of biodegradable plastic products.

INSURANCE

During the Track Record Period, our insurance coverage included general insurance for our fixed assets (e.g. production facilities equipment and machineries), raw materials and finished goods, and employees.

In FY2019, FY2020, FY2021, 9M2021 and 9M2022, we incurred insurance expenses of approximately RMB0.1 million, RMB0.2 million, RMB0.1 million, RMB0.1 million and RMB0.1 million, respectively. Our Directors are of the view that our insurance coverage is in line with the general coverage in the industry and is adequate for our operation. During the Track Record Period and up to the Latest Practicable Date, we had not made nor been the subject of any material insurance claims.

OCCUPATIONAL HEALTH AND SAFETY

We have implemented safety measures at our production facilities to ensure compliance with the applicable PRC laws and regulations on labour, safety and work-related incidents. We have in place safety production management measures, which include standard operating procedures and safety management procedures to ensure the safety of our employees and properties at the workplace. We also provide our employees with training programmes on workplace safety to ensure that all of our employees are aware of our safety procedures and policies, which include guidelines for safety management, emergency situations and proper operation and usage of equipment and machinery.

During the Track Record Period and up to the Latest Practicable Date, no material incidents or complaints relating to personal injury or workplace safety were reported to our management and we were not subject to any claims, lawsuits, penalties or disciplinary actions arising from any material incidents involving personal injury or workplace safety that have had a material adverse effect on our business, financial condition and results of operations.

TRANSMISSION OF THE COVID-19 PANDEMIC

Since early 2020, a growing number of countries and regions around the world have encountered an outbreak of COVID-19, a highly contagious disease known to cause respiratory illness. On 11 March 2020, the World Health Organisation announced the COVID-19 outbreak as a global pandemic. The spread of COVID-19 continues to affect China, where we conduct our business.

Impact on our business operation and our preventive measures

To prevent the transmission of COVID-19 to and among our employees, we have implemented a series of preventive measures to monitor the health conditions of our employees and maintain a hygienic working environment inside our production facilities. These preventive measures include mandatory wearing of surgical masks during working hours, provision of hand sanitiser, checking of body temperature and health codes before entering into the production facilities, social distancing maintained in between the working stations, and regular disinfection of the production facilities.

As our biodegradable plastic products are fast-moving products and we have an established customer base, there was no material impact on our sales because of the outbreak of COVID-19. On the contrary, there is a growing demand on the use of plastic bags (including biodegradable shopping bags), as a result of increasing awareness of personal hygiene and demand of medication. Therefore, despite the fact that we have difficulties to conduct visits and conduct face-to-face meetings with our customers during the material period, our sales team still managed to maintain business relationships with our recurring customers and capture business opportunities with new customers through phone calls and/or instant messaging software.

Impact on our financial performance

There was an increase in the sales volume of our biodegradable plastic products from FY2019 to FY2021. Such increase in the sales volume of our products was mainly due to an increase in demand from our major customers driven by the increase in sales of perishable food and fruit in supermarket chains during the COVID-19 pandemic, which required extensive use of biodegradable produce bag rolls and increase in consumption in supermarket chains resulted in the increase in usage of biodegradable shopping bags. The transmission of COVID-19 in Jilin province since March 2022 has impacted us in various ways. On one hand, we encountered decline in demand as some of our customers were ordered to operate with restricted opening hours or to shut down temporarily. Travel and transportation restrictions also increased our suppliers' difficulties to deliver their products to us, as well as for us to deliver our products to our customers. Our business operation from March to April 2022 negatively affected by the temporary lockdown in Changchun, which resulted in a fall in revenue for our biodegradable plastic products in the two months. Since May 2022, our business gradually picked-up.

For the nine months ended 30 September 2022, there was a strong demand for biodegradable produce bag rolls and biodegradable shopping bags as they were crucial for delivery of foods and daily necessities to local residents. Accordingly, some of our major customers during the Track Record Period were endorsed by the local authorities as "Key enterprise to provide daily necessities" (重點保供企業), and their operations were subject to restrictions to a lesser extent. For the nine months ended 30 September 2022, our financial performance recorded an increase in revenue as compared of the same period in 2021.

Our Directors confirm that our Group has sufficient financial resources after taking into account various factors, including our internally generated cash, our available credit and financing facilities and the estimated net proceeds from the Global Offering, and in the absence of unforeseeable circumstances, our Directors confirm, and the Sole Sponsor concurs, that we have sufficient working capital for our present requirements for at least the next 12 months from the date of this prospectus.

Based on the above, we did not consider the COVID-19 pandemic have any material adverse impact on our business operations and financial performance throughout the Track Record Period and up to the Latest Practicable Date. However, our Directors are aware of the potential rebound of the COVID-19 pandemic in the PRC, and in the event of which, our business and financial conditions may be affected. For details, please refer to the subsection headed "Risk Factors — The transmission of COVID-19 and any future natural disasters, acts of God, outbreak of any contagious disease or any other epidemics may adversely affect our business, results of operations and financial condition" in this prospectus.

ENVIRONMENTAL PROTECTION

With environmental consciousness, we strive to benefit our environment by using resources responsibly, and reducing production waste. Our operations are subject to environmental protection laws and regulations promulgated by the PRC government, a summary of which is set out in the section headed "Regulatory Overview" in this prospectus. During our manufacturing process, as we use heat or pressure to mould and shape plastics from granules, powders, masterbatches or pellets of plastic resins, there are chances that toxic plastic fumes may be emitted during our manufacturing process. We consider environmental protection one of our primary duties and have adopted a number of measures to reduce the environmental impact of our production process. For example, we have installed adequate air-filtering units to purify the air, before the air is emitted and discharged into the surrounded atmosphere. Furthermore, as we might generate industrial noise during our manufacturing process, we have installed vibration-cancelling and noise-reduction devices to ensure the level of noise we emit is within the permissible level in accordance with national environmental standards.

Our PRC Legal Advisers are of the view that our business operations are in compliance with all applicable PRC environmental laws and regulations in all material aspects during the Track Record Period. In addition, we have not been involved in any environmental pollution incidents or other illegal environmental acts or in breach of any national and local laws and regulations on environmental protection in any material aspect.

During the Track Record Period, we were not subject to any production limit imposed by the PRC government in respect of environmental protection or other purposes. During the Track Record Period, we did not incur any material costs for the compliance with applicable environmental protection rules and regulations in the PRC. We believe that such costs of compliance will not be material going forward.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

Governance on environmental-related risks, climate-related risks and opportunities, and social responsibilities, including the respective roles and extent of involvement of our Directors and senior management of our Group

We acknowledge our responsibilities on environmental protection and preservation, social responsibilities and are aware of the climate-related issues that may have impact on our business. We are committed to complying with environmental, social and governance ("**ESG**") reporting requirements upon Listing. We have established an ESG policy (the "**ESG Policy**") in accordance with the standards of Appendix 27 to the Listing Rules which outlined the following:

(i) the appropriate risk governance on ESG matters, including climate-related risks and opportunities;

(ii) identification of key stakeholders and the communication channels to engage with them;

(iii) the identification of key performance indicators ("**KPIs**"), the relevant measurements and mitigating measures; and

(iv) environmental incident reporting procedure and mitigating measures.

Our Board has the overall responsibility for overseeing and determining our Group's ESG-related, climate-related and social-related risks and opportunities impacting the Group, establishing and adopting the ESG Policy and targets of our Group, reviewing our Group's performance annually against ESG-related targets and revising the ESG strategies as appropriate if significant variance from the target is identified.

Our Board has established an ESG Committee that comprises four of our Directors, which included Mr. Shan, Mr. Li Peng (being our executive Director, and vice president of the production department, respectively), Dr. Sun Shulin, and Dr. Lai King Yin. The ESG Committee is chaired by Dr. Sun Shulin, and serves as a supportive role to our Board in implementing the ESG policy, targets and strategies, conducting materiality assessments of environmental-related, climate-related, social-related risks and assessing how our Group adapts its business in light of climate change, collecting ESG data from different parties while preparing for the ESG report, and continuous monitoring of the implementation of measures to address our Group's ESG-related risks and responsibilities. The ESG Committee is also responsible for the investigation of deviation from targets and liaising with the responsible party or functional department to take prompt rectification actions. The ESG Committee reports to our Board on a half-yearly basis via board meeting on the ESG performance of our Group and the effectiveness of these ESG systems, while the Audit Committee is also responsible for reviewing our risk management systems.

The actual and potential impact of environmental-related and social-related risks and climate-related issues on our business, strategy and financial performance

Our operations at production facilities are subject to certain environmental requirements, including those in relation to air, water, noise and solid waste pollutions, as well as production safety and labour protection requirements pursuant to the laws of the PRC.

The key relevant laws and regulations that should be abided by our Group are detailed below:

Environmental-related and social-related risks	Possible impacts and consequences on our Group
(i) General Environmental Provision	Non-compliance with the Environmental Protection Law of the PRC (《中華人民共和國環境保護法》) may be subject to orders to correct, fines, suspension of operations and closing-down of business, as determined by the Competent Department of Environmental Protection Administration or any other relevant governmental authorities.
(ii) Air pollution and emissions	Non-compliance with the Law of the PRC on Prevention and Control of Atmospheric Pollution (《中華人民共和國大氣污染防治法》) may be liable to a fine ranging from RMB20,000 to RMB1,000,000, or may be subject to suspension of operations and closing-down of business or bearing the criminal responsibility, depending on the gravity of the matter.
(iii) Water pollution	Non-compliance with the Law of the PRC on Prevention and Control of Water Pollution (《中華人民共和國水污染防治法》) may be liable to a fine ranging from RMB20,000 to RMB1,000,000, or may be subject to suspension of operations and closing-down of business or bearing the criminal responsibility, depending on the gravity of the matter.

Environmental-related and social-related risks	Possible impacts and consequences on our Group
	According to the Administrative Measures for Pollutant Discharge Licensing (for Trial Implementation) (《排污許可管理辦法(試行)》), failure to monitor the industrial exhaust, hazardous atmospheric or water pollutions, may be ordered to make correction and be liable to a fine ranging from RMB20,000 to RMB200,000 or suspension of operations if refusing to make correction; discharging pollutant without the pollutant discharge permit or violating the pollutant discharge permit may be liable to a fine ranging from RMB100,000 to RMB1,000,000 and suspension of operations or closing-down of business.
(iv) Noise pollution	Non-compliance with the Law of the PRC on Prevention and Control of Environmental Noise Pollution (《中華人民共和國環境噪聲污染防治法》) which has been replaced by the Law of the PRC on Noise Pollution Prevention and Control (《中華人民共和國噪聲污染防治法》) on 5 June 2022, may be subject to correction within a time limit and a fine, or warnings, suspension of operations and closing-down of business, depending on the gravity of the matter.
(v) Environmental Impact Assessment	Non-compliance with the Environment Impact Assessment Law of the PRC (《中華人民共和國環境影響評價法》) may be subject to suspension of construction project and a fine of not less than 1% but not more than 5% of the total investment of the construction project, or be ordered to make restitution for failure to go through the required approval procedures; or be subject to a fine up to RMB50,000 for failure to go through the required record-filing procedures. Non-compliance with the Administrative Regulations on Environmental Protection for Construction Projects (《建設項目環境保護管理條例》) may be liable to a fine ranging from RMB50,000 to RMB2,000,000, or may be ordered to stop construction projects or be subject to suspension of operations and closing-down of business, depending on the gravity of the matter.

Environmental-related and social-related risks	Possible impacts and consequences on our Group
(vi) Production and Occupational Safety	Non-compliance with the Production Safety Law of the PRC (《中華人民共和國安全生產法》) may be subject to suspension of operations or fine up to RMB100,000,000, and may be subject to suspension of operations and closing-down of business or revocation of the relevant licences or bearing the criminal responsibility, depending on the gravity of the matter. Non-compliance with the Measures for the Supervision and Administration of "Three Simultaneities" for the Safety Facilities of Construction Projects (《建設項目安全設施"三同時"監督管理辦法》) may be subject to administrative penalties, warnings, suspension of construction projects or suspension of operations, and a fine ranging from RMB5,000 to RMB1,000,000 or bearing the criminal responsibility, depending on the gravity of the matter.

If our Group breaches any environmental-related and social-related laws or regulations, or faces any accusation of negligence in environmental or labour protection, and product quality, in addition to the potential fines and penalties, such incidents may also adversely affect our reputation and creditability. Our business opportunities may be negatively impacted, for instance, when engaging with existing and potential customers, they may be less willing to purchase from us because of our reputational damage and loss of creditability.

During the Track Record Period and up to the Latest Practicable Date, save as disclosed in the paragraph headed "Non-compliance" in this section, we were not aware of any material social-related risks that negatively impact our business and financial performance. To the best knowledge and belief of our Directors, there is no material non-compliance or violations of environmental protection, production safety, and labour protection laws and regulations currently exist or persist that could adversely affect our business operations and financial conditions.

Potential acute and chronic physical risks from climate change

Apart from the environmental-related and social-related risks, our Group has also observed the potential acute and chronic physical risks from climate change such as extreme weather conditions like flooding and snowstorms, which may have potential financial implications for our Group.

Our production facilities are located in Jing-Er Road, Kalun Industrial South Region, Jiutai Economy Development Zone, Changchun, Jilin province, the PRC, which may be subject to the risks of flooding or snowstorms. However, given the geographical location of our production facilities, our Directors consider our exposure to these risks are relatively low. In any event, we have developed contingency measures to response to these risks.

Our qualified suppliers are based in the PRC, and we may experience indirect impacts from supply chain disruption if our suppliers suffer from extreme weather conditions like flooding or snowstorms. Upon evaluation of these potential risks that could cause disruption to our manufacturing and supply network, we have maintained a pool of qualified suppliers containing different suppliers locating in different geographic regions. As such, we have not been impacted by flooding or snowstorms since our establishment and our risk of exposure to extreme weather conditions such as flooding and snowstorms are relatively low.

Meanwhile, our Group maintains a pool of qualified suppliers, which we have 10, 14, 20 and 24 qualified suppliers on our list of qualified suppliers for procurement of raw materials for FY2019, FY2020, FY2021 and 9M2022, respectively, and we can source from alternate qualified suppliers if certain suppliers are affected by extreme weather conditions to reduce the risk of supply chain disruption.

Our production involves the use and storage of inflammable raw materials, such as PBAT, PP and PE that might cause fire or explosion when exposed to sustained high temperature and the accumulation of pressure. In the event of these accidents, there could be financial losses due to fatalities, damage of equipment and disruption of operation. Our Group has adopted numerous measures in managing such risks.

Potential transition risk may result from the transitioning to a lower-carbon economy which entails a change in climate-related regulations and policy. Tightened environmental regulations and the future launch of a nationwide emission trading scheme may contribute to an increase in price of the major raw materials and thus an increase in cost or increase in tax. For further details about increase in price and availability of the major raw materials, please refer to the subsections headed "Financial Information — Significant Factors Affecting our Results of Operations and Financial Condition — Prices of our Major Raw Materials" and "Risk Factors — Risks relating to our business and industry — Our results of operations are significantly affected by fluctuation in the prices and availability of our major raw materials" in this prospectus.

How our Company identifies, assesses and manages environmental-related risks, social related risks and climate-related issues

Our Group will conduct enterprise risk assessment at least once a year to cover the current and potential risks faced by us in our business, including, but not limited to the risks arising from the ESG aspects strategic risk around disruptive forces such as climate change. Our Board will assess or engage Independent Third Parties to evaluate the risks and review our Group's existing strategy, target and internal controls, and necessary improvements will be implemented to mitigate the risks. Our Board, ESG Committee and Audit Committee will maintain oversight of our Group's approach to risk management.

In order to manage the environmental-related risks, social sustainability risks and climate-related issues, our Board has adopted the measures to tackle the risks identified during the enterprise risk assessment and has ensured that any potential risks inherent in our business operations or issues that may impact our operations are minimised. Risks are monitored as part of our standard operating processes to ensure the appropriate mitigations are in place as part of the regular management reviews.

Our Group's ESG strategy, the climate-related risks and opportunities our Group has identified over the short, medium, and long term, and impact on our Group's business, strategy and financial planning

In response to the climate-related risks and opportunities as mentioned in the above subsection "The actual and potential impact of environmental-related and social-related risks and climate-related issues on our business, strategy and financial performance", which is the physical risk and transition risk, our Board and ESG Committee will evaluate the likelihood of occurrence and the estimated magnitude of resulting impacts over short term (1–2 year), medium term (3–5 year) and long-term (6–10 year) horizons. The decision to mitigate, transfer, accept or control a risk is influenced by various factors such as the production plant location and policy change. Our Group will incorporate physical and transition risk analysis into risk assessment processes and risk appetite setting. If the risks and opportunities are considered to be material, our Group will incorporate them into the strategy and financial planning process. It is expected that the extreme weather condition, sustained higher temperature for potential physical risks, and changes in climate-related regulations and policy for potential transition risks do not have a material impact on our operation in the short and medium term. Nevertheless, our Group has set short-term and medium-term targets and implemented relevant measures for reduction in Green House Gas ("**GHG**") emissions and air emissions. For details, please refer to the subsection headed "The metrics and targets used to assess and manage such risks and issues" in this section.

We also aim to minimise the transition risk in the long term by enhanced energy efficiency[(1)], adoption of green supply chain[(2)] and consumption of renewable energy[(3)], and we are committed to our emission reduction targets[(4)]. This not only reduces our exposure to transition risk but also improves the environmental performance of our products. Upon annual review of the progress against our targets for addressing climate-related issues, our Group may revise the ESG strategies as appropriate.

During the Track Record Period, we achieved the following measures to enhance energy efficiency and adopt the green supply chain:

- we have installed sufficient air filtration devices, waste water treatment devices and noise reduction devices, to ensure that the level of discharged waste water, waste gas and noise emitted are within the levels allowed by national environmental standards of the PRC. In addition, we also arrange the regular maintenance of the environmental protection device to keep the working efficiency of the device to meet the needs.

- we engaged an external consultant to inspect the emissions and issue the test report. We will immediately resolve any abnormalities found.

- any production waste, used materials (such as leftovers), and unqualified or outdated products will be returned to the biodegradable plastic masterbatch tank for reuse.

- these environmental measures are documented in a written policy that is reviewed and updated regularly to ensure that all environmental measures are adequate and appropriate.

- we achieved by batch preheating, process optimization during film extrusion, shaping, cutting, and pressing, purchase energy saving equipment, using a purifying agent to decrease impurities, better control of humidity and temperature of the raw materials and masterbatches, plant layout optimization, etc

- during the packaging process and transportation process, we packed our products in boxes made from recycled materials and our logistics service provider (or our logistics team) uses the eco-friendly vehicle and premium class (higher-octane) unleaded petrol which is designed to be more fuel efficient and lead to a smoother engine operation.

Although we adopted the same ESG measurement for all segment during our daily operations, we also adopted the following measurement specially for non-biodegradable automobile plastic segment to enhance the manufacturing process towards the ESG matter.

- We committed to improving product techniques, and organising training in more advanced production techniques to improve processes and minimise consumption and waste.

- Also, during our manufacturing process, semi-finished products are prepared to specifications that are safe for workers and the environment.

In order to meet the target set by our Company (i.e. to reduce the GHG emission intensity by at least 2.0% in the three year-end 2025 compared to FY2021, and in the longer term (i.e. 10 years), at least 10.0% by year-end 2032 compared to FY2021), we will explore the possibility of using clean energy as one of our energy sources and also to source and consider to use new energy vehicle to replace the existing vehicle.

Whether there is any environmental impact of our Group's biodegradable and non-biodegradable products manufacturing process

Toxic plastic fumes emission

During the manufacturing process, we mixed plastic polymers according to specifications for the production of plastic masterbatches. The plastic masterbatch will melt under controlled conditions (mainly by heat and pressure) until it becomes liquefied and pliable. The molten plastic is then poured through an injection moulding machine into various plastic parts. Plastic parts will be welded into the specified form and structure before final trimming and fixing.

During the production process, because the granules, powder, masterbatch or pellets of plastic resin are poured into plastic by heating or pressure, toxic plastic fumes may be emitted. To neutralise the toxic plastic fumes, we have installed HEPA filters and activated carbon filtration to capture plastic fumes before they enter the atmosphere or operator's breathing zone. Activated carbon filters adsorb chemical fumes, while the HEPA filter captures small particles.

Below we set out the amount of exhausted gas, particulates emitted, non-methane hydrocarbons emitted and emission rate in our production process during the Track Record Period:

	FY2019	FY2020	FY2021	9M2022
Exhaust Volume (m^3)	17,169,600.00	17,384,640.00	17,384,640.00	13,345,920.00
Particulates (kg)	196.31	205.14	227.74	173.05
Non-methane hydrocarbons (kg)	17.63	17.91	20.57	21.89
Emission rate (kg/h)	0.03	0.03	0.03	0.03

Noise emission

In addition, to ensure the noise emitted is within the level allowed by national environmental standard, we have installed noise reduction devices and the day time noise emitted during the Track Record Period was 52.3db, 54.0db, 53.2db, and 52.7db as at 22 October 2019, 11 November 2020, 1 November 2021, and 11 August 2022.

Environmental-related national standards relevant to our production process

Below is a summary of environmental-related national standards we are subjected for our production process *(Note)*:

Particulates & non-methane hydrocarbons

National standard	Key content	Requirement
GB 31572-2015 Emission standard of pollutants for synthetic resin industry (合成樹脂工業污染物排放指標) . . .	This standard specifies the emission limits, monitoring, supervision and management requirements for water pollutants and air pollutants (such as particulates & non-methane hydrocarbons) from synthetic resin industrial enterprises and their production facilities (including the enterprises for synthetic resin processing and waste synthetic resin recycling and processing as well as their production facilities).	Within 30 (mg/m^3)

Emission rate

National standard	Key content	Requirement
GB 16297-1996 Integrated emission standard of air pollutants (大氣污染物綜合排放標準).	This standard specifies the emission limit for 33 kinds of air pollutants. And it also specifies various requirements for executing this standard. This standard includes pollution source air pollutants emission management; as well as environmental impact evaluation, design, environmental protection facilities, completion acceptance of construction project; and air pollutants emission management after it is put into operation.	Within 10 x 10^{-2} (kg/hour)

Noise emission

National standard	Key content	Requirement
GB 12348-2008 Emission standard for industrial enterprises noise at boundary (工業企業廠界環境噪音排放標準)	This standard specifies the emission limit and measurement methods of the environmental noise of the industrial enterprises and equipment at boundary. This standard applies to the management evaluation and control of noise emission from industrial enterprises. Industrial enterprise noise refers to the noise generated by using fixed equipment in industrial production activities, which is measured and controlled at the factory boundary, interferes with the surrounding living environment.	Below 65dB (day time)(1) Below 55dB (non-day time)(1)

Note:

(1) Under the categorisation of GB/T 15190-2014 Technical Specifications For Regionalizing Environmental Noise Function (聲環境功能區劃分技術規範), our production facilities are located in Zone 3 (i.e., areas with industrial production as main operation)

During the Track Record Period and up to the Latest Practicable Date, we were not aware of any material incident that may lead us fail to comply with the above national standards (as well as relevant local environmental-related standards). As advised by our PRC Legal Advisers and to the best knowledge and belief of our Directors, there is no material non-compliance or violations of any environmental protection laws and regulations currently exist or persist that could adversely affect our business operations and financial conditions during the Track Record Period.

Whether there is any environmental impact during the degradation of our Company's biodegradable products, including whether it would generate any levels of toxicity

Our Directors consider all (i) biodegradable produce bag rolls; and (ii) biodegradable shopping bags manufactured by us comply with the national standards "GB/T 33798-2017" and "GB/T 38082-2019" respectively. These standards issued by the SAMR and the Standardisation Administration of the PRC are the only national standard that are related to the specification of (i) biodegradable produce bag rolls; and (ii) biodegradable shopping bags.

Based on the various reports issued by Jilin Province Product Quality Supervision and Inspection Institute regarding compliance with national standard, our Directors did not observe any information or data suggesting the samples tested (i.e. (i) biodegradable produce bag rolls; and (ii) biodegradable shopping bags) would generate any levels of toxicity (excluding CO_2) during its biodegradation process.

Notwithstanding the above, we wish to mention that during the biodegradation process of (i) biodegradable produce bag rolls; and (ii) biodegradable shopping bags, greenhouse gases including carbon dioxide (CO_2) will be generated at an average rate of approximately 107mg CO_2/g for biodegradable produce bag rolls and 123mg CO_2/g for biodegradable shopping bags, thus contributing to environmental pollution and global warming.

The metrics and targets used to assess and manage such risks and issues

Our Group expects the cost of environmental compliance will not have a material impact on our results of operations. As at the Latest Practicable Date, our Group had identified the following material KPIs during our business operation:

(i) greenhouse gas emissions arising from the use of electricity;

(ii) product quality control; and

(iii) occupational health and safety.

Our Board will set targets for each material KPI at the beginning of each financial year in accordance with the disclosure requirements of Appendix 27 to the Listing Rules and other relevant rules and regulations upon Listing. The relevant ESG targets on material KPIs will be reviewed on an annual basis to ensure that they remain appropriate to the needs of our Group.

For the target setting, we target to reduce the GHG emission intensity by at least 2.0% in the three years ending 2025 compared to FY2021. During the Track Record Period, the following table shows the emission result for scope 1 direct emission, scope 2 indirect emission and scope 3 other indirect emission:

	FY2019	FY2020	FY2021	9M2022
Biodegradable plastic products				
Scope 1 direct emission*.	0.0215	0.0082	0.0122	0.0443
Scope 2 indirect emission*	1.3728	0.8487	0.6174	0.6639
Scope 3 other indirect emission*.	0.0005	0.0002	0.0015	0.0004
Non-biodegradable automobile plastic parts				
Scope 1 direct emission*.	0.0012	0.0015	0.0014	0.0051
Scope 2 indirect emission*	0.0767	0.1596	0.0684	0.0769
Scope 3 other indirect emission*.	0	0	0.0002	0.0001
Total GHG emission (result show in 2 decimal places)	1.47	1.02	0.70	0.79

* *unit in thousand kilogrammes of CO_2 equivalent per thousand kilogramme of products sold*

Scope 1 direct GHG emission results from the burning of fuels in automobiles, while scope 2 indirect GHG emission results from the purchased electricity. We are generally responsible for delivery of our products to the locations designated by our customers within Jilin province, the PRC, while scope 2 indirect GHG emission principally results from purchase of electricity to support our operations and manufacturing. Scope 3 other indirect GHG emission results from the activities which cause indirect GHG emissions, including the paper waste disposed at landfills, the electricity used for processing fresh water and sewage by government departments, and business air travel by employees.

Other pollutants information during the Track Record Period:

	FY2019	FY2020	FY2021	9M2022
Biodegradable plastic products				
Nitrogen oxides ("NOx")	0.0559	0.0204	0.0172	0.0621
Sulphur oxides ("SOx")	0.00013	0.00005	0.00007	0.00027
Particulate Matter ("PM")	0.0055	0.002	0.0017	0.0061
Non-biodegradable automobile plastic parts				
Nitrogen oxides ("NOx")	0.0031	0.0038	0.0019	0.0072
Sulphur oxides ("SOx")	0.00001	0.00001	0.00001	0.00003
Particulate Matter ("PM")	0.0003	0.0004	0.0002	0.0007

* *unit in kilogrammes per thousand kilogramme of products sold*

Our Group has adopted the following policies and measures in order to mitigate the emissions/greenhouse gas emitted:

- switch off all electronic equipment when idle;

- proper and regular maintenance of equipment to keep their efficiency and reduce energy consumption;

- reasonable driving, private use of business automobiles is prohibited and long-distance travelling is subject to strict review to reduce unnecessary travel; and

- turn off lighting during lunch time, and the last staff member who leaves the office shall ensure that all lights are switched off.

The total water consumption of our Group during the Track Record Period was approximately 0.005 cubic metres, 0.01 cubic metres, 0.1 cubic metres and 0.10 cubic metres per thousand kilogramme of product sold for FY2019, FY2020, FY2021 and 9M2022, respectively. Our Group targets to maintain the water consumption level to 10.0 cubic metres per thousand kilogramme of product sold or below. Meanwhile, noise and solid waste disposal do not pose material impacts on our Group, if the materiality of these two items increases in the future, our ESG Committee will identify relevant sources of data, process of data collection and disclose accordingly.

We procure raw materials in compliance with the relevant environmental protection requirements. We implement a qualified supplier assessment mechanism and regularly evaluate our suppliers in terms of compliance with the relevant safety and environmental control requirements.

Our Group pays great emphasis on product quality, and we have a robust quality control and assurance system to ensure that our product quality meets the regulatory and industry standards and customers' expectations. For details of our quality control procedures, please refer to the paragraph headed "Quality Control" in this section. During the Track Record Period, our Group did not receive any material product related complaints and no products sold or shipped was recalled for safety and health reasons. We target to continuously uphold high standards and maintain a clean record of product related complaints and product recall incidents due to safety and health reasons.

Our Group has adopted mitigating measures to address the aforementioned climate-related risks including the risks associated with extreme weather conditions and sustained higher temperatures. We have also installed appropriate fire fighting equipment to reduce the risk of fire hazards. Several measures have been adopted to prevent the build-up of static electricity and prevent sparks that could result in a fire during unloading of these raw materials. Measures include unloading of these raw materials are strictly prohibited during thunderstorms and when there is an open flame within 50 metres of the unloading area.

Our Group has formulated safety policies to ensure the safety of our workplace. There are contingency plans in place for workplace safety incidents and we conduct drills on a regular basis to strengthen the awareness of all staff members and enhance their ability to respond to hazardous incidents such as a fire or explosion. Also, trainings are provided to staff members in regards to the safe handling of inflammable raw materials and emergency incidents. Our Board and the ESG Committee will also continuously monitor climate-related matters and governmental developments around actions to combat climate change and act to minimise the impact on our operations.

Our Board oversees the performance of our Group in achieving ESG targets and objectives, investigates the reasons for deviation (if any) and revises our ESG strategy as appropriate when significant variance from the target is identified.

EMPLOYEES

As at 30 September 2022, we had a total of 159 employees in the PRC. The following table sets out the functional distribution of our employees as at 30 September 2022.

	Number of employees
Senior management	5
Administration	11
Finance	4
Procurement	2
Production	109
R&D	9
Sales and marketing	6
Quality control	5
Logistics	8
Total	**159**

When we make hiring decisions, we take into account various factors such as our business strategies, our development plans, industry trends and the competitive environment. We recruit our employees from the open market based on a number of factors such as their work experience, education background and professional qualification. All our employees are paid at a fixed salary and may be granted other allowances and commissions based on their rank and performance.

We provide training to enhance our employees' skills, knowledge and capability. All our new recruits will be provided with an induction programme to familiarise themselves with us, followed by on-the-job training based on departmental needs and our development strategies. Various in-house trainings are conducted depending on the employee's position and job requirements.

During the Track Record Period and up to the Latest Practicable Date, we had not experienced any significant difficulties in recruiting employees and had not experienced any significant staff member or labour disputes.

Social Security and Housing Provident Funds

As required under the applicable PRC laws and regulations, we are obliged to participate in the social welfare schemes which provide pension insurance, medical insurance, work injury insurance, maternity insurance and unemployment insurance for our employees based on the actual wages of employees. We are also required to provide our employees with social welfare schemes covering housing provident funds and housing benefits based on their actual wages. For further information, please refer to the paragraph headed "Non-compliance" in this section.

In FY2019, FY2020, FY2021, 9M2021 and 9M2022, we incurred staff costs (excluding Directors' remuneration) of approximately RMB7.9 million, RMB6.6 million, RMB8.8 million, RMB6.4 million and RMB8.1 million, respectively.

INTELLECTUAL PROPERTY

For the trademarks, patents and domain names we had obtained registrations as at the Latest Practicable Date, which we consider material to our business, please refer to the section headed "Statutory and General Information — C. Further Information about Our Business — 2. Intellectual property rights of our Group" in Appendix V to this prospectus.

During the Track Record Period and up to the Latest Practicable Date, we were not involved in any material legal proceedings, claims, disputes, arbitration or administrative proceedings pending or threatened against any of our members or any of our Directors with regard to any intellectual property claim against us.

PROPERTIES

Owned Property

As at the Latest Practicable Date, we owned our non-biodegradable automobile plastic part production facilities in Changchun, Jilin province, the PRC, which was for non-property activities as defined under Rule 5.01(2) of the Listing Rules. The following table sets out a summary of certain information regarding our owned property as at the Latest Practicable Date:

Location	Number of Properties	Entity owning the properties	Approximate gross floor area (sq.m.)	Usage/ permitted use
Lot 1, Jing-Er Road, Kalun Industrial South Region, Jiutai Economy Development Zone, Changchun, Jilin Province	4	Jilin Kaishun	12,412	Non-biodegradable automobile plastic parts

As advised by our PRC Legal Advisers, we had obtained all the relevant property ownership/title certificates for the property we owned as required under the PRC laws and regulations as at the Latest Practicable Date.

Leased Property

As at the Latest Practicable Date, we leased four properties in the PRC. The following table sets out a summary of certain information regarding our leased properties as at the Latest Practicable Date:

Address	Approximate gross floor area (sq.m.)	Use of property	Expiry date of the lease
Lot 2, Jing-Er Road, Kalun Industrial South Region, Jiutai Economy Development Zone, Changchun, Jilin Province	19,055	Biodegradable plastic product production	September 2024[(1)]
Room 648, 6/F, Yeben Building, No. 1063, Chaguang Road, Nanshan District, Shenzhen	103	Office use	October 2023
No. 88, Dalian Road, Yizheng, Jiangsu province	1,000	Office use	May 2025
Santiao bridge, Baiziling, Xiaojin Luoyang, Boluo, Huizhou, Guangdong Province	8,522	Biodegradable plastic product production	June 2025

The relevant lease agreements have lease expiration dates ranging from October 2023 to June 2025. We do not foresee any major difficulties or impediments in renewing the relevant leases upon their expiration.

Note:

1. The lease period is three years. The negotiation of the lease period is based on commercial discussion between the parties. Our Directors consider that the length of such lease period is commercial reasonable and not uncommon given the factory structure is for general purpose. In any event, as at the Latest Practicable Date, we have initiated preliminary discussion with the landlord on Lot 2 to explore the possibility of extending the lease period to September 2029. Therefore, our Directors consider, and the Sole Sponsor concurs, that the Company will be able to renew the lease agreement in commercially acceptable terms upon its expiry.

As at the Latest Practicable Date, we had not completed the filing for lease agreements at Lot 2 and No. 88, Dalian Road, Yizheng, Jiangsu province, with the relevant government authorities in the PRC. The usage of the property on Lot 2 is for the production of our biodegradable plastic products, while the property at No. 88, Dalian Road, Yizheng, Jiangsu province is used as office space for our sales and administrative staff. As advised by our PRC Legal Advisers, the failure to register the lease agreements for our leased properties will not affect the validity of such lease agreements, but relevant competent housing authorities may order us to register the lease agreements in a prescribed period of time and impose a fine ranging up to RMB10,000 for each non-registered lease agreement if we fail to complete the registration within the prescribed timeframe. As at the Latest Practicable Date, we had not been subject to any administrative penalties by the relevant PRC government authorities, nor have we experienced any termination or interruption of business operations or major property loss because of the failure to file the lease agreements as described above. Our Directors are of the view that the non-registration of the lease agreements would not materially and adversely affect our business operations.

Save as disclosed above, Lot 2 obtained all the material licences and permits under the PRC laws and regulations during the Track Record Period and up to the Latest Practicable Date.

Contingency relocation plan of our biodegradable plastic products production plant in Lot 2

Our biodegradable plastic products production plant, located in Lot 2 with a total gross floor area of approximately 19,055 sq.m., comprised our biodegradable produce bag rolls production line, biodegradable shopping bags production line, biodegradable stretch wraps production line, and biodegradable masterbatches production line as at the Latest Practicable Date.

Our Directors consider that our production in Lot 2 is crucial to our business as our manufacturing activities of biodegradable plastic products are conducted thereon. Notwithstanding that we reasonably and firmly believe that the risk of relocation of our production in Lot 2 within a short term is remote and that we intend to continue to lease Lot 2 for our manufacturing activities, there can be no assurance that we will be able to successfully renew our lease upon its expiry or our lease may be prematurely terminated or suspended for various reasons, such as compulsory acquisition by the government or material property damage, despite our Directors consider the likelihood of the above-mentioned events are extremely remote.

In any event, for the purpose of contingency management and business sustainability planning, we had identified a two back-up sites with similar gross floor area and level of rent in the vicinity of Lot 2 to serve as our back-up production plant as at the Latest Practicable Date. If any relocation of our biodegradable plastic products production is required, such relocation will be carried out in phases so as to minimise the disruption to our operations. Given (i) the back-up sites are in the vicinity of and approximately 7.5 kilometres from Lot 2; and (ii) most of our machinery and equipment in Lot 2 are movable, which can be assembled and disassembled, our Directors estimate that the relocation will be completed within 15 working days.

As the relocation of our machinery and equipment will be effected by phases and trial run of machines will take place once each phase of machinery and equipment are moved to the new production facility. As such, our Directors expect to maintain operation of most of our production lines during the period of relocation without any material impacts on our operation and financial performance. In any event, we estimate the relocation would cause a loss of revenue not exceeding RMB0.9 million[(1)]. Our Directors further estimate that the total costs and expenses of relocation, including renovation and setting-up costs but excluding rental deposit and expenses, will not exceed RMB1.0 million.

Given that any relocation of operations will be carried out in phases, our Directors anticipate that, save for the relocation costs and expenses referred to hereinabove, any such relocation will not result in any material loss of revenue or other related loss, and will not materially or adversely affect our business operations or financial condition. In any event, as at the Latest Practicable Date, we have initiated preliminary discussion with the landlord on Lot 2 to explore the possibility of extending the lease period to September 2029.

Valuation report

As at the Latest Practicable Date, we had no single property with a carrying amount of 15% or more of our total assets. Therefore, we are not required to prepare a valuation report with respect to our property interests in reliance upon the exemption provided by Section 6(2) of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

LICENCES AND PERMITS

Our PRC Legal Advisers confirm that as at the Latest Practicable Date, we had obtained the requisite licences, permits, approvals and the relevant renewals in all material aspects which are necessary for our business and operation. Our Directors confirm and our PRC Legal Advisers

Note:

(1) The above calculation is based on FY2021 revenue and assuming the relocation will be completed within 15 working days by phases.

concur, that during the Track Record Period and up to the Latest Practicable Date, our Group has not experienced any difficulties in renewing any of our licences, permits and approvals necessary for our business and operation in the PRC.

Below are the key licences, permits and approvals our Group currently holds:

Licence/permit/approval	Issuing authority	Date of issue	Date of expiry
Pollutant discharge permit (排污許可證)	Bureau of Ecology and Environment of Changchun (長春市生態環境局)	July 2020	July 2023
Transportation business permit (道路運輸經營許可證)	Bureau of Transportation and Administration of Changchun Jiutai District (長春市九台區運輸管理所)	July 2022	July 2026
Licence for printing operations (印刷經營許可證).......	Bureau of Press and Publication of Changchun Jiutai District (長春市九台區新聞出版局)	December 2020	December 2025

LEGAL PROCEEDINGS

During the Track Record Period and up to the Latest Practicable Date, our Directors confirm, to their best knowledge after making reasonable enquiries, there was no litigation or arbitration proceedings pending or threatened against us or any of our Directors which would have a material adverse effect on our operations, financial condition, operating results or reputation.

NON-COMPLIANCE

Save as disclosed below, we complied with the laws and regulations applicable to us in all material aspects during the Track Record Period and up to the Latest Practicable Date. The following sets out the details of our non-compliance incidents during the Track Record Period:

Non-compliance Incidents	Legal consequences and potential maximum penalties	Remedies and rectification measures taken
During the Track Record Period, our PRC subsidiaries Jilin Kaishun and Yizheng Juxinyuan failed to make contributions to the social security and housing provident funds for some of our employees as required by the PRC government.	Our PRC Legal Advisers have advised us that, under PRC laws and regulations, we might be subject to late fees and fines for not making social security contributions in full amount in a timely manner. If any competent government authority is of the view that the social security payment we made for our employees does not satisfy the requirements under relevant PRC laws and regulations, we might be ordered to pay the unpaid amount within a certain period and a late fee that equals to 0.05% of the total unpaid amount per day may be imposed on us. If we fail to pay the unpaid amount or the late fee, we may be subject to a fine ranging from one to three times of the total unpaid amount of the social security fund contribution. Our PRC Legal Advisers have also advised us that, we will be fined RMB10,000 to RMB50,000 for failing to make the housing provident fund registration within the prescribed time limit. If we fail to pay the housing provident fund in full amount, the housing provident fund administrative centre will order us to pay the amount within a prescribed time limit; if we still fail to do so upon the expiration of the above-mentioned time limit, further application will be made to the People's Court for compulsory enforcement.	Our Company has paid social security and housing provident funds in full for all employees since April 2022. PRC subsidiaries have obtained written confirmations from local social security authorities(1) and housing provident fund authorities(2), each stating that: (i) no administrative penalty has been imposed, and (ii) the relevant subsidiary was in compliance with the respective laws and regulations. We are advised by our PRC Legal Advisers that the relevant written confirmations were issued or made by the competent authorities. We made provisions in the total amount of RMB1.8 million, RMB1.8 million, RMB2.3 million and RMB2.3 million, respectively, in our combined financial statements in respect of such potential liabilities as at year-end date of 2019, 2020, and 2021 and period end date of 9M2022. We were advised by our PRC Legal Advisers that such non-compliance incidents will not result in any substantial impediment to the Listing.

Notes:

(1) The relevant social security authorities are (i) Changchun Social Insurance Administration, Jiutai Branch* (長春市社會保險事業管理局九台分局), (ii) Yizheng City Medical Security Bureau* (儀徵市醫療保障局), and (iii) Yizheng Human Resources and Social Security Bureau* (儀徵市人力資源和社會保障局).

(2) The relevant housing provident fund authorities are Yangzhou Housing Provident Fund Management Centre Yizheng Sub-centre* (揚州市住房公積金管理中心儀徵分中心) and Changchun Housing Provident Fund Management Centre* (長春市住房公積金管理中心).

Non-compliance Incidents	Legal consequences and potential maximum penalties	Remedies and rectification measures taken
As at the Latest Practicable Date, we have not registered the leases for two leased properties(1) with housing administration authorities of the PRC as required under PRC law.	We were advised by our PRC Legal Advisers that we might be ordered to rectify this non-compliance by competent authorities and if we fail to rectify within a certain period, a penalty of RMB1,000 to RMB10,000 per agreement may be imposed on us as a result of non-registration.	According to our PRC Legal Advisers, the lease agreements for the two leased properties are valid and legally enforceable, and the failure to register the same does not affect their respective legal effectiveness and enforceability under the PRC law. As at the Latest Practicable Date, the relevant landlords and our Group had not been subject to any administrative penalty. In any event, we did not receive any notice from any regulatory authority with respect to any potential administrative penalties or enforcement actions as a result of our failure to register the two lease agreements described above. Furthermore, our PRC Legal Advisers are of the view that as the penalty potentially imposed on us as a result of non-registration is insignificant, such non-compliance incident will not result in any substantial impediment to the Listing.

RISK MANAGEMENT AND INTERNAL CONTROL MEASURES

Our Directors are responsible for formulating and overseeing the implementation of our internal control measures and the effectiveness of our risk management system.

In preparation for the Listing, we have engaged an independent internal control consultant (the "**Internal Control Consultant**") to perform a detailed review of our Group's procedures, system and internal control procedures (including accounting and management systems). The Internal Control Consultant conducted its work in December 2021 and provided a number of findings and recommendations based on sampling methodology in its report. We have subsequently taken remedial actions in response to such findings and recommendations. The Internal Control Consultant performed follow-up review on our internal control system with regard to those actions taken by our Group and reported the follow-up review findings in April 2022. Based on the results of the follow-up review, our Directors confirmed that we had adopted the applicable internal control measures and policies suggested by the Internal Control Consultant and did not have any significant deficiencies in its internal control system as at the Latest Practicable Date.

Note:

(1) The two leased properties refer to Lot 2 and No. 88, Dalian Road, Yizheng, Jiangsu province.

OUR CONTROLLING SHAREHOLDERS

Ms. Zhang, and her spouse, Mr. Shan are our founders and our executive Directors and are presumed to be acting in concert under the Takeovers Code. As at the Latest Practicable Date, Ms. Zhang beneficially owns approximately 47.0470% of our Shares through her wholly-owned company, Lvsetianye Technology. Lvsetianye Technology is Ms. Zhang's investment holding entity without any operation other than holding our Shares. On the other hand, as at the Latest Practicable Date, Mr. Shan beneficially owns approximately 43.3114% of our Shares through his wholly-owned companies, namely, Lvsesenlin Technology, Daziran Technology and CPEP Holdings. These companies are Mr. Shan's investment holding entities with no operation other than holding our Shares. Lvsesenlin Technology, Daziran Technology and CPEP Holdings are respectively holding approximately 18.6448%, 12.6666% and 12.0000% of our Shares as at the Latest Practicable Date. As such, for the purpose of the Listing and under the Listing Rules, Ms. Zhang and Lvsetianye Technology, as well as Mr. Shan, Lvsesenlin Technology, Daziran Technology and CPEP Holdings are considered as our Controlling Shareholders.

Immediately after completion of the Global Offering, the Controlling Shareholders, namely Ms. Zhang and Lvsetianye Technology, and Mr. Shan, Lvsesenlin Technology, Daziran Technology and CPEP Holdings will control, in aggregate, the exercise of voting rights of approximately 67.1903% of the Shares eligible to vote in the general meeting of our Company (assuming that none of the Over-allotment Option and options to be granted under the Share Option Scheme is exercised). None of our Controlling Shareholders or their respectively associates has any interest in any company which may, directly or indirectly, compete with the business of our Group as at the Latest Practicable Date.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Having considered the following factors, we believe that our Group is capable of carrying on its business independently of our Controlling Shareholders and their respective close associates after the Listing:

Management Independence

Our business is managed and conducted by our Board and senior management. Upon the Listing, our Board will consist of four executive Directors and three independent non-executive Directors. Please refer to the section headed "Directors and Senior Management" in this prospectus for details. Ms. Zhang and Mr. Shan, our Controlling Shareholders, are our executive Directors. Save for Ms. Zhang and Mr. Shan, no other Controlling Shareholder holds any directorship in our Group.

Our Directors believe that our Board and senior management have been and will continue to be able to independently manage our business and function independently from our Controlling Shareholders based on the following grounds:

(i) each of our Directors is aware of his or her fiduciary duties as a Director which require, among other things, that he or she acts for the benefit and in the best interests of our Company and does not allow any conflict between his or her duties as a Director and his or her personal interest;

(ii) in the event that there is a potential conflict of interest arising out of any transaction to be entered into between us and our Directors or their respective associates, the interested Director(s) shall abstain from voting at the relevant board meetings of our Company in respect of such transactions and shall not be counted in the quorum;

(iii) our daily management and operations are carried out by our executive Directors and a senior management team. Other than Ms. Zhang and Mr. Shan, who are our Controlling Shareholders, the other executive Directors and senior management are independent from our Controlling Shareholders and have substantial experience in the industry in which our Company is engaged and/or business management in general, and will therefore be able to make business decisions that are in the best interest of our Group;

(iv) we have three independent non-executive Directors who have extensive experience in different professions. They have been appointed pursuant to the requirements under the Listing Rules to ensure that the decisions of the Board are made only after due consideration of independent and impartial opinions. Our Directors believe that the presence of our independent non-executive Directors from different backgrounds provides a balance of views and opinions; and

(v) we have adopted a series of corporate governance measures to manage conflicts of interest, if any, between our Group and our Controlling Shareholders which would support our independent management. Please refer to the paragraph headed "— Corporate Governance Measures" in this section below.

Having considered the above factors, our Directors are satisfied that our Board together with the senior management team as a whole is able to perform their roles independently from our Controlling Shareholders and close associates after the Listing.

Operational Independence

We operate independently from our Controlling Shareholders and their respective close associates, including:

(i) We have established its own organisational structure, which comprises individual departments and each department has its own administrative and corporate governance infrastructure;

(ii) We hold all of the relevant licences and intellectual property rights material to our business operation and has sufficient capital, facilities, equipment and employees to operate our business independently;

(iii) our Controlling Shareholders have no interest in any of our top five suppliers and customers. We do not rely on our Controlling Shareholders or their close associates and have independent access to our suppliers and customers; and

(iv) We have established a set of internal control procedures to facilitate the effective operation of our business independent from our Controlling Shareholders.

Having considered the above factors, our Directors are of the view that we are capable of carrying on our business independently from our Controlling Shareholders and their respective close associates.

Financial Independence

Our Group has an independent financial, internal control and accounting system. We make financial decisions according to our own business needs. We also have an independent finance department responsible for discharging the treasury function, and an audit committee comprising solely of independent non-executive Directors to oversee our accounting and financial reporting processes. We have sufficient capital to operate our business independently, and has adequate internal resources and a strong credit profile to support our daily operations. During the Track Record Period, we relied principally on cash generated from operations and bank borrowings to carry on our business. We also obtained funding through investments from our Previous Investors and Pre-IPO Investors, which were used for our working capital purpose during the Track Record Period. For details, please refer to the sub-section headed “History, Reorganisation and Group Structure — Pre-IPO Investments” in this prospectus. During the Track Record Period, Ms. Zhang and Mr. Shan, our Controlling Shareholders, and Mr. Shan Bingqi (單柄淇), son of Ms. Zhang and Mr. Shan, provided certain guarantees and pledges for our loans and facilities. See note 18 of the “Accountants’ Report” in Appendix I to this prospectus for details. As at 31 January 2023, being the latest practicable date for indebtedness, the guarantee and pledged assets provided by our Controlling Shareholders and Mr. Shan Bingqi for the outstanding bank facilities were approximately RMB49.3 million. As at the Latest Practicable Date, we had obtained the consent letters from the relevant banks and the financial institution to release certain guarantees and pledged assets by substituting with our corporate guarantee upon the Listing. Our Directors confirms that all guarantees and pledged assets provided by the Controlling Shareholders and Mr. Shan Bingqi will be released before the Listing, or be replaced by corporate guarantee to be provided by our Group upon the Listing.

During the Track Record Period, Jilin Kaishun advanced an aggregate of approximately RMB24,553,000 to Jiyuan Biotechnology (a company that was previously owned by the parents of Ms. Zhang and parents-in-laws of Mr. Shan, which was subsequently owned by Ms. Zhang and Mr. Shan and up to the disposal of Jiyuan Biotechnology on 9 September 2021) to support Ms. Zhang's parents to establish a trading business in raw materials for biodegradable products. All outstanding amounts were fully repaid by Jiyuan Biotechnology in August 2021. See note 17(c) of the "Accountants' Report" in Appendix I to this prospectus for details. See also "History, Reorganisation and Group Structure — Disposal of Jibei Technology and Jiyuan Biotechnology by our Controlling Shareholders — Jiyuan Biotechnology" in this prospectus for details.

Other than the above, our source of funding and our finances are independent from our Controlling Shareholders and none of our Controlling Shareholders or their respective close associates financed our operations during the Track Record Period. Our Directors confirm that our Group does not intend to obtain any further borrowing, guarantees, pledges and mortgages from any of our Controlling Shareholders or their respective close associates. Having considered the above factors, our Directors are of the view that we have no financial dependence on our Controlling Shareholders.

DISCLOSURE UNDER RULE 8.10 OF THE LISTING RULES

Our Controlling Shareholders confirm that as at the Latest Practicable Date, they did not have any interest in a business, apart from the business of our Group, which competes or is likely to compete, directly or indirectly, with our business that would require disclosure under Rule 8.10 of the Listing Rules.

In the future, our Controlling Shareholders may, from time to time, make minority investments or hold non-executive board positions in entities that operate in, or have subsidiaries that operate in, the broader industries in which our business segments also operate. Our Controlling Shareholders will ensure that they have no executive or shareholding control over such entities, and such entities have separate businesses with separate management and shareholder bases that control them to ensure we are able to carry on our business independently from the other entities in which they may make minority investments or hold directorships from time to time.

CORPORATE GOVERNANCE MEASURES

Our Company will comply with the provisions of the Corporate Governance Code in Appendix 14 to the Listing Rules which sets out principles of good corporate governance in relation to, among other matters, directors, the chairman, chief executive officer, board composition, the appointment, re-election and removal of directors, their responsibilities and communications with shareholders, details of which are set out in "Directors and Senior Management" in this prospectus.

Our Directors recognise the importance of good corporate governance in protecting our Shareholders' interests. We have adopted the following measures to manage the conflict of interests arising from the competing business, if any, and to safeguard the interests of our Shareholders:

(a) our Company has established internal control mechanisms to identify connected transactions. Upon the Listing, if our Company enters into connected transactions with our Controlling Shareholders or any of its associates, our Company will comply with the applicable Listing Rules;

(b) the Articles of Association provided that a Director shall absent himself/herself from participating in Board meetings (nor shall he/she be counted in the quorum) and voting on any resolution of the Board approving any contract or arrangement or other proposal in which he/she or any of his/her close associates is materially interested unless a majority of the independent non-executive Directors expressly requested him/her to attend;

(c) our independent non-executive Directors will review, on an annual basis, whether there are any conflicts of interests between our Group and our Controlling Shareholders and provide impartial and professional advice to protect the interests of our minority Shareholders;

(d) each of our Controlling Shareholders undertakes to provide all information necessary including all relevant financial, operational and market information and any other necessary information as required by the independent non-executive Directors for the purpose of their annual review;

(e) our Company will disclose decisions on matters reviewed by our independent non-executive Directors relating either in its annual reports or by way of announcements as required by the Listing Rules, including if any conflict of interests between our Group and our Controlling Shareholders is found;

(f) where our Directors reasonably request the advice of independent professionals, such as financial advisers, the appointment of such independent professionals will be made at our Company's expense;

(g) we have agreed to appoint Soochow Securities International Capital Limited as our compliance adviser in compliance with Rule 3A.19 to provide advice and guidance to us in respect of compliance with the applicable laws and regulations, as well as the Listing Rules, including various requirements relating to corporate governance;

(h) we have established our Audit Committee, Remuneration Committee and Nomination Committee with written terms of reference in compliance with the Listing Rules and the Corporate Governance Code in Appendix 14 to the Listing Rules. All of the members of our Audit Committee, including the chairman, are independent non-executive Directors; and

(i) pursuant to our executive Directors' respective service agreements, our executive Directors will not at any time during their terms of service with our Group without the prior written consent of the Board be or become a director of any company (other than our Company, any other member of our Group, our joint ventures or our associated companies) or be engaged, concerned or interested directly or indirectly in any other business, trade or occupation.

Based on the above, our Directors are satisfied that sufficient corporate governance measures have been put in place to manage conflicts of interest that may arise between our Group and our Controlling Shareholders, and to protect our minority Shareholders' interests after the Listing.

BOARD OF DIRECTORS

Our Board consists of four executive Directors and three independent non-executive Directors. The functions and duties of our Board include, but not limited to, convening the general meetings, reporting on the performance of our Board's work at the general meetings, implementing the resolutions passed at the general meetings, determining business and investment plans, formulating our annual financial budget and final accounts, formulating our proposals for increase or reduction of our capital as well as exercising other powers, functions and duties as conformed in accordance with the Articles of Association.

The following table sets forth the information regarding the members of our Board:

Name	Age	Position	Roles and responsibilities	Date of joining our Group	Date of appointment as Director	Relationship with other Directors and senior management
Ms. Zhang Yuqiu (張玉秋)	47	Chair of the Board and executive Director	Responsible for overseeing operational function of our Group and assisting in the management of our Group's R&D efforts	March 2014	16 May 2022	Spouse of Mr. Shan
Mr. Shan Yuzhu (單玉柱)	49	Chief executive officer and executive Director	Responsible for overseeing overall strategic planning and general management and daily operation of our Group, and leading our Group's R&D efforts	March 2014	1 February 2022	Spouse of Ms. Zhang
Mr. Li Xiquan (李溪泉)	50	Vice president of the administrative department and executive Director	Responsible for overseeing the daily administrative and human resources management of our Group	1 May 2021	16 May 2022	None
Mr. Li Peng (李鵬)	28	Vice president of the production department and executive Director	Responsible for supervising the production operation of our Group	July 2016	16 May 2022	None

Name	Age	Position	Roles and responsibilities	Date of joining our Group	Date of appointment as Director	Relationship with other Directors and senior management
Mr. Ng Tat Fung (吳達峰). . . .	40	Independent non-executive Director	Responsible for providing independent advice on the business strategies, operations and management of our Board	9 March 2023	9 March 2023	None
Dr. Sun Shulin (孫樹林). . . .	46	Independent non-executive Director	Responsible for providing independent advice on the business strategies, operations and management of our Board	9 March 2023	9 March 2023	None
Dr. Lai King Yin (賴景然). . . .	40	Independent non-executive Director	Responsible for providing independent advice on the business strategies, operations and management of our Board	9 March 2023	9 March 2023	None

DIRECTORS

Executive Directors

Ms. Zhang Yuqiu (張玉秋), aged 47, is the co-founder of our Group. She is the chair of our Board, executive Director, and one of our Controlling Shareholders. Ms. Zhang is also the spouse of Mr. Shan, our executive Director, chief executive officer and one of our Controlling Shareholders. She was appointed as an executive Director and the chair of our Board on 16 May 2022. She currently holds directorship in Jilin Kaishun, a subsidiary of our Company. Ms. Zhang is in charge of the operational function of our Group and assisting in the management of our Group's R&D efforts.

Prior to co-founding our Group in March 2014, Ms. Zhang started her own business in the logistics services industry in December 2004 with Mr. Shan. Together, they co-founded Changchun City Hangtong Logistics Co., Ltd.* (長春市航通物流有限公司) and Changchun Kaishun Logistics Co., Ltd.* (長春開順物流有限公司), both of which were primarily engaged in the provision of cargo transportation service. In June 2012, Ms. Zhang and Mr. Shan established Jilin Insulation Materials, which was initially engaged in the manufacturing and sales of machineries and trading of non-wooden construction materials. Jilin Insulation Materials then expanded into the manufacturing and sales of insulation materials for construction, in particular, benzene board and glue, and extrusion board, and construction services for exterior wall insulation. In March 2014, considering that the PRC governmental authorities were promoting environmental protection measures and implementing policies for biodegradable products, they subsequently ventured into the production and R&D of biodegradable materials through Jilin Kaishun in 2015 to exploit the potential new market opportunities on environmental materials business.

Ms. Zhang joined the part-time courses and obtained a diploma in economics and corporate management from Changchun University for Employees (長春市職工大學) in the PRC in July 2002.

Ms. Zhang was previously a director of the following companies at the time of their respective dissolution:

Name of company	Place of incorporation	Nature of business	Date of dissolution	Status	Reasons of dissolution
Changchun City Hangtong Logistics Co., Ltd* (長春市航通物流有限公司)	The PRC	Provision of cargo transportation service	10 November 2021	Deregistration	Cessation of business
Kaishun Insulation Materials (Note)	The PRC	Manufacturing and sales of insultation materials	2 March 2016	Deregistration	Completion of merger of assets and liabilities with Jilin Kaishun
Jilin Province Bangni Medical Equipment Technology Co., Ltd* (吉林省邦尼醫療器械科技有限公司)	The PRC	Has not commenced any operation since its establishment	11 August 2020	Deregistration	No business operation

Note: Immediately prior to the disposal, Kaishun Insulation Materials was engaged in the manufacturing and sales of insulation materials for construction. As Ms. Zhang and Mr. Shan decided to focus on the management and expansion of Jilin Kaishun, the construction materials business of Kaishun Insulation Materials was scaled down, and through merger, the parcel of land and building (i.e. Lot 1) held by Kaishun Insulation Materials became owned by Jilin Kaishun in May 2016. Our Directors confirm that Jilin Kaishun has never been involved in the insultation materials business before or after the merger.

Ms. Zhang confirmed that (i) to the best of her knowledge, information and belief after making reasonable enquiries, each of the above companies was solvent immediately prior to its dissolution; (ii) there is no wrongful act on her part leading to the dissolutions of each of the above companies; (iii) she is not aware of any actual or potential claim that has been or will be made against her as a result of the dissolutions of each of the above companies; and (iv) no misconduct or misfeasance had been involved on her part in the dissolution of each of the above companies.

Mr. Shan Yuzhu (單玉柱), aged 49, is an executive Director, the chief executive officer of our Group and one of our Controlling Shareholders. Mr. Shan is also the spouse of Ms. Zhang, our executive Director and one of our Controlling Shareholders. He was appointed as a Director on 1 February 2022 and was re-designated as an executive Director on 16 May 2022. Mr. Shan was also appointed as the chief executive officer of our Company on 16 May 2022. He holds directorship in each of the subsidiaries of our Group. Mr. Shan is responsible for overseeing overall strategic planning and general management and daily operation of our Group, and leading our Group's R&D efforts. Mr. Shan is also a member of each of the Remuneration Committee and the ESG Committee.

Prior to co-founding our Group in March 2014, Mr. Shan served as a driver in the Chinese People's Armed Police Force Fire Brigade Changchun Branch (中國人民武裝員警部隊長春市消防支隊) from December 1991 to December 1993. From March 1995 to March 2000, Mr. Shan was attached to Changchun City Transportation Operation Company* (長春市運輸經營總公司) and provided logistics services. Mr. Shan started his own business in the logistics services industry in December 2004 with Ms. Zhang. Together, they co-founded Changchun City Hangtong Logistics Co., Ltd* (長春市航通物流有限公司) and Changchun Kaishun Logistics Co., Ltd* (長春開順物流有限公司), both of which were primarily engaged in the provision of cargo transportation service. In June 2012, Ms. Zhang and Mr. Shan then established Jilin Insulation Materials, which was initially engaged in the manufacturing and sales of machineries and trading of non-wooden construction materials. Jilin Insulation Materials then expanded into the manufacturing and sales of insulation materials for constructions, in particular, benzene board and glue, and extrusion board, and construction services for exterior wall insulation. In March 2014, considering that the PRC governmental authorities were promoting environmental protection measures and implementing policies for biodegradable products, they subsequently ventured into the production and R&D of biodegradable materials through Jilin Kaishun in 2015 to exploit the potential new market opportunity on environmental materials business. In addition to his work experiences, Mr. Shan was also recognised in the biodegradable plastic industry. Mr. Shan was one of the drafters and participated in the drafting of the GB/T 38082-2019 standard in the PRC, a standard for biodegradable plastic shopping bags issued by the SAMR and the Standardisation Administration of the PRC (國家標準化管理委員會) in October 2019.

Mr. Shan obtained a bachelor's degree in industrial and commercial management from Heilongjiang Industry and Commerce Technology Institute (黑龍江工商職業技術學院) in the PRC in July 2006.

Mr. Shan was previously a director and/or supervisor of the following companies at the time of their respective dissolution:

Name of company	Place of incorporation	Nature of business	Date of dissolution	Status	Reasons of dissolution
Changchun City Hangtong Logistics Co., Ltd* (長春市航通物流有限公司)	The PRC	Provision of cargo transportation service	10 November 2021	Deregistration	Cessation of business
Kaishun Insulation Materials (Note)	The PRC	Manufacturing and sales of insultation materials	2 March 2016	Deregistration	Completion of merger of assets and liabilities with Jilin Kaishun
Jilin Province Bangni Medical Equipment Technology Co., Ltd* (吉林省邦尼醫療器械科技有限公司)	The PRC	Has not commenced any operation since its establishment	11 August 2020	Deregistration	No business operation

Note: Immediately prior to the disposal, Kaishun Insulation Materials was engaged in the manufacturing and sales of insulation materials for construction. As Ms. Zhang and Mr. Shan decided to focus on management and expansion of Jilin Kaishun, the construction materials business of Kaishun Insulation Materials was scaled down, and through merger, the parcel of land and building (i.e. Lot 1) held by Kaishun Insulation Materials became owned by Jilin Kaishun in May 2016. Our Directors confirm that Jilin Kaishun has never been involved in the insultation materials business before or after the merger.

Mr. Shan confirmed that (i) to the best of his knowledge, information and belief after making reasonable enquiries, each of the above companies was solvent immediately prior to its dissolution; (ii) there is no wrongful act on his part leading to the dissolutions of each of the above companies; (iii) he is not aware of any actual or potential claim that has been or will be made against him as a result of the dissolutions of each of the above companies; and (iv) no misconduct or misfeasance had been involved on his part in the dissolution of each of the above companies.

Mr. Li Xiquan (李溪泉), aged 50, is an executive Director, the vice president of the administrative department of our Group and one of the Pre-IPO Investors. Mr. Li joined our Group in May 2021 as the vice president of our administrative department, responsible for overseeing the daily administrative and human resources management of our Group. Mr. Li is also a director of Jilin Kaishun, a subsidiary of our Company. He was appointed as an executive Director on 16 May 2022. Mr. Li is also a member of the Nomination Committee.

Mr. Li has over 10 years of investment experience and almost 20 years of corporate management experience in different industries. From 1995 to 2001, Mr. Li worked at Shenyang Military Region Insurance Service Centre (瀋陽軍區保險服務中心). From April 2004 to April 2010, he worked as administrative manager of Heilongjiang Province Jingwei Cultural Communication Co., Ltd.* (黑龍江省經緯文化傳播有限公司), which was principally engaged in advertisement design and information consultation. From April 2010 to December 2020, Mr. Li co-invested with his friend in the hotel business in Qitaihe City, Heilongjiang province, including Qitaihe City Taoshan District Xilong Hotel (七台河市桃山區禧龍賓館). From April 2010 to February 2021, Mr. Li worked as the administrative general manager of Jiamusi City Oriental Hospital Co., Ltd (佳木斯市東方醫院有限責任公司) and was principally responsible for general administrative management. In May 2021, Mr. Li invested in Jilin Kaishun and has since acted as the vice president of the administrative department of our Group.

Mr. Li obtained a bachelor's degree in economics and management from Heilongjiang University of Finance and Economics (黑龍江財經學院) in the PRC in June 2012.

Mr. Li Peng (李鵬), aged 28, is an executive Director and the vice president of our production department. Mr. Li joined our Group after his graduation from university in July 2016. He was appointed as an executive Director on 16 May 2022. Mr. Li is responsible for supervising the production operation of our Group. Mr. Li is also a member of the ESG Committee.

Mr. Li joined Jilin Kaishun in July 2016 as an assistant to the chair of the board of directors of Jilin Kaishun, who at the relevant time was Mr. Shan. Mr. Li assisted Mr. Shan to manage Jilin Kaishun, including (i) assisted Mr. Shan in organizing discussions among different departments of our Group covering strategic development plans, tendering and sales, and R&D, production and quality control of our products; (ii) assisted Mr. Shan in formulating corporate governance measures and policies; and (iii) acted as the liaison between our Board and competent governmental authorities or external parties. In July 2018, after accumulated experiences by working closely with Mr. Shan, Mr. Li was promoted to the vice president of our production department. Our Directors believe that although Mr. Li is relatively inexperienced in the beginning, through his work experience with us, he is able to understands better of our operations, and provide our Board a more diversified view, especially with a younger mindset and ideas for initiatives of biodegradable products.

On 29 July 2022, Mr. Li was appointed as the committee member of the expert committee of Jilin Province Packaging Technology Association* (吉林省包裝技術協會), a provincial industry association governed by the Jilin Province Department of Civil Affairs* (吉林省民政廳). Mr. Li obtained a bachelor's degree in mechatronics technology from Heilongjiang Industry and Commerce Technology Institute (黑龍江工商職業技術學院) in the PRC in July 2016.

Independent Non-executive Directors

Mr. Ng Tat Fung (吳達峰), aged 40, was appointed as our independent non-executive Director on 9 March 2023. Mr. Ng is responsible for providing independent advice on the business strategies, operations and management of our Board. He is also the chairman of the Audit Committee.

Mr. Ng has over 10 years of experience in the accounting and finance industry. From September 2007 to September 2008, he worked as an auditor at W.H. Tse & Company, a CPA firm in Hong Kong. From September 2008 to April 2010, he worked as an auditor at K.P. Cheng & Co., a CPA firm in Hong Kong. From July 2010 to December 2011, he became an audit senior of K.P. Cheng & Co.. From January 2012 to November 2013, he worked as an audit senior at Mazars CPA Limited, a CPA firm in Hong Kong with a focus on providing audit, accountancy, advisory, tax and legal services. Since October 2013, he has been a director of NGP Business Advisory Limited (怡峰商業顧問有限公司) (formerly known as Lloyds Chartered Company Limited), a company principally engaged in the provision of business consulting services. In March 2017, Mr. Ng founded Ng & Partners CPA Limited (怡峰會計師事務所有限公司), a CPA firm in Hong Kong, and has been its director since then. Mr. Ng has also been an independent non-executive director of Haina Intelligent Equipment International Holdings Limited (海納智慧裝備國際控股有限公司) (stock code: 1645), a company listed on the Stock Exchange, a manufacturer engaging in the design and production of automated machines for manufacturing disposable hygiene products, including baby diapers, adult diapers and lady sanitary napkins in the PRC, since 4 May 2020.

Mr. Ng obtained his bachelor's degree in finance, accounting and management from the University of Nottingham in the United Kingdom in July 2007. Mr. Ng has been a member of the Hong Kong Institute of Certified Public Accountants since March 2016, and is currently a member of The Institute of Chartered Accountants in England and Wales and The Society of Chinese Accountants & Auditors.

Dr. Sun Shulin (孫樹林), aged 46, was appointed as our independent non-executive Director on 9 March 2023. Dr. Sun is responsible for providing independent advice on business strategies, operation and management of our Board. He is also the chairman of each of the Remuneration Committee and the ESG Committee, and a member of each of the Audit Committee and Nomination Committee.

After Dr. Sun's graduation from Changchun Institute of Applied Chemistry Chinese Academy of Sciences (中國科學院長春應用化學研究所) in March 2006, he has since worked in Changchun University of Technology (長春工業大學) and is currently a professor and a mentor to doctor students of Changchun University of Technology. Dr. Sun is also the vice-dean of National & Local United Engineering Laboratory for Polymer Material Synthetic Technology (高分子材料合成

技術國家地方聯合工程實驗室). He also works as a part-time technology consultant of China Petroleum Jihua Group Co., Ltd.* (中國石油吉化集團公司), a comprehensive petrochemical production company.

He is a commentator of National Natural Science Fund Project (國家自然科學基金專案). In 2012, he was awarded the honorary titles of Jilin Top Innovative Talents (吉林省拔尖創新人才). In 2013, he was awarded the honorary title of Jilin Discipline Leading Professor (吉林省學科領軍教授). He has published 25 scientific papers in journals such as the Chemical Engineering Journal and ACS Sustainable Chemistry & Engineering Journal. Dr. Sun won Second Class Prize for Jilin Provincial Science and Technology (吉林省科學技術二等獎) in December 2010 and Second Class Prize for Jilin Provincial Natural Science Academic Achievement (吉林省自然科學學術成果二等獎) in November 2012. He is also the owner of five invention patents relating to biomaterial.

Dr. Sun obtained his bachelor and master's degrees in polymer material and engineering (高分子材料與工程) and chemical engineering (化學工程) from Changchun University of Technology in the PRC in July 1999 and April 2002, respectively. Dr. Sun obtained a doctorate degree of science from Changchun Institute of Applied Chemistry Chinese Academy of Sciences in the PRC in March 2006.

Dr. Lai King Yin (賴景然), aged 40, was appointed as our independent non-executive Director on 9 March 2023. Dr. Lai is responsible for providing independent advice on the business strategies, operations and management of our Board. He is also the chairman of the Nomination Committee, and a member of each of the Audit Committee, Remuneration Committee and the ESG Committee.

Dr. Lai has more than 15 years of research experience and more than five years corporate management experience. In June 2014, Dr. Lai co-founded Novus Life Sciences Limited (薪創生命科技有限公司) ("**Novus**"), a graduated company of the Incu-Bio Programme of Hong Kong Science and Technology Parks Corporation, which is primarily engaged in the R&D and production of biomaterials for use in orthopaedics. Since February 2015, Dr. Lai has served as an executive director of Novus responsible for management of daily operation of Novus. He also took a leading role in establishing a French branch office of Novus in France in 2017. Dr. Lai was trained as a researcher in the State Key Laboratory of Emerging Infectious Diseases, The University of Hong Kong ("**HKU**"), a laboratory established by the Ministry of Science and Technology of the PRC in recognition of the outstanding contribution made by HKU scientists in response to the Severe Acute Respiratory Syndrome outbreak during 2003/2004.

In October 2021, Dr. Lai joined HKU School of Professional and Continuing Education and has since served as a part-time lecturer for the bachelor's degree course in Pharmaceutical Science. In 2021, Dr. Lai founded Research Institute for Technology Application Limited, a company principally engaged in providing consulting service in technology application and business strategy, assisting enterprises in researching innovation and technology demands and upgrading and transformation strategies under the support of the Government of the HKSAR and the Angel Investment Foundation, and has since served as a director.

Dr. Lai obtained a Bachelor of Science degree with a major in animal and plant biotechnology, a Master of Medical Sciences, a Master of Philosophy degree in Microbiology and a Doctor of Philosophy degree in Surgery from HKU, in December 2005, December 2006, November 2010 and in November 2015, respectively. Dr. Lai was awarded the French Tech Ticket and granted a "Passeport Talent" in 2017 by the French Government. From 2009 to 2018, Dr. Lai published more than ten research journal articles and was invited to write for a book chapter in biomedicine area. Dr. Lai is also an inventor of three patents relating to biotechnology application area.

Dr. Lai was previously a director of the following companies at the time of their respective dissolutions:

Name of Company	Place of incorporation	Nature of business	Date of dissolution	Status	Reasons of dissolution
Novus Medical Limited.	Hong Kong	Research and development of biomaterials	27 March 2020	Deregistration	Cessation of business
Aeva Life Sciences Limited.	Hong Kong	Development of medical device	15 December 2017	Deregistration	Cessation of business

Dr. Lai confirmed that (i) to the best of his knowledge, information and belief after making reasonable enquiries, each of the above companies was solvent immediately prior to its dissolution; (ii) there is no wrongful act on his part leading to the dissolutions of each of the above companies; (iii) he is not aware of any actual or potential claim that has been or will be made against him as a result of the dissolutions of each of the above companies; and (iv) no misconduct or misfeasance had been involved on his part in the dissolution of each of the above companies.

Disclosure Required under Rule 13.51(2) of the Listing Rules

Save as disclosed above, none of our Directors:

(i) held any other positions in our Company or other members of our Group as at the Latest Practicable Date;

(ii) had any other relationship with any Directors, senior management or substantial Shareholders or Controlling Shareholders as at the Latest Practicable Date; and

(iii) held any other directorships in listed public companies in the three years prior to the Latest Practicable Date and other major appointments and professional qualifications.

Save as disclosed in the section headed "Substantial Shareholders" in this prospectus and "Statutory and General Information — E. Disclosure of Interests" in Appendix V to this prospectus, none of our Directors has any interest in the Shares within the meaning of Part XV of the SFO or is a director or an employee of a company which has an interest or short position in the Shares and underlying Shares of our Company. Each of our Directors has confirmed that none of them is engaged in, or interested in, any business (other than our Group) which, directly or indirectly, competes or may compete with our business.

Save as disclosed above, to the best of the knowledge, information and belief of our Directors after having made all reasonable enquiries, there was no other matter with respect to the appointment of our Directors that needs to be brought to the attention of our Shareholders and there was no information relating to our Directors that is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules as at the Latest Practicable Date.

SENIOR MANAGEMENT

Our senior management team consists of five members, namely, four executive Directors (being Ms. Zhang, Mr. Shan, Mr. Li and Mr. Li Peng) and Mr. Wang Hao (王浩), the finance manager of our Group, and is responsible for the day-to-day management and operation of our Group. For details of biographies of Ms. Zhang, Mr. Shan, Mr. Li and Mr. Li Peng, please refer to the paragraph headed "— Directors — Executive Directors" above.

Mr. Wang Hao (王浩), aged 42, is the finance manager of our Group. Mr. Wang joined our Group in November 2017 and is responsible for assisting in the financial reporting and management matters of our Group.

From August 2003 to August 2009, Mr. Wang served as an accountant of Jiamusi City Jiasi Motor Co., Ltd.* (佳木斯市佳四電機有限責任公司), which is principally engaged in manufacturing of motor and motor parts. From September 2009 to October 2017, he served as financial officer of Jiamusi Electronic Fan Co., Ltd.* (佳木斯佳電風機有限公司), which was deregistered in August 2021 and was then principally engaged in the manufacturing of electronic fans prior to its deregistration. In November 2017, he joined Jilin Kaishun and has since acted as the finance manager of our Group.

Mr. Wang obtained a diploma in computerised accounting from Jiamusi City United Staff College* (佳木斯市聯合職工大學) in the PRC in July 2003.

COMPANY SECRETARY

Mr. Yeung Kwong Wai (楊光偉), aged 49, was appointed as the company secretary of our Company on 16 May 2022. Mr. Yeung is a director of corporate services of Ascent Corporate Services Limited and is responsible for assisting listed companies in professional corporate secretarial work. He has over 23 years of auditing, accounting, financial management and corporate governance experience. Mr. Yeung graduated from Concordia University, Montreal, Canada in October 1997 with a major in accounting. He is a Certified Public Accountant (Practising) of HKICPA and a member of the American Institute of Certified Public Accountants. He is also a CFA charterholder.

BOARD COMMITTEES

Audit Committee

The Audit Committee was established by our Board pursuant to a resolution of our Board on 9 March 2023 with written terms of reference in compliance with the Corporate Governance Code. The primary duties of the Audit Committee are to make recommendations to our Board on the appointment and dismissal of the external auditor, monitor and review the financial statements and information and oversee the financial reporting system, risk management and internal control systems of our Company. The members of the Audit Committee are Mr. Ng Tat Fung, Dr. Lai King Yin and Dr. Sun Shulin, all of whom are independent non-executive Directors. Mr. Ng Tat Fung is the chairman of the Audit Committee.

Remuneration Committee

The Remuneration Committee was established by our Board pursuant to a resolution of our Board on 9 March 2023 with written terms of reference in compliance with the Corporate Governance Code. The primary duties of the Remuneration Committee are to make recommendation to our Board on the overall remuneration policy and structure for all Directors and senior management of our Group, review remuneration and ensure that none of our Directors determine their own remuneration. The members of the Remuneration Committee are Dr. Sun Shulin, Mr. Shan and Dr. Lai King Yin. Dr. Sun Shulin is the chairman of the Remuneration Committee.

Nomination Committee

The Nomination Committee was established by our Board pursuant to a resolution of the Board on 9 March 2023 with written terms of reference in compliance with the Corporate Governance Code. The primary duties of the Nomination Committee are to review the structure, size, composition and diversity of our Board at least annually and make recommendation to our Board regarding candidates to fill vacancies on our Board and/or in senior management. The members of the Nomination Committee are Dr. Lai King Yin, Mr. Li Xiquan and Dr. Sun Shulin. Dr. Lai King Yin is the chairman of the Nomination Committee.

ESG Committee

The ESG Committee was established by our Board pursuant to a resolution of our Board on 9 March 2023 with written terms of reference. The primary duties of the ESG Committee are to support our Board in targets and strategies, conducting materiality assessments of environmental-related, climate-related, social-related risks and assessing how our Group adapts its business in light of climate change, collecting ESG data from different parties while preparing for the ESG report, and continuous monitoring of the implementation of measures to address our Group's ESG-related risks and responsibilities. It is also responsible for the investigation of deviation from targets and liaising with the responsible party or functional department to take prompt rectification actions. The ESG Committee reports to our Board on a half-yearly basis via Board meeting on the ESG performance of our Group and the effectiveness of these ESG systems. The members of the ESG Committee are Dr. Sun Shulin, Mr. Shan, Mr. Li Peng and Dr. Lai King Yin. Dr. Sun Shulin is the chairman of the ESG Committee.

COMPENSATION OF THE DIRECTORS AND SENIOR MANAGEMENT

Our Directors and senior management receive compensation in the form of directors' fees, salaries, discretionary bonus, allowances, benefits in kind and contributions to defined contribution plans.

The aggregate remuneration paid to our Directors for FY2019, FY2020, FY2021 and 9M2022 were approximately RMB351,000, RMB397,000, RMB708,000 and RMB548,000, respectively.

The aggregate remuneration paid to the five highest paid individuals of our Group, excluding our Directors, for FY2019, FY2020, FY2021 and 9M2022 were approximately RMB364,000, RMB318,000, RMB356,000 and RMB189,000, respectively.

No remuneration was paid by our Group to our Directors or the five highest paid individuals as an inducement to join or upon joining our Group or as a compensation for loss of office during the Track Record Period.

Under the arrangement currently in force, the aggregate amount of remuneration payable to our Directors for the year ended 31 December 2022 is estimated to be approximately RMB687,000 (excluding any discretionary bonus).

THE SHARE OPTION SCHEME

We have conditionally adopted the Share Option Scheme. The principal terms of the Share Option Scheme are summarised in the section headed "Statutory and General Information — F. Share Option Scheme" in Appendix V to this prospectus.

COMPLIANCE ADVISER

Pursuant to Rule 3A.19 of the Listing Rules, our Company has agreed to appoint Soochow Securities International Capital Limited as our compliance adviser. The compliance adviser will advise us on the following matters pursuant to Rule 3A.23 of the Listing Rules:

(i) the publication of any regulatory announcement, circular or financial report;

(ii) where a transaction, which might be a notifiable or connected transaction, is contemplated including share issues and share repurchases;

(iii) where our Company proposes to use the proceeds of the Global Offering in a manner different from that detailed in this prospectus or where our business activities, developments or results deviate from any forecast, estimate or other information of this prospectus; and

(iv) where the Stock Exchange makes an inquiry of our Company regarding unusual movements in the price or trading volume of our Shares, the possible development of a false market in its securities, or any other matters.

The term of this appointment will commence on the Listing Date and is expected to end on the date on which we comply with Rule 13.46 of the Listing Rules on the distribution of our annual report in respect of the financial results of the first full financial year commencing after the Listing Date.

CORPORATE GOVERNANCE CODE

Board Diversity

We have adopted a board diversity policy which sets out the approach to achieve and maintain an appropriate balance of skills, experience and diversity perspectives of our Board that are relevant to our business growth. Pursuant to our board diversity policy, selection of Board candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge, and industry experience. The ultimate decision will be based on merit and contribution that the selected candidates will bring to our Board.

Our Board comprises seven members, including four executive Directors and three independent non-executive Directors. Our Directors have a balanced mix of age, gender, knowledge and experiences, including business and corporate management, strategic development, R&D of polymer material and construction materials supplement experiences. Our Board members also obtained degrees and/or diplomas in various majors including economics and corporate management, finance, accounting, polymer material and engineering, chemical engineering, science and mechatronics technology. Furthermore, the ages of our Directors range from 28 years old to 50 years old. We have also taken, and will continue to take steps to promote gender diversity at all levels of our Company, including but without limitation at our Board and senior management levels. While we recognised that gender diversity at the Board level and we do not have a single gender board, Our Board is chaired by a female Director, namely, Ms. Zhang with the remaining of the Board comprises six male Directors.

We are also committed to adopting similar approach to promote diversity at the senior management level to enhance the effectiveness of our corporate governance.

Our Nomination Committee is responsible for ensuring the diversity of our Board. After the Listing, our Nomination Committee will review the board diversity policy (including gender balance) from time to time to ensure its continued effectiveness and we will disclose the implementation of the board diversity policy in our corporate governance report on an annual basis. We will continue to appoint Directors to the Board based on recommendations from our Nomination Committee, who will consider the Directors' merits with reference to our board diversity policy as a whole.

So far as our Directors are aware, as at the Latest Practicable Date and immediately upon the completion of the Capitalisation Issue and the Global Offering (without taking into account of any Shares which may be issued upon the exercise of the Over-allotment Option or any options that may be granted under the Share Option Scheme), the following persons will have an interest or a short position in the Shares which would be required to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group:

		As at the Latest Practicable Date		Shares held immediately upon completion of the Global Offering and Capitalisation Issue[(1)]	
Name of Shareholder	Capacity/Nature of Interest	Number of Shares	Approx. %	Number of Shares	Approx. %
Ms. Zhang[(1)(3)]	Interest in a controlled corporation	470,470	47.0470	381,080,700	38.1081
Mr. Shan[(2)(3)]	Interest in controlled corporations	433,114	43.3114	290,822,340	29.0822
Lvsetianye Technology[(1)]	Beneficial owner	470,470	47.0470	381,080,700	38.1081
Lvsesenlin Technology[(2)]	Beneficial owner	186,448	18.6448	91,022,880	9.1023
	Interest in controlled corporations	246,666	24.6666	199,799,460	19.9799
Daziran Technology[(2)]	Beneficial owner	126,666	12.6666	102,599,460	10.2599
CPEP Holdings[(2)]	Beneficial owner	120,000	12.0000	97,200,000	9.7200
ZhongBaoNew materials[(4)]	Beneficial owner	nil	nil	82,872,000	8.2872
Beijing Anji Fenghan LLP[(4)]	Interest in a controlled corporation	nil	nil	82,872,000	8.2872
Zhuhai Jianchao[(4)]	Interest in a controlled corporation	nil	nil	82,872,000	8.2872
Anji Fenghan[(4)]	Interest in a controlled corporation	nil	nil	82,872,000	8.2872
Guocheng Zhejiang[(4)]	Interest in a controlled corporation	nil	nil	82,872,000	8.2872
Hainan Fengshi[(4)]	Interest in a controlled corporation	nil	nil	82,872,000	8.2872
Zhejiang Anji EDZ[(4)]	Interest in a controlled corporation	nil	nil	82,872,000	8.2872

Notes:

(1) Lvsetianye Technology will hold approximately 38.1081% of the issued share capital of our Company. Lvsetianye Technology is wholly owned by Ms. Zhang. Ms. Zhang is therefore deemed to be interested in the Shares that Lvsetianye Technology is interested in.

(2) Lvsesenlin Technology, Daziran Technology and CPEP Holdings will hold approximately 9.1023%, 10.2599% and 9.7200% of the issued share capital of our Company, respectively. Each of Daziran Technology and CPEP Holdings is wholly owned by Lvsesenlin Technology, which is in turn wholly owned by Mr. Shan. Mr. Shan is therefore deemed to be interested in the Shares that each of Lvsesenlin Technology, Daziran Technology and CPEP Holdings is interested in.

(3) Ms. Zhang and Mr. Shan are wife and husband. They are therefore deemed to be interested in the Shares that the other is interested in under the SFO.

(4) ZhongBaoNew materials, a company incorporated in the BVI for the purpose of the cornerstone investment, is wholly-owned by Beijing Anji Fenghan Management Consulting Partnership (limited partnership) (北京安吉豐瀚管理諮詢合夥企業(有限合夥)) ("**Beijing Anji Fenghan LLP**"). Beijing Anji Fenghan LLP is a private investment fund and its general partner is Zhuhai Jianchao Investment Management Center (Limited Partnership) (珠海健巢投資管理中心(有限合夥)) ("**Zhuhai Jianchao**"), holding approximately 0.01% of equity interest in Beijing Anji Fenghan LLP as at the Latest Practicable Date. The remaining 99.99% of Beijing Anji Fenghan LLP is held by Anji Fenghan Private Equity Investment Fund Partnership (Limited Partnership) (安吉豐瀚私募股權投資基金合夥企業(有限合夥)) ("**Anji Fenghan**") as a limited partner as at the Latest Practicable Date. The limited partner of Anji Fenghan is Guocheng (Zhejiang) Industrial Development Co., Ltd. (國成(浙江)實業發展有限公司) ("**Guocheng Zhejiang**"), which is intersted in 99.00% of Anji Fenghan, and the general partners of Anji Fenghan are Hainan Fengshi Private Equity Fund Management Co., Ltd. (海南豐世私募基金管理有限公司) ("**Hainan Fengshi**") and Zhuhai Jianchao, holding 0.90% and 0.10% in Anji Fenghan, respectively, as at the Latest Practicable Date. Guocheng Zhejiang in turn is wholly owned by Management Committee of Zhejiang Anji Economic Development Zone (浙江安吉經濟開發區管理委員會) ("**Zhejiang Anji EDZ**"), as at the Latest Practicable Date. As such, all of Beijing Anji Fenghan LLP, Zhuhai Jianchao, Anji Fenghan, Guocheng Zhejiang, Hainan Fengshi and Zhejiang Anji EDZ are all deemed to be interested in 82,872,000 Shares (assuming the Offer Price of HK$1.20, being the mid-point of the indicative Offer Price range set out in this prospectus) held by ZhongBaoNew materials under the SFO.

Save as disclosed above, our Directors are not aware of any other person who will, immediately following completion of the Capitalisation Issue and the Global Offering (without taking into account of any Shares which may be issued upon the exercise of the Over-allotment Option or any options that may be granted under the Share Option Scheme), have beneficial interests or short positions in any Shares or underlying Shares, which will be required to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any member of our Group.

SHARE CAPITAL

The authorised and issued share capital of our Company is as follows:

Authorised Share Capital

As at the date of this prospectus:

		(HK$)
38,000,000	Shares	380,000

Issued Share Capital

Assuming the Over-allotment Option is not exercised at all, and without taking into account any Shares which may be issued upon the exercise of any options that may be granted under the Share Option Scheme, the issued share capital of our Company immediately following the completion of the Capitalisation Issue and the Global Offering will be as follows:

		HK$
1,000,000	Shares in issue at the date of this prospectus	10,000
809,000,000	Shares to be issued under the Capitalisation Issue[(1)]	8,090,000
190,000,000	Shares to be issued pursuant to the Global Offering[(1)]	1,900,000
1,000,000,000	Shares in total	10,000,000

Note:

(1) The Shares referred to in the above table will be fully paid or credited as fully paid when issued.

Assuming the Over-allotment Option is exercised in full and without taking into account any Shares which may be issued upon the exercise of any options that may be granted under the Share Option Scheme, the issued share capital of our Company immediately following the completion of the Capitalisation Issue and the Global Offering will be as follows:

		HK$
1,000,000	Shares in issue at the date of this prospectus	10,000
809,000,000	Shares to be issued under the Capitalisation Issue[(1)]	8,090,000
190,000,000	Shares to be issued pursuant to the Global Offering[(1)]	1,900,000
37,500,000	Shares to be issued upon exercise of the Over-allotment Option in full[(1)]	375,000
1,037,500,000	Shares in total	10,375,000

Note:

(1) The Shares referred to in the above table will be fully paid or credited as fully paid when issued.

RANKING

The Shares are ordinary shares in the share capital of our Company and rank *pari passu* in all respects with all the Shares currently in issue or to be issued and, in particular, will rank in full for all dividends or other distributions declared, made or paid on the Shares in respect of a record date which falls after the date of this prospectus.

SHARE OPTION SCHEME

We have conditionally adopted the Share Option Scheme on 9 March 2023 and the principal terms of the Share Option Scheme are summarised in the section headed "Appendix V — Statutory and General Information — F. Share Option Scheme" in this prospectus.

Our Group did not have any outstanding share options, warrants, convertible instruments, or similar rights convertible into our Shares as at the Latest Practicable Date.

GENERAL MANDATE TO ISSUE SHARES

Subject to the Global Offering becoming unconditional, our Directors have been granted a general unconditional mandate to allot, issue and deal with the Shares in the share capital of our Company with the total number of issued shares of not more than the sum of:

(a) 20% of the number of Shares in issue immediately following the completion of the Capitalisation Issue and the Global Offering (excluding any Shares which may be allotted and issued upon the exercise of the Over-Allotment Option and any option which may be granted under the Share Option Scheme); and

(b) the number of Shares repurchased by our Company (if any) under the general mandate to repurchase Shares as referred to below.

This general mandate to issue shares will expire at the earliest of:

(a) the conclusion of our Company's next annual general meeting unless renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions; or

(b) the expiration of the period within which our Company is required by law or the Articles of Association to hold its next annual general meeting; or

(c) the revocation, variation, or renewal of this general mandate by an ordinary resolution of our Shareholders in a general meeting.

For further details of this general mandate, please refer to the paragraph headed "Appendix V — Statutory and General Information — A. Information about our Company — (d) Resolutions of our Shareholders passed on 9 March 2023" in this prospectus.

GENERAL MANDATE TO BUYBACK SHARES

Subject to the Global Offering becoming unconditional, our Directors have been granted a general unconditional mandate to exercise all the powers of our Company to buyback Shares not exceeding in aggregate 10% of the total number of Shares in issue immediately following completion of the Global Offering and the Capitalisation Issue (excluding Shares that may be allotted and issued pursuant to exercise of the Over-allotment Option or any option which may be granted under the Share Option Scheme).

This mandate only relates to buybacks made on the Stock Exchange, or on any other stock exchange on which the Shares may be listed (and which are recognised by the SFC and the Stock Exchange for this purpose), and which are in accordance with the Listing Rules and all other applicable laws, regulations and rules.

This general mandate to buyback Shares will expire at the earliest of:

(a) the conclusion of our Company's next annual general meeting unless renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions; or

(b) the expiration of the period within which our Company is required by law or the Articles of Association to hold its next annual general meeting; or

(c) the revocation, variation, or renewal of this general mandate by an ordinary resolution of our Shareholders in a general meeting.

For further details of this general mandate, please refer to the paragraph headed "Appendix V — Statutory and General Information — A. Information about our Company — (d) Resolutions of our Shareholders passed on 9 March 2023" in this prospectus.

CIRCUMSTANCES UNDER WHICH A MEETING OF THE COMPANY IS REQUIRED

The circumstances under which a meeting is required are provided in the Articles of Association, a summary of which is set out in "Appendix IV — Summary of The Constitution of Our Company and Cayman Companies Act" to this prospectus.

The following discussion should be read in conjunction with our combined financial information as at and for each of FY2019, FY2020, FY2021 and 9M2022, together with the accompanying notes, as set forth in the Accountants' Report in Appendix I to this prospectus. Our combined financial information has been prepared in accordance with IFRSs. Potential investors should read the entire Accountants' Report and not merely rely on the information contained in this section.

The following discussion and analysis of our financial conditions and results of operation contain certain forward-looking statements that reflect our current views with respect to future events and financial performance. These statements are based on our assumptions and analysis in light of our experience and historical trends, current conditions and expected future developments, as well as factors we believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectations and predictions or not depends on a number of risks and uncertainties. Factors that could cause or contribute to such differences include those disclosed in the sections headed "Risk Factors", "Forward-looking statements" and elsewhere in this prospectus.

OVERVIEW

We commenced our business in 2014. At our inception, we were primarily engaged in the development and manufacture of non-biodegradable automobile plastic parts. With a vision that the implementation of encouraging policies in the PRC (which restricted or prohibited the sale or use of non-degradable plastic bags and utensils and required shopping malls, shops and markets' organisers to monitor the implementation of the plastic ban) could potentially drive the demand and sales of biodegradable plastic products in the future, our founders, Controlling Shareholders and executive Directors — Ms. Zhang and Mr. Shan then diversified our business in 2015 into manufacture fast-moving biodegradable plastic products. Since then, we have conducted R&D of biodegradable plastic products by collaborating with the CIAC (中國科學院長春應用化學研究所), a third-party research institute. Our products are sold to our customers such as supermarket chains, department stores and outlets, mainly in the form of biodegradable produce bag rolls and biodegradable shopping bags.

From FY2019 to FY2021, our total revenue increased from approximately RMB102.7 million in FY2019 to approximately RMB166.7 million in FY2020 and further to approximately RMB256.7 million in FY2021, representing a CAGR of approximately 58.1%. Such an increase in revenue was mainly due to growing public awareness of environmental protection and preservation and favourable government policies to prohibit non-degradable plastic products and promote biodegradable plastic products. According to Frost & Sullivan, Jilin Province has been one of the pioneer provinces that implemented such policies since 2015. The temporary lockdown of

Changchun from March to May 2022 had negatively impacted our revenue in March and April 2022 yet our business gradually picked up since May 2022. For 9M2022, our total revenue increased by 12.5% to approximately RMB214.1 million compared to approximately RMB190.3 million in 9M2021.

Our net profit increased from approximately RMB27.1 million in FY2019 to RMB49.3 million in FY2020, and further to RMB78.4 million in FY2021, representing a CAGR of approximately 70.1%. Our net profit decreased by 26.8% from approximately RMB62.2 million in 9M2021 to RMB45.5 million in 9M2022. Such decrease was a combined result of (i) increases in cost of sales (which lead to a fall in our overall gross profit margin), selling and distribution expenses, and administrative and other operating expenses from 9M2021 to 9M2022; and (ii) our Group incurred listing expenses amounted to approximately RMB12.2 million during the 9M2022; and partially offset by our increase in revenue (in particular for our shopping bag) from RMB82.6 million in 9M2021 to RMB96.5 million in 9M2022.

BASIS OF PREPARATION

Our Company was incorporated as an exempted company with limited liability in the Cayman Islands under the Companies Act of the Cayman Islands on 21 January 2022. Through a corporate reorganisation as more fully explained in the subsection headed "History, Reorganisation and Group Structure — Reorganisation" in this prospectus, our Company became the holding company of the companies now comprising our Group on 2 June 2022. Immediately prior to and after the Reorganisation, our Company and its subsidiaries now comprising our Group are under common control of our Controlling Shareholders, Ms. Zhang and Mr. Shan. Our Group's business is mostly conducted through Jilin Kaishun and Yizheng Juxinyuan while other entities within our Group have not been involved in any other significant activities prior to the Reorganisation except for the reorganisation and certain fund raising activities. As the Reorganisation did not result in any change in the ultimate control of and the resources employed by the Group's business, the Group is regarded as a continuity entity and, therefore, the Reorganisation is considered to be a restructuring of entities and business under common control. Accordingly, the historical financial information has been prepared on a combined basis under merger accounting principles, which presents the combined financial position, combined financial performance, combined changes in equity and combined cash flows of the entities now comprising the Group as if the current group structure had always been in existence throughout the Track Record Period or since their respective date of establishment or incorporation, where applicable, except for an aggregate of 1% registered capital subscribed in Changchun Guangke by Ms. Zhang, Mr. Shan, Mr. Li, Mr. Chen Guobin and Mr. Lu Changdong, which was completed on 20 April 2022.

The combined financial information incorporates the financial statements of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the Controlling Shareholders. The net assets of the combining entities or businesses are combined using the existing carrying values. The combined statements of profit or loss and other comprehensive income include the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "**functional currency**"). The Company's functional currency is HK$ and majority of its subsidiaries have RMB as their functional currency. The combined financial information is presented in RMB, which is the Group's presentation currency.

SIGNIFICANT FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Our financial condition, results of operations and the period-to-period comparability of our financial results are principally affected by a number of factors, some of which may be beyond the control of our Group as set out in "Risk Factors" of this prospectus and others as set forth below. During the Track Record Period, the following factors significantly affected our results of operations and financial condition.

The economic condition of the PRC

We generated all our revenue from customers in the PRC during the Track Record Period. The PRC is our principal place of operations where our products are developed and manufactured. Accordingly, the PRC's economic conditions and other economic trends and factors have a direct impact on our business operation, the demand for our products, the supplies and prices of our requisite raw materials, and our other costs.

In addition, in order to maintain a steady growth of the PRC economy, the PRC government has from time to time adjusted its monetary, financial, fiscal or industrial policies, or implemented other macroeconomic measures. We believe any adjustment in or implementation of economic policies and measures would also directly or indirectly affect our business and financial condition and operating results. Both the PRC's macroeconomic trends and policies could affect our procurement, production, sales, R&D and other parts of our business, affecting our business results. For the associated risk, please refer to the subsection headed "Risk Factors — Risks relating to conducting business in the PRC — Changes in political and economic policies of the PRC government could have an adverse effect on the overall economic growth of the PRC, which could increase our manufacturing costs and adversely affect our competitive position" in this prospectus.

Our sales mix and gross profit margin

	FY2019			FY2020			FY2021			9M2021			9M2022		
										(unaudited)					
	Revenue		Sales volume	Revenue		Sales volume	Revenue		Sales volume	Revenue		Sales volume	Revenue		Sales volume
	RMB'000	*%*	*kg'000* (*approximately*)	*RMB'000*	*%*	*kg'000* (*approximately*)	*RMB'000*	*%*	*kg'000* (*approximately*)	*RMB'000*	*%*	*kg'000* (*approximately*)	*RMB'000*	*%*	*kg'000* (*approximately*)
Biodegradable plastic products	97,200	94.6	2,791	150,068	90.0	4,303	238,773	93.0	7,136	177,143	93.1	5,238	198,872	92.9	5,733
Non-biodegradable automobile plastic parts	5,500	5.4	156	16,654	10.0	809	17,967	7.0	790	13,119	6.9	588	15,239	7.1	664
Total	**102,700**	**100.0**	**2,947**	**166,722**	**100.0**	**5,112**	**256,740**	**100.0**	**7,926**	**190,262**	**100.0**	**5,826**	**214,111**	**100.0**	**6,397**

During the Track Record Period, biodegradable plastic products segment was our major source of revenue and growth driver, it accounted for approximately 94.6%, 90.0%, 93.0%, 93.1% and 92.9% of our total revenue for FY2019, FY2020, FY2021, 9M2021 and 9M2022, respectively. For non-biodegradable automobile plastic parts segment, it accounted for approximately 5.4%, 10.0%, 7.0%, 6.9% and 7.1% of our total revenue for FY2019, FY2020, FY2021, 9M2021 and 9M2022, respectively. In terms of absolute dollars terms, each segment exhibited a growth from FY2019 to FY2021. For 9M2022, our total revenue increased by approximately 12.5% compared to 9M2021. The temporary lockdown of Changchun from March to May 2022 reduced the revenue of our biodegradable plastic products notably in March and April 2022. Since May 2022, our business gradually picked up. For 9M2022, our non-biodegradable automobile plastic parts business exhibited slight growth in terms of sales revenue compared to 9M2021.

Gross profit margin of both segments and our overall gross profit margin improved, while the gross profit margin of non-biodegradable automobile plastic parts surpassed that of biodegradable plastic products in FY2020 and FY2021. The increase in gross profit margin of the non-biodegradable automobile plastic parts segment in FY2020 and FY2021 was mainly due to the fact that we acquired two new injection machines around year-end of FY2019 to introduce new products (engine guard and side panel) with higher gross profit margin. Since the proportion of revenue derived from non-biodegradable automobile plastic parts was relatively low (not more than 10% from FY2019 to FY2021), our overall gross profit margin was mainly affected by the gross profit margin of our biodegradable plastic products segment. The gross profit margin of the biodegradable plastic products segment in FY2020 increased slightly as the gross profit margin for biodegradable shopping bags, which contributed to approximately 32.6% of total revenue in FY2020, had increased in FY2020 as compared to FY2019 and net off against the decrease in gross profit margin in biodegradable produce bag rolls in the same year, which contributed to approximately 56.9% of total revenue in FY2020. The increase in the gross profit margin of the biodegradable plastic products segment in FY2021 was mainly due to our ability to control the average unit cost coupled with a decrease in the prices of PLA and PBAT, our principal raw materials. Given that the product specification for biodegradable shopping bags were relatively more complicated than biodegradable produce bag rolls, we can normally sell them at a higher price than biodegradable produce bag rolls with a higher gross profit margin. In addition, produce bag rolls are usually provided to end-users for free while shopping bags are being charged. Our customers (such as supermarket chains, department stores and outlets) are therefore more sensitive to price fluctuations in produce bag rolls than shopping bags.

Our gross profit slightly increased by approximately 1.2% from approximately RMB85.0 million for 9M2021 to approximately RMB86.0 million for 9M2022. For 9M2022, the decrease in gross profit margin of both biodegradable plastic products segment and non-biodegradable automobile plastic parts segment was mainly due to a combined results of (i) increase in staff costs, depreciation and raw material costs; and (ii) the temporary lockdown of Changchun, when we were temporarily able to increase the selling price of our main biodegradable plastic products, namely shopping bags and produce bag rolls as our customers were willing to pay a higher price to secure supply. We managed to mitigate the fall in overall gross profit margin of biodegradable plastic products segment due to further increase in revenue from shopping bags (which had a relatively higher gross profit margin than that of produce bag rolls). Hence, the overall gross profit margin fell to approximately 40.2% for 9M2022 (44.7% in 9M2021).

Inventory volume, production volume, sales volume and average selling price

	FY2019				FY2020				FY2021			
	Quantity				Quantity				Quantity			
	Inventory	Produced	Sold	Average selling price	Inventory	Produced	Sold	Average selling price	Inventory	Produced	Sold	Average selling price
	kg'000 (approximately)			*RMB/kg*	*kg'000 (approximately)*			*RMB/kg*	*kg'000 (approximately)*			*RMB/kg*
Biodegradable plastic products	871	2,653	2,791	34.8	1,087	4,520	4,303	34.9	346	6,394	7,136	33.5
— Produce bag rolls	412	1,343	1,570	36.1	541	2,931	2,802	33.9	163	3,459	3,836	32.6
— Shopping bags	459	1,301	1,213	33.2	536	1,541	1,463	37.2	182	2,663	3,017	35.9
— Stretch wraps	0*	9	9	24.2	10	48	38	22.7	—	60	70	24.2
— Masterbatches	—	—	—	—	—	—	—	—	—	212	212	18.8
Non-biodegradable automobile plastic parts	14	135	156	35.3	38	833	809	20.6	78	830	790	22.7
Total	**885**	**2,788**	**2,947**		**1,125**	**5,353**	**5,112**		**424**	**7,224**	**7,926**	

	9M2021				9M2022			
	Quantity				Quantity			
	Inventory	Produced	Sold	Average selling price	Inventory	Produced	Sold	Average selling price
	kg'000 (approximately) (unaudited)			*RMB/kg*	*kg'000 (approximately)*			*RMB/kg*
Biodegradable plastic products	1,023	5,174	5,238	33.8	273	5,661	5,733	34.7
— Produce bag rolls	471	2,762	2,832	32.6	131	2,950	2,982	32.4
— Shopping bags	552	2,319	2,303	35.9	142	2,449	2,489	38.8
— Stretch wraps	0*	35	45	24.4	0*	64	64	25.3
— Masterbatches	0*	58	58	19.5	0*	198	198	21.3
Non-biodegradable automobile plastic parts	42	592	588	22.3	65	649	664	23.0
Total	**1,065**	**5,766**	**5,826**		**338**	**6,310**	**6,397**	

Note:

For reference, the inventory volume in the above table represents the inventory as at the end of the relevant year/period. It is our policy not to keep excessive finished goods. For those year(s)/periods with quantity sold more than quantity produced, we satisfied the shortfall by our inventory.

* represents less than 1,000 kg

Our growth highly depends on our ability to continually expand the Company's production capacity and enhance its operating efficiency. We believe that the scale of our production is essential for our business development which enables us to (i) be flexible in accepting sales orders of various sizes and fulfil large orders in a timely manner; and (ii) centralise our raw materials purchases and enhance the effectiveness of managing our overheads costs. Our production capacity increased significantly during the Track Record Period due to growing demand of our products driven by favourable government policy. In general, we sell our products within a year.

For FY2019, FY2020, FY2021, 9M2021 and 9M2022, we produced approximately 2,653 thousand kg, 4,520 thousand kg, 6,394 thousand kg, 5,174 thousand kg and 5,661 thousand kg of biodegradable plastic products, respectively. For the same periods, we produced approximately 135 thousand kg, 833 thousand kg, 830 thousand kg, 592 thousand kg and 649 thousand kg of our non-biodegradable automobile plastic parts respectively.

Prices of our products

During the Track Record Period, the average selling price for our biodegradable plastic products ranged from approximately RMB33.5 per kg to RMB34.9 per kg. For our non-biodegradable automobile plastic part products, the average selling price ranged from approximately RMB20.6 per kg to RMB35.3 per kg.

Historically, market prices of our products fluctuated. The degree of market fluctuations and prices of our products depend on a number of factors, including:

- prices of our major raw materials;
- prices of crude oil and certain chemicals in the international market;
- supply of and demand for our products;
- the characteristics and quality of our products;
- the supply and prices of other similar or substitute products;
- our transportation and logistics costs, the availability of transportation capacity and means of transportation;
- domestic and global economic conditions; and
- PRC government policies.

The cost of our biodegradable plastic products will be affected by the price of raw materials and production capacity. According to the Frost & Sullivan Report, from 2019 to 2020, the prices of PBAT and PLA were greatly affected by the supply of their unprocessed materials, such as BDO, PTA and corn. BDO were restricted from expansion due to shortage of its primary material calcium carbide, and thus increased the price of PBAT (60% PBAT are made of BDO). Also, the supply of PLA in the PRC is limited by lactide purification technology. Lactide is the key unprocessed material of PLA, and is mainly imported from other countries. The unstable supply of raw materials might directly affect the profitability of the biodegradable plastic product manufacturers.

The following table demonstrates the impact of a hypothetical change in the average selling price of our products on our net profit during the Track Record Period, with all other factors remain constant. Fluctuations are assumed to be 5% and 10% for FY2019, FY2020, FY2021 and 9M2022 with reference to the historical and anticipative fluctuations of our average selling price of our products during and after the Track Record Period.

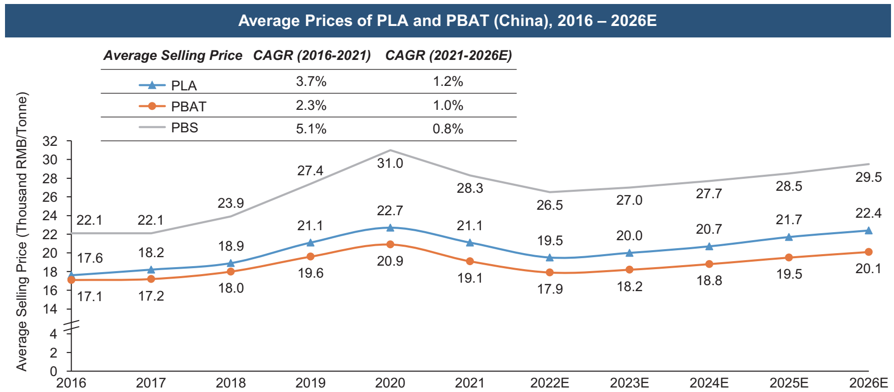
Impact of a change in average selling price of our products

	FY2019	FY2020	FY2021	9M2022
	Hypothetical change in net profit	**Hypothetical change in net profit**	**Hypothetical change in net profit**	**Hypothetical change in net profit**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
+10%	10,270	16,672	25,674	21,411
+5%	5,135	8,336	12,837	10,705
-5%	(5,135)	(8,336)	(12,837)	(10,705)
-10%	(10,270)	(16,672)	(25,674)	(21,411)

Prices of our major raw materials

The raw material costs are the principal component of our cost of sales. For FY2019, FY2020, FY2021, 9M2021 and 9M2022, we incurred total raw material costs of approximately RMB47.9 million, RMB82.7 million, RMB125.3 million, RMB93.1 million and RMB110.7 million, representing approximately 78.4%, 85.6%, 87.2%, 88.5% and 86.4% of our total cost of sales, respectively. Among various raw materials we procured, PLA, PBAT and PBS are the major raw materials of biodegradable plastic products. Accordingly, any fluctuations in the availability and prices of these major raw materials may have significant impacts on our cost of sales, gross profit margins and overall financial performance. According to the Frost & Sullivan Report, the average selling prices of PLA and PBAT are primarily affected by the fluctuation of the prices of their respective unprocessed materials, such as BDO, PTA and corn.

The following chart shows the average selling price of PLA and PBAT in the PRC from 2016 to 2026:



Notes:

1. From 2016 to 2020, the average selling prices of PLA and PBAT exhibited an upward trend. Furthermore, according to the Frost & Sullivan Report, the average selling prices of PLA and PBAT are anticipated to rise from 2021 to 2026 at a CAGR of 1.2% and 1.0%, respectively.
2. The above average price of raw material may not reflect the actual transaction price between us and our suppliers due to the timing of orders and prices of different suppliers.

In addition, tightened environmental regulations or increased industry consolidation in the chemical industry could reduce the supply or increase the price of these major raw materials. Notwithstanding the above, our Directors are of the view that a temporary increase or decrease in the prices of our major raw materials may not result in material adverse changes in our cost of sales.

The following table demonstrates the impact of a hypothetical change in the average costs of our raw materials on our net profit during the Track Record Period, with all other factors remaining constant. Fluctuations are assumed to be 5% and 10% for FY2019, FY2020, FY2021 and 9M2022 with reference to the historical and anticipative fluctuations of our average costs of raw materials during and after the Track Record Period.

	FY2019	FY2020	FY2021	9M2022
	Hypothetical change in net profit	Hypothetical change in net profit	Hypothetical change in net profit	Hypothetical change in net profit
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
+10%	(4,793)	(8,270)	(12,526)	(11,070)
+5%	(2,396)	(4,135)	(6,263)	(5,535)
-5%	2,396	4,135	6,263	5,535
-10%	4,793	8,270	12,526	11,070

Taxation

Since November 2018, Jilin Kaishun has obtained the "High and New Technology Enterprise Certificate" (高新技術企業證書) and has been granted the preferential tax status of "High and New Technology Enterprise" (高新技術企業) by the local authorities. Jilin Kaishun has been entitled to enjoy a preferential PRC enterprise income tax rate of 15% for the calendar years since FY2018. Furthermore, under the Enterprise Income Tax Law of the PRC and its relevant regulations, we enjoyed additional deduction allowance for our qualified R&D costs. These tax benefits allowed us to have a higher net profit margin compared with other PRC companies, which did not enjoy preferential enterprise income tax policies. Our "High and New Technology Enterprise Certificate" will be expired in September 2024 and our Directors expect we will continue to enjoy preferential tax treatment with reduced enterprise income tax rates until then. Our effective tax rates for FY2019, FY2020, FY2021, 9M2021 and 9M2022 were approximately 14.0%, 13.7%, 14.7%, 14.7% and 17.1%, respectively. Our effective tax rate for 9M2022 was higher than the preferential tax rate mainly due to Listing expenses were not tax deductible.

However, preferential tax treatment granted to us is subject to renewal by the respective tax bureau in the PRC every three years and could be adjusted or terminated. The expiration and discontinuation of any preferential tax treatment currently available to us will cause our effective tax rate to increase, which could have a material adverse effect on our results of operations. For more information, please refer to the subsection headed "Risk Factors — Risks relating to our business and industry — Any discontinuation, reduction or delay of any preferential tax treatment or government grants available to us could materially and adversely affect our business, financial condition and results of operations" in this prospectus.

SIGNIFICANT ACCOUNTING POLICIES, CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

We have identified certain accounting policies related to the preparation of our combined financial information in accordance with IFRSs. The Accountants' Report in Appendix I to this prospectus sets forth these significant accounting policies, which are important for understanding our financial condition and results of operations. The following paragraphs discuss, among others, certain significant accounting policies applied in preparing our Group's combined financial information:

Revenue recognition

Our Group is principally engaged in development and manufacture of biodegradable plastic products and non-biodegradable automobile plastic parts in the PRC. Revenue is recognised when (or as) our Group satisfies a performance obligation by transferring a promised good or service (i.e. an asset) to a customer. An asset is transferred when (or as) the customer obtains control of that asset.

Our Group transfers control of a good or service over time and, therefore, satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met:

(a) the customer simultaneously receives and consumes the benefits provided by our Group's performance as our Group performs;

(b) our Group's performance creates or enhances an asset (for example, work in progress) that the customer controls as the asset is created or enhanced; or

(c) our Group's performance does not create an asset with an alternative use to our Group and our Group has an enforceable right to payment for performance completed to date.

If a performance obligation is not satisfied over time, our Group satisfies the performance obligation at a point in time when the customer obtains control of the promised asset. In determining when the transfer of control occurs, our Group considers the concept of control and such indicators as legal title, physical possession, right to payment, significant risks and rewards of ownership of the asset, and customer acceptance.

Revenue from the development and manufacture of biodegradable plastic products and non-biodegradable automobile plastic parts is recognised at a point in time at which the customer obtains the control of the promised asset, which generally coincides with the time when the goods are delivered to customers and the title is passed.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to profit or loss on a systematic basis over the expected useful life of the relevant asset.

Intangible assets

Research and development costs

Research costs are expensed as incurred. Costs incurred on development activities, which involve the application of research findings to a plan or design for the production of new or substantially improved products and processes, are capitalised if the product or process is technically and commercially feasible and our Group has sufficient resources to complete the development. The expenditure for capitalisation includes the cost of materials, direct labour and an appropriate proportion of overheads and outsourcing costs. Other development expenditure is recognised in profit or loss as an expense as incurred. When the asset is available for use, the capitalised development costs are amortised on a straight-line basis over their estimated useful lives.

During the Track Record Period, no development cost was capitalised by our Group.

Leases

Our Group assesses whether a contract is, or contains, a lease at inception of the contract. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Our Group as lessee

Our Group applies the recognition exemption to short-term leases and low-value asset leases. Lease payments associated with these leases are recognised as an expense on a straight-line basis over the lease term.

Our Group recognises a right-of-use asset and a lease liability at the commencement date of the lease.

The right-of-use asset is initially measured at cost, which comprises

(a) the amount of the initial measurement of the lease liability;
(b) any lease payments made at or before the commencement date, less any lease incentives received;
(c) any initial direct costs incurred by our Group; and
(d) an estimate of costs to be incurred by our Group in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Subsequently, the right-of-use asset is measured at cost less any accumulated depreciation and any accumulated impairment losses and adjusted for any remeasurement of the lease liability. Depreciation is provided on a straight-line basis over the shorter of the lease term and the estimated useful lives of the right-of-use asset (unless the lease transfers ownership of the underlying asset to our Group by the end of the lease term or if the cost of the right-of-use asset reflects that our Group will exercise a purchase option — in which case depreciation is provided over the estimated useful life of the underlying asset).

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date of the contract.

The lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

(a) fixed payments (including in-substance fixed payments), less any lease incentives receivable;
(b) variable lease payments that depend on an index or a rate;
(c) amounts expected to be payable under residual value guarantees;
(d) exercise price of a purchase option if our Group is reasonably certain to exercise that option; and
(e) payments of penalties for terminating the lease, if the lease term reflects our Group exercising an option to terminate the lease.

The lease payments are discounted using the interest rate implicit in the lease, or where it is not readily determinable, the incremental borrowing rate of the lessee.

Subsequently, the lease liability is measured by increasing the carrying amount to reflect interest on the lease liability and by reducing the carrying amount to reflect the lease payments made.

KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of our Group's significant accounting judgements and estimates, which are described in note 3 to the Accountants' Report set out in Appendix I to this prospectus, the preparation of our Group's combined financial information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures. They are assessed on an on-going basis and are based on experience and relevant factors. Where appropriate, revision to accounting estimates are recognised in the period of revision and future periods, in case the revision also affects future periods.

Allowance for inventories

The management of our Group reviews the inventory ageing and subsequent sales/utilisation analysis periodically and where applicable, makes allowances for inventories that are identified as obsolete, slow-moving or no longer recoverable or suitable for use in production. Our Group carries out the inventory review on a product-by-product basis and makes allowances at the end of each reporting period by reference to management's estimation of the net realisable value based on the latest market prices and current market conditions.

Loss allowance for expected credit loss

The management of the Group estimates the loss allowance for trade and other receivables by using various inputs and assumptions including risk of a default and expected loss rate. The estimation involves high degree of uncertainty which is based on the Group's historical information, existing market conditions as well as forward-looking estimates at the end of each reporting period. Where the expectation is different from the original estimate, such difference will impact the carrying amount of trade and other receivables.

Income taxes

Significant estimates are required in determining the provision for income taxes and deferred taxation. There are transactions and calculations for which the ultimate tax determination is uncertain. Where the final tax outcome of these matters may be different from the amounts that were initially recorded, such differences will affect the income tax and deferred tax provision in the period in which such determination is made.

COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

The following table sets forth our combined statements of profit or loss and other comprehensive income for the Track Record Period.

	FY2019	FY2020	FY2021	9M2021	9M2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Revenue	102,700	166,722	256,740	190,262	214,111
Cost of sales	(61,091)	(96,585)	(143,608)	(105,276)	(128,126)
Gross profit	**41,609**	**70,137**	**113,132**	**84,986**	**85,985**
Other income	1,144	1,066	1,208	803	594
Selling and distribution expenses	(1,143)	(894)	(1,409)	(996)	(3,589)
Administrative and other operating expenses	(7,877)	(10,342)	(13,311)	(9,309)	(13,484)
Finance costs	(2,166)	(2,853)	(3,429)	(2,654)	(2,451)
Listing expenses	—	—	(4,214)	—	(12,152)
Profit before tax	**31,567**	**57,114**	**91,977**	**72,830**	**54,903**
Income tax expenses	(4,426)	(7,842)	(13,560)	(10,680)	(9,407)
Profit for the year/period	**27,141**	**49,272**	**78,417**	**62,150**	**45,496**
Other comprehensive loss	—	—	—	—	(397)
Total comprehensive income for the year/period	27,141	49,272	78,417	62,150	45,099

PRINCIPAL COMPONENTS OF COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Revenue

During the Track Record Period, we generated revenue from the sales of our plastic products, which can be broadly classified into biodegradable plastic products and non-biodegradable automobile plastic parts.

Revenue, average selling price and sales volume

The following table sets forth the revenue, average selling prices and sales volume of our plastic products for the years/periods indicated:

	FY2019			FY2020			FY2021		
	Revenue	Average selling price	Sales volume	Revenue	Average selling price	Sales volume	Revenue	Average selling price	Sales volume
	RMB'000	*RMB/kg*	*kg'000 (approximately)*	*RMB'000*	*RMB/kg*	*kg'000 (approximately)*	*RMB'000*	*RMB/kg*	*kg'000 (approximately)*
Biodegradable plastic products	97,200	34.8	2,791	150,068	34.9	4,303	238,773	33.5	7,136
Non-biodegradable automobile plastic parts	5,500	35.3	156	16,654	20.6	809	17,967	22.7	790
Total	**102,700**		**2,947**	**166,722**		**5,112**	**256,740**		**7,926**

	9M2021			9M2022		
	Revenue	Average selling price	Sales volume	Revenue	Average selling price	Sales volume
	RMB'000	*RMB/kg*	*kg'000 (approximately)*	*RMB'000*	*RMB/kg*	*kg'000 (approximately)*
		(unaudited)				
Biodegradable plastic products	177,143	33.8	5,238	198,872	34.7	5,733
Non-biodegradable automobile plastic parts	13,119	22.3	588	15,239	23.0	664
Total	**190,262**		**5,826**	**214,111**		**6,397**

Since the implementation of policies which comprehensively prohibit the production, sales and use of non-biodegradable plastic products in Jilin province in 2015, the biodegradable plastic product market in Northeast China experienced a rapid growth from FY2016 to FY2021 with a CAGR higher than that of the PRC as a whole, according to the Frost & Sullivan Report.

Our revenue increase from FY2019 to FY2021 was mainly driven by an increase in recurring orders from existing customers. Our Directors believe that such increase in demand was a result of growing public awareness of environmental protection and preservation and the implementation of favourable governmental policies to promote the application of biodegradable plastic products. In 2020, the Jilin provincial government further stated that they will prohibit the production, sale, and supply of plastic products that do not meet the regulations and will phase out non-degradable express plastic packaging by 2025. As a result, there was an increase in sales of biodegradable plastic products, in particular, our produce bag rolls. Our Directors believe the COVID-19 pandemic drove up the sales of perishable food and fruits in supermarket chains as a result of change in dining habit, from dining in to preparing meals at home and/or ordering takeaway, which, in turn, led to an increase in the use of produce bag rolls. We recorded a notable increase in the total revenue in FY2021 which was primarily due to an increase in sales of both biodegradable produce bag rolls and biodegradable shopping bags when there was a further emphasis on the prohibition of non-degradable plastic bags in Jilin province in 2020. For 9M2022, our total revenue increased by approximately 12.5% compared to 9M2021. The temporary lockdown of Changchun from March to May 2022 has slowed down demand for our biodegradable plastic products notably in March and April 2022 yet our business gradually picked up since May 2022.

Average selling price

From FY2019 to FY2021, the average selling price of our biodegradable plastic products exhibited a slight decrease from approximately RMB34.8 per kg for FY2019 to approximately RMB33.5 per kg in FY2021. To secure our market shares and promote our products, we offer strategic adjustment on the selling price to stimulate the demand of our products. However, in general, we strive to improve our profit margin by controlling our manufacturing costs, and the average selling price of biodegradable plastic products increased from RMB33.8 per kg in 9M2021 to RMB34.7 per kg in 9M2022, respectively. Due to the temporary lockdown of Changchun during March to May 2022, we were able to temporarily increase the selling price of our main biodegradable plastic products, namely shopping bags and produce bag rolls. For our pricing strategy, please refer to our "Pricing Strategy and Policy" set out in "Business" to this prospectus. For our non-biodegradable automobile plastic part products, the average selling price decreased from RMB35.3 in FY2019 to RMB20.6 in FY2020 and RMB22.7 in FY2021, respectively. Such decrease was mainly due to a change in product mix. We introduced our new products (engine guard and side panel) by the two injection machines acquired in late FY2019. The new automobile parts with lower average selling price but with higher profit margin as these products required lean production technology. The sales volume of non-biodegradable automobile plastic parts products increased from 156,000 kg in FY2019 to 809,000 kg in FY2020 and 790,000 kg in FY2021, respectively. As a result, the average selling prices of our non-biodegradable plastic parts dropped in FY2020 and FY2021.

Sales volume

There was an increase in the sales volume of our biodegradable plastic products from FY2019 to FY2021. The increase in the sales volume of our products was mainly due to an increase in demand from our major customers resulted from the combined effects of (i) increasing in sales of perishable food and fruit in supermarket chains during the COVID-19 pandemic, which required extensive use of biodegradable produce bag rolls and increase in consumption in supermarket chains resulted in the increase in usage of biodegradable shopping bags; and (ii) further emphasising on the environmental policy for the restriction on the use of non-degradable plastic products in the PRC as the demand of our products is policy-driven.

Since non-biodegradable automobile plastic parts constitute only approximately 5.4% to 10.0% of our total revenue during the Track Record Period, the fluctuation of their average selling prices and sales volume did not have significant impact on the overall sales pattern. The sales volume of our non-biodegradable automobile plastic parts notably increased in FY2020 and FY2021, mainly due to the introduction of our new products (engine guard and side panel) which have higher profit margin. These products are manufactured by the two injection machines acquired in late FY2019, with the application of lean manufacturing techniques. Hence, even though the average selling prices of all our non-biodegradable automobile plastic parts dropped in FY2020 and FY2021, our overall gross profit margin of this segment improved.

By products

The table below sets forth revenue by products in amount and as a percentage of our total revenue from our business segments for the years/periods indicated:

	FY2019		FY2020		FY2021		9M2021		9M2022	
	Revenue		Revenue		Revenue		Revenue		Revenue	
							(unaudited)			
	RMB'000	%	*RMB'000*	%	*RMB'000*	%	*RMB'000*	%	*RMB'000*	%
Biodegradable plastic products										
— Produce bag rolls	56,673	55.2	94,862	56.9	124,942	48.7	92,271	48.5	96,514	45.1
— Shopping bags	40,320	39.3	54,349	32.6	108,154	42.1	82,645	43.4	96,515	45.1
— Stretch wraps	207	0.1	857	0.5	1,698	0.7	1,098	0.6	1,621	0.7
— Masterbatches	—	—	—	—	3,979	1.5	1,129	0.6	4,222	2.0
Sub-total	**97,200**	**94.6**	**150,068**	**90.0**	**238,773**	**93.0**	**177,143**	**93.1**	**198,872**	**92.9**
Non-biodegradable automobile plastic parts	**5,500**	**5.4**	**16,654**	**10.0**	**17,967**	**7.0**	**13,119**	**6.9**	**15,239**	**7.1**
Total	**102,700**	**100.0**	**166,722**	**100.0**	**256,740**	**100.0**	**190,262**	**100.0**	**214,111**	**100.0**

From FY2019 to FY2021, the revenue growth of our biodegradable plastic products segment was mainly attributable to the growth in sales of both (i) biodegradable produce bag rolls; and (ii) biodegradable shopping bags.

In FY2020, our increase in sales was mainly driven by an increase in sales of our biodegradable plastic products, in particular, our biodegradable produce bag rolls. Our Directors believe the COVID-19 pandemic drove up the sales of perishable food and fruit in supermarket chains which required extensive use of produce bag rolls.

With the continuation of growing public awareness of environmental protection and preservation and favourable government policies to prohibit non-degradable plastic products and promote biodegradable plastic products, we recorded a notable increase in our revenue during FY2021.

We started to sell masterbatches in FY2021 to diversify our revenue sources. We target to sell them to manufacturers who lack the necessary production knowhow and capabilities to produce biodegradable masterbatches for manufacturing biodegradable plastic products. Through the selling of masterbatches to other biodegradable plastic product manufacturers, we can also keep ourselves in understanding the latest market development and manufacturing trend. Masterbatches are relatively easier and cheaper to transport than other products (such as biodegradable produce bag rolls or biodegradable shopping bags). We generally manufacture biodegradable masterbatches base on our customers' requirements. We are not involved with trading its raw materials. Our future footprint in Southeast China, whose planned principal activity is to manufacture biodegradable plastic products, will obtain biodegradable masterbatches from our Changchun Production Base. Our Huizhou Production Base will not manufacture biodegradable masterbatches but will instead concentrate on different product applications. With the net proceeds from the Global Offering, we can further increase our production capacity to produce biodegradable masterbatches in our Changchun Production Base.

For 9M2022, our total revenue increased by 12.5% to approximately RMB214.1 million compared to approximately RMB190.3 million in 9M2021. The temporary lockdown of Changchun from March to May 2022 has slowed down demand for our biodegradable plastic products notably in March and April 2022 and yet our business gradually picked up since May 2022. For 9M2022, our non-biodegradable automobile plastic parts business exhibited slight growth in terms of sales revenue compared to 9M2021.

During the Track Record Period, the respective proportion of revenue from the biodegradable plastic products and non-biodegradable automobile plastic parts segments remained relatively stable with the former accounted for 90% or more of our total revenue. During FY2019, we primarily generated our revenue from the sales of biodegradable produce bag rolls and biodegradable shopping bags, which aggregately accounted for approximately 94.5% of our total revenue and accounted for approximately 99.8% in aggregate of our biodegradable plastic product segment, while in FY2020, biodegradable produce bag rolls and biodegradable shopping bags aggregately accounted for approximately 89.5% of our total revenue and accounted for approximately 99.4% in aggregate of our biodegradable plastic products segment. In FY2021, biodegradable produce bag rolls, biodegradable shopping bags and biodegradable masterbatches accounted for approximately 48.7%, 42.1% and 1.5% of our total revenue, respectively and accounted for approximately 99.3% in aggregate of our biodegradable plastic products segment. In 9M2022, biodegradable produce bag rolls, biodegradable shopping bags and biodegradable masterbatches accounted for approximately 45.1%, 45.1% and 2.0% of our total revenue, respectively and accounted for approximately 99.2% in aggregate of our biodegradable plastic products segment.

For the revenue contribution to our Group under the sales of non-biodegradable automobile plastic parts segment, such revenue exhibited an increase in terms of absolute dollar during the Track Record Period, which accounted for approximately 5.4%, 10.0%, 7.0%, 6.9% and 7.1% of our total revenue during FY2019, FY2020, FY2021, 9M2021 and 9M2022, respectively.

We benefit from an organic growth of spending on Disposable Biodegradable Shopping Bags in Northeast China. With our established position in Northeast China, we are gradually expanding our business footprint into other regions of the PRC.

Our production facilities are located in Changchun, Jilin province, and Jilin province has been one of the pioneer provinces that encourages the application of biodegradable plastic products in recent years. Hence, during the Track Record Period, we gradually expanded our operation coverage in different areas. For FY2019, FY2020, FY2021, 9M2021 and 9M2022, our revenue generated from customers in Northeast China accounted for approximately 78.0%, 79.3%, 78.3%, 79.2% and 77.4% of our total revenue, respectively.

Cost of sales

By product

The following table sets forth our total cost of sales, quantity sold and average unit cost by business segments for the years/periods indicated:

	FY2019				FY2020				FY2021			
	Cost of sales		Quantity sold		Cost of sales		Quantity sold		Cost of sales		Quantity sold	
	RMB'000	*%*	*kg'000 (approximately)*	*Average unit cost RMB/kg*	*RMB'000*	*%*	*kg'000 (approximately)*	*Average unit cost RMB/kg*	*RMB'000*	*%*	*kg'000 (approximately)*	*Average unit cost RMB/kg*
Biodegradable plastic products	57,285	93.8	2,791	20.5	88,021	91.1	4,303	20.5	134,505	93.7	7,136	18.8
Non-biodegradable automobile plastic parts	3,806	6.2	156	24.4	8,564	8.9	809	10.6	9,103	6.3	790	11.5
Total	**61,091**	**100.0**	**2,947**		**96,585**	**100.0**	**5,112**		**143,608**	**100.0**	**7,926**	

	9M2021 (unaudited)				9M2022			
	Cost of sales		Quantity sold		Cost of sales		Quantity sold	
	RMB'000	*%*	*kg'000 (approximately)*	*Average unit cost RMB/kg*	*RMB'000*	*%*	*kg'000 (approximately)*	*Average unit cost RMB/kg*
Biodegradable plastic products	99,008	94.0	5,238	18.9	119,362	93.2	5,733	20.8
Non-biodegradable automobile plastic parts	6,268	6.0	588	10.7	8,764	6.8	664	13.2
Total	**105,276**	**100.0**	**5,826**		**128,126**	**100.0**	**6,397**	

By nature

	FY2019		FY2020		FY2021		9M2021		9M2022	
							(unaudited)			
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Raw materials										
PLA/PBAT/PBS	35,932	58.8	63,323	65.6	91,977	64.0	67,891	64.5	87,649	68.4
Consumables	3,053	5.0	2,242	2.3	3,799	2.6	2,686	2.6	5,234	4.1
Other materials[(1)]	8,941	14.6	17,131	17.7	29,488	20.6	22,572	21.4	17,815	13.9
Sub-total [(2)]	47,926	78.4	82,696	85.6	125,264	87.2	93,149	88.5	110,698	86.4
Staff costs	5,652	9.3	4,866	5.0	6,589	4.6	4,817	4.6	6,116	4.8
Utilities	3,782	6.2	4,733	5.0	4,554	3.2	3,266	3.1	3,822	3.0
Depreciation	2,316	3.8	2,701	2.8	3,335	2.3	2,430	2.3	4,930	3.8
Others	1,415	2.3	1,589	1.6	3,866	2.7	1,614	1.5	2,560	2.0
Total	**61,091**	**100.0**	**96,585**	**100.0**	**143,608**	**100.0**	**105,276**	**100.0**	**128,126**	**100.0**

Notes:

(1) Other materials include raw materials for automobile plastic parts such as PP, PE etc..

(2) During the Track Record Period, raw material costs as a percentage of total revenue were approximately 46.7%, 49.6%, 48.8%, 49.0% and 51.7%, respectively.

Cost of raw materials by product

	FY2019				FY2020				FY2021				9M2021 (unaudited)				9M2022			
	Cost of raw materials		Sales volume	Average unit costs	Cost of raw materials		Sales volume	Average unit costs	Cost of raw materials		Sales volume	Average unit costs	Cost of raw materials		Sales volume	Average unit costs	Cost of raw materials		Sales volume	Average unit costs
	RMB'000	*%*	*kg'000 (approximately)*	*RMB/kg*	*RMB'000*	*%*	*kg'000 (approximately)*	*RMB/kg*	*RMB'000*	*%*	*kg'000 (approximately)*	*RMB/kg*	*RMB'000*	*%*	*kg'000 (approximately)*	*RMB/kg*	*RMB'000*	*%*	*kg'000*	*RMB/kg*
Biodegradable plastic products	46,401	96.8	2,791	16.6	76,224	92.2	4,303	17.7	118,628	94.7	7,136	16.6	88,223	94.7	5,238	16.8	104,361	94.3	5,733	18.2
Non-biodegradable automobile plastic parts	1,525	3.2	156	9.8	6,472	7.8	809	8.0	6,636	5.3	790	8.4	4,926	5.3	588	8.4	6,337	5.7	664	9.5
	47,926	100.0	2,947		82,696	100.0	5,112		125,264	100.0	7,926		93,149	100.0	5,826		110,698	100.0	6,397	

During the Track Record Period, raw material constitutes the largest component of our total cost of sales which in general exhibited a rising trend during the Track Record Period. Such an increase was mainly due to (i) general increase in the demand for our biodegradable plastic products, in particular, our biodegradable produce bag rolls and biodegradable shopping bags, and (ii) an increase in the cost of our principal raw materials such as PBAT and PLA in 2020 as mentioned in the Frost & Sullivan Report. From 2019 to 2020, the price of PBAT and PLA were affected by the supply of BDO. The shortage of supply of BDO increased the price of PBAT and PLA. Also, the supply of PLA in China is limited by lactide purification technology. Lactide is the key raw material of PLA and is mainly imported from other countries. The supply of raw materials is not adequate to meet the market demand, thereby increased the price of PLA and PBAT in 2019 and 2020. Notwithstanding the cost of raw materials fluctuated, we managed to continually control our production costs. In addition, costs such as staff costs, utilities and depreciations are relatively flat and hence when our sales volume increases, the average unit cost of biodegradable plastic product exhibits an overall downward trend from FY2019 to FY2021. For example, the utilities cost absorbed by each sales volume in kg from FY2019 to FY2021 were approximately RMB1.28, RMB0.92 and RMB0.64 which shown a decrease trend over FY2019 to FY2021 and in terms of each sales volume in kg, such decrease in utilities cost would compensate the increase in material cost. For 9M2022, due to the increase in raw material costs, our average unit cost of biodegradable plastic products and non-biodegradable automobile plastic parts increased by 8.3% and 13.1% respectively. Coupled with fluctuation in prices of raw material, they were major factors in determining our total cost of sales/average unit costs.

Gross profit and gross profit margin

The table below sets forth our gross profit and gross profit margin for the years/periods indicated:

	FY2019		FY2020		FY2021		9M2021		9M2022	
							(unaudited)			
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	RMB'000	%	*RMB'000*	%	*RMB'000*	%	*RMB'000*	%	*RMB'000*	%
Biodegradable plastic products										
— Produce bag rolls	24,690	43.6	37,637	39.7	51,828	41.5	38,266	41.5	34,960	36.2
— Shopping bags	15,212	37.7	24,321	44.7	51,432	47.6	39,465	47.8	43,735	45.3
— Stretch wraps	13	6.3	89	10.4	338	19.9	246	22.4	283	17.5
— Masterbatches	—	—	—	—	670	16.8	158	14.0	533	12.6
Sub-total/Overall	**39,915**	**41.1**	**62,047**	**41.3**	**104,268**	**43.7**	**78,135**	**44.1**	**79,511**	**40.0**
Non-biodegradable automobile plastic parts	**1,694**	**30.8**	**8,090**	**48.6**	**8,864**	**49.3**	**6,851**	**52.2**	**6,474**	**42.5**
Total/Overall	**41,609**	**40.5**	**70,137**	**42.1**	**113,132**	**44.1**	**84,986**	**44.7**	**85,985**	**40.2**

Around the year-end of FY2019 we acquired two new injection machines to introduce new non-biodegradable plastic products (engine guard and side panel) with higher gross profit margin. Hence, the gross profit margin of our non-biodegradable automobile plastic parts segment improved and exhibited outweighed results on gross profit margin as compared to our biodegradable plastic products segment in FY2020 and FY2021.

During the Track Record Period (save for FY2019), among our biodegradable plastic products, the gross profit margin of biodegradable shopping bags was higher than biodegradable produce bag rolls, given the required production process of biodegradable shopping bags was more advanced. For instance, as additional specification are required for the properties of biodegradable shopping bags (such as thickness, tearing strength or impact resistance, holding capacity and handle options), we are required to have more sophisticated and intricate production procedure[1] during the blown-film extrusion process. In contrast, our customers have less specification requirements regarding the properties for biodegradable produce bag rolls, which are generally more standardises. Our customers are supermarket chains, department stores and outlets, meanwhile our end users are individual customers. Produce bag rolls are usually provided to end users (i.e., consumers in supermarkets) for free, whilst our customers (i.e., supermarket chains, department stores, and outlets) will charge the end users for the biodegradable shopping bags. Despite the fact that both products have similar major ingredients and composition, our customers are considered to be less sensitive to the increase of price in biodegradable shopping bags, as they will charge their customers for providing shopping bags. Owing to the government supports in the pace of development of biodegradable plastic product market in China and increasing demand, from our customers' point of view, even though the bag rolls are usually provided to end-users for free, there is still a strong demand for biodegradable produce bag rolls and biodegradable shopping bags as they were crucial for delivery of food and daily necessitates to their customers (i.e. the end-customers).

In any event, despite the fluctuation of gross profit margins between the two products, we strive to maintain the profitability of our products to achieve an overall desirable margin during the Track Record Period.

In terms of absolute dollar terms, biodegradable produce bag rolls exhibited steady growth in gross profit and recorded a more than approximately 100% increase from FY2019 to FY2021 while biodegradable shopping bags exhibited a more than approximately 200% increase over the same periods. Together with the change in revenue mix, it resulted in an increase in overall gross profit margin of our biodegradable plastic products segment.

1 For example, re-calibrate the pressing die of the blown-film extrusion equipment to determine the final thickness of the bag.

From FY2019 to FY2021, the Company has ability to control our average unit costs (FY2019: RMB20.5 per kg, FY2020: RMB20.5 per kg and FY2021: RMB18.8 per kg) which was benefited from the increase in production scale (FY2019: 2,653 thousand kg, FY2020: 4,520 thousand kg and FY2021: 6,394 thousand kg), as costs (such as staff cost, utility and depreciation and amortisation) were relatively flat.

Our gross profit slightly increased by approximately 1.2% from approximately RMB85.0 million for 9M2021 to approximately RMB86.0 million for 9M2022. For 9M2022, the decrease in gross profit margin of both biodegradable plastic products segment and non-biodegradable automobile plastic parts was mainly the combined results of (i) increase in raw material costs; and (ii) the temporary lockdown of Changchun, when we were temporarily able to increase the selling price of our main biodegradable plastic products, namely shopping bags and produce bag rolls. We managed to mitigate the fall in overall gross profit margin of biodegradable plastic products segment due to further increase in revenue from shopping bags which had a relatively higher gross profit margin than that of produce bag rolls. Hence, the overall gross profit margin fell to approximately 40.2% for 9M2022 (44.7% in 9M2021).

Other income

Our other income mainly comprises of bank interest income and government grants. The table below sets out a breakdown of our other income for the years/periods indicated:

	FY2019	**FY2020**	**FY2021**	**9M2021**	**9M2022**
				(unaudited)	
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Bank interest income	70	144	193	151	225
Government grants	1,074	910	1,015	652	368
Gain on disposal of property, plant and equipment	—	—	—	—	1
Sundry income	—	12	—	—	—
Total	**1,144**	**1,066**	**1,208**	**803**	**594**

Bank interest income was mainly generated from bank deposits. Government grants represent various form of subsidies granted to the Group by the local government authorities in the PRC for compensation of expenses incurred by the Group. These grants are generally made for business support and awarded to the Group on a discretionary basis. The Group also received these government grants in respect of its investments in the PRC.

Selling and distribution expenses

Our selling and distribution expenses comprise of logistic service fee, staff costs, depreciation and other miscellaneous expenses. For FY2019, FY2020, FY2021, 9M2021 and 9M2022, our selling and distribution expenses accounted for approximately 1.1%, 0.5%, 0.5%, 0.5% and 1.7% of our total revenue, respectively. The following table sets forth a breakdown of our selling and distribution expenses for the years/periods indicated:

	FY2019		FY2020		FY2021		9M2021		9M2022	
							(unaudited)			
	RMB'000	%	*RMB'000*	%	*RMB'000*	%	*RMB'000*	%	*RMB'000*	%
Logistic service fee	447	39.1	450	50.3	743	52.8	549	55.1	1,802	50.2
Staff costs	572	50.1	373	41.7	578	41.0	410	41.1	573	16.0
Depreciation	22	1.9	30	3.4	82	5.8	31	3.2	128	3.6
Others[(1)]	102	8.9	41	4.6	6	0.4	6	0.6	1,086	30.2
Total	**1,143**	**100.0**	**894**	**100.0**	**1,409**	**100.0**	**996**	**100.0**	**3,589**	**100.0**

Note:

(1) Others mainly represent marketing and promotion expense, insurance fee, and travelling expense.

The logistic service fee represents amount paid to logistic companies whereas our staff costs represent salaries of our logistic staff which in aggregate contributed majority of our selling and distribution expenses. During the Track Record Period, we were normally responsible for the delivery of our products to the location designated by our customers. Subject to the quantity and availability of our logistic team, we will arrange our own transportation fleet for the delivery of our products to locations within Jilin province. As for the locations outside of Jilin province, we would engage third party logistic service providers to deliver our products from our production facilities to the location specified by our customers in the PRC. Hence, our logistic service fee and staff costs under selling and distribution expenses depend on the delivery volume and destination. We also incurred depreciation on our transportation fleets. The increase in such depreciation in FY2021 was mainly due to the acquisition of two new heavy trucks (with more handling capacity compared with the existing four trucks) in early FY2021 to cope with growing businesses. The temporary lockdown of Changchun from March to May 2022 increased our difficulties to deliver our products by ourselves, that we have to rely more frequently on logistics service providers for transportation, which led to an increase in logistic service fee, and hence our selling and distribution expenses increased from RMB1.0 million for 9M2021 to RMB3.6 million for 9M2022. For details, please refer to the section headed "Business — Our Sales and Customers — Delivery and Logistics". For operation flexibility we maintained our self-delivery service but will also arrange logistics service providers to deliver our products.

Administrative and other operating expenses

Our administrative and other operating expenses comprise of R&D expenses, staff costs, depreciation and amortisation, insurance, travelling and entertainment expenses, office expenses, and other miscellaneous expenses. For FY2019, FY2020, FY2021, 9M2021 and 9M2022, our administrative and other operating expenses accounted for approximately 7.7%, 6.2%, 5.2%, 4.9% and 6.3% of our total revenue, respectively. The following table sets forth a breakdown of our administrative and other operating expenses by nature for the years/periods indicated:

	FY2019		FY2020		FY2021		9M2021		9M2022	
							(unaudited)			
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
R&D expenses[1]	4,540	57.6	7,568	73.2	9,707	72.9	7,207	77.4	7,163	53.2
Depreciation and amortisation	931	11.8	953	9.2	1,131	8.5	599	6.4	2,647	19.6
Insurance	49	0.6	157	1.5	139	1.0	89	1.0	38	0.3
Staff costs	1,410	17.9	991	9.6	1,439	10.8	953	10.3	1,481	11.0
Travelling and entertainment expenses	148	1.9	138	1.3	45	0.3	40	0.4	16	0.1
Office expenses	773	9.8	492	4.8	435	3.3	242	2.6	1,945	14.4
Others[2]	26	0.4	43	0.4	415	3.2	179	1.9	194	1.4
Total	**7,877**	**100.0**	**10,342**	**100.0**	**13,311**	**100.0**	**9,309**	**100.0**	**13,484**	**100.0**

Notes:

(1) Certain depreciation and staff costs are recognised as part of R&D costs during the Track Record Period. Please refer to note 7 of the "Accountants' Report" in Appendix I to this prospectus for details.

(2) Others represent utility expenses, provision for loss allowances on trade receivables, loss on disposal of property, plant and equipment, repair and maintenance expenses and other miscellaneous expenses.

Our overall administrative and other operating expenses exhibited an increasing trend during the Track Record Period, mainly driven by the increase in R&D expenses. During the Track Record Period, R&D expenses, staff costs and depreciation and amortisation are the major components of administrative and other operating expenses, and they collectively accounted for approximately 87.3%, 92.0%, 92.2%, 94.1% and 83.8% of our total administrative and other operating expenses for FY2019, FY2020, FY2021, 9M2021 and 9M2022, respectively. During the Track Record Period, none of our R&D expenses was capitalised and all our R&D expenses had been recognised as expenses in the corresponding year/period. For 9M2022, the increase in office expenses was due to increase in repair and maintenance expenses to perform troubleshooting, maintenance and inspection of certain plant and equipment of our Group and accommodation expenses during the temporary lockdown of Changchun from March to May 2022.

Finance costs

For FY2019, FY2020, FY2021, 9M2021 and 9M2022, our finance costs represent interests on interest-bearing borrowings and lease liabilities and were approximately RMB2.2 million, RMB2.9 million, RMB3.4 million, RMB2.7 million and RMB2.5 million, respectively. Our finance costs increased by 31.8% in FY2020 as compared to FY2019, which was mainly due to an increase in the overall loan portfolio. The increase in finance costs in FY2021 as compared to FY2020 was mainly due to a portion of loan as at 31 December 2020 was borrowed in late FY2020 for which the related interest expense was fully reflected in FY2021. For 9M2022, the interest expenses were lower than that of 9M2021 mainly due to a decrease in effective interest rate for our secured borrowings.

Taxation

We derived all of our revenue in the PRC, therefore, our Group was subject to the PRC enterprise income tax (the "**PRC EIT**"). Under the PRC EIT, the standard tax rate for an enterprise is 25%. Due to the PRC Government's favourable policy on High and New Technology Enterprise, we have enjoyed a preferential tax rate of 15% since 2018. Such status has been renewed in 2021. Please refer to the section headed "Regulatory Overview" in this prospectus for further details.

The effective tax rates of our Group for FY2019, FY2020, FY2021, 9M2021 and 9M2022 were approximately 14.0%, 13.7%, 14.7%, 14.7% and 17.1%, respectively. The effective tax rates of the indicated years were lower than the statutory tax rate of 25% mainly due to our preferential PRC EIT rate of 15% coupled with the effect of additional tax deduction on research and development expenses. For 9M2022, our effective tax rate was higher than the preferential PRC EIT rate because Listing expenses are non-deductible for tax purpose.

Our group entities established in the Cayman Islands and the BVI are exempted from corporate income tax therein.

Hong Kong profits tax has not been provided as our Group had no assessable profit arising in or derived from Hong Kong for the Track Record Period.

We confirm that as at the Latest Practicable Date: (i) our Group has made all required proper tax filings under the relevant tax laws and regulations in the PRC; and (ii) our Group was not subject to any dispute with the tax authorities in the PRC.

Other comprehensive loss

We recorded other comprehensive loss of approximately RMB393,000 in 9M2022 attributable to foreign exchange differences arising from the translation of the Group's entities that have functional currency different from the presentation currency for combinations/consolidation.

Total comprehensive income for the year/period

As a result of the foregoing, for FY2019, FY2020, FY2021, 9M2021 and 9M2022, our total comprehensive income for the years/periods amounted to approximately RMB27.1 million, RMB49.3 million, RMB78.4 million, RMB62.2 million and RMB45.1 million, respectively.

PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

9M2022 compared to 9M2021

Revenue

For 9M2022, our total revenue increased by 12.5% to approximately RMB214.1 million compared to approximately RMB190.3 million in 9M2021. The temporary lockdown of Changchun from March to May 2022 has slowed down demand for our biodegradable plastic products notably in March and April 2022, yet our business gradually picked up since May 2022. In 9M2022, the increase of revenue was mainly due to the increase of revenue in biodegradable plastic products under the COVID-19 pandemic. The Directors believe that the COVID-19 pandemic drove up the sales of perishable food and fruits in supermarket chains as a result of changing in dining habits from dining in to preparing meals at home and/or ordering takeaway, which in turn, support the use of biodegradable shopping bags. For 9M2022, we were able to temporarily increase the average selling price of our biodegradable plastic products (from RMB33.8 per kg to RMB34.7 per kg). Our Directors considered that such increase in the average selling price was attributed to the biodegradable shopping bags in particular. Our Directors believe that due to the temporary lockdown, our customers were more willing to secure products at a relative higher price as quality and steady supply of biodegradable plastic products at the material time is crucial for our customers' operation. For 9M2022, our non-biodegradable automobile plastic parts business exhibited slight growth in terms of sales revenue compared to 9M2021 owing to slight increase in average selling price from RMB22.3 per kg in 9M2021 to RMB23.0 per kg in 9M2022.

Cost of sales

Our cost of sales slightly increased by approximately 21.7% from approximately RMB105.3 million for 9M2021 to approximately RMB128.1 million for 9M2022. Such increase was primarily due to (i) increase in staff costs as additional compensation was incurred when Changchun was temporarily locked down during the period from March to May 2022; (ii) increase in depreciation of right-of-use-assets as we built a new factory in Changchun in October 2021; and (iii) increase in raw material costs.

Gross profit and gross profit margin

Our gross profit increased slightly by approximately 1.2% from approximately RMB85.0 million for 9M2021 to approximately RMB86.0 million for 9M2022, mainly due to increase in average unit cost partially offset by increase in revenue from our biodegradable plastic products (in particular biodegradable shopping bags). The average unit cost of our biodegradable plastic products increased by approximately 10.1% from RMB18.9 per kg in 9M2021 to RMB20.8 per kg in 9M2022 while the average selling price increased by approximately 2.6% from RMB33.8 per kg in 9M2021 to RMB34.7 per kg in 9M2022. Since the percentage of increase in average unit cost is higher than that of average selling price, the gross profit margin decreased from 44.7% in 9M2021 to 40.2% in 9M2022. Together with an increase in sales volume from approximately 5.8 million to 6.4 million in terms of kg, the gross profit for 9M2022 decreased accordingly.

Other income

Our other income decreased from approximately RMB0.8 million for 9M2021 to approximately RMB0.6 million in 9M2022 due to a decrease in recognition of assets related government grants by approximately RMB0.3 million.

Selling and distribution expenses

Our selling and distribution expenses increased by approximately 260.0% from approximately RMB1.0 million for 9M2021 to approximately RMB3.6 million for 9M2022 mainly due to the increase in logistic service fee by approximately RMB1.3 million and other expenses by approximately RMB1.1 million.

Administrative and other operating expenses

Our administrative and other operating expenses increased by approximately 44.8% from approximately RMB9.3 million for 9M2021 to approximately RMB13.5 million for 9M2022. Such increase was mainly due to (i) increase in depreciation and amortisation of approximately RMB2.0 million; (ii) increase in office expenses of approximately RMB1.7 million and (iii) increase in staff cost of approximately RMB0.5 million.

Finance costs

Our finance costs decreased by approximately 7.7% from RMB2.7 million for 9M2021 to RMB2.5 million for 9M2022 due to a decrease in effective interest rate for our secured borrowings as we had repaid certain borrowings with high interest rate.

Listing expenses

Our Listing expenses amounted to approximately RMB12.2 million for 9M2022 and we did not incur such expenses in 9M2021.

Taxation

Our income tax expenses decreased from approximately RMB10.7 million for 9M2021 to approximately RMB9.4 million for 9M2022. Such decrease was mainly due to our decrease in profit before tax.

Profit for the period

Our profit for the period decreased by approximately 26.8% from approximately RMB62.2 million in 9M2021 to approximately RMB45.5 million in 9M2022 due to the aforesaid reasons.

FY2021 compared to FY2020

Revenue

Our revenue increased by approximately 54.0% from approximately RMB166.7 million for FY2020 to approximately RMB256.7 million for FY2021. Such increase was mainly due to an approximately RMB88.7 million increase in sales of our biodegradable plastic products as a result of combined effects of (i) an increase in revenue derived from our major customers of biodegradable plastic products, in particular, biodegradable shopping bags with an increase amounted to approximately RMB53.8 million, representing a growth of approximately 99.0%

compared to FY2020 given an increase in its sales volume; and (ii) decrease of approximately 4.0% in the average unit selling price of biodegradable plastic products from approximately RMB34.9 per kg in FY2020 to RMB33.5 per kg in FY2021, for which the average unit selling price for biodegradable shopping bags decreased by approximately 3.5% from approximately RMB37.2 per kg in FY2020 to RMB35.9 per kg in FY2021 whereas that of biodegradable produce bag rolls decreased by 3.8% from approximately RMB33.9 per kg in FY2020 to RMB32.6 per kg in FY2021. The decrease in the average unit selling price of our biodegradable plastic products is primarily driven by the increase in the corresponding sales volume, coupled with the decrease in cost of raw materials in FY2021.

The revenue from the non-biodegradable automobile plastic parts segment also increased from approximately RMB16.7 million in FY2020 to approximately RMB18.0 million in FY2021 due to (i) increase in orders from two new customers which amounted to approximately RMB5.2 million; and (ii) an increase in number of customers ordered from us, such increase was mainly attributable to the introduction of new products (engine guard and side panel) after our Group acquired two new injection machines in around year-end of FY2019, which was offset by the decrease in sales to Changchun Hengxing (長春恒興) which amounted to approximately RMB4.1 million in FY2021.

Cost of sales

Our cost of sales increased by approximately 48.7% from approximately RMB96.6 million for FY2020 to approximately RMB143.6 million for FY2021. Such increase in our cost of sales was primarily due to (i) increase in our sales volume by approximately 55.0% in FY2021, and (ii) decrease in average unit cost of raw materials.

Gross profit and gross profit margin

Our gross profit increased by approximately 61.3% from approximately RMB70.1 million for FY2020 to RMB113.1 million for FY2021, mainly due to the increase in revenue contributed by our biodegradable plastic products. The gross profit margin of the biodegradable plastic products segment increased due to the drop in our average unit selling price in biodegradable plastic products of approximately 4.0% offset by decrease in respective average unit cost of sales by 7.8% for the reason mentioned in above, resulting in overall gross profit margin improved from approximately 42.1% in FY2020 to approximately 44.1% in FY2021.

Other income

Our other income increased from approximately RMB1.1 million in FY2020 to approximately RMB1.2 million in FY2021 mainly due to an increase in government grants by RMB0.1 million.

Selling and distribution expenses

Our selling and distribution expenses slightly increased from approximately RMB0.9 million for FY2020 to approximately RMB1.4 million for FY2021, mainly due to (i) an increase in our logistic service fee by approximately RMB0.3 million to cope with an increase in sales volume of goods delivered to locations outside of Jilin province and (ii) an increase in staff costs by RMB0.2 million which was primarily due to certain temporary reliefs imposed on certain amount of levies on the social security insurance under the COVID-19 pandemic in FY2020 being removed in FY2021, coupled with the increase in sales commission to staff in FY2021 along with the increase in sales in that year.

Administrative and other operating expenses

Our administrative and other operating expenses increased from approximately RMB10.3 million for FY2020 to approximately RMB13.3 million for FY2021. Such increase was mainly due to (i) an increase in R&D expenses of approximately RMB2.1 million as our Group commits to developing new materials and improving the quality of existing products; (ii) an increase in staff costs by RMB0.4 million which was primarily due to the combined effects of (1) certain temporary reliefs imposed on certain amount of levies on the social security insurance under the COVID-19 pandemic in FY2020 being removed in FY2021, and (2) the average number of headcounts increased in FY2021 in order to cope with the increase in business operation in that year; and (iii) an increase in other miscellaneous expenses by approximately RMB0.4 million in aggregate which are insignificant to the overall administrative and other operating expenses.

Finance costs

Our finance costs increased from approximately RMB2.9 million for FY2020 to RMB3.4 million for FY2021, mainly due to a portion of loan as at 31 December 2020 was borrowed in late FY2020 for which the related interest expense was fully reflected in FY2021.

Listing expenses

Our Listing expenses amounted to approximately RMB4.2 million for FY2021 and we did not incur such expenses in FY2020.

Taxation

Our income tax expenses increased from approximately RMB7.8 million in FY2020 to approximately RMB13.6 million in FY2021 mainly due to the notable increase in our profit before tax. The effective tax rate increased from approximately 13.7% for FY2020 to approximately 14.7% for FY2021 mainly due to non-recurring Listing expenses incurred in FY2021, which was treated as non-deductible expenses.

Profit for the year

Our profit for the year increased by 59.0% from approximately RMB49.3 million in FY2020 to approximately RMB78.4 million in FY2021 due to the aforesaid reasons.

FY2020 compared to FY2019

Revenue

Our revenue increased by approximately 62.3% from approximately RMB102.7 million for FY2019 to approximately RMB166.7 million for FY2020. Such an increase was mainly due to further emphasising on prohibition of non-degradable plastic bags in 2020 which resulted in significant increase in sales of our biodegradable plastic products by approximately RMB52.9 million, which was primarily contributed by the increase in sales of biodegradable produce bag rolls of approximately RMB38.2 million, coupled with the increase in sales of our biodegradable shopping bags by approximately RMB14.0 million. Significant increase in our revenue from biodegradable produce bag rolls was mainly due to the sharp increase in the sales volume of this product by 78.5% in FY2020. Our Directors believe the COVID-19 pandemic drove up the sales of perishable food and fruits in supermarkets which required extensive use of produce bag rolls.

The revenue from the non-biodegradable automobile plastic parts segment also increased from approximately RMB5.5 million in FY2019 to approximately RMB16.7 million in FY2020 due to the introduction of new products (engine guard and side panel), with higher gross profit margin, after our Group acquired two new injection machines in around year-end of FY2019.

Cost of sales

Our cost of sales increased by approximately 58.1% from approximately RMB61.1 million for FY2019 to approximately RMB96.6 million for FY2020. The increase in our cost of sales was in line with our increase in revenue.

Gross profit and gross profit margin

Our gross profit increased by approximately 68.5% from approximately RMB41.6 million for FY2019 to approximately RMB70.1 million for FY2020, mainly due to an increase in revenue contributed by biodegradable shopping bags. Our gross profit margin slightly improved from approximately 40.5% in FY2019 to approximately 42.1% in FY2020 due to the combined result of (i) an increase in proportion of gross profit contributed by biodegradable shopping bags partially net off by the impact of a fall in gross profit margin of biodegradable produce bag rolls; and (ii) a notable increase in gross profit margin of non-biodegradable automobile plastic parts segment and its proportion of revenue increased from approximately 5.4% in FY2019 to approximately 10.0% in FY2020.

Other income

Our other income remained stable at approximately RMB1.1 million in FY2019 and FY2020.

Selling and distribution expenses

Our selling and distribution expenses slightly decreased from approximately RMB1.1 million for FY2019 to approximately RMB0.9 million for FY2020, mainly due to a decrease in staff costs by approximately RMB0.2 million which was mainly due to certain temporary reliefs imposed on certain amount of levies on the social security insurance under the COVID-19 pandemic in FY2020.

Administrative and other operating expenses

Our administrative and other operating expenses increased by approximately 30.4% from approximately RMB7.9 million for FY2019 to approximately RMB10.3 million for FY2020. Such an increase was a result of an increase in R&D expenses by RMB3.0 million as our Group commits to developing new materials and improving the quality of existing products, which was partially offset by a reduction in staff costs in FY2020 by approximately RMB0.4 million which was mainly due to certain temporary reliefs imposed on certain amount of levies on the social security insurance under the COVID-19 pandemic in FY2020.

Finance costs

Our finance costs increased from approximately RMB2.2 million for FY2019 to approximately RMB2.9 million for FY2020, mainly due to an increase in the overall loan portfolio from approximately RMB30.0 million in FY2019 to approximately RMB45.1 million in FY2020.

Taxation

Our income tax expenses increased from approximately RMB4.4 million for FY2019 to approximately RMB7.8 million for FY2020, which was in line with the increase in our profit before tax due to the aforesaid reasons. The effective tax rate remained stable from approximately 14.0% for FY2019 to approximately 13.7% for FY2020.

Profit for the year

Our profit for the year increased by 81.9% from approximately RMB27.1 million in FY2019 to approximately RMB49.3 million in FY2020 due to the aforesaid reasons.

LIQUIDITY AND CAPITAL RESOURCES

For FY2019, FY2020, FY2021 and 9M2022, our liquidity requirements primarily related to our working capital needs (mainly for procurement of raw materials from suppliers, staff costs and various operating expenses) and working capital shortfall arose due to differences in the trade receivable and trade payable turnover days. Our source of funds was mainly from the working capital generated internally from our operation. During the Track Record Period, we did not experience any material liquidity shortage.

Our future capital needs relate primarily to the purchase of new plant and machinery and office equipment to increase production volume and efficiency and expand our existing production facilities. Upon Listing, we expect our liquidity requirement will be satisfied by our internal resources, net proceeds from the Global Offering and/or external financing.

Cash flows

The table below sets forth a summary of our cash flows, as set out in the Accountants' Report in Appendix I to this prospectus, for the years/periods indicated:

	FY2019	FY2020	FY2021	9M2021	9M2022
				(unaudited)	
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Net cash from operating activities	5,237	49,175	108,115	86,824	28,860
Net cash used in investing activities	(3,829)	(5,200)	(1,421)	(602)	(30,084)
Net cash from/(used in) financing activities	1,013	19,875	(114,161)	(142,004)	(2,282)
Net increase/(decrease) in cash and cash equivalents	2,421	63,850	(7,467)	(55,782)	(3,506)
Cash and cash equivalents at beginning of the reporting period	31,624	34,045	97,895	97,895	90,428
Cash and cash equivalents at end of the reporting period	34,045	97,895	90,428	42,113	86,922

Net cash from operating activities

For 9M2022, we recorded net cash from operating activities of approximately RMB28.9 million, which was mainly attributable to (i) our operating cash inflows before the movements in working capital of approximately RMB64.8 million; and (ii) a net decrease in working capital of approximately RMB27.4 million, mainly due to the increase in inventories of approximately RMB19.6 million.

For FY2021, we recorded net cash from operating activities of approximately RMB108.1 million, which was mainly attributable to (i) our operating cash inflows before the movements in working capital of approximately RMB99.8 million; (ii) a net increase in working capital of approximately RMB21.1 million, mainly due to the decrease in inventories of approximately RMB17.7 million resulted from delivery of goods before year-end due to 2022 Chinese New Year was in early February and increase in trade and other payables of approximately RMB19.5 million due to increase of orders of raw materials before year-end to prepare for production before Chinese New Year which was partly offset by an increase in trade and other receivables of approximately RMB16.0 million for increase of order delivery towards the year-end; and (iii) approximately RMB12.8 million of income tax paid.

For FY2020, we recorded net cash from operating activities of approximately RMB49.2 million, which was mainly attributable to (i) our operating cash inflows before the movements in working capital of approximately RMB63.1 million; (ii) a decrease in working capital of approximately RMB6.8 million, mainly due to approximately RMB5.1 million increase in trade and other receivables and approximately RMB0.9 million decrease in trade and other payables; and increase in inventories amounted to approximately RMB0.8 million; and (iii) approximately RMB7.2 million of income tax paid.

For FY2019, we recorded net cash from operating activities of approximately RMB5.2 million, which was mainly attributable to (i) our operating cash inflows before the movements in working capital of approximately RMB36.8 million; (ii) a decrease in working capital of approximately RMB27.3 million, mainly due to approximately RMB13.7 million increase in trade and other receivables and approximately RMB12.3 million decrease in trade and other payables; and increase in inventories amounted to approximately RMB1.4 million; and (iii) approximately RMB4.2 million of income tax paid.

Net cash used in investing activities

For 9M2022, we recorded net cash used in investing activities of approximately RMB30.1 million, which was mainly attributable to payment for the purchase of property, plant and equipment of approximately RMB30.2 million for enhancement of our production site to prepare for our expansion plan and in response to local policy that offers incentive to fixed assets investment.

For FY2021, we recorded net cash used in investing activities of approximately RMB1.4 million, which was mainly attributable to payment and deposit paid for the purchase of property, plant and equipment of approximately RMB1.7 million, offset by interest income received of approximately RMB0.2 million.

For FY2020, we recorded net cash used in investing activities of approximately RMB5.2 million, which was mainly attributable to payment and deposit paid for the purchase of property, plant and equipment of approximately RMB5.1 million.

For FY2019, we recorded net cash used in investing activities of approximately RMB3.8 million, which was mainly attributable to payment and deposit paid for the purchase of property, plant and equipment of approximately RMB3.8 million.

Net cash from/(used in) financing activities

For 9M2022, we recorded net cash used in financing activities of approximately RMB2.3 million, which was attributable to inception of interest-bearing borrowings of approximately RMB41.9 million, capital contribution of approximately RMB3.6 million from the investors to Jilin Kaishun under the reorganisation and advances from Pre-IPO Investors of approximately RMB4.9 million net off by the repayment of interest-bearing borrowings of approximately RMB43.0 million, repayment of lease liabilities of approximately RMB4.0 million and interest payment of approximately RMB2.5 million.

For FY2021, we recorded net cash used in financing activities of approximately RMB114.2 million, which was mainly attributable to approximately RMB137.0 million of dividends paid to the shareholders, repayment of interest-bearing borrowings of approximately RMB46.6 million, interest expenses of approximately RMB3.3 million, partially offset by contribution from the issue of shares in a subsidiary from the investors in respect of Jilin Kaishun of approximately RMB31.1 million and inception of interest-bearing borrowings amounted to approximately RMB42.0 million.

For FY2020, we recorded net cash from financing activities of approximately RMB19.9 million, which was mainly attributable to the inception of interest-bearing borrowings amounted to approximately RMB47.1 million and contribution from the issue of shares in the subsidiaries from shareholders in respect of Jilin Kaishun and Yizheng Juxinyuan of approximately RMB8.1 million, offset by the repayment of interest-bearing borrowings of approximately RMB32.1 million, interest expenses of approximately RMB3.1 million, and the repayment of lease liabilities of approximately RMB0.2 million.

For FY2019, we recorded net cash from financing activities of approximately RMB1.0 million, which was mainly attributable to the inception of interest-bearing borrowings amounted to approximately RMB57.0 million, offset by the repayment of interest-bearing borrowings of approximately RMB54.0 million, and interest expenses of approximately RMB2.0 million.

NET CURRENT ASSETS

Set forth below are our current assets and current liabilities as at the dates indicated:

	As at 31 December			As at 30 September	As at 31 January
	2019	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*
Current assets					
Inventories	30,876	31,639	13,980	33,593	39,037
Trade and other receivables	48,139	53,241	73,582	79,628	97,730
Income tax recoverable	—	—	—	—	463
Bank balances and cash	34,045	97,895	90,428	86,922	91,080
	113,060	182,775	177,990	200,143	228,310
Current liabilities					
Trade and other payables	12,663	11,557	31,189	34,821	38,333
Interest-bearing borrowings	30,000	44,579	40,496	39,402	49,305
Lease liabilities	159	422	2,940	11,467	7,477
Deferred income	489	489	489	489	489
Income tax payables	561	1,178	1,792	2,482	—
	43,872	58,225	76,906	88,661	95,604
Net current assets	69,188	124,550	101,084	111,482	132,706

Our current assets comprise (i) inventories; (ii) trade and other receivables; (iii) income tax recoverable; and (iv) bank balances and cash. Our current liabilities comprise, among others, (i) trade and other payables; (ii) interest-bearing borrowings; (iii) lease liabilities; (iv) deferred income; and (v) income tax payables.

As at 31 December 2019, our Group recorded net current assets position amounting to approximately RMB69.2 million. Our net current assets improved to approximately RMB124.6 million as at 31 December 2020. Such change was mainly due to a notable increase in bank balances and cash of approximately RMB63.9 million which was mainly attributable to the increase in operating cash flow resulted from increase in net profit.

Our net current assets decreased to approximately RMB101.1 million as at 31 December 2021. Such a decrease was mainly due to the (i) decrease in bank balances and cash of approximately RMB7.5 million resulting from payment of dividends amounted to approximately RMB137.0 million during FY2021 which was net off by an increase in operating cash flow mainly resulted from increase in net profit; and (ii) increase in trade and other payables by approximately RMB19.6 million due to ordering of raw material before year-end to cope with Chinese New Year in early February.

Our net current assets increased slightly to approximately RMB111.5 million as at 30 September 2022. Such increase was mainly due to increase in period ending inventories by approximately RMB19.6 million partially net off by increase in lease liabilities of approximately RMB8.5 million for 9M2022.

Our net current assets as at 31 January 2023 amounted to approximately RMB132.7 million which represents an increase by approximately RMB21.2 million compared with the amount as at 30 September 2022. Such increase was mainly due to increase in trade receivables by approximately RMB22.1 million.

SUFFICIENCY OF WORKING CAPITAL

After taking into consideration the financial resources available to our Group, including our internally generated cash, our available credit and financing facilities and the estimated net proceeds from the Global Offering (after a possible Downward Offer Price Adjustment setting the final Offer Price up to 10% below the bottom end of the indicative Offer Price Range), and in the absence of unforeseeable circumstances, our Directors confirm, and the Sole Sponsor concurs, that we have sufficient working capital for our present requirements for at least the next 12 months from the date of this prospectus.

DESCRIPTION OF SELECTED ITEMS OF COMBINED STATEMENTS OF FINANCIAL POSITION

Property, plant and equipment

During the Track Record Period, our property, plant and equipment represented buildings, plant and machineries, furniture, fixtures and office equipment, motor vehicles and construction in progress. As at 31 December 2019, 2020 and 2021 and 30 September 2022, our net book value of property, plant and equipment amounted to approximately RMB43.8 million, RMB41.1 million, RMB38.4 million and RMB65.2 million, respectively. Our property, plant and equipment as at 31 December 2020 dropped by approximately RMB2.7 million. The decrease was primarily attributable to depreciation charges for the year of approximately RMB3.6 million net off against the addition of certain production facilities of approximately RMB0.8 million in FY2020. Our property, plant and equipment was further decreased by approximately RMB2.7 million as at 31 December 2021 which was mainly due to depreciation charges amounted to approximately RMB3.7 million for the year net off against addition of certain production facilities and two heavy trucks with total cost of approximately RMB1.3 million aggregately in FY2021. Our property, plant and equipment increased to approximately RMB65.2 million as at 30 September 2022 as we have invested approximately RMB30.2 million for enhancement of our production site to prepare for our expansion plan and in response to local policy that offers incentive to fixed assets investment.

Right-of-use assets

The right-of-use assets represent our leasehold land in Changchun, leased properties and motor vehicles under lease arrangements in the PRC. As at 31 December 2019, 2020 and 2021 and 30 September 2022, right-of-use assets with carrying amounts were approximately RMB1.4 million, RMB2.2 million, RMB8.0 million and RMB30.8 million, respectively. The increase of approximately RMB0.8 million in the right-of-use assets as at 31 December 2020 was mainly attributable to the acquisition of a new motor vehicle with a total cost of approximately RMB1.0 million in FY2020. The right-of-use assets increased notably in FY2021 as we leased additional premises to increase our production capacity in late 2021. The increase in leased properties amounted to approximately RMB6.7 million and the corresponding depreciation amounted to approximately RMB0.6 million in FY2021. The increase of approximately RMB30.8 million in the right-of-use assets as at 30 September 2022 was due to lease of a factory in Huizhou commenced from July 2022 increased during the period.

Deposits paid for acquisition of property, plant and equipment

As at 31 December 2019, 2020 and 2021 and 30 September 2022, our deposits paid for the acquisition of property, plant and equipment amounted to approximately RMB0.2 million, RMB4.5 million, RMB0.4 million and nil, respectively. Our deposits paid for acquisition of property, plant and equipment as at 31 December 2019 and 2020 represented the payment of purchasing certain production facilities for a contract signed in late 2019. The drop in deposits paid for acquisition of property, plant and equipment as at 31 December 2021 was mainly due to the fact that the aforesaid contract was terminated during 2021 with full refund from our supplier. The termination of contract was merely due to the supplied production facilities were below the required standard expected from our Group.

Inventories

Our inventories primarily comprise raw materials PLA, PBAT, PBS and other materials and finished goods. As the production lead time for our biodegradable plastic products and non-biodegradable automobile plastic parts can generally be completed within one day, we did not record work-in-progress. For masterbatches which we have improved their properties for production of biodegradable plastic products, they are recorded as raw materials.

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

	As at 31 December						As at 30 September	
	2019		2020		2021		2022	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Raw materials	12,963	42.0	10,925	34.5	6,650	47.6	26,971	80.3
Finished goods	17,913	58.0	20,714	65.5	7,330	52.4	6,622	19.7
Total	30,876	100.0	31,639	100.0	13,980	100.0	33,593	100.0

Our balance of inventories remained stable at approximately RMB30.9 million as at 31 December 2019 and approximately RMB31.6 million as at 31 December 2020. Our inventories as at 31 December 2021 decreased by approximately RMB17.6 million to approximately RMB14.0 million, which was mainly due to (i) a decrease in raw materials by approximately RMB4.3 million due to an increase in usage for the production of biodegradable plastic products in order to cope with the increase in sales orders in the last quarter of FY2021 primarily due to the Chinese New Year in 2022 in early February and (ii) a decrease in finished goods of approximately RMB13.3 million for the same reason as indicated above. Our inventory balance as at 30 September 2022 increased by approximately RMB19.6 million due to increase in raw material level by approximately RMB20.3 million to cope with possible delay in delivery of raw material net off by decrease in finished goods of approximately RMB0.7 million due to fulfilment of orders before month end.

The following table sets out inventory ageing analysis at the end of each reporting year/period:

	As at 31 December			As at 30 September
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
1-90 days	18,063	25,051	13,980	33,050
91-180 days	3,122	235	—	543
181-270 days	1,135	123	—	—
Over 270 days but less than 1 year	3,432	444	—	—
1 to 2 years	5,124	5,786	—	—
Total	30,876	31,639	13,980	33,593

We periodically review our inventory levels to identify inventories that are slow-moving, obsolete or declining in market value. No provision was made for the Group's inventories during the Track Record Period or as at the end of the reporting period, primarily because (i) any production waste, scrap materials (such as edge trimmings and ends), substandard or obsolete products are returned to the biodegradable plastic masterbatches tank for re-use purpose; (ii) our biodegradable plastic products can be generally adopted in different aspects; and (iii) our Directors consider that the demand for biodegradable plastic products is policy driven and has been increasing in recent years with the increasing public awareness of environmental issues.

The following table sets out the average inventory turnover days for the Track Record Period:

	FY2019	FY2020	FY2021	9M2022
Average inventory turnover days	180	118	58	51

Note: Average inventory turnover days are calculated based on the average balance of inventories divided by costs of sales for the relevant years and multiplied by the number of days in the relevant years/periods. Average balance is calculated as the average of the beginning balance and ending balance of a given year/period.

Our average inventory turnover days were approximately 180 days, 118 days, 58 days and 51 days, respectively, for FY2019, FY2020, FY2021 and 9M2022. Our average inventories turnover days kept improving from FY2019 to 9M2022. Such improvement was mainly resulted from the increase in sales orders and better control of inventory level over the years/period during the Track Record Period. The reason for high turnover days in FY2019 was mainly due to increase in orders around End-2019 for biodegradable products, to fulfil these orders our level of inventory (finished goods) as at 31 December 2019 increased.

Up to the Latest Practicable Date, approximately 99.8% of our inventories as at 30 September 2022, were subsequently utilised.

Trade and other receivables

The table below sets out a breakdown of our trade and other receivables as at the dates indicated and the average trade receivables turnover days for the years/periods indicated:

	As at 31 December			As at 30 September
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables				
From third parties	23,126	28,561	73,355	76,014
Less: Loss allowances	(116)	(144)	(364)	(385)
	23,010	28,417	72,991	75,629
Other receivables				
Prepayments[(1)]	—	—	—	3,610
Prepaid Listing expenses[(2)]	—	—	257	185
Deposits paid to suppliers	100	—	—	—
Other deposits and receivables	300	216	334	186
Due from a related party	176	55	—	—
Due from Jiyuan Biotechnology	24,553	24,553	—	—
Value-added tax and other tax recoverable	—	—	—	18
	25,129	24,824	591	3,999
Total	48,139	53,241	73,582	79,628

	FY2019	FY2020	FY2021	9M2022
Average trade receivables turnover days[(3)]	79	56	72	95

Notes:

(1) The amounts as at 30 September 2022 mainly represent prepaid research and development expenses and prepaid repair and maintenance expenses.

The prepaid research and development expenses of RMB2.5 million as at 9M2022 were made for an uncompleted R&D project in accordance with payment schedule agreed with CIAC and will be recognised as expenses according to stage of completion. There was no such prepayment as at 31 December 2019, 2020 and 2021 since all payments for research and development were recognised as expenses in accordance with the stage of completion during the relevant years. Up to the Latest Practicable Date, nil were already recognised as research and development expenses in profit or loss.

The repair and maintenance expenses of approximately RMB1.9 million were prepaid in accordance with a contract entered into with a service provider during 9M2022 to perform troubleshooting, maintenance and inspection of certain plant and equipment of our Group. The prepaid amount will be amortised over the service period. Up to 31 January 2023, approximately RMB0.3 million were recognised as repair and maintenance expenses in profit or loss.

(2) The amounts as at 31 December 2021 and 30 September 2022 represents prepaid Listing expenses for the Listing.

(3) Average trade receivables turnover days is equal to the average of the opening and closing balances of trade receivables of the relevant years/periods divided by total revenue of the relevant years/periods and multiplied by number of days for FY2019, FY2020, FY2021 and 9M2022.

Our net trade receivables increased from approximately RMB23.0 million as at 31 December 2019 to approximately RMB28.4 million as at 31 December 2020 and further increased to approximately RMB73.0 million as at 31 December 2021, which was mainly due to an increase in sales from FY2019 to FY2021, including last quarter of each year. Our net trade receivables increased to RMB75.6 million as at 30 September 2022 due to fulfilment of order in August and September 2022.

Our average trade receivables turnover days are approximately 79 days, 56 days, 72 days and 95 days for FY2019, FY2020, FY2021 and 9M2022, respectively. This is in line with our offered credit term of 90 days to our customers. Due to the temporary lockdown during March to May 2022, it took us longer time to collect trade receivables from customers and hence it rendered an increase in our average trade receivables turnover days to 95 days for 9M2022.

The following table sets forth a breakdown of ageing of our Group's trade receivables, net of loss allowance, by invoice date as at 31 December 2019, 2020 and 2021 and 30 September 2022:

	As at 31 December			As at 30 September
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 30 days	9,075	14,200	20,451	31,386
31 to 60 days	9,381	13,160	26,181	30,988
61 to 90 days	4,311	871	26,216	13,255
Over 90 days	243	186	143	—
	23,010	28,417	72,991	75,629

Up to the Latest Practicable Date, 100% of our trade receivables as at 30 September 2022 were subsequently settled.

Our Group applies a simplified approach in calculating the expected credit losses ("**ECL**"). Our Group recognises a loss allowance based on lifetime ECL at each reporting date and has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. Considered that there is no significant default history and no forward-looking factors that give rise to significant default risk on trade receivables for both past due or not yet past due balances at 31 December 2019, 2020 and 2021 and 30 September 2022, and no material change in late payment and default risk as well as forward-looking factors throughout the Track Record Period, the management of the Group estimates that the ECL for those balances is insignificant and assign 0.5% as the expected loss rate, which represented a reasonable estimation of credit risk exposure, for the Track Record Period. As at 31 December 2019, 2020 and 2021 and 30 September 2022, trade receivables (net of allowance for ECL) of approximately RMB0.2 million, RMB0.2 million, RMB0.1 million and nil, respectively, were past due. In FY2019, FY2020 and FY2021, net increase in loss allowances were approximately RMB1,000, RMB28,000 and RMB0.2 million, respectively. The net increase in loss allowance for 9M2022 was approximately RMB21,000.

Our other receivables include prepayments, prepaid Listing expenses, deposits paid to suppliers, other deposits and receivables, amounts due from a related party, due from Jiyuan Biotechnology and value-added tax and other tax recoverable.

Our other receivables remained stable at approximately RMB25.1 million as at 31 December 2019 and approximately RMB24.8 million as at 31 December 2020. Our other receivables as at 31 December 2019 and 2020 mainly consist of the balances for amount due from Jiyuan Biotechnology (a company that was previously owned by the parents of Ms. Zhang and parents-in-laws of Mr. Shan, which was subsequently owned by Ms. Zhang and Mr. Shan and up to the disposal of Jiyuan Biotechnology to Independent Third Parties in September 2021). The amount due is non-trade in nature, unsecured, interest-free and repayable on demand.

Our other receivables further decreased to approximately RMB0.6 million as at 31 December 2021 mainly due to the amount due from Jiyuan Biotechnology of approximately RMB24.6 million was fully settled in FY2021.

Our other receivables increased by approximately RMB3.4 million to approximately RMB4.0 million as at 30 September 2022 mainly due to (i) increase in prepayment for R&D expenses and repair and maintenance expenses amounted to approximately RMB3.6 million; and (ii) decrease in other deposits and receivables amounted to approximately RMB0.2 million.

Trade and other payables

The table below sets out a breakdown of our trade and other payables as at the dates indicated:

	As at 31 December			As at 30 September
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables				
To third parties	10,068	7,844	22,368	15,304
Other payables				
Contract liabilities — refundable receipts in advance	43	—	386	—
Salary payables	521	700	894	940
Value-added tax and other tax payables	4	1,150	1,466	2,159
Due to Pre-IPO Investors	—	—	—	4,905
Accruals and other payables[(1)]	2,027	1,863	6,075	11,513
	2,595	3,713	8,821	19,517
Total	12,663	11,557	31,189	34,821

Note:

(1) The amounts as at 31 December 2019, 2020 and 2021 and 30 September 2022 included accrued Listing expenses of nil, nil, approximately RMB3.6 million and RMB8.4 million, respectively.

Our trade payables decreased from approximately RMB10.1 million as at 31 December 2019 to approximately RMB7.8 million as at 31 December 2020 and increased to approximately RMB22.4 million as at 31 December 2021. The movements of balances of trade payable of our Group as at 31 December 2019, 2020 and 2021 merely represent the purchase made by our Group in last two months at the end of 2019, 2020 and 2021. There is no significant movement between the balances as at 31 December 2019 and 2020 which was approximately RMB2.2 million. The significant increase in balance by approximately RMB14.5 million as at 31 December 2021 as compared to that of 31 December 2020 was primarily due to a significant increase in the purchase of raw materials in the last two months of 2021, in particular, December 2021, which was mainly attributable to the fact that the Chinese New Year in 2022 was in early February, and hence, more sales orders were received from our customers in late 2021. Our trade payable decreased to approximately RMB15.3 million as at 30 September 2022. Our other payable increased to approximately RMB19.5 million as at 30 September 2022 mainly due to the increase in amounts due to Pre-IPO Investors and accrual of Listing expenses.

We are generally granted by our suppliers a credit period of up to 60 days. The following table sets forth an ageing analysis of trade payables presented based on the invoice dates at the end of each reporting years/periods:

	As at 31 December			As at 30 September
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 30 days	4,771	4,253	12,743	12,970
31 to 60 days	4,917	3,186	9,625	2,334
61 to 90 days	224	405	—	—
Over 90 days	156	—	—	—
Total	10,068	7,844	22,368	15,304

The following table sets forth the average trade payables turnover days for the years/periods indicated:

	FY2019	**FY2020**	**FY2021**	**9M2022**
Average trade payables turnover days	70	34	38	40

Note: Average trade payables turnover days are calculated based on the average trade payables as at the respective year/period, divided by the cost of sales for the relevant years/period and multiplied by the number of days in the relevant years/period.

Our average trade payables turnover days decreased significantly from 70 days during 2019 to 34 days during 2020 and remained stable at 38 days during 2021. There had been an improvement in our average trade payables turnover days given we made early settlement of our balances with suppliers, which were supported by our improved operating cash flows in the respective years, in order to maintain a good relationship with our suppliers. For 9M2022, our average trade payables turnover days slightly increased to 40 days because we adopted a more prudent policy to control our cash flow to match with the settlement pattern of our customers during the lockdown period. The average trade receivables turnover days also increased from 72 days for FY2021 to 95 days for 9M2022.

Up to Latest Practicable Date, 100% of our trade payables as at 30 September 2022, were subsequently settled.

INDEBTEDNESS

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

	As at 31 December			As at 30 September	As at 31 January
	2019	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)
Interest-bearing borrowings	30,000	45,076	40,496	39,402	49,305
Lease liabilities	365	976	7,281	30,284	22,725
Amount due to Pre-IPO Investors (included in "**Trade and other payables**")[(1)]	—	—	—	4,905	—
Total	30,365	46,052	47,777	74,591	72,030

Note:

(1) Please refer to the paragraph headed "Amount due to Pre-IPO Investors (included in "Trade and other payables") below for further details.

As at 31 January 2023, our unaudited banking and other loan facilities amounted to approximately RMB18.0 million.

Interest-bearing borrowings

Our interest-bearing borrowings comprise entrusted loans[(1)] and other loans which are repayable ranging from within one year to two years. As at 31 January 2023, being the latest practicable date for the indebtedness statement, our Group had total outstanding interest-bearing borrowings of approximately RMB49.3 million. The following table sets forth the components of our interest-bearing borrowings as at the dates indicated:

	As at 31 December			As at 30 September	As at 31 January
	2019	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)
Secured borrowings					
— Entrusted loan	12,000	22,000	18,000	16,000	16,000
— Other loan	18,000	23,076	22,496	22,000	22,000
	30,000	45,076	40,496	38,000	38,000
Unsecured borrowings					
— Other loan	—	—	—	1,402	11,305
	30,000	45,076	40,496	39,402	49,305
Current portion	30,000	44,579	40,496	39,402	49,305
Non-current portion	—	497	—	—	—
	30,000	45,076	40,496	39,402	49,305
Carrying amounts of the above borrowings are repayable:					
Within one year					
— Entrusted loan	12,000	22,000	18,000	16,000	16,000
— Other loan	18,000	22,579	22,496	23,402	33,305
	30,000	44,579	40,496	39,402	49,305
More than one year, but not exceeding two years					
— Other loan	—	497	—	—	—
	30,000	45,076	40,496	39,402	49,305
Less: amounts shown under current liabilities	(30,000)	(44,579)	(40,496)	(39,402)	(49,305)
Amounts shown under non-current liabilities	—	497	—	—	—

Note:

(1) During the years ended 31 December 2019, 2020 and 2021 and the nine months ended 30 September 2022, Jilin Kaishun entered into entrusted loan agreements with 長春新投新興產業投資有限公司 (Changchun Xintou Emerging Industry Investment Co., Ltd.*), 長春新投工業發展投資中心(有限合夥) (Changchun Xintou Industrial Development Investment Centre (Limited Partnership)*), (together the "**Xintou Group**") and 長春南關惠民村鎮銀行有限責任公司 (Changchun Nanguan Huimin Village Bank Co., Ltd.* ("**Changchun Nanguan**")), whereby the Xintou Group agreed to provide loans through Changchun Nanguan to our Group.

According to publicly available information, these two companies are ultimately state-owned companies. Mr. Shan came across these two companies due to the introduction by Changchun Nanguan. Xintou Group is assigned by this bank. The principal business activities of these two companies are to provide financial assistance to domestic companies. Our Directors confirm that save for the transactions with these two companies as disclosed, we did not have any other relationships with these two companies that need to be disclosed.

As at 31 December 2019, 2020 and 2021, 30 September 2022 and 31 January 2023, our interest-bearing borrowings comprised entrusted loans and other loans amounting to approximately RMB30.0 million, RMB45.1 million, RMB40.5 million, RMB39.4 million and RMB49.3 million, respectively. The increase in interest-bearing borrowings as at 31 January 2023 as compared to that of 30 September 2022 is due to a new loan of approximately RMB9.9 million borrowed from an independent third party lender in Hong Kong for repayment of the amounts due to Pre-IPO Investors. Our interest-bearing borrowings were primarily denominated in RMB. The weighted average effective interest rates on the secured interest-bearing borrowings as at 31 December 2019, 2020 and 2021, 30 September 2022 and 31 January 2023 are set forth as below:

	As at 31 December			As at 30 September	As at 31 January
	2019	2020	2021	2022	2023
					(unaudited)
Weighted average effective interest rates	6.7%	7.6%	7.2%	6.8%	6.92%

The unsecured borrowings as at 31 January 2023 carry effective interest rate of 12% per annum.

The movements of our interest-bearing borrowings as at the end of each reporting period was due to new loans acquired which were mainly for operating purpose net off against the repayment made by us by following the repayment schedules.

As at 31 December 2019, 2020 and 2021, 30 September 2022 and 31 January 2023, our interest-bearing borrowings were secured by:

(i) properties held by the Controlling Shareholders;

(ii) leasehold land and buildings held by a related party, Jibei Technology, whose equity interests are 100% held by the Controlling Shareholders as at 31 December 2020 and also equity interest and corporate guarantee of Jibei Technology. The pledge of leasehold land and buildings held by Jibei Technology and corporate guarantee were released upon full repayment of the relevant loans under the revolving loan facility in November 2021 and the pledge for equity interest was released on 16 July 2021;

(iii) a leasehold land of the Group with aggregate net carrying amounts of approximately RMB888,000, RMB864,000, RMB840,000, RMB822,000 and RMB812,000 as at 31 December 2019, 2020 and 2021, 30 September 2022 and 31 January 2023, respectively;

(iv) buildings of the Group with aggregate net carrying amounts of approximately RMB26,669,000, RMB25,142,000, RMB23,615,000, RMB22,470,000 and RMB21,961,000 as at 31 December 2019, 2020 and 2021, 30 September 2022 and 31 January 2023, respectively; and

(v) plant and machineries of the Group with an aggregate net carrying amount of approximately RMB4,332,000 as at 31 December 2020.

In addition, the secured borrowings are guaranteed by Yizheng Juxinyuan, the Controlling Shareholders and Mr. Shan Bingqi (單柄淇), the son of the Controlling Shareholders (collectively referred to as the "**Guarantees**").

All facilities obtained from banks and other financial institutions are subject to the fulfilment of covenants, as is commonly found in lending arrangements with financial institutions. If our Group breached the covenants, the drawn down facilities would become repayable on demand. As at 31 December 2019, 2020 and 2021, 30 September 2022 and 31 January 2023, none of the covenants relating to drawn down facilities had been breached.

The Guarantees and the pledged assets provided by the Controlling Shareholders and Mr. Shan Bingqi are expected to be released and replaced by a corporate guarantee to be given by the Company upon Listing and the banks, the lenders of the entrusted loans, and other financial institutions have provided their consent in this regard.

As at 31 January 2023, our unutilised banking and other loan facilities amounted to approximately RMB18.0 million.

Lease liabilities

Lease liabilities represent the aggregate lease payment obligations not yet fulfilled under the lease agreements primarily for leasing properties and motor vehicles. Under IFRS 16, "Lease", leases are recognised as a right-of-use asset and a corresponding liability at the date on which the leased asset is available for use by our Group. The following table sets forth the details of lease liabilities in terms of current and non-current:

	As at 31 December			As at 30 September	As at 31 January
	2019	**2020**	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)
Current portion.	159	422	2,940	11,467	7,477
Non-current portion . . .	206	554	4,341	18,817	15,248
Total	365	976	7,281	30,284	22,725

As at 31 December 2019, 2020 and 2021, 30 September 2022 and 31 January 2023, we had outstanding lease liabilities of approximately RMB0.4 million, RMB1.0 million, RMB7.3 million, RMB30.3 million and RMB22.7 million, respectively. The increase in our lease liabilities as at 31 December 2020 as compared to that of 31 December 2019 was primarily due to an addition in motor cars amounted to approximately RMB1.0 million in 2020 whereas the increase in lease liabilities by approximately RMB6.3 million as at 31 December 2021 as compared to that of 31 December 2020 was mainly due to a new lease agreement signed by our Group in late 2021 for leasing properties in Changchun as our new factories. Our lease liabilities increased to approximately RMB30.3 million as at 30 September 2022. The increase in balance was due to the lease of a new factory located in Huizhou for three years commenced from July 2022. During the Track Record Period and up to 31 January 2023, we did not breach any covenants of the lease agreements.

Amount due to Pre-IPO Investors (included in "Trade and other payables")

Details of the amount due to Pre-IPO Investors are as follow:

	As at 31 December			As at 30 September	As at 31 January
Name of Pre-IPO Investor	2019	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)
Mr. Chen Guobin	—	—	—	4,399	—
Mr. Zhang Zhifang	—	—	—	506	—
	—	—	—	4,905	—

As at 31 December 2019, 2020 and 2021, 30 September 2022 and 31 January 2023, we had amount due to Pre-IPO Investors of nil, nil, nil, approximately RMB4.9 million and nil respectively, the amount due was non-trade in nature, unsecured, interest-bearing at 3% per annum and repayable on demand.

The amount due to Pre-IPO Investors was incurred due to payment of certain professional fees to professional parties in respect of the Listing by Mr. Chen Guobin and Mr. Zhang Zhifang, the Pre-IPO Investors, as the Company did not have sufficient foreign exchanges (i.e., Hong Kong Dollars) during the material time.

On 30 September 2022, the Company and Mr. Shan had entered into a formal loan agreement with each of the Pre-IPO Investors (Mr. Chen Guobin and Mr. Zhang Zhifang) whereby Mr. Shan was a guarantor and our Company was a borrower in respect of the respective amount due to Mr. Chen Guobin and Mr. Zhang Zhifang (totalling approximately RMB4.9 million as at the contract date). Each of the loan principals will be repaid before the Listing and carries an interest rate of 3.0% per annum. The said loan agreements did not contravene the relevant laws and regulations. Mr. Shan has deposited an equivalent amount of RMB to Mr. Chen Guobin and Mr. Zhang Zhifang, respectively, as security in respect of such guarantee. As at the Latest Practicable Date, the loans were fully repaid by our Company to Mr. Chen Guobin and Mr. Zhang Zhifang, and the guarantee was subsequently released.

As at 30 September 2022, the amount due to such Pre-IPO Investors with carrying amount of RMB4.9 million were classified as other payables under current liabilities.

Contingent liabilities

As at 31 December 2019, 2020 and 2021 and 31 January 2023, we had no contingent liabilities. We are currently not a party to any litigation that is likely to have a material adverse effect on our business, results of operations or financial condition taken as a whole. We have confirmed that there was no material change in our contingent liabilities since 31 January 2023 and up to the Latest Practicable Date.

Statement of Indebtedness

Save as above, as at 31 January 2023, the latest practicable date of indebtedness, we did not have any other outstanding mortgages, charges, pledges, debentures, loan capital, bank loans and overdrafts, debt securities or other similar indebtedness, leases liabilities or leases commitments, liabilities under acceptances (other than normal trade bills) or acceptance credits, guarantees or any material contingent liabilities. We have confirmed that there were no material changes in the indebtedness of our Group since 31 January 2023 and up to the Latest Practicable Date.

CAPITAL EXPENDITURE

During the Track Record Period, our capital expenditures principally consisted of expenditures on property, plant and equipment, right-of-use assets and intangible assets. We incurred addition on capital expenditures for the acquisition of property, plant and equipment, right-of-use assets and intangible assets which in aggregate were approximately RMB4.0 million, RMB1.8 million, RMB8.0 million and RMB57.7 million, respectively, for FY2019, FY2020, FY2021 and 9M2022.

Please also refer to the paragraphs headed "Business — Our Production Facilities" for further information regarding our machinery and equipment.

COMMITMENTS

Capital expenditures commitments

During the Track Record Period, the Group has certain capital expenditures commitments in connection with machinery suppliers. As at 31 December 2019, 2020 and 2021 and 30 September 2022, our capital commitments were as follows:

	As at 31 December			As at 30 September
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contracted but not provided net of deposits paid for acquisition of property, plant and equipment	4,680	232	900	—

In October 2022, the Group entered into purchase agreements with other two independent third party machinery suppliers to purchase machineries for the establishment of the new plant and production lines at Huizhou production base at a total consideration of approximately RMB3.4 million, of which a deposit of RMB336,000 was made to the machinery suppliers in November 2022 and the balance of approximately RMB3.0 million will be paid upon the delivery of the machineries to the Group and the completion of installation and testing works. As the aforesaid agreements were entered into by the Group subsequent to 30 September 2022, no capital expenditure commitment was recorded at 30 September 2022 in this respect.

Commitments under leases

The Group as lessee

The Company leases office premises under operating leases with initial lease period of one year. None of the leases includes contingent rentals.

At the end of each reporting period, the Company had total future minimum lease payments in respect of office premises under non-cancellable operating leases, which are payable as follows:

	As at 31 December			As at 30 September
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year.	—	—	62	6

SUBSEQUENT EVENTS

For significant events that took place subsequent to 30 September 2022, please refer to "— Recent developments and no material adverse change" in this section and note 32 of the Accountants' Report in Appendix I in this prospectus.

PROPERTY INTERESTS

Please refer to the subsection headed "Business — Properties" in this prospectus for details of our property interests. As at the Latest Practicable Date, our property interests do not form part of our property activities and no single property interest that forms part of our non-property activities has a carrying amount of 15% or more of our total assets.

MATERIAL RELATED PARTY TRANSACTIONS

With respect to the related party transactions set out in note 26 to the Accountants' Report in Appendix I in this prospectus, our Directors confirm that the related party transactions were conducted on normal commercial terms and/or that such terms were no less favourable to us than terms available from Independent Third Parties and were fair and reasonable and in the interest of the Shareholders as a whole. Save for the transactions between our Group with our connected parties, none of the related party transactions set out in note 26 to the Accountants' Report in Appendix I to this prospectus will continue after the Listing.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENT

As at the Latest Practicable Date, our Group had not entered into any material off-balance sheet commitments and arrangement.

KEY FINANCIAL RATIOS

The table below sets forth our selected key financial ratios during the Track Record Period:

	As at 31 December 2019/FY2019	As at 31 December 2020/FY2020	As at 31 December 2021/FY2021	As at 30 September 2022/9M2022
Net profit margin[1] *(%)*	26.4	29.6	30.5	21.2
Current ratio[2] *(times)*	2.6	3.1	2.3	2.3
Quick ratio[3] *(times)*	1.9	2.6	2.1	1.9
Gearing ratio[4] *(%)*	27.3	27.4	33.9	37.4
Return on total assets[5] (%)	17.0	21.3	34.8	N/A
Return on equity[6] *(%)*	24.4	29.3	55.6	N/A
Interest coverage ratio[7] *(times)*	15.6	21.0	27.8	23.4

Notes:

1. Net profit margin equals to net profit for the year/period divided by total revenue for the year/period.
2. Current ratio equals to total current assets divided by total current liabilities as at the year/period end.
3. Quick ratio equals to total current assets less inventories divided by total current liabilities as at the year/period end.
4. Gearing ratio equals to total debts divided by total equity as at the year/period end. Total debts include interest-bearing borrowings and lease liabilities.
5. Return on total assets equals to net profit for the year divided by the closing balance of total assets as at the year-end.
6. Return on equity equals to net profit for the year divided by the closing balance of total equity as at the year-end.
7. Interest coverage ratio equals to the profit before finance costs and income tax expenses divided by the finance costs for the year/period.

Net profit margin

Our net profit margin increased from approximately 26.4% for FY2019 to approximately 29.6% for FY2020. Such increase was mainly due to the improvement in gross profit margin in FY2020 as a result of the improvement in gross profit margin of non-biodegradable automobile plastic parts and the respective segment revenue contribution of which increased from 5.4% to 10.0%. Our net profit margin further increased to approximately 30.5% for FY2021 mainly because of the improvement in the gross profit margin of our biodegradable plastic products from approximately 41.3% in FY2020 to approximately 43.7% in FY2021 partially offset by the Listing expenses of RMB4.2 million incurred during the year. Our net profit margin decreased to 21.2% for 9M2022 owing to decrease in gross profit margin from 44.1% in FY2021 to 40.2% in 9M2022 and recognition of Listing expenses of approximately RMB12.2 million in 9M2022.

Current ratio and quick ratio

Our current ratio and quick ratio increased from approximately 2.6 times and approximately 1.9 times, respectively, as at 31 December 2019 to approximately 3.1 times and approximately 2.6 times, respectively, as at 31 December 2020. Such increases were mainly due to an increase in bank balances and cash resulting from the higher net profit generated during 2020. Our current ratio and quick ratio decreased to approximately 2.3 times and approximately 2.1 times respectively, as at 31 December 2021, which was mainly due to an increase in current liabilities from trade and other payables as we placed more orders towards the year-end to prepare for delivery before the Chinese New Year in early February 2022. Our current ratio remained stable as at 30 September 2022, while quick ratio experienced a slight decrease to approximately 1.9 times, which was mainly due to an increase in inventory as we have ordered more raw material for production in fourth quarter.

Gearing ratio

Our gearing ratio remained stable at approximately 27.3% as at 31 December 2019 and approximately 27.4% as at 31 December 2020. Our gearing ratio increased to approximately 33.9% as at 31 December 2021, which mainly due to the payment of dividend amounted to RMB137.0 million during FY2021. Our gearing ratio further increased to approximately 37.4% at 30 September 2022 was mainly due to an expanding of lease liabilities by approximately RMB11.1 million under current liabilities in 9M2022. We maintained our net cash position for FY2019, FY2020, FY2021 and 9M2022.

Return on total assets

Our return on total assets increased from approximately 17.0% in FY2019 to approximately 21.3% in FY2020. The increase in the return on total assets was mainly due to the increase in the net profits for the year, which was partially offset by the increase in total assets resulting from the increase in bank balances and cash. Our return on total assets then further increased to approximately 34.8% for FY2021, which was mainly attributable to the increase in net profit while the total assets decreased as a result of dividend payment amounted to RMB137.0 million in FY2021.

Return on equity

Our return on equity increased from approximately 24.4% in FY2019 to approximately 29.3% in FY2020. Such increase was mainly attributable to the increase in our net profit for FY2020. Our return on equity further increased to approximately 55.6% for FY2021, because net profit continuously increased in FY2021, coupled with approximately RMB137.0 million of dividends paid.

Interest coverage ratio

Our interest coverage ratio was approximately 15.6 times, 21.0 times and 27.8 times for FY2019, FY2020 and FY2021, respectively. The increase in interest coverage ratio was mainly due to our increase in gross profits during the Track Record Period. Our interest coverage ratio was approximately 23.4 times for 9M2022 mainly attributable to decrease in net profit due to aforesaid reason while overall loan portfolio unchanged.

FINANCIAL RISK MANAGEMENT

During our conduct of business, we are exposed to various types of market risks including interest rate risk, credit risk and liquidity risk.

Details of the risks which we are exposed to are set out in note 28 to the Accountants' Report set out in Appendix I to this prospectus.

DISTRIBUTABLE RESERVES

As at the Latest Practicable Date, our Company had no distributable reserves available for distribution to our Shareholders.

DIVIDENDS

For FY2021 and prior to the Pre-IPO Investments from the Pre-IPO Investors, we declared and distributed total dividends of approximately RMB137.0 million to the then shareholders of Jilin Kaishun, which were Ms. Zhang, Mr. Shan, Jilin Technology Fund (吉林科投) and Jilin Innovative Investment (吉林創投). All dividends declared were fully paid in FY2021. Our historical dividend distribution record may not be used as a reference or basis to determine the level of dividends that may be declared or paid by us in the future. To the extent that profits are distributed as dividends, such portion of profits will not be available to be reinvested in our Group's operation.

The declaration, payment and the amount of any dividends, if paid, are subject to the discretion of our Directors and depend on the results of operations, cash flows, financial position, statutory and regulatory restrictions on the payment of dividends by us, future prospects and other factors that we may consider relevant. Subject to the factors described above, we expect that in the future, interim and final dividends will be paid from time and time in an aggregate amount of approximately 30% of profits attributable to the equity holders of our Company. Holders of the Shares will be entitled to receive such dividends pro rata according to the amount paid up or credited as paid up on the Shares. After the Listing, declaration of dividends will be subject to the recommendation of our Board and other factors as described above. Subject to the above, our Board intends to recommend dividends of approximately 30% of our profit and total comprehensive income after tax available for distribution to the Shareholders in a financial year.

LISTING EXPENSES

Our estimated Listing expenses primarily consist of underwriting fees and commissions as well as legal and professional fees in relation to the Listing. Assuming an Offer Price of HK$1.20 per Share, being the mid-point of the Offer Price range stated in this prospectus, the Listing expenses to be borne by our Company are estimated to be approximately HK$47.0 million (representing approximately 20.6% of the total gross proceeds from the Global Offering), of which approximately HK$19.6 million (RMB17.8 million) is directly attributable to the issue of new Shares and is to be accounted for as deduction from equity. The Selling Shareholder will bear the proportionate underwriting commissions which will be approximately HK$4.3 million. For the remaining amount of approximately HK$27.4 million (RMB24.8 million), (i) approximately HK$4.6 million (RMB4.2 million) and HK$13.5 million (RMB12.2 million) were recognised in our combined statements of profit and loss and other comprehensive income for FY2021 and 9M2022; and (ii) approximately HK$6.1 million (RMB5.5 million) is expected to be recognised in our combined statements of profit or loss and other comprehensive income for the three months ended 31 December 2022; and (iii) approximately HK$3.2 million (RMB2.9 million) is expected to be recognised in our combined statements of profit or loss and other comprehensive income for the year ending 31 December 2023. The aforementioned total estimated Listing expenses (based on the mid-point of the Offer Price range stated in this prospectus and assuming that the Over-allotment Option is not exercised) in relation to the Global Offering includes (i) underwriting-related expenses (including but not limited to underwriting fees and commissions) of approximately HK$13.7 million (equivalent to RMB12.4 million); and (ii) non-underwriting-related expenses of approximately HK$33.3 million (equivalent to RMB30.2 million), which can be further categorised into (a) fees and expenses of legal advisers and reporting accountants of approximately HK$17.1 million (equivalent to RMB15.5 million); and (b) other fees and expenses of approximately HK$16.2 million (equivalent to RMB14.7 million). The estimated Listing expenses are subject to adjustments based on the actual amount incurred or to be incurred.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

For details of our unaudited pro forma adjusted combined net tangible assets, please refer to the section headed "Unaudited pro forma financial information" in Appendix II to this prospectus.

RECENT DEVELOPMENTS AND NO MATERIAL ADVERSE CHANGE

Our Directors confirm that since 30 September 2022, being the date of the latest combined financial information of our Group, and up to the date of this prospectus, there has been no material adverse change in our business model, financial or trading position and prospects of the overall biodegradable plastic products industry. We also confirm that there have been no events since 30 September 2022 which would materially affect the financial information shown in the Accountants' Report, the text of which is set out in Appendix I to this prospectus.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

As at the Latest Practicable Date, our Directors confirm that there were no circumstances that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

BUSINESS OBJECTIVE AND FUTURE PLANS

We aim to become a major biodegradable plastic products providers in the PRC. For a detailed description of our future plans, please refer to the section headed "Business — Business Strategies" in this prospectus.

USE OF PROCEEDS

	Assuming the Over-allotment Option is not exercised	Assuming the Over-allotment Option is exercised in full
Assuming an Offer Price of HK$1.20 per Offer Share (being the mid-point of the Offer Price range stated in this prospectus)	Approximately HK$181.0 million	Approximately HK$223.3 million
Assuming an Offer Price of HK$1.05 per Offer Share (being the low end of the Offer Price range stated in this prospectus)	Approximately HK$154.2 million	Approximately HK$191.2 million
Assuming an Offer Price of HK$1.35 per Offer Share (being the high end of the Offer Price range stated in this prospectus)	Approximately HK$207.8 million	Approximately HK$255.4 million
Assuming an Offer Price of HK$0.945 per Offer Share (after a Downward Offer Price Adjustment of 10% below the low end of the Offer Price range stated in this prospectus)	Approximately HK$135.5 million	Approximately HK$168.8 million

We estimate that the aggregate net proceeds to our Company from the Global Offering (after deducting underwriting fees and estimated expenses in connection with the Global Offering payable by us and assuming that there is no exercise of the Over-allotment Option and an Offer Price of HK$1.20 per Offer Share, being the mid-point of the indicative Offer Price range stated in this prospectus) will be approximately HK$181.0 million (equivalent to RMB163.8 million). We currently intend to apply such net proceeds for the following purposes subject to changes in light of our evolving business needs and changing market conditions:

(a) approximately 33.3%, or HK$60.2 million (equivalent to RMB54.5 million) will be used for expanding our biodegradable plastic products production lines at our Changchun Production Base[(1)].

For details of the expected timeline and key milestones for establishing our new production lines at our Changchun Production Base, please refer to the section headed "Business — Our Production Facilities — Expansion Plan" in this prospectus.

Our plan to apply the net proceeds from the Global Offering for establishing our new biodegradable production lines in our Changchun Production Base is set out as follows:

Year	Approximate amount of net proceeds	Description
2023	RMB8.0 million	• Purchasing production machines and equipment for masterbatches to support our Northeast and Southeast operation
	RMB12.3 million	• Purchasing production machines and equipment for our existing biodegradable plastic products production lines (including biodegradable plastic produce bag rolls, biodegradable shopping bags and biodegradable stretch wraps)
	RMB15.4 million	• Purchasing production machines and equipment for our new biodegradable plastic products production lines (including biodegradable straws, biodegradable tableware, biodegradable packaging bags, and biodegradable agricultural mulch films)
	RMB12.0 million	• Renovating the production plants and improving the office environment in Changchun Production Base

Note:

(1) The total cost for expanding our operation in our Changchun Production Base is approximately RMB83.3 million, of which approximately RMB1.1 million is expected to be settled by our Group by internal resources in 2022 and the first half of 2023.

Year	Approximate amount of net proceeds	Description
	RMB1.8 million	• Recruiting 65 staff members for the operation of our Changchun Production Base
	RMB2.0 million	• Purchasing additional transportation vehicles to support our operation
	RMB3.0 million	• Purchasing quality control related equipment
Total. . . .	**RMB54.5 million**	

We set out below number of staff and average monthly salary range we plan to recruit for our Changchun Production Base:

Title	Number of Staff	Average monthly salary range	Qualification requirement
		(RMB)	
Sales and marketing representative . .	2	2,500-3,500	At least one year of biodegradable plastic product sales or marketing experience
Quality control staff	2	2,500-3,500	At least one year of biodegradable plastic product production quality control experience
Production Supervisor.	3	3,000-5,000	At least three years of biodegradable plastic product production experience
Production staff . .	56	2,500-3,500	Nil
Logistics staff. . . .	2	2,500-3,500	Nil
Total	65		

(b) approximately 33.2%, or HK$60.1 million (equivalent to RMB54.4 million) will be used for establishing our Huizhou Production Base in Southeast China. We have already leased a plant (with gross floor area of approximately 8,522 sq.m.) in Boluo, Huizhou, Guangdong province, the PRC in June 2022, where we will establish a new production base with new production lines for manufacturing of our biodegradable plastic products (except masterbatches).

For details of the expected timeline and key milestones for establishing our Huizhou Production Base in Southeast China, please refer to "Business — Our Production Facilities — Expansion Plan" in this prospectus.

Our plan to apply the net proceeds from the Global Offering for establishing our production base in Southeast China is set out as follows:

Year	Approximate amount of net proceeds	Description
2023	RMB29.5 million	• Establishing new production base in Huizhou, Guangdong province for the production of our biodegradable plastic products (including biodegradable produce bag rolls; biodegradable shopping bags; biodegradable stretch wraps; biodegradable straws, biodegradable tableware, and biodegradable agricultural mulch films)
	RMB18.0 million	• Constructing the production plant and office in Huizhou Production Base
	RMB1.2 million	• Recruiting 55 staff members for the operation of Huizhou Production Base
	RMB5.7 million	• Establishing quality control laboratory, purchasing quality control related equipment and hiring quality control specialists
Total	**RMB54.4 million**	

We had entered into a lease agreement for our Huizhou Production Base in Southeast China with the landlord, an Independent Third Party in June 2022. The rental payment for our Huizhou Production Base in Southeast China from July 2022 to March 2023 will be settled by our internally generated funds.

We set out below number of staff and average monthly salary range we plan to recruit for our Huizhou Production Base:

Title	Number of Staff	Average monthly salary range[1]	Qualification requirement
		(RMB)	
Sales and marketing representative . .	2	2,500-3,500	At least one year of biodegradable plastic product sales or marketing experience
Quality control staff	2	2,500-3,500	At least one year of biodegradable plastic product production quality control experience
Production Supervisor.	3	3,000-5,000	At least three years of biodegradable plastic product production experience
Production staff . .	46	2,500-3,500	Nil
Logistics staff. . . .	2	2,500-3,500	Nil
Total	**55**		

(c) Approximately 25.7%, or HK$46.5 million (equivalent to RMB42.1 million), will be used for further strengthening our R&D capabilities, upgrading our existing R&D equipment, financing our R&D projects and expanding our product portfolio to add value to our business in the long run. The breakdown of the intended use of net proceeds is set out below:

- approximately 21.4% or HK$38.7 million (equivalent to RMB35.0 million) will be used in the R&D projects below to improve our production techniques and develop new products (the total capital expenditure for these projects is approximately

Note:

(1) The estimated average monthly salary range for our staff at Huizhou Production Base is slightly higher than the current salary levels of our staff at Changchun Production Base, taking into consideration higher living costs in Southeast China in comparison to Northeast China.

HK$55.5 million (equivalent to RMB45.5 million), of which approximately HK$4.9 million (equivalent to RMB4.0 million) had been settled by our Group using internal funds as at the Latest Practicable Date).

Our plan to apply the net proceeds from the Global Offering for the R&D projects below is set out as follows. For details of our R&D projects, please refer to the subsection headed "Business — Research and development" in this prospectus:

Year of commencement of the project	Approximate amount of net proceeds	Description	Expected year of completion	Approximate total project sum	Source of funding
2021 . . .	RMB2.0 million	• Blown film resin compositions and film conformation (吹膜樹脂組成與薄膜構效)	2023	RMB12.5 million	This project is in progress. Approximately RMB4.0 million has been paid by us as at 30 September 2022 by internal funds, approximately RMB6.5 million is expected to be paid in 2022 and the first half of 2023 by internal funds, and approximately RMB2.0 million will be paid by the net proceeds from the Global Offering.
2023	RMB3.0 million	• Composition and properties of resins for biodegradable injection moulding (注塑專用樹脂組成與性能構效)	2023	RMB3.0 million	Net proceeds from the Global Offering
	RMB13.0 million	• Industrialisation technology of low-cost PBAT/PLA/starch membrane (低成本PBAT/PLA/澱粉膜的產業化技術)	2024	RMB13.0 million	Net proceeds from the Global Offering
2024	RMB9.0 million	• PBAT/PLA/PPC blown film resin and bag making Technology (PBAT/PLA/PPC 吹膜樹脂及製袋技術)	2024	RMB9.0 million	Net proceeds from the Global Offering

Year of commencement of the project	Approximate amount of net proceeds	Description	Expected year of completion	Approximate total project sum	Source of funding
	RMB3.0 million	• Low-cost injection moulding process (低成本注塑製品成型加工)	2024	RMB3.0 million	Net proceeds from the Global Offering
	RMB1.5 million	• PBAT/PLA/PPC agricultural mulch resin and blown film (PBAT/PLA/PPC地膜專用樹脂及吹膜)	2024	RMB1.5 million	Net proceeds from the Global Offering
	RMB3.5 million	• Optimisation of injection moulding resin and product technology (注塑樹脂及製品技術優化)	2024	RMB3.5 million	Net proceeds from the Global Offering
Total . . .	**RMB35.0 million**				

- approximately 3.7% or HK$6.7 million (approximately RMB6.1 million) will be used for upgrading our existing R&D equipment and expanding our R&D laboratory by procuring new machines.

  We plan to apply the net proceeds from the Global Offering to procure the following new R&D equipment:

  For our Changchun Production Base:

R&D Equipment Category	Details	Number of equipment	Approximate cost by net proceeds
			(RMB'000)
R&D equipment to test the basic qualities of our biodegradable plastic products	Equipment to test various basic attributes of our biodegradable plastic products such as thickness, tearing strength, impact resistance, light transmittance, weight, moisture content, ageing process under UV light, hardness, hygiene, vertical vibration fatigue and infrared absorption.	12	1,476
R&D equipment to test permeability of our biodegradable plastic products	Equipment to test gas and water vapour permeability of our biodegradable plastic products.	3	1,253

R&D Equipment Category	Details	Number of equipment	Approximate cost by net proceeds
			(RMB'000)
R&D equipment that utilises thermal energy to test our biodegradable plastic products	Equipment to conduct tests on our biodegradable products to determine i) heat shrinkage performance, ii) heat distortion temperature, iii) flow rate of melt mass and volume, iv) drying constant temperature, v) ageing process under high temperature, and vi) different material components.	9	462
R&D equipment to test our biodegradable plastic films	Equipment to test the tensile and peel strength, smoothness, and pendulum impact resistance of our biodegradable film products.	3	287
R&D equipment to test our biodegradable plastic packaging	Equipment to test the sealing strength and ink fastness of our biodegradable plastic packaging materials.	9	396
Total			**3,874**

For our Huizhou Production Base:

R&D Equipment Category	Details	Number of equipment	Approximate cost by net proceeds
			(RMB'000)
R&D equipment to test the basic qualities of our biodegradable plastic products	Equipment to test various basic attributes of our biodegradable plastic products such as thickness, tearing strength, impact resistance, light transmittance, weight, moisture content, ageing process under UV light, hardness, hygiene, vertical vibration fatigue and infrared absorption.	3	369
R&D equipment to test permeability of our biodegradable plastic products	Equipment to test gas and water vapour permeability of our biodegradable plastic products.	1	418

R&D Equipment Category	Details	Number of equipment	Approximate cost by net proceeds
			(RMB'000)
R&D equipment that utilises thermal energy to test our biodegradable plastic products	Equipment to conduct tests on our biodegradable products to determine i) heat shrinkage performance, ii) heat distortion temperature, iii) flow rate of melt mass and volume, iv) drying constant temperature, v) ageing process under high temperature, and vi) different material components.	6	308
R&D equipment to test our biodegradable plastic films	Equipment to test the tensile and peel strength, smoothness, and pendulum impact resistance of our biodegradable film products.	3	287
R&D equipment to test our biodegradable plastic packaging	Equipment to test the sealing strength and ink fastness of our biodegradable plastic packaging materials.	5	220
R&D equipment for the production of our biodegradable plastic products	Equipment to improve and fine-tune the production process of our biodegradable plastic products such as stretch wraps, straws, and tableware.	3	602
Total			**2,204**

- approximately 0.6% or HK$1.1 million (approximately RMB1.0 million) will be used for recruiting R&D specialists.

  We set out below number of staff and average monthly salary range we plan to recruit as our R&D specialists:

Title	Number of Staff	Average monthly salary range	Qualification requirement
		(RMB)	
R&D Supervisor. . .	1	10,000-12,000	At least three years of relevant experience in the R&D of biodegradable plastic products and have obtained a relevant degree
R&D Specialist . . .	4	5,000-7,000	At least one year of relevant experience in the R&D of biodegradable plastic products and have obtained a relevant degree
Total	5		

(d) Approximately 3.0%, or HK$5.5 million (equivalent to RMB5.0 million) will be used for upgrading, developing and integrating our internal operational reporting system and a cloud-based financial reporting system and purchasing and upgrading our hardware and relevant IT equipment.

(e) Approximately 4.8% or HK$8.7 million (approximately RMB7.8 million) will be used for working capital and other general corporate purposes.

If the Offer Price is fixed at the high end of the indicative Offer Price range, being HK$1.35 per Offer Share, the net proceeds to be received from the Global Offering will increase to approximately HK$207.8 million(1) (assuming that there is no exercise of the Over-allotment Option). If the Offer Price is set at the low end of the indicative Offer Price range, being HK$1.05 per Offer Share, the net proceeds to be received from the Global Offering will decrease to approximately HK$154.2 million(1) (assuming that there is no exercise of the Over-allotment Option). If we make a Downward Offer Price Adjustment to set the final Offer Price at HK$0.945 per Offer Share, the estimated net proceeds we will receive from the Global Offering will be further reduced by approximately HK$18.7 million. In such events, we will increase or decrease the allocation of the proceeds to the above purposes on a pro-rata basis and we will also consider internal resources or external financing for the relevant purposes in the case of decrease of proceeds allocated.

If the Over-allotment Option is exercised in full, our Group estimates that the additional net proceeds from the offering of these additional Shares to be received by our Group, after deducting underwriting fees and estimated expenses payable by it, will be approximately (i) HK$255.4 million(1), assuming the Offer Price is fixed at the high end of the indicative Offer Price range, being HK$1.35 per Offer Share; (ii) HK$223.3 million(1), assuming the Offer Price is fixed at the mid-point of the indicative Offer Price range, being HK$1.20 per Offer Share; and (iii) HK$191.2 million, assuming the Offer Price is fixed at the low end of the indicative Offer Price range, being HK$1.05 per Offer Share. Any additional proceeds to be received by our Group from the exercise of the Over-allotment Option will also be allocated to the above businesses and projects on a pro-rata basis. To the extent that the net proceeds are not immediately applied to the above purposes, the Group will only deposit the net proceeds into short-term interest-bearing accounts with authorised financial institutions and/or licensed banks in Hong Kong (as defined under the Securities and Futures Ordinance or other applicable PRC laws and regulations).

We estimate that the net proceeds to be received by the Selling Shareholder from the sale of the Sale Shares (after deduction of proportionate share of underwriting commissions payable by our Selling Shareholder in relation to the Global Offering, and assuming the Offer Price is fixed at the mid-point of the indicative range of the Offer Price, being HK$1.20 per Offer Share, and the Over-allotment Option is not exercised) will be approximately HK$67.7 million. We will not receive any of the proceeds from the Sale Shares.

Note:

(1) This amount is calculated assuming a commission of 6.0% is payable by our Company to the Hong Kong Underwriters and International Underwriters.

We will issue an appropriate announcement if there is any material change to any of the above proposed use of proceeds.

REASONS FOR THE LISTING AND THE GLOBAL OFFERING

We intend to raise funds by the Global Offering in order to facilitate the implementation of our business strategies which we deem necessary for our Group's long-term development.

Achieving our business strategies

The Listing will enable us to have sufficient financial resources to achieve our business strategies, in particular the followings:

- Expanding our production capacity and broadening our business coverage in Southeast China;
- Raising our customer awareness;
- Strengthening our R&D capabilities, upgrading existing R&D equipment, financing our R&D projects and expanding our product portfolio; and
- A listing status can enhance our standing to existing customers and suppliers and enhance our position to prospective customers and suppliers.

It is essential for us to expand our production capacity. Our current production capacity for biodegradable produce bag rolls and biodegradable shopping bags has been approaching its limit and is restricting us from developing new business opportunities through new customer solicitation and accepting new orders. In addition, using the net proceeds from the Global Offering to establish a new production base in Southeast China can broaden our geographic coverage and allow us to capture the business potentials around Southeast China as they are in early stage of prohibition of plastic policy. Moreover, we anticipate the utilisation rate of our existing masterbatch mixers in our Changchun Production Base to continue to rise due to expected rising demand for biodegradable products in the PRC. It is also important to raise our customer awareness by marketing and promotion efforts, which enable our brand and products reaching out to our potential customers and in turn boosting our sales. Moreover, it is necessary to strengthen our R&D capabilities for our sustainable growth and development.

Long-term capital needs

Notwithstanding that we had bank balances and cash of approximately RMB86.9 million as at 30 September 2022 and unutilised short-term revolving loan facilities, our Directors consider that such an amount of cash and unutilised banking facilities are only sufficient for our Group's working capital purpose but will be insufficient to fulfil our long-term capital needs in relation to our business strategies and expansion plans. Given the increasing demand of our Group's biodegradable plastic products and the almost-full utilisation rate of our production lines, our Directors recognised the imminent need for additional long-term capital to expand our production facilities in order to capture the expected demand in the biodegradable plastic industry in the PRC.

Enhancing our Group's corporate profile and customer awareness and increasing our competitiveness

Our Directors believe that a public listing status will enhance our corporate profile and assist us in reinforcing our customer awareness and reputation. We believe that a public listing status on the Stock Exchange is a complementary advertising for our Group to potential investors and customers and can enhance our corporate profile and our credibility with the public and potential business partners given a public listed company's greater transparency, relevant regulatory supervision and stability generally. The Global Offering will therefore serve to promote our corporate profile and customer awareness. Moreover, we believe that the Listing will strengthen our internal control and corporate governance practices, which in turn would increase our customers' confidence in us and attract potential customers.

Enhancing market status amongst customers, suppliers and employees

Our Directors believe that a listing status on the Stock Exchange will enhance our credibility with our customers and suppliers and thus, enhance our level of competitiveness in competing for customers and suppliers. With such status, our Group can be differentiated from market competitors, enhancing our capability to compete and to produce quality biodegradable plastic products. Our Directors believe that as a listed company, we will be able to retain our existing employees more effectively, at both operational and administrative level. Our employees will feel more stable and secured about their employment with us, rather than joining a private company, hence strengthening their morale at work. As a listed company, we can also provide better remuneration package to our staff by means of share option scheme.

BASIS AND ASSUMPTIONS

Our future plans and business strategies are based on the following general assumptions:

- there will be no material change in the funding requirement for each of our future plans described in this prospectus from the amount as estimated by our Directors;
- we will have sufficient financial resources to meet the planned capital expenditure and business development requirements during the period to which our future plans relate;
- the Global Offering will be completed in accordance with and as described in the section headed "Structure and Conditions of the Global Offering" in this prospectus;
- there will be no material changes in existing accounting policies from those stated in the audited combined financial information of our Group for FY2019, FY2020, FY2021 and 9M2022;
- our operations including our future plans will not be interrupted by any force majeure, unforeseeable factors, extraordinary items or economic changes in respect of inflation, interest rate and tax rate in the PRC;
- there will be no material changes in the bases or rates of taxation applicable to our activities;
- we will not be materially affected by the risk factors as set out in the section headed "Risk Factors" in this prospectus;
- we will continue our operation including but not limited to retaining our key staff member and maintaining our customers and suppliers in the same manner as we had operated during the Track Record Period;
- there will be no material change in existing laws and regulations, or other governmental policies relating to our Group, or in the political or market conditions in which we operate; and
- there will be no disasters, natural, political or otherwise, which would materially disrupt our businesses or operations.

THE CORNERSTONE PLACING

We have entered into a cornerstone investment agreement with ZhongBaoNew materials. Ltd ("**ZhongBaoNew materials**" or the "**Cornerstone Investor**"), pursuant to which the Cornerstone Investor agreed to, subject to certain conditions, subscribe at the Offer Price for a certain number of Offer Shares (round down to the nearest whole board lot of 2,000 Shares) that may be purchased for an aggregate amount of approximately RMB90.0 million (approximately HK$99.4 million) (the "**Cornerstone Placing**").

Assuming an Offer Price of HK$1.05, being the low-end of the indicative Offer Price range set out in this prospectus, the total number of Offer Shares to be subscribed by the Cornerstone Investor would be 94,710,000 Offer Shares, representing approximately (i) 37.9% of the Offer Shares (assuming that the Over-allotment Option is not exercised), (ii) 32.9% of the Offer Shares (assuming the Over-allotment Option is exercised in full), (iii) 9.5% of the Shares in issue immediately upon completion of the Global Offering (assuming that the Over-allotment Option is not exercised), and (iv) 9.1% of the Shares in issue immediately upon completion of the Global Offering and the full exercise of the Over-allotment Option.

Assuming an Offer Price of HK$1.20, being the mid-point of the indicative Offer Price range set out in this prospectus, the total number of Offer Shares to be subscribed by the Cornerstone Investors would be 82,872,000 Offer Shares, representing approximately (i) 33.1% of the Offer Shares (assuming that the Over-allotment Option is not exercised), (ii) 28.8% of the Offer Shares (assuming the Over-allotment Option is exercised in full), (iii) 8.3% of the Shares in issue immediately upon completion of the Global Offering (assuming that the Over-allotment Option is not exercised), and (iv) 8.0% of the Shares in issue immediately upon completion of the Global Offering and the full exercise of the Over-allotment Option.

Assuming an Offer Price of HK$1.35, being the high-end of the indicative Offer Price range set out in this prospectus, the total number of Offer Shares to be subscribed by the Cornerstone Investors would be 73,664,000 Offer Shares, representing approximately (i) 29.5% of the Offer Shares (assuming that the Over-allotment Option is not exercised), (ii) 25.6% of the Offer Shares (assuming the Over-allotment Option is exercised in full), (iii) 7.4% of the Shares in issue immediately upon completion of the Global Offering (assuming that the Over-allotment Option is not exercised), and (iv) 7.1% of the Shares in issue immediately upon completion of the Global Offering and the full exercise of the Over-allotment Option.

We are of the view that, leveraging on the Cornerstone Investor background, the Cornerstone Placing will help to raise the profile of our Company. We also believe it shows that such investor has confidence in our business and prospect.

We became acquainted with Beijing Anji Fenghan Management Consulting Partnership (limited partnership) (北京安吉豐瀚管理諮詢合夥企業 (有限合夥)) ("**Beijing Anji Fenghan LLP**"), being the parent company and holding 100% of equity interest of ZhongBaoNew materials through introduction by our business contacts. Each of ZhongBaoNew materials and Beijing Anji Fenghan LLP has no prior or existing business relationship with our Group or our connected person (as defined in the Listing Rules) save for the Cornerstone Placing. Each of ZhongBaoNew materials and Beijing Anji Fenghan LLP has obtained all necessary approvals for the entering into and the transactions contemplated in the Cornerstone Investment Agreement.

Pursuant to the Administrative Measures for the Overseas Investment of Enterprises (《企業境外投資管理辦法》) promulgated by the NDRC and Administrative Measures for Overseas Investment Management (《境外投資管理辦法》) promulgated by the MOFCOM (the "**ODI Rules**"), a domestic institution shall undergo registration procedure for foreign investment in accordance with the provisions of the ODI Rules, which require the domestic institution to register with relevant authorities prior to its overseas direct investment and obtain relevant recordation, approval, certificate or permit.

The ultimate PRC corporate shareholders of the Cornerstone Investor, Beijing Anji Fenghan LLP, have completed the overseas direct investment registration with Beijing Municipal Commerce Bureau on 27 February 2023 and Beijing Municipal Commission of Development and Reform on 1 March 2023 pursuant to the ODI Rules in relation to their offshore investments as domestic institutions.

To our best knowledge, (i) the Cornerstone Investor is an Independent Third Party and is not our connected person (as defined in the Listing Rules); (ii) the Cornerstone Investor is not accustomed to taking instructions from our Company or any of its subsidiaries, Directors, chief executive, Controlling Shareholders, substantial shareholders or existing shareholders, or their respective close associates; and (iii) none of the subscription of the Offer Shares by the Cornerstone Investor is financed by our Company or its subsidiaries, Directors, chief executive, Controlling Shareholders, substantial Shareholders or existing Shareholders, or their respective close associates. There are no side agreements or arrangements between our Company and the Cornerstone Investor or any benefit, direct or indirect, conferred on the Cornerstone Investor by virtue of or in relation to the Cornerstone Placing, other than a guaranteed allocation of the relevant Offer Shares at the final Offer Price.

The Cornerstone Placing will form part of the International Offering and the Cornerstone Investor will not subscribe for any Offer Shares under the Global Offering (other than pursuant to the Cornerstone Investment Agreement). The Offer Shares to be subscribed by the Cornerstone Investor will rank *pari passu* in all respect with the fully paid Shares in issue and will count towards the public float of our Company under Rule 8.08 of the Listing Rules. Immediately following the completion of the Global Offering, the Cornerstone Investor will not become a Substantial Shareholder of our Company, nor will the Cornerstone Investor has any Board representation in our Company. Other than a guaranteed allocation of the relevant Offer Shares at the final Offer Price, the Cornerstone Investor does not have any preferential rights in the Cornerstone Investment Agreement as compared with other public Shareholders. As confirmed by the Cornerstone Investor, (i) its subscription under the Cornerstone Placing would be financed by its own internal resources; and (ii) the Cornerstone Investor and its respective shareholders are not listed on any stock exchanges.

The total number of Offer Shares to be subscribed by the Cornerstone Investor may be affected by reallocation of the Offer Shares between the International Offering and the Hong Kong Public Offering in the event of over-subscription under the Hong Kong Public Offering as described in the paragraph headed "Structure and Conditions of the Global Offering — The Hong Kong Public Offering — Reallocation" in this prospectus.

Details of the actual number of Offer Shares to be allocated to the Cornerstone Investor will be disclosed in the allotment results announcement of our Company to be published on or around 30 March 2023. There will be no delayed delivery or deferred settlement of Offer Shares to be subscribed by the Cornerstone Investor pursuant to the Cornerstone Investment Agreement, and the payment for the Offer Shares subscribed by the Cornerstone Investor will be settled and paid in full before dealings in the Offer Shares commence on the Stock Exchange. For details of the Over-allotment Option, please refer to the paragraph headed "Structure and Conditions of the Global Offering — Over-allotment Option" in this Prospectus.

OUR CORNERSTONE INVESTOR

Our Company has entered into the Cornerstone Investment Agreement with the Cornerstone Investor.

				Assuming the Over-allotment Option is not exercised		Assuming the Over-allotment Option is exercises in full	
	Investment Amount	Hong Kong dollar equivalent *(1)*	Total number of Offer Shares to be subscribed by the Cornerstone Investor *(2)*	Percentage of the total Shares in issue immediately upon completion of the Global Offering	Percentage of the total number of Offer Shares	Percentage of the total Shares in issue immediately upon completion of the Global Offering	Percentage of the total number of Offer Shares
	(approximate)	*(approximate)*		*(approximate)*	*(approximate)*	*(approximate)*	*(approximate)*
Based on the Offer Price of: HK$1.05 (being the low end of the indicative Offer Price range)							
ZhongBaoNew materials	RMB90.0 million	HK$99.4 million	94,710,000	9.5%	37.9%	9.1%	32.9%
HK$1.20 (being the mid-point of the indicative Offer Price range)							
ZhongBaoNew materials	RMB90.0 million	HK$99.4 million	82,872,000	8.3%	33.1%	8.0%	28.8%
HK$1.35 (being the high end of the indicative Offer Price range)							
ZhongBaoNew materials	RMB90.0 million	HK$99.4 million	73,664,000	7.4%	29.5%	7.1%	25.6%

Notes:

1. Calculated based on an exchange rate of HK$1.00: RMB0.905 for illustrative purpose. The actual investment amount of the relevant Cornerstone Investor may change due to the actual exchange rate to be used as prescribed in the Cornerstone Investment Agreement.

2. The actual number of Offer Shares allocated to the Cornerstone Investor may vary due to the actual exchange rate as determined pursuant to the terms of the Cornerstone Investment Agreement, subject to rounding down to the nearest whole board lot of 2,000 Offer Shares.

The following information about the Cornerstone Investor was provided to our Company by the Cornerstone Investor in relation to the Cornerstone Placing.

THE CORNERSTONE INVESTOR

ZhongBaoNew materials is a limited liability company incorporated under the laws of the British Virgins Islands in February 2023 for the purpose of its cornerstone investment in our Company. ZhongBaoNew materials is held entirely by Beijing Anji Fenghan LLP. As ZhongBaoNew materials was recently established, it did not have any other investment as at the Latest Practicable Date.

Beijing Anji Fenghan LLP is a private investment fund structured in the form of a limited partnership, which was established in the PRC in February 2023 for the purpose of its cornerstone investment in our Company. The general partner of Beijing Anji Fenghan LLP is Zhuhai Jianchao Investment Management Centre (Limited Partnership) (珠海健巢投資管理中心(有限合夥)) ("**Zhuhai Jianchao**"), holding approximately 0.01% of equity interest in Beijing Anji Fenghan LLP as at the Latest Practicable Date. Beijing Anji Fenghan LLP is held as to approximately 99.99% by Anji Fenghan Private Equity Investment Fund Partnership (Limited Partnership) (安吉豐瀚私募股權投資基金合夥企業 (有限合夥)) ("**Anji Fenghan**") as a limited partner as at the Latest Practicable Date.

Anji Fenghan is a private investment fund structured in the form of a limited partnership, which was established in the PRC in January 2023. The general partners of Anji Fenghan are Hainan Fengshi Private Equity Fund Management Co., Ltd. (海南豐世私募基金管理有限公司) ("**Hainan Fengshi**") and Zhuhai Jianchao, holding approximately 0.9% and 0.1% of equity interest in Anji Fenghan, respectively as at the Latest Practicable Date. Anji Fenghan is held as to approximately 99.0% by Guocheng (Zhejiang) Industrial Development Co., Ltd. (國成(浙江)實業發展有限公司) ("**Guocheng Industrial**") as a limited partner as at the Latest Practicable Date.

Guocheng Industrial is a wholly state-owned enterprise of the PRC, which is directly wholly owned by Zhejiang Anji Economic Development Zone Management Committee (浙江安吉經濟開發區管理委員會) as at the Latest Practicable Date. Guocheng Industrial is principally engaged in investment holding.

Hainan Fengshi is an investment fund with a focus on investment, and the size of funds in terms of their registered capital under its management amounted to approximately RMB1.0 billion in aggregate as at the Latest Practicable Date, which was held as to approximately 60.0% and 40.0% by Anji Hongxing Technology Development Partnership (Limited Partnership) (安吉虹興科技發展合夥企業(有限合夥)) and Ms. Kong Xiao Feng (孔曉峰), respectively.

Ms. Kong has over ten years of experience in equity investment and has led a number of series of investments in listed companies in the PRC. She graduated from Anhui University in the PRC in July 1987 with a bachelor degree of Chinese language and literature (漢語言文學). Prior to founding Hainan Fengshi, Ms. Kong founded and worked in Hangzhou Yijia Investment Advisory Ltd. (杭州意嘉投資諮詢有限公司) since 2015, which was primarily engaged in investment and asset management business.

Zhuhai Jianchao is an investment fund with a focus on investment and is the general partner of each of Beijing Anji Fenghan LLP and Anji Fenghan, and the size of funds in terms of their registered capital under its management amounted to approximately RMB255 million in aggregate as at the Latest Practicable Date, which was held as to 99.99% and 0.01% by Beijing Chaoshan Capital Investment Management Co., Ltd. (北京巢山資本投資管理有限公司) ("**Beijing Chaoshan**") and Ms. Liu Weidi (劉文娣), respectively. Beijing Chaoshan is an asset management and investment advisory firm, which was held as to approximately 75.2% by Mr. Zheng Linghui (鄭靈輝) and the remaining approximately 24.8% by eight different shareholders.

Ms. Liu has over six years of experience in equity investment and has led a number of series of investments in listed companies in the PRC. She obtained her bachelor and master's degrees in Chinese language and literature (漢語言文學) and Chinese classical aesthetics (中國古典美學) from Jinlin University in the PRC in 2002 and 2005, respectively. Prior to founding Zhuhai Jianchao in April 2016, Ms. Liu was principally engaged sports media.

CLOSING CONDITIONS

The obligations of the Cornerstone Investor to subscribe for the Offer Shares under the respective Cornerstone Investment Agreement are subject to, among other things, the following closing conditions:

(a) the Hong Kong Underwriting Agreement and the International Underwriting Agreement being entered into and having become effective and unconditional (in accordance with their respective original terms or as subsequently waived or varied by agreement of the parties thereto) by no later than the time and date as specified in the Hong Kong Underwriting Agreement and the International Underwriting Agreement, and neither of the Hong Kong Underwriting Agreement and the International Underwriting Agreement having been terminated;

(b) the Offer Price having been agreed upon between the Company and the Overall Coordinator (on behalf of the Underwriters);

(c) the Listing Committee having granted the approval for the listing of, and permission to deal in, our Shares (including the Offer Shares agreed to be subscribed for by the Cornerstone Investor) as well as other applicable waiver and approvals and such approval, permission or waiver having not been revoked prior to the commencement of dealings in the Shares on the Stock Exchange;

(d) no laws (as defined therein) shall have been enacted or promulgated by any governmental authority (as defined therein) which prohibits the consummation of the transactions contemplated in the Global Offering or therein and there shall be no orders or injunctions from a court of competent jurisdiction in effect precluding or prohibiting consummation of such transactions; and

(e) the respective representations, warranties, undertakings, and confirmations of the Cornerstone Investor under the Cornerstone Investment Agreement are accurate and true in all respects and not misleading and that there is no material breach of the Cornerstone Investment Agreement on the part of the Cornerstone Investor.

RESTRICTIONS ON DISPOSAL BY THE CORNERSTONE INVESTOR

The Cornerstone Investor has agreed that it will not, whether directly or indirectly, at any time during the period of six months following the Listing Date (the "**Lock-up Period Restriction**"), dispose of any of the Offer Shares it has purchased pursuant to the Cornerstone Investment Agreement, save for certain limited circumstances, such as transfers to any of its wholly-owned subsidiaries who will be bound by the same obligations of the Cornerstone Investor, including the Lock-up Period Restriction.

HONG KONG UNDERWRITERS

Soochow Securities International Brokerage Limited

China Galaxy International Securities (Hong Kong) Co., Limited

Eddid Securities and Futures Limited

Elstone Securities Limited

First Shanghai Securities Limited

Fosun International Securities Limited

Futu Securities International (Hong Kong) Limited

Grand China Securities Limited

Plutus Securities Limited

Sinomax Securities Limited

Sunhigh Financial Holdings Limited

Tiger Brokers (HK) Global Limited

VBG Capital Limited

Wealth Link Securities Limited

Zhongtai International Securities Limited

ZMF Asset Management Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, our Company has agreed to initially offer 25,000,000 new Shares for subscription by members of the public in Hong Kong on and subject to the terms and conditions of this prospectus and the **GREEN** Application Form at the Offer Price.

Subject to, among other conditions, the granting of the approval for the listing of, and permission to deal in, all the Shares in issue and any Shares to be issued as mentioned in this prospectus by the Listing Division and to certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have severally, but not jointly, agreed to subscribe or procure subscribers for their respective applicable proportions of the Hong Kong Public Offer Shares which are not taken up under the Hong Kong Public Offering on the terms and conditions of this prospectus, the **GREEN** Application Form and the Hong Kong Underwriting Agreement. In addition, the Hong Kong Underwriting Agreement is conditional on and subject to the International Underwriting Agreement having been executed, becoming, and continuing to be, unconditional and not having been terminated.

Grounds for termination

The respective obligations of the Hong Kong Underwriters to subscribe, or procure subscribers for, the Hong Kong Public Offer Shares under the Hong Kong Underwriting Agreement are subject to termination. The Overall Coordinator (for itself and on behalf of the Underwriters) shall have the right, in their sole and absolute discretion to terminate the Hong Kong Underwriting Agreement by notice in writing to our Company, the Controlling Shareholders and our executive Directors with immediate effect at any time at or prior to 8:00 a.m. (Hong Kong time) on the Listing Date if any of the following event shall occur:

(a) there has come to the notice of the Overall Coordinator:

   (i) that any statement contained in this prospectus, the **GREEN** Application Form, the formal notice in relation to the Hong Kong Public Offering in the agreed form required to be published in accordance with the Listing Rules (the "**Formal Notice**") and/or any notices, announcements, advertisements, communications issued or used by or on behalf of our Company and approved by our Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) was, when it was issued, or has become, untrue, incorrect, inaccurate or misleading in any material respects, or that any estimate, forecast, expression of opinion, intention or expectation contained in any of such documents is not fair and honest and based on reasonable assumptions when taken as a whole; or

(ii) that any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, constitute an omission from this prospectus, the **GREEN** Application Form, the Formal Notice and/or in any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of our Company and approved by our Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto); or

(iii) any event, act or omission which gives or is likely to give rise to any liability in any material respect of our Company, our Controlling Shareholders or any of our executive Directors pursuant to the indemnities given by any of them under the Hong Kong Underwriting Agreement; or

(iv) that the approval by the Listing Division of the listing of, and permission to deal in, the Shares in issue, the Shares to be issued pursuant to the Capitalisation Issue, the Shares to be allotted and issued pursuant to the exercise of the options which may be granted under the Share Option Scheme, and the Offer Shares to be issued pursuant to the Global Offering is refused or not granted, other than subject to customary conditions, on or before the Listing Date or such other date as may be extended pursuant to the Hong Kong Underwriting Agreement, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or

(v) our Company withdraws this prospectus (and/or any other documents issued or used in connection with the Global Offering) or the Global Offering; or

(vi) any person (other than the Sole Sponsor, and any of the Hong Kong Underwriters) has withdrawn or sought to withdraw its consent to being named in this prospectus as expert or to the issue of this prospectus; or

(vii) any breach of any of the obligations or undertakings imposed upon any party to the Hong Kong Underwriting Agreement or the International Underwriting Agreement (other than upon any of the Sole Sponsor, the Overall Coordinator, the Joint Global

Coordinators, the Joint Bookrunners, the Joint Lead Managers or the Underwriters), as applicable, which, in the reasonable opinion of the Overall Coordinator, has a material adverse effect on the Global Offering; or

(viii) any material adverse change or development in the assets, liabilities, business, general affairs, management, prospects, shareholders' equity, profits, losses, results of operations, position or condition, financial or otherwise, or performance of our Group as a whole and the effect of which is, in the reasonable opinion of the Overall Coordinator, so adverse as to make it impracticable or inadvisable to proceed with the Global Offering; or

(ix) any breach of, or any event rendering untrue or incorrect in any material respect, any of the warranties given by our Company, the Selling Shareholder, our Controlling Shareholders and our executive Directors in the Hong Kong Underwriting Agreement, which, in the reasonable opinion of the Overall Coordinator, has a material adverse effect on the Global Offering; or

(x) any prohibition on our Company or the Selling Shareholder for whatever reason from allotting or selling the Offer Shares (including Shares to be issued under the Over-allotment Option) pursuant to the terms of the Global Offering.

(b) there develops, occurs, exists, or comes into effect:

(i) any event, or series of events, in the nature of force majeure, (including, without limitation, any acts of government declaration of a national or international emergency or war, calamity, crisis, epidemic, pandemic, outbreak or escalations of disease, economic sanctions, strikes, labour disputes, lockouts, fire, explosion, flooding, earthquake, civil commotion, riots, public disorder, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God or acts of terrorism (whether or not responsibility has been claimed)), in or affecting Hong Kong, the PRC, the Cayman Islands, the BVI or any other jurisdiction relevant to any member of our Group (the "**Relevant Jurisdictions**"); or

(ii) any change, or any event or series of events, likely to result in any change, in local, national, regional or international financial, economic, political, military, industrial, fiscal, regulatory, currency, credit or market conditions, equity securities or other financial markets (including, without limitation, conditions in the stock and bond markets, money and foreign exchange markets, the interbank markets and credit markets), in or affecting any of the Relevant Jurisdictions; or

(iii) any new law or regulation or any change in existing laws or regulations, or any change in the interpretation or application thereof by any public, regulatory, taxing, administrative or governmental, agency or authority (including, without limitation, the Stock Exchange and the SFC), other authority and any court at the national, provincial, municipal or local level ("**Governmental Authority**") in or affecting any of the Relevant Jurisdictions; or

(iv) any moratorium, suspension or restriction (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) in or on trading in securities generally on the Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market, the London Stock Exchange, the Shanghai Stock Exchange, the Shenzhen Stock Exchange or the Tokyo Stock Exchange; or

(v) any change or amendment in taxation or exchange control, currency exchange rates or foreign investment regulations (including, without limitation, a material devaluation of the Hong Kong dollar or Renminbi against any foreign currencies), or the implementation of any exchange control, in any of the Relevant Jurisdictions; or

(vi) the imposition of economic sanctions, in whatever form, directly or indirectly, by, or for, any of the Relevant Jurisdictions; or

(vii) any general moratorium on commercial banking activities in any Relevant Jurisdictions or any disruption in commercial banking or foreign exchange trading or securities settlement or clearance services, procedures or matters in those places or jurisdictions; or

(viii) any order or petition for the winding up of any member of our Group, or any composition or arrangement made by any member of our Group with its creditors or a scheme of arrangement entered into by any member of our Group or any resolution for the winding up of any member of our Group or the appointment of a provisional liquidator, receiver or manager over all or part of the material assets or undertaking of any member of our Group or anything analogues thereto occurring in respect of any member of our Group; or

(ix) any litigation or claim of any third party being threatened or instigated against our Group; or

(x) any Director is being charged with an indictable offence or prohibited by operation of law or otherwise disqualified from taking part in the management of a company; or

(xi) the chairman of the Board or any of the executive Directors vacating his or her office; or

(xii) any governmental authority or a political body or organisation in any Relevant Jurisdictions is commencing any investigation or other action, or announcing an intention to investigate or take other action, against any Director; or

(xiii) any contravention, other than those disclosed in this prospectus, by any member of our Group of the Listing Rules or applicable laws, rules, regulations, orders, judgements, decrees, guidelines, opinions, notices, circulars or rulings of any court, Governmental Authority, which, in the reasonable opinion of the Overall Coordinator, have a material adverse effect on the Global Offering; or

(xiv) any non-compliance of this prospectus (or any other documents used in connection with the Global Offering) or any aspect of the Global Offering with the Listing Rules or any other applicable laws, rules, regulations, orders, judgements, decrees, guidelines, opinions, notices, circulars or rulings of any court, Governmental Authority, which, in the reasonable opinion of the Overall Coordinator, have a material adverse effect on the Global Offering; or

(xv) any change, or a materialisation of, any of the risks set out in the section headed "Risk Factors" in this prospectus, which, in the reasonable opinion of the Overall Coordinator, have a material adverse effect on the Global Offering; or

(xvi) the issue of or the requirement by our Company to issue any supplement or amendment to the prospectus published by our Company in accordance with the Hong Kong Underwriting Agreement (or any other documents used in connection with the Global Offering) pursuant to the Companies Ordinance, the Companies (WUMP) Ordinance or the Listing Rules or any requirement or request of the Stock Exchange and/or the SFC; or

(xvii) a significant portion of the orders received in the book-building process, or the investment commitments by the cornerstone investor have been withdrawn, terminated or cancelled; or which, individually or in aggregate, in the reasonable opinion of the Overall Coordinator (for itself and on behalf of the Underwriters):

(i) has or is or will or may or could be expected to have a material adverse effect on the management, condition (financial, operational, legal or otherwise), business, prospects, operations, shareholders' equity, as applicable, or results of operations of our Group taken as a whole; or

(ii) has or may or will have a materially adverse effect on the success or pricing of the Global Offering or the level of applications under the Hong Kong Public Offering or the level of interest under the International Offering; or

(iii) makes or will make or is likely to make it inadvisable or inexpedient or impracticable for the Global Offering to be performed or implemented or proceed with as envisaged or to market the Global Offering; or

(iv) has or will or may have the effect of making any part of the Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms.

Indemnity

Our Company, the Controlling Shareholders and the Selling Shareholder have agreed to indemnify the Sole Sponsor, the Overall Coordinator, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters for certain losses which they may suffer, including losses arising from their performance of their obligations under the Hong Kong Underwriting Agreement and any breach by us of the Hong Kong Underwriting Agreement.

Undertakings pursuant to the Hong Kong Underwriting Agreement

Undertakings by our Company

Our Company has, irrevocably and unconditionally, undertaken to each of the Sole Sponsor, the Overall Coordinator, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Syndicate CMIs and the Hong Kong Underwriters that:

(a) except for the issue of the Shares pursuant to the Global Offering (including pursuant to the Over-allotment Option), the Capitalisation Issue, the grant of options under the Share Option Scheme and the issue of Shares upon exercise of any such options or as otherwise with the Overall Coordinator's prior written consent, and unless in compliance with the Listing Rules, our Company will not, and will procure that none of our subsidiaries will, during the period commencing on the date by reference to which disclosure of the shareholding of our Controlling Shareholders in our Company is made in this prospectus and ending on the date which is six months from the Listing Date (the "**First Six-Month Period**"):

(i) offer, accept subscription for, pledge, charge, allot, issue, sell, lend, mortgage, assign, contract to allot, issue or sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, make any short sale, lend or otherwise transfer or dispose of, either directly or indirectly, or repurchase, any of its share capital, debt capital or any securities of our Company or any of our subsidiaries or any interest therein (including but not limited to any warrants and securities convertible into or exercisable or exchangeable for or that represent the right to receive, or any warrants or other rights to purchase, any such share capital or securities or interest therein, as applicable); or

(ii) enter into any swap or other arrangement that transfers to others, in whole or in part, any of the economic consequences of ownership of such share capital, debt capital or other securities of our Company or interest therein; or

(iii) enter into any transaction with the same economic effect as any transaction described in paragraphs (i) or (ii) above; or

(iv) offer to or to agree or contract to, or publicly announce any intention to enter into, any transaction described in paragraphs (i), (ii) or (iii) above,

whether any of the foregoing transactions described in paragraphs (i), (ii) or (iii) above is to be settled by delivery of share capital or such other securities, in cash or otherwise (whether or not the issue of such Shares or other shares or securities will be completed within the First Six-Month Period); and

(b) in the event of our Company doing any of the foregoing by virtue of the aforesaid exceptions or during the period of six months immediately following the expiry of the First Six-Month Period (the "**Second Six-Month Period**"), it will take all reasonable steps to ensure that any such action will not create a disorderly or false market for any Shares or other securities of our Company.

In this "Undertakings pursuant to the Hong Kong Underwriting Agreement" section, "Syndicate CMIs" means any corporation or authorised financial institution, licensed or registered under the SFO that engages in specified activities under paragraph 21.1.1 of the code of conduct for persons licensed by or registered with the SFC ("**Code of Conduct**"), including, without limitation, a capital market intermediary appointed pursuant to the Listing Rules, engaged by the Company to conduct specified activities under paragraphs 21.1.1 and/or 21.2.3 of the Code of Conduct.

Undertakings by the Controlling Shareholders and the Selling Shareholder

Each of the Controlling Shareholders and the Selling Shareholder have jointly and severally undertaken to each of the Sole Sponsor, the Overall Coordinator, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Syndicate CMIs, the Hong Kong Underwriters and the Company that during the First Six-month Period, without the prior written consent of the Overall Coordinator and unless pursuant to the Stock Borrowing Agreement, the Share Option Scheme or any exercise of the Over-allotment Option or otherwise in compliance with the requirements of the Listing Rules, he/she/it shall not:

(i) offer, pledge, charge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of, either directly or indirectly, any of the Shares in respect of which he/she/it is shown in the Prospectus to be directly or indirectly interested in (the "**Relevant Securities**"); or

(ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Relevant Securities; or

(iii) enter or agree (conditionally or unconditionally) to enter into or effect any transaction with the same economic effect as any of the transactions described in paragraphs (i) or (ii) above; or

(iv) offer to or agree or contract to, or publicly announce any intention to enter into or effect any of the transactions described in paragraphs (i) or (ii), or (iii) above,

whether any of the foregoing transactions described in paragraphs (i) or (ii), or (iii) or (iv) above is to be settled by delivery of the Relevant Securities or such other securities, in cash or otherwise (whether or not any such arrangement or transaction will be completed within the First Six-month Period), provided that the foregoing restriction shall not apply to any Shares which any of them may acquire or become interested in following the Listing Date (other than any Shares returned under the Stock Borrowing Agreement) and provided further that any such acquisition or disposal would not result in any breach of Rule 8.08 of the Listing Rule.

Each of the Controlling Shareholders hereby jointly and severally undertakes to each of the Sole Sponsor, the Overall Coordinator, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Syndicate CMIs, the Company and the Hong Kong Underwriters that he/she/it shall not, and shall procure that the relevant registered holder(s) and his/her/its associates or companies controlled by him/her/it and any nominee or trustee holding in trust for him/her/it shall not, without the prior written consent of the Stock Exchange in the Second Six-month Period, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any Relevant Securities held by him/her/it or any of his/her/its associates or companies controlled by him/her/it or any nominee or trustee holding in trust for him/her/it if, immediately following such disposal or upon exercise or enforcement of such options, rights, interest or encumbrances, he/she/it would cease to be the Controlling Shareholder or would together with other Controlling Shareholders cease to be, or be regarded as, a group of the Controlling Shareholders. In the event of a disposal of any of the Shares or securities of our Company directly or indirectly beneficially owned by him/her/it or any interest therein within the Second Six-month Period, the relevant Controlling Shareholder shall take all reasonable steps to ensure that such a disposal will not create a disorderly or false market for any Shares or other securities of our Company.

Each of the Controlling Shareholders and the Selling Shareholder hereby have further undertaken to each of the Sole Sponsor, the Overall Coordinator, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Syndicate CMIs, the Hong Kong Underwriters and the Company that, at any time within the first 12 months from the Listing Date, he/she/it shall:

(i) when he/she/it pledges or charges any securities or interests in the securities of the Company beneficially owned by him/her/it directly or indirectly, immediately inform the Company, the Sole Sponsor, and the Overall Coordinator in writing of such pledges or charges together with the number of securities and nature of interests so pledged or charged; and

(ii) when he/she/it receives indications, either verbal or written, from any pledgee or chargee that any of the pledged or charged securities or interests in the securities of the Company will be sold, transferred or disposed of, immediately inform the Company, the Sole Sponsor, and the Overall Coordinator in writing of such indications.

Undertakings pursuant to the Listing Rules

Undertakings by our Company

Pursuant to Rule 10.08 of the Listing Rules, our Company has undertaken to the Stock Exchange that except pursuant to the Global Offering or issue of Shares under the Over-allotment Option or any issue of Shares or securities in compliance with Rule 10.08(1) to (4) of the Listing Rules, at any time during the the First Six-Month Period (whether or not such issue of Shares or securities will be completed within six months from the commencement of dealing), our Company will not, without the prior consent of the Stock Exchange and unless in compliance with the requirements of the Listing Rules, allot or issue or agree to allot or issue any Shares or other securities of our Company (including warrants or other convertible securities) or grant or agree to grant any options, rights, interests or encumbrances over any Shares or other securities of our Company or enter into any swap or other arrangement that transfers, in whole or in part, any of the economic consequence of ownership of any Shares or offer to or agree to do any of the foregoing or have any intention to do so.

Undertakings by our Controlling Shareholders

In accordance with Rule 10.07(1) of the Listing Rules, our Controlling Shareholders have, irrevocably and unconditionally, undertaken to the Stock Exchange and our Company that except pursuant to the Global Offering (including pursuant to the exercise of the Over-allotment Option) and the Stock Borrowing Agreement (where applicable), he/she/it shall not, and shall procure that the relevant registered holder(s) shall not:

(a) at any time during the First Six-Month Period, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares in respect of which he/she/it is shown by this prospectus to be the beneficial owner(s); and

(b) at any time during the Second Six-Month Period, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares referred to in paragraph (a) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/she/it would cease to be our Controlling Shareholder (as defined in the Listing Rules) or Controlling Shareholders of a member of our Group or would together with the other Controlling Shareholders cease to be, or regarded as, a group of Controlling Shareholders (as defined in the Listing Rules) of our Company.

In accordance with Note (3) to Rule 10.07(2) of the Listing Rules, each of our Controlling Shareholders, irrevocably and unconditionally, have further undertaken to the Stock Exchange and our Company that, within a period commencing on the date by reference to which disclosure of his/her/its shareholding in our Company is made in this prospectus and ending on the date which is 12 months from the Listing Date, he/she/it will:

(a) when he/she/it pledges or charges any Shares or securities of our Company beneficially owned by him/her/it, whether directly or indirectly, in favour of an authorised institution pursuant to Note (2) to Rule 10.07(2) of the Listing Rules, immediately inform our Company in writing of such pledge or charge together with the number of Shares or securities of our Company so pledged or charged; and

(b) if he/she/it receives indications, either verbal or written, from the pledgee or chargee that any of the pledged or charged Shares or securities of our Company beneficially owned by us will be disposed of, immediately inform our Company of such indications.

We will also inform the Stock Exchange as soon as we have been informed of the above matters by the Controlling Shareholders and make a public disclosure in relation to such information by way of an announcement.

INTERNATIONAL UNDERWRITERS

Soochow Securities International Brokerage Limited

Bonus Eventus Securities Limited

China Galaxy International Securities (Hong Kong) Co., Limited

Eddid Securities and Futures Limited

Elstone Securities Limited

First Shanghai Securities Limited

Fosun International Securities Limited

Futu Securities International (Hong Kong) Limited

Grand China Securities Limited

Luk Fook Securities (HK) Limited

Plutus Securities Limited

Sinomax Securities Limited

Sunhigh Financial Holdings Limited

VBG Capital Limited

Wealth Link Securities Limited

Zhongtai International Securities Limited

ZMF Asset Management Limited

International Offering

In connection with the International Offering, it is expected that our Company will enter into the International Underwriting Agreement with the Sole Sponsor, the Overall Coordinator, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the International Underwriters, on terms and conditions that are substantially similar to the Hong Kong Underwriting Agreement as described above and on the additional terms described below.

Under the International Underwriting Agreement, subject to the conditions set out therein, the International Underwriters would, subject to certain conditions, severally, but not jointly, agree to procure subscribers for the International Offer Shares initially being offered pursuant to the International Offering (excluding, for the avoidance of doubt, the Offer Shares which are subject to the Over-allotment Option). The International Underwriting Agreement may be terminated on similar grounds as the Hong Kong Underwriting Agreement. Potential investors shall be reminded that in the event that the International Underwriting Agreement is not entered into, the Global Offering will not proceed.

The International Underwriting Agreement is conditional on and subject to the Hong Kong Underwriting Agreement having been executed, becoming unconditional and not having been terminated. Pursuant to the International Underwriting Agreement, our Company will make similar undertakings as those given pursuant to the Hong Kong Underwriting Agreement as described in the subsection headed "Undertakings to the Hong Kong Underwriters — Undertakings by our Company" in this section of the prospectus.

Commission and Expenses

The Hong Kong Underwriters will, and the International Underwriters are expected to, receive a commission of 6.0% of the aggregate Offer Price of all the Offer Shares (including any Offer Shares to be issued pursuant to the exercise of the Over-allotment Option) of the aggregate Offer Price payable for the Offer Shares underwritten by them, out of which they shall pay any sub-underwriting commissions (the "**Fixed Fees**"). The amount of underwriting commission is estimated to be approximately HK$13.7 million[(1)] (based on the mid-point of our indicative Offer Price range).

Assuming the Over-allotment Option is not exercised and based on an Offer Price of HK$1.20 per Offer Share (being the mid-point of the stated range of the Offer Price between HK$1.05 and HK$1.35 per Offer Share), the aggregate commissions and estimated expenses, together with the Stock Exchange listing fee, SFC transaction levy, AFRC transaction levy, Stock Exchange trading fee, legal and other professional fees, printing and other fees and expenses relating to the Global Offering, are estimated to amount in aggregate to approximately HK$47.0 million in total and are payable by us, save for such underwriting commissions, fees and expenses relating to the sale of the Sale Shares by the Selling Shareholder which will be borne by the Selling Shareholder.

The Selling Shareholder will pay underwriting commission, brokerage, SFC transaction levy, AFRC transaction levy and Stock Exchange trading fee and any stamp or capital duty (if any) or premium duty (if any) in respect of the Sale Shares.

Our Company may, at our sole and absolute discretion, pay to the Overall Coordinator (for itself and on behalf of the Underwriters) for its respective account an incentive fee up to 2.0% of the Offer Price for each Offer Share (the "**Discretionary Fees**").

Assuming the Discretionary Fees are paid in full, the ratio of the Fixed Fees and Discretionary Fees payable is 75:25. Moreover, according to the terms and conditions of the Underwriting Agreements, the Overall Coordinator shall be entitled to 6.0% of the total Discretionary Fees to be paid by our Company.

Note:

(1) The amount of approximately HK$13.7 million is calculated assuming a commission of 6.0% is payable by our Company to Hong Kong Underwriters and International Underwriters.

Assuming the Over-allotment Option is not exercised, the underwriting commission, documentation and advisory fee, listing fees, the Stock Exchange trading fee, the SFC transaction levy, the AFRC transaction levy, legal and other professional fees together with printing and other expenses relating to the Global Offering, assuming an Offer Price of HK$1.20 (being the mid-point of the indicative Offer Price range), are estimated to amount to approximately HK$47.0 million in total, and are payable by our Company.

OVERALL COORDINATOR'S AND UNDERWRITERS' INTEREST IN OUR COMPANY

The Overall Coordinator and the other Underwriters will receive underwriting commissions. Particulars of these underwriting commissions and expenses are set out under the subsection headed "Commission and expenses" above in this section.

We have agreed to appoint Soochow Securities International Capital Limited as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules for the period commencing on the Listing Date and ending on the date on which our Company complies with Rule 13.46 of the Listing Rules in respect of the despatch of our annual report for the first full financial year commencing after the Listing Date.

Save as disclosed above, none of the Underwriters is interested legally or beneficially in shares of any members of our Group or has any right or option (whether legally enforceable or not) to subscribe for or purchase or to nominate persons to subscribe for or purchase securities in any members of our Group nor any interest in the Global Offering.

SOLE SPONSOR'S INDEPENDENCE

The Sole Sponsor satisfies the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules.

MINIMUM PUBLIC FLOAT

Our Directors will ensure that there will be a minimum of 25.0% of the total issued Shares held in public hands in accordance with Rule 8.08 of the Listing Rules after completion of the Global Offering.

THE GLOBAL OFFERING

The Global Offering comprises:

(a) the Hong Kong Public Offering of 25,000,000 Shares (subject to reallocation as mentioned below) for subscription by the public in Hong Kong as described in "The Hong Kong Public Offering" in this section; and

(b) the International Offering of an aggregate of 225,000,000 Shares (comprising 165,000,000 new Shares and 60,000,000 Sale Shares to be offered by the Selling Shareholder, subject to reallocation as mentioned below and the Over-allotment Option) outside the United States (including to professional and institutional investors within Hong Kong) in offshore transactions in reliance on Regulation S, as described in "- The International Offering" below.

Investors may either apply for Offer Shares under the Hong Kong Public Offering or apply for or indicate an interest for Offer Shares under the International Offering, but may not do both. References in this prospectus to applications, **GREEN** Application Form, application monies or the procedures for application relate solely to the Hong Kong Public Offering.

The Offer Shares will represent 25.0% of the total issued share capital of our Company immediately after completion of the Global Offering (assuming that the Over-allotment Option is not exercised).

THE HONG KONG PUBLIC OFFERING

Number of Shares initially offered

We are initially offering 25,000,000 Shares for subscription by the public in Hong Kong at the Offer Price, representing 10.0% of the total number of Shares initially available under the Global Offering. Subject to the reallocation of Shares between the Hong Kong Public Offering and the International Offering, the Hong Kong Offer Shares will initially represent 2.5% of the total issued share capital of our Company immediately following the completion of the Capitalisation Issue and the Global Offering (assuming that the Over-allotment Option is not exercised). The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to professional, institutional and/or other investors. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealings in shares and other securities and corporate entities which regularly invest in shares and other securities.

Completion of the Hong Kong Public Offering is subject to the conditions as set out in the paragraphs headed "Conditions of the Global Offering" in this section.

Allocation

The allocation of the Offer Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

For allocation purposes only, the total number of Offer Shares available under the Hong Kong Public Offering is to be divided equally into two pools:

- Pool A: The Hong Kong Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for the Hong Kong Offer Shares with an aggregate subscription price of HK$5 million or less (excluding brokerage, SFC transaction levy, AFRC transaction levy and Stock Exchange trading fee); and

- Pool B: The Hong Kong Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for the Hong Kong Offer Shares with an aggregate subscription price of more than HK$5 million and up to the total value of pool B (excluding brokerage, SFC transaction levy, AFRC transaction levy and Stock Exchange trading fee payable).

Investors should be aware that applications in Pool A and applications in Pool B may receive different allocation ratios. If Hong Kong Offer Shares in one (but not both) of the pools are under-subscribed, the surplus Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. For the purpose of this paragraph only, the "price" for Offer Shares means the price payable on application therefore (without regard to the Offer Price as finally determined). Applicants can only receive an allocation of Hong Kong Offer Shares from either Pool A or Pool B but not from both pools.

Multiple applications or suspected multiple applications within either pool or between pools and any application for more than 12,500,000 Hong Kong Offer Shares are liable to be rejected.

Reallocation

The allocation of Offer Shares between the Hong Kong Public Offering and the International Offering is subject to adjustment. Paragraph 4.2 of Practice Note 18 of the Listing Rules requires a clawback mechanism to be put in place which would have the effect of increasing the number of Offer Shares under the Hong Kong Public Offering to a certain percentage of the total number of Offer Shares offered under the Global Offering if the International Offering is fully subscribed or oversubscribed and certain prescribed total demand levels are reached under the Hong Kong Public Offering as further described below:

- if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 15 times or more but less than 50 times the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering so that the total number of Offer Shares available under the Hong Kong Public Offering will be 75,000,000 Offer Shares, representing 30% of the Offer Shares initially available under the Global Offering;

- if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 50 times or more but less than 100 times the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased so that the total number of Offer Shares available under the Hong Kong Public Offering will be 100,000,000 Offer Shares, representing 40% of the Offer Shares initially available under the Global Offering; and

- if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 100 times or more the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased so that the total number of Offer Shares available under the Hong Kong Public Offering will be 125,000,000 Offer Shares, representing 50% of the Offer Shares initially available under the Global Offering.

In addition, the Offer Shares to be offered in the Hong Kong Public Offering and the International Offering may, in certain circumstances, be reallocated as between these offerings at the discretion of the Sole Sponsor, subject to the requirements of Guidance Letter HKEX-GL91-18. If the Hong Kong Public Offering is not fully subscribed for, the Overall Coordinator have the authority to reallocate all or any unsubscribed Hong Kong Offer Shares to the International Offering. In addition, the Overall Coordinator may in its discretion reallocate

Offer Shares from the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering. In particular, if (i) the International Offering is not fully subscribed and the Hong Kong Public Offering is fully subscribed or oversubscribed irrespective of the number of times; or (ii) the International Offering is fully subscribed or oversubscribed and the Hong Kong Public Offering is fully subscribed or oversubscribed with the number of Offer Shares validly applied for in the Hong Kong Public Offering representing less than 15 times of the number of Shares initially available for subscription under the Hong Kong Public Offering, the Overall Coordinator have the authority to reallocate International Offer Shares originally included in the International Offering to the Hong Kong Public Offering, subject to the requirements of Guidance Letter HKEX-GL91-18. In accordance with Guidance Letter HKEX-GL91-18 issued by the Stock Exchange, if such reallocation is done other than pursuant to Practice Note 18 of the Listing Rules, (i) the number of International Offer Shares reallocated to the Hong Kong Public Offering must not exceed 25,000,000 Offer Shares, representing 10% of the Offer Shares initially available under the Global Offering, increasing the total number of Offer Shares available under the Hong Kong Public Offering to 50,000,000 Offer Shares, representing double of the initial allocation to the Hong Kong Public Offering and 20% of the Offer Shares initially available under the Global Offering, and (ii) the final Offer Price shall be fixed at HK$1.05 per Offer Share, the low-end of the Offer Price range stated in this prospectus (subject to a Downward Offer Price Adjustment).

In each case, the additional Offer Shares reallocated to the Hong Kong Public Offering will be allocated between Pool A and Pool B and the number of Offer Shares allocated to the International Offering will be correspondingly reduced in such manner as the Sole Sponsor in its discretion considers appropriate.

In the event that both the Hong Kong Public Offering and International Offering are undersubscribed, the Global Offering will not proceed unless the Underwriters would subscribe or procure subscribers for their respective applicable proportions of the Offer Shares being offered which are not taken up under the Global Offering on the terms and conditions of this prospectus, the **GREEN** Application Form and the Underwriting Agreements.

Any such clawback and reallocation between the International Offering and the Hong Kong Public Offering will be completed prior to any adjustments of the number of the Offer Shares pursuant to the exercise of the Over-allotment Option, if any.

Applications

Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the application submitted by him/her/it that he/she/it and any person(s) for whose benefit he is making the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or it has been or will be placed or allocated Offer Shares under the International Offering. Multiple or suspected multiple applications within either pool or between pools and any application for more than 50% of the Hong Kong Offer Shares initially comprised in the Hong Kong Public Offering are liable to be rejected.

Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum price of HK$1.35 per Offer Share in addition to the brokerage, SFC transaction levy, AFRC transaction levy and Stock Exchange trading fee, amounting to a total of HK$2,727.22 per board lot of 2,000 Offer Shares[(1)]. If the Offer Price, as finally determined in the manner described in the "Price Determination of the Global Offering" in this section, is less than the maximum price of HK$1.35 per Offer Share, appropriate refund payments (including the brokerage, SFC transaction levy, AFRC transaction levy and Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. Please refer to the section headed "How to Apply for the Hong Kong Offer Shares" in this prospectus for further details.

Note:

(1) As set out in the "Guide on Trading Arrangements for Selected Types of Corporate Actions" issued by Hong Kong Exchanges and Clearing Limited, it is required that the value of each board lot shall be no less than HK$2,000. Notwithstanding the Downward Offer Price Adjustment, the Board will ensure the value of each board lot shall be more than HK$2,000.

THE INTERNATIONAL OFFERING

Number of Offer Shares offered

The International Offering will consist of an initial offering of 225,000,000 Shares (comprising 165,000,000 new Shares and 60,000,000 Sale Shares to be offered by the Selling Shareholder, subject to reallocation and the Over-allotment Option), representing 90.0% of the total number of Offer Shares initially available under the Global Offering and 22.5% of the total issued share capital immediately after completion of the Capitalisation Issue and the Global Offering (assuming that the Over-allotment Option is not exercised). The International Offering will be offered by us to professional, institutional and/or other investors in Hong Kong.

Allocation

The International Offering will include selective marketing of the International Offer Shares to professional, institutional and/or other investors anticipated to have a sizeable demand for the International Offer Shares. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealings in shares and other securities and corporate entities which regularly invest in shares and other securities. Allocation of the International Offer Shares pursuant to the International Offering will be effected in accordance with the "book-building" process described in "Price Determination of the Global Offering" below and based on a number of factors, including the level and timing of demand, and whether or not it is expected that the relevant investor is likely to buy further Offer Shares, and/or hold or sell its Offer Shares, after the listing of the Offer Shares on the Stock Exchange. Such allocation is intended to result in a distribution of the Offer Shares on a basis which would lead to the establishment of a solid shareholder base to the benefit of our Company and the Shareholders as a whole.

The Overall Coordinator (for itself and on behalf of the Underwriters) may require any investor who has been offered International Offer Shares under the International Offering, and who has made an application under the Hong Kong Public Offering to provide sufficient information to the Overall Coordinator so as to allow them to identify the relevant applications under the Hong Kong Public Offering and to ensure that it is excluded from any application of the Hong Kong Offer Shares under the Hong Kong Public Offering.

Reallocation

The total number of Offer Shares to be issued pursuant to the International Offering may change as a result of the clawback arrangement as described in "The Hong Kong Public Offering — Reallocation" in this section and/or the exercise of the Over-allotment Option in whole or in part. In addition, the Overall Coordinator may reallocate International Offer Shares from the International Offering to the Hong Kong Public Offering to satisfy the valid applications under the Hong Kong Public Offering that exceeds the number of Hong Kong Offer Shares initially offered. The Offer Shares to be offered in the Hong Kong Public Offering and the International Offering may, in certain circumstances, be reallocated as between these offerings at the discretion of the Overall Coordinator, subject to the requirements of Guidance Letter HKEX-GL91-18.

PRICE DETERMINATION OF THE GLOBAL OFFERING

The International Underwriters will be soliciting from prospective investors' indications of interest in acquiring Offer Shares in the International Offering. Prospective investors will be required to specify the number of International Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price. This process, known as "book-building", is expected to continue up to, and to cease on or around, the last day for lodging applications under the Hong Kong Public Offering.

Pricing for the Offer Shares for the purpose of the various offerings under the Global Offering will be fixed on the Price Determination Date, which is expected to be on or about Friday, 24 March 2023 by agreement between the Overall Coordinator (for itself and on behalf of the Underwriters) and our Company (for ourselves and on behalf of the Selling Shareholder), and the number of Offer Shares to be allocated or sold under various offerings will be determined shortly thereafter.

The Offer Price will not be more than HK$1.35 per Offer Share and is expected to be not less than HK$1.05 per Offer Share unless otherwise announced, as further explained below, not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this prospectus (subject to a Downward Offer Price Adjustment). If you apply for the Offer Shares under the Hong Kong Public Offering, you must pay the maximum price of HK$1.35 per Offer Share, plus brokerage of 1%, SFC transaction levy of 0.0027%, AFRC transaction levy of 0.00015% and Stock Exchange trading fee of 0.00565%.

If the Offer Price, as finally determined in the manner described below, is lower than HK$1.35, we will refund the respective difference, including brokerage, SFC transaction levy, AFRC transaction levy and Stock Exchange trading fee attributable to the surplus application monies. We will not pay interest on any refunded amounts. For more details, please refer to the section headed "How to Apply for the Hong Kong Offer Shares" in this prospectus.

The Overall Coordinator (for itself and on behalf of the Underwriters) may, where considered appropriate, based on the level of interest expressed by prospective professional, institutional and/or other investors during the book-building process, and with of our consent (for ourselves and on behalf of the Selling Shareholder), reduce the number of Offer Shares offered in the Global Offering and/or the indicative Offer Price range below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, we will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering, cause there to be published on the website of our Company (**www.jl-ks.cn**) and the website of the Stock Exchange (**www.hkexnews.hk**) a notice of the reduction and to be issued a supplemental prospectus updating investors of the change in the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range, extend the period under which the Hong Kong Public Offering was opened for acceptance to allow potential investors sufficient time to consider their subscriptions or reconsider their submitted subscriptions, and give potential investors who had applied for the Hong Kong Offer Shares the right to withdraw their applications under the Hong Kong Public Offering. Upon issue of such a notice, the number of Offer Shares offered in the Global Offering and/or the revised Offer Price range will be final and conclusive and the Offer Price, if agreed upon by the Overall Coordinator (for itself and on behalf of the Underwriters) and our Company (for ourselves and on behalf of the Selling Shareholder), will be fixed within such revised Offer Price range.

Before submitting applications for the Hong Kong Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offering. In the event there is a reduction in the Offer Shares and/or indicative Offer Price range, if the applicants have already submitted an application for the Hong Kong Offer Shares under the Hong Kong Public Offering, they will be allowed to subsequently withdraw their applications. However, if the Offer Shares and/or the Offer Price range is reduced, applicants will be notified that they are required to confirm their applications. If applicants have been notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked. In the absence of any such notice so published, the Offer Price, if agreed upon by the Overall Coordinator (for itself and on behalf of the Underwriters) and our Company (for ourselves and on behalf of the Selling Shareholder), will under no circumstances be set outside the Offer Price range as stated in this prospectus.

In the event of a reduction in the number of Offer Shares, the Overall Coordinator may, at their discretion, reallocate the number of Offer Shares to be offered in the Hong Kong Public Offering and the International Offering, provided that the number of Offer Shares comprised in the Hong Kong Public Offering shall not be less than 50% of the total number of Offer Shares available under the Global Offering (assuming the Over-allotment Option is not exercised).

The net proceeds of the Global Offering accruing to our Company (after deduction of underwriting fees and estimated expenses payable by our Company in relation to the Global Offering) are estimated to be approximately HK$181.0 million, assuming an Offer Price per Offer Share of HK$1.20 (being the mid-point of the stated indicative Offer Price range of HK$1.05 to HK$1.35 per Offer Share).

Announcement of Offer Price Reduction

The Overall Coordinator (for itself and on behalf of the Underwriters) may, where considered appropriate, based on the level of interest expressed by prospective investors during the book-building process, and with our consent (for ourselves and on behalf of the Selling Shareholder), determine the final Offer Price to be no more than 10% below the bottom end of the indicative Offer Price range, at any time on or prior to the Price Determination Date.

In such situation, the Company will, as soon as practicable following the decision to set the final Offer Price below the bottom end of the indicative Offer Price range, publish on the website of the Stock Exchange (**www.hkexnews.hk**) and the Company's website (**www.jl-ks.cn**) an announcement of the final Offer Price after making a Downward Offer Price Adjustment. Such announcement will be issued before and separate from the announcement of the results of allocations expected to be announced on Thursday, 30 March 2023. The Offer Price announced following making of a Downward Offer Price Adjustment shall be the final Offer Price and shall not be subsequently changed.

In the absence of an announcement that a Downward Offer Price Adjustment has been made, the final Offer Price will not be outside the indicative Offer Price range as disclosed in this prospectus unless the Withdrawal Mechanism is utilised.

If the Overall Coordinator (for itself and on behalf of the Underwriters) and our Company (for ourselves and on behalf of the Selling Shareholder) are unable to reach an agreement on the Offer Price on or before Monday, 27 March 2023, the Global Offering will not become unconditional and will lapse immediately.

Announcement of Final Offer Price

Irrespective of whether a Downward Offer Price Adjustment is made, the final Offer Price, the indications of interest in the Global Offering, the results of applications and the basis of allotment of the Hong Kong Offer Shares available under the Hong Kong Public Offering, are expected to be announced on Thursday, 30 March 2023 on the website of our Company (**www.jl-ks.cn**) and the website of the Stock Exchange (**www.hkexnews.hk**).

UNDERWRITING AGREEMENTS

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriter(s) under the terms of the Hong Kong Underwriting Agreement and is conditional upon the International Underwriting Agreement being signed and becoming unconditional.

Our Company, our Selling Shareholder, our Controlling Shareholders, our executive Directors, the Sole Sponsor, the Overall Coordinator, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the International Underwriters expect to enter into the International Underwriting Agreement relating to the International Offering on or about the Price Determination Date. These underwriting arrangements, and the respective Underwriting Agreements, are summarised in "Underwriting" in this prospectus.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the approval of the listing of, and permission to deal in, the Shares on the Stock Exchange and the compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second settlement day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements have been made for the Shares to be admitted into CCASS.

OVER-ALLOTMENT OPTION

In connection with the Global Offering, it is expected that our Company will grant to the Overall Coordinator (for itself and on behalf of the Underwriters), the Over-allotment Option, exercisable by the Overall Coordinator (for itself and on behalf of the Underwriters)/Stabilising Manager to cover over-allocations under the International Offering (if any). Pursuant to the Over-allotment Option, the Overall Coordinator (for itself and on behalf of the Underwriters)/ Stabilising Manager will have the right, exercisable at any time within the period commencing on the Listing Date and ending on the 30th day after the last date for lodging applications under the Hong Kong Public Offering, to require our Company to issue up to 37,500,000 Shares, representing 15.0% of the Offer Shares initially available under the Global Offering, at the Offer Price under the International Offering to cover over-allocation in the International Offering, if any.

If the Over-allotment Option is exercised in full, the additional Offer Shares will represent approximately 3.61% of the enlarged issued share capital of our Company in issue following completion of the Capitalisation Issue, the Global Offering and the exercise of the Over-allotment Option.

The additional net proceeds that we would receive if the Over-allotment Option is exercised in full (assuming the Offer Price of HK$1.20 per Share (being the mid-point of the indicative Offer Price range)) are estimated to be approximately HK$42.3 million, which would be applied to the respective uses on a pro-rata basis as disclosed in "Future Plans and Use of Proceeds" in this prospectus.

STABILISATION

Stabilisation is a practise used by underwriters in some markets to facilitate the distribution of securities. To stabilise, the underwriters may bid for, or purchase, the securities in the secondary market, during a specified period of time, to retard and, if possible, prevent a decline in the initial public market price of the securities below the Offer Price. Such transactions may be effected in all jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws and regulatory requirements, including those of Hong Kong. In Hong Kong, the price at which stabilisation is effected is not permitted to exceed the Offer Price.

In connection with the Global Offering, the Stabilising Manager, or its affiliates or any person acting for it, on behalf of the Underwriters, may over-allocate or effect transactions with a view to stabilising or supporting the market price of our Shares at a level higher than that which might otherwise prevail in the open market for a limited period commencing on the Listing Date and ending on the 30th day after the last day for the lodging of applications under the Hong Kong Public Offering. However, there is no obligation on the Stabilising Manager or any persons acting for it, to conduct any such stabilising action. Such stabilising action, if taken, will be conducted at the sole and absolute discretion of the Stabilising Manager or its affiliates or any person acting for it and may be discontinued at any time, and is required to be brought to an end on the 30th day after the last day for lodging applications under the Hong Kong Public Offering.

Stabilisation action permitted in Hong Kong under the Securities and Futures (Price Stabilising) Rules of the SFO includes (i) over-allocating for the purpose of preventing or minimising any reduction in the market price of our Shares, (ii) selling or agreeing to sell our Shares so as to establish a short position in them for the purpose of preventing or minimising any reduction in the market price of our Shares, (iii) purchasing, or agreeing to purchase, our Shares pursuant to the Over-allotment Option in order to close out any position established under (i) or (ii) above, (iv) purchasing, or agreeing to purchase, any of our Shares for the sole purpose of preventing or minimising any reduction in the market price of our Shares, (v) selling or agreeing to sell any Shares in order to liquidate any position established as a result of those purchases, and (vi) offering or attempting to do anything as described in (ii), (iii), (iv) or (v) above.

Specifically, prospective applicants for and investors in the Shares should note that:

(a) the Stabilising Manager (or any person acting for it) may, in connection with the stabilising action, maintain a long position in the Shares;

(b) there is no certainty as to the extent to which and the time or period for which the Stabilising Manager (or any person acting for it) will maintain such a long position;

(c) liquidation of any such long position by the Stabilising Manager (or any person acting for it) and selling in the open market, may have an adverse impact on the market price of the Shares;

(d) no stabilising action can be taken to support the price of the Shares for longer than the stabilising period which will begin on the Listing Date and end on the 30th day after the last day for lodging applications under the Hong Kong Public Offering. After such date, when no further action may be taken to support the price of the Shares, demand for the Shares, and therefore the price of the Shares, could fall;

(e) the price of the Shares cannot be assured to stay at or above the Offer Price by the taking of any stabilising action; and

(f) stabilising bids or transactions effected in the course of the stabilising action may be made at any price at or below the Offer Price, which means that stabilising bids or transactions effected may be made at a price below the price paid by applicants for, or investors in, the Offer Shares.

Our Company will ensure or procure that an announcement in compliance with the Securities and Futures (Price Stabilising) Rules of the SFO will be made within seven days of the expiration of the stabilisation period.

Over-allocation

Following any over-allocation of Shares in connection with the Global Offering, the Stabilising Manager (or any person acting for it) may cover such over-allocations by (among other methods) exercising the Over-allotment Option in full or in part, using Shares purchased by the Stabilising Manager (or any person acting for it) in the secondary market at prices that do not exceed the Offer Price, or through the stock borrowing arrangement as detailed below or a combination of these means.

Stock Borrowing Agreement

In order to facilitate the settlement of over-allocations in connection with the Global Offering, the Stabilising Manager (or any person acting for it) may choose to enter into an agreement with CPEP Holdings, our Controlling Shareholder, to borrow, whether on its own or through its affiliates, up to 37,500,000 Shares, representing 15.0% of the total number of the Offer Shares initially available for the Global Offering. The stock borrowing arrangement under such an agreement, if entered into, will not be subject to the restrictions of Rule 10.07(1)(a) of the Listing Rules, provided that the requirements set forth in Rule 10.07(3) of the Listing Rules are complied with as follows:

(a) such stock borrowing arrangement is fully described in this prospectus and must be for the sole purpose of covering any short position prior to the exercise of the Over-allotment Option;

(b) the maximum number of Shares to be borrowed from CPEP Holdings by the Stabilising Manager (or any person acting for it) is the maximum number of Shares that may be issued upon full exercise of the Over-allotment Option;

(c) the same number of Shares so borrowed must be returned to CPEP Holdings or its nominee(s) within three business days following the earlier of (a) the last day on which the Over-allotment Option may be exercised, and (b) the day on which the Over-allotment Option is exercised in full; and

(d) no payment will be made to CPEP Holdings and/or our Controlling Shareholder by the Underwriters and the Stabilising Manager in relation to such stock borrowing arrangement.

CONDITIONS OF THE GLOBAL OFFERING

Acceptance of all applications for the Hong Kong Offer Shares pursuant to the Hong Kong Public Offering will be conditional on:

(a) the Listing Division granting the listing of, and permission to deal in, the Shares being offered pursuant to the Global Offering (including any Shares to be issued upon the exercise of the Over-allotment Option);

(b) the Offer Price having been fixed on or about the Price Determination Date;

(c) the execution and delivery of the International Underwriting Agreement on or about the Price Determination Date; and

(d) the obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement and those of the International Underwriters under the International Underwriting Agreement becoming and remaining unconditional and not having been terminated in accordance with its terms, on or before the dates and times specified in the respective agreements.

If, for any reason, the Offer Price is not agreed between our Company (for ourselves and on behalf of the Selling Shareholder) and Overall Coordinator (for itself and on behalf of the Underwriters), or the International Underwriting Agreement is not entered into, the Global Offering will not proceed.

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Global Offering will be published on our Company's website (**www.jl-ks.cn**) and the Stock Exchange's website (**www.hkexnews.hk**) on the next day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set out in the section headed "How to Apply for the Hong Kong Offer Shares" in this prospectus. In the meantime, all application monies will be held in separate bank account(s) with the receiving banks or other licensed bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

Share certificates for the Shares are expected to be issued on Thursday, 30 March 2023 but will only become valid evidence of title at 8:00 a.m. on Friday, 31 March 2023 provided that (i) the Global Offering has become unconditional in all respects and (ii) the right of termination as described in "Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Grounds for termination" in this prospectus has not been exercised.

DEALINGS

Assuming that the Global Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Friday, 31 March 2023, it is expected that dealings in the Shares on the Stock Exchange will commence at 9:00 a.m. on Friday, 31 March 2023.

The Shares will be traded in board lots of 2,000 Shares each[1]. The stock code of the Shares is 2439.

Note:

(1) As set out in the "Guide on Trading Arrangements for Selected Types of Corporate Actions" issued by Hong Kong Exchanges and Clearing Limited, it is required that the value of each board lot shall be no less than HK$2,000. Notwithstanding the Downward Offer Price Adjustment, the Board will ensure the value of each board lot shall be more than HK$2,000.

IMPORTANT NOTICE TO INVESTORS:
FULLY ELECTRONIC APPLICATION PROCESS

We have adopted a fully electronic application process for the Hong Kong Public Offering. We will not provide printed copies of this prospectus or printed copies of any application forms to the public in relation to the Hong Kong Public Offering.

This prospectus is available at the website of the Stock Exchange at **www.hkexnews.hk** under the "*HKEXnews > New Listings > New Listing Information*" section, and our website at **www.jl-ks.cn**. If you require a printed copy of this prospectus, you may download and print from the website addresses above.

The contents of the electronic version of the prospectus are identical to the printed prospectus as registered with the Registrar of Companies in Hong Kong pursuant to Section 342C of the Companies (WUMP) Ordinance.

Set out below are procedures through which you can apply for the Hong Kong Public Offer Shares electronically. We will not provide any physical channels to accept any application for the Hong Kong Offer Shares by the public.

If you are an intermediary, broker or agent, please remind your customers, clients or principals, as applicable, that this prospectus is available online at the website addresses above.

1. HOW TO APPLY

To apply for the Hong Kong Offer Shares, you may:

(1) apply online through the **HK eIPO White Form** service in the **IPO App** (which can be downloaded by searching "**IPO App**" in App Store or Google Play or downloaded at **www.hkeipo.hk/IPOApp** or **www.tricorglobal.com/IPOApp**) or **www.hkeipo.hk**;

(2) apply through the **CCASS EIPO** service to electronically cause HKSCC Nominees to apply on your behalf, including by:

   (i) instructing your **broker** or **custodian** who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf; or

(ii) (if you are an existing **CCASS Investor Participant**) giving **electronic application instructions** through the CCASS Internet System (**https://ip.ccass.com**) or through the CCASS Phone System by calling +852 2979 7888 (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time). HKSCC can also input **electronic application instructions** for CCASS Investor Participants through HKSCC's Customer Service Centre at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong by completing an input request.

If you apply through channel (1) above, the Hong Kong Offer Shares successfully applied for will be issued in your own name.

If you apply through channels (2)(i) or (2)(ii) above, the Hong Kong Offer Shares successfully applied for will be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

We, the Overall Coordinator, the **HK eIPO White Form** Service Provider and their respective agents may reject or accept any application, in full or in part, for any reason at their discretion.

2. WHO CAN APPLY

Eligibility for the Application

You can apply for the Hong Kong Offer Shares if you or the person(s) for whose benefit you are applying:

— are 18 years of age or older; and

— are outside the United States, and are not a United States Person (as defined in Regulation S under the U.S. Securities Act of 1933, as amended and supplemented or otherwise modified from time to time ("**Regulation S**")).

If you are a firm, the application must be in the individual members' names.

The number of joint applicants may not exceed four.

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares if you:

— are an existing beneficial owner of Shares in our Company and/or any its subsidiaries;

— are a Director or chief executive officer of our Company and/or any of its subsidiaries;

— are a close associate (as defined in the Listing Rules) of any of the above; or

— have been allocated or have applied for or indicated an interest in any International Offer Shares or otherwise participate in the International Offering.

Items Required for the Application

If you apply for the Hong Kong Offer Shares online through the **HK eIPO White Form** service, you must:

— have a valid Hong Kong identity card number/passport number (for individual applicant) or Hong Kong business registration number/certificate of incorporation number (for body corporate applicant);

— have a Hong Kong address; and

— provide a valid e-mail address and a contact telephone number.

If you are applying for the Hong Kong Offer Shares online by instructing your **broker** or **custodian** who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals, please contact them for the items required for the application.

3. TERMS AND CONDITIONS OF AN APPLICATION

By applying through the application channels specified in this prospectus, you (and if you are joint applicants, each of you jointly and severally) for yourself or as an agent or a nominee on behalf of each person for whom you act:

(i) undertake to execute all relevant documents and instruct and authorise our Company and/or the Overall Coordinator (or its agents or nominees), as agents of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;

(ii) agree to comply with the Companies (WUMP) Ordinance, the Companies Ordinance, the Companies Act and the Articles of Association;

(iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;

(iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;

(v) confirm that you are aware of the restrictions on the Global Offering in this prospectus;

(vi) agree that none of our Company, the Selling Shareholder, the Sole Sponsor, the Overall Coordinator, the Joint Global Coordinators, the Joint Bookrunners, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering is or will be liable for any information and representations not in this prospectus (and any supplement to it);

(vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any International Offer Shares under the International Offering nor participated in the International Offering;

(viii) agree to disclose to our Company, the Selling Shareholder, our Hong Kong Share Registrar, the receiving banks, the Sole Sponsor, the Overall Coordinator, the Joint Global Coordinators, the Joint Bookrunners, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;

(ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of our Company, the Selling Shareholder, the Sole Sponsor, the Overall Coordinator, the Joint Global Coordinators, the Joint Bookrunners and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus;

(x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;

(xi) agree that your application will be governed by the laws of Hong Kong;

(xii) represent, warrant and undertake that (i) you understand that the Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Hong Kong Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;

(xiii) warrant that the information you have provided is true and accurate;

(xiv) agree to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;

(xv) authorise our Company to place your name(s) or the name of the HKSCC Nominees, on our Company's register of members as the holder(s) of any Hong Kong Offer Shares allocated to you, and our Company (for ourselves and on behalf of the Selling Shareholder) and/or its agents to send any Share certificate(s) and/or any refund cheque(s) and/or e-Auto Refund payment instruction to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you are eligible to collect the Share certificate(s) and/or refund cheque(s) in person;

(xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;

(xvii) understand that our Company and the Overall Coordinator will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;

(xviii) understand that the Overall Coordinator may reallocate Offer Shares from the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering;

(xix) in accordance with Guidance Letter HKEX-GL91-18 issued by the Stock Exchange, if such reallocation is done other than pursuant to Practice Note 18 of the Listing Rules, the maximum total number of Offer Shares that may be reallocated to the Hong Kong Public Offering following such reallocation shall be not more than double the initial allocation to the Hong Kong Public Offering. Further details of the reallocation are stated in "Structure and Conditions of the Global Offering" in this prospectus;

(xx) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit by giving **electronic application instructions** to HKSCC or to the **HK eIPO White Form** Service Provider by you or by any one as your agent or by any other person; and

(xxi) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person by giving **electronic application instructions** to HKSCC or to the **HK eIPO White Form** Service Provider; and (ii) you have due authority to give **electronic application instructions** on behalf of that other person as their agent.

4. MINIMUM APPLICATION AMOUNT AND PERMITTED NUMBERS

Your application through the **HK eIPO White Form** service or the **CCASS EIPO** service must be for a minimum of 2,000 Hong Kong Offer Shares[(1)] and in one of the number of Hong Kong Offer Shares as set out in the table below. You are required to pay the amount next to the number you select.

No. of Hong Kong Offer Shares applied for	Amount payable on application	No. of Hong Kong Offer Shares applied for	Amount payable on application	No. of Hong Kong Offer Shares applied for	Amount payable on application	No. of Hong Kong Offer Shares applied for	Amount payable on application
	HK$		*HK$*		*HK$*		*HK$*
2,000	2,727.22	40,000	54,544.59	600,000	818,168.86	8,000,000	10,908,918.00
4,000	5,454.47	50,000	68,180.73	700,000	954,530.33	9,000,000	12,272,532.76
6,000	8,181.69	60,000	81,816.89	800,000	1,090,891.80	10,000,000	13,636,147.50
8,000	10,908.92	70,000	95,453.03	900,000	1,227,253.28	11,000,000	14,999,762.26
10,000	13,636.14	80,000	109,089.18	1,000,000	1,363,614.76	12,500,000[(2)]	17,045,184.38
12,000	16,363.38	90,000	122,725.32	2,000,000	2,727,229.50		
14,000	19,090.61	100,000	136,361.48	3,000,000	4,090,844.26		
16,000	21,817.83	200,000	272,722.96	4,000,000	5,454,459.00		
18,000	24,545.07	300,000	409,084.43	5,000,000	6,818,073.76		
20,000	27,272.30	400,000	545,445.90	6,000,000	8,181,688.50		
30,000	40,908.44	500,000	681,807.38	7,000,000	9,545,303.26		

Notes:

(1) As set out in the "Guide on Trading Arrangements for Selected Types of Corporate Actions" issued by Hong Kong Exchanges and Clearing Limited, it is required that the value of each board lot shall be no less than HK$2,000. Notwithstanding the Downward Offer Price Adjustment, the Board will ensure the value of each board lot shall be more than HK$2,000.

(2) Maximum number of Hong Kong Offer Shares you may apply for.

No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

5. APPLYING THROUGH HK eIPO WHITE FORM SERVICE

General

Applicants who meet the criteria in "2. Who Can Apply" in this section above may apply through the **HK eIPO White Form** service for the Hong Kong Offer Shares to be allotted and registered in their own names through the **IPO App** or the designated website at **www.hkeipo.hk**.

Detailed instructions for application through the **HK eIPO White Form** service are in the **IPO App** or on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to our Company. If you apply through the **IPO App** or the designated website, you authorise the **HK eIPO White Form** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **HK eIPO White Form** service.

Time for submitting applications under the HK eIPO White Form service

You may submit your application to the **HK eIPO White Form** Service Provider in the **IPO App** or at **www.hkeipo.hk** (24 hours daily, except on the last application day) from 9:00 a.m. on Tuesday, 21 March 2023 until 11:30 a.m. on Friday, 24 March 2023 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Friday, 24 March 2023 or such later time set forth in "10. Effect of Bad Weather and/or Extreme Conditions on the Opening and Closing of the Application Lists" in this section.

No multiple applications

If you apply by means of the **HK eIPO White Form** service, once you complete payment in respect of any **electronic application instructions** given by you or for your benefit through the **HK eIPO White Form** service to make an application for the Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving **electronic application instructions** under the **HK eIPO White Form** service more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **HK eIPO White Form** service or by any other means, all of your applications are liable to be rejected.

Section 40 of the Companies (WUMP) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (WUMP) Ordinance (as applied by Section 342E of the Companies (WUMP) Ordinance).

6. APPLYING THROUGH THE CCASS EIPO SERVICE

General

CCASS Participants may give **electronic application instructions** to apply for the Hong Kong Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a **CCASS Investor Participant**, you may give these **electronic application instructions** through the CCASS Phone System by calling (852) 2979 7888 or through the CCASS Internet System (**https://ip.ccass.com**) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Centre
1/F., One & Two Exchange Square
8 Connaught Place
Central, Hong Kong

and complete an input request form.

If you are not a **CCASS Investor Participant**, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Selling Shareholder, the Sole Sponsor, the Overall Coordinator and our Hong Kong Share Registrar.

Applying through the CCASS EIPO Service

Where you have applied through the **CCASS EIPO** service (either indirectly through a broker or custodian or directly) and an application is made by HKSCC Nominees on your behalf:

By applying through the **CCASS EIPO** service, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees will be liable to us or any other person in respect of the things mentioned below:

(i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of this prospectus;

(ii) HKSCC Nominees will do the following things on your behalf:

— agree that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;

— agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated;

— undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any International Offer Shares under the International Offering;

— (if the **electronic application instructions** are given for your benefit) declare that only one set of **electronic application instructions** has been given for your benefit;

— (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorised to give those instructions as their agent;

— confirm that you understand that our Company, our Directors, the Selling Shareholder, the Sole Sponsor, the Overall Coordinator, the Joint Global Coordinators, the Joint Bookrunners or the Hong Kong Underwriters will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted if you make a false declaration;

— authorise our Company to place HKSCC Nominees' name on our Company's register of members as the holder of the Hong Kong Offer Shares allocated to you and to send Share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;

— confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;

— confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;

— agree that none of our Company, the Selling Shareholder, the Sole Sponsor, the Overall Coordinator, the Joint Global Coordinators, the Joint Bookrunners, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);

— agree to disclose your personal data to our Company, the Selling Shareholder, our Hong Kong Share Registrar, the receiving banks, the Sole Sponsor, the Overall Coordinator, the Joint Global Coordinators, the Joint Bookrunners, the Underwriters and/or its respective advisers and agents;

— agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;

— agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Hong Kong Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in

Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (WUMP) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;

— agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by our Company's announcement of the Hong Kong Public Offering results;

— agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving **electronic application instructions** to apply for Hong Kong Offer Shares;

— agree with our Company, for itself and for the benefit of each Shareholder (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies (WUMP) Ordinance, the Companies Ordinance, the Companies Act and the Articles of Association; and

— agree that your application, any acceptance of it and the resulting contract will be governed by the laws of Hong Kong.

Effect of Applying through the CCASS EIPO Service

By applying through the **CCASS EIPO** service, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

— instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;

— instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy, AFRC transaction levy and Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy, AFRC transaction levy and Stock Exchange trading fee) by crediting your designated bank account; and

— instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in this prospectus.

Time for inputting electronic application instructions *(Note)*

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates[(1)]:

Tuesday, 21 March 2023 — 9:00 a.m. to 8:30 p.m.
Wednesday, 22 March 2023 — 8:00 a.m. to 8:30 p.m.
Thursday. 23 March 2023 — 8:00 a.m. to 8:30 p.m.
Friday, 24 March 2023 — 8:00 a.m. to 12:00 noon

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Tuesday, 21 March 2023 until 12:00 noon on Friday, 24 March 2023 (24 hours daily, except on Friday, 24 March 2023, the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Friday, 24 March 2023, the last application day or such later time as described in "10. Effect of Bad Weather and/or Extreme Conditions on the Opening and Closing of the Application Lists" in this section.

Note: These times in this sub-section are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants and/or CCASS Investor Participants.

No multiple applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any

electronic application instructions to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (WUMP) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (WUMP) Ordinance (as applied by Section 342E of the Companies (WUMP) Ordinance).

Personal data

The section of the **GREEN** Application Form headed "Personal Data" applies to any personal data held by our Company, our Hong Kong Share Registrar, the receiving banks, the Sole Sponsor, the Overall Coordinator, the Joint Global Coordinators, the Joint Bookrunners, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

By applying through the CCASS EIPO service or the HK eIPO White Form service, you agree to all of the terms of the Personal Information Collection Statement below.

Personal Information Collection Statement

This Personal Information Collection Statement informs the applicant for and holder of the Shares of the policies and practises of our Company and our Hong Kong Share Registrar in relation to personal data and the Personal Data (Privacy) Ordinance (Cap. 486 of the Laws of Hong Kong) (the "**PDPO**").

Reasons for the collection of your personal data

From time to time it is necessary for applicants for securities of our Company or registered holders of securities of our Company to supply their latest correct personal data to our Company or our agents and/or our Hong Kong Share Registrar when applying for securities of our Company or transferring securities of our Company into or out of their names or in procuring the services of our Hong Kong Share Registrar.

Failure to supply the requested data may result in your application for securities of our Company being rejected or in delay or inability of our Company and/or our Hong Kong Share Registrar to effect transfers or otherwise render our/their services. It may also prevent or delay registration or transfer of the Hong Kong Offer Shares which you have successfully applied for and/or the despatch of Share certificate(s), and/or the despatch of e-Auto Refund payment instructions, and/or the despatch of refund cheque (s) to which you are entitled.

It is important that holders of securities of our Company inform our Company and our Hong Kong Share Registrar immediately of any inaccuracies in the personal data supplied.

Purposes

The personal data of the applicants and the holders of securities of our Company may be used, held and/or stored (by whatever means) for the following purposes:

- processing of your application and e-Auto Refund payment instructions/refund cheque, where applicable, and verification of compliance with the terms and application procedures set out in the **GREEN** Application Form and this prospectus and announcing results of allocation of the Hong Kong Offer Shares;
- enabling compliance with all applicable laws and regulations in Hong Kong and elsewhere;
- registering new issues or transfers into or out of the names of holders of securities of our Company including, where applicable, in the name of HKSCC Nominees;
- maintaining or updating the registers of holders of securities of our Company;
- conducting or assisting to conduct signature verifications, any other verification or exchange of information;
- establishing benefit entitlements of holders of securities of our Company, such as dividends, rights issues and bonus issues, etc;
- distributing communications from our Company and our subsidiaries;
- compiling statistical information and Shareholder profiles;
- making disclosures as required by laws, rules or regulations;

- disclosing identities of successful applicants for securities of our Company by way of press announcement(s) or otherwise;
- disclosing relevant information to facilitate claims on entitlements; and
- any other incidental or associated purposes relating to the above and/or to enable our Company and our Hong Kong Share Registrar to discharge our/their obligations to holders of securities of our Company and/or regulators and/or any other purpose to which the holders of securities of our Company may from time to time agree.

Transfer of personal data

Personal data held by our Company and our Hong Kong Share Registrar relating to the holders of securities of our Company will be kept confidential but our Company and our Hong Kong Share Registrar may, to the extent necessary for achieving the above purposes or any of them, make such enquiries as considered necessary to confirm the accuracy of the personal data and in particular, disclose, obtain, transfer (whether within or outside Hong Kong) the personal data of the holders of securities of our Company to, from or with any and all of the following persons and entities:

- our Company or our appointed agents such as financial advisers, receiving bankers and overseas principal registrars;
- where applicants for securities of our Company request deposit into CCASS, to HKSCC and HKSCC Nominees, who will use the personal data for the purposes of operating CCASS;
- any agents, contractors or third-party service providers who offer administrative, telecommunications, computer, payment or other services to our Company and/or our Hong Kong Share Registrar in connection with the operation of their respective businesses;
- the Stock Exchange, the SFC and any other statutory, regulatory or governmental bodies; and
- any other persons or institutions with which the holders of securities of our Company have or propose to have dealings, such as their bankers, solicitors, accountants or stockbrokers, etc.

Retention of personal data

Our Company and our Hong Kong Share Registrar will keep the personal data of the applicants and holders of securities of our Company for as long as necessary to fulfil the purposes for which the personal data were collected. Personal data which is no longer required will be destroyed or dealt with in accordance with the PDPO.

Access and correction of personal data

The PDPO provides the holders of securities of our Company with rights to ascertain whether our Company or our Hong Kong Share Registrar hold their personal data, to obtain a copy of that data, and to correct any data that is inaccurate. In accordance with the PDPO, our Company and our Hong Kong Share Registrar have the right to charge a reasonable fee for the processing of any data access request. All requests for access to data or correction of data or for information regarding policies and practises and the kinds of data held should be addressed to our Company at our registered office disclosed in “Corporate Information” in this prospectus or as notified from time to time in accordance with applicable law, for the attention of the secretary or (as the case may be) our Hong Kong Share Registrar for the attention of the privacy compliance officer for the purposes of the PDPO.

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Hong Kong Offer Shares by the **CCASS EIPO** service (directly or indirectly through your broker or custodian) is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Offer Shares through the **HK eIPO White Form** service is also only a facility provided by the **HK eIPO White Form** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, our Directors, the Sole Sponsor, the Overall Coordinator, the Joint Global Coordinators, the Joint Bookrunners and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant will be allotted any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should go to HKSCC’s Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Friday, 24 March 2023, the last day for applications, or such later time as described in “10. Effect of Bad Weather and/or Extreme Conditions on the Opening and Closing of the Application Lists” in this section.

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees. If you are a nominee and apply through the **HK eIPO White Form** service, in the box marked "For Nominees", you must include an account number or some other identification code for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner when you fill in the application details. If you do not include this information, the application will be treated as being made for your own benefit.

All of your applications will be rejected if more than one application through the **CCASS EIPO** service (directly or indirectly through your broker or custodian) or through the **HK eIPO White Form** service, is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**, and the number of Hong Kong Offer Shares applied by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your behalf. For the avoidance of doubt, giving an **electronic application instruction** under the **HK eIPO White Form** service more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application. However, any **electronic application instructions** to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC will be deemed to be an actual application for the purposes of considering whether multiple applications have been made).

The Hong Kong Share Registrar would record all applications into its system and identify suspected multiple applications with identical names, identification document numbers and reference numbers according to the Best Practice Note on Treatment of Multiple/Suspected Multiple Applications ("**Best Practice Note**") issued by the Federation of Share Registrars Limited.

With regard to the announcement of results of allocations under "Results of Applications Made by Giving Electronic Application Instructions to HKSCC via CCASS", the list of identification document number(s) may not be a complete list of successful applicants, only successful applicants whose identification document numbers are provided to HKSCC by CCASS Participants are disclosed. Applicants who applied for the Offer Shares through their brokers can consult their brokers to enquire about their application results.

Since applications are subject to personal information collection statements, beneficial owner identification codes displayed are redacted. Applicants with beneficial names only but not identification document numbers are not disclosed due to personal privacy issue.

If an application is made by an unlisted company and:

— the principal business of that company is dealings in securities; and

— you exercise statutory control over that company, then the application will be treated as being for your benefit.

"*Unlisted company*" means a company with no equity securities listed on the Stock Exchange.

"*Statutory control*" means you:

— control the composition of the board of directors of the company;

— control more than half of the voting power of the company; or

— hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

9. HOW MUCH ARE THE HONG KONG OFFER SHARES

The maximum Offer Price is HK$1.35 per Offer Share. You must also pay brokerage of 1%, SFC transaction levy of 0.0027%, AFRC transaction levy of 0.00015% and Stock Exchange trading fee of 0.00565%. This means that for one board lot of 2,000 Hong Kong Offer Shares (1), you will pay HK$2,727.22.

You must pay the maximum Offer Price, brokerage, SFC transaction levy, AFRC transaction levy and Stock Exchange trading fee in full upon application for Shares under the terms set out in this prospectus.

Note:

(1) As set out in the "Guide on Trading Arrangements for Selected Types of Corporate Actions" issued by Hong Kong Exchanges and Clearing Limited, it is required that the value of each board lot shall be no less than HK$2,000. Notwithstanding the Downward Offer Price Adjustment, the Board will ensure the value of each board lot shall be more than HK$2,000.

You may submit an application through the **HK eIPO White Form** service in respect of a minimum of 2,000 Hong Kong Offer Shares[(1)]. Each application or electronic application instructions in respect of more than 2,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in this prospectus, or otherwise specified in the **IPO App** or on the designated website at **www.hkeipo.hk**.

If your application is successful, brokerage will be paid to the Exchange Participants (as defined in the Listing Rules), and the SFC transaction levy, AFRC transaction levy and Stock Exchange trading fee will be paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC and in the case of the AFRC transaction levy, collected by the Stock Exchange on behalf of the AFRC).

For further details on the Offer Price, please refer to the section headed "Structure and Conditions of the Global Offering" in this prospectus.

10. EFFECT OF BAD WEATHER AND/OR EXTREME CONDITIONS ON THE OPENING AND CLOSING OF THE APPLICATION LISTS

The application lists will not open if there is/are:

— a tropical cyclone warning signal number 8 or above;

— a "black" rainstorm warning; and/or

— Extreme Conditions

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, 24 March 2023. Instead they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warnings and/or Extreme Conditions in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Friday, 24 March 2023 or if there is/are a tropical cyclone warning signal number 8 or above, a "black" rainstorm warning signal and/or Extreme Conditions in force in Hong Kong that may affect the dates mentioned in "Expected Timetable" in this prospectus, an announcement will be made in such event.

Note:

(1) As set out in the "Guide on Trading Arrangements for Selected Types of Corporate Actions" issued by Hong Kong Exchanges and Clearing Limited, it is required that the value of each board lot shall be no less than HK$2,000. Notwithstanding the Downward Offer Price Adjustment, the Board will ensure the value of each board lot shall be more than HK$2,000.

11. PUBLICATION OF RESULTS

Our Company expects to announce the final Offer Price, the level of indications of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares on Thursday, 30 March 2023 on our Company's website at **www.jl-ks.cn** and the website of the Stock Exchange at **www.hkexnews.hk**.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration/certificate of incorporation numbers of successful applicants under the Hong Kong Public Offering will be available at the times and date and in the manner specified below:

— in the announcement to be posted on our Company's website at **www.jl-ks.cn** and the Stock Exchange's website at **www.hkexnews.hk** by no later than 9:00 a.m. on Thursday, 30 March 2023;

— from the "IPO Results" function in the **IPO App** or at **www.hkeipo.hk/IPOResult** (or **www.tricor.com.hk/ipo/result**) with a "search by ID" function on a 24-hour basis from 8:00 a.m. on Thursday, 30 March 2023 to 12:00 midnight on Wednesday, 5 April 2023;

— by results of allocation telephone enquiry line by calling (852) 3691 8488 between 9:00 a.m. and 6:00 p.m. from Thursday, 30 March 2023 to Tuesday, 4 April 2023 on a business day;

If our Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are contained in "Structure and Conditions of the Global Offering" in this prospectus.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED HONG KONG OFFER SHARES

You should note the following situations in which the Hong Kong Offer Shares will not be allotted to you:

(i) If your application is revoked:

By applying through the **CCASS EIPO** service or through the **HK eIPO White Form** service, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies (WUMP) Ordinance (as applied by Section 342E of the Companies (WUMP) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(ii) If our Company or our agents exercise their discretion to reject your application:

Our Company, the Sole Sponsor and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(iii) If the allotment of Hong Kong Offer Shares is void:

The allotment of Hong Kong Offer Shares will be void if the Listing Division does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Division notifies our Company of that longer period within three weeks of the closing date of the application lists.

(iv) If:

— you make multiple applications or are suspected of making multiple applications;

— you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and International Offer Shares;

— your payment is not made correctly;

— your electronic application instructions through the **HK eIPO White Form** service are not completed in accordance with the instructions, terms and conditions in the **IPO App** or on the designated website **www.hkeipo.hk**;

— the Underwriting Agreements do not become unconditional or are terminated;

— our Company or the Overall Coordinator believes that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or

— your application is for more than 50% of the Hong Kong Offer Shares initially available for subscription under the Hong Kong Public Offering.

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum Offer Price of HK$1.35 per Offer Share (excluding brokerage, SFC transaction levy, AFRC transaction levy and Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offering set out in the section headed "Structure and Conditions of the Global Offering — Conditions of the Global Offering" in this prospectus are not fulfilled or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy, AFRC transaction levy and Stock Exchange trading fee, will be refunded, without interest.

Any refund of your application monies will be made on Thursday, 30 March 2023.

14. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one Share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made through the **CCASS EIPO** service where the Share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application.

Subject to arrangement on despatch/collection of Share certificates and refund monies as mentioned below, any refund cheques and Share certificates are expected to be posted on or around Thursday, 30 March 2023. The right is reserved to retain any Share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker's cashier order(s).

Share certificates will only become valid at 8:00 a.m. on Friday, 31 March 2023 provided that the Global Offering has become unconditional and the right of termination described in "Underwriting" in this prospectus has not been exercised. Investors who trade Shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.

Personal Collection

(i) If you apply through the HK eIPO White Form service

If you apply for 1,000,000 Hong Kong Offer Shares or more and your application is wholly or partially successful, you may collect your Share certificate from our Hong Kong Share Registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Thursday, 30 March 2023, or such other date as notified by our Company as the date of despatch/collection of Share certificate and e-Auto Refund payment instructions/refund cheques.

If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorization from your corporation stamped with your corporation's chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Share Registrar.

If you do not collect your Share certificate personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on or before Thursday, 30 March 2023 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Auto Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address as specified in your application instructions in the form of refund cheque in favour of the applicant (or, in the case of joint applications, the first-named applicant) by ordinary post at your own risk.

(ii) If you apply through the CCASS EIPO service

Allocation of Hong Kong Offer Shares

For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of Share certificates into CCASS and refund of application monies

— If your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Thursday, 30 March 2023, or, on any other date determined by HKSCC or HKSCC Nominees.

— Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offering in the manner specified in "11. Publication of Results" in this section above on Thursday, 30 March 2023. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, 30 March 2023 or such other date as determined by HKSCC or HKSCC Nominees.

— If you have instructed your broker or custodian to give electronic application instructions on your behalf, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.

— If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Thursday, 30 March 2023. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

— Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy, AFRC transaction levy and Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Thursday, 30 March 2023.

15. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants is required to take place in CCASS on the second settlement day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbrokers or other professional advisers for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

The following is the text of a report, prepared for the purpose of incorporation in this prospectus, received from the Company's independent reporting accountants, Mazars CPA Limited, Certified Public Accountants, Hong Kong.

mazars
中审众环

INDEPENDENT REPORTING ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION OF CHINA TREASURES NEW MATERIALS GROUP LTD.

The Directors
China Treasures New Materials Group Ltd.
Soochow Securities International Capital Limited

Introduction

We report on the historical financial information of China Treasures New Materials Group Ltd. (the "**Company**") and its subsidiaries (hereinafter collectively referred to as the "**Group**") set out on pages I-5 to I-89, which comprises the combined statements of financial position of the Group at 31 December 2019, 2020 and 2021 and 30 September 2022, and the statement of financial position of the Company at 30 September 2022, and the combined statements of profit or loss and other comprehensive income, the combined statements of changes in equity and the combined statements of cash flows of the Group for each of the years ended 31 December 2019, 2020 and 2021 and the nine months ended 30 September 2022 (the "**Track Record Period**") and a summary of significant accounting policies and other explanatory information (together the "**Historical Financial Information**"). The Historical Financial Information set out on pages I-5 to I-89 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 21 March 2023 (the "**Prospectus**") issued in connection with the initial listing of shares of the Company (the "**Initial Listing**") on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depended on our judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, we considered internal control relevant to the Group's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Company, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the financial position of the Group at 31 December 2019, 2020 and 2021 and 30 September 2022, the financial position of the Company at 30 September 2022, and of the Group's financial performance and cash flows for the Track Record Period in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Group which comprises the combined statement of profit or loss and other comprehensive income, the combined statement of changes in equity and the combined statement of cash flows for the nine months ended 30 September 2021 and other explanatory information (together the "**Stub Period Comparative Financial Information**"). The directors of the Company are responsible for the preparation of the Stub Period Comparative Financial Information in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information.

REPORT ON OTHER MATTERS UNDER THE RULES GOVERNING THE LISTING OF SECURITIES ON THE MAIN BOARD OF THE STOCK EXCHANGE AND THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to Note 12 to the Historical Financial Information which contains information about the dividends declared by entities now comprising the Group in respect of the Track Record Period.

Preparation or audit of financial statements

At the date of this report, no statutory audited financial statements have been prepared for the Company since its date of incorporation.

Note 1 to the Historical Financial Information contains information about whether the financial statements of the members of the Group for the Track Record Period have been audited and, if applicable, the name of the auditors.

Mazars CPA Limited
Certified Public Accountants, Hong Kong

21 March 2023

HISTORICAL FINANCIAL INFORMATION OF THE GROUP

Preparation of the Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The combined financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were prepared by directors of the Company in accordance with the accounting policies that conform with International Financial Reporting Standards ("**IFRSs**") issued by the International Accounting Standards Board (the "**IASB**") (the "**Underlying Financial Statements**") and were audited by Mazars CPA Limited, *Certified Public Accountants, Hong Kong,* in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The Historical Financial Information is presented in Renminbi ("**RMB**"), and all values are rounded to the nearest thousand (RMB'000) except otherwise indicated.

COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 December			Nine months ended 30 September	
		2019	**2020**	**2021**	**2021**	**2022**
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Revenue	*5*	102,700	166,722	256,740	190,262	214,111
Cost of sales		(61,091)	(96,585)	(143,608)	(105,276)	(128,126)
Gross profit		41,609	70,137	113,132	84,986	85,985
Other income	*6*	1,144	1,066	1,208	803	594
Selling and distribution expenses		(1,143)	(894)	(1,409)	(996)	(3,589)
Administrative and other operating expenses		(7,877)	(10,342)	(13,311)	(9,309)	(13,484)
Finance costs	*7*	(2,166)	(2,853)	(3,429)	(2,654)	(2,451)
Listing expenses		—	—	(4,214)	—	(12,152)
Profit before tax	*7*	31,567	57,114	91,977	72,830	54,903
Income tax expenses	*10*	(4,426)	(7,842)	(13,560)	(10,680)	(9,407)
Profit for the year/period		27,141	49,272	78,417	62,150	45,496

		Year ended 31 December			Nine months ended 30 September	
		2019	2020	2021	2021	2022
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(Unaudited)	
Other comprehensive loss:						
Item that will not be reclassified to profit or loss						
Translation of the Company's financial statement into presentation currency		—	—	—	—	(4)
Item that may be reclassified subsequently to profit or loss						
Exchange difference on combination/consolidation		—	—	—	—	(393)
Total other comprehensive loss		—	—	—	—	(397)
Total comprehensive income for the year/period		27,141	49,272	78,417	62,150	45,099
Profit for the year/period attributable to:						
Owners of the Company		27,141	49,272	78,417	62,150	45,178
Non-controlling interests		—	—	—	—	318
		27,141	49,272	78,417	62,150	45,496
Total comprehensive income for the year/period attributable to:						
Owners of the Company		27,141	49,272	78,417	62,150	44,781
Non-controlling interests		—	—	—	—	318
		27,141	49,272	78,417	62,150	45,099

COMBINED STATEMENTS OF FINANCIAL POSITION

		At 31 December			At 30 September
		2019	2020	2021	2022
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets					
Property, plant and equipment	*13*	43,834	41,064	38,385	65,188
Right-of-use assets	*14*	1,357	2,205	8,015	30,844
Intangible assets	*15*	—	—	—	93
Deposits paid for acquisition of property, plant and equipment	*30*	208	4,518	400	—
Deferred tax assets	*21*	981	910	732	584
		46,380	48,697	47,532	96,709
Current assets					
Inventories	*16*	30,876	31,639	13,980	33,593
Trade and other receivables	*17*	48,139	53,241	73,582	79,628
Bank balances and cash		34,045	97,895	90,428	86,922
		113,060	182,775	177,990	200,143
Current liabilities					
Trade and other payables	*18*	12,663	11,557	31,189	34,821
Interest-bearing borrowings	*19*	30,000	44,579	40,496	39,402
Lease liabilities	*20*	159	422	2,940	11,467
Deferred income	*22*	489	489	489	489
Income tax payables		561	1,178	1,792	2,482
		43,872	58,225	76,906	88,661
Net current assets		69,188	124,550	101,084	111,482
Total assets less current liabilities		115,568	173,247	148,616	208,191
Non-current liabilities					
Interest-bearing borrowings	*19*	—	497	—	—
Lease liabilities	*20*	206	554	4,341	18,817
Deferred income	*22*	4,307	3,818	3,329	2,961
		4,513	4,869	7,670	21,778
NET ASSETS		111,055	168,378	140,946	186,413
Capital and reserves					
Share capital	*23*	—	—	—	8
Reserves	*24*	111,055	168,378	140,946	184,401
Equity attributable to owners of the Company		111,055	168,378	140,946	184,409
Non-controlling interests		—	—	—	2,004
TOTAL EQUITY		111,055	168,378	140,946	186,413

STATEMENT OF FINANCIAL POSITION

	Note	At 30 September 2022 RMB'000
Non-current assets		
Investments in subsidiaries	23(b)	—*
Current assets		
Other receivables and prepayments		9
Due from a subsidiary	23(c)	5,519
Bank balances and cash		3
		5,531
Current liabilities		
Other payables	23(e)	14,909
Amount due to a subsidiary	23(c)	1,440
		16,349
Net current liabilities		(10,818)
Total assets less current liabilities		(10,818)
NET LIABILITIES		(10,818)
Capital and reserves		
Share capital	23(a)	8
Reserves	23(d)	(10,826)
TOTAL EQUITY		(10,818)

* *Represent amounts less than RMB1,000.*

COMBINED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company							
		Reserves						
	Share capital	Capital reserve	Statutory reserve	Translation reserve	Accumulated profits	Total	Non-controlling interests	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 23(a))	*(Note 24(a))*	*(Note 24(b))*	*(Note 24(c))*				
At 1 January 2019	—	68,065	2,354	—	13,371	83,790	—	83,790
Profit and total comprehensive income for the year	—	—	—	—	27,141	27,141	—	27,141
Transactions with owners:								
Contributions and distributions								
Capital contribution made by the then shareholders on Yizheng Juxinyuan *(as defined in Note 1) (Note 24(a)(i))*	—	124	—	—	—	124	—	124
Appropriation to statutory reserve	—	—	2,809	—	(2,809)	—	—	—
Total transactions with owners	—	124	2,809	—	(2,809)	124	—	124
At 31 December 2019	—	68,189	5,163	—	37,703	111,055	—	111,055
At 1 January 2020	—	68,189	5,163	—	37,703	111,055	—	111,055
Profit and total comprehensive income for the year	—	—	—	—	49,272	49,272	—	49,272
Transactions with owners:								
Contributions and distributions								
Capital contribution made by the then shareholders on Jilin Kaishun *(as defined in Note 1) (Note 24(a)(ii))*	—	8,000	—	—	—	8,000	—	8,000
Capital contribution made by the then shareholders on Yizheng Juxinyuan *(Note 24(a)(i))*	—	51	—	—	—	51	—	51
Appropriation to statutory reserve	—	—	4,830	—	(4,830)	—	—	—
Total transactions with owners	—	8,051	4,830	—	(4,830)	8,051	—	8,051
At 31 December 2020	—	76,240	9,993	—	82,145	168,378	—	168,378

	Attributable to owners of the Company							
		Reserves						
	Share capital	Capital reserve	Statutory reserve	Translation reserve	Accumulated profits	Total	Non-controlling interests	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 23(a))	*(Note 24(a))*	*(Note 24(b))*	*(Note 24(c))*				
At 1 January 2021	—	76,240	9,993	—	82,145	168,378	—	168,378
Profit and total comprehensive income for the year	—	—	—	—	78,417	78,417	—	78,417
Transactions with owners:								
Contributions and distributions								
Capital contribution made by the Investors on Jilin Kaishun *(Note 24(a)(iii))*	—	31,110	—	—	—	31,110	—	31,110
Dividends *(Note 12)*	—	—	—	—	(136,959)	(136,959)	—	(136,959)
Appropriation to statutory reserve	—	—	8,112	—	(8,112)	—	—	—
Total transactions with owners	—	31,110	8,112	—	(145,071)	(105,849)	—	(105,849)
At 31 December 2021	—	107,350	18,105	—	15,491	140,946	—	140,946
Unaudited								
At 1 January 2021	—	76,240	9,993	—	82,145	168,378	—	168,378
Profit and total comprehensive income for the period	—	—	—	—	62,150	62,150	—	62,150
Transactions with owners:								
Contributions and distributions								
Dividends *(Note 12)*	—	—	—	—	(136,959)	(136,959)	—	(136,959)
Appropriation to statutory reserve	—	—	6,568	—	(6,568)	—	—	—
Total transactions with owners	—	—	6,568	—	(143,527)	(136,959)	—	(136,959)
At 30 September 2021	—	76,240	16,561	—	768	93,569	—	93,569

	Attributable to owners of the Company							
		Reserves						
	Share capital	Capital reserve	Statutory reserve	Translation reserve	Accumulated profits	Total	Non-controlling interests	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 23(a))	*(Note 24(a))*	*(Note 24(b))*	*(Note 24(c))*				
At 1 January 2022	—	107,350	18,105	—	15,491	140,946	—	140,946
Profit for the period	—	—	—	—	45,178	45,178	318	45,496
Other comprehensive loss:								
Item that will not be reclassified to profit or loss								
Translation of the Company's financial statement into presentation currency	—	—	—	(4)	—	(4)	—	(4)
Item that may be reclassified subsequently to profit or loss								
Exchange difference on consolidation/combination	—	—	—	(393)	—	(393)	—	(393)
Total comprehensive income for the period	—	—	—	(397)	45,178	44,781	318	45,099
Transactions with owners:								
Contributions and distributions								
Capital contribution made by the Investors on Jilin Kaishun *(Note 24(a)(iii))*	—	3,600	—	—	—	3,600	—	3,600
Issue of share capital	8	—	—	—	—	8	—	8
Payment for acquisition of Yizheng Juxinyuan under the Reorganisation *(as defined in Note 1) (Note 24 (a)(iv))*	—	(3,240)	—	—	—	(3,240)	—	(3,240)
Appropriation to statutory reserve	—	—	5,572	—	(5,572)	—	—	—
	8	360	5,572	—	(5,572)	368	—	368
Change in ownership interests								
Change in ownership interests in subsidiaries without change in control which arising from the Reorganisation *(Note 25)*	—	—	—	—	(1,686)	(1,686)	1,686	—
Total transactions with owners	8	360	5,572	—	(7,258)	(1,318)	1,686	368
At 30 September 2022	8	107,710	23,677	(397)	53,411	184,409	2,004	186,413

COMBINED STATEMENTS OF CASH FLOWS

	Year ended 31 December			Nine months ended 30 September	
	2019	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
OPERATING ACTIVITIES					
Profit before tax	31,567	57,114	91,977	72,830	54,903
Adjustments for:					
Amortisation	—	—	—	—	7
Depreciation	3,352	3,767	4,631	3,129	7,991
Finance costs	2,166	2,853	3,429	2,654	2,451
Interest income	(70)	(144)	(193)	(151)	(225)
Release of assets related government grants	(204)	(489)	(489)	(368)	(368)
Loss (Gain) on disposal of property, plant and equipment, net	—	—	178	—	(1)
Provision for loss allowance of trade receivables, net	1	28	220	168	21
Operating cash inflows before movements in working capital	36,812	63,129	99,753	78,262	64,779
Changes in working capital:					
Inventories	(1,354)	(763)	17,659	5,090	(19,613)
Trade and other receivables	(13,699)	(5,130)	(16,043)	3,125	(6,067)
Trade and other payables	(12,293)	(907)	19,514	9,890	(1,670)
Cash generated from operations	9,466	56,329	120,883	96,367	37,429
Income tax paid	(4,229)	(7,154)	(12,768)	(9,543)	(8,569)
Net cash from operating activities	5,237	49,175	108,115	86,824	28,860
INVESTING ACTIVITIES					
Interest received	70	144	193	151	225
Payment for purchase of property, plant and equipment	(3,593)	(820)	(1,270)	(753)	(30,214)
Payment for acquisition of intangible assets	—	—	—	—	(100)
Payment for acquisition of right-of-use assets	(98)	(214)	—	—	—
Deposits paid for acquisition of property, plant and equipment	(208)	(4,310)	(400)	—	—
Proceeds from disposal of property, plant and equipment	—	—	56	—	5
Net cash used in investing activities	(3,829)	(5,200)	(1,421)	(602)	(30,084)
FINANCING ACTIVITIES					
Inception of interest-bearing borrowings	57,000	47,143	42,000	40,000	41,906
Repayment of interest-bearing borrowings	(54,000)	(32,067)	(46,580)	(42,076)	(43,000)
Advance from Pre-IPO Investors *(Note 18(c))*	—	—	—	—	4,905
Interest paid	(1,967)	(3,052)	(3,311)	(2,654)	(2,451)
Issue of share capital	—	—	—	—	8
Capital contribution made by the then shareholders/the Investors on subsidiaries *(Note 24(a)(iii))*	124	8,051	31,110	—	3,600
Payment for acquisition of Yizheng Juxinyuan under the Reorganisation *(Note 24(a)(iv))*	—	—	—	—	(3,240)
Dividends paid	—	—	(136,959)	(136,959)	—
Repayment of lease liabilities	(144)	(200)	(421)	(315)	(4,010)
Net cash from (used in) financing activities	1,013	19,875	(114,161)	(142,004)	(2,282)
Net increase (decrease) in cash and cash equivalents	2,421	63,850	(7,467)	(55,782)	(3,506)
Cash and cash equivalents at the beginning of the reporting period	31,624	34,045	97,895	97,895	90,428
Cash and cash equivalents at the end of the reporting period, represented by bank balances and cash	34,045	97,895	90,428	42,113	86,922

NOTES TO THE HISTORICAL FINANCIAL INFORMATION OF THE GROUP

1. GENERAL INFORMATION AND REORGANISATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 21 January 2022. The address of the Company's registered office is 89 Nexus Way, Camana Bay, Grand Cayman, KY1-9009, Cayman Islands. The Company's principal place of business is situated at Room 1910, 19/F., C C Wu Building, 302–308 Hennessy Road, Wan Chai, Hong Kong and the Group's headquarter is situated at No. 3, Jing'Er Road, Kalun Industrial South Region, Jiutai Economics Development Zone, Changchun City, Jilin Province, the People's Republic of China (the "**PRC**").

The principal activity of the Company is investment holding and the Group is principally engaged in development and manufacture of biodegradable plastic products and non-biodegradable automobile plastic parts in the PRC.

At the date of this report, in the opinion of the directors of the Company, the ultimate controlling parties are Ms. Zhang Yuqiu and Mr. Shan Yuzhu (together the "**Ultimate Controlling Parties**").

Pursuant to a group reorganisation (the "**Reorganisation**"), which was completed on 2 June 2022, as detailed in the paragraph headed "Reorganisation" of the section headed "History, Reorganisation and Group Structure" of the Prospectus issued in connection with the Initial Listing on the Main Board of the Stock Exchange, the Company became the holding company of the entities now comprising the Group.

At the date of this report, the particulars of the Company's subsidiaries, which are private limited liability companies, of which the Company has direct or indirect interests, are as follows:

Name of subsidiary	Place of incorporation/ establishment	Date of incorporation/ establishment	Issued/paid up capital	Attributable equity interest held by the Company	Principal activities/place of operation
Directly held					
Tianshun International New Material Group Holdings Limited ("**Tianshun International BVI**") *(Note i)*	The British Virgin Islands (the "**BVI**")	1 February 2022	United States dollar ("**US$**") 1	100%	Investment holding/The BVI

Name of subsidiary	Place of incorporation/ establishment	Date of incorporation/ establishment	Issued/paid up capital	Attributable equity interest held by the Company	Principal activities/place of operation
Lvshui Technology Group Co., Ltd. ("**Lvshui Technology**") *(Note i)*. . .	The BVI	21 October 2021	US$1	100%	Investment holding/The BVI
Indirectly held					
HK Tianshun International Environmental Protection Technology Group Co., Limited ("**Tianshun International HK**") *(Note ii)*	Hong Kong	1 March 2022	Hong Kong dollar ("**HK$**") 1	100%	Investment holding/Hong Kong
Green Environmental Protection Technology Hong Kong Group Co., Limited ("**Green Environmental HK**") *(Note ii)*	Hong Kong	29 October 2021	HK$1	100%	Investment holding/Hong Kong
吉林省邁盛新材料有限公司 Jilin Province Maisheng New Material Co., Ltd. ("**Jilin Maisheng**") *(Notes ii & iii)*.	The PRC	15 April 2022	RMB1,000,000	100%	Technical consultation for resources recycling application services (other than projects requiring approvals in accordance with the relevant law)/The PRC
長春廣科科技有限公司 Changchun Guangke Technology Co., Ltd. ("**Changchun Guangke**") *(Notes ii & iii)*.	The PRC	17 April 2022	RMB1,010,101.01	99%	Technical consultation for resources recycling application services (other than projects requiring approvals in accordance with the relevant law)/The PRC

Name of subsidiary	Place of incorporation/ establishment	Date of incorporation/ establishment	Issued/paid up capital	Attributable equity interest held by the Company	Principal activities/place of operation
吉林省開順新材料有限公司 Jilin Province Kaishun New Material Co., Ltd. ("**Jilin Kaishun**") *(Note iii)*	The PRC	7 March 2014	RMB77,623,941.71	99.01%	Development and manufacture of biodegradable plastic products and non-biodegradable automobile plastic parts/The PRC
吉林省開順新材料有限公司 — 分公司 Jilin Province Kaishun New Material Co., Ltd. — branch company ("**Jilin Kaishun Branch**") *(Notes ii & iii)* .	The PRC	19 October 2021	N/A	99.01%	Manufacture of biodegradable plastic products/The PRC
儀徵市聚鑫源生物科技有限公司 Yizheng City Juxinyuan Biotechnology Co., Ltd. ("**Yizheng Juxinyuan**") *(Note iii)* . .	The PRC	28 February 2017	RMB10,000,000	99.01%	Trading of biodegradable packing materials/The PRC

The financial statements, as prepared in accordance with respective local financial reporting standards, of the Company's subsidiaries that fall into the Track Record Period have been audited as follows:

Subsidiary	Financial period	Auditors
Jilin Kaishun	Years ended 31 December 2019, 2020 and 2021	吉林仁和會計師事務所有限責任公司 (Jilin Renhe Certified Public Accountants Co., Ltd.) *(Note iii)*
Yizheng Juxinyuan	Years ended 31 December 2019, 2020 and 2021	吉林仁和會計師事務所有限責任公司 (Jilin Renhe Certified Public Accountants Co., Ltd.) *(Note iii)*

Notes:

(i) No statutory audited financial statements have been prepared by Tianshun International BVI and Lvshui Technology for the period from its date of incorporation to the date of this report as it is not required to issue audited financial statements under the statutory requirements of the BVI.

(ii) No statutory audited financial statements have been prepared for Tianshun International HK, Green Environmental HK, Jilin Kaishun Branch, Jilin Maisheng and Changchun Guangke as they are newly incorporated and their first set of statutory audited financial statements are not yet due for issuance.

(iii) The English names of the above companies/auditors represent the best effort made by the directors of the Company to translate the Chinese name as its name has not been registered officially in English.

2. BASIS OF PREPARATION AND PRESENTATION OF THE HISTORICAL FINANCIAL INFORMATION

Immediately prior to and after the Reorganisation, the Company and its subsidiaries now comprising the Group are under common control of the Ultimate Controlling Parties. The Group's business is mainly conducted through Jilin Kaishun and Yizheng Juxinyuan while the Company and other entities within the Group have not been involved in any other significant activities prior to the Reorganisation except for the reorganisation and certain fund raising activities. As the Reorganisation did not result in any change in the ultimate control of and the resources employed by the Group's business, the Group is regarded as a continuity entity and, therefore, the Reorganisation is considered to be a restructuring of entities and business under common control.

Accordingly, for the purpose of this report, the Historical Financial Information has been prepared on a combined basis under merger accounting principles, as further explained in the paragraph headed "Merger accounting for business combination involving entities under common control" in Note 3, which presents the combined financial position, combined financial performance, combined changes in equity and combined cash flows of the entities now comprising the Group as if the current group structure had always been in existence throughout the Track Record Period or since their respective date of establishment or incorporation, where applicable, except for an aggregate of 1% registered capital subscribed in Changchun Guangke by Ms. Zhang Yuqiu, Mr. Shan Yuzhu, Mr. Li Xiquan, executive directors of the Company, Mr. Chen Guobin and Mr. Lu Changdong was completed on 20 April 2022 as disclosed in Note 25.

The Historical Financial Information has been prepared based on the accounting policies set out in Note 3 which conforms with IFRSs issued by the IASB.

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The Historical Financial Information has been prepared in accordance with IFRSs issued by the IASB, which collective term includes all applicable individual IFRSs, International Accounting Standards ("**IASs**") and Interpretations issued by the IASB. The Historical Financial Information also complies with the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange.

The IASB has issued a number of new/revised IFRSs during the Track Record Period. For the purpose of the preparation of the Historical Financial Information, the Group has consistently adopted all those new/revised IFRSs that are relevant to its operations and are effective throughout the Track Record Period. The adoption of those new/revised IFRSs does not have any significant impact on the Historical Financial Information.

A summary of significant accounting policies adopted by the Group in preparing the Historical Financial Information is set out below.

Basis of measurement

The measurement basis used in the preparation of the Historical Financial Information is the historical cost basis.

Basis of combinations

The Historical Financial Information comprises the financial statements of the Company and all of its subsidiaries for the Track Record Period. The financial statements of the subsidiaries are prepared for the same reporting period as that of the Company using consistent accounting policies.

All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions are eliminated in full. The results of subsidiaries are combined from the date on which the Group obtains control and continue to be combined until the date that such control ceases.

Non-controlling interests are presented, separately from owners of the Company, in the combined statements of profit or loss and other comprehensive income and within equity in the combined statements of financial position. The non-controlling interests in the acquiree, that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in event of liquidation, are measured initially either at fair value or at the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets. This choice of measurement basis is made on an acquisition-by-acquisition basis. Other types of non-controlling interests are initially measured at fair value, unless another measurement basis is required by IFRSs.

Allocation of total comprehensive income

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income is attributed to the owners of the Company and the non-controlling interest even if this results in the non-controlling interest having a deficit balance.

Changes in ownership interest

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest determined at the date when control is lost and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests at the date when control is lost. The amounts previously recognised in other comprehensive income in relation to the disposed subsidiary are accounted for on the same basis as would be required if the parent had directly disposed of the related assets or liabilities. Any investment retained in the former subsidiary and any amounts owed by or to the former subsidiary are accounted for as a financial asset, associate, joint venture or others as appropriate from the date when control is lost.

Merger accounting for business combination involving entities under common control

The Historical Financial Information incorporates the financial statements of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the Ultimate Controlling Parties.

The net assets of the combining entities or businesses are combined using the existing carrying values. No amount is recognised as consideration for goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the Ultimate Controlling Parties' interest. All differences between the cost of acquisition (fair value of consideration paid) and the amounts at which the assets and liabilities, arising from the

Reorganisation, are recognised directly in equity as part of the capital reserve. The combined statements of profit or loss and other comprehensive income include the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

Transaction costs, including professional fees, registration fees, costs of furnishing information to shareholders, costs or losses incurred in combining operations of the previously separate businesses, etc., incurred in relation to the common control combination that is to be accounted for by using merger accounting, are recognised as an expense in the period in which they are incurred.

Subsidiaries

A subsidiary is an entity that is controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the elements of control.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment loss, if any. The carrying amounts of the investments are reduced to its recoverable amounts on an individual basis, if it is higher than the recoverable amount. The results of the subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to the working condition and location for its intended use. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Construction in progress represents buildings under construction and is stated at cost less accumulated impairment losses (if any). Costs includes the costs of construction and acquisition and capitalised borrowing costs (if any). No provision for depreciation is made on construction in progress until such time as the relevant assets are completed and ready for intended use. When the assets concerned are available for use, the costs are transferred to the respective categories of property, plant and equipment and depreciated in accordance with the policy as stated below.

Depreciation is provided to write off the cost less accumulated impairment losses of property, plant and equipment, other than construction in progress, over their estimated useful lives as set out below from the date on which they are available for use and after taking into account their estimated residual values, using the straight-line method. Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis and depreciated separately:

Buildings	20 years
Leasehold improvements	10 years
Plant and machinery	10 years
Furniture, fixtures and office equipment	5 years
Motor vehicles	5 years

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the period in which the item is derecognised.

Intangible assets

Acquired patents

The initial cost of acquired patents is capitalised. Patents with indefinite useful lives are carried at cost less accumulated impairment losses. Patents with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is provided on the straight-line basis over their estimated useful lives of 10 years with reference to the estimated periods that the Group intends to derive future economic benefits from the use of the patent and the expectation of technological or commercial obsolescence of the patent.

Research and development costs

Research costs are expensed as incurred. Costs incurred on development activities, which involve the application of research findings to a plan or design for the production of new or substantially improved products and processes, are capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources to complete the development. The expenditure for capitalisation includes the cost of materials, direct labour and an appropriate proportion of overheads and outsourcing costs. Other development expenditure is recognised in profit or loss as an expense as incurred. When the asset is available for use, the capitalised development costs are amortised on a straight-line basis over their estimated useful lives.

During the Track Record Period, no development cost was capitalised by the Group.

Financial instruments

Financial assets

Recognition and derecognition

Financial assets are recognised when and only when the Group becomes a party to the contractual provisions of the instruments and on a trade date basis.

A financial asset is derecognised when and only when (i) the Group's contractual rights to future cash flows from the financial asset expire or (ii) the Group transfers the financial asset and either (a) it transfers substantially all the risks and rewards of ownership of the financial asset, or (b) it neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset but it does not retain control of the financial asset.

If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises the financial asset to the extent of its continuing involvement and an associated liability for amounts it may have to pay.

Financial assets (except for trade receivables without a significant financing component which are initially measured at their transaction price) are initially recognised at their fair value plus, in the case of financial assets not carried at fair value through profit or loss ("**FVPL**"), transaction costs that are directly attributable to the acquisition of the financial assets. Such trade receivables are initially measured at their transaction price.

On initial recognition, a financial asset is classified as (i) measured at amortised cost; (ii) debt investment measured at fair value through other comprehensive income ("**FVOCI**"); (iii) equity investment measured at FVOCI; or (iv) measured at FVPL.

The classification of financial assets at initial recognition depends on the Group's business model for managing the financial assets and the financial asset's contractual cash flow characteristics. Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing them, in which case all affected financial assets are reclassified on the first day of the first annual reporting period following the change in the business model.

Financial assets measured at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as FVPL:

(i) it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

(ii) its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses arising from impairment, derecognition or through the amortisation process are recognised in profit or loss.

The Group's financial assets at amortised cost include trade and other receivables and bank balances and cash.

Financial liabilities

Recognition and derecognition

Financial liabilities are recognised when and only when the Group becomes a party to the contractual provisions of the instruments.

A financial liability is derecognised when and only when the liability is extinguished, that is, when the obligation specified in the relevant contract is discharged, cancelled or expired.

Classification and measurement

Financial liabilities are initially recognised at their fair value plus, in the case of financial liabilities not carried at FVPL, transaction costs that are directly attributable to the issue of the financial liabilities.

The Group's financial liabilities include trade and other payables, interest-bearing borrowings and lease liabilities. All financial liabilities, except for financial liabilities at FVPL, are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method, unless the effect of discounting would be insignificant, in which case they are stated at cost.

Impairment of financial assets

The Group recognises loss allowances for expected credit losses ("**ECL**") on financial assets that are measured at amortised cost. Except for the specific treatments as detailed below, at each reporting date, the Group measures a loss allowance for a financial asset at an amount equal to the lifetime ECL if the credit risk on that financial asset has increased significantly since initial recognition. If the credit risk on a financial asset has not increased significantly since initial recognition, the Group measures the loss allowance for that financial asset at an amount equal to 12-month ECL.

Measurement of ECL

ECL is a probability-weighted estimate of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the financial instrument.

For financial assets, a credit loss is the present value of the difference between the contractual cash flows that are due to an entity under the contract and the cash flows that the entity expects to receive.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of a financial instrument while 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Where ECL is measured on a collective basis, the financial instruments are grouped based on the following one or more shared credit risk characteristics:

(i) past due information;

(ii) nature of financial instruments;

(iii) nature of collateral (if any);

(iv) industry of debtors;

(v) geographical location of debtors; and

(vi) external credit risk ratings.

Loss allowance is remeasured at each reporting date to reflect changes in the financial instrument's credit risk and loss since initial recognition. The resulting changes in the loss allowance are recognised as an impairment gain or loss in profit or loss with a corresponding adjustment to the carrying amount of the financial instrument.

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that the Group may not receive the outstanding contractual amounts in full if the financial asset that meets any of the following criteria:

(i) information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group); or

(ii) there is a breach of financial covenants by the counterparty.

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Assessment of significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. In particular, the following information is taken into account in the assessment:

- the debtor's failure to make payments of principal or interest on the due dates;

- an actual or expected significant deterioration in the financial instrument's external or internal credit rating (if available);

- an actual or expected significant deterioration in the operating results of the debtor; and/or

- actual or expected changes in the technological, market, economic or legal environment that have or may have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial instrument has increased significantly since initial recognition when contractual payments are more than 30 days past due.

Notwithstanding the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date.

Low credit risk

A financial instrument is determined to have low credit risk if:

(i) it has a low risk of default;

(ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term; and

(iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group's bank balances and cash are determined to have low credit risk.

Simplified approach of ECL

For trade receivables without a significant financing component or otherwise for which the Group applies the practical expedient not to account for the significant financing components, the Group applies a simplified approach in calculating ECL. The Group recognises a loss allowance based on lifetime ECL at each reporting date and has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Credit-impaired financial asset

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;

(e) the disappearance of an active market for that financial asset because of financial difficulties; or

(f) the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

Write-off

The Group writes off a financial asset when the Group has no reasonable expectations of recovering the contractual cash flows on a financial asset in its entirety or a portion thereof. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities under the Group's procedures for recovery of amounts due, taking into account legal advice, if appropriate. Any subsequent recovery is recognised in profit or loss.

Cash equivalents

For the purpose of the combined statements of cash flows, cash equivalents represent short-term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

Revenue recognition

Revenue from contracts with customers within IFRS 15

Nature of goods or services

The nature of the goods or services provided by the Group is development and manufacture of biodegradable plastic products and non-biodegradable automobile plastic parts in the PRC.

Identification of performance obligations

At contract inception, the Group assesses the goods or services promised in a contract with a customer and identifies as a performance obligation each promise to transfer to the customer either:

(a) a good or service (or a bundle of goods or services) that is distinct; or

(b) a series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer.

A good or service that is promised to a customer is distinct if both of the following criteria are met:

(a) the customer can benefit from the good or service either on its own or together with other resources that are readily available to the customer (i.e. the good or service is capable of being distinct); and

(b) the Group's promise to transfer the good or service to the customer is separately identifiable from other promises in the contract (i.e. the promise to transfer the good or service is distinct within the context of the contract).

Timing of revenue recognition

Revenue is recognised when (or as) the Group satisfies a performance obligation by transferring a promised good or service (i.e. an asset) to a customer. An asset is transferred when (or as) the customer obtains control of that asset.

The Group transfers control of a good or service over time and, therefore, satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met:

(a) the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

(b) the Group's performance creates or enhances an asset (for example, work in progress) that the customer controls as the asset is created or enhanced; or

(c) the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If a performance obligation is not satisfied over time, the Group satisfies the performance obligation at a point in time when the customer obtains control of the promised asset. In determining when the transfer of control occurs, the Group considers the concept of control and such indicators as legal title, physical possession, right to payment, significant risks and rewards of ownership of the asset, and customer acceptance.

Revenue from development and manufacture of biodegradable plastic products and non-biodegradable automobile plastic parts is recognised at a point in time at which the customer obtains the control of the promised asset, which generally coincides with the time when the goods are delivered to customers and the title is passed.

Transaction price: significant financing components

When the contract contains a significant financing component (i.e. the customer or the Group is provided with a significant benefit of financing the transfer of goods or services to the customer), in determining the transaction price, the Group adjusts the promised consideration for the effects of the time value of money. The effect of the significant financing component is recognised as an interest income or interest expense separately from revenue from contracts with customers in profit or loss.

The Group determines the interest rate that is commensurate with the rate that would be reflected in a separate financing transaction between the Group and its customer at contract inception by reference to, where appropriate, the interest rate implicit in the contract (i.e. the interest rate that discounts the cash selling price of the goods or services to the amount paid in advance or arrears), the prevailing market interest rates, the Group's borrowing rates and other relevant creditworthiness information of the customer of the Group.

The Group has applied the practical expedient in paragraph 63 of IFRS 15 and does not adjust the consideration for the effect of the significant financing component if the period of financing is one year or less.

Interest income

Interest income from financial assets is recognised using the effective interest method. For financial assets measured at amortised cost that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the assets while it is applied to the amortised cost (i.e. the gross carrying amount net of loss allowance) in case of credit-impaired financial assets.

Contract assets and contract liabilities

If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, the contract is presented as a contract asset, excluding any amounts presented as a receivable. Conversely, if a customer pays consideration, or the Group has a right to an amount of consideration that is unconditional, before the Group transfers a good or service to the customer, the contract is presented as a contract liability when the payment is made or the payment is due (whichever is earlier). A receivable is the Group's right to consideration that is unconditional or only the passage of time is required before payment of that consideration is due.

For a single contract or a single set of related contracts, either a net contract asset or a net contract liability is presented. Contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

The Group receives payments from the customer which are largely in line with the timing of revenue recognition and no significant contract assets are recognised. Contract liabilities in relation to refundable receipts in advance are recognised under "Other payables".

Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "**functional currency**"). The Company's functional currency is HK$ and majority of its subsidiaries have RMB as their functional currency. The Historical Financial Information is presented in RMB and rounded to the nearest thousands unless otherwise indicated, which is the Group's presentation currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

The results and financial position of all the group entities that have a functional currency different from the presentation currency ("**foreign operations**") are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the end of the reporting period;

- income and expenses for each statement of profit or loss and other comprehensive income are translated at average exchange rate;

- all resulting exchange differences arising from the above translation and exchange differences arising from a monetary item that forms part of the Group's net investment in a foreign operation are recognised as a separate component of equity;

- on the disposal of a foreign operation, which includes a disposal of the Group's entire interest in a foreign operation and a disposal involving the loss of control over a subsidiary that includes a foreign operation, the cumulative amount of the exchange differences relating to the foreign operation that is recognised in other comprehensive income and accumulated in the separate component of equity is reclassified from equity to profit or loss when the gain or loss on disposal is recognised; and

- on the partial disposal of the Group's interest in a subsidiary that includes a foreign operation which does not result in the Group losing control over the subsidiary, the proportionate share of the cumulative amount of the exchange differences recognised in the separate component of equity is re-attributed to the non-controlling interests in that foreign operation and are not reclassified to profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, which comprises all costs of purchase and, where applicable, other costs that have been incurred in bringing the inventories to their present location and condition, is calculated using the weighted average method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period of the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Impairment of other assets

At the end of each reporting period, the Group reviews internal and external sources of information to assess whether there is any indication that the Group's intangible assets, property, plant and equipment, right-of-use assets and the Company's investments in subsidiaries may be impaired or impairment loss previously recognised no longer exists or may be reduced. If any such indication exists, the recoverable amount of the asset is estimated, based on the higher of its fair value less costs of disposal and value in use. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the smallest group of assets that generates cash flows independently (i.e. cash-generating unit).

If the recoverable amount of an asset or a cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. Impairment losses are recognised as an expense in profit or loss immediately.

A reversal of impairment loss is limited to the carrying amount of the asset or cash-generating unit that would have been determined had no impairment loss been recognised in prior periods. Reversal of impairment loss is recognised as income in profit or loss immediately.

Borrowing costs

Borrowing costs incurred, net of any investment income on the temporary investment of the specific borrowings, that are directly attributable to the acquisition, construction or production of qualifying assets, i.e. assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised as an expense in the period in which they are incurred.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, the fair value credited to a deferred income account and is released to profit or loss on a systematic basis over the expected useful life of the relevant asset.

Leases

The Group assesses whether a contract is, or contains, a lease at inception of the contract. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group as lessee

The Group applies the recognition exemption to short-term leases and low-value asset leases. Lease payments associated with these leases are recognised as an expense on a straight-line basis over the lease term.

The Group has elected not to separate non-lease components from lease components, and accounts for each lease component and any associated non-lease components as a single lease component.

The Group accounts for each lease component within a lease contract as a lease separately. The Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and, where applicable, the aggregate stand-alone price of the non-lease components.

Amounts payable by the Group that do not give rise to a separate component are considered to be part of the total consideration that is allocated to the separately identified components of the contract.

The Group recognises a right-of-use asset and a lease liability at the commencement date of the lease.

The right-of-use asset is initially measured at cost, which comprises

(a) the amount of the initial measurement of the lease liability;

(b) any lease payments made at or before the commencement date, less any lease incentives received;

(c) any initial direct costs incurred by the Group; and

(d) an estimate of costs to be incurred by the Group in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Subsequently, the right-of-use asset is measured at cost less any accumulated depreciation and any accumulated impairment losses and adjusted for any remeasurement of the lease liability. Depreciation is provided on a straight-line basis over the shorter of the lease term and the estimated useful lives of the right-of-use asset (unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or if the cost of the right-of-use asset reflects that the Group will exercise a purchase option — in which case depreciation is provided over the estimated useful life of the underlying asset) as follows:

Leasehold land	Over the unexpired term of lease
Leased properties	Over the unexpired term of lease
Motor vehicles	5 years

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date of the contract.

The lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

(a) fixed payments (including in-substance fixed payments), less any lease incentives receivable;

(b) variable lease payments that depend on an index or a rate;

(c) amounts expected to be payable under residual value guarantees;

(d) exercise price of a purchase option if the Group is reasonably certain to exercise that option; and

(e) payments of penalties for terminating the lease, if the lease term reflects the Group exercising an option to terminate the lease.

The lease payments are discounted using the interest rate implicit in the lease, or where it is not readily determinable, the incremental borrowing rate of the lessee.

Subsequently, the lease liability is measured by increasing the carrying amount to reflect interest on the lease liability and by reducing the carrying amount to reflect the lease payments made.

The lease liability is remeasured using a revised discount rate when there are changes to the lease payments arising from a change in the lease term or the reassessment of whether the Group will be reasonably certain to exercise a purchase option.

The lease liability is remeasured by using the original discount rate when there is a change in the residual value guarantee, the in-substance fixed lease payments or the future lease payments resulting from a change in an index or a rate (other than floating interest rate). In case of a change in future lease payments resulting from a change in floating interest rates, the Group remeasures the lease liability using a revised discount rate.

The Group recognises the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. If the carrying amount of the right-of-use asset is reduced to zero and there is a further reduction in the measurement of the lease liability, the Group recognises any remaining amount of the remeasurement in profit or loss.

A lease modification is accounted for as a separate lease if

(a) the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

(b) the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

When a lease modification is not accounted for as a separate lease, at the effective date of the lease modification,

(a) the Group allocates the consideration in the modified contract on the basis of relative stand-alone price as described above;

(b) the Group determines the lease term of the modified contract;

(c) the Group remeasures the lease liability by discounting the revised lease payments using a revised discount rate over the revised lease term;

(d) for lease modifications that decrease the scope of the lease, the Group accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease and recognising any gain or loss relating to the partial or full termination of the lease in profit or loss; and/or

(e) for all other lease modifications, the Group accounts for the remeasurement of the lease liability by making a corresponding adjustment to the right-of-use asset.

The Group has applied the practical expedient provided in Amendments to IFRS 16: *COVID-19-Related Rent Concessions beyond 30 June 2021* and does not assess whether eligible rent concessions occurring as a direct consequence of the COVID-19 pandemic are lease modification. The Group accounts for any change in lease payments resulting from the rent concession the same way it would account for the change applying IFRS 16 if the change was not a lease modification.

The practical expedient applies only to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions are met:

(a) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

(b) any reduction in lease payments affects only payments originally due on or before 30 June 2022; and

(c) there is no substantive change to other terms and conditions of the lease.

The Group has applied the practical expedient consistently to all eligible rent concessions with similar characteristics and in similar circumstances.

Employee benefits

Short term employee benefits

Salaries, bonuses, paid annual leave and the cost of non-monetary benefits are accrued in the period in which the associated services are rendered by employees.

Defined contribution plans

The obligations for contributions to defined contribution retirement scheme are recognised as an expense in profit or loss as incurred. The assets of the scheme are held separately from those of the Group in an independently administered fund.

In accordance with the rules and regulations in the PRC, the employees of the Group's entities established in the PRC are required to participate in defined contribution retirement plans organised by local governments. Contributions to these plans are expensed in profit or loss as incurred and other than these monthly contributions, the Group has no further obligation for the payment of retirement benefits to its employees.

Taxation

The charge for current income tax is based on the results for the period as adjusted for items that are non-assessable or disallowed. It is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax is provided, using the liability method, on all temporary differences at the end of each reporting period between the tax bases of assets and liabilities and their carrying amounts in the Historical Financial Information. However, any deferred tax arising from initial recognition of goodwill; or other asset or liability in a transaction other than a business combination that at the time of the transaction affects neither the accounting profit nor taxable profit or loss is not recognised.

The deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is recovered or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the end of each reporting period.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, tax losses and credits can be utilised.

Deferred tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary differences is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Related parties

A related party is a person or entity that is related to the Group, that is defined as:

(a) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a holding company of the Group.

(b) An entity is related to the Group if any of the following conditions applies:

(i) the entity and the Group are members of the same group (which means that each holding company, subsidiary and fellow subsidiary is related to the others);

(ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);

(iii) both entities are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a holding company of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to a holding company of the Group.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(a) that person's children and spouse or domestic partner;

(b) children of that person's spouse or domestic partner;

(c) dependants of that person or that person's spouse or domestic partner.

In the definition of a related party, an associate includes subsidiaries of the associate and a joint venture includes subsidiaries of the joint venture.

Segment reporting

Operating segments, and the amounts of each segment item reported in the Historical Financial Information, are identified from the financial information provided regularly to Group's most senior executive management for the purpose of allocating resources to, and assessing the performance of, the Group's various lines of business.

Individual material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products, the nature of production processes, the type or class of customers, the methods used to distribute the products, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

Critical accounting estimates and judgements

Estimates and assumptions concerning the future and judgements are made by the management of the Group in the preparation of the Historical Financial Information. They affect the application of the Group's accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. They are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances. Where appropriate, revisions to accounting estimates are recognised in the period of revision and future periods, in case the revision also affects future periods.

Key sources of estimation uncertainty

(i) Useful lives of property, plant and equipment, right-of-use assets and intangible assets

The management of the Group determines the estimated useful lives of the Group's property, plant and equipment, right-of-use assets and intangible assets based on the historical experience of the actual useful lives of the relevant assets of similar nature and functions. The estimated useful lives could be different as a result of technical innovations which could affect the related depreciation charges included in profit or loss.

(ii) Impairment of property, plant and equipment, right-of-use assets and intangible assets

The management of the Group determines whether the Group's property, plant and equipment, right-of-use assets and intangible assets are impaired when an indication of impairment exists. This requires an estimation of the recoverable amounts of the property, plant and equipment, right-of-use assets and intangible assets, which is equal to the higher of fair value less costs of disposal and value in use. Estimating the value in use requires the management to make an estimate of the expected future cash flows from the property, plant and equipment, right-of-use assets and intangible assets and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Any impairment will be charged to profit or loss.

(iii) Allowance for inventories

The management of the Group reviews the inventory ageing and subsequent sales/utilisation analysis periodically and where applicable, makes allowances for inventories that are identified as obsolete, slow-moving or no longer recoverable or suitable for use in production. The Group carries out the inventory review on a product-by-product basis and makes allowances at the end of each reporting period by reference to management's estimation of the net realisable value based on the latest market prices and current market conditions.

(iv) Loss allowance for ECL

The management of the Group estimates the loss allowance for trade and other receivables by using various inputs and assumptions including risk of a default and expected loss rate. The estimation involves high degree of uncertainty which is based on the Group's historical information, existing market conditions as well as forward-looking estimates at the end of each reporting period. Where the expectation is different from the original estimate, such difference will impact the carrying amount of trade and other receivables.

(v) Income taxes

Significant estimates are required in determining the provision for income taxes and deferred taxation. There are transactions and calculations for which the ultimate tax determination is uncertain where the final tax outcome of these matters may be different from the amounts that were initially recorded and such differences will affect the income tax and deferred tax provision in the period in which such determination is made.

Future changes in IFRSs

At the date of approving the Historical Financial Information, the IASB has issued the following new/revised IFRSs that are not yet effective for the Track Record Period, which the Group has not early adopted.

Amendments to IAS 1	Disclosure of Accounting Policies [(1)]
Amendments to IAS 8	Definition of Accounting Estimates [(1)]
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction [(1)]
IFRS 17	Insurance Contracts [(1)]
Amendment to IFRS 17	Initial Application of IFRS 17 and IFRS 9 — Comparative Information [(1)]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current [(2)]
Amendments to IAS 1	Non-current Liabilities with Covenants [(2)]
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback[(2)]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture [(3)]

(1) Effective for annual periods beginning on or after 1 January 2023

(2) Effective for annual periods beginning on or after 1 January 2024

(3) The effective date to be determined

The management of the Group does not anticipate that the adoption of the new/revised IFRSs in future periods will have any material impact on the Group's combined financial information.

4. SEGMENT INFORMATION

Information reported to the executive directors of the Company, being identified as the chief operating decision makers ("**CODM**"), for the purposes of resource allocation and assessment of segment performance focuses on types of goods delivered. No operating segments identified by the CODM have been aggregated in arriving at the reportable operating segments of the Group.

Specifically, the Group's reportable and operating segments are as follows:

1) Development and manufacture of biodegradable plastic products.

2) Development and manufacture of non-biodegradable automobile plastic parts.

Segment revenue and results

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 3.

Segment revenue represents revenue derived from development and manufacture of biodegradable plastic products and non-biodegradable automobile plastic parts.

Segment results represent the gross profit reported by each segment without allocation of other income, selling and distribution expenses, administrative and other operating expenses, finance costs, listing expenses and income tax expenses. This is the measure reported to the CODM of the Group for the purposes of resource allocation and performance assessment.

The segment information provided to the CODM of the Group for the reportable operating segments for the Track Record Period is as follows:

	Development and manufacture of biodegradable plastic products	Development and manufacture of non-biodegradable automobile plastic parts	Total
	RMB'000	*RMB'000*	*RMB'000*
Year ended 31 December 2019			
Segment revenue	97,200	5,500	102,700
Segment cost of sales	(57,285)	(3,806)	(61,091)
Segment results	39,915	1,694	41,609
Other income			1,144
Selling and distribution expenses			(1,143)
Administrative and other operating expenses			(7,877)
Finance costs			(2,166)
Profit before tax			31,567
Income tax expenses			(4,426)
Profit for the year			27,141
Other information			
Depreciation *(Note)*			
— Property, plant and equipment	996	365	1,361
— Right-of-use assets	66	—	66
(Reversal of) Provision for loss allowances on trade receivables, net	(1)	2	1

	Development and manufacture of biodegradable plastic products	Development and manufacture of non-biodegradable automobile plastic parts	Total
	RMB'000	*RMB'000*	*RMB'000*
Year ended 31 December 2020			
Segment revenue	150,068	16,654	166,722
Segment cost of sales	(88,021)	(8,564)	(96,585)
Segment results	62,047	8,090	70,137
Other income			1,066
Selling and distribution expenses			(894)
Administrative and other operating expenses			(10,342)
Finance costs			(2,853)
Profit before tax			57,114
Income tax expenses			(7,842)
Profit for the year			49,272
Other information			
Depreciation *(Note)*			
— Property, plant and equipment	1,021	712	1,733
— Right-of-use assets	66	—	66
Provision for loss allowances on trade receivables, net	25	3	28

	Development and manufacture of biodegradable plastic products	Development and manufacture of non-biodegradable automobile plastic parts	Total
	RMB'000	*RMB'000*	*RMB'000*
Year ended 31 December 2021			
Segment revenue	238,773	17,967	256,740
Segment cost of sales	(134,505)	(9,103)	(143,608)
Segment results	104,268	8,864	113,132
Other income			1,208
Selling and distribution expenses			(1,409)
Administrative and other operating expenses			(13,311)
Finance costs			(3,429)
Listing expenses			(4,214)
Profit before tax			91,977
Income tax expenses			(13,560)
Profit for the year			78,417
Other information			
Depreciation *(Note)*			
— Property, plant and equipment	1,034	769	1,803
— Right-of-use assets	66	—	66
Provision for loss allowances on trade receivables, net	205	15	220

	Development and manufacture of biodegradable plastic products	Development and manufacture of non-biodegradable automobile plastic parts	Total
	RMB'000	*RMB'000*	*RMB'000*
Nine months ended 30 September 2021 (Unaudited)			
Segment revenue	177,143	13,119	190,262
Segment cost of sales	(99,008)	(6,268)	(105,276)
Segment results	78,135	6,851	84,986
Other income			803
Selling and distribution expenses			(996)
Administrative and other operating expenses			(9,309)
Finance costs			(2,654)
Profit before tax			72,830
Income tax expenses			(10,680)
Profit for the period			62,150
Other information			
Depreciation *(Note)*			
— Property, plant and equipment	772	576	1,348
— Right-of-use assets	49	—	49
Provision for loss allowances on trade receivables, net	157	11	168

	Development and manufacture of biodegradable plastic products	Development and manufacture of non-biodegradable automobile plastic parts	Total
	RMB'000	*RMB'000*	*RMB'000*
Nine months ended 30 September 2022			
Segment revenue	198,872	15,239	214,111
Segment cost of sales	(119,362)	(8,764)	(128,126)
Segment results	79,510	6,475	85,985
Other income			594
Selling and distribution expenses			(3,589)
Administrative and other operating expenses			(13,484)
Finance costs			(2,451)
Listing expenses			(12,152)
Profit before tax			54,903
Income tax expenses			(9,407)
Profit for the period			45,496
Other information			
Amortisation of intangible assets	7	—	7
Depreciation *(Note)*			
— Property, plant and equipment	821	624	1,445
— Right-of-use assets	51	—	51
Provision for loss allowances on trade receivables, net	12	9	21

Note:

Unallocated depreciation of property, plant and equipment and right-of-use assets not included in other information during years ended 31 December 2019, 2020 and 2021 and the nine months ended 30 September 2021 and 2022 amounted to approximately RMB1,836,000, RMB1,857,000, RMB1,912,000, RMB1,514,000 and RMB2,362,000 and RMB89,000, RMB111,000, RMB850,000, RMB218,000 and RMB4,133,000, respectively.

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable and operating segments:

	Development and manufacture of biodegradable plastic products	Development and manufacture of non-biodegradable automobile plastic parts	Unallocated	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2019				
Assets				
Reportable segment assets	58,933	10,595	89,912	159,440
Liabilities				
Reportable segment liabilities	10,637	177	37,571	48,385
Other information				
Capital expenditures	218	3,259	490	3,967
At 31 December 2020				
Assets				
Reportable segment assets	64,966	13,713	152,793	231,472
Liabilities				
Reportable segment liabilities	8,207	273	54,614	63,094
Other information				
Capital expenditures	90	553	1,202	1,845
At 31 December 2021				
Assets				
Reportable segment assets	87,510	12,725	125,287	225,522
Liabilities				
Reportable segment liabilities	20,451	2,871	61,254	84,576
Other information				
Capital expenditures	443	460	7,093	7,996
At 30 September 2022				
Assets				
Reportable segment assets	111,475	10,087	175,290	296,852
Liabilities				
Reportable segment liabilities	14,532	487	95,420	110,439
Other information				
Capital expenditures	851	1,150	55,726	57,727

For the purposes of monitoring segment performance and allocating resources between segments:

- segment assets include deposits for acquisition of property, plant and equipment, inventories, trade receivables, certain property, plant and equipment, right-of-use assets, intangible assets and other receivables. Other assets are not allocated to operating segments as these assets are managed on a corporate basis; and

- segment liabilities include trade payables and certain other payables. Other liabilities are not allocated to operating segments as these liabilities are managed on a corporate basis.

Geographical information

The Company is an investment holding company and the principal place of the Group's operation is in the PRC. All of the Group's revenue from external customers during the Track Record Period is derived from the PRC and almost all of the Group's assets and liabilities are located in the PRC.

Information about major customers

Details of the customers (including entities under common control) individually accounting for 10% or more of total revenue of the Group during the Track Record Period are as follows:

	Year ended 31 December			Nine months ended 30 September	
	2019	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Development and manufacture of biodegradable plastic products					
Customer A	15,929	24,415	41,240	31,065	32,378
Customer B	12,381	26,795	37,807	27,534	26,982
Customer C	10,487	18,996	29,033	21,126	21,761

5. REVENUE

	Year ended 31 December			Nine months ended 30 September	
	2019	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Revenue from contracts with customers within IFRS 15					
At a point in time					
— Development and manufacture of biodegradable plastic products	97,200	150,068	238,773	177,143	198,872
— Development and manufacture of non-biodegradable automobile plastic parts	5,500	16,654	17,967	13,119	15,239
	102,700	166,722	256,740	190,262	214,111

The amounts of revenue recognised for the years ended 31 December 2019, 2020 and 2021 and the nine months ended 30 September 2021 and 2022 that were included in the contract liabilities in relation to refundable receipts in advance at the beginning of the respective reporting periods were approximately RMB263,000, RMB43,000, nil, nil and RMB386,000, respectively *(Note 18(b))*.

6. OTHER INCOME

	Year ended 31 December			Nine months ended 30 September	
	2019	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Interest income	70	144	193	151	225
Government grants *(Note)*	1,074	910	1,015	652	368
Gain on disposal of property, plant and equipment	—	—	—	—	1
Sundry income	—	12	—	—	—
	1,144	1,066	1,208	803	594

Note: Government grants represent various form of subsidies granted to the Group by the local government authorities in the PRC for compensation of expenses incurred by the Group. These grants are generally made for business supports and awarded to the Group on a discretionary basis. The Group received these government grants in respect of its investments in the PRC. Included in government grants, there were assets related grants of approximately RMB204,000, RMB489,000, RMB489,000, RMB368,000 and RMB368,000 for the years ended 31 December 2019, 2020 and 2021 and the nine months ended 30 September 2021 and 2022, respectively *(Note 22)*.

There are no unfulfilled conditions or contingencies relating to these grants.

7. PROFIT BEFORE TAX

This is stated after charging (crediting):

	Year ended 31 December			Nine months ended 30 September	
	2019	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Finance costs					
Interest on interest-bearing borrowings	2,144	2,829	3,258	2,614	1,778
Interest on lease liabilities	22	24	171	40	673
	2,166	2,853	3,429	2,654	2,451
Staff costs (including directors' emoluments)					
Salaries, discretionary bonus, allowances and other benefits in kind	6,315	6,640	7,649	5,768	7,010
Contributions to defined contribution plans *(Note i)*	1,952	383	1,889	1,030	1,712
	8,267	7,023	9,538	6,798	8,722
Other items					
Cost of inventories *(Note ii)*	60,320	95,312	141,296	103,670	127,043
Auditor's remuneration	13	13	15	—	—
Amortisation of intangible assets (charged to "administrative and other operating expenses")	—	—	—	—	7
Depreciation of property, plant and equipment (charged to "cost of sales", "selling and distribution expenses" and "administrative and other operating expenses", as appropriate)	3,197	3,590	3,715	2,862	3,807
Depreciation of right-of-use assets (charged to "cost of sales" and "administrative and other operating expenses", as appropriate)	155	177	916	267	4,184
Listing expenses	—	—	4,214	—	12,152
Loss (Gain) on disposal of property, plant and equipment, net	—	—	178	—	(1)
Research and development expenses (charged to "administrative and other operating expenses") *(Note iii)*	4,540	7,568	9,707	7,207	7,163
Expenses recognised under short-term leases	—	—	18	—	110
Provision for loss allowance of trade receivables, net	1	28	220	168	21

Notes:

(i) To support the PRC entities under COVID-19, starting from February 2020 to December 2020, the relevant PRC government authorities have given certain temporary reliefs to entities incorporated in the PRC to be exempted from payment of certain amount of levies on the society security insurance.

(ii) Cost of inventories included the following items which were included in the respective amounts as disclosed above.

	Year ended 31 December			Nine months ended 30 September	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Staff costs	5,652	4,866	6,589	4,817	6,116
Depreciation on:					
— Property, plant and equipment	2,316	2,701	2,774	2,412	3,248
— Right-of-use assets	—	—	561	18	1,682
	7,968	7,567	9,924	7,247	11,046

(iii) Research and development expenses included the following items which were included in the respective amounts as disclosed above.

	Year ended 31 December			Nine months ended 30 September	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Staff costs	633	793	932	618	552
Depreciation on property, plant and equipment	83	83	83	69	293
	716	876	1,015	687	845

8. DIRECTORS' REMUNERATION

The Company was incorporated in the Cayman Islands on 21 January 2022. Mr. Shan Yuzhu was appointed as an executive director of the Company on 1 February 2022 and Ms. Zhang Yuqiu, Mr. Li Xiquan and Mr. Li Peng were appointed as executive directors of the Company on 16 May 2022. Mr. Ng Tat Fung, Dr. Sun Shulin and Dr. Lai King Yin were appointed as independent non-executive directors of the Company on 9 March 2023.

Certain directors of the Company received remuneration from the entities now comprising the Group during the Track Record Period for their appointment as employees of these entities. The aggregate amounts of remuneration received and receivable by the directors of the Company during the Track Record Period are set out below.

Year ended 31 December 2019

	Directors' fees	Salaries, allowances and other benefits in kind	Discretionary bonus	Contributions to defined contribution plans	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors					
Ms. Zhang Yuqiu	—	93	—	27	120
Mr. Shan Yuzhu	—	120	—	34	154
Mr. Li Xiquan	—	—	—	—	—
Mr. Li Peng	—	60	—	17	77
	—	273	—	78	351

Year ended 31 December 2020

	Directors' fees	Salaries, allowances and other benefits in kind	Discretionary bonus	Contributions to defined contribution plans	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors					
Ms. Zhang Yuqiu	—	96	—	10	106
Mr. Shan Yuzhu	—	210	—	11	221
Mr. Li Xiquan	—	—	—	—	—
Mr. Li Peng	—	60	—	10	70
	—	366	—	31	397

Year ended 31 December 2021

	Directors' fees	Salaries, allowances and other benefits in kind	Discretionary bonus	Contributions to defined contribution plans	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors					
Ms. Zhang Yuqiu	—	96	—	24	120
Mr. Shan Yuzhu	—	387	—	46	433
Mr. Li Xiquan	—	64	—	16	80
Mr. Li Peng	—	60	—	15	75
	—	607	—	101	708

Nine months ended 30 September 2021 (Unaudited)

	Directors' fees	Salaries, allowances and other benefits in kind	Discretionary bonus	Contributions to defined contribution plans	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors					
Ms. Zhang Yuqiu	—	72	—	17	89
Mr. Shan Yuzhu	—	184	—	29	213
Mr. Li Xiquan	—	40	—	9	49
Mr. Li Peng	—	45	—	10	55
	—	341	—	65	406

Nine months ended 30 September 2022

	Directors' fees	Salaries, allowances and other benefits in kind	Discretionary bonus	Contributions to defined contribution plans	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors					
Ms. Zhang Yuqiu	—	77	—	17	94
Mr. Shan Yuzhu	—	272	—	29	301
Mr. Li Xiquan	—	77	—	17	94
Mr. Li Peng	—	48	—	11	59
	—	474	—	74	548

During the Track Record Period, no remuneration was paid by the Group to any of these directors as an inducement to join or upon joining the Group, or as a compensation for loss of office. There was no arrangement under which a director waived or agreed to waive any emoluments during the Track Record Period.

9. FIVE HIGHEST PAID INDIVIDUALS

An analysis of the five highest paid individuals during the Track Record Period is as follows:

	Number of individuals				
	Year ended 31 December			Nine months ended 30 September	
	2019	2020	2021	2021	2022
				(Unaudited)	
Director	2	2	2	2	3
Non-director	3	3	3	3	2
	5	5	5	5	5

Details of the remuneration of the above highest paid non-director individuals are as follows:

	Year ended 31 December			Nine months ended 30 September	
	2019	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Salaries, discretionary bonus, allowances and other benefits in kind	283	287	286	214	154
Contributions to defined contribution plans	81	31	70	50	35
	364	318	356	264	189

The number of these non-director individuals whose emoluments fell within the following emoluments band is as follows:

	Year ended 31 December			Nine months ended 30 September	
	2019	2020	2021	2021	2022
				(Unaudited)	
Nil to HK$1,000,000 (equivalent to approximately RMB820,000)	3	3	3	3	2

During the Track Record Period, no remuneration was paid by the Group to any of these highest paid non-director individuals as an inducement to join or upon joining the Group, or as a compensation for loss of office. There was no arrangement under which any of these highest paid non-director individuals waived or has agreed to waive any emoluments during the Track Record Period.

10. TAXATION

	Year ended 31 December			Nine months ended 30 September	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Current tax					
PRC enterprise income tax ("**PRC EIT**")	4,496	7,771	13,382	10,925	9,259
Deferred taxation *(Note 21)*					
Changes in temporary differences	(70)	71	178	(245)	148
Total income tax expenses for the year/period	4,426	7,842	13,560	10,680	9,407

The group entities established in the Cayman Islands and the BVI are exempted from corporate income tax therein.

No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in or derived from Hong Kong for the Track Record Period.

The Group's entities established in the PRC are subject to the PRC EIT at a statutory rate of 25% except for Jilin Kaishun which was recognised as High and New Technology Enterprise ("**HNTE**") and is entitled to a preferential tax rate of 15% during the Track Record Period. The entitlement of this tax benefit is subject to renewal by respective tax bureau in the PRC every three years. The latest approval for Jilin Kaishun enjoying this tax benefit was obtained in September 2021 for the three years ending 31 December 2024.

Reconciliation of income tax expenses

	Year ended 31 December			Nine months ended 30 September	
	2019	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Profit before tax	31,567	57,114	91,977	72,830	54,903
Income tax at statutory tax rate applicable in respective tax jurisdictions	7,892	14,279	22,994	18,476	13,725
Effect of preferential tax treatments	(3,211)	(5,731)	(9,210)	(7,475)	(5,676)
Non-deductible expenses	116	3	703	57	1,984
Additional tax deduction on research and development expenses	(466)	(757)	(957)	(396)	(734)
Unrecognised tax losses	95	48	30	18	108
Income tax expenses for the year/period	4,426	7,842	13,560	10,680	9,407

11. EARNINGS PER SHARE

No earnings per share information is presented as its inclusion, for the purpose of the Historical Financial Information, is not considered meaningful.

12. DIVIDENDS

	Year ended 31 December			Nine months ended 30 September	
	2019	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Dividends declared to the then equity owners of the entities now comprising the Group	—	—	136,959	136,959	—

No dividends per share information is presented as its inclusion, for the purpose of the Historical Financial Information, is not considered meaningful.

13. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Leasehold improvements	Plant and machinery	Furniture, fixtures and office equipment	Motor vehicles	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Reconciliation of carrying amount — year ended 31 December 2019							
At 1 January 2019	28,196	—	14,759	169	314	—	43,438
Additions	—	—	3,545	—	48	—	3,593
Depreciation	(1,527)	—	(1,579)	(19)	(72)	—	(3,197)
At 31 December 2019	26,669	—	16,725	150	290	—	43,834
Reconciliation of carrying amount — year ended 31 December 2020							
At 1 January 2020	26,669	—	16,725	150	290	—	43,834
Additions	—	—	820	—	—	—	820
Depreciation	(1,527)	—	(1,964)	(19)	(80)	—	(3,590)
At 31 December 2020	25,142	—	15,581	131	210	—	41,064
Reconciliation of carrying amount — year ended 31 December 2021							
At 1 January 2021	25,142	—	15,581	131	210	—	41,064
Additions	—	—	909	—	361	—	1,270
Disposals	—	—	(216)	—	(18)	—	(234)
Depreciation	(1,527)	—	(2,036)	(19)	(133)	—	(3,715)
At 31 December 2021	23,615	—	14,238	112	420	—	38,385
Reconciliation of carrying amount — nine months ended 30 September 2022							
At 1 January 2022	23,615	—	14,238	112	420	—	38,385
Additions	—	—	2,194	6	368	28,046	30,614
Transfer	—	28,046	—	—	—	(28,046)	—
Disposal	—	—	—	—	(4)	—	(4)
Depreciation	(1,145)	(888)	(1,628)	(15)	(131)	—	(3,807)
At 30 September 2022	22,470	27,158	14,804	103	653	—	65,188

	Buildings	Leasehold improvements	Plant and machinery	Furniture, fixtures and office equipment	Motor vehicles	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2019							
Cost	32,139	—	20,147	203	421	—	52,910
Accumulated depreciation	(5,470)	—	(3,422)	(53)	(131)	—	(9,076)
	26,669	—	16,725	150	290	—	43,834
At 31 December 2020							
Cost	32,139	—	20,967	203	421	—	53,730
Accumulated depreciation	(6,997)	—	(5,386)	(72)	(211)	—	(12,666)
	25,142	—	15,581	131	210	—	41,064
At 31 December 2021							
Cost	32,139	—	21,484	203	708	—	54,534
Accumulated depreciation	(8,524)	—	(7,246)	(91)	(288)	—	(16,149)
	23,615	—	14,238	112	420	—	38,385
At 30 September 2022							
Cost	32,139	28,046	23,678	209	1,050	—	85,122
Accumulated depreciation	(9,669)	(888)	(8,874)	(106)	(397)	—	(19,934)
	22,470	27,158	14,804	103	653	—	65,188

The Group's buildings with a total carrying amount of approximately RMB26,669,000, RMB25,142,000, RMB23,615,000 and RMB22,470,000 at 31 December 2019, 2020 and 2021 and 30 September 2022, respectively, and plant and machineries with a total carrying amount of approximately RMB4,332,000 at 31 December 2020, were pledged to secure banking facilities granted to the Group *(Note 19)*.

14. RIGHT-OF-USE ASSETS

	Leasehold land	Leased properties	Motor vehicles	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Reconciliation of carrying amount — year ended 31 December 2019				
At 1 January 2019	912	226	—	1,138
Additions	—	—	374	374
Depreciation	(24)	(66)	(65)	(155)
At 31 December 2019	888	160	309	1,357
Reconciliation of carrying amount — year ended 31 December 2020				
At 1 January 2020	888	160	309	1,357
Additions	—	—	1,025	1,025
Depreciation	(24)	(66)	(87)	(177)
At 31 December 2020	864	94	1,247	2,205
Reconciliation of carrying amount — year ended 31 December 2021				
At 1 January 2021	864	94	1,247	2,205
Additions	—	6,726	—	6,726
Depreciation	(24)	(626)	(266)	(916)
At 31 December 2021	840	6,194	981	8,015
Reconciliation of carrying amount — nine months ended 30 September 2022				
At 1 January 2022	840	6,194	981	8,015
Additions	—	27,013	—	27,013
Depreciation	(18)	(3,967)	(199)	(4,184)
At 30 September 2022	822	29,240	782	30,844

	Leasehold land	Leased properties	Motor vehicles	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2019				
Cost	973	292	374	1,639
Accumulated depreciation	(85)	(132)	(65)	(282)
	888	160	309	1,357
At 31 December 2020				
Cost	973	292	1,399	2,664
Accumulated depreciation	(109)	(198)	(152)	(459)
	864	94	1,247	2,205
At 31 December 2021				
Cost	973	7,018	1,399	9,390
Accumulated depreciation	(133)	(824)	(418)	(1,375)
	840	6,194	981	8,015
At 30 September 2022				
Cost	973	34,031	1,399	36,403
Accumulated depreciation	(151)	(4,791)	(617)	(5,559)
	822	29,240	782	30,844

The Group leases properties and motor vehicles for its daily operations and the lease terms are 3 years for each lease under the Track Record Period. The leasehold land represents lump sum consideration paid by the Group, which are with initial lease period of 41 years and there are no ongoing payments to be made under the terms of the land leases.

The Group's leasehold land with a total carrying amount of approximately RMB888,000, RMB864,000, RMB840,000 and RMB822,000 at 31 December 2019, 2020 and 2021 and 30 September 2022, respectively, were pledged to secure banking facilities granted to the Group *(Note 19)*.

The Group's motor vehicles with a total carrying amount of approximately RMB309,000, RMB1,247,000, RMB981,000 and RMB782,000 at 31 December 2019, 2020 and 2021 and 30 September 2022, respectively, were pledged to secure the lease liabilities *(Note 20)*.

Extension and termination options

The lease contracts of the leased property contain extension or termination options. These options aim to provide flexibility to the Group in managing the leased assets. The extension option of the leased property is normally exercised because the Group does not want to incur additional costs, such as leasehold improvements, while exercising the termination option is normally unusual unless the Group could replace the leased property without significant cost or acquisition of a new property. The Group seldom exercises options that were not included in the lease liabilities. During the years ended 31 December 2019, 2020 and 2021 and the nine months ended 30 September 2021 and 2022, the lease contract for the leased property contains an extension or termination option, in which the total lease payment made amounted to approximately RMB73,000, RMB73,000, RMB73,000, RMB31,000 and RMB31,000, representing the total cash outflows for lease during the Track Record Period.

Restriction or covenants

Except for the leasehold land, other leases of the Group impose a restriction that, unless approval is obtained from the lessor, the right-of-use assets can only be used by the Group and the Group is prohibited from selling or pledging the underlying assets. The Group is also required to keep those leased assets in a good state of repair and return the leased assets in their original condition at the end of the lease.

15. INTANGIBLE ASSETS

	Patents
	RMB'000
Reconciliation of carrying amount	
At 1 January 2019, 2020 and 2021 and 1 January 2022	—
Additions	100
Amortisation	(7)
At 30 September 2022	93
At 30 September 2022	
Cost	100
Accumulated amortisation	(7)
	93

Patents represent certain new technologies for the manufacture of biodegradable plastic products, which are capitalised and amortised (if applicable) in accordance with the accounting policies set out in Note 3.

16. INVENTORIES

	At 31 December			At 30 September
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Raw materials	12,963	10,925	6,650	26,971
Finished goods	17,913	20,714	7,330	6,622
	30,876	31,639	13,980	33,593

17. TRADE AND OTHER RECEIVABLES

		At 31 December			At 30 September
		2019	2020	2021	2022
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables					
From third parties		23,126	28,561	73,355	76,014
Less: Loss allowances	*28*	(116)	(144)	(364)	(385)
	17(a)	23,010	28,417	72,991	75,629
Other receivables					
Prepayments *(Note)*		—	—	—	3,610
Prepaid listing expenses		—	—	257	185
Deposits paid to suppliers		100	—	—	—
Other deposits and receivables		300	216	334	186
Due from a related party	*17(b)*	176	55	—	—
Due from Jiyuan Biotechnology	*17(c)*	24,553	24,553	—	—
Value-added tax and other tax recoverable		—	—	—	18
		25,129	24,824	591	3,999
		48,139	53,241	73,582	79,628

Note: The amounts at 30 September 2022 mainly represent prepaid research and development expenses and prepaid repair and maintenance expenses.

17(a) Trade receivables

The ageing analysis of trade receivables, net of loss allowances, based on invoice date at the end of each reporting period is as follows:

	At 31 December			At 30 September
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 30 days	9,075	14,200	20,451	31,386
31 to 60 days	9,381	13,160	26,181	30,988
61 to 90 days	4,311	871	26,216	13,255
Over 90 days	243	186	143	—
	23,010	28,417	72,991	75,629

At the end of each reporting period, the ageing analysis of the trade receivables, net of loss allowances, by due date is as follows:

	At 31 December			At 30 September
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Not yet due	22,767	28,231	72,848	75,629
Past due:				
61 to 90 days	243	186	143	—
	23,010	28,417	72,991	75,629

The Group normally grants credit terms up to 90 days from the date of issuance of invoices.

17(b) Due from a related party

The amount due was non-trade in nature, unsecured, interest-free and repayable on demand. The amount was fully settled during the year ended 31 December 2021.

	Year ended 31 December 2019		
	Greatest amount outstanding during the year	Balance at 31 December 2019	Balance at 1 January 2019
	RMB'000	*RMB'000*	*RMB'000*
Mr. Li Peng *(Note)*	176	176	—

	Year ended 31 December 2020		
	Greatest amount outstanding during the year	Balance at 31 December 2020	Balance at 1 January 2020
	RMB'000	*RMB'000*	*RMB'000*
Mr. Li Peng *(Note)*	176	55	176

	Year ended 31 December 2021		
	Greatest amount outstanding during the year	Balance at 31 December 2021	Balance at 1 January 2021
	RMB'000	*RMB'000*	*RMB'000*
Mr. Li Peng *(Note)*	55	—	55

Note: Mr. Li Peng is the executive director of the Company.

17(c) Due from Jiyuan Biotechnology

長春市吉源生物科技有限公司 (Changchun City Jiyuan Biotechnology Co., Ltd.* ("**Jiyuan Biotechnology**")) is a related company of the Group at 31 December 2020 upon the Ultimate Controlling Parties have acquired 70% and 30% equity interests of Jiyuan Biotechnology from Mr. Zhang Baoxian and Ms. Jiang Guifen, the parents of Ms. Zhang Yuqiu and parents-in-laws of Mr. Shan Yuzhu, respectively, on 3 September 2020.

On 9 September 2021, the Ultimate Controlling Parties have disposed 100% equity interests of Jiyuan Biotechnology to independent third parties (the "**2021 Disposal**"). Jiyuan Biotechnology is ceased to be a related party of the Group upon the completion of the 2021 Disposal.

The amount due is non-trade in nature, unsecured, interest-free and repayable on demand. No provision has been made for non-repayment of the amount due during the Track Record Period. The Group does not hold any collateral over this balance.

	Year ended 31 December 2019		
	Greatest amount outstanding during the year	Balance at 31 December 2019	Balance at 1 January 2019
	RMB'000	*RMB'000*	*RMB'000*
Jiyuan Biotechnology *(Note)*	24,553	24,553	12,403

	Year ended 31 December 2020		
	Greatest amount outstanding during the year	Balance at 31 December 2020	Balance at 1 January 2020
	RMB'000	*RMB'000*	*RMB'000*
Jiyuan Biotechnology *(Note)*	24,553	24,553	24,553

	Year ended 31 December 2021		
	Greatest amount outstanding during the year	Balance at 31 December 2021	Balance at 1 January 2021
	RMB'000	*RMB'000*	*RMB'000*
Jiyuan Biotechnology *(Note)*	24,553	—	24,553

Note: The amount due from Jiyuan Biotechnology was fully settled before the 2021 Disposal.

* *The English name of this entity represents the best effort made by the directors of the Company to translate the Chinese name as its name has not been registered officially in English.*

17(d) Information about the Group's exposure to credit risks and loss allowance for trade and other receivables is included in Note 28.

18. TRADE AND OTHER PAYABLES

		At 31 December			At 30 September
		2019	**2020**	**2021**	**2022**
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables					
To third parties	*18(a)*	10,068	7,844	22,368	15,304
Other payables					
Contract liabilities — refundable receipts in advance	*18(b)*	43	—	386	—
Salary payables		521	700	894	940
Value-added tax and other tax payables		4	1,150	1,466	2,159
Due to Pre-IPO Investors	*18(c)*	—	—	—	4,905
Accruals and other payables *(Note)*		2,027	1,863	6,075	11,513
		2,595	3,713	8,821	19,517
		12,663	11,557	31,189	34,821

Note: The amounts at 31 December 2019, 2020 and 2021 and 30 September 2022 included accrued listing expenses of nil, nil, approximately RMB3,641,000 and RMB8,420,000, respectively.

18(a) Trade payables

The trade payables are unsecured, interest-free and with normal credit terms up to 60 days.

At the end of each reporting period, the ageing analysis of the trade payables based on invoice date is as follows:

	At 31 December			At 30 September
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 30 days	4,771	4,253	12,743	12,970
31 to 60 days	4,917	3,186	9,625	2,334
61 to 90 days	224	405	—	—
Over 90 days	156	—	—	—
	10,068	7,844	22,368	15,304

18(b) Contract liabilities — refundable receipts in advance

The Group applies the practical expedient and does not disclose information about remaining performance obligations that have original expected durations of one year or less.

The movements (excluding those arising from increases and decreases both occurred within the same reporting period) of refundable receipts in advance with customers within IFRS 15 during the Track Record Period are as follows:

	Year ended 31 December			Nine months ended 30 September
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At the beginning of the reporting period	263	43	—	386
Addition	43	—	386	—
Revenue recognised *(Note 5)*	(263)	(43)	—	(386)
At the end of the reporting period	43	—	386	—

The contract liabilities of approximately RMB43,000, nil, RMB386,000 and nil at 31 December 2019, 2020 and 2021 and 30 September 2022, respectively, represented the aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied as at the end of each reporting period. The Group expects the transaction price of approximately RMB43,000, nil, RMB386,000 and nil at 31 December 2019, 2020 and 2021 and 30 September 2022, respectively, allocated to the unsatisfied performance obligations will be recognised as revenue in one year or less when the obligations are performed.

18(c) Due to Pre-IPO Investors

	At 31 December			At 30 September
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Mr. Chen Guobin	—	—	—	4,399
Mr. Zhang Zhifang	—	—	—	506
	—	—	—	4,905

The amounts due to Pre-IPO Investors (as detailed in the paragraph headed "Pre-IPO Investments from the Pre-IPO Investors" of the section headed "History, Reorganisation and Group Structure"), Mr. Chen Guobin and Mr. Zhang Zhifang, were non-trade in nature, unsecured, interest-bearing at 3% per annum and repayable on demand.

On 30 September 2022, the Company and Mr. Shan Yuzhu had entered into a formal loan agreement with each of the Pre-IPO Investors (Mr. Chen Guobin and Mr. Zhang Zhifang) whereby Mr. Shan Yuzhu was a guarantor and the Company was a borrower in respect of the respective amount due to Mr. Chen Guobin and Mr. Zhang Zhifang (totalling approximately RMB4.9 million as at the contract date). Each of the loan principals will be repaid before the Initial Listing and carries an interest rate of 3.0% per annum. The said loan agreements did not contravene the relevant laws and regulations. Mr. Shan Yuzhu has already deposited an equivalent amount of RMB to Mr. Chen Guobin and Mr. Zhang Zhifang, respectively, as security in respect of such guarantees. As at the date of this report, the loans were fully repaid by the Company to Mr. Chen Guobin and Mr. Zhang Zhifang, and the guarantee was subsequently released. As at 30 September 2022, the amounts due to Pre-IPO Investors with aggregate carrying amount of approximately RMB4.9 million were continued to be classified as other payables under current liabilities.

19. INTEREST-BEARING BORROWINGS

At the end of each reporting period, details of the interest-bearing borrowings of the Group are as follows:

	At 31 December			At 30 September
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Secured borrowings				
— Entrusted loan	12,000	22,000	18,000	16,000
— Other loan	18,000	23,076	22,496	22,000
	30,000	45,076	40,496	38,000
Unsecured borrowings				
— Other loan	—	—	—	1,402
	30,000	45,076	40,496	39,402

The secured borrowings are repayable ranging from within one year to two years since their inception. At 31 December 2019, 2020 and 2021 and 30 September 2022, the secured borrowings carry weighted average effective interest rates of approximately 6.70%, 7.55%, 7.21% and 6.83% per annum, respectively.

The unsecured borrowings at 30 September 2022 are repayable within one year and carry effective interest rate of 12% per annum.

At the end of each reporting period, details of the interest-bearing borrowings of the Group are as follows:

	At 31 December			At 30 September
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current portion	30,000	44,579	40,496	39,402
Non-current portion	—	497	—	—
	30,000	45,076	40,496	39,402

	At 31 December			At 30 September
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Carrying amounts of the above borrowings are repayable:				
Within one year				
— Entrusted loan *(Note)*	12,000	22,000	18,000	16,000
— Other loan	18,000	22,579	22,496	23,402
	30,000	44,579	40,496	39,402
More than one year, but not exceeding two years				
— Other loan	—	497	—	—
	30,000	45,076	40,496	39,402
Less: amounts shown under current liabilities	(30,000)	(44,579)	(40,496)	(39,402)
Amounts shown under non-current liabilities	—	497	—	—

Note: During the years ended 31 December 2019, 2020 and 2021 and the nine months ended 30 September 2022, Jilin Kaishun entered into entrusted loan agreements with 長春新投新興產業投資有限公司 (Changchun Xintou Emerging Industry Investment Co., Ltd.*), 長春新投工業發展投資中心(有限合夥) (Changchun Xintou Industrial Development Investment Centre (Limited Partnership)*), (together the "**Xintou Group**") and 長春南關惠民村鎮銀行有限責任公司 (Changchun Nanguan Huimin Village Bank Co., Ltd.* ("**Changchun Nanguan**")), whereby the Xintou Group agreed to provide loans through Changchun Nanguan to the Group.

* *The English names of these entities represent the best effort made by the directors of the Company to translate the Chinese names as their names have not been registered officially in English.*

The secured borrowings are secured by:

(i) properties held by the Ultimate Controlling Parties;

(ii) leasehold land and buildings held by a related party, 長春吉北科技有限公司 (Changchun Jibei Technology Co., Ltd.*) (formally known as 長春御華庭科技有限公司 (Changchun Yuhuating Technology Co., Ltd.*)) ("**Jibei Technology**"), whose equity interests are 100% held by the Ultimate Controlling Parties at 31 December 2020 and also equity interest and corporate guarantee of Jibei Technology. The pledge of leasehold land and buildings held by Jibei Technology and corporate guarantee were released upon full repayment of the relevant loans under the revolving loan facility in November 2021 and the pledge for equity interest was released on 16 July 2021;

(iii) a leasehold land of the Group with aggregate net carrying amounts of RMB888,000, RMB864,000, RMB840,000 and RMB822,000 at 31 December 2019, 2020 and 2021 and 30 September 2022, respectively, as set out in Note 14;

(iv) buildings of the Group with aggregate net carrying amounts of approximately RMB26,669,000, RMB25,142,000, RMB23,615,000 and RMB22,470,000 at 31 December 2019, 2020 and 2021 and 30 September 2022, respectively, as set out in Note 13; and

(v) plant and machineries of the Group with an aggregate net carrying amount of approximately RMB4,332,000 at 31 December 2020 as set out in Note 13.

In addition, the secured borrowings are guaranteed by Yizheng Juxinyuan, the Ultimate Controlling Parties and Mr. Shan Bingqi, the son of the Ultimate Controlling Parties (collectively referred to as the "**Guarantees**").

All facilities obtained from banks and other financial institutions are subject to the fulfilment of covenants, as is commonly found in lending arrangements with financial institutions. If the Group was to breach the covenants, the drawn down facilities would become repayable on demand. At 31 December 2019, 2020 and 2021 and 30 September 2022, none of the covenants relating to drawn down facilities had been breached.

The Guarantees and the pledged assets provided by the Ultimate Controlling Parties are expected to be released and replaced by a corporate guarantee to be given by the Company upon the Initial Listing and the banks and other financial institutions have provided their consent in this regard.

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20. LEASE LIABILITIES

	At 31 December			At 30 September
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current portion	159	422	2,940	11,467
Non-current portion	206	554	4,341	18,817
	365	976	7,281	30,284

The Group has recognised the following amounts relating to short-term leases during the Track Record Period:

	Year ended 31 December			Nine months ended 30 September	
	2019	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Lease payments — Short-term leases	—	—	18	—	110

Commitments and present value of lease liabilities:

	Lease payments				Present value of lease payments			
	At 31 December			At 30 September	At 31 December			At 30 September
	2019	2020	2021	2022	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Amounts payable:								
Within one year	174	474	3,347	12,474	159	422	2,940	11,467
In the second to third years inclusive	213	590	4,625	19,447	206	554	4,341	18,817
	387	1,064	7,972	31,921	365	976	7,281	30,284
Less: future finance charges	(22)	(88)	(691)	(1,637)	—	—	—	—
Total lease liabilities	365	976	7,281	30,284	365	976	7,281	30,284

The total cash outflows for leases for the years ended 31 December 2019, 2020 and 2021 and the nine months ended 30 September 2021 and 2022 were approximately RMB166,000, RMB224,000, RMB610,000, RMB355,000 and RMB4,793,000, respectively.

The lease liabilities are secured by certain right-of-use assets with aggregate net carrying amounts of approximately RMB309,000, RMB1,247,000, RMB981,000 and RMB782,000 at 31 December 2019, 2020 and 2021 and 30 September 2022, respectively *(Note 14)*.

At 31 December 2019, 2020 and 2021 and 30 September 2022, the weighted average effective interest rates of lease liabilities of the Group were 5.35%, 5.98%, 7.23% and 7.48% per annum, respectively.

21. DEFERRED TAX ASSETS

For the purpose of presentation in the combined financial statements, the following is the analysis of the deferred taxation:

	Year ended 31 December			Nine months ended 30 September
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At the beginning of the reporting period	911	981	910	732
Credit (Charge) to profit or loss	70	(71)	(178)	(148)
At the end of the reporting period	981	910	732	584

The movements in the Group's deferred tax assets for the Track Record Period were as follows:

	Accrued revenue and costs
	RMB'000
At 1 January 2019	911
Income tax credit	70
At 31 December 2019	981
At 1 January 2020	981
Income tax expense	(71)
At 31 December 2020	910
At 1 January 2021	910
Income tax expense	(178)
At 31 December 2021	732
At 1 January 2022	732
Income tax expense	(148)
At 30 September 2022	584

At the end of each reporting period, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings of the Group's subsidiaries established in the PRC. In the opinion of the management of the Group, it is probable that the earnings will not be distributed in the foreseeable future. The estimated withholding tax effects on the distribution of accumulated profits were approximately RMB5,138,000, RMB10,015,000, RMB2,693,000 and RMB8,381,000 at 31 December 2019, 2020 and 2021 and 30 September 2022, respectively.

22. DEFERRED INCOME

	At 31 December			At 30 September
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Assets related government grants	4,796	4,307	3,818	3,450

Movement of assets related government grants:

	RMB'000
At 1 January 2019	5,000
Credit to profit or loss	(204)
At 31 December 2019	4,796
At 1 January 2020	4,796
Credit to profit or loss	(489)
At 31 December 2020	4,307
At 1 January 2021	4,307
Credit to profit or loss	(489)
At 31 December 2021	3,818
At 1 January 2022	3,818
Credit to profit or loss	(368)
At 30 September 2022	3,450

The carrying amount of deferred income of the Group analysed as:

	At 31 December			At 30 September
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current portion	489	489	489	489
Non-current portion	4,307	3,818	3,329	2,961
	4,796	4,307	3,818	3,450

The assets related government grant represents amount of RMB5,000,000 which was received in a year prior to the year ended 31 December 2019 in relation to subsidies for acquisition of certain building and plant and machineries.

23. SHARE CAPITAL AND THE FINANCIAL INFORMATION OF THE COMPANY

23(a) Share capital

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 21 January 2022. Upon its incorporation, the authorised share capital of HK$380,000 was divided into 38,000,000 ordinary shares at HK$0.01 each and 1 ordinary share was issued. On 23 May 2022 and 24 May 2022, further 989,999 ordinary shares and 10,000 ordinary shares, respectively, were issued at HK$0.01 each.

Pursuant to the Reorganisation completed on 2 June 2022, the Company became the holding company of the entities now comprising the Group. Further details of the change in authorised and issued capital of the Company since its incorporation are set out in the paragraph headed "Reorganisation" of the section headed "History, Reorganisation and Group Structure" of the Prospectus.

Save as disclosed above, the Company has not commenced any significant business or operation since its incorporation.

23(b) Investments in subsidiaries

Investments in subsidiaries represent 100% of the issued share capital of Tianshun International BVI and Lvshui Technology.

23(c) Amounts due from (to) a subsidiary

The amounts due are non-trade in nature, unsecured, interest-free and repayable on demand.

23(d) Reserves of the Company

	Translation reserve	Accumulated losses	Total
	RMB'000	*RMB'000*	*RMB'000*
At 21 January 2022 (date of incorporation).	—	—	—
Loss for the period	—	(10,822)	(10,822)
Other comprehensive loss			
Exchange difference on translation into presentation currency	(4)	—	(4)
At 30 September 2022	(4)	(10,822)	(10,826)

23(e) Other payables

	Note	At 30 September 2022
		RMB'000
Other payables		
Accrued listing expenses		8,420
Due to Pre-IPO Investors	*18(c)*	4,905
Accruals and other payables		1,584
		14,909

24. RESERVES

24(a) Capital reserve

The capital reserve represents the aggregate amount of the nominal value of the issued/paid-up capital of the entities now comprising the Group before completion of the Reorganisation less consideration paid to acquire the relevant interests (if any) in relation to the Reorganisation.

During the Track Record Period, the Group has the following movement on capital reserve:

(i) During the years ended 31 December 2019 and 2020, capital contributions amounting to RMB124,000 and RMB51,000 were injected to Yizheng Juxinyuan by the then shareholders.

(ii) On 1 September 2020, capital contribution amounting to RMB8,000,000 was injected by 吉林省創新企業投資有限公司 (Jilin Province Innovative Enterprises Investment Co., Ltd.*) ("**Jilin Innovative Investment**") to Jilin Kaishun.

(iii) Pursuant to the Reorganisation, Mr. Chen Guobin, Mr. Li Xiquan, Mr. Lu Changdong and Green Environmental HK (collectively referred to as the "**Investors**"), the Ultimate Controlling Parties and Jilin Kaishun entered into an equity increase agreement on 2 November 2021 pursuant to which the Investors agree to make a capital injection for an aggregate amount of RMB34,710,000 to Jilin Kaishun, out of which RMB31,110,000 was paid during the year ended 31 December 2021 and the remaining amount of RMB3,600,000 was settled on 18 February 2022.

(iv) Pursuant to the Reorganisation, Mr. Shan Yuzhu as the seller and Jilin Kaishun as the purchaser entered into an equity transfer agreement on 27 May 2022, pursuant to which Jilin Kaishun will acquire the entire equity interest of Yizheng Juxinyuan for a consideration of approximately RMB3,240,000. The consideration was fully settled on 1 June 2022. Upon completion of the said transfers, Yizheng Juxinyuan became a wholly-owned subsidiary of Jilin Kaishun.

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24(b) Statutory reserve

As stipulated by the relevant laws and regulations for enterprises incorporated/established in the PRC, the Group's subsidiaries in the PRC are required to appropriate to the statutory reserve an amount not less than 10% of the amount of profit after tax (as reported in the respective statutory financial statements of the PRC subsidiaries prepared in accordance with the PRC accounting regulations). If the accumulated statutory reserve reaches 50% of the registered share capital of the respective PRC subsidiaries, the subsidiary may not be required to make any further appropriation. The statutory reserve can be used to make up for losses, expand the existing operation and convert to additional capital.

24(c) Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the Group's entities that have functional currency different from the presentation currency for combinations/consolidation.

25. CHANGE IN THE GROUP'S OWNERSHIP INTERESTS IN SUBSIDIARIES WHICH ARISING FROM THE REORGANISATION

Pursuant to the share capital increase agreement dated 11 April 2022 entered into among Ms. Zhang Yuqiu, Mr. Shan Yuzhu, Mr. Chen Guobin, Mr. Li Xiquan, Mr. Lu Changdong and Jilin Maisheng, Ms. Zhang Yuqiu, Mr. Shan Yuzhu, Mr. Chen Guobin, Mr. Li Xiquan and Mr. Lu Changdong agreed to subscribe an aggregate of 1% registered capital of RMB10,101.01 in Changchun Guangke and the consideration was satisfied by their respective interests in Jilin Kaishun to be transferred to Changchun Guangke. The consideration was determined with reference to their respective interests in Jilin Kaishun. Upon completion of the capital increase on 20 April 2022, the registered capital of Changchun Guangke is owned by Jilin Maisheng as to 99.0000%, Ms. Zhang as to 0.4752%, Mr. Shan as to 0.4375%, Mr. Chen Guobin as to 0.0601%, Mr. Li as to 0.0140% and Mr. Lu Changdong as to 0.0132%, respectively.

The transfer of 99% equity interest of Jilin Kaishun from Ms. Zhang Yuqiu, Mr. Shan Yuzhu, Mr. Chen Guobin, Mr. Li Xiquan and Mr. Lu Changdong to Changchun Guangke (being the settlement of the consideration of the capital increase in Changchun Guangke) was completed on 10 May 2022 and Jilin Kaishun became owned by Changchun Guangke as to 99% and Green Environmental HK as to 1%, respectively. Upon completion, Changchun Guangke became an indirect non-wholly owned subsidiary of the Company.

Details of above are set out in the paragraph headed "Reorganisation" of the section headed "History, Reorganisation and Group Structure" of the Prospectus.

The financial impact of the above arrangement to the Historical Financial Information is set out as follows:

	RMB'000
Total consideration received from NCI	—
Deemed equity interest in Changchun Guangke disposed of on 10 May 2022	1,686
	1,686

26. RELATED PARTY TRANSACTIONS

During the Track Record Period, information of the related party transactions is set out below.

(a) Transactions between the group entities have been eliminated on combination and are not disclosed. During the Track Record Period, the Group had the following significant transactions with a related party. In the opinion of the directors of the Company, they are under normal commercial terms that are fair and reasonable and in the best interests of the Group.

Name of the related company	Nature of transaction	Year ended 31 December			Nine months ended 30 September	
		2019	2020	2021	2021	2022
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Jiyuan Biotechnology* *(Note 17(c))*	Sales of biodegradable plastic bags	842	—	—	—	—

* During the year ended 31 December 2019, Jiyuan Biotechnology was owned by Mr. Zhang Baoxian and Ms. Jiang Guifen, the parents of Ms. Zhang Yuqiu and parents-in-laws of Mr. Shan Yuzhu.

(b) Pledge of assets/guarantees provided for borrowings of the Group by the related parties:

As detailed in Note 19 to the Historical Financial Information, the secured borrowings of approximately RMB30,000,000, RMB45,076,000, RMB40,496,000 and RMB38,000,000 at 31 December 2019, 2020 and 2021 and 30 September 2022 were secured by, among others, (i) properties held by the Ultimate Controlling Parties; (ii) leasehold land and buildings held by a former related party, Jibei Technology, whose equity interests were 100% held by the Ultimate Controlling Parties at 31 December 2020 and also equity interest of Jibei Technology; and (iii) guarantees given by the related parties.

As detailed in Note 18(c) to the Historical Financial Information, on 30 September 2022, the amounts due to Pre-IPO Investors of approximately RMB5.5 million were secured by equivalent amounts of cash held by Mr. Shan Yuzhu and deposited to Pre-IPO Investors, Mr. Chen Guobin and Mr. Zhang Zhifang.

The above guarantees and the pledged assets provided by the related parties are expected to be released and replaced by a corporate guarantee to be given by the Company upon the Initial Listing and the lenders including banks and other financial institutions have provided their consent in this regard.

(c) Balance with related parties:

	At 31 December			At 30 September
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Due from related parties				
Mr. Li Peng *(Note (i))*	176	55	—	—
Jiyuan Biotechnology *(Note (ii))*	24,553	24,553	—	—

Notes:

(i) The amount due was non-trade in nature, unsecured, interest-free and repayable on demand. The amount was fully settled during the year ended 31 December 2021. Details are disclosed in Note 17(b) to the Historical Financial Information.

(ii) The amount due is non-trade in nature, unsecured, interest-free and repayable on demand. The amount was fully settled during the year ended 31 December 2021. Details are disclosed in Note 17(c) to the Historical Financial Information.

(d) Remuneration for key management personnel (including the Company's directors) of the Group:

	Year ended 31 December			Nine months ended 30 September	
	2019	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Salaries, discretionary bonus, allowances and other benefits in kind	273	366	607	340	474
Contributions to defined contribution plans	78	31	101	65	74
	351	397	708	405	548

Further details of the remuneration of the Company's directors are set out in Note 8.

27. ADDITIONAL INFORMATION ON THE COMBINED STATEMENTS OF CASH FLOWS

(a) Major non-cash transactions

During the years ended 31 December 2019, 2020 and 2021 and the nine months ended 30 September 2022, the Group entered into lease arrangements in respect of right-of-use assets with total capital value at the inception of leases of approximately RMB276,000, RMB811,000, RMB6,726,000 and RMB27,013,000, respectively.

(b) Reconciliation of liabilities arising from financing activities

The movements during the Track Record Period in the Group's liabilities arising from financing activities are as follows:

			Non-cash changes		
	At 1 January 2019	Net cash flows	Declaration of dividends	Addition of right-of-use assets	At 31 December 2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2019					
Interest-bearing borrowings	27,000	3,000	—	—	30,000
Lease liabilities	233	(144)	—	276	365
Total liabilities from financing activities	27,233	2,856	—	276	30,365

			Non-cash changes		
	At 1 January 2020	Net cash flows	Declaration of dividends	Addition of right-of-use assets	At 31 December 2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2020					
Interest-bearing borrowings	30,000	15,076	—	—	45,076
Lease liabilities	365	(200)	—	811	976
Total liabilities from financing activities	30,365	14,876	—	811	46,052

	At 1 January 2021	Net cash flows	Non-cash changes: Declaration of dividends	Non-cash changes: Addition of right-of-use assets	At 31 December 2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2021					
Interest-bearing borrowings	45,076	(4,580)	—	—	40,496
Lease liabilities	976	(421)	—	6,726	7,281
Dividends payable	—	(136,959)	136,959	—	—
Total liabilities from financing activities	46,052	(141,960)	136,959	6,726	47,777

	At 1 January 2021	Net cash flows	Non-cash changes: Declaration of dividends	Non-cash changes: Addition of right-of-use assets	At 30 September 2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Nine months ended 30 September 2021 (Unaudited)					
Interest-bearing borrowings	45,076	(2,076)	—	—	43,000
Lease liabilities	976	(315)	—	—	661
Dividends payable	—	(136,959)	136,959	—	—
Total liabilities from financing activities	46,052	(139,350)	136,959	—	43,661

	At 1 January 2022	Net cash flows	Non-cash changes: Declaration of dividends	Non-cash changes: Addition of right-of-use assets	At 30 September 2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Nine months ended 30 September 2022					
Interest-bearing borrowings	40,496	(1,094)	—	—	39,402
Due to Pre-IPO Investors	—	4,905	—	—	4,905
Lease liabilities	7,281	(4,010)	—	27,013	30,284
Total liabilities from financing activities	47,777	(199)	—	27,013	74,591

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise of bank balances and cash, interest-bearing borrowings and lease liabilities. The main purpose of these financial instruments is to raise and maintain finance for the Group's operations. The Group has various other financial instruments such as trade and other receivables and trade and other payables, which arise directly from its business activities.

The main risks arising from the Group's financial instruments are interest rate risk, credit risk and liquidity risk. The Group generally adopts conservative strategies on the Group's risk management and limits the Group's exposure to these risks to a minimum. The management of the Group reviews and agrees policies for managing each of these risks and they are summarised below. The Group also monitors the market price risk arising from all financial instruments.

Interest rate risk

The Group's exposure to market risk for changes in interest rates relates primarily to the Group's interest-bearing borrowings with floating interest rates of approximately RMB18,000,000, RMB18,000,000, nil and nil at 31 December 2019, 2020 and 2021 and 30 September 2022, respectively. The Group currently does not have a policy to hedge against the interest rate risk as the management of the Group does not expect any significant interest rate risk at the end of each reporting period.

At the end of each reporting period, if interest rates had been 1% higher/lower and all other variables were held constant, the Group's pre-tax results would decrease/increase by approximately RMB180,000, RMB180,000, nil and nil for the years ended 31 December 2019, 2020 and 2021 and the nine months ended 30 September 2022, respectively.

The sensitivity analysis above has been determined assuming that the changes in interest rate had occurred throughout the Track Record Period and had been applied to the exposure to interest rate risk for the closing balances of interest-bearing borrowings in existence at the end of each reporting period. The stated changes represent management's assessment of a reasonably possible change in interest rates over the Track Record Period.

In the opinion of the management of the Group, the sensitivity analysis is unrepresentative of the inherent interest rate risk because the exposure at the end of each reporting period does not reflect the exposure during the Track Record Period.

In addition, the Group's financial liabilities measured at amortised cost are considered not to expose to fair value interest rate risk at the end of each reporting period.

Credit risk

The carrying amount of financial assets recognised on the Historical Financial Information, which is net of loss allowances, represents the Group's exposure to credit risk on these financial assets without taking into account the credit enhancements.

	At 31 December			At 30 September
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Deposits paid for acquisition of property, plant and equipment	208	4,518	400	—
Trade and other receivables	48,139	53,241	73,325	79,628
Bank balances and cash	34,045	97,895	90,428	86,922
	82,392	155,654	164,153	166,550

Trade receivables

The Group trades only with recognised, creditworthy parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. The Group limits its exposure to credit risk from trade receivables by establishing a maximum payment period of 90 days.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry and region in which customers operate also has an influence on credit risk but to a lesser extent. Credit quality of a customer is assessed based on an extensive credit rating and individual credit limit assessment which is mainly based on the Group's own trading records.

At 31 December 2019, 2020 and 2021 and 30 September 2022, the Group had a concentration of credit risk as approximately 16.70%, 17.69%, 15.67% and 17.71% of the total trade receivables was due from the Group's largest trade debtor, respectively, and approximately 52,76%, 54.56%, 56.55% and 48.95% of the total trade receivables was due from the Group's five largest trade debtors, respectively.

The Group's customer base consists of a wide range of customers and the trade receivables are categorised by common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. The Group applies a simplified approach in calculating ECL for trade receivables and recognises loss allowances based on lifetime ECL at the end of each reporting period and has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. The expected loss rate used in the provision matrix is calculated for each category based on actual credit loss experience over the past periods and adjusted for current and forward- looking factors to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and the Group's estimate on future economic conditions over the expected lives of the receivables. There was no change in the estimation techniques or significant assumptions made during the Track Record Period.

Considered no significant default history and no forward-looking factors that give rise to significant default risk on trade receivables for both past due or not yet past due balances at 31 December 2019, 2020 and 2021 and 30 September 2022, and no material change in late payment and default risk as well as forward-looking factors throughout the Track Record Period, the management of the Group estimates that the ECL for those balances is insignificant and assign 0.5% as the expected loss rate, which represented a reasonable estimation of credit risk exposure, for the Track Record Period.

The Group does not hold any collateral over trade receivables at 31 December 2019, 2020 and 2021 and 30 September 2022.

Having considered the expected loss rate of 0.5% for the Track Record Period, the Group recognised loss allowances of approximately RMB116,000, RMB144,000, RMB364,000 and RMB385,000 on the trade receivables at 31 December 2019, 2020 and 2021 and 30 September 2022, respectively. The movements in loss allowances for trade receivables during the Track Record Period are summarised below.

	Year ended 31 December			**Nine months ended 30 September**
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At the beginning of the reporting period	115	116	144	364
Provision for loss allowances, net	1	28	220	21
At the end of the reporting period	116	144	364	385

None of the trade receivables were written off during the Track Record Period.

Other financial assets carried at amortised costs

The Group's other financial assets carried at amortised costs include bank balances and cash and other receivables in the combined statements of financial position.

The majority of the Group's bank balances are deposited in major financial institutions located in the PRC, which are of high credit rating. The management of the Group does not expect any losses arising from non-performance by these counterparties.

The management of the Group considers that the other receivables have low credit risk based on the borrowers' strong capacity to meet its contractual cash flow obligations in the near term and low risk of default. Loss allowances on other receivables is measured on 12-month ECL and reflects the short maturities of the exposures.

In estimating the ECL, the management of the Group has taken into account the historical actual credit loss experience over the past years and the financial position of the counterparties, past collection history, current creditworthiness, adjusted for forward-looking factors that are specific to the counterparties and general economic conditions of the industry in which the counterparties operate, in estimating the probability of default of these financial assets, as well as the loss upon default in each case. The management of the Group considers the ECL of other receivables to be negligible after taking into account the financial position, credit quality and past settlement records of the counterparties.

There was no change in the estimation techniques or significant assumptions made during the Track Record Period.

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility. The Group has no specific policy for managing its liquidity. The undiscounted contractual maturity profile of the Group's financial liabilities at the end of each reporting period, based on the contractual undiscounted payments, is summarised below:

	Total carrying amount	Total contractual undiscounted cash flow	On demand or less than 1 year	1 to 2 years	2 to 3 years
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2019					
Trade and other payables	10,310	10,310	10,310	—	—
Interest-bearing borrowings	30,000	30,671	30,671	—	—
Lease liabilities	365	387	174	174	39
	40,675	41,368	41,155	174	39
At 31 December 2020					
Trade and other payables	7,874	7,874	7,874	—	—
Interest-bearing borrowings	45,076	46,630	46,062	568	—
Lease liabilities	976	1,064	474	340	250
	53,926	55,568	54,410	908	250
At 31 December 2021					
Trade and other payables	26,528	26,528	26,528	—	—
Interest-bearing borrowings	40,496	41,464	41,464	—	—
Lease liabilities	7,281	7,972	3,347	2,750	1,875
	74,305	75,964	71,339	2,750	1,875
At 30 September 2022					
Trade and other payables	31,580	31,580	31,580	—	—
Interest-bearing borrowings	39,402	41,603	41,603	—	—
Lease liabilities	30,284	31,921	12,474	11,990	7,457
	101,266	105,104	85,657	11,990	7,457

29. FAIR VALUE MEASUREMENT

The management of the Group estimates the fair value of its financial assets and financial liabilities measurement of amortise cost using the discounted cash flows analysis. The management of the Group considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the combined statements of financial position approximate their fair value.

30. COMMITMENTS

(a) Capital expenditure commitments

	At 31 December			At 30 September
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contracted but not provided net of deposits paid for acquisition of property, plant and equipment	4,680	232	900	—

In December 2019, the Group entered into a purchase agreement with a machinery supplier, an independent third party, to purchase machineries at a total consideration of RMB4,750,000. The Group has settled RMB155,000 and RMB4,518,000 at 31 December 2019 and 2020, respectively. During the year ended 31 December 2021, the machineries were delivered to the Group and tested the conditions. Since the machineries were below the required standard, the purchase agreement was mutually terminated by the Group and the machinery supplier and the total consideration paid were fully refunded to the Group during the year ended 31 December 2021.

In October 2022, the Group entered into purchase agreements with other two independent third party machinery suppliers to purchase machineries for the establishment of the new plant and production lines at Huizhou production base at a total consideration of RMB3,360,000, of which a deposit of RMB336,000 was made to the machinery suppliers in November 2022 and the balance of RMB3,024,000 will be paid upon the delivery of the machineries to the Group and the completion of installation and testing works. As the aforesaid agreements were entered into by the Group subsequent to 30 September 2022, no capital expenditure commitment was recorded at 30 September 2022 in this respect.

(b) Commitments under leases

The Group as lessee

At 31 December 2019, 2020 and 2021 and 30 September 2022, the Group was committed to nil, nil, RMB62,000 and RMB6,000 for short-term leases.

31. CAPITAL MANAGEMENT

The objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to provide returns for equity owners. The Group manages its capital structure and makes adjustments, including payment of dividend, call for additional capital from equity owners or sale of assets to reduce debts. No changes were made in the objectives, policies or processes during the Track Record Period.

32. EVENTS AFTER THE REPORTING PERIOD

Subsequent to 30 September 2022, the Group has the following subsequent events:

(i) Pursuant to the resolution in writing of the Company's shareholders passed on 9 March 2023, inter-alia, the authorised share capital of the Company was increased from 38,000,000 to 10,000,000,000 by the creation of an additional 9,962,000,000 shares of HK$0.01 each and the Capitalisation Issue (as defined below) was conditionally approved.

(ii) Pursuant to the resolution in writing of the Company's shareholders passed on 9 March 2023, subject to the share premium account of the Company being credited as a result of the Global Offering of the Company's shares, the directors of the Company were authorised to allot and issue a total of 809,000,000 shares of HK$0.01 each to the existing shareholders, credited as fully paid at par by way of capitalisation of the sum of HK$8,090,000 standing to the credit of the share premium account of the Company (the "**Capitalisation Issue**") and the shares to be allotted and issued pursuant to this resolution shall carry the same rights as all shares in issue (save for the right to participate in the Capitalisation Issue).

33. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared in accordance with IFRSs and/or other applicable financial reporting standards for the Company or any of its subsidiaries in respect of any period subsequent to 30 September 2022.

The information set forth in this appendix does not form part of the Accountants' Report prepared by Mazars CPA Limited, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, as set forth in Appendix I to this prospectus, and is included herein for information purposes only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the Accountants' Report set forth in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED COMBINED NET TANGIBLE ASSETS

The following statement of unaudited pro forma adjusted net tangible assets of the Group is prepared in accordance with Rule 4.29 of the Listing Rules and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants for illustrative purposes only, and is set out below to illustrate the effect of the Global Offering on the combined net tangible assets of the Group attributable to equity owners of the Company at 30 September 2022 as if the Global Offering had taken place on that date.

The unaudited pro forma adjusted combined net tangible assets of the Group has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the combined net tangible assets of the Group attributable to equity owners of the Company at 30 September 2022 or at any future dates following the Global Offering. It is prepared based on the audited combined net tangible assets of the Group attributable to equity owners of the Company at 30 September 2022 as set out in the Accountants' Report in Appendix I to this prospectus, and adjusted as described below. The unaudited pro forma adjusted combined net tangible assets do not form part of the Accountants' Report as set out in Appendix I to this prospectus.

	Audited combined net tangible assets attributable to owners of the Company at 30 September 2022		Estimated net proceeds from the Global Offering		Unaudited pro forma adjusted combined net tangible assets attributable to owners of the Company		Unaudited pro forma adjusted combined net tangible assets attributable to owners of the Company per Share	
	(Note 1)	*(Note 5)*	*(Note 5)*	*(Note 2)*			*(Note 5)*	*(Note 3)*
	RMB'000	*HK$'000*	*RMB'000*	*HK$'000*	*RMB'000*	*HK$'000*	*RMB*	*HK$*
Based on the Offer Price of HK$0.945 per Offer Share, after a Downward Offer Price Adjustment of 10%	184,316	203,664	138,955	153,541	323,271	357,205	0.32	0.36
Based on the Offer Price of HK$1.05 per Offer Share	184,316	203,664	155,926	172,294	340,242	375,958	0.34	0.38
Based on the Offer Price of HK$1.35 per Offer Share	184,316	203,664	204,416	225,874	388,732	429,538	0.39	0.43

NOTES TO THE UNAUDITED PRO FORMA STATEMENT OF ADJUSTED COMBINED NET TANGIBLE ASSETS

1. The audited combined net tangible assets of the Group attributable to owners of the Company at 30 September 2022 is based on the audited combined net assets attributable to owners of the Company at 30 September 2022 of approximately RMB184,409,000 with an adjustment for the intangible assets of approximately RMB93,000 at 30 September 2022, extracted from the Group's combined financial information included in the Accountants' Report as set out in Appendix I to this prospectus.

2. The estimated net proceeds from the Global Offering are based on 190,000,000 new Shares and the indicative Offer Price of HK$1.05 and HK$1.35 per Offer Share, respectively, and also based on the Offer Price of HK$0.945 per Offer Share, after a Downward Offer Price Adjustment of 10%, after deduction of relevant estimated underwriting commissions and fees and other related expenses payable by the Company excluding approximately RMB16,366,000 (equivalent to approximately HK$18,084,000) listing-related expenses which has been accounted for prior to 30 September 2022. The estimated net proceeds have not taken into account any Shares which may be allotted and issued upon exercise of any options which may be granted under the Share Option Scheme or the Over-allotment Option or any Shares which may be allotted and issued or repurchased by the Company pursuant to the general mandates given to the Directors.

3. The calculation of the unaudited pro forma adjusted combined net tangible assets of the Group attributable to owners of the Company per Share is based on 1,000,000,000 Shares expected to be in issue after the completion of the Capitalisation Issue and the Global Offering. It has not taken into account any Shares which may be allotted and issued upon exercise of any options which may be granted under the Share Option Scheme or the Over-allotment Option or any Shares which may be allotted and issued or repurchased by the Company pursuant to the general mandates given to the Directors.

4. No adjustment has been made to reflect any trading result or other transactions of the Group entered into subsequent to 30 September 2022.

5. These amounts are converted from Renminbi to Hong Kong dollars or Hong Kong dollars to Renminbi at an exchange rate of RMB0.905 to HK$1.000. No representation is made that Renminbi/Hong Kong dollars amount have been, could have been or may be converted to Hong Kong dollars/Renminbi at that rate or at all.

The following is the text of a report received from the independent reporting accountants of the Company, Mazars CPA Limited, Certified Public Accountants, Hong Kong, in respect of the Group's unaudited pro forma financial information prepared for the purpose of incorporation in this prospectus.

B. ASSURANCE REPORT FROM THE INDEPENDENT REPORTING ACCOUNTANTS ON THE UNAUDITED PRO FORMA STATEMENT OF ADJUSTED COMBINED NET TANGIBLE ASSETS OF THE GROUP

mazars
中审众环

21 March 2023

The Board of Directors
China Treasures New Materials Group Ltd.
Soochow Securities International Capital Limited

Dear Sirs,

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of China Treasures New Materials Group Ltd. (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") prepared by the directors of the Company (the "**Directors**"). The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted combined net tangible assets attributable to the equity owners of the Company at 30 September 2022 and related notes as set out on pages II-1 and II-2 of Appendix II to the prospectus issued in connection with the initial listing of the Company's shares in the Main Board of The Stock Exchange of Hong Kong Limited dated 21 March 2023 (the "**Prospectus**"). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on pages II-1 and II-2 of Appendix II to the Prospectus.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the Global Offering (as defined in the Prospectus) on the Group's combined financial position at 30 September 2022 as if the Global Offering had taken place on 30 September 2022. As part of this process, information about the Group's financial position at 30 September 2022 has been extracted by the Directors from the Group's combined historical financial information included in the Accountants' Report as set out in Appendix I to the Prospectus.

Directors' responsibility for the unaudited pro forma financial information

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("**AG 7**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**").

Reporting accountants' independence and quality control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

We apply Hong Kong Standard on Quality Control 1 "Quality Control for Firms That Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements" issued by the HKICPA and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting accountants' responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29 (7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We did not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the date of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements ("**HKSAE**") 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled, in all material respects, the unaudited pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in a prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of events or transactions at 30 September 2022 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the unaudited pro forma financial information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,

Mazars CPA Limited
Certified Public Accountants

Hong Kong

The following is the preliminary financial information of our Group as of and for the year ended 31 December 2022 (the "**2022 Preliminary Financial Information**"), together with comparative financial information as of and for the year ended 31 December 2021 and a discussion of changes in our financial condition and results of operations between the two periods. The 2022 Preliminary Financial Information has been prepared based on the consolidated financial statements of the Group prepared in accordance with International Financial Reporting Standards. The 2022 Preliminary Financial Information was not audited. Investors should bear in mind that the 2022 Preliminary Financial Information in this appendix may be subject to adjustments.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		2022	2021
	Note	*RMB'000* (Unaudited)	*RMB'000* (Audited)
Revenue	*4*	299,789	256,740
Cost of sales		(179,545)	(143,608)
Gross profit		120,244	113,132
Other income		747	1,208
Selling and distribution expenses		(5,242)	(1,409)
Administrative and other operating expenses		(25,382)	(13,311)
Finance costs	*5*	(3,392)	(3,429)
Listing expenses		(17,146)	(4,214)
Profit before tax	*5*	69,829	91,977
Income tax expenses	*6*	(12,842)	(13,560)
Profit for the year		56,987	78,417
Other comprehensive loss:			
Item that will not be reclassified to profit or loss			
Translation of the Company's financial statements into presentation currency		(2)	—
Item that may be reclassified subsequently to profit or loss			
Exchange difference on consolidation/combinations		(295)	—
Total other comprehensive loss		(297)	—
Total comprehensive income for the year		56,690	78,417

	Note	2022	2021
		RMB'000	*RMB'000*
		(Unaudited)	(Audited)
Profit for the year attributable to:			
Owners of the Company		56,508	78,417
Non-controlling interests		479	—
		56,987	78,417
Total comprehensive income for the year attributable to:			
Owners of the Company		56,211	78,417
Non-controlling interests		479	—
		56,690	78,417
		RMB cents	*RMB cents*
		(Unaudited)	(Audited)
Earnings per share attributable to owners of the Company	*7*		
Basic and diluted		6.98	9.68

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	2022	2021
		RMB'000 (Unaudited)	*RMB'000* (Audited)
Non-current assets			
Property, plant and equipment		63,641	38,385
Right-of-use assets		27,960	8,015
Intangible assets		91	—
Deposits paid for acquisition of property, plant and equipment		336	400
Deferred tax assets		428	732
		92,456	47,532
Current assets			
Inventories		37,799	13,980
Trade and other receivables	*9*	75,360	73,582
Bank balances and cash		99,230	90,428
		212,389	177,990
Current liabilities			
Trade and other payables	*10*	38,101	31,189
Interest-bearing borrowings	*11*	39,844	40,496
Lease liabilities		6,867	2,940
Deferred income		489	489
Income tax payables		2,691	1,792
		87,992	76,906
Net current assets		124,397	101,084
Total assets less current liabilities		216,853	148,616
Non-current liabilities			
Lease liabilities		16,009	4,341
Deferred income		2,840	3,329
		18,849	7,670
NET ASSETS		198,004	140,946
Capital and reserves			
Share capital		8	—
Reserves		195,831	140,946
Equity attributable to owners of the Company		195,839	140,946
Non-controlling interests		2,165	—
TOTAL EQUITY		198,004	140,946

NOTES TO THE 2022 PRELIMINARY FINANCIAL INFORMATION

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 21 January 2022. The address of the Company's registered office is 89 Nexus Way, Camana Bay, Grand Cayman, KY1-9009, Cayman Islands. The Company's principal place of business is situated at Room 1910, 19/F., C C Wu Building, 302–308 Hennessy Road, Wan Chai, Hong Kong and the Group's headquarter is situated at No. 3, Jing'Er Road, Kalun Industrial South Region, Jiutai Economics Development Zone, Changchun City, Jilin Province, the People's Republic of China (the "**PRC**").

The principal activity of the Company is investment holding and its subsidiaries are principally engaged in development and manufacture of biodegradable plastic products and non-biodegradable automobile plastic parts in the PRC. The Company and its subsidiaries are hereinafter collectively referred as the "**Group**".

At the date of approving the 2022 Preliminary Financial Information, in the opinion of the directors of the Company, the ultimate controlling parties are Ms. Zhang Yuqiu and Mr. Shan Yuzhu (together the "**Ultimate Controlling Parties**").

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The 2022 Preliminary Financial Information is extracted from the Group's consolidated financial statements for the year ended 31 December 2022 (the "**2022 Consolidated Financial Statements**") which have been prepared in accordance with International Financial Reporting Standards ("**IFRSs**") issued by the International Accounting Standards Board ("**IASB**"), which collective term includes all applicable individual IFRSs, International Accounting Standards ("**IASs**") and Interpretations issued by the IASB. The 2022 Consolidated Financial Statements also comply with the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Main Board of The Stock Exchange of Hong Kong Limited.

The 2022 Preliminary Financial Information are presented in Renminbi ("**RMB**") and all amounts have been rounded to the nearest thousand ("**RMB'000**"), unless otherwise stated.

The basis of preparation and presentation of the 2022 Consolidated Financial Statements and a summary of principal accounting policies adopted by the Group in preparing the 2022 Consolidated Financial Statements are set out in Notes 2 and 3 to the Accountants' Report in Appendix I to the Prospectus.

Adoption of new/revised IFRSs

The Group has applied, for the first time, the following new/revised IFRSs that are relevant to the Group:

Amendments to IFRS 16	Covid-19-Related Rent Concessions Beyond 30 June 2021
Amendments to IAS 16	Proceeds before Intended Use
Amendments to IAS 37	Cost of Fulfilling a Contract
Amendments to IFRS 3	Reference to the Conceptual Framework
Annual Improvements to IFRSs	2018–2020 Cycle

Amendments to IFRS 16: Covid-19-Related Rent Concessions Beyond 30 June 2021

The amendments exempt lessees from having to consider individual lease contracts to determine whether rent concessions occurring as a direct consequence of the covid-19 pandemic are lease modifications and allow lessees to account for such rent concessions as if they were not lease modifications. It applies to covid-19-related rent concessions that reduce lease payments due on or before 30 June 2022. The amendments do not affect lessors.

Amendments to IAS 16: Proceeds before Intended Use

The amendments clarify the accounting requirements for proceeds received by an entity from selling items produced while testing an item of property, plant or equipment before it is used for its intended purpose. An entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss and measures the cost of those items applying the measurement requirements of IAS 2.

Amendments to IAS 37: Cost of Fulfilling a Contract

The amendments clarify that for the purpose of assessing whether a contract is onerous under IAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (for example, direct labour and materials) and an allocation of other costs that relate directly to fulfilling contracts (for example, an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

Amendments to IFRS 3: Reference to the Conceptual Framework

The amendments update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting issued in 2018. The amendments also add to IFRS 3 an exception to its requirement for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for some types of liabilities and contingent liabilities, an entity applying IFRS 3 should instead refer to IAS 37. The exception has been added to avoid an unintended consequence of updating the reference.

Annual Improvements Project — 2018–2020 Cycle

IFRS 1: Subsidiary as a First-time Adopter

This amendment simplifies the application of IFRS 1 for a subsidiary that becomes a first-time adopter of IFRSs later than its parent — i.e. if a subsidiary adopts IFRSs later than its parent and applies IFRS 1.D16(a), then a subsidiary may elect to measure cumulative translation differences for all foreign operations at amounts included in the consolidated financial statements of the parent, based on the parent's date of transition to IFRSs.

IFRS 9: Fees in the "10 per cent" Test for Derecognition of Financial Liabilities

This amendment clarifies that — for the purpose of performing the "10 per cent test" for derecognition of financial liabilities — in determining those fees paid net of fees received, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

IFRS 16: Lease Incentives

The amendment removes the illustration of payments from the lessor relating to leasehold improvements. As currently drafted, Example 13 is not clear as to why such payments are not a lease incentive.

IAS 41: Taxation in Fair Value Measurements

This amendment removes the requirement to exclude cash flows for taxation when measuring fair value, thereby aligning the fair value measurement requirements in IAS 41 with those in IFRS 13.

The adoption of the above amendments does not have any significant impact on the 2022 Consolidated Financial Statements.

Future changes in IFRSs

The IASB has issued the following new/revised IFRSs that are not yet effective for the reporting period, which the Group has not early adopted.

Amendments to IAS 1	Disclosure of Accounting Policies (1)
Amendments to IAS 8	Definition of Accounting Estimates (1)
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction (1)
IFRS 17	Insurance Contracts (1)
Amendment to IFRS 17	Initial Application of IFRS 17 and IFRS 9 — Comparative Information (1)
Amendments to IAS 1	Classification of Liabilities as Current or Non-current (2)
Amendments to IAS 1	Non-current Liabilities with Covenants (2)
Amendment to IFRS 16	Lease Liability in a Sale and Leaseback (2)
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (3)

(1) Effective for annual periods beginning on or after 1 January 2023

(2) Effective for annual periods beginning on or after 1 January 2024

(3) The effective date to be determined

The management of the Group does not anticipate that the adoption of the new/revised IFRSs in future periods will have any material impact on the Group's consolidated financial statements.

3. SEGMENT INFORMATION

Information reported to the executive directors of the Company, being identified as the chief operating decision makers ("**CODM**"), for the purposes of resource allocation and assessment of segment performance focuses on types of goods delivered. No operating segments identified by the CODM have been aggregated in arriving at the reportable operating segments of the Group.

Specifically, the Group's reportable and operating segments are as follows:

1) development and manufacture of biodegradable plastic products; and

2) development and manufacture of non-biodegradable automobile plastic parts.

Segment revenue and results

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 3 to the Accountants' Report in Appendix I to the Prospectus.

Segment revenue represents revenue derived from development and manufacture of biodegradable plastic products and non-biodegradable automobile plastic parts.

Segment results represent the gross profit reported by each segment without allocation of other income, selling and distribution expenses, administrative and other operating expenses, finance costs, listing expenses and income tax expenses. This is the measure reported to the CODM of the Group for the purposes of resource allocation and performance assessment.

The segment information provided to the CODM of the Group for the reportable operating segments for the reporting period is as follows:

	Development and manufacture of biodegradable plastic products	Development and manufacture of non-biodegradable automobile plastic parts	Total
	RMB'000	*RMB'000*	*RMB'000*
Year ended 31 December 2022 (Unaudited)			
Segment revenue	280,484	19,305	299,789
Segment cost of sales	(168,887)	(10,658)	(179,545)
Segment results	111,597	8,647	120,244
Other income			747
Selling and distribution expenses			(5,242)
Administrative and other operating expenses			(25,382)
Finance costs			(3,392)
Listing expenses			(17,146)
Profit before tax			69,829
Income tax expenses			(12,842)
Profit for the period			56,987
Other information			
Amortisation of intangible assets	9	—	9
Depreciation *(Note)*			
— Property, plant and equipment	1,108	836	1,944
— Right-of-use assets	69	—	69
Reversal of loss allowances on trade receivables, net	(1)	—	(1)

	Development and manufacture of biodegradable plastic products	Development and manufacture of non-biodegradable automobile plastic parts	Total
	RMB'000	*RMB'000*	*RMB'000*
Year ended 31 December 2021 (Audited)			
Segment revenue	238,773	17,967	256,740
Segment cost of sales	(134,505)	(9,103)	(143,608)
Segment results	104,268	8,864	113,132
Other income			1,208
Selling and distribution expenses			(1,409)
Administrative and other operating expenses			(13,311)
Finance costs			(3,429)
Listing expenses			(4,214)
Profit before tax			91,977
Income tax expenses			(13,560)
Profit for the year			78,417
Other information			
Depreciation *(Note)*			
— Property, plant and equipment	1,034	769	1,803
— Right-of-use assets	66	—	66
Provision for loss allowances on trade receivables, net	205	15	220

Note:

Unallocated depreciation of property, plant and equipment and right-of-use assets not included in other information during the years ended 31 December 2022 and 2021 amounted to approximately RMB3,531,000 and RMB1,912,000 and RMB6,999,000 and RMB850,000, respectively.

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable and operating segments:

	Development and manufacture of biodegradable plastic products	Development and manufacture of non-biodegradable automobile plastic parts	Unallocated	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2022 (Unaudited)				
Assets				
Reportable segment assets	111,122	10,288	183,435	304,845
Liabilities				
Reportable segment liabilities	9,767	104	96,970	106,841
Other information				
Capital expenditures	870	1,150	55,828	57,848
At 31 December 2021 (Audited)				
Assets				
Reportable segment assets	87,510	12,725	125,287	225,522
Liabilities				
Reportable segment liabilities	20,451	2,871	61,254	84,576
Other information				
Capital expenditures	443	460	7,093	7,996

For the purposes of monitoring segment performance and allocating resources between segments:

- segment assets include deposits for acquisition of property, plant and equipment, inventories, trade receivables, certain property, plant and equipment, right-of-use assets, intangible assets and other receivables. Other assets are not allocated to operating segments as these assets are managed on a corporate basis; and

- segment liabilities include trade payables and certain other payables. Other liabilities are not allocated to operating segments as these liabilities are managed on a corporate basis.

Geographical information

The Company is an investment holding company and the principal place of the Group's operation is in the PRC. All of the Group's revenue from external customers during the years ended 31 December 2022 and 2021 is derived from the PRC and almost all of the Group's assets and liabilities are located in the PRC.

Information about major customers

Details of the customers (including entities under common control) individually accounting for 10% or more of total revenue of the Group during the reporting period are as follows:

	2022	2021
	RMB'000 (Unaudited)	*RMB'000* (Audited)
Development and manufacture of biodegradable plastic products		
Customer A	41,201	41,240
Customer B	35,329	37,807
Customer C	29,171	29,033

4. REVENUE

	2022	2021
	RMB'000 (Unaudited)	*RMB'000* (Audited)
Revenue from contracts with customers within IFRS 15		
At a point in time		
Development and manufacture of biodegradable plastic products	280,484	238,773
Development and manufacture of non-biodegradable automobile plastic parts	19,305	17,967
	299,789	256,740

5. PROFIT BEFORE TAX

Profit before tax is arrived at after charging (crediting):

	2022	2021
	RMB'000 (Unaudited)	*RMB'000* (Audited)
Finance costs		
Interest on bank loans	2,406	3,258
Interest on lease liabilities	986	171
	3,392	3,429
Staff costs (including directors' emoluments)		
Salaries, discretionary bonus, allowances and other benefits in kind	9,585	7,649
Contributions to defined contribution plans	2,278	1,889
	11,863	9,538
Other items		
Cost of inventories	177,860	141,296
Auditor's remuneration	1,459	15
Amortisation of intangible assets (charged to "**administrative and other operating expenses**")	9	—
Depreciation of property, plant and equipment (charged to "**cost of sales**", "**selling and distribution expenses**" and "**administrative and other operating expenses**", as appropriate)	5,475	3,715
Depreciation of right-of-use assets (charged to "**cost of sales**" and "**administrative and other operating expenses**", as appropriate)	7,068	916
Listing expenses	17,146	4,214
(Gain) Loss on disposal of property, plant and equipment, net	(1)	178
Research and development expenses (charged to "**cost of sales**" and "**administrative and other operating expenses**", as appropriate)	12,210	9,707
Expenses recognised under short-term leases	147	18
(Reversal of) Provision for loss allowance of trade receivables, net	(1)	220

6. TAXATION

	2022	2021
	RMB'000 (Unaudited)	*RMB'000* (Audited)
Current tax		
PRC enterprise income tax ("**PRC EIT**")	12,538	13,382
Deferred tax		
Changes in temporary differences	304	178
Total income tax expenses for the year	12,842	13,560

The group entities established in the Cayman Islands and the BVI are exempted from corporate income tax therein.

No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in or derived from Hong Kong for the years ended 31 December 2022 and 2021.

The Group's entities established in the PRC are subject to the PRC EIT at a statutory rate of 25% except for Jilin Province Kaishun New Material Co., Ltd (吉林省開順新材料有限公司 ("**Jilin Kaishun**")) which was recognised as High and New Technology Enterprise ("**HNTE**") and is entitled to a preferential tax rate of 15% during the years ended 31 December 2022 and 2021. The entitlement of this tax benefit is subject to renewal by respective tax bureau in the PRC every three years. The latest approval for Jilin Kaishun enjoying this tax benefit was obtained in September 2021 for the three years ending 31 December 2024.

7. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to owners of the Company is based on the following data:

	2022	2021
	RMB'000 (Unaudited)	*RMB'000* (Audited)
Profit:		
Profit attributable to owners of the Company used in the basic earnings per share calculation	56,508	78,417
	'000	*'000*
Number of shares:		
Weighted average number of ordinary shares used in the basic earnings per share calculation	810,000	810,000

The weighted average number of ordinary shares for the purpose of calculating basic earnings per share was on the basis as if the Reorganisation (as defined in Note 1 to the Accountants' Report in Appendix I to the Prospectus) and Capitalisation Issue (as defined in Note 32 to the Accountants' Report in Appendix I to the Prospectus) had been effective on 1 January 2021.

There were no dilutive potential ordinary shares during the years ended 31 December 2022 and 2021, and therefore, diluted earnings per share is the same as the basic earnings per share.

8. DIVIDENDS

	2022	2021
	RMB'000 (Unaudited)	*RMB'000* (Audited)
Dividends declared to the then equity owners of the entities now comprising the Group	—	136,959

No dividends per share information is presented as its inclusion, for the purpose of the 2022 Preliminary Financial Information, is not considered meaningful.

9. TRADE AND OTHER RECEIVABLES

	Note	2022	2021
		RMB'000 (Unaudited)	*RMB'000* (Audited)
Trade receivables			
From third parties		72,968	73,355
Less: Loss allowances		(363)	(364)
	9(a)	72,605	72,991
Other receivables			
Prepayments *(Note)*		2,421	—
Prepaid listing expenses		152	257
Other deposits and receivables		181	334
Value-added tax and other tax recoverable		1	—
		2,755	591
		75,360	73,582

Note: The amount at 31 December 2022 mainly represents prepaid research and development expenses and prepaid repair and maintenance expenses.

9(a) Trade receivables

The ageing analysis of trade receivables, net of loss allowances, based on invoice date at the end of each reporting period is as follows:

	2022	2021
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 30 days	29,566	20,451
31 to 60 days	33,275	26,181
61 to 90 days	9,764	26,216
Over 90 days	—	143
	72,605	72,991

At the end of each reporting period, the ageing analysis of the trade receivables, net of loss allowances, by due date is as follows:

	2022	2021
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Not yet due	72,605	72,848
Past due:		
61 to 90 days	—	143
	72,605	72,991

The Group normally grants credit terms up to 90 days from the date of issuance of invoices.

10. TRADE AND OTHER PAYABLES

	Note	2022	2021
		RMB'000	*RMB'000*
		(Unaudited)	(Audited)
Trade payables			
To third parties	*10(a)*	10,200	22,368
Other payables			
Contract liabilities — refundable receipts in advance		—	386
Salary payables		1,126	894
Value-added tax and other tax payables		1,359	1,466
Due to Pre-IPO Investors	*10(b)*	10,003	—
Accruals and other payables *(Note)*		15,413	6,075
		27,901	8,821
		38,101	31,189

Note: The amount at 31 December 2022 included accrued listing expenses of approximately RMB7,879,000 (2021: RMB3,641,000) and provision for legal and professional fees of approximately RMB3,200,000 (2021: Nil).

10(a) Trade payables

The trade payables are unsecured, interest-free and with normal credit terms up to 60 days.

At the end of reporting period, the ageing analysis of the trade payables based on invoice date is as follows:

	2022	2021
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 30 days	10,200	12,743
31 to 60 days	—	9,625
	10,200	22,368

10(b) Due to Pre-IPO Investors

	2022	2021
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Mr. Chen Guobin	8,098	—
Mr. Zhang Zhifang	1,905	—
	10,003	—

The amounts due to Pre-IPO Investors (as detailed in the paragraph headed "**Pre-IPO Investments from the Pre-IPO Investors**" of the section headed "**History, Reorganisation and Group Structure**" of the Prospectus), Mr. Chen Guobin and Mr. Zhang Zhifang, were non-trade in nature, unsecured, interest-bearing at 3.0% per annum and repayable on demand.

On 30 September 2022, the Company and Mr. Shan Yuzhu had entered into a formal loan agreement with each of the Pre-IPO Investors (Mr. Chen Guobin and Mr. Zhang Zhifang) whereby Mr. Shan Yuzhu is a guarantor and the Company is a borrower in respect of the respective amount due to Mr. Chen Guobin and Mr. Zhang Zhifang. Each of the loan principals will be repaid before the Initial Listing and carries an interest rate of 3.0% per annum. Mr. Shan Yuzhu has already deposited an equivalent amount of RMB to Mr. Chen Guobin and Mr. Zhang Zhifang, respectively, up to the date of this report as security in respect of such guarantees. As at 31 December 2022, the amounts due to Pre-IPO Investors with aggregate carrying amount of approximately RMB10.0 million were continued to be classified as other payables under current liabilities.

Subsequent to 31 December 2022, the amounts due to Pre-IPO Investors have been fully settled.

11. INTEREST-BEARING BORROWINGS

At the end of the reporting period, the interest-bearing borrowings were repayable as follows:

	Note	2022	2021
		RMB'000	*RMB'000*
		(Unaudited)	(Audited)
Secured borrowings	*11(a)*		
— Entrusted loan		16,000	18,000
— Other loan		22,000	22,496
		38,000	40,496
Unsecured borrowings	*11(b)*		
— Other loan		1,844	—
		39,844	40,496

At the end of the reporting period, details of the interest-bearing borrowings of the Group are as follows:

	Note	2022	2021
		RMB'000	*RMB'000*
		(Unaudited)	(Audited)
Current portion		39,844	40,496
Non-current portion		—	—
		39,844	40,496
Carrying amounts of the above borrowings are repayable:			
Within one year			
— Entrusted loan	*11(c)*	16,000	18,000
— Other loan		23,844	22,496
		39,844	40,496
More than one year, but not exceeding two years			
— Other loan		—	—
		39,844	40,496
Less: amounts shown under current liabilities		(39,844)	(40,496)
Amounts shown under non-current liabilities		—	—

Note:

11(a) At 31 December 2022, the secured borrowings carry weighted average effective interest rate of approximately 6.92% (2021: 7.2%) per annum.

11(b) The unsecured borrowings as at 31 December 2022 carry effective interest rate of 12% per annum.

11(c) During the years ended 31 December 2022 and 2021, Jilin Kaishun entered into entrusted loan agreements with 長春新投新興產業投資有限公司 (Changchun Xintou Emerging Industry Investment Co., Ltd.*), 長春新投工業發展投資中心(有限合夥) (Changchun Xintou Industrial Development Investment Centre (Limited Partnership)*), (together the "**Xintou Group**") and 長春南關惠民村鎮銀行有限責任公司 (Changchun Nanguan Huimin Village Bank Co., Ltd.* ("**Changchun Nanguan**")), whereby the Xintou Group agreed to provide loans through Changchun Nanguan to the Group.

* *The English names of these entities represent the best effort made by the directors of the Company to translate the Chinese names as their names have not been registered officially in English.*

The secured borrowings are secured by:

(i) properties held by the Ultimate Controlling Parties;

(ii) a leasehold land of the Group with aggregate net carrying amounts of approximately RMB816,000 and RMB840,000 at 31 December 2022 and 2021, respectively; and

(iii) buildings of the Group with aggregate net carrying amounts of approximately RMB22,088,000 and RMB23,615,000 at 31 December 2022 and 2021, respectively.

In addition, the secured borrowings are guaranteed by Yizheng Juxinyuan, the Ultimate Controlling Parties and Mr. Shan Bingqi, the son of the Ultimate Controlling Parties (collectively referred to as the "**Guarantees**").

All facilities obtained from banks and other financial institutions are subject to the fulfilment of covenants, as is commonly found in lending arrangements with financial institutions. If the Group was to breach the covenants, the drawn down facilities would become repayable on demand. At 31 December 2022 and 2021, none of the covenants relating to drawn down facilities had been breached.

The Guarantees and the pledged assets provided by the Ultimate Controlling Parties are expected to be released and replaced by a corporate guarantee to be given by the Company upon the Initial Listing and the banks and other financial institutions have provided their consent in this regard.

Subsequent to 31 December 2022, the Group borrowed a loan of approximately RMB9.7 million from an independent third party lender in Hong Kong for repayment of amounts due to Pre-IPO Investors. The loan is unsecured, carries fixed interest rate of 12% per annum and repayable after one year from the drawdown date.

12. COMMITMENTS

(a) Capital expenditure commitments

	2022	2021
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Contracted but not provided net of deposits paid for acquisition of property, plant and equipment	3,024	900

In October 2022, the Group entered into purchase agreements with other two independent third party machinery suppliers to purchase plant and machineries for the establishment of the new plant and production lines at Huizhou production base at a total consideration of RMB3,360,000, of which a deposit of RMB336,000 was made to the machinery suppliers in November 2022 and the balance of RMB3,024,000 will be paid upon the delivery of the machineries to the Group and the completion of installation and testing works.

(b) Commitments under leases

The Group as lessee

At 31 December 2022 and 2021, the Group has committed to RMB179,000 and RMB62,000 for short-term leases, respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review and Outlook

We principally engage in manufacturing of biodegradable plastic products bags in Northeast China and our production base locates in Changchun, Jilin province, the PRC. Our biodegradable plastic products are sold to our customers (such as supermarket chains, department stores, outlets) mainly in the form of biodegradable produce bag rolls and biodegradable shopping bags.

Our revenue increased by 16.8% from RMB256.7 million for the year ended 31 December 2021 to RMB299.8 million for the same period in 2022. Our profit for the year decreased by 27.3% from RMB78.4 million for the year ended 31 December 2021 to RMB57.0 million for the same period in 2022.

Except for the estimated non-recurring Listing expenses as disclosed in this prospectus, to the best of our Directors' knowledge, there has been no material adverse change in the financial or trading position or prospects of our Group since 31 December 2022 and up to the date of this prospectus.

RESULTS OF OPERATIONS

Year Ended 31 December 2022 Compared to Year Ended 31 December 2021

Revenue

For FY2022, our total revenue increased by 16.8% to approximately RMB299.8 million compared to approximately RMB256.7 million in FY2021. The temporary lockdown of Changchun from March to May 2022 has slowed down demand for our biodegradable plastic products notably in March and April 2022, yet our business gradually picked up since May 2022. In FY2022, the increase of revenue was mainly due to the increase of revenue in biodegradable plastic products. Our Directors believe that the COVID-19 pandemic drove up the sales of perishable food and fruits in supermarket chains as a result of changing dining habits from dining in to preparing meals at home and/or ordering takeaway, which in turn stimulate the use of biodegradable shopping bags and biodegradable produce bag rolls. For FY2022, we were able to increase the average selling price of our biodegradable plastic products (from RMB33.5 per kg to RMB34.6 per kg). Our Directors considered that such increase in the average selling price was attributed to the biodegradable shopping bags in particular. Our Directors believe that due to the temporary lockdown, our customers were more willing to secure products at a relative higher price as quality and steady supply of biodegradable plastic products at the material time is crucial for our customers' operation. For FY2022, our non-biodegradable automobile plastic parts business exhibited slight growth in terms of sales revenue compared to FY2021 with slight increase in average selling price from RMB22.7 per kg in FY2021 to RMB23.1 per kg in FY2022.

Cost of sales

Our cost of sales increased by approximately 25.0% from approximately RMB143.6 million for FY2021 to approximately RMB179.5 million for FY2022. Such increase was primarily due to (i) increase in staff costs as additional compensation was incurred when Changchun was temporarily locked down during the period from March to May 2022; (ii) increase in depreciation of right-of-use-assets as we expand our factory in Changchun in October 2021; and (iii) increase in raw material costs.

Gross profit and gross profit margin

Our gross profit increased by approximately 6.3% from approximately RMB113.1 million for FY2021 to approximately RMB120.2 million for FY2022, mainly due to increase in average unit cost partially offset by increase in revenue from our biodegradable plastic products (in particular biodegradable shopping bags). The average unit cost of our biodegradable plastic products increased by approximately 10.1% from RMB18.9 per kg in FY2021 to RMB20.8 per kg in FY2022 while the average selling price only increased by approximately 3.3% from RMB33.5 per kg in FY2021 to RMB34.6 per kg in FY2022. Since the percentage of increase in average unit cost is higher than that of average selling price, the gross profit margin decreased from approximately 44.1% in FY2021 to approximately 40.1% in FY2022. Together with an increase in sales volume from approximately 7.9 million to 8.9 million in terms of kg, the gross profit margin for FY2022 decreased accordingly.

Other income

Our other income decreased from approximately RMB1.2 million for FY2021 to approximately RMB0.7 million in FY2022 due to a decrease in recognition of assets related government grants by approximately RMB0.5 million.

Selling and distribution expenses

Our selling and distribution expenses increased by approximately 272.0% from approximately RMB1.4 million for FY2021 to approximately RMB5.2 million for FY2022 mainly due to the increase in logistic service fee by approximately RMB2.2 million due to increase in business volume and increase in frequency to use and other expenses by approximately RMB1.4 million.

Administrative and other operating expenses

Our administrative and other operating expenses increased by approximately 90.7% from approximately RMB13.3 million for FY2021 to approximately RMB25.4 million for FY2022. Such increase was mainly due to (i) increase in depreciation and amortisation of approximately RMB4.0 million (mainly due to increase in depreciation for (i) right-of-use assets resulting from a new lease agreement for leasing the production plants in Huizhou; and (ii) leasehold improvement arising from certain improvement on factories in Changchun undertaken in first half of FY2022 and completed in July 2022); (ii) increase in research and development costs of approximately RMB2.5 million (mainly due to increase in investment in respect of R&D projects based on the stage of completion according to the agreements entered with CIAC (中國科學院長春應用化學研究所)); (iii) increase in office expenses of approximately RMB2.1 million; and (iv) increase in legal and professional fees of approximately RMB3.2 million as a result of the proposed listing.

Finance costs

The finance costs were approximately RMB3.4 million for FY2022 which remained similar for FY2021.

Listing expenses

Our Listing expenses increased by approximately 306.9% from approximately RMB4.2 million for FY2021 to approximately RMB17.1 million for FY2022.

Taxation

Our income tax expenses decreased from approximately RMB13.6 million for FY2021 to approximately RMB12.8 million for FY2022. Such decrease was mainly due to our decrease in profit before tax.

Profit for the year

Our profit for the year decreased by approximately 27.3% from approximately RMB78.4 million in FY2021 to approximately RMB57.0 million in FY2022 due to the aforesaid reasons.

DESCRIPTION OF SELECTED ITEMS OF CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Property, plant and equipment

Our property, plant and equipment increased to approximately RMB63.6 million as at 31 December 2022 as we have invested approximately RMB30.2 million for enhancement of our production site to prepare for our expansion plan and in response to local policy that offers incentive to fixed assets investment.

Right-of-use assets

The increase of approximately RMB27.9 million in the right-of-use assets as at 31 December 2022 was due to lease of a factory site in Huizhou commenced from July 2022 increased during the period.

Inventories

Our inventory balance as at 31 December 2022 increased by approximately RMB23.8 million due to increase in raw material level by approximately RMB20.3 million to fill in orders before Chinese New Year.

DISCUSSION OF CERTAIN KEY BALANCE SHEET ITEMS

Current assets and current liabilities

	As at 31 December 2021	As at 31 December 2022
	RMB'000	*RMB'000*
	(Audited)	(Unaudited)
Current assets		
Inventories	13,980	37,799
Trade and other receivables	73,582	75,360
Bank balances and cash	90,428	99,230
	177,990	212,389
Current liabilities		
Trade and other payables	31,189	38,101
Interest-bearing borrowings	40,496	39,844
Lease liabilities	2,940	6,867
Deferred income	489	489
Income tax payables	1,792	2,691
	76,906	87,992
Net current assets	101,084	124,397

Our net current assets as at 31 December 2022 amounted to approximately RMB124.4 million which represent an increase in approximately RMB23.3 million compared with the amount as at 31 December 2021.

KEY FINANCIAL RATIOS

The table below sets forth our selected key financial ratios as of the dates indicated:

	As at 31 December 2021/FY2021	As at 31 December 2022/FY2022
Net profit margin[1] (%)	30.5	19.0
Current ratio[2] (times)	2.3	2.4
Quick ratio[3] (times)	2.1	2.0
Gearing ratio[4] (%)	33.9	31.7
Return on total assets[5] (%)	34.8	18.7
Return on equity[6] (%)	55.6	28.8
Interest coverage ratio[7] (times)	27.8	21.6

Notes:

1. Net profit margin equals to net profit for the year/period divided by total revenue for the year.

2. Current ratio equals to total current assets divided by total current liabilities as at the year end.

3. Quick ratio equals to total current assets less inventories divided by total current liabilities as at the year end.

4. Gearing ratio equals to total debts divided by total equity as at the year end. Total debts include interest-bearing borrowings and lease liabilities.

5. Return on total assets equals to net profit for the year divided by the closing balance of total assets as at the year end.

6. Return on equity equals to net profit for the year divided by the closing balance of total equity as at the year end.

7. Interest coverage ratio equals to the profit before finance costs and income tax expenses divided by the finance costs for the year.

Net profit margin

Our net profit margin decreased to 19.0% for FY2022 owing to decrease in gross profit margin from 44.1% in FY2021 to 40.1% in FY2022 and recognition of Listing expenses of approximately RMB17.1 million in FY2022 (approximately RMB4.2 million in FY2021).

Current ratio and quick ratio

Our current ratio increased slightly from approximately 2.3 times for FY2021 to approximately 2.4 times for FY2022. Such increase was mainly due to the increase in year ending inventory from approximately RMB14.0 million for FY2021 to approximately RMB37.8 million for FY2022. Our quick ratio decreased from approximately 2.1 times for FY2021 to approximately 2.0 times for FY2022.

Gearing ratio

Our gearing ratio was approximately 33.9% and 31.7% as of 31 December 2021 and 31 December 2022, respectively. Our gearing ratio decreased to approximately 31.7% at 31 December 2022 was mainly due to increase in lease liabilities by approximately RMB3.9 million under current liabilities in FY2022.

Return on total assets

Our return on total assets was approximately 34.8% and 18.7% in FY2021 and FY2022, respectively. The decrease in our return on total assets for FY2022 primarily because of a decrease in our profit for the year due to Listing expenses incurred in FY2022.

Return on equity

Our return on equity was approximately 55.6% and 28.8% in FY2021 and FY2022, respectively. Our return on equity decreased for FY2022 primarily because of a decrease in our profit for the year due to Listing expenses incurred in FY2022.

Interest coverage ratio

Our interest coverage ratio was approximately 21.6 times for FY2022 mainly attributable to decrease in net profit due to aforesaid reason while overall finance costs remain in similar level between FY2021 and FY2022.

INDEBTEDNESS

The table below sets forth the breakdown of our indebtedness as at the dates indicated:

	As at 31 December 31 2022	As at 31 December 2021
	RMB'000 (unaudited)	*RMB'000*
Interest-bearing borrowings	39,844	40,496
Lease liabilities	22,876	7,281
Amounts due to Pre-IPO Investors (included in "**Trade and other payables**")[1]	10,003	—
Total	72,723	47,777

Note:

(1) Please refer to the sub-section headed "— 10(b) Due to Pre-IPO Investors" for further details.

As at 31 December 2022, our unutilised banking and other loan facilities amounted to approximately RMB27.7 million.

CODE ON CORPORATE GOVERNANCE PRACTICES

Since we were not yet listed on the Stock Exchange during the year ended 31 December 2022, the Corporate Governance Code as set out in Appendix 14 to the Listing Rules ("**Corporate Governance Code**") was not applicable to us during such period under review. After the Listing, we will comply with all the code provisions set forth in the Corporate Governance Code.

REVIEW OF OUR PRELIMINARY FINANCIAL INFORMATION

We established an audit committee, which will come into operation with effect from the Listing, in compliance with the Corporate Governance Code. Each of the proposed members of the audit committee has reviewed the 2022 Preliminary Financial Information as set out in this appendix. The figures in respect of our Group's consolidated statement of financial position as of 31 December 2022, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2022 as set out in the 2022 Preliminary Financial Information above have been agreed by the Reporting Accountants to the amounts set out in the Group's draft consolidated financial statements for the year ended 31 December 2022 following their work under Practice Note 730 "Guidance for Auditors Regarding Preliminary Announcements of Annual Results" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"). The work performed by the Reporting Accountants in this respect did not constitute an assurance engagement performed in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by the Reporting Accountants on the 2022 Preliminary Financial Information.

PURCHASE, SALES OR REDEMPTION OF OUR SHARES

Since we were not yet listed on the Stock Exchange in during the year ended 31 December 2022, this disclosure requirement is not applicable to us.

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of our Company and of certain aspects of the Cayman Companies Act.

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on 21 January 2022 under the Cayman Companies Act. Our Company's constitutional documents consist of its Memorandum of Association and its Articles of Association.

1. MEMORANDUM OF ASSOCIATION

(a) The Memorandum states, inter alia, that the liability of members of our Company is limited to the amount, if any, for the time being unpaid on the shares respectively held by them and that the objects for which our Company is established are unrestricted (including acting as an investment company), and that our Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Cayman Companies Act and in view of the fact that our Company is an exempted company that our Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of our Company carried on outside the Cayman Islands.

(b) Our Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on 9 March 2023 with effect from the Listing Date. The following is a summary of certain provisions of the Articles:

(a) Shares

(i) Classes of shares

The share capital of our Company consists of ordinary shares.

(ii) Variation of rights of existing shares or classes of shares

Subject to the Cayman Companies Act, if at any time the share capital of our Company is divided into different classes of shares, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths of the voting rights of the holders of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will mutatis mutandis apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding (or, in the case of a member being a corporation, by its duly authorised representative) or representing by proxy holding not less than one-third of the issued shares of that class and at any adjourned meeting two holders present in person or (or, in the case of a member being a corporation, by its duly authorised representative) by proxy (whatever the number of shares held by them) shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking pari passu therewith.

(iii) Alteration of capital

Our Company may by ordinary resolution of its members:

(i) increase its share capital by the creation of new shares;

(ii) consolidate or divide all or any of its capital into shares of larger or smaller amount than its existing shares;

(iii) divide its shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as our Company in general meeting or as the directors may determine;

(iv) subdivide its shares or any of them into shares of smaller amount than is fixed by the Memorandum;

(v) cancel any shares which, at the date of passing of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its capital by the amount of the shares so cancelled;

(vi) make provision for the issue and allotment of Shares which do not carry any voting rights;

(vii) change the currency of denomination of its share capital; and

(viii) reduce its share premium account in any manner authorised, and subject to any conditions prescribed by law.

Our Company may reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(iv) Transfer of shares

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by the Stock Exchange or in such other form as the Board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the Board may approve from time to time.

Notwithstanding the foregoing, for so long as any shares are listed on the Stock Exchange, titles to such listed shares may be evidenced and transferred in accordance with the laws applicable to and the rules and regulations of the Stock Exchange that are or shall be applicable to such listed shares. The register of members in respect of its listed shares (whether the principal register or a branch register) may be kept by recording the particulars required by Section 40 of the Cayman Companies Act in a form otherwise than legible if such recording otherwise complies with the laws applicable to and the rules and regulations of the Stock Exchange that are or shall be applicable to such listed shares.

The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the Board may dispense with the execution of the instrument of transfer by the transferee. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect of that share.

The Board may, in its absolute discretion, at any time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

The Board may decline to recognise any instrument of transfer unless a fee (not exceeding the maximum sum as the Stock Exchange may determine to be payable) determined by the Directors is paid to our Company, the instrument of transfer is properly stamped (if applicable), it is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do), and the shares concerned are free of any lien in favour of the Company.

The registration of transfers may be suspended and the register closed on giving notice by advertisement in any newspaper or by any other means in accordance with the requirements of the Stock Exchange, at such times and for such periods as the Board may determine. The register of members must not be closed for periods exceeding in the whole thirty (30) days in any year. The period of thirty (30) days may be extended for a further period or periods not exceeding thirty (30) days in respect of any year if approved by members by ordinary resolution.

Subject to the above, fully paid shares are free from any restriction on transfer and free of all liens in favour of our Company.

(v) Power of our Company to purchase its own shares

Our Company is empowered by the Cayman Companies Act and the Articles to purchase its own shares subject to certain restrictions and the Board may only exercise this power on behalf of our Company subject to any applicable requirements imposed from time to time by the Stock Exchange.

Where our Company purchases for redemption a redeemable share, purchases not made through the market or by tender must be limited to a maximum price determined by our Company in general meeting. If purchases are by tender, tenders must be made available to all members alike.

The Board may accept the surrender for no consideration of any fully paid share.

(vi) Power of any subsidiary of our Company to own shares in our Company

There are no provisions in the Articles relating to ownership of shares in our Company by a subsidiary.

(vii) Calls on shares and forfeiture of shares

The Board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the Board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the Board may waive payment of such interest wholly or in part. The Board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or instalments payable upon any shares held by him, and upon all or any of the monies so advanced our Company may pay interest at such rate (if any) as the Board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the Board may serve not less than fourteen (14) days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to our Company all monies which, at the date of forfeiture, were payable by him to our Company in respect of the shares, together with (if the Board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the Board determines.

(b) Directors

(i) Appointment, retirement and removal

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire by rotation shall include any Director who wishes to retire and not offer himself for re-election. Any further

Directors so to retire shall be those who have been longest in office since their last re- election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

Neither a Director nor an alternate Director is required to hold any shares in our Company by way of qualification. Further, there are no provisions in the Articles relating to retirement of Directors upon reaching any age limit.

The Directors have the power to appoint any person as a Director either to fill a casual vacancy on the Board or as an addition to the existing Board. Any Director appointed to fill a casual vacancy shall hold office until the next first annual general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing Board shall hold office only until the next first annual general meeting of our Company after his appointment and shall then be eligible for re-election.

A Director may be removed by an ordinary resolution of our Company's members before the expiration of his term of office (including a managing Director or other executive Director, but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and our Company) and members of our Company may by ordinary resolution appoint another in his place. Unless otherwise determined by our Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated if:

(aa) he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;

(bb) he dies or is declared to be of unsound mind and the Board resolves that his office be vacated;

(cc) without special leave, he is absent from meetings of the Board for six (6) consecutive months, and the Board resolves that his office is vacated;

(dd) he is prohibited by law from acting as a director or he ceases to be a director by operation of law;

(ee) he has been validly required by the stock exchange of the Relevant Territory (as defined in the Articles) to cease to be a Director;

(ff) by notice in writing delivered to our Company at its Registered Office or at the Head Office or tendered at a meeting of the Board he resigns his office;

(gg) he is removed from office by an Ordinary Resolution of the Company or otherwise pursuant to the Articles;

(hh) he is removed from office by notice in writing served on him signed by not less than three-fourth in number (or if that is not a round number, the nearest lower round number) of the Directors (including himself) then in office.

The Board may appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with our Company for such period and upon such terms as the Board may determine and the Board may revoke or terminate any of such appointments. The Board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the Board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed must, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the Board.

(ii) Power to allot and issue shares and warrants

Subject to the provisions of the Cayman Companies Act, the Listing Rules and the Memorandum and Articles and to any special rights conferred on the holders of any shares or attaching to any class of shares, any share may be issued (a) with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Directors may determine, or (b) on terms that, at the option of our Company or the holder thereof, it is liable to be redeemed.

The Board may issue warrants or convertible securities or securities of similar nature conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of our Company on such terms as it may determine.

Subject to the provisions of the Cayman Companies Act and the Articles and, where applicable, the rules of the Stock Exchange and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in our Company are at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount to their nominal value.

Neither our Company nor the Board is obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the Board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(iii) Power to dispose of the assets of our Company or any of its subsidiaries

There are no specific provisions in the Articles relating to the disposal of the assets of our Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by our Company and which are not required by the Articles or the Cayman Companies Act to be exercised or done by our Company in general meeting.

(iv) Borrowing powers

The Board may exercise all the powers of our Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets and uncalled capital of our Company and, subject to the Cayman Companies Act, to issue debentures, bonds and other securities of our Company, whether outright or as collateral security for any debt, liability or obligation of our Company or of any third party.

(v) Remuneration

The ordinary remuneration of the Directors is to be determined by our Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the Board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors are also entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any Board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of our Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of our Company or who performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such extra remuneration as the Board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An Executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the Board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The Board may establish or concur or join with other companies (being subsidiary companies of our Company or companies with which it is associated in business) in establishing and making contributions out of our Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or ex-Director who may hold or have held any executive office or any office of profit with our Company or any of its subsidiaries) and ex-employees of our Company and their dependants or any class or classes of such persons.

The Board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependants, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex- employees or their dependants are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the Board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

Our Company in general meeting may, upon the recommendation of the Board, resolve to capitalise any sum standing to the credit of any of the Company's reserve accounts which are available for distribution (including its share premium account and capital redemption reserve fund, subject to the Companies Act) and to appropriate such sums to the holders of Shares on the principal register and any branch register of Shareholders of the Company to be maintained at such place within or outside the Cayman Islands as the Board shall determine from time to time at the close of business on the date of the relevant resolution (or such other date as may be specified therein or determined as provided therein) in the proportions in which such sum would have been divisible amongst them had the same been a distribution of profits by way of dividends, distributions in specie or in kind, capital distributions and capitalisation issues and to apply such sum on their behalf in paying up in full unissued Shares for allotment and distribution credited as fully paid-up to and amongst them in the proportion aforesaid.

(vi) Compensation or payments for loss of office

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by our Company in general meeting.

(vii) Loans and provision of security for loans to Directors

Our Company must not make any loan, directly or indirectly, to a Director or his close associate(s) if and to the extent it would be prohibited by the Companies Ordinance as if our Company were a company incorporated in Hong Kong.

(viii) Disclosure of interests in contracts with our Company or any of its subsidiaries

A Director may hold any other office or place of profit with our Company (except that of the auditor of our Company) in conjunction with his office of Director for such period and upon such terms as the Board may determine, and may be paid such extra remuneration therefor in addition to any remuneration provided for by or pursuant to the Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by our Company or any other company in which our Company may be interested, and shall not be liable to account to our Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. The Board may also cause the voting power conferred by the shares in any other company held or owned by our Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

No Director or proposed or intended Director shall be disqualified by his office from contracting with our Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to our Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with our Company must declare the nature of his interest at the earliest meeting of the Board at which it is practicable for him to do so.

A Director shall not vote (nor be counted in the quorum) on any resolution of the Board approving any contract or arrangement or other proposal in which he or any of his close associates is materially interested, but this prohibition does not apply to any of the following matters, namely:

(aa) any contract or arrangement for giving to such Director or his close associate(s) any security or indemnity in respect of money lent by him or any of his close associates or obligations incurred or undertaken by him or any of his close associates at the request of or for the benefit of our Company or any of its subsidiaries;

(bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of our Company or any of its subsidiaries for which the Director or his close associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;

(cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by our Company or any other company which our Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

(dd) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of our Company by virtue only of his/their interest in shares or debentures or other securities of our Company; or

(ee) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his close associates and employees of our Company or of any of its subsidiaries and does not provide in respect of any Director, or his close associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(c) Proceedings of the Board

The Board may meet for the despatch of business, adjourn and otherwise regulate its meetings as it considers appropriate. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

(d) Alterations to constitutional documents and our Company's name

The Articles may be rescinded, altered or amended by our Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of our Company.

(e) Meetings of members

(i) Special and ordinary resolutions

A special resolution of our Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

Under the Cayman Companies Act, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of our Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

A resolution in writing signed by or on behalf of all members shall be treated as an ordinary resolution duly passed at a general meeting of the Company duly convened and held, and where relevant as a special resolution so passed.

(ii) Voting rights and right to demand a poll

Subject to any special rights or restrictions as to voting for the time being attached to any shares, at any general meeting on a poll every member present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may pursuant to the Listing Rules, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or, in the case of a member being a corporation, is present by a duly authorised representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands. Votes (whether on a show of hands or by way of poll) may be cast by such means, electronic or otherwise, as the Directors or the chairman of the meeting may determine.

Any corporation which is a member may by resolution of its directors or other governing body authorise such person as it thinks fit to act as its representative at any general meeting of the Company or at any meeting of any class of members.

The person so authorised shall be entitled to exercise the same powers on behalf of such corporation as the corporation could exercise if it were an individual member and such corporation shall for the purposes of the Articles be deemed to be present in person at any such meeting if a person so authorised is present thereat.

If a recognised clearing house (or its nominee(s)) is a member of our Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of our Company or at any meeting of any class of members of our Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of our Company held by that clearing house (or its nominee(s)) including, the right to speak and vote, and where a show of hands is allowed, the right to vote individually on a show of hands.

Members must have the right to: (a) speak at general meetings of our Company; and (b) vote at a general meeting except whether a member is required, by the Listing Rules, to abstain from voting to approve the matter under consideration.

Where our Company has any knowledge that any member is, under the rules of the Stock Exchange, required to abstain from voting on any particular resolution of our Company or restricted to voting only for or only against any particular resolution of our Company, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

(iii) Annual general meetings and extraordinary general meeting

Other than the year of our Company's adoption of the Articles, in each financial year during the Relevant Period (as defined in the Memorandum and Articles of Association of our Company) our Company shall hold a general meeting as its annual general meeting within six months after each of the financial year in addition to any other meeting in that financial year and shall specify the meeting as such in the notice calling it.

Extraordinary general meetings may be convened on the requisition of one or more members holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of our Company having the right of voting at general meetings, on a one vote per share basis in the share capital of our Company, and the foregoing members shall be able to add resolutions to the meeting agenda. Such requisition shall be made in writing to the Board or the secretary for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within 2 months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself/herself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by our Company.

Notwithstanding any provisions in the Articles, any general meeting or any class meeting may be held by means of such telephone, electronic or other communication facilities as to permit all persons participating in the meeting to communicate with each other, and participation in such a meeting shall constitute presence at such meeting.

(iv) Notices of meetings and business to be conducted

An annual general meeting must be called by written notice of not less than twenty-one (21) clear days. All other general meetings must be called by written notice of at least fourteen (14) clear days. The notice is exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time and place of the meeting and particulars of resolutions to be considered at the meeting and, in the case of special business, the general nature of that business.

In addition, notice of every general meeting must be given to all members of our Company other than to such members as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from our Company, and also to, among others, the auditors for the time being of our Company.

Any notice to be given to or by any person pursuant to the Articles may be served on or delivered to any member of our Company personally, by post to such member's registered address or by advertisement in newspapers in accordance with the requirements of the Stock Exchange. Subject to compliance with Cayman Islands law and the rules of the Stock Exchange, notice may also be served or delivered by our Company to any member by electronic means.

All business that is transacted at an extraordinary general meeting and at an annual general meeting is deemed special, save that in the case of an annual general meeting, each of the following business is deemed an ordinary business:

(aa) the declaration and sanctioning of dividends;

(bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;

(cc) the election of directors whether by rotation or otherwise in place of those retiring;

(dd) the appointment of auditors and other officers; and

(ee) the fixing of the remuneration of the directors and of the auditors.

(v) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, and continues to be present at the conclusion of the meeting, but the absence of a quorum shall not preclude the appointment of a chairman.

The quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding (or, in the case of a member being a corporation, by its duly authorised representative) or representing by proxy not less than one-third of the issued shares of that class.

(vi) Proxies

Any member of our Company entitled to attend and vote at a meeting of our Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of our Company or at a class meeting. A proxy need not be a member of our Company and is entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, every member being a corporation shall be entitled to appoint a representative to attend and vote at any general meeting of our Company and, where a corporation is so represented, it shall be treated as being present at any meeting in person. A corporation may execute a form of proxy under the hand of a duly authorised officer and such proxy is entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise as if it were an individual member. On a poll or a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

(f) Accounts and audit

The Board shall cause true accounts to be kept of the sums of money received and expended by our Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of our Company and of all other matters required by the Cayman Companies Act or necessary to give a true and fair view of our Company's affairs and to explain its transactions.

The accounting records must be kept at the registered office or at such other place or places as the Board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of our Company except as conferred by law or ordered by a court of competent jurisdiction or authorised by the Board or our Company in general meeting. However, an exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Act of the Cayman Islands.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before our Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of our Company under the provisions of the Articles; however, subject to compliance with all applicable laws, including the rules of the Stock Exchange, our Company may send to such persons summarised financial statements derived from our Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on our Company, demand that our Company sends to him, in addition to summarised financial statements, a complete printed copy of our Company's annual financial statement and the directors' report thereon.

At the annual general meeting or at a subsequent extraordinary general meeting in each year, the members shall by ordinary resolution appoint an auditor to audit the accounts of our Company and such auditor shall hold office until the next annual general meeting. Moreover, the members may, at any general meeting, by ordinary resolution remove the auditors at any time before the expiration of his terms of office and shall by ordinary resolution at that meeting appoint another auditor for the remainder of his term. The appointment, removal and remuneration of the auditors must be approved by a majority of our Company's members in a general meeting or by other body that is independent of the Board except that in any particular year our Company in general meeting (or such body independent of the Board as aforementioned) may delegate the fixing of such remuneration to the Board and the remuneration of any auditors appointed to fill any casual vacancy may be fixed by the Board.

The financial statements of our Company shall be audited by the auditor in accordance with generally accepted auditing standards which may be those of a country or jurisdiction other than the Cayman Islands. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor must be submitted to the members in general meeting.

The auditors shall audit the financial statements of the Company in accordance with generally accepted accounting principles of Hong Kong, the International Accounting Standards or such other standards as may be permitted by the Stock Exchange.

(g) Dividends and other methods of distribution

Our Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the Board.

The Articles provide dividends may be declared and paid out of the profits of our Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Cayman Companies Act.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to our Company on account of calls or otherwise.

Whenever the Board or our Company in general meeting has resolved that a dividend be paid or declared on the share capital of our Company, the Board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the members entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that members entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Board may think fit.

Our Company may also upon the recommendation of the Board by an ordinary resolution resolve in respect of any one particular dividend of our Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of our Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to our Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the Board or our Company in general meeting has resolved that a dividend be paid or declared the Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the Board for the benefit of our Company until claimed and our Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the Board and shall revert to our Company.

No dividend or other monies payable by our Company on or in respect of any share shall bear interest against our Company.

(h) Inspection of corporate records

Pursuant to the Articles, the register and branch register of members maintained in Hong Kong shall be open to inspection during business hours by any member without charge, or by any other person upon a maximum payment of HK$2.50 or such lesser sum specified by the Board, at the registered office or such other place at which the register is kept in accordance with the Cayman Companies Act or, upon a maximum payment of HK$1.00 or such lesser sum specified by the Board, at the office where the branch register of members is kept, unless the register is closed in accordance with the Articles.

(i) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority members in relation to fraud or oppression. However, certain remedies are available to members of our Company under Cayman Islands law, as summarised in paragraph 3(f) of this Appendix IV.

(j) Procedures on liquidation

Unless otherwise provided by the Companies Act, our Company may at any time and from time to time be wound up voluntarily by a special resolution. If our Company shall be wound up, the liquidator shall apply the assets of our Company in such manner and order as he thinks fit in satisfaction of creditors' claim.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

(i) if our Company is wound up and the assets available for distribution amongst the members of our Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed pari passu amongst such members in proportion to the amount paid up on the shares held by them respectively; and

(ii) if our Company is wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If our Company is wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Cayman Companies Act divide among the members in specie or kind the whole or any part of the assets of our Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(k) Subscription rights reserve

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Cayman Companies Act, if warrants to subscribe for shares have been issued by our Company and our Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

3. CAYMAN ISLANDS COMPANIES ACT

Our Company is incorporated in the Cayman Islands subject to the Cayman Companies Act and, therefore, operates subject to Cayman Islands law. Set out below is a summary of certain provisions of the Cayman Companies Act, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of the Cayman Islands company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar. For the avoidance of doubt, special resolution used in the summary below shall have the meaning as set out in the Cayman Companies Act.

(a) Company operations

As an exempted company, our Company's operations must be conducted mainly outside the Cayman Islands. An exempted company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

The Cayman Companies Act provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium.

The Cayman Companies Act provides that the share premium account may be applied by a company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Cayman Companies Act); (d) writing-off the preliminary expenses of the company; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

The Cayman Companies Act provides that, subject to confirmation by the Grand Court of the Cayman Islands (the "**Court**"), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

(c) Financial assistance to purchase shares of a company or its holding company

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder and the Cayman Companies Act expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares purchased by a company is to be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company is not be treated as a member for any purpose and must not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share must not be voted, directly or indirectly, at any meeting of the company and must not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Cayman Companies Act.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

The Cayman Companies Act permits, subject to a solvency test and the provisions, if any, of a company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account. With the exception of the foregoing, there are no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits.

No dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of a company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

(f) Protection of minorities and shareholders' suits

The Courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of a company to challenge (a) an act which is ultra vires or illegal, (b) an act which constitutes a fraud against the minority shareholder and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by a company's memorandum and articles of association.

(g) Disposal of assets

The Cayman Companies Act contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

A company must cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

An exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Act of the Cayman Islands.

(i) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) Taxation

Pursuant to the Tax Concessions Act of the Cayman Islands, our Company has obtained an undertaking:

(1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to our Company or its operations; and

(2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of our Company.

The undertaking for our Company is for a period of twenty years from 31 January 2022.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to our Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are a party to a double tax treaty entered into with the United Kingdom in 2010 but otherwise is not party to any double tax treaties.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision in the Cayman Companies Act prohibiting the making of loans by a company to any of its directors.

(m) Inspection of corporate records

Members of a company have no general right under the Cayman Companies Act to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's Articles.

(n) Register of members

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. A branch register must be kept in the same manner in which a principal register is by the Cayman Companies Act required or permitted to be kept. A company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time.

There is no requirement under the Cayman Companies Act for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of members, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Act of the Cayman Islands.

(o) Register of Directors and Officers

A company is required to maintain at its registered office a register of directors and officers which is not available on display. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within thirty (30) days of any change in such directors or officers.

(p) Beneficial Ownership Register

An exempted company is required to maintain a beneficial ownership register at its registered office that records details of the persons who ultimately own or control, directly or indirectly, more than 25% of the equity interests or voting rights of the company or have rights to appoint or remove a majority of the directors of the company. The beneficial ownership register is not a public document and is only accessible by a designated competent authority of the Cayman Islands.

Such requirement does not, however, apply to an exempted company with its shares listed on an approved stock exchange, which includes the Stock Exchange. Accordingly, for so long as the shares of a company are listed on the Stock Exchange, the company is not required to maintain a beneficial ownership register.

(q) Winding up

A company may be wound up (a) compulsorily by order of the Court, (b) voluntarily, or (c) under the supervision of the Court.

The Court has authority to order winding up in a number of specified circumstances including where the members of the company have passed a special resolution requiring the company to be wound up by the Court, or where the company is unable to pay its debts, or where it is, in the opinion of the Court, just and equitable to do so. Where a petition is presented by members of the company as contributories on the ground that it is just and equitable that the company should be wound up, the Court has the jurisdiction to make certain other orders as an alternative to a winding-up order, such as making an order regulating the conduct of the company's affairs in the future, making an order authorising civil proceedings to be brought in the name and on behalf of the company by the petitioner on such terms as the Court may direct, or making an order providing for the purchase of the shares of any of the members of the company by other members or by the company itself.

A company (save with respect to a limited duration company) may be wound up voluntarily when the company so resolves by special resolution or when the company in general meeting resolves by ordinary resolution that it shall be wound up voluntarily because it is unable to pay its debts as they fall due. In the case of a voluntary winding up, such company is obliged to cease to carry on its business (except so far as it may be beneficial for its winding up) from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court therein, there may be appointed an official liquidator or official liquidators; and the court may appoint to such office such person, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court must declare whether any act required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court.

As soon as the affairs of the company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and how the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting must be called by at least 21 days' notice to each contributory in any manner authorised by the company's articles of association and published in the Gazette.

(r) Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by (i) seventy-five per cent. (75%) in value of shareholders or class of shareholders, or (ii) a majority in number representing seventy-five per cent. (75%) in value of creditors, as the case may be, as are present and voting either in person or by proxy at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

The Companies Act also contains statutory provisions which provide that a company may present a petition to the Court for the appointment of a restructuring officer on the grounds that the company (a) is or is likely to become unable to pay its debts within the meaning of section 93 of the Companies Act; and (b) intends to present a compromise or arrangement to its creditors (or classes thereof) either, pursuant to the Companies Act, the law of a foreign country or by way of a consensual restructuring. The petition may be presented by a company acting by its directors, without a resolution of its shareholders or an express power in its articles of association. On hearing such a petition, the Court may, among other things, make an order appointing a restructuring officer or make any other order as the Court thinks fit.

(s) Take-overs

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

(t) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

(u) Economic Substance Requirements

Pursuant to the International Tax Cooperation (Economic Substance) Act, 2018 of the Cayman Islands ("**ES Act**") that came into force on 1 January 2019, a "relevant entity" is required to satisfy the economic substance test set out in the ES Act. A "relevant entity" includes an exempted company incorporated in the Cayman Islands as is our Company; however, it does not include an entity that is tax resident outside the Cayman Islands. Accordingly, for so long as our Company is a tax resident outside the Cayman Islands, including in Hong Kong, it is not required to satisfy the economic substance test set out in the ES Act.

4. GENERAL

Ogier, our Company's legal counsel as to Cayman Islands law, have sent to our Company a letter of advice summarising certain aspects of Cayman Companies Act. This letter, together with a copy of the Cayman Companies Act, is available for inspection as referred to in the section headed "Documents delivered to the Registrar of Companies and on display — Documents available on display" in Appendix VI to this prospectus. Any person wishing to have a detailed summary of Cayman Companies Act or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. INFORMATION ABOUT OUR COMPANY

(a) Incorporation

Our Company was incorporated in the Cayman Islands under the Companies Act as an exempted company with limited liability on 21 January 2022. Our Company has been registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on 7 June 2022 and our Company's principal place of business in Hong Kong is at Room 1910, 19/F., C C Wu Building, 302–308 Hennessy Road, Wan Chai, Hong Kong. Mr. Yeung Kwong Wai (楊光偉) of Room 1910, 19/F., C C Wu Building, 302–308 Hennessy Road, Wan Chai, Hong Kong, a Hong Kong resident, has been appointed as the authorised representative of our Company for the acceptance of service of process and notices in Hong Kong.

As our Company was incorporated in the Cayman Islands, we operate subject to the relevant law of the Cayman Islands and its constitution which comprises a Memorandum of Association and the Articles of Association. A summary of the relevant aspects of the Companies Act and certain provisions of Articles of Association is set out in Appendix IV to this prospectus.

(b) Changes in share capital of our Company

As at the date of the incorporation of our Company, the authorised share capital of our Company was HK$380,000 divided into 38,000,000 Shares of HK$0.01 each. At the time of incorporation, the issued share capital of our Company was HK$0.01 with one Share allotted and issued, which was held by the initial subscriber, an Independent Third Party. On 1 February 2022, the said Share was transferred to Lvsesenlin Technology for a nominal consideration of HK$0.01.

On 23 May 2022, our Company allotted and issued 470,470 Shares to Lvsetianye Technology, 186,447 Shares to Lvsesenlin Technology, 126,666 Shares to Daziran Technology, 120,000 Shares to CPEP Holdings, 59,444 Shares to Shenzhou Technology, 13,889 Shares to Languang Technology and 13,083 Shares to Tianxingjian Technology, at par value and credited as fully-paid.

On 24 May 2022, our Company further allotted and issued 10,000 Shares at par and credited as fully-paid to EP Technology as consideration of our Company's acquisition of the entire issued share capital of Lvshui Technology from EP Technology.

On 9 March 2023, our Company increased its authorised share capital from HK$380,000 divided into 38,000,000 Shares to HK$100,000,000 divided into 10,000,000,000 Shares with a par value of HK$0.01 each by the creation of an additional 9,962,000,000 Shares.

Assuming that the Global Offering becomes unconditional and the issue of the Shares pursuant to the Global Offering and the Capitalisation Issue mentioned herein are made, but not taking into account of any Shares which may be issued upon the exercise of the Over-allotment Option and any Shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme, the issued share capital of our Company will be HK$10,000,000 divided into 1,000,000,000 Shares fully paid or credited as fully paid.

Other than pursuant to any options which may be granted under the Share Option Scheme, the exercise of the Over-allotment Option or the exercise of the general mandate to issue Shares referred to in paragraph headed "A. Information about Our Company — (d) Resolutions of our Shareholders passed on 9 March 2023" below in this section, there is no present intention to issue any part of the authorised but unissued share capital of our Company and, without prior approval of our Shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of our Company.

Save as disclosed in this section and in the paragraph headed "B. Corporate Reorganisation" below in this section, there has been no alteration in the share capital of our Company since incorporation.

(c) Changes in share capital of our subsidiaries

Save as disclosed in the section headed "History, Reorganisation and Group Structure" of this prospectus, there are no changes in the registered capital of our Company's subsidiaries during the two years preceding the date of this prospectus.

(d) Resolutions of our Shareholders passed on 9 March 2023

Pursuant to the written resolutions of all Shareholders entitled to vote at general meetings of our Company, which were passed on 9 March 2023, among others:

(a) the Memorandum of Association is approved and adopted with immediate effect;

(b) the Articles of Association is approved and conditionally adopted in substitution for and to the exclusion of the amended and restated articles of association of our Company with effect from the Listing Date;

(c) the authorised share capital of our Company was increased from HK$380,000 divided into 38,000,000 Shares with par value of HK$0.01 each to HK$100,000,000 divided into 10,000,000,000 Shares with par value of HK$0.01 each by the creation of 9,962,000,000 Shares with par value of HK$0.01 each, which shall rank *pari passu* in all respects with the Shares in issue as at the date of the resolution;

(d) conditional upon (i) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, on the Main Board, our Shares in issue and to be issued (pursuant to the Capitalisation Issue, the Global Offering, the Over-allotment Option and the Share Option Scheme) as mentioned in this prospectus; and (ii) the obligations of the Underwriters under the Underwriting Agreement becoming unconditional (including, if relevant, as a result of the waiver of any condition(s)) by the Overall Coordinator (for itself and on behalf of the Underwriters) and not being terminated in accordance with the terms of the Underwriting Agreement or otherwise:

(i) conditional on the share premium account of our Company being credited as a result of the Global Offering, the sum of HK$8,090,000 be capitalised and be applied in paying up in full at par 809,000,000 Shares for allotment and issue to our Shareholders whose names were on the register of members of our Company immediately prior to the Global Offering and such Shares (or as they may direct) to be allotted and issued pursuant to this resolution shall rank *pari passu* in all respect with the existing issued Shares;

(ii) the Global Offering and the Over-allotment Option were approved and our Directors were authorised to allot and issue the Offer Shares and the Shares as may be required to be allotted and issued upon the exercise of the Over-allotment Option on and subject to the terms and conditions stated in this prospectus and in the relevant application forms;

(iii) the rules of the Share Option Scheme were approved and adopted, and our Directors or any committee thereof established by the Board were authorised, at their sole discretion, to: (i) administer the Share Option Scheme; (ii) modify/amend the Share Option Scheme from time to time as requested by the Stock Exchange; (iii) grant options to subscribe for Shares under the Share Option Scheme up to the limits referred to in the Share Option Scheme; (iv) allot, issue and deal with Shares pursuant to the exercise of any option which may be granted under the Share Option Scheme; (v) make application at the appropriate time or times to the Stock Exchange for the listing of, and permission to deal in, any Shares or any part thereof that may hereafter from time to time be issued and allotted pursuant to the exercise of the options granted under the Share Option Scheme; and (vi) take all such actions as they consider necessary, desirable or expedient to implement or give effect to the Share Option Scheme;

(iv) a general unconditional mandate was given to our Directors to exercise all the powers of our Company to allot, issue and deal with (including the power to make an offer or agreement, or grant securities which would or might require Shares to be allotted and issued), otherwise than by way of Rights Issue, or pursuant to any scrip dividend schemes or similar arrangements providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles of Association or pursuant to the issue of Shares upon the exercise of any subscription rights attached to any warrants of our Company or pursuant to the exercise of options granted under the Share Option Scheme or any other option scheme(s) or similar arrangement for the time being adopted for the grant or issue to Directors and/or officers and/or employees of our Group or rights to acquire Shares or pursuant to a specific authority granted by our Shareholders in general meeting, the Shares with an aggregate nominal amount not exceeding 20% of the aggregate nominal amount of the share capital of our Company in issue immediately following completion of the Capitalisation Issue and the Global Offering but before any exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme, until the conclusion of the next annual general meeting of our Company, unless renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions or the expiration of the period within the next annual general meeting of our Company is required by the Articles of Association or any applicable law of the Cayman Islands to be held or the passing of an ordinary resolution by our Shareholders in general meetings of our Company varying or revoking the authority given to the Directors, whichever occurs first;

For the purpose of this paragraph, "Rights Issue" means an offer of shares in our Company, or offer or issue of warrants, options or other securities giving rights to subscribe for shares open for a period fixed by our Directors to holders of shares in our Company on the register on a fixed record date in proportion to their holdings of shares (subject to such exclusion or other arrangements as our Directors may deem necessary or expedient in relation to fractional entitlements, or having regard to any restrictions or obligations under the laws of, or the requirements of, or the expense or delay which may be involved in determining the existence or extent of any restrictions or obligations under the laws of, or the requirements of, any jurisdiction applicable to our Company, or any recognised regulatory body or any stock exchange applicable to our Company);

(v) a general unconditional mandate be and is hereby given to our Directors to exercise all powers of our Company to buyback on the Stock Exchange, or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, such number of Shares with an aggregate nominal value not exceeding 10% of the aggregate nominal amount of the share capital of our Company in issue immediately following completion of the Capitalisation Issue and the Global Offering but before the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme, until the conclusion of the next annual general meeting of our Company, unless renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions or the expiration of the period within which the next annual general meeting of our Company is required by the Article of Association or any applicable law of the Cayman Islands to be held or the passing of an ordinary resolution by our Shareholders in general meeting of our Company varying or revoking the authority given to the Directors, whichever occurs first;

(vi) the extension of the general mandate to allot, issue and deal with Shares as mentioned in paragraph (c)(iv) above by the addition to the aggregate nominal value of the share capital of our Company which may be allotted or agreed conditionally or unconditionally to be allotted by our Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the share capital of our Company bought-back by our Company pursuant to paragraph (c)(v) above, provided that such extended amount shall not exceed 10% of the aggregate of the total nominal value of the share capital of our Company in issue immediately following completion of the Capitalisation Issue and the Global Offering but before the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme be and is approved; and

Each of the general mandates referred to in paragraphs (c)(iv), (c)(v) and (c)(vi) above will remain in effect until whichever is the earliest of:

(1) the conclusion of our next annual general meeting, unless renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions;

(2) the expiration of the period within which our Company is required by any applicable law or the Articles of Association to hold our next annual general meeting; or

(3) the time when such mandate is varied or revoked by an ordinary resolution of our Shareholders in a general meeting.

(e) Buyback of our Shares

This section includes information relating to the buyback of securities, including information required by the Stock Exchange to be included in this prospectus concerning such repurchase.

(a) Provisions of the Listing Rules

The Listing Rules permit companies whose primary listing is on the Stock Exchange to buyback their securities on the Stock Exchange subject to certain restrictions, the most important restrictions are summarised below:

(i) Shareholders' approval

All proposed buybacks of Shares must be approved in advance by an ordinary resolution of our Shareholders in a general meeting, either by way of general mandate or by specific approval in relation to a particular transaction.

Pursuant to the written resolutions of all Shareholders passed on 9 March 2023, a general unconditional mandate (the "**Buyback Mandate**") was given to our Directors to exercise all powers of our Company to buyback Shares (Shares which may be listed on the Stock Exchange) with a total nominal value of not more than 10% of the aggregate nominal value of our share capital in issue or to be issued immediately following completion of the Global Offering (excluding Shares which may be issued pursuant to the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme), further details of which have been described above in the paragraph headed "A. Information about our Company — (d) Resolutions of our Shareholders passed on 9 March 2023" in this appendix.

(ii) Source of funds

Any buyback of Shares by us must be paid out of funds legally available for the purpose in accordance with our Articles of Association, the Listing Rules and the Companies Act. We are not permitted to buyback our Shares on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

(iii) Shares to be bought-back

The Listing Rules provide that the Shares which are proposed to be bought-back by us must be fully-paid up.

(b) Reasons for buybacks

Our Directors believe that it is in the best interests of our Company and our Shareholders for our Directors to have general authority from our Shareholders to enable them to buyback Shares in the market. Such buybacks may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made where our Directors believe that such buybacks will benefit our Company and our Shareholders.

(c) Funding of buybacks

In repurchasing Shares, we may only apply funds legally available for such purpose in accordance with the Articles of Association, the Listing Rules and the applicable laws and regulations of the Cayman Islands.

On the basis of our Company's current financial position as disclosed in this prospectus and taking into account its current working capital position, our Directors consider that, if the Buyback Mandate is exercised in full, it might have a material adverse effect on our working capital and/or gearing position as compared with the position disclosed in this prospectus. However, our Directors do not propose to exercise the Buyback Mandate to such an extent as it would, in the circumstances, have a material adverse effect on our working capital requirements or the gearing levels which in the opinion of our Directors are from time to time appropriate for us.

(d) General

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their close associates (as defined in the Listing Rules) currently intends to sell any Shares to us.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Buyback Mandate in accordance with the Listing Rules and the applicable laws and regulations of the Cayman Islands.

If, as a result of any buyback of Shares, a shareholder's proportionate interest in the voting rights is increased, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Accordingly, a shareholder or a group of shareholders acting in concert could obtain or consolidate control of us and become obliged to make a mandatory offer in accordance with rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any buybacks pursuant to the Buyback Mandate.

We have not made any buybacks of our own securities in the past six months.

No core connected person (as defined in the Listing Rules) has notified us that he/she has a present intention to sell Shares to us, or has undertaken not to do so, if the Buyback Mandate is exercised.

B. CORPORATE REORGANISATION

In order to streamline the corporate structure and rationalise our corporate structure for the Listing, our Group underwent the Corporate Reorganisation. Please refer to the sub-section headed "History, Reorganisation and Group Structure — Reorganisation" in this prospectus for details.

C. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of the material contracts

The following contracts (not being contracts entered into in the ordinary course of business of our Group) were entered into by our Group within the two years immediately preceding the date of this prospectus and are or may be material:

(a) an equity transfer agreement dated 16 August 2021 entered into among Jilin Innovative Investment, Jilin Kaishun, Ms. Zhang, Mr. Shan and Mr. Shan Bingqi (單柄淇) (son of Ms. Zhang and Mr. Shan, as a guarantor), pursuant to which, Ms. Zhang acquired 12.15% equity interest in Jilin Kaishun from Jilin Innovative Investment for a total consideration of RMB11,347,800;

(b) an exit agreement to an capital increase agreement in relation to Jilin Kaishun dated 23 August 2021 entered into among Jilin Technology Fund, Ms. Zhang and Mr. Shan as original shareholders, and Jilin Kaishun as the target company, pursuant to which Jilin Technology Fund agreed to sell 13.60% equity interest in Jilin Kaishun to Ms. Zhang and Mr. Shan for an aggregate consideration which was equal to the aggregate investment amount paid by Jilin Technology Fund plus an agreed amount of RMB3,137,500;

(c) the Pre-IPO Equity Increase Agreement;

(d) the Guangke Capital Increase Agreement;

(e) a sale and purchase agreement dated 23 May 2022 entered into between EP Technology as the seller and our Company as the purchaser, pursuant to which EP Technology transferred the entire issued share capital of Lvshui Technology to our Company in consideration of our Company issuing 10,000 Shares to, credited as fully-paid, to EP Technology on 24 May 2022;

(f) an equity transfer agreement dated 27 May 2022 among Mr. Shan as the seller and Jilin Kaishun as the purchaser, pursuant to which Jilin Kaishun acquired the entire equity interest of Yizheng Juxinyuan from Mr. Shan for a consideration of RMB3,240,100;

(g) the Deed of Indemnity;

(h) the Cornerstone Investment Agreement; and

(i) the Hong Kong Underwriting Agreement.

2. Intellectual property rights of our Group

Trademarks

As at the Latest Practicable Date, we have registered the following trademarks:

No.	Trademark	Registered owner	Place of registration	Class	Registration number	Expiry date
1.		Jilin Kaishun	PRC	16	48107883	13 March 2031
2.	晓顺	Jilin Kaishun	PRC	16	48091574	13 March 2031
3.	顺熙	Jilin Kaishun	PRC	16	48115463	13 March 2031

Domain Names

As at the Latest Practicable Date, we have registered the following domain name:

Registrant	Domain name	Date of registration	Expiration date
Jilin Kaishun	jl-ks.cn	29 March 2022	29 March 2024

Patents

As at the Latest Practicable Date, we have registered the following patents:

No.	Patent(Note)	Patent no.	Patentee	Place of registration	Patent type	Date of Application	Expiry Date
1.	A complete biodegradable and toughened polymeric organism and production method (一種完全生物降解增韌型聚乳酸樹脂及製備方法)	2008100510649	Jilin Kaishun	PRC	Invention	11 August 2008	10 August 2028
2.	A method for preparing porous polymer materials by selective biodegradation (選擇性生物降解製備多孔聚合物材料的方法)	2013101892656	Jilin Kaishun	PRC	Invention	21 May 2013	20 May 2033
3.	A quick cooling device for injection moulding of degradable materials (一種降解材料注塑生產用快冷裝置)	201920967051X	Jilin Kaishun	PRC	Utility Model	24 June 2019	23 June 2029
4.	A kind of plastic mould with drying and deodorisation function (一種具有烘乾去味功能的塑料模具)	202021156617X	Jilin Kaishun	PRC	Utility Model	19 June 2020	18 June 2030
5.	A heating device of plastic mould (一種塑料模具的加熱裝置)	201721295585X	Jilin Kaishun	PRC	Utility Model	10 October 2017	9 October 2027
6.	A demoulding mechanism of plastic mould (一種塑料模具的脱模機構)	2017213087017	Jilin Kaishun	PRC	Utility Model	12 October 2017	11 October 2027
7.	A kind of pressing device of plastic mould (一種塑料模具的壓料裝置)	2017212955883	Jilin Kaishun	PRC	Utility Model	10 October 2017	9 October 2027
8.	A fine machining clamp of lifter plastic mould (一種塑料模具斜頂孔精加工夾具)	2017213189650	Jilin Kaishun	PRC	Utility Model	13 October 2017	12 October 2027

No.	Patent(Note)	Patent no.	Patentee	Place of registration	Patent type	Date of Application	Expiry Date
9.	A crushing, cleaning and pre-treating device for plastic raw materials (一種塑料原料粉碎清洗預處理裝置)	2020211565355	Jilin Kaishun	PRC	Utility Model	19 June 2020	18 June 2030
10.	An automatic burr cutting device for plastics processing (一種塑料加工用自動化毛刺切割裝置)	2020211566165	Jilin Kaishun	PRC	Utility Model	19 June 2020	18 June 2030
11.	A multifunctional cooling device for plastic injection moulding (一種塑料注塑用多功能冷卻降溫裝置)	2020211566199	Jilin Kaishun	PRC	Utility Model	19 June 2020	18 June 2030
12.	An automatic punching device for plastic components (一種自動化塑料零件打孔裝置)	2020211566184	Jilin Kaishun	PRC	Utility Model	19 June 2020	18 June 2030
13.	A plastic mould with even heating function (一種具有均勻加熱功能的塑料模具)	2017212955864	Jilin Kaishun	PRC	Utility Model	10 October 2017	9 October 2027
14.	A kind of dust removing device for manufacturing of plastic products (一種塑料產品生產用除塵裝置)	202021329456X	Jilin Kaishun	PRC	Utility Model	8 July 2020	7 July 2030
15.	A dosing device for processing of biodegradable materials (一種生物降解材料加工用餵料裝置)	2020213297765	Jilin Kaishun	PRC	Utility Model	8 July 2020	7 July 2030
16.	An adjustable rewind mechanism for film blowing machine (一種用於吹膜機的可調式收卷機構)	2018210154527	Jilin Kaishun	PRC	Utility Model	29 June 2018	28 June 2028
17.	A kind of air ring component for blown film machine (一種用於吹膜機的風環元件)	2018209550759	Jilin Kaishun	PRC	Utility Model	21 June 2018	20 June 2028

No.	Patent(Note)	Patent no.	Patentee	Place of registration	Patent type	Date of Application	Expiry Date
18.	A perforated-plate structure for extruder (一種用於擠出機的孔板結構)	2018209548551	Jilin Kaishun	PRC	Utility Model	21 June 2018	20 June 2028
19.	A high-efficiency cooling equipment for manufacturing of biodegradable materials (一種用於生物降解材料生產的高效冷卻設備)	2020213289519	Jilin Kaishun	PRC	Utility Model	8 July 2020	7 July 2030
20.	A stirring device for manufacturing of degradable materials (一種用於降解材料生產的攪拌裝置) . .	2020213289078	Jilin Kaishun	PRC	Utility Model	8 July 2020	7 July 2030
21.	An injection mould for processing of energy conservation and environmental protection degradable materials (一種節能環保型降解材料加工用注塑機) .	2020213289909	Jilin Kaishun	PRC	Utility Model	8 July 2020	7 July 2030
22.	A degradable injection mould for easy adjustment (一種便於調節的降解型注塑模具).	2021216421379	Jilin Kaishun	PRC	Utility Model	19 July 2021	18 July 2031
23.	A high-precision blown film device for the preparation of fully biodegradable plastics (一種用於製備全生物降解塑料的高精度吹膜設備)	2021223388356	Jilin Kaishun	PRC	Utility Model	26 September 2021	25 September 2031
24.	A rotary head of blown film instrument for starch-based biodegradable plastics (一種適於澱粉生物降解塑料的吹膜機旋轉模頭)	2021223389310	Jilin Kaishun	PRC	Utility Model	26 September 2021	25 September 2031
25.	A wrap device for production of biodegradable plastic film (一種生物降解塑料膜生產用的收卷裝置)	2022211633830	Jilin Kaishun	PRC	Utility Model	16 May 2022	15 May 2032

No.	Patent(Note)	Patent no.	Patentee	Place of registration	Patent type	Date of Application	Expiry Date
26.	An easy-to-adjust bag making machine for processing degradable plastic films (一種便於調節的降解塑料膜加工用製袋機)	2022217899734	Jilin Kaishun	PRC	Utility Model	11 July 2022	10 July 2032
27.	A positioning and trimming device for biodegradable plastic film production (一種生物降解塑料膜生產用定位切邊裝置)	2022213121714	Jilin Kaishun	PRC	Utility Model	30 May 2022	29 May 2032
28.	A pretreatment device of waste cleaning and crushing for plastic production (一種塑料生產用廢料清洗粉碎預處理裝置)	2022212336051	Jilin Kaishun	PRC	Utility Model	23 May 2022	22 May 2032
29.	A rapid cooling device for biodegradable plastic production (一種生物降解塑料生產用的快速降溫裝置)	2022210929226	Jilin Kaishun	PRC	Utility Model	9 May 2022	8 May 2032
30.	A harmful gas filter device for plastic production and processing (一種塑料生產加工用的有害氣體過濾裝置)	2022209697618	Jilin Kaishun	PRC	Utility Model	25 April 2022	24 April 2032
31.	A plastic raw material processing device with adjustable feeding amount (一種可調節進料量的塑料原料加工處理裝置)	ZL2021224466850	Jilin Kaishun	PRC	Utility Model	11 October 2021	10 October 2031

Note: The English names of the patents mentioned above are translations of their Chinese names. If there is any inconsistency, the Chinese names shall prevail.

3. Further information about our PRC establishments

Jilin Maisheng

(i)	Nature of company	:	Limited liability company (wholly-owned by a corporation in Taiwan, Hong Kong or Macao (台港澳法人獨資))
(ii)	Incorporation date	:	15 April 2022
(iii)	Term of business operation	:	Long-term
(iv)	Registered capital	:	RMB1,000,000
(v)	Paid-up capital	:	RMB1,000,000
(vi)	Attributable interest of our Company	:	100%
(vii)	Scope of business	:	technical consultation for resources recycling application services (other than projects requiring approvals in accordance with the relevant laws)

Changchun Guangke

(i)	Nature of company	:	Limited liability company
(ii)	Incorporation date	:	17 April 2022
(iii)	Term of business operation	:	Long-term
(iv)	Registered capital	:	RMB1,010,101.01
(v)	Paid-up capital	:	RMB1,010,101.01
(vi)	Attributable interest of our Company	:	99%
(vii)	Scope of business	:	technical consultation for resources recycling application services (other than projects requiring approvals in accordance with the relevant laws)

Jilin Kaishun

(i)	Nature of company	:	Limited liability company (with Hong Kong, Macao or Taiwan investment, non-wholly owned) (港澳台投資, 非獨資)
(ii)	Incorporation date	:	7 March 2014
(iii)	Term of business operation	:	Long-term
(iv)	Registered capital	:	RMB77,623,941.71
(v)	Paid-up capital	:	RMB77,623,941.71
(vi)	Attributable interest of our Company	:	99%
(vii)	Scope of business	:	manufacture and sales of biodegradable materials and rubber and plastic materials and products; regular products road transportation; export and import of products; business information consulting; online sales of biodegradable materials and products, excluding products which require special supervision measures for foreign investment (projects required to be approved under the laws must obtain prior approval from the relevant department)

Yizheng Juxinyuan

(i)	Nature of company	:	Limited liability company (sole proprietorship of a legal person invested or controlled by a non-natural person) (非自然人投資或控股的法人獨資)
(ii)	Incorporation date	:	28 February 2017
(iii)	Term of business operation	:	Long-term
(iv)	Registered capital	:	RMB10,000,000
(v)	Paid-up capital	:	RMB10,000,000
(vi)	Attributable interest of our Company	:	99%
(vii)	Scope of business	:	R&D of biodegradable materials, manufacture and sales of biodegradable materials and products; manufacture and sales of rubber and plastic materials and products; packaging products printing; manufacture and sales of plastic food packaging products (projects required to be approved under the laws must obtain prior approval from the relevant department)

D. FURTHER INFORMATION ABOUT OUR DIRECTORS

1. Directors' service contracts and letters of appointment

Each of our executive Directors has entered into a service contract with our Company for an initial fixed term of three years commencing from the date thereof, and will continue thereafter until terminated by not less than three months' notice in writing served by either party on the other.

Each of our independent non-executive Directors has entered into a letter of appointment with our Company for an initial fixed term of one year commencing from the Listing Date and will continue thereafter until terminated by not less than one month's notice in writing by served by either party on the other.

The current basic annual remuneration of our Directors are as follow:

Ms. Zhang	HK$258,000
Mr. Shan	HK$292,000
Mr. Li	HK$258,000
Mr. Li Peng (李鵬)	HK$206,000
Mr. Ng Tat Fung (吳達峰)	HK$120,000
Dr. Sun Shulin (孫樹林)	HK$120,000
Dr. Lai King Yin (賴景然)	HK$120,000

Note: For our Directors who are receiving remuneration in the PRC through our subsidiaries in the PRC, such salaries have been converted into Hong Kong dollars and rounded to the nearest thousands.

Save as aforesaid, none of our Directors has or is proposed to have a service contract with us or any of our subsidiaries (other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation)).

2. Directors' remuneration

For the three years ended 31 December 2019, 2020 and 2021 and nine months ended 30 September 2022, the aggregate of the remuneration paid to our Directors by us were RMB351,000, RMB397,000, RMB708,000 and RMB548,000, respectively.

Save as disclosed above, no other emoluments have been paid or are payable, in respect of the three years ended 31 December 2019, 2020, and 2021 and nine months ended 30 September 2022, by us to our Directors.

Under the arrangements currently in force, we estimate that the aggregate remuneration payable to, and benefits in kind receivable by, our Directors (excluding discretionary bonus) for the year ending 31 December 2023 will be approximately RMB1,053,750.

There was no arrangement under which a Director has waived or agreed to waive any emoluments for each of the three financial years immediately preceding the issue of this prospectus.

E. DISCLOSURE OF INTERESTS

1. Disclosure of interests

(a) Interests and short positions of our Directors in our share capital and our associated corporations as at the Latest Practicable Date and following the Capitalisation Issue and the Global Offering

As at the Latest Practicable Date and immediately following completion of the Capitalisation Issue and the Global Offering and taking no account of any Shares which may be allotted and issued pursuant to the Over-allotment Option and options to be granted under the Share Option Scheme, the interests or short positions of our Directors and the chief executive of our Company in the shares, debentures, equity derivatives and underlying shares of our Company and our associated corporations, within the meaning of Part XV of the SFO which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO), or which will be required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein or which will be required to be notified to us and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules, will be as follows:

Interests and short positions in the shares, underlying shares and debentures and associated corporations:

(i) Long positions in our Company

		Immediately after the Global Offering and the Capitalisation Issue[1]	
Name of Director	**Nature of interest**	**Number of Shares**	**Approximate percentage of shareholding in our Company**
Ms. Zhang [2][4] . . .	Interest in a controlled corporation	381,080,000	38.1081%
Mr. Shan [3][4]	Interest in a controlled corporation	290,822,340	29.0822%
Mr. Li [5]	Interest in a controlled corporation	11,250,090	1.1250%

Notes:

(1) Assuming the Over-allotment Option is not exercised.

(2) Lvsetianye Technology will hold approximately 38.1081% of the issued share capital of our Company. Lvsetianye Technology is wholly owned by Ms. Zhang. Ms. Zhang is therefore deemed to be interested in the Shares that Lvsetianye Technology is interested in.

(3) Lvsesenlin Technology, Daziran Technology and CPEP Holdings will hold approximately 9.1023%, 10.2599% and 9.7200% of the issued share capital of our Company, respectively. Each of Daziran Technology and CPEP Holdings is wholly owned by Lvsesenlin Technology, which is in turn wholly owned by Mr. Shan. Mr. Shan is therefore deemed to be interested in the Shares that each of Lvsesenlin Technology, Daziran Technology and CPEP Holdings is interested in.

(4) Ms. Zhang and Mr. Shan are wife and husband. They are therefore deemed to be interested in the Shares that the other is interested in under the SFO.

(5) Languang Technology will hold approximately 1.1250% of the issued share capital of our Company. Languang Technology is wholly owned by Mr. Li. Mr. Li is therefore deemed to be interested in the Shares that Languang Technology is interested in.

(ii) Long positions in associated corporation

Changchun Guangke

Name of Director	**Capacity/Nature of interest**	**Approximate percentage of shareholding in Changchun Guangke**
Ms. Zhang	Beneficial owner	0.4752%
Mr. Shan	Beneficial owner	0.4375%
Mr. Li	Beneficial owner	0.0140%

(b) Interests and short positions discloseable under Divisions 2 and 3 of Part XV of the SFO

As at the Latest Practicable Date and immediately following completion of the Capitalisation Issue and the Global Offering and taking no account of any Shares which may be allotted and issued pursuant to the exercise of options which may be granted under the Share Option Scheme, or any Shares which may be issued or bought-back by the Company pursuant to the general mandate, so far as our Directors are aware, in addition to the interests disclosed under paragraphs headed "(a). Interests and short positions of our Directors in our share capital and our associated corporations as at the Latest Practicable Date and following the Capitalisation Issue and the Global Offering" above, the following persons (not being a Director or chief executive of our Company) are expected to have interests or short positions in our Shares or underlying Shares which are required to be disclosed to our Company and the Stock Exchange under the provisions of Divisions

2 and 3 of Part XV of the SFO, or interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any members of our Group:

Interests positions in our Company

		Immediately after the Global Offering and the Capitalisation Issue[(1)]	
Name of Shareholder	**Capacity/Nature of interest**	**Number of Shares held/interested**	**Approximate percentage of shareholding in our Company**
Lvsetianye Technology [(2)] . . .	Beneficial owner	381,080,700	38.1081%
Lvsesenlin Technology [(3)] . . .	Beneficial owner	91,022,880	9.1023%
	Interest in a controlled corporation	199,799,460	19.9799%
Daziran Technology [(3)]	Beneficial owner	102,599,460	10.2599%
CPEP Holdings [(3)]	Beneficial owner	97,200,000	9.7200%
ZhongBaoNew materials[(4)] . .	Beneficial owner	82,872,000	8.2872%
Beijing Anji Fenghan LLP[(4)] .	Interest in a controlled corporation	82,872,000	8.2872%
Zhuhai Jianchao[(4)]	Interest in a controlled corporation	82,872,000	8.2872%
Anji Fenghan[(4)]	Interest in a controlled corporation	82,872,000	8.2872%
Guocheng Zhejiang[(4)]	Interest in a controlled corporation	82,872,000	8.2872%
Hainan Fengshi[(4)]	Interest in a controlled corporation	82,872,000	8.2872%
Zhejiang Anji EDZ[(4)].	Interest in a controlled corporation	82,872,000	8.2872%

Notes:

(1) Assuming the Over-allotment Option is not exercised.

(2) Lvsetianye Technology is wholly owned by Ms. Zhang. Ms. Zhang is therefore deemed to be interested in the Shares that Lvsetianye Technology is interested in.

(3) Each of Daziran Technology and CPEP Holdings is wholly owned by Lvsesenlin Technology. Lvsesenlin Technology is therefore deemed to be interested in the Shares held by each of Daziran Technology and CPEP Holdings of 10.2599% and 9.7200%, respectively.

(4) ZhongBaoNew materials, a company incorporated in the BVI for the purpose of the cornerstone investment, is wholly-owned by Beijing Anji Fenghan Management Consulting Partnership (limited partnership) (北京安吉豐瀚管理諮詢合夥企業(有限合夥)) ("**Beijing Anji Fenghan LLP**"). Beijing Anji Fenghan LLP is a private investment fund and its general partner is Zhuhai Jianchao Investment Management Center (Limited Partnership) (珠海健巢投資管理中心(有限合夥)) ("**Zhuhai Jianchao**"), holding approximately 0.01% of equity interest in Beijing Anji Fenghan LLP as at the Latest Practicable Date. The remaining 99.99% of Beijing Anji Fenghan LLP is held by Anji Fenghan Private Equity Investment Fund Partnership (Limited Partnership) (安吉豐瀚私募股權投資基金合夥企業(有限合夥)) ("**Anji Fenghan**") as a limited partner as at the Latest Practicable Date. The limited partner of Anji Fenghan is Guocheng (Zhejiang) Industrial Development Co., Ltd. (國成(浙江)實業發展有限公司) ("**Guocheng Zhejiang**"), which is intersted in 99.00% of Anji Fenghan, and the general partners of Anji Fenghan are Hainan Fengshi Private Equity Fund Management Co., Ltd. (海南豐世私募基金管理有限公司) ("**Hainan Fengshi**") and Zhuhai Jianchao, holding 0.90% and 0.10% in Anji Fenghan, respectively, as at the Latest Practicable Date. Guocheng Zhejiang in turn is wholly owned by Management Committee of Zhejiang Anji Economic Development Zone (浙江安吉經濟開發區管理委員會) ("**Zhejiang Anji EDZ**"), as at the Latest Practicable Date. As such, all of Beijing Anji Fenghan LLP, Zhuhai Jianchao, Anji Fenghan, Guocheng Zhejiang, Hainan Fengshi and Zhejiang Anji EDZ are all deemed to be interested in 82,872,000 Shares (assuming the Offer Price of HK$1.20, being the mid-point of the indicative Offer Price range set out in this prospectus) held by ZhongBaoNew materials under the SFO.

2. Disclaimers

Save as disclosed in this prospectus:

(a) our Directors are not aware of any person (not being our Director or chief executive) who will, immediately after completion of the Capitalisation Issue and the Global Offering (without taking into account any Shares which may be allotted and issued upon the exercise of the Over-allotment Option or the Shares which may be issued upon the exercise of options that may be granted under the Share Option Scheme), have an interest or a short position in Shares or underlying Shares which would fall to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will, directly or indirectly, be interested in 10% or more of the issued voting shares of any other members of our Group;

(b) none of our Directors has any interest or short position in any of our Shares, underlying Shares or debentures or any shares, underlying shares or debentures of any associated corporation within the meaning of Part XV of the SFO, which will have to be notified to us and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which will be required to be notified to us and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, in each case once our Shares are listed;

(c) none of our Directors nor any of the parties listed in the section headed "G. Other Information — 10. Consents of experts" in this appendix is interested in the promotion of our Company, or in any assets which have been, within the two years immediately preceding the date of this prospectus, acquired or disposed of by or leased to our Company or any of our subsidiaries, or are proposed to be acquired or disposed of by or leased to our Company or any of our subsidiaries;

(d) none of our Directors nor any of the parties listed in the section headed "G. Other Information — 10. Consents of experts" in this appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to our business;

(e) save in connection with the Underwriting Agreements, none of the parties listed in the section headed "G. Other Information — 10. Consents of experts" in this appendix:

    (i) is interested legally or beneficially in any securities of our Company or any of our subsidiaries; or

    (ii) has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities of our Company or any of our subsidiaries;

(f) none of our Directors or their close associates (as defined in the Listing Rules) or the existing Shareholders (who, to the knowledge of our Directors, owns more than 5% of our issued share capital) has any interest in any of the five largest customers or the five largest suppliers of our Group.

F. SHARE OPTION SCHEME

The following is a summary of the principal terms of the Share Option Scheme conditionally approved by a resolution of all Shareholders passed on 9 March 2023, and adopted by a resolution of our Board on 9 March 2023 ("**Adoption Date**"). The terms of the Share Option Scheme are in compliance with the provisions of Chapter 17 of the Listing Rules.

1. Purpose

The purpose of the Share Option Scheme is to give the Eligible Persons (as defined in the following paragraph) an opportunity to have a personal stake in our Company and help motivate them to optimise their future contributions to our Group and/or to reward them for their past contributions, to attract and retain or otherwise maintain on-going relationships with such Eligible Persons who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of our Group, and additionally in the case of any manager of, or other employee holding an executive, managerial, supervisory or similar position in any member of our Group, to enable our Group to attract and retain individuals with experience and ability and/or to reward them for their past contributions.

2. Who may join

In accordance with the terms of the Share Option Scheme, our Board may, at its absolute discretion, offer the grant of options ("**Options**") to subscribe for such number of Shares to:

(a) any full-time employee of any member of our Group ("**Employee**"); and

(b) any director of any member of our Group who does not perform an executive function (the person referred to in paragraphs (a) and (b) above are the "**Eligible Persons**").

3. Maximum number of Shares

The maximum number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes of our Group shall not in aggregate exceed 10% of the Shares in issue as at the Listing Date (such 10% limit representing 100,000,000 Shares) excluding Shares which may fall to be issued upon the exercise of the Over-allotment granted by our Company (the "**Scheme Mandate Limit**") provided that:

(a) our Company may at any time as our Board may think fit seek approval from our Shareholders to refresh the Scheme Mandate Limit once every three years from the date of the Shareholders' approval for the last refreshment (or the Adoption Date) provided that (i) the Controlling Shareholders and their associates (or if there is no Controlling Shareholders, Directors (excluding independent non-executive Directors) and the chief executive of our Company and their respective associates) must abstain from voting in favour of the relevant resolutions at the general meeting; and (ii) our Company must comply with the requirements under rules 13.39(6) and (7), 13.40, 13.41 and 13.42, and save that the maximum number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes of our Company shall not exceed 10% of our Shares in issue as at the date of approval by our Shareholders in general meeting where the Scheme Mandate Limit is refreshed. Options previously granted under the Share Option Scheme and any other schemes of our Company (including those outstanding, cancelled, lapsed or exercised in accordance with the terms of the Share Option Scheme or any other schemes of our Company) shall not be counted for the purpose of calculating the Scheme Mandate Limit as refreshed. Our Company shall send to our Shareholders a circular containing the details and information required under the Listing Rules; and

(b) our Company may seek separate approval from our Shareholders in general meeting for granting Options beyond the Scheme Mandate Limit, provided that the Options in excess of the Scheme Mandate Limit are granted only to the Eligible Person specified by our Company before such approval is obtained. Our Company should issue a circular to our Shareholders containing the details and information required under the Listing Rules.

4. Maximum entitlement of each participant

The maximum number of Shares issued and to be issued upon exercise of the Options granted to any one Eligible Person (excluding any Options lapsed in accordance with the terms of the Share Option Scheme) in any 12-month period shall not exceed 1% of our Shares in issue from time to time. Where any further grant of Options to such an Eligible Person would result in our Shares issued and to be issued upon exercise of all Options granted and to be granted to such Eligible Person (including exercised, cancelled and outstanding Options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of our Shares in issue, such further grant shall be separately approved by our Shareholders in general meeting with such Eligible Person and his close associates (or his associates if such Eligible Person is a connected person) abstaining from voting. Our Company shall send a circular to our Shareholders disclosing the identity of the Eligible Person, the number and terms of the Options to be granted (and Options previously granted in the 12-month period) to such Eligible Person, the purpose of granting options to the Eligible Person and an explanation as to how the terms of the options serve such purpose, and containing the details and information required under the Listing Rules. The number and terms (including the subscription price) of the Options to be granted to such Eligible Person must be fixed before the approval of our Shareholders and the date of the meeting or resolution of our Board proposing such grant shall be taken as the offer date for the purpose of calculating the exercise price of those Options.

5. Offer and grant of Options

Subject to the terms of the Share Option Scheme, our Board shall be entitled at any time within 10 years from the Adoption Date to offer the grant of an Option to any Eligible Person as our Board may in its absolute discretion select to subscribe at the subscription price for such number of Shares as our Board may (subject to the terms of the Share Option Scheme) determine (provided the same shall be a board lot for dealing in the Shares on the Stock Exchange or an integral multiple thereof).

6. Granting Options to connected persons

Subject to the terms in the Share Option Scheme, only insofar as and for so long as the Listing Rules require, where any offer of an Option is proposed to be made to a director, chief executive or a substantial shareholder (as defined in the Listing Rules) of our Company or any of their respective associates, such offer must first be approved by the independent non-executive Directors (excluding the independent non-executive Director who or whose associates is the grantee of an Option).

Where any grant of Options to a substantial shareholder (as defined in the Listing Rules) of our Company or an independent non-executive Director, or any of their respective associates, would result in the Shares issued and to be issued upon exercise of all Options granted (excluding any Options lapsed in accordance with the terms of the Share Option Scheme) to such person in the 12-month period up to and including the date of such grant representing in aggregate over 0.1% of the relevant class of Shares in issue, such further grant of Options must be approved by our Shareholders (voting by way of a poll). Our Company shall send a circular to our Shareholders containing the information required under the Listing Rules. The grantee, his associates and all core connected persons of our Company must abstain from voting in favour at such general meeting.

Approval from our Shareholders is required for any change in the terms of Options granted to a participant who is a director, chief executive or substantial shareholder of our Company, or any of their respective associates if the initial grant of the Options requires such approval (except where the changes take effect automatically under the existing terms of the Share Option Scheme). The grantee, his associates and all core connected persons of our Company must abstain from voting in favour at such general meeting.

7. Restriction on the time of grant of Options

Our Board shall not grant any Option to any Eligible Person under the Share Option Scheme:

a) after inside information has come to its knowledge until such inside information has been announced pursuant to the requirements of the Listing Rules; or

b) during the period commencing one month immediately preceding the earlier of:

   i. the date of our Board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and

   ii. the deadline for our Company to publish an announcement of its results for any full year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules),

   and ending on the date of the results announcements.

8. Minimum vesting period and performance target and clawback mechanism

All Options granted under the Share Option Scheme will be subject to a vesting period of no less than 12 months from the date of grant except for the specific circumstances set out in the Share Option Scheme.

Subject to the provisions of the Listing Rules, our Board may in its absolute discretion when offering the grant of an Option impose any conditions, restrictions or limitations in relation thereto in addition to those set forth in the Share Option Scheme as our Board may think fit (to be stated in the letter containing the offer of the grant of the Option) including (without prejudice to the generality of the foregoing) qualifying and/or continuing eligibility criteria, conditions, restrictions or limitations relating to the achievement of performance, operating or financial targets by our Company and/or the Eligible Person, the satisfactory performance or maintenance by the Eligible Person of certain conditions or obligations or the time or period when the right to exercise the Option in respect of all or some of the Shares shall vest provided that such terms or conditions shall not be inconsistent with any other terms or conditions of the Share Option Scheme. For the avoidance of doubt, subject to such terms and conditions as our Board may determine as aforesaid (including such terms and conditions in relation to their vesting, exercise or otherwise), there is no performance target which need to be achieved by the grantee before the Option can be exercised.

Upon the occurrence of any of the following in relation to a grantee, our Company shall propose that no further Options shall be granted to such grantee and shall claw back the Options granted to such grantee and such Options shall lapse automatically:

(i) the grantee has failed to perform duties effectively or is involved in serious misconduct or malfeasance;

(ii) the grantee has contravened the relevant laws and regulations of the applicable jurisdictions and/or the provisions of the Memorandum and Articles;

(iii) the grantee has, during his/her tenure of office, been involved in acceptance or solicitation of bribery, corruption, theft, leakage of trade and technical secrets, conducted connected transactions and other unlawful acts and misconducts, which prejudiced the interest and reputation of and caused significant negative impact to the image of our Company; or

(iv) the grantee has failed to discharge, or failed to discharge properly, his/her duties and thereby resulting in serious loss in assets to our Company and other serious and adverse consequence.

9. Amount payable for Options and offer period

An offer of the grant of an Option shall remain open for acceptance by the Eligible Person concerned for a period of 28 days from the offer date provided that no such grant of an Option may be accepted after the expiry of the effective period of the Share Option Scheme. An Option shall be deemed to have been granted and accepted by the Eligible Person and to have taken effect when the duplicate offer letter comprising acceptance of the offer of the Option duly signed by the grantee together with a remittance in favour of our Company of HK$1.0 by way of consideration for the grant thereof is received by our Company on or before the date upon which an offer of an Option must be accepted by the relevant Eligible Person, being a date no later than 28 days after the offer date (the "**Acceptance Date**"). Such remittance shall in no circumstances be refundable.

Any offer of the grant of an Option may be accepted in respect of less than the number of Shares in respect of which it is offered provided that it is accepted in respect of board lots for dealing in Shares on the Stock Exchange or an integral multiple thereof and such number is clearly stated in the duplicate offer letter comprising acceptance of the offer of the Option. To the extent that the offer of the grant of an Option is not accepted by the Acceptance Date, it will be deemed to have been irrevocably declined.

10. Subscription price

The subscription price in respect of any particular Option shall be such price as our Board may in its absolute discretion determine at the time of grant of the relevant Option (and shall be stated in the letter containing the offer of the grant of the Option) but the subscription price shall not be less than whichever is the highest of:

(a) nominal value of a Share;

(b) the closing price of a Share as stated in the Stock Exchange's daily quotations sheet on the offer date, which must be a business day; and

(c) the average closing price of a Share as stated in the Stock Exchange's daily quotations sheets for the five business Days (as defined in the Listing Rules) immediately preceding the offer date.

11. Exercise of Option

(a) An Option shall be exercised in whole or in part (but if in part only, in respect of a board lot for dealing in the Shares on the Stock Exchange, as the case may be, or any integral multiple thereof) within the Option period in the manner as set out in this Share Option Scheme by the grantee (or his or her legal personal representative(s)) by giving notice in writing to our Company stating that the Option is thereby exercised and specifying the number of Shares in respect of which it is exercised. Each such notice must be accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given. Within 28 days after receipt of the notice and, where appropriate, receipt of a certificate from our auditors pursuant to the Share Option Scheme, our Company shall accordingly allot and issue the relevant number of Shares to the Grantee (or his or her legal personal representative(s)) credited as fully paid with effect from (but excluding) the relevant exercise date and issue to the grantee (or his or her legal personal representative(s)) share certificate(s) in respect of the Shares so allotted.

(b) The exercise of any Option may be subject to a vesting schedule to be determined by our Board in its absolute discretion, which shall be specified in the offer letter.

(c) The exercise of any Option shall be subject to the members of our Company in general meeting approving any necessary increase in the authorised share capital of our Company.

(d) Subject as hereinafter provided and subject to the terms and conditions upon which the Option is granted, an Option may be exercised by the grantee at any time during the Option period, provided that, among others:

(i) in the event that the grantee dies or becomes permanently disabled before exercising an Option (or exercising it in full) and none of the events for termination of employment or engagement stated in the relevant terms of the Share Option Scheme exists with respect to such grantee, he or she (or his or her legal representative(s)) may exercise the Option up to the grantee's entitlement immediately prior to the death or permanently disability (to the extent not already exercised) within a period of 12 months following his or her death or permanent disability or such longer period as our Board may determine;

(ii) in the event that the grantee ceases to be a full-time employee of any member of our Group for any reason (including his or her employing company ceasing to be a member of our Group) other than his or her death, permanent disability, retirement pursuant to such retirement scheme applicable to our Group at the relevant time or the transfer of his or her employment to a member of our Group or the termination of his or her employment with the relevant member of our Group by resignation or culpable termination, the Option (to the extent not already exercised) shall lapse on the date of cessation of such employment and not be exercisable unless our Board otherwise determines in which event the Option (or such remaining part thereof) shall be exercisable within such period as our Board may in its absolute discretion determine following the date of such cessation;

(iii) if a general offer is made to all holders of Shares and such offer becomes or is declared unconditional (in the case of a takeover offer) or is approved by the requisite majorities at the relevant meetings of our Shareholders (in the case of a scheme of arrangement), the grantee shall be entitled to exercise the Option (to the extent not already exercised) at any time (in the case of a takeover offer) within one month after the date on which the offer becomes or is declared unconditional or (in the case of a scheme of arrangement) prior to such time and date as shall be notified by our Company;

(iv) if a compromise or arrangement between our Company and its members or creditors is proposed for the purpose of or in connection with a scheme for the reconstruction of our Company or its amalgamation with any other company, our Company shall give notice thereof to the grantees who have Options unexercised at the same time as it dispatches notices to all members or creditors of our Company summoning the meeting to consider such a compromise or arrangement and thereupon each grantee (or his or her legal representatives or receiver) may until the expiry of the earlier of:

(1) the Option period;

(2) the period of two months from the date of such notice; or

(3) the date on which such compromise or arrangement is sanctioned by the court,

exercise in whole or in part his or her Option.

(v) in the event a notice is given by our Company to its members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall on the same date as or soon after it dispatches such notice to each member of our Company give notice thereof to all grantees and thereupon, each grantee (or his or her legal personal representative(s)) shall be entitled to exercise all or any of his or her options at any time not later than two Business Days (as defined in the Listing Rules) prior to the proposed general meeting of our Company by giving notice in writing to our Company, accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given whereupon our Company shall as soon as possible and, in any event, no later than the business day (as defined in the Listing Rules) immediately prior to the date of the proposed general meeting referred to above, allot the relevant Shares to the grantee credited as fully-paid.

12. Life of Share Option Scheme

Subject to the terms of this Share Option Scheme, the Scheme shall be valid and effective for a period of 10 years from the date on which it becomes unconditional, after which no further options will be granted or offered but the provisions of the Share Option Scheme shall remain in force and effect in all other respects. All Options granted prior to such expiry and not then exercised shall continue to be valid and exercisable subject to and in accordance with the Share Option Scheme.

13. Lapse of Share Option Scheme

An Option shall lapse automatically and not be exercisable, to the extent not already exercised, on the earliest of:

(a) the expiry of the Option period;

(b) the expiry of any of the period referred to paragraphs related to exercise of the Option;

(c) subject to the terms of the period mentioned in the paragraph headed "F. Share Option Scheme — 11. Exercise of Option" in this appendix, the date of the commencement of the winding-up of our Company;

(d) there is an unsatisfied judgement, order or award outstanding against the grantee or our Board has reason to believe that the grantee is unable to pay or to have no reasonable prospect of being able to pay his/her/its debts;

(e) there are circumstances which entitle any person to take any action, appoint any person, commence proceedings or obtain any order of the type mentioned in (d) above or in other relevant paragraphs of the terms of the Share Option Scheme.

No compensation shall be payable upon the lapse of any Option, provided that our Board shall be entitled in its discretion to pay such compensation to the grantee in such manner as it may consider appropriate in any particular case.

14. Adjustment

In the event of any alteration to the capital structure of our Company while any Option remains exercisable, whether by way of capitalisation of profits or reserves, open offer, rights issue, consolidation, distribution, reclassification, reconstruction, sub-division or reduction of the share capital of our Company, our Board may, if it considers the same to be appropriate, direct that adjustments be made to:

(a) the maximum number of Shares subject to the Share Option Scheme; and/or

(b) the aggregate number of Shares subject to the Option so far as unexercised; and/or

(c) the subscription price of each outstanding Option; and/or

(d) the number of shares in respect of which additional options may be granted.

Where our Board determines that such adjustments are appropriate (other than an adjustment arising from a capitalisation issue), the auditors appointed by our Company shall certify in writing to our Board that any such adjustments are in their opinion fair and reasonable, provided that:

(a) any such adjustments shall give the Eligible Persons the same proportion of equity capital (rounded to the nearest whole Share) as they were previously entitled to. In respect of any such adjustments, other than any made on a capitalisation issue, our auditors shall confirm to our Board in writing that the adjustments satisfy this requirement;

(b) any such adjustments shall be made on the basis that the aggregate subscription price payable by the grantee on the full exercise of any Option shall remain as nearly as practicable same as (but shall not be greater than) it was before such event;

(c) no such adjustments shall be made if as a result, a participant receives a benefit that a Shareholder does not receive;

(d) no such adjustments shall be made the effect of which would be to enable a Share to be issued at less than its nominal value; and

(e) any such adjustments shall be made to in accordance with the provisions as stipulated under Chapter 17 of the Listing Rules and supplementary guidance on the interpretation of the Listing Rules issued by the Stock Exchange from time to time.

The following (whether singly or in combination) shall not be regarded as events requiring adjustments unless our Board considers an adjustment to be appropriate pursuant to the terms of the Share Option Scheme:

(a) the issue of securities as consideration for an acquisition or a private placement of securities;

(b) the issue of Shares upon the exercise of any options or conversion of any convertible securities issued by our Company; or

(c) the cancellation of issued Shares purchased by our Company by way of a market purchase of such Shares undertaken by our Company on the Stock Exchange during the period when a share purchase mandate granted by our Shareholders (including any renewal of such mandate) is in force.

15. Cancellation of Options granted

Our Board shall be entitled for the following causes to cancel any Option in whole or in part by giving notice in writing to the grantee stating that such Option is thereby cancelled with effect from the date specified in such notice (the "**Cancellation Date**"):

(a) the grantee commits or permits or attempts to commit or permit a breach of restriction on transferability of Option or any terms or conditions attached to the grant of the Option;

(b) the grantee makes a written request to our Board for the Option to be cancelled; or

(c) if the grantee has, in the opinion of our Board, conducted himself in any manner whatsoever to the detriment of or prejudicial to the interests of our Company or its subsidiary.

The Option shall be deemed to have been cancelled with effect from the Cancellation Date in respect of any part of the Option which has not been exercised as at the Cancellation Date. No compensation shall be payable upon any such cancellation, provided that our Board shall be entitled in its discretion to pay such compensation to the grantee in such manner as it may consider appropriate in any particular case.

Any Grantee whose Options are cancelled pursuant to the aforesaid may be issued new Options in accordance with the provision of the Share Option Scheme, provided that unissued Options are available under the Share Option Scheme within the Scheme Mandate Limit.

16. Ranking of Shares

The Shares to be allotted upon the exercise of an Option will be subject to all the provisions of the Articles of Association and the laws of Cayman Islands from time to time and shall rank *pari passu* in all respects with the then existing fully-paid Shares in issue commencing from (i) the date on which Shares are allotted to the grantee (or his or her legal personal representative(s)) pursuant to the Option granted and exercised (the "**Allotment Date**"), or (ii) if that date falls on a day when the register of members of our Company is closed, the first day of the re-opening of the register of members. Accordingly, it will entitle the holders to participate in all dividends or other distributions paid or made on or after (i) the Allotment Date, or (ii) if that date falls on a day when the register of members of our Company is closed, the first day of the re-opening of the register of members, other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor shall be before the Allotment Date.

Share issued upon the exercise of an Option shall not carry rights until the registration of the grantee (or any other person) as the holder thereof.

17. Termination

The Share Option Scheme may be terminated at any time by our Board or, at the discretion of our Board, by resolution of our Company in general meeting, subject to all relevant approvals which may be required. Upon termination of the Share Option Scheme as aforesaid, no further

Options shall be offered but the provisions of the Share Option Scheme shall remain in force and effect in all other respects. All Options granted prior to such termination and not then exercised shall continue to be valid and exercisable subject to and in accordance with the Share Option Scheme.

18. Transferability

The Option shall be personal to the grantee and shall not be assignable and no grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favour of any third party over or in relation to any Option or attempt to do so (save that the grantee may nominate a nominee in whose name the Shares issued pursuant to the Share Option Scheme may be registered). Any breach of the foregoing shall entitle our Company to cancel any outstanding Option or part thereof granted to such grantee.

19. Required Disclosure

Our Company shall, for so long as the Share Option Scheme continues in operation, make disclosures as required under the Listing Rules and all other applicable laws and requirements.

20. Alteration of Share Option Scheme

The Share Option Scheme may be altered in any respect by a resolution of our Board except that the following shall not be carried out except with the prior sanction of an ordinary resolution of our Shareholders in general meeting:

(a) any change to the terms of Options granted to a grantee (except where the alterations take effect under the existing terms of the Share Option Scheme) if the initial grant of the Options was approved by the Shareholders;

(b) any alteration to the terms and conditions of the Share Option Scheme which are of a material nature or any alterations to the provisions of the Share Option Scheme in relation to the matters set out in Rule 17.03 of the Listing Rules to the advantage of grantee;

(c) any change to the authority of our Board or any person or committee delegated by our Board pursuant to the Share Option Scheme to alter the terms of the Share Option Scheme; and

(d) any alteration to the aforesaid alternation provisions,

provided always that the amended terms of the Share Option Scheme shall comply with the applicable requirements of the Listing Rules.

21. Conditions of the Share Option Scheme

The Share Option Scheme shall come into effect on the date on which the following conditions are fulfilled:

a) the approval of our Shareholders for the adoption of the Share Option Scheme;

b) the approval of the Stock Exchange for the listing of and permission to deal in, a maximum of 100,000,000 Shares to be allotted and issued pursuant to the exercise of Options in accordance with the terms and conditions of the Share Option Scheme;

c) the commencement of dealing in our Shares on the Stock Exchange; and

d) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and not being terminated in accordance with the terms thereof or otherwise.

If the permission referred to in paragraph b) above is not granted within two calendar months after the Adoption Date:

i. the Share Option Scheme will forthwith terminate;

ii. any Option granted or agreed to be granted pursuant to the Share Option Scheme and any offer of such a grant shall be of no effect;

iii. no person shall be entitled to any rights or benefits or be under any obligations under or in respect of the Share Option Scheme or any Option; and

iv. the Board may further discuss and devise another share option scheme that is applicable to a private company for adoption by our Company.

Application has been made to the Stock Exchange for the listing of 100,000,000 Shares which may be issued pursuant to the exercise of Options under the Share Option Scheme.

G. OTHER INFORMATION

1. Deed of Indemnity

Mr. Shan, Ms. Zhang, Lvsesenlin Technology, Daziran Technology, CPEP Holdings and Lvsetianye Technology (the "**Indemnifiers**") have entered into the Deed of Indemnity with and in favour of our Company for itself and as trustee for its subsidiaries, to provide indemnities in respect of, among other things:

(a) certain estate duty, death duty, inheritance tax, succession duty or any similar tax or duty which might be payable by any companies in our Group by virtue of or under the provisions of the Estate Duty Ordinance (Chapter 111 of Laws of Hong Kong) (the "**Estate Duty Ordinance**); and

(b) any liability of any or all of the members of our Group to any form of taxation and duty whenever created or imposed, whether of Hong Kong, the PRC or of any other part of the world, and without prejudice to the generality of the foregoing includes profits tax, provisional profits tax, business tax on gross income, income tax, value added tax, interest tax, salaries tax, property tax, land appreciation tax, lease registration tax, estate duty, capital gains tax, death duty, capital duty, stamp duty, payroll tax, withholding tax, rates, import, customs and excise duties and generally any tax duty, impost, levy or rate or any amount payable to the revenue, customs or fiscal authorities of local, municipal, provincial, national, state or federal level whether of Hong Kong, the PRC or of any other part of the world falling on any of the members of our Group resulting from or by reference to any income, profits or gains earned, accrued or received on or before the Listing Date or any event on transaction on or before the Listing Date whether alone or in conjunction with any circumstances whenever occurring and whether or not such taxation is chargeable against or attributable to any other person, firm or company.

The Deed of Indemnity does not cover any claim and the Indemnifiers shall be under no liability under this Deed of Indemnity in respect of the followings:

(c) to the extent that provision or allowance has been made for such taxation in the combined financial statements of our Group as set out in Appendix I to this prospectus for the three years ended 31 December 2019, 2020 and 2021 and the nine months ended 30 September 2022 (the "**Accounts**") or in the audited accounts of the relevant members of the Group for the Track Record Period; or

(d) for which any company of our Group is liable as a result of any event occurring or income, profits earned, accrued or received or alleged to have been earned, accrued or received or transactions entered into in the ordinary course of business or in the ordinary course of acquiring and disposing of capital assets after 30 September 2022 up to and including the Listing Date or consisting of any company of our Group ceasing, or being deemed to cease, to be a company in our Group for the purposes of any matter of the taxation; or

(e) to the extent that such claim arises or is incurred as a consequence of any retrospective change in the law or the interpretation or practice by the Hong Kong Inland Revenue Department or the tax authorities or any other authority in any part of the world coming into force after the Listing Date or to the extent such claim arises or is increased by an increase in the rates of taxation after the Listing Date with retrospective effect; or

(f) to the extent that any provision or reserve made for such taxation in the Accounts is finally established to be an over-provision or an excessive reserve as certified by a firm of accountants acceptable to our Company then the liability of our Indemnifiers (if any) in respect of such taxation shall be reduced by an amount not exceeding such over-provision or excess reserve.

Under the Deed of Indemnity, our indemnifiers have also undertaken to indemnify, on a joint and several basis, from any depletion in or reduction in value of its assets or any loss (including all legal costs and suspension of operation), cost, expenses, damages, penalties, fines or other liabilities which any member of our Group may incur or suffer arising from the non-compliances as disclosed in the section headed "Business — Non-compliance" in this prospectus.

2. Litigation

As at the Latest Practicable Date, neither we nor any of our subsidiaries were/was engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance is known to our Directors to be pending or threatened by or against us, that would have a material adverse effect on our results of operations or financial condition.

3. Preliminary expenses

Our estimated preliminary expenses incurred or proposed to be incurred are approximately US$7,125.27 and have been paid by us.

4. Promoter

There are no promoters of our Company.

5. Sole Sponsor

The Sole Sponsor made an application on our behalf to the Listing Committee of the Stock Exchange for listing of, and permission to deal in, the Shares in issue as mentioned herein, the Shares to be issued pursuant to the Capitalisation Issue and any Shares failing to be issued pursuant to the exercise of Over-allotment Option, and the Shares that may be issued upon the exercise of options that may be granted under the Share Option Scheme. All necessary arrangements have been made to enable such Shares to be admitted into CCASS. The Sole Sponsor confirms that it satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules. An aggregate amount of HK$5,000,000 (excluding expenses) is payable by our Company as sponsor fees to the Sole Sponsor.

6. No material adverse change

Our Directors confirm that, except as disclosed in the "Accountants' Report" in Appendix I to this prospectus, there has been no material adverse change in our Company's financial or trading position or prospects since 30 September 2022 (being the date to which our latest audited combined financial statements were made up).

7. Binding effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (WUMP) Ordinance so far as applicable.

8. Miscellaneous

1) Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus,

   (a) no share or loan capital of our Company or any of our subsidiaries has been issued or agreed to be issued fully or partly paid either for cash or for a consideration other than cash;

   (b) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;

   (c) neither our Company nor any of our subsidiaries has issued or agreed to issue any founder shares, management shares or deferred shares;

   (d) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any shares or loan capital of any member of our Group;

   (e) no commission has been paid or payable (except commissions to the Underwriters) for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription for any Shares in or debentures of our Company;

   (f) none of the equity and debt securities of our Company is listed or dealt with in any other stock exchange nor is any listing or permission to deal being or proposed to be sought; and

   (g) our Company has no outstanding convertible debt securities.

2) there has not been any interruption in the business of our Group which may have or have had a significant effect on the financial position of our Group in the 12 months immediately preceding the date of this prospectus.

9. Qualifications of experts

The following are the qualifications of the experts who have given opinion or advice which are contained in this prospectus:

Name	Qualification
Soochow Securities International Capital Limited	Licensed to conduct Type 6 (advising on corporate finance) of the regulated activities under the SFO
Mazars CPA Limited	Certified public accountants *(Public Interest Entity Auditor registered in accordance with the Accounting and Financial Reporting Council Ordinance)*
Ogier	Cayman Islands legal advisers
Hylands Law Firm	PRC Legal Advisers
Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.	Industry consultant

10. Consents of experts

Each of the experts named in paragraph 9 above has given and has not withdrawn their respective consent to the issue of this prospectus with the inclusion of its report and/or letter and/or summary of valuations and/or legal opinion (as the case may be) and references to its name included in the form and context in which it respectively appears.

None of the experts named above has any shareholding interests in our Company or any of our subsidiaries or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in our Company or any of our subsidiaries.

11. Particulars of the Selling Shareholder

Name	Address	Principal business activity(ies)	Description
Lvsesenlin Technology	Ritter House, Wickhams Cay II, P.O. Box 3170, Road Town, Tortola VG1110, British Virgin Islands	Investment holding	Lvsesenlin Technology is a company incorporated in the BVI with limited liability on 1 February 2022, which is directly wholly owned by Mr. Shan, our chief executive officer, executive Director and one of our Controlling Shareholders

12. Bilingual prospectus

The English language and the Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

1. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were:

(i) copy of the **GREEN Application Form**;

(ii) the written consents referred to in the paragraph headed "Statutory and General Information — G. Other Information — 10. Consents of experts" in Appendix V to this prospectus;

(iii) copies of the material contracts referred to in the paragraph headed "Statutory and General Information — C. Further Information about our Business — 1. Summary of the material contracts" in Appendix V to this prospectus; and

(iv) the statement of particulars of the Selling Shareholder.

2. DOCUMENTS AVAILABLE ON DISPLAY

Copies of the following documents will be available on display on the website of the Stock Exchange at **www.hkexnews.hk** and our Company's website at **www.jl-ks.cn** during a period of 14 days from the date of this prospectus:

(a) the Memorandum and Articles of Association;

(b) the Accountants' Report prepared by Mazars CPA Limited, the text of which is set out in Appendix I to this prospectus;

(c) the audited financial statements as have been prepared for the companies now comprising our Group for each of the years ended 31 December 2019, 2020 and 2021 and the nine months ended 30 September 2022 (or for the period since their respective dates of incorporation, if shorter);

(d) the letter issued by Mazars CPA Limited on the unaudited pro forma financial information of our Group, the text of which is set out in Appendix II to this prospectus;

(e) the legal opinions as to the laws of the PRC issued by Hylands Law Firm, our PRC Legal Advisers, in respect of certain general corporate matters and property interests of our Group;

(f) the letter of advice prepared by Ogier, our legal advisers as to the laws of the Cayman Islands, summarising certain aspects of the Companies Act referred to in Appendix IV to this prospectus;

(g) the Companies Act;

(h) the industry report prepared by Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., from which information in "Industry Overview" of this prospectus is extracted;

(i) the service contracts and letters of appointment with our Directors referred to in the section headed "Statutory and General Information — D. Further Information about our Directors — 1. Directors' service contracts and letters of appointment" in Appendix V to this prospectus;

(j) the material contracts referred to in the section headed "Statutory and General Information — C. Further Information about our Business — 1. Summary of the material contracts" in Appendix V to this prospectus;

(k) the written consents referred to in the section headed "Statutory and General Information — G. Other Information — 10. Consents of experts" in Appendix V to this prospectus;

(l) the rules of the Share Option Scheme; and

(m) the statement of particulars of the Selling Shareholder.

中寶新材集團有限公司

CHINA TREASURES NEW MATERIALS GROUP LTD.