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China Treasures New Materials Group Ltd.

中寶新材集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 2439)

**ANNOUNCEMENT OF INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2023**

RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of China Treasures New Materials Group Ltd. (the “**Company**”, and its subsidiaries, the “**Group**”) announces the unaudited condensed consolidated results of the Group for the six months ended 30 June 2023, together with the comparative figures for the corresponding period in 2022 as follows:

**CONDENSED CONSOLIDATED STATEMENT OF
PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

For the six months ended 30 June 2023

	<i>Notes</i>	Six months ended 30 June	
		2023	2022
		<i>RMB'000</i>	<i>RMB'000</i>
		(Unaudited)	(Unaudited)
Revenue	4	181,309	136,390
Cost of sales		<u>(110,339)</u>	<u>(79,421)</u>
Gross profit		70,970	56,969
Other income	5	2,910	408
Selling and distribution expenses		(3,210)	(1,341)
Administrative and other operating expenses		(20,202)	(8,013)
Finance costs	6	(2,395)	(1,751)
Listing expenses	6	<u>(2,289)</u>	<u>(8,014)</u>
Profit before tax	6	45,784	38,258
Income tax expenses	7	<u>(7,202)</u>	<u>(5,814)</u>
Profit for the period		<u>38,582</u>	<u>32,444</u>
Other comprehensive income (loss):			
<i>Item that will not be reclassified to profit or loss</i>			
Translation of the Company's financial statements into presentation currency		8,231	(2)
<i>Item that may be reclassified subsequently to profit or loss</i>			
Exchange differences on consolidation/combination		<u>(607)</u>	<u>(193)</u>
Total other comprehensive income (loss)		<u>7,624</u>	<u>(195)</u>
Total comprehensive income for the period		<u>46,206</u>	<u>32,249</u>

		Six months ended 30 June	
		2023	2022
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
		(Unaudited)	(Unaudited)
Profit for the period attributable to:			
Owners of the Company		38,175	31,735
Non-controlling interests		407	709
		<u>38,582</u>	<u>32,444</u>
Total comprehensive income for the period attributable to:			
Owners of the Company		45,799	31,540
Non-controlling interests		407	709
		<u>46,206</u>	<u>32,249</u>
		<i>RMB cents</i>	<i>RMB cents</i>
Earnings per share attributable to owners of the Company:			
Basic and diluted	8	<u>4.21</u>	<u>3.92</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2023

	<i>Notes</i>	At 30 June 2023 <i>RMB'000</i> (Unaudited)	At 31 December 2022 <i>RMB'000</i> (Audited)
Non-current assets			
Property, plant and equipment	10	62,486	63,641
Right-of-use assets		22,192	27,960
Intangible assets		86	91
Deposits paid for acquisition of property, plant and equipment	17	13,955	336
Deferred tax assets		428	428
		<u>99,147</u>	<u>92,456</u>
Current assets			
Inventories		27,422	37,799
Trade and other receivables	11	111,074	75,360
Cash and cash equivalents		280,777	99,230
		<u>419,273</u>	<u>212,389</u>
Current liabilities			
Trade and other payables	12	45,334	38,101
Interest-bearing borrowings	13	42,410	39,844
Lease liabilities	14	11,833	6,867
Deferred income		489	489
Income tax payables		2,230	2,691
		<u>102,296</u>	<u>87,992</u>
Net current assets		<u>316,977</u>	<u>124,397</u>
Total assets less current liabilities		<u>416,124</u>	<u>216,853</u>
Non-current liabilities			
Lease liabilities	14	10,123	16,009
Deferred income		2,594	2,840
		<u>12,717</u>	<u>18,849</u>

		At 30 June 2023 RMB'000 (Unaudited)	At 31 December 2022 RMB'000 (Audited)
NET ASSETS		403,407	198,004
Capital and reserves			
Share capital	15	8,800	8
Reserves		392,035	195,831
Equity attributable to owners of the Company		400,835	195,839
Non-controlling interests		2,572	2,165
TOTAL EQUITY		403,407	198,004

NOTES

1. CORPORATE INFORMATION AND BASIS OF PREPARATION

China Treasures New Materials Group Ltd. (the “**Company**”, together with its subsidiaries are collectively referred to as the “**Group**”) was incorporated in the Cayman Islands as an exempted company with limited liability on 21 January 2022, and its shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 31 March 2023 (the “**Initial Listing**”). 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 Company is an investment holding company 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 announcement, 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 (the “**Prospectus**”) dated 21 March 2023 in connection with the Initial Listing of the Company’s shares on the Main Board of the Stock Exchange, the Company became the holding company of the entities now comprising the Group.

2. SIGNIFICANT ACCOUNTING POLICIES

The condensed consolidated financial statements of the Group for the six months ended 30 June 2023 (the “**Interim Financial Statements**”) have been prepared in accordance with International Accounting Standard (“**IAS**”) 34 “Interim Financial Reporting” issued by the International Accounting Standards Board (the “**IASB**”) and the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange.

The preparation of the Interim Financial Statements in conformity with IAS 34 requires the management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The Interim Financial Statements include an explanation of events and transactions that are significant to an understanding of the changes in financial position and financial performance of the Group since 31 December 2022, and therefore, do not include all of the information required for full set of financial statements prepared in accordance with the International Financial Reporting Standards (“**IFRSs**”) which collective term includes all applicable individual IFRSs, IASs and Interpretations issued by the IASB and generally accepted accounting principles. They shall be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2022 (the “**2022 Financial Statements**”).

The Interim Financial Statements have been prepared on the historical costs basis and presented in Renminbi (“RMB”) and rounded to the nearest thousands (“RMB’000”), unless otherwise indicated.

The accounting policies and methods of computation applied in the preparation of the Interim Financial Statements are consistent with those applied in preparing the 2022 Financial Statements except for the adoption of the new/revised IFRSs described below which are effective for current period.

Adoption of new/revised IFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to IFRSs issued by the IASB which are effective for the current period.

Amendment to IAS 1	Disclosure of Accounting Policies
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to IAS 12	International Tax Reform – Pillar Two Model Rules
IFRS 17	Insurance Contracts
Amendment to IFRS 17	Initial Application of IFRS 17 and IFRS 9 – Comparative Information

The adoption of the new/revised IFRSs in the current period has no material impact on the Group’s financial position and performance for the current and prior periods and/or on the disclosures set out in the Interim Financial Statements.

At the date of authorisation of the Interim Financial Statements, the Group has not early adopted the new/revised IFRSs that have been issued but are not yet effective. The directors of the Company do 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

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 <i>RMB'000</i>	Development and manufacture of non-biodegradable automobile plastic parts <i>RMB'000</i>	Total <i>RMB'000</i>
Six months ended 30 June 2023 (Unaudited)			
Segment revenue	173,922	7,387	181,309
Segment cost of sales	(105,919)	(4,420)	(110,339)
Segment results	68,003	2,967	70,970
Other income			2,910
Selling and distribution expenses			(3,210)
Administrative and other operating expenses			(20,202)
Finance costs			(2,395)
Listing expenses			(2,289)
Profit before tax			45,784
Income tax expenses			(7,202)
Profit for the period			38,582
<i>Other information</i>			
Amortisation of intangible assets	5	–	5
Depreciation (<i>Note</i>)			
– Property, plant and equipment	577	384	961
– Right-of-use assets	35	–	35
Provision for loss allowances on trade receivables, net	114	12	126

	Development and manufacture of biodegradable plastic products <i>RMB'000</i>	Development and manufacture of non-biodegradable automobile plastic parts <i>RMB'000</i>	Total <i>RMB'000</i>
Six months ended 30 June 2022 (Unaudited)			
Segment revenue	124,240	12,150	136,390
Segment cost of sales	<u>(72,797)</u>	<u>(6,624)</u>	<u>(79,421)</u>
Segment results	<u>51,443</u>	<u>5,526</u>	56,969
Other income			408
Selling and distribution expenses			(1,341)
Administrative and other operating expenses			(8,013)
Finance costs			(1,751)
Listing expenses			<u>(8,014)</u>
Profit before tax			38,258
Income tax expenses			<u>(5,814)</u>
Profit for the period			<u>32,444</u>
<i>Other information</i>			
Amortisation of intangible assets	4	–	4
Depreciation (<i>Note</i>)			
– Property, plant and equipment	536	412	948
– Right-of-use assets	33	–	33
Provision for loss allowances on trade receivables, net	<u>17</u>	<u>2</u>	<u>19</u>

Note: Unallocated depreciation of property, plant and equipment and right-of-use assets not included in other information for the six months ended 30 June 2023 and 2022 amounted to approximately RMB2,425,000 and RMB5,733,000 and RMB1,192,000 and RMB1,266,000 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 <i>RMB'000</i>	Development and manufacture of non-biodegradable automobile plastic parts <i>RMB'000</i>	Unallocated <i>RMB'000</i>	Total <i>RMB'000</i>
At 30 June 2023 (Unaudited)				
Assets				
Reportable segment assets	<u>123,685</u>	<u>7,987</u>	<u>386,748</u>	<u>518,420</u>
Liabilities				
Reportable segment liabilities	<u>33,566</u>	<u>2,025</u>	<u>79,422</u>	<u>115,013</u>
Other information				
Capital expenditures	<u>17</u>	<u>2,562</u>	<u>20</u>	<u>2,599</u>
At 31 December 2022 (Audited)				
Assets				
Reportable segment assets	<u>111,122</u>	<u>10,288</u>	<u>183,435</u>	<u>304,845</u>
Liabilities				
Reportable segment liabilities	<u>10,200</u>	<u>–</u>	<u>96,641</u>	<u>106,841</u>
Other information				
Capital expenditures	<u>870</u>	<u>1,150</u>	<u>55,828</u>	<u>57,848</u>

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 six months ended 30 June 2023 and 2022 was derived from the PRC and almost all of the Group's assets and liabilities were 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:

	Six months ended 30 June	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Development and manufacture of biodegradable plastic products		
Customer A	N/A ^{Note}	19,991
Customer B	N/A ^{Note}	16,859
Customer C	N/A ^{Note}	13,688
	<u> </u>	<u> </u>

Note: The individual customer contributed less than 10% of the total revenue of the Group for the reporting period.

The Group's revenue did not have single external customer contributing 10% or more of the total revenue of the Group during the six months ended 30 June 2023.

4. REVENUE

	Six months ended 30 June	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Revenue from contracts with customers within IFRS 15		
<i>At a point in time</i>		
Development and manufacture of biodegradable plastic products	173,922	124,240
Development and manufacture of non-biodegradable automobile plastic parts	7,387	12,150
	<u> </u>	<u> </u>
	<u>181,309</u>	<u>136,390</u>

5. OTHER INCOME

	Six months ended 30 June	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Interest income	1,265	163
Government grants (<i>Note</i>)	1,645	245
	<u>2,910</u>	<u>408</u>

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. During the six months ended 30 June 2023, there were assets related grants of approximately RMB245,000 (*six months ended 30 June 2022: RMB245,000*).

There are no unfulfilled conditions or contingencies relating to these grants.

6. PROFIT BEFORE TAX

Profit before tax is arrived at after charging (crediting):

	Six months ended 30 June	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Finance costs		
Interest on bank loans	1,878	1,407
Interest on lease liabilities	517	344
	<u>2,395</u>	<u>1,751</u>
Staff costs (including directors' emoluments)		
Salaries, discretionary bonus, allowances and other benefits in kind	5,211	4,691
Contributions to defined contribution plans	1,260	1,152
	<u>6,471</u>	<u>5,843</u>

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Other items		
Cost of inventories (<i>Note i</i>)	108,816	78,744
Amortisation of intangible assets (charged to “ administrative and other operating expenses ”)	5	4
Depreciation of property, plant and equipment (charged to “ cost of sales ”, “ selling and distribution expenses ” and “ administrative and other operating expenses ”, as appropriate)	3,386	2,140
Depreciation of right-of-use assets (charged to “ cost of sales ” and “ administrative and other operating expenses ”, as appropriate)	5,768	1,299
Listing expenses	2,289	8,014
Loss on disposal of property, plant and equipment	307	–
Research and development expenses (charged to “ cost of sales ” and “ administrative and other operating expenses ”, as appropriate) (<i>Note ii</i>)	6,389	3,772
Expenses recognised under short-term leases	57	43
Provision for loss allowances of trade receivables, net	126	19
	<u>108,816</u>	<u>78,744</u>

Notes:

- (i) Cost of inventories included the following items which were included in the respective amounts as disclosed above.

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Staff costs	4,105	3,929
Depreciation on:		
– Property, plant and equipment	2,757	1,162
– Right-of-use assets	1,121	1,121
	<u>7,983</u>	<u>6,212</u>

- (ii) Research and development expenses included the following items which were included in the respective amounts as disclosed above.

	Six months ended 30 June	
	2023 <i>RMB'000</i> (Unaudited)	2022 <i>RMB'000</i> (Unaudited)
Staff costs	438	466
Depreciation on property, plant and equipment	221	221
	659	687

7. TAXATION

	Six months ended 30 June	
	2023 <i>RMB'000</i> (Unaudited)	2022 <i>RMB'000</i> (Unaudited)
Current tax		
PRC enterprise income tax (“ PRC EIT ”)	7,202	5,667
Deferred tax		
Changes in temporary differences	–	147
Total income tax expenses for the period	7,202	5,814

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 during the six months ended 30 June 2023 and 2022.

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 and is entitled to a preferential tax rate of 15% during the six months ended 30 June 2023 and 2022. 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.

* *English name for identification purpose only.*

8. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to owners of the Company is based on the following data:

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Profit:		
Profit attributable to owners of the Company used for the purpose of basic earnings per share	<u><u>38,175</u></u>	<u><u>31,735</u></u>
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	<u><u>906,574,586</u></u>	<u><u>810,000,000</u></u>

The weighted average number of ordinary shares for the purpose of calculating basic earnings per share was on the basis as if the Reorganisation and the Capitalisation Issue (as defined in Note 15(b)) had been effective on 1 January 2022.

There were no dilutive potential ordinary shares during the six months ended 30 June 2023 and 2022, and therefore, diluted earnings per share is the same as the basic earnings per share.

9. DIVIDENDS

The directors of the Company did not declare a payment of an interim dividend for the six months ended 30 June 2023 (*six months ended 30 June 2022: Nil*).

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2023, the Group incurred expenditures on property, plant and equipment with total cost of approximately RMB2,599,000 (*six months ended 30 June 2022: RMB30,599,000*). During the six months ended 30 June 2023, the Group has disposed of certain property, plant and equipment with net carrying amount of approximately RMB368,000 (*six months ended 30 June 2022: Nil*).

11. TRADE AND OTHER RECEIVABLES

	At 30 June 2023 <i>RMB'000</i> (Unaudited)	At 31 December 2022 <i>RMB'000</i> (Audited)
Trade receivables		
From third parties	97,725	72,968
Less: Loss allowances	(489)	(363)
	<u>97,236</u>	<u>72,605</u>
Other receivables		
Prepayments (<i>Note</i>)	12,811	2,421
Prepaid listing expenses	–	152
Other deposits and receivables	1,025	181
Value-added tax and other tax recoverable	2	1
	<u>13,838</u>	<u>2,755</u>
	<u><u>111,074</u></u>	<u><u>75,360</u></u>

Note:

The amount at 30 June 2023 mainly represented prepaid post-listing compliance service and other professional fees of approximately RMB8,763,000 (*31 December 2022: Nil*).

The ageing of trade receivables, net of loss allowances, based on invoice date at the end of each reporting period is as follows:

	At 30 June 2023 <i>RMB'000</i> (Unaudited)	At 31 December 2022 <i>RMB'000</i> (Audited)
Within 30 days	34,277	29,566
31 to 60 days	34,294	33,275
61 to 90 days	28,665	9,764
	<u>97,236</u>	<u>72,605</u>

The Group normally grants credit terms up to 90 days from the date of issuance of invoices.

12. TRADE AND OTHER PAYABLES

	At 30 June 2023 <i>RMB'000</i> (Unaudited)	At 31 December 2022 <i>RMB'000</i> (Audited)
Trade payables		
To third parties	<u>35,591</u>	<u>10,200</u>
Other payables		
Salary payables	3,152	1,126
Value-added tax and other tax payables	2,540	1,359
Due to Pre-IPO Investors	–	10,003
Accruals and other payables (<i>Note</i>)	<u>4,051</u>	<u>15,413</u>
	<u>9,743</u>	<u>27,901</u>
	<u>45,334</u>	<u>38,101</u>

Note:

The amount at 30 June 2023 included accrued listing expenses of Nil (*31 December 2022: RMB7,879,000*) and provision for legal and professional fees of approximately RMB3,200,000 (*31 December 2022: RMB3,200,000*).

At the end of each reporting period, the ageing analysis of trade payables based on invoice date is as follows:

	At 30 June 2023 <i>RMB'000</i> (Unaudited)	At 31 December 2022 <i>RMB'000</i> (Audited)
Within 30 days	15,292	10,200
31 to 60 days	19,279	–
61 to 90 days	<u>1,020</u>	<u>–</u>
	<u>35,591</u>	<u>10,200</u>

The trade payables are unsecured, interest-free and with normal credit terms up to 60 days.

13. INTEREST-BEARING BORROWINGS

At the end of the reporting period, details of the interest-bearing borrowings are as follows:

		At 30 June 2023 <i>RMB'000</i> (Unaudited)	At 31 December 2022 <i>RMB'000</i> (Audited)
	<i>Notes</i>		
Secured borrowings	(a)		
– Entrusted loan	(c)	16,000	16,000
– Other loan		22,000	22,000
		<u>38,000</u>	<u>38,000</u>
Unsecured borrowings	(b)		
– Other loan		4,410	1,844
		<u>42,410</u>	<u>39,844</u>
		<u>42,410</u>	<u>39,844</u>
		42,410	39,844
Current portion		42,410	39,844
Non-current portion		–	–
		<u>42,410</u>	<u>39,844</u>
		<u>42,410</u>	<u>39,844</u>
Carrying amounts of the above borrowings are repayable:			
Within one year			
– Entrusted loan		16,000	16,000
– Other loan		26,410	23,844
		<u>42,410</u>	<u>39,844</u>
More than one year, but not exceeding two years			
– Other loan		–	–
		<u>42,410</u>	<u>39,844</u>
Less: amounts shown under current liabilities		<u>(42,410)</u>	<u>(39,844)</u>
Amounts shown under non-current liabilities		<u>–</u>	<u>–</u>

Notes:

- (a) At 30 June 2023, the secured borrowings carry weighted average effective interest rate of approximately 8.93% (31 December 2022: 6.92%) per annum.
- (b) The unsecured borrowings at 30 June 2023 carry effective interest rate of 12% (31 December 2022: 12%) per annum.
- (c) During the six months ended 30 June 2023 and the year ended 31 December 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 Center (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.

At 30 June 2023, the secured borrowings were secured by:

- (i) properties held by the Ultimate Controlling Parties;
- (ii) a leasehold land of the Group with aggregate net carrying amounts of approximately RMB804,000 (31 December 2022: RMB816,000); and
- (iii) buildings of the Group with aggregate net carrying amounts of approximately RMB21,325,000 (31 December 2022: RMB22,088,000).

In addition, the secured borrowings at 30 June 2023 and 31 December 2022 were collectively guaranteed by a non-wholly owned subsidiary, 儀徵市聚鑫源生物科技有限公司 Yizheng City Juxinyuan Biotechnology Co., Ltd.*, the Ultimate Controlling Parties and Mr. Shan Bingqi, the son of the Ultimate Controlling Parties (collectively referred to as the “**Guarantees**”).

In July 2023, the guarantee given by Mr. Shan Yuzhu, one of the Ultimate Controlling Parties against the other loan of RMB19,000,000 was released and replaced by a corporate guarantee given by the Company.

In August 2023, the entrusted loan of RMB16,000,000 was fully settled and accordingly the Guarantees and the pledged assets provided by the Ultimate Controlling Parties in relation to the entrusted loan were released.

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 30 June 2023 and 31 December 2022, none of the covenants relating to drawn down facilities had been breached.

* *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.*

14. LEASE LIABILITIES

	At 30 June 2023 <i>RMB'000</i> (Unaudited)	At 31 December 2022 <i>RMB'000</i> (Audited)
Current portion	11,833	6,867
Non-current portion	10,123	16,009
	<u>21,956</u>	<u>22,876</u>

Commitments and present value of lease liabilities:

	At 30 June 2023 Lease payments <i>RMB'000</i> (Unaudited)	Present value of lease payments <i>RMB'000</i> (Unaudited)
Amounts payable:		
Within one year	12,274	11,833
In the second to third years inclusive	10,497	10,123
	<u>22,771</u>	<u>21,956</u>
Less: future finance charges	(815)	–
Total lease liabilities	<u>21,956</u>	<u>21,956</u>

	At 31 December 2022 Lease payments <i>RMB'000</i> (Audited)	Present value of lease payments <i>RMB'000</i> (Audited)
Amounts payable:		
Within one year	7,824	6,867
In the second to third years inclusive	16,379	16,009
	<u>24,203</u>	<u>22,876</u>
Less: future finance charges	(1,327)	–
Total lease liabilities	<u>22,876</u>	<u>22,876</u>

The total cash outflows for leases for the six months ended 30 June 2023 were approximately RMB1.5 million (*six months ended 30 June 2022: RMB2.7 million*).

15. SHARE CAPITAL

	<i>Notes</i>	Number of shares	Amount <i>HK\$'000</i>
Ordinary share of HK\$0.01 each			
Authorised:			
At 21 January 2022 (date of incorporation) and 31 December 2022 (audited)		38,000,000	380
Increase	(a)	<u>9,962,000,000</u>	<u>99,620</u>
At 30 June 2023 (unaudited)		<u>10,000,000,000</u>	<u>100,000</u>
		Number of shares	Equivalent to RMB approximately <i>RMB'000</i>
		Amount <i>HK\$'000</i>	<i>RMB'000</i>
Issued and fully paid:			
At date of incorporation		1	_*
Issue of share capital		<u>999,999</u>	<u>10</u>
At 31 December 2022 (audited)		1,000,000	8
Issue of shares pursuant to the Capitalisation Issue	(b)	809,000,000	7,119
Issue of shares pursuant to the Global Offering	(c)	<u>190,000,000</u>	<u>1,673</u>
At 30 June 2023 (unaudited)		<u>1,000,000,000</u>	<u>10,000</u>

* Represent amounts less than RMB1,000.

Notes:

- (a) 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.
- (b) 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 (equivalent to approximately RMB7,119,000) standing to the credit of the share premium account of the Company (the "Capitalisation Issue") and the shares 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). The Capitalisation Issue was completed on 31 March 2023.

- (c) On 31 March 2023, 250,000,000 ordinary shares with par value of HK\$0.01 of the Company were offered to sell at a price of HK\$1.05 per share by way of share offer (the “**Global Offering**”). Under the Global Offering, 190,000,000 new shares were issued and 60,000,000 sale shares (the “**Sale Shares**”) were offered by a selling shareholder, Lvsesenlin Technology Holdings Limited (the “**Selling Shareholder**”) which is directly owned by Mr. Shan Yuzhu.

The net proceeds of approximately HK\$59,220,000 were received by the Selling Shareholder from the sale of Sale Shares (after deduction of the proportionate share of underwriting commissions of approximately HK\$3,780,000 borne by the Selling Shareholder in relation to the Global Offering). The Company did not receive any of the proceeds from sale of Sale Shares.

Also, the gross proceeds from the sale of 190,000,000 new shares amounted to HK\$199,500,000 (equivalent to approximately RMB175,560,000). The expenses directly attributable to the issue of 190,000,000 new shares in relation to the Global Offering of approximately RMB16,363,000 have been recognised in the share premium account of the Company.

16. RELATED PARTY TRANSACTIONS

In addition to the transactions/information disclosed elsewhere in the Interim Financial Statements, during the six months ended 30 June 2023 and 2022, further information of the related party transaction is set out below.

Remuneration for key management personnel (including directors of the Company) of the Group:

	Six months ended 30 June	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Salaries, discretionary bonus, allowances and other benefits in kind	401	254
Contributions to defined contribution plans	102	64
	<u>503</u>	<u>318</u>

17. COMMITMENTS

Capital expenditure commitments

	At	At
	30 June	31 December
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
Contracted but not provided net of deposits paid for acquisition of property, plant and equipment	<u>14,783</u>	<u>3,024</u>

During the six months ended 30 June 2023, the Group entered into purchase agreements with several machinery suppliers (which are independent third parties of the Group) to purchase machineries for the production bases at Changchun and Huizhou, the PRC at a total consideration of approximately RMB28,738,000, of which deposits in aggregate of approximately RMB13,955,000 were paid to the machinery suppliers during the period and the balance of approximately RMB14,783,000 will be settled upon the delivery of the machineries to the Group and the completion of installation and testing works.

Commitments under leases

The Group as lessee

At 30 June 2023, the Group was committed to approximately RMB122,000 (*31 December 2022: RMB179,000*) for short-term leases.

18. APPROVAL OF THE INTERIM FINANCIAL STATEMENTS

The Interim Financial Statements were approved by the Board on 31 August 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The overall economy showed sign of gradual recovery since the pandemic subsided during the first half of 2023, however, ongoing macro uncertainties remain which reminding us to stay alert of the volatile external environment, such as inflationary environment, softening global economic conditions as well as soaring interest rate and fuel costs.

During the fourth quarter of 2022, there were substantial changes in COVID conditions and policies in the PRC, such as removing mass testing and central quarantine requirements as well as lifting travel restrictions. In the beginning of 2023, driven by the resumption of normal service hours at restaurants and shopping malls and an earlier Chinese New Year holiday season, which combined with pivoted COVID policies, the market sentiment and consumer spendings have improved. Coupled with the government supported environmental protection policies, the post-pandemic economic rebound generated a surge in demand for biodegradable plastic products in the PRC.

Our Group, established in March 2014, is currently primarily engaged in the development and manufacturing of biodegradable plastic products in the PRC. We strictly adhere to the environmental protection policies and regulations of the PRC government, which restrict and prohibit the use of non-biodegradable plastic bags and aim to control plastic pollution. We have strategically located our production base in Changchun, Jilin province, the PRC and further leased a new factory site in Huizhou, Guangdong province, the PRC, during the second half of 2022. Our biodegradable products mainly comprise: (i) biodegradable produce bag rolls; (ii) biodegradable shopping bags; and (iii) biodegradable stretch wraps. The Group also engages in the development and manufacturing of non-biodegradable automobile plastic parts, attributing approximately 4.1% of the Group's total revenue during the six months ended 30 June 2023 (the "**Period**").

Throughout the Period, the Group's business remained firmly focused on the delivery of its strategy in support of our mission to build a better environment by advocating the use of biodegradable plastic products to eliminate the impact of White Pollution in the PRC.

All of the Group's revenue during the Period was derived from the PRC and almost all of the Group's assets and liabilities were located in the PRC. During the Period, all our products were sold to customers in the PRC, mainly in Northeast China, which accounted for approximately 81.0% of the Group's total revenue, while the revenue from other regions in the PRC accounted for the remaining approximately 19.0%.

Against the backdrop of the improved market conditions in the PRC, the Group's total revenue for the Period stood at approximately RMB181.3 million versus approximately RMB136.4 million recorded for the six months ended 30 June 2022 (the "**Preceding Period**"), whilst the profit for the Period amounted to approximately RMB38.6 million, compared with the profit for the Preceding Period of approximately RMB32.4 million. Earnings per share for the Period was RMB4.21 cents versus the earnings per share of RMB3.92 cents for the Preceding Period.

During the Period, we made notable achievement in strengthening our brand equity and shareholders' base by listing of the Company's shares (the "**Shares**") on the Hong Kong Stock Exchange (the "**Stock Exchange**") on 31 March 2023 (the "**Listing Date**") (the "**Listing**"). This strategic move placed us in a strong position in pursuing our mission to further expand the Group's operations in terms of productivity, innovative technologies and sustainability. We had successfully raised the net proceeds of approximately HK\$155.4 million, which were partly utilised during the Period to actualise our strategic imperatives with details as disclosed in this announcement.

Prospects

Although geopolitical uncertainties and volatile global economic environment are likely to persist throughout the year 2023, the Group continued to post solid performance during the Period. This was mainly attributed to the post-pandemic economic rebound and PRC government's support in terms of policies and financial grants for reduction of impact of White Pollution. Given the increasing emphasis of the PRC government in advocating environmental protection, we are optimistic on the business environment of bio-degradable plastic products in the PRC.

We are committed to our mission in support of reducing the impact of White Pollution in the PRC. Moving forward, we have taken steps to implement our strategies to (i) further enhance the production capacities of our Changchun production base and expand our production base to the Southeast region so as to capture the growing demand of bio-degradable products in such region; (ii) strengthen our research and development ("**R&D**") capabilities by upgrading our existing equipment and engaging further collaborations with the Changchun Institute of Applied Chemistry Chinese Academy of Science (中國科學院長春應用化學研究所) ("**CIAC**"); (iii) finance our R&D projects; and (iv) strengthen our IT systems to improve the overall operation efficiency of the Group.

During the Period, we have submitted applications for necessary licenses for production and manufacturing of bio-degradable plastic products at our leased factory site in Huizhou and these applications are currently pending formal approval from the relevant local government authorities. We have also entered into agreements with several machinery suppliers to purchase machineries for our planned expansion with a view to enhancing the production capabilities to cope with the increasing demand of our bio-degradable plastic products in the Southeast region. We anticipate that the new setup in the Southeast region will generate considerable revenue contribution in the upcoming future and help us in seeking out further growth opportunities for the Group.

Financial Review

Revenue

For the Period, the Group's total revenue reached approximately RMB181.3 million, representing a remarkable increase of 32.9%, as compared with approximately RMB136.4 million recorded for the Preceding Period. This strong performance was attributed by the post-pandemic economic rebound and lifting of stringent anti-pandemic measures during the Period. With the full resumption of economic activities in the PRC and removal of travel restrictions, the market sentiment and consumer spendings have improved, which led to a higher demand of the biodegradable products of the Group.

The Group's revenue for the Period derived from (i) development and manufacturing of biodegradable plastic products as to approximately RMB173.9 millions; and (ii) non-biodegradable automobile plastic parts in the PRC as to RMB7.4 million, representing approximately 95.9% and 4.1%, respectively.

Cost of Sales

During the Period, the Group's cost of sales amounted to approximately RMB110.3 million, representing a significant increase of 38.9%, as compared with approximately RMB79.4 million for the Preceding Period. This increase was primarily due to (i) increase in sales volume; and (ii) increase in production costs and raw material costs as a result of the inflationary impact brought by the aftermath of the pandemic during the Period.

Gross Profit and Gross Profit Margin

During the Period, as a result of the strong business performance of the Group, the gross profit stood at approximately RMB71.0 million, against the amount of approximately RMB57.0 million recorded for the Preceding Period, representing a commendable increase of 24.6%, whilst the gross profit margin for the Period was 39.1% versus 41.8% for the Preceding Period. The slight decline in gross profit margin was resulted from the increment in cost of sales contributed by the increase in raw material costs.

Other Income

During the Period, the Group recorded other income, comprising interest income and government grants, in the total amount of approximately RMB2.9 million, against approximately RMB0.4 million recorded for the Preceding Period, representing an increase of 625.0%. Such substantial increase was mainly due to the increase in interest income and government grants including various form of subsidies granted to the Group by the local government authorities in the PRC for compensation of expenses incurred by the Group during the Period. These grants were made as business support and awards to the Group on a discretionary basis and one-off in nature.

Selling and Distribution Expenses

The Group's selling and distribution expenses for the Period amounted to RMB3.2 million, representing a substantial increase of 146.2%, as compared with approximately RMB1.3 million recorded for the Preceding Period, such increase was mainly due to the increase in logistics costs incurred for products deliveries resulting from the increase in sales of biodegradable plastic products during the Period.

Administrative and Other Operating Expenses

During the Period, the Group's administrative and other operating expenses increased significantly to RMB20.2 million from approximately RMB8.0 million recorded for the Preceding Period. Such significant increase of 152.5% was contributed by the following factors: (i) increase in depreciation and amortisation of approximately RMB4.5 million mainly attributed by the increase in depreciation of the right-in-use assets due to the lease of a factory site in Huizhou and leasehold improvements for factories in Changchun; (ii) increase in R&D costs of approximately RMB2.6 million incurred for the completion of R&D projects collaborated with CIAC; and (iii) increase in office expenses due to the expansion of the Group's business operations during the Period.

Finance Costs

During the Period, the Group's finance costs amounted to approximately RMB2.4 million, as compared with the amount of approximately RMB1.8 million for the Preceding Period, representing an increase of approximately 33.3% mainly due to the increase in interest-bearing borrowings.

Listing Expenses

The listing expenses for the Group during the Period was approximately RMB2.3 million, versus the amount of approximately RMB8.0 million. Such substantial decrease was due to the completion of the Listing on 31 March 2023, which enabled substantial portion of the listing expenses incurred during the Period could be absorbed by the equity amount of the Company.

Taxation

The Group's income tax expenses increased from approximately RMB5.8 million for the Preceding Period to approximately RMB7.2 million for the Period, which was mainly attributable to the increase of profit before tax as a result of the strong business performance of the Group for the Period.

Profit for the Period

The Group recorded a profit for the Period of approximately RMB38.6 million, whilst the profit for the Preceding Period was approximately RMB32.4 million. The improvement in profit by 19.1% for the Period was mainly resulted from the remarkable increase in revenue for the Period.

Property, Plant and Equipment

The property, plant and equipment of the Group slightly decreased to approximately RMB62.5 million as at 30 June 2023, as compared with approximately RMB63.6 million as at 31 December 2022, which was due to the disposal of certain property, plant and equipment of approximately RMB 0.4 million during the Period.

Right-of-use Assets

The Group recorded the right-of-use assets as at 30 June 2023 amounting to approximately RMB22.2 million, versus the amount of approximately RMB28.0 million as at 31 December 2022. Such decrease was due to the depreciation of right-of-use assets of approximately RMB5.8 million charged for the Period.

Inventories

As at 30 June 2023, the inventories balance of the Group amounted to approximately RMB27.4 million, against the balance of approximately RMB37.8 million as at 31 December 2022. The decrease in inventories was due to the increase in sales orders of biodegradable products during the Period.

Trade and Other Receivables

During the Period, the trade and other receivables of the Group amounted to approximately RMB111.1 million, as compared with approximately RMB75.4 million recorded as at 31 December 2022, the significant increase of approximately 47.3% was mainly attributed by the following factors: (i) the increase in sales orders of the Group for the Period; and (ii) the increase in prepayment of post-listing compliance service and other professional fees.

Trade and Other Payables

During the Period, the trade and other payables of the Group was in the amount of approximately RMB45.3 million, as compared with approximately RMB38.1 million as at 31 December 2022, the increase of approximately 18.9% was mainly attributable to the increase in procurement resulting from the increase in sales and other expenses of the Group during the Period.

Liquidity and Financial Resources and Capital Structure

The Group exercised a high level of prudence through stringent review of liquidity, risk exposure and market conditions and reacted swiftly to identify and mitigate risks.

As at 30 June 2023, the Group had maintained adequate liquidity with cash and cash equivalents of approximately RMB280.8 million (including bank deposits of approximately of RMB130.5 million (*equivalent to approximately HK\$141.0 million*), being the unutilised net proceeds raised from the Listing), as compared with approximately RMB99.2 million as at 31 December 2022.

As at 30 June 2023, the Group had interest-bearing borrowings, which all are due within one year, in a total of approximately RMB42.4 million, against approximately RMB39.8 million as at 31 December 2022. The secured interest-bearing borrowings for the both periods-end were maintained at a constant position whilst there was a slight increase in unsecured borrowings of approximately RMB 2.6 million during the Period.

The Group's gearing ratio as at 30 June 2023 was 16.0%, compared to 31.7% as at 31 December 2022. The gearing ratio equals to total debts divided by total equity as at the period-end, whereby total debts include interest-bearing borrowings and lease liabilities. The significant improvement in gearing ratio was due to the substantial increase in total equity as a result of the Listing during the Period.

During the Period, the Group financed its operations with loan facilities provided by banks and financial institutions and internal cash flows. The Directors considered that the Group maintained adequate liquidity position for its business operations with sufficient buffer for contingencies.

Treasury Policies

The Group implemented prudent treasury policies to maintain strong flexibility and capability to fund its business operations and manage unexpected contingencies. During the Period, the management performed credit assessments and evaluation of financial status of its customers to mitigate the Group's credit risk exposure while closely monitored the Group's liquidity position to ensure availability of sufficient financial resources to meet with the Group's funding requirements and commitments.

Exchange Rate Exposure

The majority of the Group's transactions, assets and liabilities were denominated in RMB. Since the exchange rate risk was not significant, the Group did not commit to any financial instruments to hedge against its foreign exchange exposure during the Period. The Directors and senior management closely monitor the foreign exchange exposure of the Group and will consider appropriate financial derivatives as and when necessary.

Charge on Group Assets

As at 30 June 2023, the Group's interest-bearing borrowings and lease liabilities were secured by charges over the following assets of the Group:

	At 30 June 2023 RMB'000	At 31 December 2022 RMB'000
Building	21,325	22,852
Leasehold Land	804	829
Total:	<u>22,129</u>	<u>23,681</u>

Contingent Liabilities

As at 30 June 2023 and 2022, the Group had no contingent liabilities.

Commitments

As at 30 June 2023, the Group had capital commitments of approximately RMB14.8 million (31 December 2022: approximately RMB3.0 million), details of which are set out in note 17 to the condensed consolidated financial statements in this announcement.

Significant Investments, Material Acquisitions and Disposals

Save for those reorganisation activities took place for the purpose of the Listing as set out in the section headed "History, Reorganisation and Group Structure" in the prospectus dated 21 March 2023 (the "**Prospectus**") and 2022 annual report (the "**2022 Annual Report**") of the Company, the Group did not have any significant investments, material acquisitions and disposals during the Period.

Interim Dividend

The Directors do not declare the payment of an interim dividend for the Period (for the Preceding Period: Nil).

Human Resources

As at 30 June 2023, the Group had a total of 158 employees compared with 158 employees at the same time in 2022, all our employees stationed in the PRC. Total staff costs (including Directors' emoluments) for the Period amounted to approximately RMB6.5 million, versus approximately RMB5.8 million as recorded for the Preceding Period.

During the Period, the Group continued to expand recruitment of experienced talent to align with the Group's strategic policies. In addressing talent demand and labour market challenges, the Group remunerated its employees with reference to the duties, experience and competence of individual employee as well as market practices. The remuneration policy of the Group is formulated by the remuneration committee and subject to regular review annually, which also applies to Directors. In addition to salaries, discretionary bonuses and other fringe benefits, employees of the Group and all Directors (including independent non-executive Directors) may also be granted share options of the Company pursuant to the terms of the Company's share option scheme adopted on 9 March 2023 as incentives and rewards for their contribution to the Group.

USE OF PROCEEDS

The Shares were listed on the Stock Exchange on the Listing Date, a total of 190,000,000 offer Shares were allotted and issued and the net proceeds raised therefrom amounted to approximately HK\$155.4 million.

There were no changes in the intended use of net proceeds as disclosed previously in the Prospectus and 2022 Annual Report. Up to 30 June 2023, the net proceeds had been utilised as follows:

Intended Use	Adjusted net proceeds <i>HK\$'000</i>	Amount utilised <i>HK\$'000</i>	Amount unutilised <i>HK\$'000</i>
Expand biodegradable plastic products production lines at the Changchun Production Base	51,743	6,615	45,128
Establish the Huizhou Production Base in Southeast China	51,588	–	51,588
Strengthen R&D capabilities and upgrade existing R&D equipment of the Group	6,682	–	6,682
Finance R&D projects of the Group	33,253	7,730	25,523
Strengthen IT system of the Group	4,662	–	4,662
General working capital	7,458	–	7,458
	<u>155,386</u>	<u>14,345</u>	<u>141,041</u>

As at 30 June 2023, the unutilised net proceeds of approximately HK\$141.0 million were deposited into licensed banks in Hong Kong and PRC, respectively.

The business objectives, future plans and intended use of net proceeds were based on the best estimation and assumption of future market conditions by the Group at the time of preparing the Prospectus whilst the application of the net proceeds was based on the actual development of the Group's businesses and the industry. According to our strategic business plans for the Group's operations and our best estimation on the market conditions, the unutilised net proceeds as disclosed above shall be fully utilised with the completion of our expansion plan.

OTHER INFORMATION

Share Option Scheme

The Company has adopted the share option scheme (the “**Share Option Scheme**”) on 9 March 2023 (the “**Adoption Date**”) and effective upon the Listing Date for a period of 10 years and will expire on 30 March 2033. The terms of the Share Option Scheme are in compliance with the provisions of Chapter 17 of the Listing Rules. The following is a summary of the principal terms of the Share Option Scheme:

(A) 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 the Company and help motivate them to optimise their future contributions to the 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 the 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 the Group, to enable the Group to attract and retain individuals with experience and ability and/or to reward them for their past contributions.

(B) Participants

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 the Group (“**Employee**”); and
- (b) any director of any member of the Group who does not perform an executive function (the person referred to in paragraphs (a) and (b) above are the “**Eligible Persons**”).

(C) Total Number of Shares Available for Issue

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 the Group shall not in aggregate exceed 10% of the Shares in issue as at the Listing Date.

At the date of this announcement, a total of 100,000,000 Shares, representing 10% of the issued share capital of the Company, are available for issue under the Share Option Scheme.

(D) 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 the Shares in issue from time to time. Where any further grant of Options to such an Eligible Person would result in the 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 the Shares in issue, such further grant shall be separately approved by the 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. The Company shall send a circular to the 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 the Shareholders and the date of the meeting or resolution of the Board proposing such grant shall be taken as the offer date for the purpose of calculating the exercise price of those Options.

(E) Offer and Grant of Options

Subject to the terms of the Share Option Scheme, the 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 the Board may in its absolute discretion select to subscribe at the subscription price for such number of Shares as the 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).

(F) Minimum Vesting Period

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.

(G) 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.

For a more details, please refer to section headed "Statutory and General Information – F. Share Option Scheme" in Appendix V to the Prospectus.

No share option has been granted, exercised, cancelled or lapsed under the Share Option Scheme since the Adoption Date and at the date of this announcement. As at 1 January 2023 and 30 June 2023, the total number of options available for grant under the Share Option Scheme are 100,000,000 Shares and 100,000,000 Shares, respectively. There is no service provider sublimit under the Share Option Scheme.

Purchase, Sale or Redemption of the Company's Securities

During the Period and up to the date of this announcement, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

Use of Proceeds from the Listing

The Company was successfully listed on the Main Board of the Stock Exchange on the Listing Date with net proceeds received by the Company from the Listing in the amount of approximately HK\$155.4 million after deducting underwriting commissions and all related expenses. For details of use of proceeds from the Listing, please refer to the paragraph headed "Use of Proceeds" on page 32 in this announcement.

Since the Listing Date, the Group will gradually utilise the net proceeds in accordance with the intended purposes as stated in the Prospectus. Please refer to the section headed "Future Plans and Use of Proceeds" in the Prospectus for details.

Connected/Related Parties Transactions

The Company had not entered into any connected transaction during the Period, which is required to be disclosed under the Listing Rules. Save for the related party transactions as disclosed in note 16 to the condensed consolidated financial statements, there were no other related party transactions, connected transactions or continuing connected transactions of the Company as defined under Chapter 14A of the Listing Rules. The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

Sufficiency of Public Float

Based on information that is publicly available to the Company and within the knowledge of the Directors, since the Listing Date and up to the date of this announcement, the Company has maintained a sufficient public float of not less than 25% of the Company's total number of issued Shares as required under the Listing Rules.

Directors' Securities Transactions

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transactions. Based on specific enquiry made to the Directors, all of the Directors have confirmed that they had complied with the Model Code during the Period and up to the date of this announcement.

Compliance with Laws and Regulations

As far as the Board and management are aware, the Group has complied in material aspects with the relevant laws and regulations that have a significant impact on the business and operation of the Group. During the Period and up to the date of this announcement, there was no material breach of or non-compliance with the applicable of relevant laws and regulations by the Group.

During the Period and up to the date of this announcement, there was no non-compliance of Rules 3.10(1), 3.10(2) and 3.21 of the Listing Rules relating to the appointment of at least three independent non-executive directors with at least one independent non-executive director possessing appropriate professional qualifications, or accounting or related financial management expertise, and independent non-executive directors representing at least one-third of the Board. In addition, the audit committee must comprise a minimum of three members, at least one of whom is an independent non-executive director with appropriate professional qualifications or accounting or related financial management expertise.

Compliance with the Corporate Governance Code

During the Period, the Company has complied with the code provisions set out in the Corporate Governance Code (“**CG Code**”) contained in Appendix 14 of the Listing Rules.

The Company will continue to regularly review and monitor its corporate governance practices to align with the latest corporate governance developments.

Audit Committee

The Company has established an audit committee (the “**Audit Committee**”) with written terms of reference in compliance with the CG Code. As at the date of this announcement, 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. The Group’s unaudited condensed consolidated financial statements and the interim report for the six months ended 30 June 2023 have been reviewed by the Audit Committee.

For and on behalf of the Board
China Treasures New Materials Group Ltd.
ZHANG Yuqiu
Chair and Executive Director

Changchun, Jilin, the PRC, 31 August 2023

As at the date of this announcement, the executive Directors are Ms. ZHANG Yuqiu, Mr. SHAN Yuzhu, Mr. LI Xiquan and Mr. LI Peng; and the independent non-executive Directors are Mr. NG Tat Fung, Dr. SUN Shulin and Dr. LAI King Yin.