
CORNERSTONE INVESTOR

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.

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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.

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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.

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OUR CORNERSTONE INVESTOR

Our Company has entered into the Cornerstone Investment Agreement with the Cornerstone Investor.

	Investment Amount	Hong Kong dollar equivalent (1)	Total number of Offer Shares to be subscribed by the Cornerstone Investor (2)	Assuming the Over-allotment Option is not exercised		Assuming the Over-allotment Option is exercised in full	
				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
	<i>(approximate)</i>	<i>(approximate)</i>		<i>(approximate)</i>	<i>(approximate)</i>	<i>(approximate)</i>	<i>(approximate)</i>
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.

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The following information about the Cornerstone Investor was provided to our Company by the Cornerstone Investor in relation to the Cornerstone Placing.

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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.

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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);

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- (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.