

**APPENDIX III UNAUDITED PRELIMINARY FINANCIAL INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2022**

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
	<i>Note</i>	<i>RMB'000</i> (Unaudited)	<i>RMB'000</i> (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:			
<i>Item that will not be reclassified to profit or loss</i>			
Translation of the Company’s financial statements into presentation currency		(2)	—
<i>Item that may be reclassified subsequently to profit or loss</i>			
Exchange difference on consolidation/combinations		(295)	—
Total other comprehensive loss		(297)	—
Total comprehensive income for the year		56,690	78,417

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	2022	2021
<i>Note</i>	<i>RMB'000</i> (Unaudited)	<i>RMB'000</i> (Audited)
Profit for the year attributable to:		
Owners of the Company	56,508	78,417
Non-controlling interests	479	—
	<u>56,987</u>	<u>78,417</u>
Total comprehensive income for the year attributable to:		
Owners of the Company	56,211	78,417
Non-controlling interests	479	—
	<u>56,690</u>	<u>78,417</u>
	<i>RMB cents</i> (Unaudited)	<i>RMB cents</i> (Audited)
Earnings per share attributable to owners of the Company		
7		
Basic and diluted	<u>6.98</u>	<u>9.68</u>

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		2022	2021
	<i>Note</i>	<i>RMB'000</i> (Unaudited)	<i>RMB'000</i> (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
		<u>92,456</u>	<u>47,532</u>
Current assets			
Inventories		37,799	13,980
Trade and other receivables	9	75,360	73,582
Bank balances and cash		99,230	90,428
		<u>212,389</u>	<u>177,990</u>
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
		<u>87,992</u>	<u>76,906</u>
Net current assets		<u>124,397</u>	<u>101,084</u>
Total assets less current liabilities		<u>216,853</u>	<u>148,616</u>
Non-current liabilities			
Lease liabilities		16,009	4,341
Deferred income		2,840	3,329
		<u>18,849</u>	<u>7,670</u>
NET ASSETS		<u>198,004</u>	<u>140,946</u>
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		<u>198,004</u>	<u>140,946</u>

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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.

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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.

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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.

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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

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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.

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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
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
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	<u>111,597</u>	<u>8,647</u>	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			<u>56,987</u>
<i>Other information</i>			
Amortisation of intangible assets	9	—	9
Depreciation (<i>Note</i>)			
— Property, plant and equipment	1,108	836	1,944
— Right-of-use assets	69	—	69
Reversal of loss allowances on trade receivables, net	<u>(1)</u>	<u>—</u>	<u>(1)</u>

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	Development and manufacture of biodegradable plastic products	Development and manufacture of non-biodegradable automobile plastic parts	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
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	<u>104,268</u>	<u>8,864</u>	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			<u>78,417</u>
<i>Other information</i>			
Depreciation (<i>Note</i>)			
— Property, plant and equipment	1,034	769	1,803
— Right-of-use assets	66	—	66
Provision for loss allowances on trade receivables, net	<u>205</u>	<u>15</u>	<u>220</u>

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.

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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
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
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

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- 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
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(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
	105,701	108,080

4. REVENUE

	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
Revenue from contracts with customers within IFRS 15		
<i>At a point in time</i>		
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

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5. PROFIT BEFORE TAX

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

	2022	2021
	<i>RMB'000</i> (Unaudited)	<i>RMB'000</i> (Audited)
Finance costs		
Interest on bank loans	2,406	3,258
Interest on lease liabilities	986	171
	<u>3,392</u>	<u>3,429</u>
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
	<u>11,863</u>	<u>9,538</u>
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
	<u>(1)</u>	<u>220</u>

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6. TAXATION

	<u>2022</u>	<u>2021</u>
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(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	<u>12,842</u>	<u>13,560</u>

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:

	<u>2022</u>	<u>2021</u>
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
Profit:		
Profit attributable to owners of the Company used in the		
basic earnings per share calculation	<u>56,508</u>	<u>78,417</u>
	‘000	‘000
Number of shares:		
Weighted average number of ordinary shares used in the		
basic earnings per share calculation	<u>810,000</u>	<u>810,000</u>

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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
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
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 2022 Preliminary Financial Information, is not considered meaningful.

9. TRADE AND OTHER RECEIVABLES

	2022	2021
<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
Trade receivables		
From third parties	72,968	73,355
Less: Loss allowances	(363)	(364)
	72,605	72,991
<i>9(a)</i>		
Other receivables		
Prepayments (<i>Note</i>)	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.

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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
	<i>RMB'000</i>	<i>RMB'000</i>
	(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
	<u>72,605</u>	<u>72,991</u>

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
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
Not yet due	72,605	72,848
Past due:		
61 to 90 days	—	143
	<u>72,605</u>	<u>72,991</u>

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

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10. TRADE AND OTHER PAYABLES

		2022	2021
	<i>Note</i>	<i>RMB'000</i> (Unaudited)	<i>RMB'000</i> (Audited)
Trade payables			
To third parties	<i>10(a)</i>	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	<i>10(b)</i>	10,003	—
Accruals and other payables (<i>Note</i>)		15,413	6,075
		<u>27,901</u>	<u>8,821</u>
		<u>38,101</u>	<u>31,189</u>

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
	<i>RMB'000</i> (Unaudited)	<i>RMB'000</i> (Audited)
Within 30 days	10,200	12,743
31 to 60 days	—	9,625
	<u>10,200</u>	<u>22,368</u>

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10(b) Due to Pre-IPO Investors

	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(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.

**APPENDIX III UNAUDITED PRELIMINARY FINANCIAL INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2022**

11. INTEREST-BEARING BORROWINGS

At the end of the reporting period, the interest-bearing borrowings were repayable as follows:

		<u>2022</u>	<u>2021</u>
	<i>Note</i>	<i>RMB'000</i> (Unaudited)	<i>RMB'000</i> (Audited)
Secured borrowings	<i>11(a)</i>		
— Entrusted loan		16,000	18,000
— Other loan		22,000	22,496
		<u>38,000</u>	<u>40,496</u>
Unsecured borrowings	<i>11(b)</i>		
— Other loan		1,844	—
		<u>39,844</u>	<u>40,496</u>

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

		<u>2022</u>	<u>2021</u>
	<i>Note</i>	<i>RMB'000</i> (Unaudited)	<i>RMB'000</i> (Audited)
Current portion		39,844	40,496
Non-current portion		—	—
		<u>39,844</u>	<u>40,496</u>
Carrying amounts of the above borrowings are repayable:			
Within one year			
— Entrusted loan	<i>11(c)</i>	16,000	18,000
— Other loan		23,844	22,496
		<u>39,844</u>	<u>40,496</u>
More than one year, but not exceeding two years			
— Other loan		—	—
		39,844	40,496
Less: amounts shown under current liabilities		<u>(39,844)</u>	<u>(40,496)</u>
Amounts shown under non-current liabilities		<u>—</u>	<u>—</u>

APPENDIX III UNAUDITED PRELIMINARY FINANCIAL INFORMATION FOR THE YEAR ENDED 31 DECEMBER 2022

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.

APPENDIX III UNAUDITED PRELIMINARY FINANCIAL INFORMATION FOR THE YEAR ENDED 31 DECEMBER 2022

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

	<u>2022</u>	<u>2021</u>
	<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	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.

APPENDIX III UNAUDITED PRELIMINARY FINANCIAL INFORMATION FOR THE YEAR ENDED 31 DECEMBER 2022

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.

APPENDIX III UNAUDITED PRELIMINARY FINANCIAL INFORMATION FOR THE YEAR ENDED 31 DECEMBER 2022

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.

APPENDIX III UNAUDITED PRELIMINARY FINANCIAL INFORMATION FOR THE YEAR ENDED 31 DECEMBER 2022

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.

**APPENDIX III UNAUDITED PRELIMINARY FINANCIAL INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2022**

**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.

**APPENDIX III UNAUDITED PRELIMINARY FINANCIAL INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2022**

DISCUSSION OF CERTAIN KEY BALANCE SHEET ITEMS

Current assets and current liabilities

	As at	As at
	31 December 2021	31 December 2022
	<i>RMB'000</i>	<i>RMB'000</i>
	(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.

**APPENDIX III UNAUDITED PRELIMINARY FINANCIAL INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2022**

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).

APPENDIX III UNAUDITED PRELIMINARY FINANCIAL INFORMATION FOR THE YEAR ENDED 31 DECEMBER 2022

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.

**APPENDIX III UNAUDITED PRELIMINARY FINANCIAL INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2022**

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
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	
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.

APPENDIX III UNAUDITED PRELIMINARY FINANCIAL INFORMATION FOR THE YEAR ENDED 31 DECEMBER 2022

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.