***This summary aims to give you an overview of the information contained in this document. As this is a summary, it does not contain all the information that may be important to you, and is qualified in its entirety by, and should be read in conjunction with, the full text of this document. You should read the whole document before you decide to invest in the* [REDACTED].**

***There are risks associated with any investment. Some of the particular risks associated with investing in the* [REDACTED] *are set out in "Risk Factors." You should read that section carefully before you decide to invest in the* [REDACTED].**

OVERVIEW

We are a top-ranked toluene derivative products provider in the PRC and the global market, primarily focusing on the manufacture of toluene oxidation and chlorination products, benzoic acid ammonification products and other fine chemical products through organic synthesis process. Our toluene derivative products are widely recognized in the synthetic organic chemical[1] industry and used for food preservatives, household chemicals, animal feed acidifier and synthetic intermediates for agrochemical and pharmaceutical uses. Leveraging our PRC-based product development and manufacturing capabilities, we market and sell our products in over 70 countries and regions. Under the leadership of our experienced management team, we will continue to leverage our product development and manufacturing capabilities and global sales network to increase our market shares and strengthen our industry position in China and globally.

Our leading position in toluene derivative products is substantiated by our industry ranking and market share in the PRC and the global market. According to the Frost & Sullivan Report, our Group ranked as the largest manufacturer for benzoic acid, sodium benzoate and benzyl alcohol in China in terms of the sales revenue in 2022, representing 59.1%, 37.3% and 36.0% of the PRC total market revenue in 2022, respectively. In the global market, we ranked second place among manufacturers for benzoic acid, sodium benzoate and benzyl alcohol in 2022, accounting for 35.7%, 21.8% and 21.3% of the global total market revenue in 2022, respectively.

As of the Latest Practicable Date, we had a self-produced product portfolio primarily consisting of five toluene oxidation products, two toluene chlorination products, two benzoic acid ammonification products and more than 20 types of other fine chemical products for broad market uses. In 2021, 2022 and 2023, we recorded sales volume of approximately 362,302 tons, 375,848 tons and 346,147 tons of products, respectively. Our high-quality products are widely recognized around the world. We are the contracted supplier of many renowned global companies, including a number of Fortune 500 companies and major regional industry participants. We have established long-term business relationships with these companies, which enable our customers to procure high-quality products at competitive prices while providing us with a solid customer base. Sales to our Fortune 500 customers contributed approximately 7.6%, 8.5% and 10.5% of our total revenue for the years ended December 31, 2021, 2022 and 2023. While our existing products enjoy broad market appeal and use, we strive to maintain our competitive advantages by allocating additional resources to product development to ensure the delivery of diversified and cost-efficient products to our customers.

1. Our Group's products are organically-synthesised chemicals, and do not contain genetically modified organisms.

For the years ended December 31, 2021, 2022 and 2023, we generated revenue of RMB2,789.5 million, RMB3,133.8 million and RMB2,677.1 million, respectively, and generated RMB309.1 million, RMB340.5 million and RMB72.9 million, respectively, in profits for the corresponding periods. The following table sets forth the revenue and percentage of total revenue by business segments during the Track Record Period:

	Year ended December 31,					
	2021		2022		2023	
	RMB'000	*% of total revenue*	*RMB'000*	*% of total revenue*	*RMB'000*	*% of total revenue*
Revenue from self-produced products	**2,213,551**	**79.4**	**2,721,500**	**86.8**	**2,221,064**	**83.0**
Toluene oxidation products	*1,311,522*	*47.0*	*1,555,182*	*49.6*	*1,356,387*	*50.7*
– benzoic acid	752,321	27.0	910,379	29.0	784,461	29.3
– sodium benzoate	451,129	16.2	543,084	17.3	437,519	16.3
– others	108,072	3.8	101,719	3.3	134,407	5.1
Toluene chlorination products	*487,513*	*17.5*	*831,305*	*26.5*	*587,599*	*21.9*
– benzyl chloride	124,810	4.5	189,440	6.0	124,841	4.7
– benzyl alcohol	362,703	13.0	641,865	20.5	462,758	17.2
Benzoic acid ammonification products	*237,010*	*8.5*	*130,392*	*4.2*	*116,250*	*4.3*
– benzonitrile	48,319	1.7	27,180	0.9	39,538	1.5
– benzoguanamine	188,691	6.8	103,212	3.3	76,712	2.8
Other fine chemical products	*177,506*	*6.4*	*204,621*	*6.5*	*160,828*	*6.1*
Revenue from products trading	**575,926**	**20.6**	**412,336**	**13.2**	**456,039**	**17.0**
Toluene product trading	541,042	19.4	360,815	11.6	320,085	12.0
Other products trading	34,884	1.2	51,521	1.6	135,954	5.0
Total	**2,789,477**	**100.0**	**3,133,836**	**100.0**	**2,677,103**	**100.0**

Sales of self-produced products. Our revenue was primarily generated from sales of our self-produced products, which include revenues from toluene oxidation product sales, toluene chlorination product sales, benzoic acid ammonification product sales and other fine chemical product sales. Revenue contribution from sales of self-produced products accounted for 79.4%, 86.8% and 83.0% of our total revenue for the years ended December 31, 2021, 2022 and 2023, respectively.

Products trading. We engage in products trading to supplement our primary production operations and sales. We categorize our products trading by toluene product trading and other products trading. Revenue contribution from products trading accounted for 20.6%, 13.2% and 17.0% of our total revenue for the years ended December 31, 2021, 2022 and 2023, respectively. Our revenue generated from products trading decreased by 28.4% from RMB575.9 million in 2021 to RMB412.3 million in 2022 as a result of the decrease in trading volume of petroleum toluene from approximately 112,272 tons to 54,823 tons in the corresponding years. This decrease in sales volume and overall revenue was due to our increased internal demand for petroleum toluene for our production needs and market fluctuations in 2022. The trading volume of petroleum toluene further decreased to 49,295 tons in 2023 primarily due to the reduction in our procurement in light of the unfavorable market sentiment in the chemical industry which in turn reduces the volume of petroleum toluene available for trading.

Following the implementation of our future plans and completion of the [**REDACTED**], our Directors believe that we will continue to maintain our market position and successfully expand our business operations in the toluene derivative products industry in the PRC and the global market. We believe that we are well-positioned to explore opportunities in the larger organic synthetic chemical market with our competitive strengths, existing capabilities and strategic planning.

OUR COMPETITIVE STRENGTHS

We believe the following competitive strengths have allowed us to establish our market position and contributed to our success: (i) we are a market leading and top-ranked manufacturer for the production of toluene derivative products for a variety of use in domestic and industrial applications; (ii) our brand and reputation are propelled by our rich and diverse portfolio of products strategically designed for our four primary industries; (iii) our cost-efficient manufacturing process and refined manufacturing equipment are driven by our advanced research and development capabilities; (iv) our leading market position is elevated by our extensive distribution network for our products; (v) our continuing and sustainable commercial success are based on our strong and cohesive customer base; and (vi) our experienced management team with proven track records provides exemplary leadership to guide our growth.

OUR BUSINESS STRATEGIES

We aim to achieve sustainable growth in our production capacity and enhance our market position by implementing the following strategies: (i) continue to expand our production capacity to sustain our long-term economy of scale and profitability; (ii) further increase our domestic and international market shares by forming in-depth cooperations with established market participants; (iii) further enhance our research and development capabilities to develop high value products; and (iv) expand our sales and marketing network in the global market.

OUR BUSINESS OPERATING DATA

The following table sets forth the average sales price ("**ASP**"), sales volume and gross profit margin of our products for the periods indicated:

	Year ended December 31,								
	2021			2022			2023		
	ASP	Sales volume	Gross profit margin	ASP	Sales volume	Gross profit margin	ASP	Sales volume	Gross profit margin
	RMB per ton	*tons*		*RMB per ton*	*tons*		*RMB per ton*	*tons*	
Sale of self-produced products	**8,909**	**248,462**	**28.7%**	**8,536**	**318,818**	**24.3%**	**7,957**	**279,147**	**14.1%**
Toluene oxidation products	*8,145*	*161,028*	*29.6%*	*9,150*	*169,962*	*20.0%*	*8,267*	*164,071*(1)	*10.0%*
– benzoic acid	7,288	103,224	32.0%	8,053	113,050	17.2%	7,367	106,487	7.6%
– sodium benzoate	9,600	46,994	29.2%	11,002	49,361	23.5%	9,670	45,245	14.0%
– others	9,997	10,810	14.7%	13,470	7,551	25.9%	10,893	12,339	10.6%
Toluene chlorination products	*9,519*	*51,217*	*18.7%*	*13,411*	*61,988*	*27.5%*	*11,235*	*52,299*	*19.5%*
– benzyl chloride	6,784	18,398	21.7%	9,508	19,924	31.9%	7,870	15,863	23.6%
– benzyl alcohol	11,052	32,819	17.6%	15,260	42,064	26.3%	12,701	36,436	18.4%
Benzoic acid ammonification products	*29,920*	*7,921*	*54.6%*	*28,232*	*4,619*	*52.5%*	*17,415*	*6,675*	*32.2%*
– benzonitrile	15,371	3,143	42.4%	18,540	1,467	43.2%	14,995	2,637	29.3%
– benzoguanamine	39,493	4,778	57.8%	32,738	3,152	54.9%	18,995	4,038	33.7%
Other fine chemical products	*6,273*	*28,296*	*15.1%*	*2,488*	*82,249*	*26.0%*	*2,867*	*56,102*	*16.5%*
Sale of products trading	**5,059**	**113,840**	**0.6%**	**7,230**	**57,030**	**9.2%**	**6,807**	**67,000**	**3.5%**
Toluene product trading	4,819	112,272	(0.5)%	6,581	54,823	6.9%	6,493	49,295	3.8%
Other products trading	22,253	1,568	18.1%	23,344	2,207	25.2%	7,679	17,705	2.8%
Total		**362,302**			**375,848**			**346,147**	

Note:

(1) Including sales volume of products processed by Hebei Kangshi under the entrusted processing service arrangement.

The ASPs of our self-produced products decreased from RMB8,909 per ton in 2021 to RMB8,536 per ton in 2022, and further decreased to RMB7,957 per ton in 2023. The ASPs of our self-produced products are primarily affected by the price fluctuation of raw materials, and petroleum toluene, in particular, as our major raw material used. In addition, we also adjust our pricing strategy based on market demands and supplies. If the market experiences excessive demands, we would raise our ASPs, and vice versa.

We recorded significant increase in the sales volume of our self-produced products from approximately 248,462 tons in 2021 to 318,818 tons in 2022. In particular, sales volume of benzoic acid increased from approximately 103,224 tons in 2021 to 113,050 tons in 2022. The increase in sales volume of benzoic acid were primarily due to a ban on the use of antibiotics in animal feed additive implemented by the PRC government in July 2020. Benzoic acid is a viable replacement for antibiotics, and our Company is one of the few manufacturers capable of producing the qualified feed-level benzoic acid in the PRC market, which led to the significant increase in sales volume of our benzoic acid products. We experienced a decrease in sales volume in 2023 to 279,147 tons primarily due to the unfavorable economic environment in the PRC and globally. Our customers, mainly in food additives, feed additives, pesticide intermediate market, and pharmaceutical intermediate market, were adversely impacted. Many of them have been lowering their production and inventory levels in light of the economic uncertainty, which consequentially reduces their demand for our products and therefore the sales volume of our products.

Our gross profit margin for sales of self-produced products decreased from 28.7% in 2021 to 24.3% in 2022, and further decreased to 14.1% in 2023. The gross profit margin of our products may fluctuate in tune with market supply and demand. In particular, the decrease in gross profit margin in 2022 and 2023 is attributed to the decrease in margin of our toluene oxidation products from 29.6% in 2021 to 20.0% in 2022 and further to 10.0% in 2023 due to the decrease in downstream demands amid economic uncertainty and the increase in market supply which intensified market competition. This put significant pressure on our pricing as the downstream demand is lower than the available supply in the market, which is completely opposite to the market position in the first half of 2022 where the demand is higher than the supply and put the chemical manufacturers in a good market position. Therefore, to react to the above mentioned difficult market condition in 2023, we lowered the selling prices of our products in order to effectively compete with our competitors for limited sales orders in the market so as to maintain the utilization rate of our production facilities at an optimal level and to keep our market share.

We also engage products trading during the Track Record Period, which complements our self-produced products sales and enhances customers cohesiveness for our business operation by providing customers with various trading products. Trading volume during the Track Record Period decreased from approximately 113,840 tons in 2021 to 57,030 tons in 2022, and increased to 67,000 tons in 2023. We recorded minimal gross profit margin of 0.6% for our products trading in 2021, primarily due to the relative lower ASP of toluene product trading in the corresponding year. We recorded gross profits from products trading in 2022 and 2023 because we resold our surplus petroleum toluene at a higher price compared to our purchase price. When our raw material inventory meets or exceeds the requirements for our production, we may engage in toluene product trading business to sell our surplus inventory by obtaining information and tracking market opportunities on the Independent Commodity Intelligence Services to improve our cash-flow position and capitalize on the potential price appreciation opportunity for certain raw materials. We also engage in other products trading business when we observe demands and potential profitability for products we purchased.

We conduct products trading primarily to maintain a stable and sufficient supply of raw materials for our manufacturing, and it also helps us to enhance and develop our relationship with clients and to better manage our inventories in raw materials. Therefore, despite fluctuating profit margins, we anticipate greater business advantages in the long run and will continue to engage in products trading. During the Track Record Period and up to the Latest Practicable Date, products trading of our Group were all conducted through direct sales.

For the detailed analysis on the fluctuations of the sales volume and gross profit margin of our main products under our business segments of self-produced products sales and products trading during the Track Record Period, please refer to "Financial Information — Description of Key Statement of Profit or Loss Items" in this document.

OUR CONTROLLING SHAREHOLDERS

As of the date of this document, Mr. Gao, through his wholly-owned investment holding vehicle Vastocean Capital Limited, holds 66.86% of the issued shares capital of our Company. Immediately upon completion of the [**REDACTED**] (assuming the [**REDACTED**] is not exercised), Mr. Gao will, indirectly and beneficially, be entitled to exercise [**REDACTED**]% of the voting power at general meetings of our Company. Accordingly, upon [**REDACTED**], Mr. Gao and Vastocean Capital Limited will constitute a group of controlling shareholders of our Company under the Listing Rules. For details, please refer to "Relationship with our Controlling Shareholders" in this document.

SALES AND CUSTOMERS

We have a dedicated sales team responsible for the overall management of our sales and marketing activities. Our sales team is responsible for business development, product delivery liaison and post-sales services under our direct sales model. In addition, our sales team is also responsible for maintaining regular contact with our distributors as well as coordinating with manufacturers and trading companies for our products trading business. Our sales team leaders report to the directors of their respective sales division, who then report to our president.

Our products are sold by means of direct sales, distribution sales and products trading. The extensive coverage of our well-rounded distribution network in the PRC and global market enables us to reach a broader customer base. The table below sets out the breakdown of our sales by channels during the Track Record Period:

	Year ended December 31,								
	2021			**2022**			**2023**		
	RMB'000	*% of revenue*	*Gross profit margin*	*RMB'000*	*% of revenue*	*Gross profit margin*	*RMB'000*	*% of total revenue*	*Gross profit margin*
Direct sales	1,224,453	43.9	30.0%	1,624,669	51.8	26.0%	1,226,480	45.8	14.9%
Distribution sales	989,098	35.5	26.9%	1,096,831	35.0	21.8%	994,584	37.2	13.2%
Products trading	575,926	20.6	0.9%	412,336	13.2	9.2%	456,039	17.0	3.5%
Total	**2,789,477**	**100.0**	**22.9%**	**3,133,836**	**100.0**	**22.3%**	**2,677,103**	**100.0**	**12.3%**

The gross profit margin of our direct sales and distribution sales decreased to 26.0% and 21.8%, respectively, in 2022, which was primarily due to the market-oriented pricing policy we adopted in 2022 for our toluene oxidation products. In the same year, the gross profit margin of products trading increased significantly to 9.2%, which was mainly because we have been able to capture the favourable market price trend in the first half of 2022 in selling the surplus products at a higher price. The overall decrease in gross profit margin in 2023 as compared with that of 2022 was primarily due to the decrease in margin of our toluene oxidation products and toluene chlorination products from 20.0% and 27.5% in 2022 to 10.0% and 19.5% in 2023 due to the decrease in downstream demands amid economic uncertainty and the increase in market supply of toluene oxidation products which intensified market competition, which put significant pressure on our pricing.

As of December 31, 2023, we sold our products in the PRC and more than 70 other countries and regions in the global market. The table below sets forth an analysis of our revenue by customer location for the periods indicated:

	Year ended December 31,								
	2021			2022			2023		
	RMB'000	*% of revenue*	*Gross profit margin*	*RMB'000*	*% of revenue*	*Gross profit margin*	*RMB'000*	*% of total revenue*	*Gross profit margin*
Mainland China	2,171,112	77.8	21.4%	2,452,017	78.2	20.7%	2,060,003	76.9	10.8%
Asia (except Mainland China)	262,513	9.4	28.1%	308,110	9.8	28.7%	287,508	10.7	19.8%
The Americas	212,821	7.6	32.3%	159,116	5.1	33.2%	135,882	5.1	18.1%
Europe	119,477	4.3	22.2%	185,654	5.9	23.6%	175,848	6.6	13.0%
Other countries/ regions	23,554	0.9	23.7%	28,939	1.0	23.2%	17,862	0.7	10.1%
Total	**2,789,477**	**100.0**	**22.9%**	**3,133,836**	**100.0**	**22.3%**	**2,677,103**	**100.0**	**12.3%**

During the Track Record Period, our gross profit margin in mainland China slightly decreased from 21.4% in 2021 to 20.7% in 2022 primarily due to our adoption of a market-oriented pricing strategy to sell our toluene oxidation products at a relatively lower price in light of the market competition and the volatile downstream market demand in order to gain market share in 2022. Our gross profit margin in mainland China further decreased to 10.8% in 2023, which was primarily due to the decrease in margin of our toluene oxidation products and toluene chlorination products from 20.0% and 27.5% in 2022 to 10.0% and 19.5% in 2023 due to the decrease in downstream demands amid economic uncertainty and the increase in market supply of toluene oxidation products which intensified market competition.

Our gross profit margin in the overseas markets remained relatively stable from 2021 to 2022. Our gross profit margin in the overseas markets experienced an overall decrease in 2023 due to the downward trend in the overseas market demands and our adoption of a market-oriented pricing strategy to sell our products at a relatively lower price to maintain our market share.

PROCUREMENT AND SUPPLIERS

The principal raw materials for our production are chemicals, including petroleum toluene, sodium hydroxide, chlorine and sodium carbonate, which we purchase from our suppliers. We also source various other types of materials and equipment from our suppliers, such as additives, solvents, pumps, distillation towers, reaction kettles, storage tanks and packaging materials. Our customers usually do not designate suppliers for raw materials and equipment.

We have established a comprehensive procurement management system as well as the associated procurement policies. The storage management department draws up the procurement plan for raw materials and packaging materials according to the production plan issued by the production department according to the actual stock levels; the functional departments of each workshop draw up the procurement plan for regular materials according to the actual needs. The supply department is responsible for generating purchase orders based on the procurement plan and placing them effectively. For equipment and other materials, we conduct procurement after receiving procurement requests from relevant departments.

Except for certain bulk materials, we have multiple sources for our raw materials to reduce possible interruptions to our business operations and over-reliance on any individual supplier. We closely monitor the supply and demand conditions of raw materials and make corresponding adjustments in our procurement plan if there is any anticipated shortage of supply or price changes. During the Track Record Period, we did not experience any difficulty in sourcing suppliers for raw materials or any material production disruption due to shortage of raw materials.

Purchases with our suppliers are generally made by individual purchase orders with reference to our production plans and demand for our products. For certain bulk material suppliers, we sign annual framework agreements with these suppliers to specify the quantity and tentative price of raw materials to be supplied throughout the year. We include in our purchase orders for raw materials the product specifications, quantity and quality, payment terms, delivery schedules and liability for breach of contract. Our purchase orders for equipment also include additional terms such as warranty and intellectual property rights. We did not entered into long-term sales and purchase agreements with our suppliers during the Track Record Period, as our Directors believe that it is an industry practice for maintaining flexibility both in terms of the purchase quantity and price. During the Track Record Period and up to the Latest Practicable Date, we did not adopt any hedging policies for the fluctuations in the prices of raw materials and products.

PRODUCTION PLANTS AND EXPANSION PLANS

During the Track Record Period, we had two production plants in operation through our wholly-owned subsidiaries, namely our Wuhan Production Plant and Qianjiang Xinyihong Production Plant, with an aggregate site area of 326,618.9 sq.m. and an aggregate gross floor area of 78,256.0 sq.m., located in Wuhan and Qianjiang, Hubei Province. Each of our production plants is designed for the production of designated products with built-in flexibility.

Current Production Capacity and Utilization Rate

The following table sets forth the designed production capacity, production volume and utilization rate of our manufacturing facilities at our Wuhan Production Plant and Qianjiang Xinyihong Production Plant during the Track Record Period:

	Year ended December 31,		
	2021	2022	2023
Wuhan Production Plant			
Designed Production Capacity(1) (tons)	302,500	302,500	302,500
Actual Production Volume(2) (tons)	309,683	371,579	314,679
Utilization Rate(3)	102.4%	122.8%	104.0%
Qianjiang Xinyihong Production Plant			
Designed Production Capacity(1) (tons)	144,040	144,040	144,040
Actual Production Volume(2) (tons)	132,190	132,050	124,414
Utilization Rate(3)	91.8%	91.7%	86.4%

Notes:

(1) The designed production capacity figures are calculated based on a number of assumptions, including the operation hours. The figures for the years ended December 31, 2021, 2022 and 2023 are based on the assumption that each production plant operates approximately 8,000 hours per year (i.e., 330 days per year). The designed production capacity is calculated with reference to (i) the annual production capacity of our Group's production equipment as designated by the equipment manufacturers and (ii) the registration documents our Group filed with the PRC authorities for our production facilities.

(2) Actual production is the actual number of products manufactured by our Group for the indicated period, including self-produced products and those used as raw material for other self-produced products. As certain portion of self-produced products was used as raw materials for the manufacturing of our Group's other self-produced products, our Group's production volume may exceed the sales volume of our self-produced products during the Track Record Period.

(3) The utilization rate is calculated based on the actual production volume (with self-produced products that used as raw materials for our downstream products calculated in) divided by the annual design production capacity in the relevant year multiplies 100%. Our actual production volume may exceed the designed production capacity, which leads to utilization rates exceeding 100% due to (i) certain self-produced products manufactured by our Group can be sold as a final product and used as raw upstream products for the production of refined products of the same category, and (ii) technical improvements we adopted in our manufacturing process which enable our actual production volume to exceed certain designed production capacity. According to the PRC Legal Advisors of our Group, only production volume of the end products is relevant for the assessment of our compliance with the production volume limit approved in the relevant registration documents that filed with the PRC authorities, but not the production volume used in the calculation of the utilisation rate. Therefore, provided that the production volume of the end products is within the production volume limit approved in the relevant registration documents that filed with the PRC authorities, our manufacturing operation complies with the relevant laws and regulations in the PRC. According to Frost & Sullivan, based on public information disclosed by listed companies, it is a common situation for manufacturing companies to operate with a utilization rate exceeding 100%.

In addition, our joint venture, Hebei Kangshi also operates the Hebei Kangshi Production Plant. It has a designed production capacity of 79,000 tons per year and commenced production in January 2023.

Business Expansion Plan

The following table sets forth certain information regarding our planned production facilities, including those that are currently under development:

Production facility	Phase	Actual construction date	Expected capital expenditure[(1)] use of proceeds	Expected capital expenditure[(1)] internal resources	Expected payback years since production[(2)]
			(RMB'million)		
Hubei Xinxuanhong Production Plant	Phase I	July 2023	[**REDACTED**]	177.6	3
	Phase II	N/A[(3)]	[**REDACTED**]	497.8	6.9
Total			[**REDACTED**]	**675.4**	

Notes:

(1) expected to be financed by a combination of [**REDACTED**] proceeds and internal resources, and is expected to be incurred throughout the construction period up to 2029. As of December 31, 2023, we had incurred capital expenditures of RMB55.1 million for the expansion plan of Hubei Xinxuanhong Production Plant.

(2) derived from the feasibility study report for the respective production plant, which was primarily calculated by the estimated total investment amount divided by the expected annual profit.

(3) The Phase II construction is expected to commence in 2026.

Designed annual production capacity for major products before and after production expansion plan

During the Track Record Period, we operated two production plants: our Wuhan Production Plant and Qianjiang Xinyihong Production Plant and our joint venture operated the Hebei Kangshi Production Plant. We also plan to expand our production capacity through the establishment of Hubei Xinxuanhong Production Plant. The following table sets forth the designed annual production capacity of the production facilities operated by our subsidiaries for our major products before and after our production expansion plan:

	As of December 31, 2023		**After Completion of Production Expansion Plan**		
	(tons)		*(tons)*		
	Wuhan Production Plant[2]	Qianjiang Xinyihong Production Plant[2]	Wuhan Production Plant[2]	Qianjiang Xinyihong Production Plant[2]	Hubei Xinxuanhong Production Plant[3]
Toluene oxidation products					
– benzoic acid	200,000	–	200,000	–	–
– sodium benzoate	65,000	–	65,000	–	–
– others	12,000	–	12,000	–	–
Toluene chlorination products					
– benzyl chloride	–	74,000	–	74,000	100,000
– benzyl alcohol	–	60,000	–	60,000	50,000
Benzoic acid ammonification products					
– benzonitrile	10,000	–	10,000	–	–
– benzoguanamine	5,000	–	5,000	–	–
Other fine chemical products	10,500	10,040	10,500	10,040	150,000
Designed Annual Production Capacity[1]	**302,500**	**144,040**	**302,500**	**144,040**	**300,000**

In addition, as at the Latest Practicable Date, our joint venture operates the Hebei Kangshi Production Plant, which has a designed annual production capacity which mainly include approximately 60,000 tons of industrial-grade benzoic acid, 15,000 tons of sodium benzoate, 2,000 tons of benzaldehyde and 2,000 tons of benzyl benzoate. The Hebei Kangshi Production Plant commenced production in January 2023.

Notes:

(1) The designed annual production capacity figures are calculated based on a number of assumptions, including the assumption that each production plant operates approximately 8,000 hours per year.

(2) The Wuhan Production Plant and the Qianjiang Xinyihong Production Plant are not part of our "Production Plant Expansion Plan".

(3) The designed production mainly includes toluene chlorination products and other fine chemical products. The Hubei Xinxuanhong Production Plant will be developed in phases up to 2029. The Phase I production is expected to begin in the second half of 2024 with a designed production capacity of 40,000 tons, and the Phase II construction is expected to be completed in stages from 2026 to 2029.

For details, please refer to "Business — Business Expansion Plans — Production Plant Expansion Plan" in this document.

SUMMARY OF HISTORICAL FINANCIAL INFORMATION

Selected Information on Our Consolidated Statements of Profit or Loss

The table below presents a summary of our consolidated statement of profit or loss and other comprehensive income for the periods indicated:

	Year ended December 31,		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Revenue	2,789,477	3,133,836	2,677,103
Cost of sales	(2,150,355)	(2,434,558)	(2,347,338)
Gross profit	**639,122**	**699,278**	**329,765**
Selling and distribution expenses	(19,820)	(24,009)	(20,717)
Administrative expenses	(100,457)	(116,498)	(95,416)
Research and development expenses	(110,831)	(133,001)	(99,959)
Profit before tax	**393,536**	**427,690**	**94,738**
Profit for the year	**309,137**	**340,470**	**72,902**

Our total revenue increased by 12.3% from RMB2,789.5 million in 2021 to RMB3,133.8 million in 2022, primarily due to the increase in average unit price and sales volume of our toluene oxidation and chlorination products, and partially offset by the decrease in average unit price and sales volume of our benzoic acid ammonification products and the decrease in sales volume of toluene trading products. In particular, the sales volume of our toluene chlorination products increased by 21.0% from 51,217 tons in 2021 to 61,988 tons in 2022 as a result of the market supply shortages. The total sales volume of our products increased from approximately 362,302 tons to 375,848 tons in 2021 and 2022, respectively.

Our total revenue decreased by 14.6% from RMB3,133.8 million in 2022 to RMB2,677.1 million in 2023, primarily due to the unfavorable economic environment in the PRC and globally. The demand from downstream customers is weak and the increase in market supply of toluene oxidation products further intensified the market competition, we therefore need to lower the selling prices of our products in order to effectively compete with our competitors for limited sales orders so as to maintain the utilization rate of our production facilities at an optimal level and to keep our market share. Our revenue was therefore adversely affected during the period. The total sales volume of our products decreased from approximately 375,848 tons in 2022 to 346,147 tons in 2023 and the average selling price of our self-produced products also dropped from RMB8,536 per ton to RMB7,957 per ton in the corresponding periods resulting in a decrease in revenue in 2023.

During the Track Record Period, we incurred cost of sales of RMB2,150.4 million, RMB2,434.6 million and RMB2,347.3 million in 2021, 2022 and 2023, respectively. Our cost of sales increased by 13.2% from RMB2,150.4 million in 2021 to RMB2,434.6 million in 2022 primarily due to the increase in total sales volume from approximately 362,302 tons to 375,848 tons in the corresponding years. Our cost of sales decreased by 3.6% from RMB2,434.6 million in 2022 to RMB2,347.3 million in 2023, as a result of the decrease in total sales volume of our self-produced products from approximately 318,818 tons to 279,147 tons and toluene product trading from approximately 54,823 tons to 49,295 tons for the corresponding periods. In addition, the average unit price of petroleum toluene increased from approximately RMB4,973 per ton in 2021 to RMB6,710 per ton in 2022, and slightly decreased to RMB6,654 per ton in 2023, due to the macro-environment of global politics and economy. As confirmed by Frost & Sullivan, the average unit price of the primary raw material of toluene and toluene-derived chemical products may be affected and fluctuate correspondingly with the macro-environment of global politics and economy. Generally, an increase/decrease in average unit price of petroleum may result in an increase/decrease in average unit price of toluene, the primary raw material of our products, and further leads to an increase/decrease in the sales price of our self-produced products.

During the Track Record Period, we generated net profits of RMB309.1 million, RMB340.5 million and RMB72.9 million in 2021, 2022 and 2023, respectively, which demonstrate our business's profitability. Our net profit increased by 10.1% from RMB309.1 million in 2021 to RMB340.5 million in 2022, primarily due to the increase in gross profit by 9.4% from RMB639.1 million to RMB699.3 million in the corresponding years that mainly resulting from the increase in gross profit of our toluene chlorination products, primarily due to market supply shortages, and our ability to supply these products increased our market bargaining power, and partially offset by the decrease in gross profit of toluene oxidation products and benzoic acid ammonification products resulting from the increase in average unit cost. Our net profit decreased by 78.6% from RMB340.5 million to RMB72.9 million in 2023, primarily due to the decreased gross profit in 2023 by RMB369.5 million which resulted from the decrease in downstream market demands and the intensified market competition as explained above and partially offset by the decrease in income tax of RMB65.4 million. For details, please refer to "Business — Market Development and Impact of the COVID-19 Pandemic in 2023" in this document.

Selected Information on Our Consolidated Statements of Financial Position

The table below sets forth the major items of our consolidated statements of financial position as of the dates indicated:

	As at December 31,		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Total non-current assets	1,182,574	1,292,451	1,283,308
Total current assets	1,753,796	864,887	832,574
Total current liabilities	1,228,303	1,218,688	1,422,654
Total non-current liabilities	187,749	212,543	163,611
Net current assets/(liabilities)	525,493	(353,801)	(590,080)
Net assets	**1,520,318**	**726,107**	**529,617**

We recorded net current assets of RMB525.5 million as at December 31, 2021 and recorded net current liabilities of RMB353.8 million and RMB590.1 million as at December 31, 2022 and 2023, respectively. Our net current liabilities as at December 31, 2022 was primarily due to the dividend of RMB1,013.0 million and RMB89.8 million declared in February and December 2022, respectively, to our shareholders. Our net current liabilities as at December 31, 2023 further increased to RMB590.1 million primarily due to dividend of RMB270 million declared in 2023 to our shareholders. For details of the dividend distribution of our Group, please refer to "Financial Information — Dividend" in this document.

We had net assets of RMB1,520.3 million, RMB726.1 million and RMB529.6 million as of December 31, 2021, 2022 and 2023, respectively. The decrease in our net assets in 2022 was mainly due to (i) total dividends of RMB1,102.8 million (including dividends of RMB1,013.0 million and RMB89.8 million declared in February 2022 and December 2022, respectively); and (ii) repurchase of shares amounted to RMB33.0 million in 2022, and partially offset by the profit for the year recorded in 2022 of RMB340.5 million. Our net assets decreased to RMB529.6 million as of December 31, 2023 mainly attributable to the dividends of RMB270 million declared and partially offset by the net profit of RMB72.9 million in 2023. For details, please refer to the Consolidated Statements of Change in Equity and related notes of "Appendix I — Accountant's Report" in this document.

Selected Information on Consolidated Statements of Cash Flows

The table below sets forth a summary of our cash flows for the periods indicated:

	Year ended December 31,		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Net cash flows from operating activities	124,233	148,362	160,529
Net cash flows from/(used in) investing activities	(236,724)	53,904	(79,831)
Net cash flows from/(used in) financing activities	139,713	(188,969)	(98,905)
Net increase/(decrease) in cash and cash equivalents	27,222	13,297	(18,207)
Cash and cash equivalents at beginning of year	42,354	69,461	83,451
Effect of foreign exchange rate changes	(115)	693	189
Cash and cash equivalents at end of year	69,461	83,451	65,433

During the Track Record Period, our cash flows from operating activities were generated primarily from our self-produced products sales and products trading. For the year ended December 31, 2021, 2022 and 2023, we recorded continuous positive cash flows from our operating activities.

For the year ended December 31, 2023, our net cash flows from operating activities of RMB160.5 million reflect our profit before tax of RMB94.7 million, as positively adjusted primarily by (i) a decrease in inventories of RMB33.4 million, and (ii) depreciation of property, plant and equipment of RMB111.2 million, and was partially offset by negative adjustment of increase in trade and bills receivables of RMB91.0 million.

For the year ended December 31, 2022, our net cash flows from operating activities of RMB148.4 million reflect our profit before tax of RMB427.7 million, as negatively adjusted primarily by (i) an increase in trade and bills receivables of RMB205.1 million; and (ii) income tax paid of RMB195.4 million, and partially offset by positive adjustment of depreciation of property, plant and equipment of RMB99.1 million.

For the year ended December 31, 2021, our net cash flows from operating activities of RMB124.2 million reflect our profit before tax of RMB393.5 million, as negatively adjusted primarily by (i) an increase in inventories of RMB189.5 million, and (ii) an increase in trade and bills receivables of RMB264.3 million, partially offset by positive adjustment of (i) an increase in trade and bills payables of RMB75.2 million and (ii) depreciation of plant and equipment of RMB93.7 million.

For the detailed analysis on the cash flows of our Group, please refer to "Financial Information — Liquidity and Capital Resources" in this document.

KEY FINANCIAL RATIOS

The following table sets forth certain of our key financial ratios as of the dates and for the periods indicated:

	Year ended December 31,		
	2021	**2022**	**2023**
Gross profit margin(1)	22.9%	22.3%	12.3%
Net profit margin(2)	11.1%	10.9%	2.7%
Return on Equity(3)	20.3%	46.9%	13.8%
Return on Assets(4)	10.5%	15.8%	3.4%
	As at December 31,		
	2021	**2022**	**2023**
Current Ratio(5)	1.4	0.7	0.6
Gearing Ratio(6)	29.2%	46.6%	61.3%

Notes:

(1) Gross profit margin equals gross profit divided by revenue for the periods.

(2) Net profit margin equals profit for the periods divided by revenue for the periods.

(3) Return on equity equals profit for the periods divided by total equity as at end of the periods.

(4) Return on assets equals profit for the periods divided by total assets as at end of the periods.

(5) Current ratio equals current assets divided by current liabilities as of the end of the periods.

(6) Gearing ratio equals net debt divided by the capital plus net debt as at end of the periods.

Our return on equity increased from 20.3% for the year ended December 31, 2021 to 46.9% for the year ended December 31, 2022, primarily attributed to our increase in net profits generated and the dividend distributions in 2022. Our return on equity decreased to 13.8% for the year ended December 31, 2023, primarily attributed to our significant decrease in net profits in 2023. For details of our key financial ratios, please refer to "Financial Information — Key Financial Ratios" in this document.

[REDACTED] STATISTICS

All statistics in the following table are based on the assumptions that (i) the [**REDACTED**] has been completed and [**REDACTED**] new Shares are issued pursuant to the [**REDACTED**]; (ii) [**REDACTED**] Shares are in issue immediately following the completion of the [**REDACTED**]; and (iii) the [**REDACTED**] is not exercised.

	Based on the low end of the indicative [REDACTED] Range of HK$[REDACTED] per Share	Based on the mid-point of the indicative [REDACTED] Range of HK$[REDACTED] per Share	Based on the high end of the indicative [REDACTED] Range of HK$[REDACTED] per Share
Market capitalization of our Shares(1)	HK$[**REDACTED**]	HK$[**REDACTED**]	HK$[**REDACTED**]
Unaudited pro forma adjusted consolidated net tangible asset per Share(2)	HK$[**REDACTED**]	HK$[**REDACTED**]	HK$[**REDACTED**]

Notes:

(1) The calculation of market capitalization is based on [**REDACTED**] Shares expected to be in issue, with [**REDACTED**] Shares to be issued pursuant to the [**REDACTED**], immediately upon completion of the [**REDACTED**].

(2) The unaudited pro forma adjusted consolidated net tangible assets value per Share is calculated after making certain adjustments referred to in "Appendix II — Unaudited Pro Forma Financial Information" in this document.

USE OF PROCEEDS

Assuming an [**REDACTED**] of HK$[**REDACTED**] per [**REDACTED**], being the mid-point of the [**REDACTED**] range stated in this document, we will receive net proceeds of approximately HK$[**REDACTED**] from the [**REDACTED**] after deducting the [**REDACTED**] commissions and other estimated expenses in connection with the [**REDACTED**], assuming the [**REDACTED**] is not exercised. We intend to use the net proceeds from the [**REDACTED**] for the following purposes:

- approximately [**REDACTED**]% of the net proceeds from the [**REDACTED**] (or approximately HK$[**REDACTED**]), will be used to increase our production capacity by constructing new production facilities at Hubei Xinxuanhong Production Plant;

- approximately [**REDACTED**]% of the net proceeds from the [**REDACTED**] (or approximately HK$[**REDACTED**]), will be used for our research and development activities;

- approximately [**REDACTED**]% of the net proceeds from the [**REDACTED**] (or approximately HK$[**REDACTED**]), will be used for sales and marketing activities to enhance our brand recognition in the PRC and overseas; and

- approximately [**REDACTED**]% of the net proceeds from the [**REDACTED**] (or approximately HK$[**REDACTED**]), will be used for our working capital and general corporate purposes, including procurement of raw materials and management of inventory level.

For details, please refer to "Future Plans and Use of Proceeds — Use of Proceeds" in this document.

[**REDACTED**] EXPENSES

The total [**REDACTED**] expenses of our Company are estimated to be approximately HK$[**REDACTED**] (or approximately RMB[**REDACTED**]) assuming the [**REDACTED**] is not exercised and based on an [**REDACTED**] of HK$[**REDACTED**] (being the mid-point of our [**REDACTED**] range of HK$[**REDACTED**] to HK$[**REDACTED**] per [**REDACTED**]), representing [**REDACTED**]% of our estimated net proceeds and [**REDACTED**]% of the gross proceeds from the [**REDACTED**]. These [**REDACTED**] expenses are mainly comprised of [**REDACTED**]-related expenses of approximately HK$[**REDACTED**] (or approximately RMB[**REDACTED**]), and non-[**REDACTED**] related expenses of approximately HK$[**REDACTED**] (or approximately RMB[**REDACTED**]), which are comprised of (i) accountant and legal adviser fees and expenses of approximately HK$[**REDACTED**] (or approximately RMB[**REDACTED**]) and (ii) printing and other fees and expenses of approximately HK$[**REDACTED**] (or approximately RMB[**REDACTED**]). The [**REDACTED**] expenses above are the latest practicable estimate for reference only, and the actual amount may differ from this estimate.

The [**REDACTED**] expenses incurred up to December 31, 2023 by our Company in relation to the [**REDACTED**] and the [**REDACTED**] were RMB[**REDACTED**], of which (i) RMB[**REDACTED**], RMB[**REDACTED**] and RMB[**REDACTED**] were charged to our consolidated statement of profit or loss for the year ended December 31, 2021 and 2022 and 2023, respectively, and (ii) RMB[**REDACTED**] will be deducted from equity upon [**REDACTED**]. We estimate that additional [**REDACTED**] expenses of approximately RMB[**REDACTED**] (including [**REDACTED**] commissions and other expenses, assuming the [**REDACTED**] is not exercised and based on the mid-point of our [**REDACTED**] range of HK$[**REDACTED**] to HK$[**REDACTED**] per [**REDACTED**]) will be incurred by our Company, approximately RMB[**REDACTED**] of which is expected to be charged to our consolidated statements of profit or loss, and approximately RMB[**REDACTED**] of which is expected to be deducted from equity upon [**REDACTED**].

LEGAL PROCEEDINGS AND NON-COMPLIANCE MATTERS

From time to time, we may be subject to legal proceedings, investigations and claims incidental to the conduct of our business. During the Track Record Period and up to the Latest Practicable Date, we were not involved in any material litigation, arbitration or claims (including personal injuries, employee compensation or product liability claims) and we are not aware of any material litigation, arbitration or claims pending or threatened against us that would have a material adverse effect on our business, financial condition or results of operations. Our Directors are not involved in any actual or threatened claims or litigations. However, we may from time to time become a party to various legal, arbitration or administrative proceedings arising in the ordinary course of business.

During the Track Record Period, we had not committed and did not commit any material non-compliance with the laws or regulations which, in the opinion of our management, is likely to have a material adverse effect on our business, financial condition or results of operations. We understand from our PRC Legal Advisors that, other than those disclosed in the subsections headed "Business — Non-compliance Relating to Advances Arrangement", "Business — Properties — Self-Owned Properties — Buildings" and "Business — Environmental, Social and Governance — Occupational Health and Work Safety" in this document, we have complied with all relevant laws and regulations in all material respects during the Track Record Period and the subsequent period up to the Latest Practicable Date.

RISK FACTORS

Our business operations and the [**REDACTED**] involve certain risks and uncertainties. For further information, please refer to "Risk Factors" in this document. Some of the major risk factors include: (i) any shortage in supply of raw materials or material fluctuation in their purchase prices may adversely affect our profit margins and results of operation; (ii) any change in demand may adversely affect our revenue and profitability as we generate a substantial portion of our revenue through the sales of our self-produced products; (iii) we rely on our distributors for the sale of our products to their respective end customers. Termination of or failure to renew our distribution relationship with our distributors may significantly decrease the sale of our products; (iv) we may be subject to liability in connection with accidents that occur during the production process at our production facilities due to, amongst others, failure to comply with safety measures and procedures; and (v) we rely on certain key personnel and may not be able to retain their services.

DIVIDEND

During the Track Record Period, we declared and distributed dividends of RMB1,013.0 million, RMB89.8 million and RMB270 million in February 2022, December 2022 and December 2023, respectively, to our shareholders (the "**Dividends**"). Among the Dividends of RMB1,372.8 million in aggregate, (i) RMB886.0 million in aggregate was used to offset our Group's receivables due from Linuo Group and Linuo Investment; (ii) dividends of RMB383.0 million in aggregate was paid in cash as of the Latest Practicable Date; and (iii) the remaining dividends payable of RMB103.8 million as of the Latest Practicable Date were distributed to the Wuhan Youji Employee Trust, which comprises 5,345 shareholders, including (a) 547 contactable shareholders (where dividends were fully settled as of the Latest Practicable Date) and (b) 4,798 shareholders that could not be contacted as of the Latest Practicable Date (with total dividend payable of RMB103.8 million as of the Latest Practicable Date). We are undertaking continuous effort to contact these shareholders through news publication of the dividend payment, contacting these shareholders through their last known contact information, actively monitoring and responding to the municipal hotline and Wuhan Youji Employee Trust consultation hotline and encouraging word-of-the-mouth dissemination of this dividend payment by employees. For details of the dividend distribution of our Group, please refer to "Financial Information — Dividend" in this document.

Subject to the Cayman Islands law and the Articles and Memorandum, the proposal of payment and the amount of our dividends in the future will be made at the discretion of our Board and will depend on our general business condition and strategies, cash flows, financial results and capital requirements, the interests of our Shareholders, taxation conditions, statutory and regulatory restrictions and other factors that our Board deems relevant. Any declaration and payment of dividends will be subject to our constitutional documents and the Companies Act. Under Cayman Islands law, dividends may be paid out of profit or, if the Articles allow for it, out of share premium account of the Company provided relevant laws are complied with. We will review our dividend policy from time to time.

NEW MEASURES ON OVERSEAS LISTING FILINGS

The China Securities Regulatory Commission ("**CSRC**") promulgated Trial Administrative Measures of the Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) (the "**Overseas Listing Trial Measures**") and five relevant guidelines on February 17, 2023, which became effective on March 31, 2023. The Overseas Listing Trial Measures regulate both direct and indirect overseas offering and listing by PRC domestic companies' by adopting a filing-based regulatory regime. For more details, please refer to "Regulatory Overview — Regulatory developments on overseas listing — New measures on overseas listing filings" in this document.

Our PRC Legal Advisor is of the view that we are required to comply with the filing requirements under the Overseas Listing Trial Measures. We have completed the filing procedure with the CSRC with respect to the [**REDACTED**] of our Shares on the Stock Exchange and for the [**REDACTED**] on January 2, 2024.

IMPACT OF THE COVID-19 PANDEMIC

The COVID-19 outbreak was first reported in December 2019 and quickly developed into a global pandemic. This pandemic had significant and sustaining effects on the global economy and business environment.

Despite the general impact on the global market and the macro-economy and the quarantine requirements imposed, our production was not suspended due to the COVID-19 pandemic as our Company was recognized as a Supply Guarantee Key Enterprise (重點保障企業) by the Department of Economy and Information Technology of Hubei Province (湖北省經濟和信息化廳). Our products are widely used as preservatives and intermediates in daily domestic products such as food, pesticide and medicine, and we were permitted to maintain our production operations and sales to downstream customers. As a Supply Guarantee Key Enterprise, we did not experience manufacturing interruptions under the implementation of the prevention and control policy of Hubei Province during the height of the COVID-19 pandemic. Therefore, the COVID-19 pandemic has relatively limited impact to the Group in 2021 and 2022.

As China relaxes its "zero-COVID" policy since December 2022 (such as the PRC authorities releasing measures to accelerate the economic recovery and resume normal operations of the society and the lifting up of quarantine measures and travel restrictions), there has been a significant surge of COVID-19 cases in China in late December 2022 and early 2023. The rising number of confirmed COVID-19 cases across China have a negative impact on our business operations and financial position due to the temporary but widespread infection and manufacturing shut-down in early 2023. Despite the manufacturing resumption and that COVID-19 is largely contained, the economy recovery globally and also in the PRC is much slower than expected and the economic uncertainty has a consequential adverse impact on our downstream customers and therefore their demands for our products. Our operating and financial performance in 2023 is therefore adversely affected. For details, please refer to "Business — Market Development and Impact of the COVID-19 Pandemic in 2023" in this document.

RECENT DEVELOPMENTS AND NO MATERIAL ADVERSE CHANGE

Subsequent to the Track Record Period and up to the Latest Practicable Date, our business operation remained stable due to our continuous manufacturing and sales efforts.

Our Directors confirm that, as of the date of this document, there has been no material adverse change in our financial or trading position, indebtedness, mortgage, contingent liabilities, guarantees or prospects since December 31, 2023, the end of the period reported on the Accountants' Report included in Appendix I to this document.