
HISTORY, REORGANISATION AND GROUP STRUCTURE

HISTORY AND DEVELOPMENT

Overview

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

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

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

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Business Milestones

We set out below our major business milestones and achievements:

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

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Year	Event
	Jilin Kaishun was recognised as the Provincial Certification Enterprise Technology Centre (省級企業技術中心) by Jilin Provincial Department of Industry and Information Technology (吉林省工業和信息化廳), Jilin Provincial Department of Science and Technology (吉林省科學技術廳), Jilin Province Department of Finance (吉林省財政廳), Changchun Customs District of PRC (中華人民共和國長春海關), Jilin Provincial Taxation Bureau of SAT (國家稅務總局吉林省稅務局) and JPDRC

CORPORATE DEVELOPMENT AND STRUCTURE

Our Company

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

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

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

Our Operating Subsidiaries

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

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

Jilin Kaishun (吉林開順)

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

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

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

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Date ⁽¹⁾	Nature of change	Amount of change of registered capital/equity interests	Total registered capital after change	Interest after the change in registered capital/equity interest	Status of payment
13 October 2021	Transfer of equity interest by the Previous Investors ⁽²⁾	<ol style="list-style-type: none"> Jilin Innovative Investment’s 12.15% equity interest to be transferred to Ms. Zhang Jilin Technology Fund’s 12.29% equity interest to be transferred to Mr. Shan 	No change	<ol style="list-style-type: none"> 52.07% by Ms. Zhang 47.93% by Mr. Shan 	<ol style="list-style-type: none"> Consideration of RMB 11,347,800 for the transfer of 12.15% equity interest held by Jilin Innovative Investment was fully-paid by Ms. Zhang to Jilin Innovative Investment on 17 December 2021 Consideration of RMB13,137,500 for the transfer of 12.29% equity interest held by Jilin Technology Fund was fully-paid by Mr. Shan to Jilin Technology Fund on 25 August 2021
30 December 2021	[REDACTED] ⁽³⁾	<p>Increase of RMB7,484,241.71, of which:</p> <ol style="list-style-type: none"> Mr. Chen Guobin (陳國斌) to contribute RMB4,614,312.09 Mr. Li to contribute RMB1,078,110.30 Mr. Lu Changdong (盧昌東) to contribute RMB1,015,579.90 Green Environmental HK to contribute RMB776,239.42 	RMB77,623,941.71	<ol style="list-style-type: none"> 47.0470% by Ms. Zhang 43.3114% by Mr. Shan 5.9444% by Mr. Chen Guobin 1.3889% by Mr. Li 1.3083% by Mr. Lu Changdong 1.0000% by Green Environmental HK 	<ol style="list-style-type: none"> Registered capital of RMB4,614,312.09, being part of the consideration of RMB21,400,000 from Mr. Chen Guobin, was fully-paid on 15 December 2021 Registered capital of RMB1,078,110.30, being part of the consideration of RMB5,000,000 from Mr. Li, was fully-paid on 3 November 2021 Registered capital of RMB1,015,579.90, being part of the consideration of RMB4,710,000 from Mr. Lu Changdong, was fully-paid on 10 December 2021 Registered capital of RMB776,239.42, being part of the consideration of RMB3,600,000 from Green Environmental HK, was fully-paid on 18 February 2022

Notes:

- S1. Dates in this table represent the registration dates of the registered capital changes in Jilin Kaishun with the relevant Market Regulation Administration.
- S2. For details of background of the Previous Investors, namely, Jilin Innovative Investment and Jilin Technology Fund, please refer to the paragraph headed “— [REDACTED] Investments — Previous Investors’ Investments in Jilin Kaishun” below.

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S3. Save for Mr. Li (being an executive Director), each of the [REDACTED] Investors, namely, Mr. Chen Guobin, Mr. Lu Changdong and Mr. Zhang Zhifang (investing through Green Environmental HK) is an Independent Third Party. For details of the background of Mr. Li, Mr. Chen Guobin, Mr. Lu Changdong, Mr. Zhang Zhifang and Green Environmental HK, please refer to the paragraph headed “— [REDACTED] Investments —[REDACTED] Investments from the [REDACTED] Investors” below.

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

Yizheng Juxinyuan (儀徵聚鑫源)

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

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

[REDACTED] INVESTMENTS

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

Previous Investors’ Investments in Jilin Kaishun

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

1. First tranche of investment from Jilin Innovative Investment

On 9 June 2015, pursuant to the JII Investment Agreement No. 1, which was entered into between Jilin Kaishun as the target company, Ms. Zhang as the controlling shareholder, Mr. Shan as a founding shareholder, and Jilin Innovative Investment as the investor, Jilin Innovative Investment agreed to acquire 14.82% of Jilin Kaishun for a total consideration of RMB2,000,000, of which, RMB1,740,000 would be used to increase the registered capital of Jilin Kaishun and the balance of RMB260,000 would be recorded as capital reserve. The consideration was determined

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on an arm's length basis between the parties with reference to the amount of the registered capital of RMB10,000,000 at the time of the JII Investment Agreement No. 1. The consideration was fully paid on 10 March 2016.

2. First tranche of investment from Jilin Technology Fund

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

3. Second tranche of investment from Jilin Technology Fund

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

4. Second tranche of investment from Jilin Innovative Investment

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

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

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

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

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

6. *Principal terms of the investments by the Previous Investors*

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

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

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	Jilin Innovative Investment		Jilin Technology Fund	
Date of investment agreement	First tranche:	9 June 2015	First tranche:	10 April 2017
	Second tranche:	1 September 2020	Second tranche:	26 January 2018
Investment agreements	First tranche:	JII Investment Agreement No. 1	First tranche:	JTF Investment Agreement No. 1
	Second tranche:	JII Investment Agreement No. 2	Second tranche:	JTF Investment Agreement No. 2
Amount of consideration paid	First tranche:	RMB2,000,000	First tranche:	RMB5,000,000
	Second tranche:	RMB8,000,000	Second tranche:	RMB5,000,000
	Total	<u>RMB10,000,000</u>	Total	<u>RMB10,000,000</u>
Amount credited for increase in registered capital	First tranche:	RMB1,740,000	First tranche:	RMB4,310,000
	Second tranche:	RMB6,779,700	Second tranche:	RMB4,310,000
	Total:	<u>RMB8,519,700</u>	Total:	<u>RMB8,620,000</u>
Payment date of consideration	First tranche:	10 March 2016	First tranche:	12 April 2017
	Second tranche:	1 September 2020	Second tranche:	25 January 2018
Cost per Share paid	Not applicable. See note 1 below.		Not applicable. See note 1 below.	
Discount to [REDACTED] price	Not applicable. See note 1 below.		Not applicable. See note 1 below.	
[REDACTED]	First tranche:	General working capital purpose	First tranche:	General working capital purpose
	Second tranche:	General working capital purpose	Second tranche:	General working capital purpose
Strategic benefits	Obtaining capital for development and expansion of Jilin Kaishun’s business		Obtaining capital for development and expansion of Jilin Kaishun’s business	
Shareholding in our Company upon the [REDACTED]	Not applicable. See note 1 below.		Not applicable. See note 1 below.	
Special rights				
<i>Repurchase rights</i>	After the third year anniversary, the controlling shareholder of Jilin Kaishun may repurchase the equity interest in Jilin Kaishun, and the repurchase price shall be negotiated among the parties.		After Jilin Technology Fund completed the investment and after the third year anniversary, Ms. Zhang and Mr. Shan as the original shareholders had the right to repurchase the equity interest in Jilin Kaishun, and the repurchase price shall be negotiated among the parties.	
	If the controlling shareholder declined to repurchase the interests, Jilin Innovative Investment may sell the shares to third parties.		If the original shareholders declined to repurchase the interests, Jilin Technology Fund may sell the shares to third parties.	

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

Notes:

- (1) Each of Jilin Innovative Investment and Jilin Technology Fund does not own any shares in our Company prior to Reorganisation and no longer has any interest in our Group.
- (2) The return on investment is calculated based on the sum of all returns received by the Previous Investor (including the consideration received and dividends) over the amount of investment made.
- (3) The annualised return on investment is calculated by dividing the return on investment (including dividends) by the number of years (being 365 days divided by number of days being a shareholder) that the Previous Investor held its interest in Jilin Kaishun.

[REDACTED] Investments from the [REDACTED] Investors

1. Overview

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

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2. Principal Terms of the [REDACTED] Investments

We set out below the principal terms of the [REDACTED] Equity Increase Agreement dated 2 November 2021:

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

HISTORY, REORGANISATION AND GROUP STRUCTURE

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

HISTORY, REORGANISATION AND GROUP STRUCTURE

Notes:

- (1) We and the [REDACTED] Investors agreed to use financial of FY2020 as the basis of the valuation for the [REDACTED] Investments as (i) the negotiation commenced and the parties reached consensus in the first half of 2021; (ii) our latest financial year was FY2020 at the relevant time; and (iii) we and the [REDACTED] Investors agreed that the [REDACTED] Investments shall only take place after the completion of the divestment by the Previous Investors as such divestment would involve the distribution of dividends for distributable earnings up to 31 July 2021. Furthermore, during the negotiation of the [REDACTED] Investments, the negotiation of the consideration included (a) the [REDACTED] Investments would not include any special rights and the [REDACTED] Investors would only hold ordinary shares; (b) the [REDACTED] Investors would need to bear all risks of becoming a shareholder of a private and unlisted company; and (c) there is no certainty of whether and when the [REDACTED] would take place. Also, the negotiation at the material time did not take into consideration of the revenue and the net profit of Jilin Kaishun for FY2021, the [REDACTED] range and the discount to [REDACTED] price as such information were not available at the time.
- (2) Converted from RMB based on the published HK\$ to RMB exchange rate of HK\$1:RMB0.898 on the Latest Practicable Date published by PBOC.
- (3) The discount to [REDACTED] is calculated based on the [REDACTED] of [REDACTED] per share, being the mid-point of the indicative [REDACTED] range from [REDACTED] to [REDACTED] and that [REDACTED] Shares will be issued under the [REDACTED] (assuming none of the [REDACTED] and the options to be granted under the Share Option Scheme is exercised). As the discount was calculated based on the equivalent cost per Share paid converted from RMB (see note (2) above), the discount to [REDACTED] price would also be affected by the fluctuation of the exchange rate between RMB and HK\$.
- (4) Assuming none of the [REDACTED] and options that may be granted under the Share Option Scheme is exercised.

3. Public Float

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

4. Compliance with Interim Guidance and Guidance Letter

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

HISTORY, REORGANISATION AND GROUP STRUCTURE

DISPOSAL OF JIBEI TECHNOLOGY AND JIYUAN BIOTECHNOLOGY BY OUR CONTROLLING SHAREHOLDERS

Jibei Technology

Background

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

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

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

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

HISTORY, REORGANISATION AND GROUP STRUCTURE

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

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

HISTORY, REORGANISATION AND GROUP STRUCTURE

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

Provision of Guarantee and Pledges for Borrowings of Jilin Kaishun

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

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

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

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

HISTORY, REORGANISATION AND GROUP STRUCTURE

in August 2021. As for the equity interest pledges of Jibei Technology, such pledge was released on 16 July 2021 to facilitate the disposal of Jibei Technology to the Jibei Purchasers by Ms. Zhang and Mr. Shan.

Financials and Legal Compliance of Jibei Technology

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

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

Notes:

- (1) The 12 months ended 31 August 2020 represented the 12-month period before Ms. Zhang and Mr. Shan acquired Jibei Technology.
- (2) The eleven months ended 31 July 2021 represented the material time when Ms. Zhang and Mr. Shan owned Jibei Technology, during which Jibei Technology did not incur any capital expenditure for Lot 2.

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

Jiyuan Biotechnology

Background

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

HISTORY, REORGANISATION AND GROUP STRUCTURE

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

Financials and Legal Compliance of Jiyuan Biotechnology

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

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

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

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

Disposal of Jiyuan Biotechnology

During the time when Ms. Zhang and Mr. Shan held Jiyuan Biotechnology, no business was carried out through Jiyuan Biotechnology. With the preparation of the [REDACTED] and that Ms. Zhang and Mr. Shan were focusing on our business, Ms. Zhang and Mr. Shan decided to dispose of Jiyuan Biotechnology. Shortly before the disposal of Jiyuan Biotechnology, all of the outstanding amount due from Jiyuan Biotechnology was repaid to Jilin Kaishun in August 2021 and all patents held by Jiyuan Biotechnology were transferred to Jilin Kaishun. Ms. Zhang and Mr. Shan learnt

HISTORY, REORGANISATION AND GROUP STRUCTURE

that the Jibei Purchasers were interested in acquiring Jiyuan Biotechnology and agreed to dispose of Jiyuan Biotechnology along with Jibei Technology. The total consideration from the disposal of equity interests in Jiyuan Biotechnology was RMB2.0 million, which was determined with reference to the net asset value of Jiyuan Biotechnology at the time. The disposal was completed in September 2021. The net asset value of Jiyuan Biotechnology as at the 31 August 2021 was primarily the cash balance of RMB1,914,972, of which, RMB1,000,000 was from the paid-up registered capital. The remaining balance was primarily derived from the profit made in FY2019. At the time of disposal, the cash balance remained with Jiyuan Biotechnology. Hence, despite Jiyuan Biotechnology’s patents were transferred to Jilin Kaishun, Ms. Zhang and Mr. Shan were able to sell Jiyuan Biotechnology at a consideration of RMB2.0 million to Jibei Purchasers.

Independence with Jibei Technology, Jiyuan Biotechnology and its shareholders

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

MAJOR ACQUISITIONS AND DISPOSALS

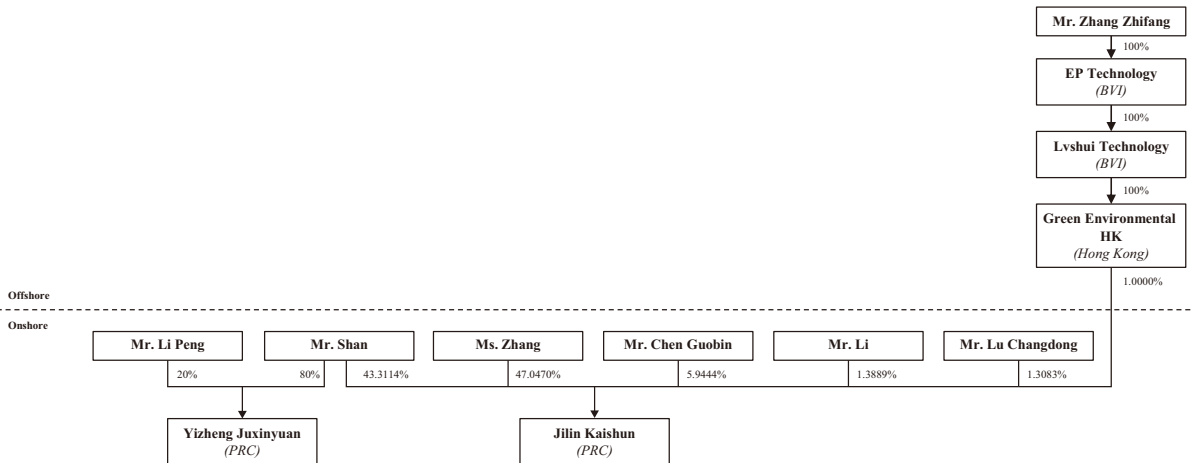
During the Track Record Period and up to the Latest Practicable Date, save as disclosed in the paragraph headed “— Reorganisation” below and conducted as part of the Reorganisation, we did not conduct any major acquisitions, disposals or mergers.

HISTORY, REORGANISATION AND GROUP STRUCTURE

REORGANISATION

Group Structure Immediately Prior to the Reorganisation

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



In preparation for the [REDACTED], we underwent the following Reorganisation:

1. Incorporation of the Offshore Group Companies

(i) Incorporation of Our Company

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

(ii) Incorporation of Tianshun International BVI

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

HISTORY, REORGANISATION AND GROUP STRUCTURE

(iii) Incorporation of Tianshun International HK

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

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

(i) Establishment of Jilin Maisheng

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

(ii) Establishment of Changchun Guangke

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

3. Acquiring Jilin Kaishun

(i) Onshore Acquisition of Jilin Kaishun

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

HISTORY, REORGANISATION AND GROUP STRUCTURE

implication on our Group’s control of the business, operation, assets and/or financial results of Changchun Guangke, Jilin Kaishun and Yizheng Juxinyuan that Ms. Zhang, Mr. Shan, Mr. Chen Guobin, Mr. Li and Mr. Lu Changdong held an aggregate 1.00% in Changchun Guangke.

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

(ii) Offshore Issuance of Shares by our Company

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

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

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

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4. Acquisition of Lvshui Technology by our Company

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

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

5. Acquisition of Yizheng Juxinyuan

As part of our expansion plan, we plan to establish a sales base in Jiangsu Province through Yizheng Juxinyuan. At the material time, we considered that (i) Yizheng Juxinyuan’s business was part of our Group since its establishment; (ii) despite that Yizheng Juxinyuan’s operation track record was shorter than that of Jilin Kaishun, it was one of the suppliers for supermarket chains and a hypermarket originated from the United States, which our Directors believe that it has growth potential, with such new demand being served by the new production capacity brought by our Group’s expansion of the Changchun Production Base; (iii) it covers business opportunities in Central China; and (iv) it already had an operation track record of five years and established the corporate image and reputation in the market as compared to a newly established company, and therefore we could use Yizheng Juxinyuan for the expansion rather than establishing a new company for our Group and closing Yizheng Juxinyuan, and considered this approach as commercially justifiable and beneficial to our Group. As such, as part of the Reorganisation and to consolidate the interests in Yizheng Juxinyuan, Mr. Shan as the buyer and Mr. Li Peng (an executive Director) as the seller entered into an equity transfer agreement on 27 May 2022 where

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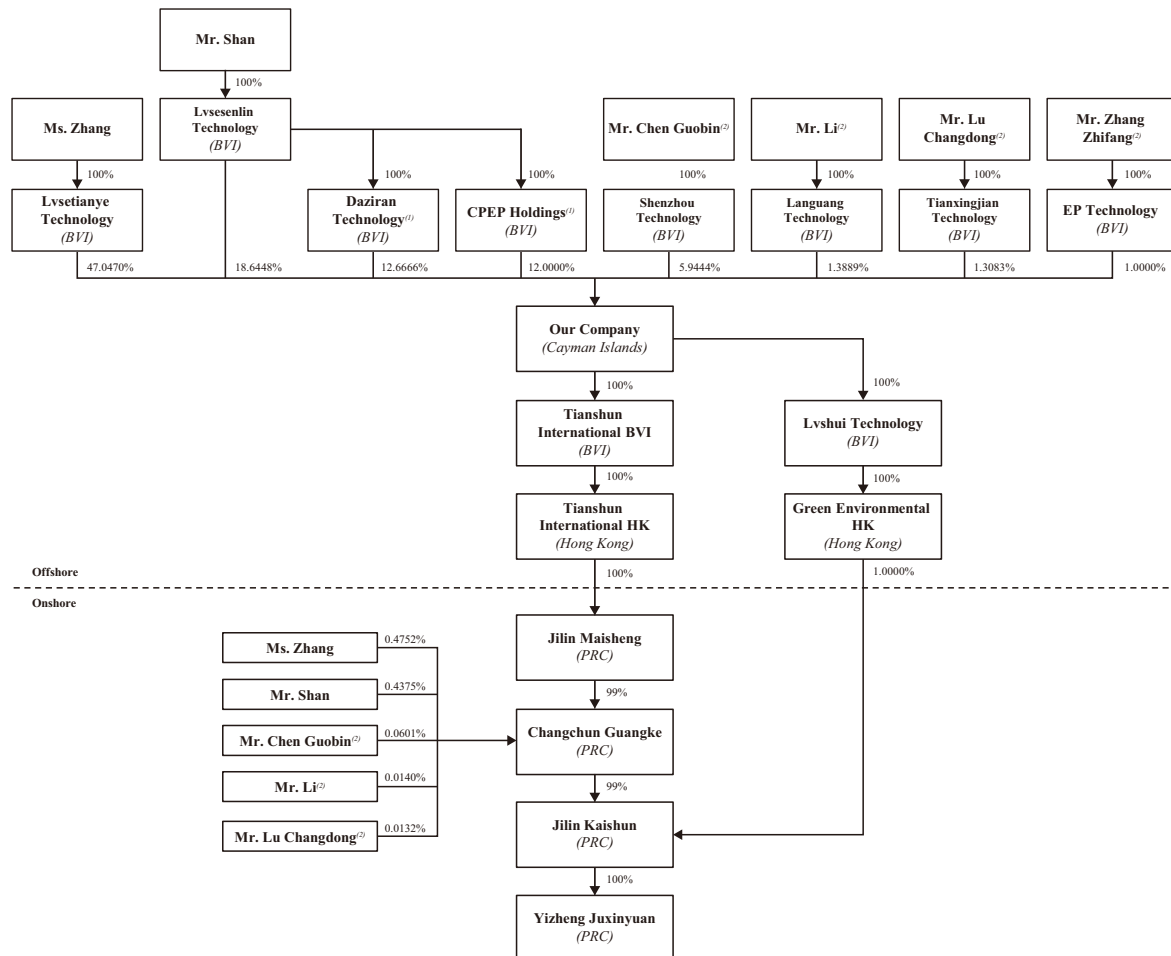
the parties agreed to the sale and purchase of the 20% equity interest of Yizheng Juxinyuan held by Mr. Li Peng at a total consideration of RMB1,775,000, which was determined with reference to Mr. Li Peng’s paid-up registered capital of Yizheng Juxinyuan (rather than with reference to the net liability position of Yizheng Juxinyuan of approximately RMB1.2 million as at 30 April 2022) through arm’s length negotiation between the parties. To elaborate, Mr. Shan agreed to acquire Mr. Li Peng’s 20% interests with reference to his paid-up registered capital in Yizheng Juxinyuan as Mr. Li Peng is an employee of our Group and does not have any major interests in our business. By doing so, Mr. Shan used his own funds rather than using our Group’s funds to ensure that Mr. Li Peng could recuperate his investment in Yizheng Juxinyuan.

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

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GROUP STRUCTURE IMMEDIATELY AFTER THE REORGANISATION AND IMMEDIATELY BEFORE THE [REDACTED]

The corporate chart below illustrates the shareholding structure of our Group after the Reorganisation and prior to the [REDACTED] and the [REDACTED]:



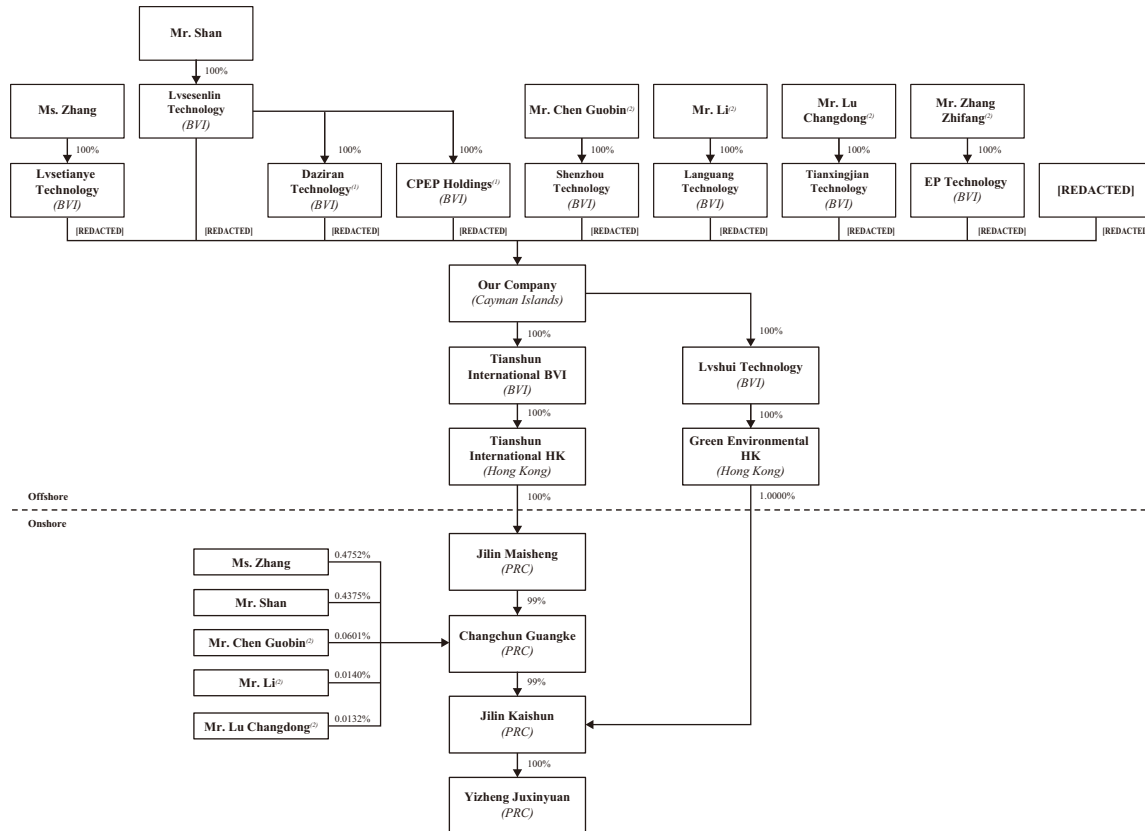
Notes:

- Each of Daziran Technology and CPEP Holdings is a wholly-owned subsidiary of Lvsesenlin Technology, which is in turn wholly owned by Mr. Shan, our executive Director, chief executive officer and one of our Controlling Shareholders. Mr. Shan is also the sole director of each of Daziran Technology and CPEP Holdings. The Shares held by Daziran Technology is intended to be used for purpose of future estate and family succession planning.
- Mr. Chen Guobin, Mr. Li, Mr. Lu Changdong and Mr. Zhang Zhifang are the [REDACTED] Investors. Save for Mr. Li (being an executive Director), each of the [REDACTED] Investors is an Independent Third Party. For details of the background of the [REDACTED] Investors, please refer to the paragraph headed “— [REDACTED] Investments from the [REDACTED] Investors” above.

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GROUP STRUCTURE AFTER REORGANISATION AND UPON [REDACTED]

The corporate chart below illustrates the shareholding structure of our Group immediately after the Reorganisation, the [REDACTED] and the [REDACTED] (assuming the [REDACTED] is not exercised and none of the options that may be granted under the Share Option Scheme is exercised):



Notes:

- Each of Daziran Technology and CPEP Holdings is a wholly-owned subsidiary of Lvseselin Technology, which is in turn wholly owned by Mr. Shan, our executive Director, chief executive officer and one of our Controlling Shareholders. Mr. Shan is also the sole director of each of Daziran Technology and CPEP Holdings. The Shares held by Daziran Technology is intended to be used for purpose of future estate and family succession planning.
- Mr. Chen Guobin, Mr. Li, Mr. Lu Changdong and Mr. Zhang Zhifang are the [REDACTED] Investors. Save for Mr. Li (being an executive Director), each of the [REDACTED] Investors is an Independent Third Party. For details of the background of the [REDACTED] Investors, please refer to the paragraph headed “— [REDACTED] Investments from the [REDACTED] Investors” above.

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PRC REGULATORY REQUIREMENTS

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

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

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

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

SAFE Registration in the PRC

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

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