The following is the text of a report, prepared for the purpose of incorporation in this document, received from the Company's independent reporting accountants, Mazars CPA Limited, Certified Public Accountants, Hong Kong.

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INDEPENDENT REPORTING ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION OF CHINA TREASURES NEW MATERIALS GROUP LTD.

The Directors
China Treasures New Materials Group Ltd.
Soochow Securities International Capital Limited

Introduction

We report on the historical financial information of China Treasures New Materials Group Ltd. (the "**Company**") and its subsidiaries (hereinafter collectively referred to as the "**Group**") set out on pages I-[•] to I-[•], which comprises the combined statements of financial position of the Group at 31 December 2019, 2020 and 2021 and 30 September 2022, and the statement of financial position of the Company at 30 September 2022, and the combined statements of profit or loss and other comprehensive income, the combined statements of changes in equity and the combined statements of cash flows of the Group for each of the years ended 31 December 2019, 2020 and 2021 and the nine months ended 30 September 2022 (the "**Track Record Period**") and a summary of significant accounting policies and other explanatory information (together the "**Historical Financial Information**"). The Historical Financial Information set out on pages I-[•] to I-[•] forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated **[REDACTED]** (the "**Document**") issued in connection with the initial **[REDACTED]** of shares of the Company (the "**Initial [REDACTED]**") on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depended on our judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, we considered internal control relevant to the Group's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Company, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the financial position of the Group at 31 December 2019, 2020 and 2021 and 30 September 2022, the financial position of the Company at 30 September 2022, and of the Group's financial performance and cash flows for the Track Record Period in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Group which comprises the combined statement of profit or loss and other comprehensive income, the combined statement of changes in equity and the combined statement of cash flows for the nine months ended 30 September 2021 and other explanatory information (together the "**Stub Period Comparative Financial Information**"). The directors of the Company are responsible for the preparation of the Stub Period Comparative Financial Information in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information.

REPORT ON OTHER MATTERS UNDER THE RULES GOVERNING THE LISTING OF SECURITIES ON THE MAIN BOARD OF THE STOCK EXCHANGE AND THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to Note 12 to the Historical Financial Information which contains information about the dividends declared by entities now comprising the Group in respect of the Track Record Period.

Preparation or audit of financial statements

At the date of this report, no statutory audited financial statements have been prepared for the Company since its date of incorporation.

Note 1 to the Historical Financial Information contains information about whether the financial statements of the members of the Group for the Track Record Period have been audited and, if applicable, the name of the auditors.

Mazars CPA Limited
Certified Public Accountants, Hong Kong

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HISTORICAL FINANCIAL INFORMATION OF THE GROUP

Preparation of the Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The combined financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were prepared by directors of the Company in accordance with the accounting policies that conform with International Financial Reporting Standards ("**IFRSs**") issued by the International Accounting Standards Board (the "**IASB**") (the "**Underlying Financial Statements**") and were audited by Mazars CPA Limited, *Certified Public Accountants, Hong Kong,* in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The Historical Financial Information is presented in Renminbi ("**RMB**"), and all values are rounded to the nearest thousand (RMB'000) except otherwise indicated.

COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 December			Nine months ended 30 September	
		2019	2020	2021	2021	2022
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(Unaudited)	
Revenue	*5*	102,700	166,722	256,740	190,262	214,111
Cost of sales		(61,091)	(96,585)	(143,608)	(105,276)	(128,126)
Gross profit		41,609	70,137	113,132	84,986	85,985
Other income	*6*	1,144	1,066	1,208	803	594
Selling and distribution expenses		(1,143)	(894)	(1,409)	(996)	(3,589)
Administrative and other operating expenses		(7,877)	(10,342)	(13,311)	(9,309)	(13,484)
Finance costs	*7*	(2,166)	(2,853)	(3,429)	(2,654)	(2,451)
[REDACTED] expenses		—	—	(4,214)	—	(12,152)
Profit before tax	*7*	31,567	57,114	91,977	72,830	54,903
Income tax expenses	*10*	(4,426)	(7,842)	(13,560)	(10,680)	(9,407)
Profit for the year/period		27,141	49,272	78,417	62,150	45,496

		Year ended 31 December			Nine months ended 30 September	
		2019	2020	2021	2021	2022
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(Unaudited)	
Other comprehensive loss:						
Item that will not be reclassified to profit or loss						
Translation of the Company's financial statement into presentation currency		—	—	—	—	(4)
Item that may be reclassified subsequently to profit or loss						
Exchange difference on combination/consolidation		—	—	—	—	(393)
Total other comprehensive loss		—	—	—	—	(397)
Total comprehensive income for the year/period		27,141	49,272	78,417	62,150	45,099
Profit for the year/period attributable to:						
Owners of the Company		27,141	49,272	78,417	62,150	45,178
Non-controlling interests		—	—	—	—	318
		27,141	49,272	78,417	62,150	45,496
Total comprehensive income for the year/period attributable to:						
Owners of the Company		27,141	49,272	78,417	62,150	44,781
Non-controlling interests		—	—	—	—	318
		27,141	49,272	78,417	62,150	45,099

COMBINED STATEMENTS OF FINANCIAL POSITION

		At 31 December			At 30 September
		2019	2020	2021	2022
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets					
Property, plant and equipment	*13*	43,834	41,064	38,385	65,188
Right-of-use assets	*14*	1,357	2,205	8,015	30,844
Intangible assets	*15*	—	—	—	93
Deposits paid for acquisition of property, plant and equipment	*30*	208	4,518	400	—
Deferred tax assets	*21*	981	910	732	584
		46,380	48,697	47,532	96,709
Current assets					
Inventories	*16*	30,876	31,639	13,980	33,593
Trade and other receivables	*17*	48,139	53,241	73,582	79,628
Bank balances and cash		34,045	97,895	90,428	86,922
		113,060	182,775	177,990	200,143
Current liabilities					
Trade and other payables	*18*	12,663	11,557	31,189	34,821
Interest-bearing borrowings	*19*	30,000	44,579	40,496	39,402
Lease liabilities	*20*	159	422	2,940	11,467
Deferred income	*22*	489	489	489	489
Income tax payables		561	1,178	1,792	2,482
		43,872	58,225	76,906	88,661
Net current assets		69,188	124,550	101,084	111,482
Total assets less current liabilities		115,568	173,247	148,616	208,191
Non-current liabilities					
Interest-bearing borrowings	*19*	—	497	—	—
Lease liabilities	*20*	206	554	4,341	18,817
Deferred income	*22*	4,307	3,818	3,329	2,961
		4,513	4,869	7,670	21,778
NET ASSETS		111,055	168,378	140,946	186,413
Capital and reserves					
Share capital	*23*	—	—	—	8
Reserves	*24*	111,055	168,378	140,946	184,401
Equity attributable to owners of the Company		111,055	168,378	140,946	184,409
Non-controlling interests		—	—	—	2,004
TOTAL EQUITY		111,055	168,378	140,946	186,413

STATEMENT OF FINANCIAL POSITION

		At 30 September
		2022
		RMB'000
	Note	
Non-current assets		
Investments in subsidiaries	*23(b)*	—*
Current assets		
Other receivables and prepayments		9
Due from a subsidiary	*23(c)*	5,519
Bank balances and cash		3
		5,531
Current liabilities		
Other payables	*23(e)*	14,909
Amount due to a subsidiary	*23(c)*	1,440
		16,349
Net current liabilities		(10,818)
Total assets less current liabilities		(10,818)
NET LIABILITIES		(10,818)
Capital and reserves		
Share capital	*23(a)*	8
Reserves	*23(d)*	(10,826)
TOTAL EQUITY		(10,818)

* *Represent amounts less than RMB1,000.*

COMBINED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company							
		Reserves						
	Share capital	Capital reserve	Statutory reserve	Translation reserve	Accumulated profits	Total	Non-controlling interests	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 23(a))	*(Note 24(a))*	*(Note 24(b))*	*(Note 24(c))*				
At 1 January 2019	—	68,065	2,354	—	13,371	83,790	—	83,790
Profit and total comprehensive income for the year	—	—	—	—	27,141	27,141	—	27,141
Transactions with owners:								
Contributions and distributions								
Capital contribution made by the then shareholders on Yizheng Juxinyuan *(as defined in Note 1) (Note 24(a)(i))*	—	124	—	—	—	124	—	124
Appropriation to statutory reserve	—	—	2,809	—	(2,809)	—	—	—
Total transactions with owners	—	124	2,809	—	(2,809)	124	—	124
At 31 December 2019	—	68,189	5,163	—	37,703	111,055	—	111,055
At 1 January 2020	—	68,189	5,163	—	37,703	111,055	—	111,055
Profit and total comprehensive income for the year	—	—	—	—	49,272	49,272	—	49,272
Transactions with owners:								
Contributions and distributions								
Capital contribution made by the then shareholders on Jilin Kaishun *(as defined in Note 1) (Note 24(a)(ii))*	—	8,000	—	—	—	8,000	—	8,000
Capital contribution made by the then shareholders on Yizheng Juxinyuan *(Note 24(a)(i))*	—	51	—	—	—	51	—	51
Appropriation to statutory reserve	—	—	4,830	—	(4,830)	—	—	—
Total transactions with owners	—	8,051	4,830	—	(4,830)	8,051	—	8,051
At 31 December 2020	—	76,240	9,993	—	82,145	168,378	—	168,378

	Attributable to owners of the Company							
		Reserves						
	Share capital	Capital reserve	Statutory reserve	Translation reserve	Accumulated profits	Total	Non-controlling interests	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 23(a))	*(Note 24(a))*	*(Note 24(b))*	*(Note 24(c))*				
At 1 January 2021	—	76,240	9,993	—	82,145	168,378	—	168,378
Profit and total comprehensive income for the year	—	—	—	—	78,417	78,417	—	78,417
Transactions with owners:								
Contributions and distributions								
Capital contribution made by the Investors on Jilin Kaishun *(Note 24(a)(iii))*	—	31,110	—	—	—	31,110	—	31,110
Dividends *(Note 12)*	—	—	—	—	(136,959)	(136,959)	—	(136,959)
Appropriation to statutory reserve	—	—	8,112	—	(8,112)	—	—	—
Total transactions with owners	—	31,110	8,112	—	(145,071)	(105,849)	—	(105,849)
At 31 December 2021	—	107,350	18,105	—	15,491	140,946	—	140,946
Unaudited								
At 1 January 2021	—	76,240	9,993	—	82,145	168,378	—	168,378
Profit and total comprehensive income for the period	—	—	—	—	62,150	62,150	—	62,150
Transactions with owners:								
Contributions and distributions								
Dividends *(Note 12)*	—	—	—	—	(136,959)	(136,959)	—	(136,959)
Appropriation to statutory reserve	—	—	6,568	—	(6,568)	—	—	—
Total transactions with owners	—	—	6,568	—	(143,527)	(136,959)	—	(136,959)
At 30 September 2021	—	76,240	16,561	—	768	93,569	—	93,569

	Attributable to owners of the Company							
		Reserves						
	Share capital	Capital reserve	Statutory reserve	Translation reserve	Accumulated profits	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Note 23(a))	(Note 24(a))	(Note 24(b))	(Note 24(c))				
At 1 January 2022	—	107,350	18,105	—	15,491	140,946	—	140,946
Profit for the period	—	—	—	—	45,178	45,178	318	45,496
Other comprehensive loss:								
Item that will not be reclassified to profit or loss								
Translation of the Company's financial statement into presentation currency	—	—	—	(4)	—	(4)	—	(4)
Item that may be reclassified subsequently to profit or loss								
Exchange difference on consolidation/combination	—	—	—	(393)	—	(393)	—	(393)
Total comprehensive income for the period	—	—	—	(397)	45,178	44,781	318	45,099
Transactions with owners:								
Contributions and distributions								
Capital contribution made by the Investors on Jilin Kaishun *(Note 24(a)(iii))*	—	3,600	—	—	—	3,600	—	3,600
Issue of share capital	8	—	—	—	—	8	—	8
Payment for acquisition of Yizheng Juxinyuan under the Reorganisation *(as defined in Note 1) (Note 24 (a)(iv))*	—	(3,240)	—	—	—	(3,240)	—	(3,240)
Appropriation to statutory reserve	—	—	5,572	—	(5,572)	—	—	—
	8	360	5,572	—	(5,572)	368	—	368
Change in ownership interests								
Change in ownership interests in subsidiaries without change in control which arising from the Reorganisation *(Note 25)*	—	—	—	—	(1,686)	(1,686)	1,686	—
Total transactions with owners	8	360	5,572	—	(7,258)	(1,318)	1,686	368
At 30 September 2022	8	107,710	23,677	(397)	53,411	184,409	2,004	186,413

COMBINED STATEMENTS OF CASH FLOWS

	Year ended 31 December			Nine months ended 30 September	
	2019	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
OPERATING ACTIVITIES					
Profit before tax	31,567	57,114	91,977	72,830	54,903
Adjustments for:					
Amortisation	—	—	—	—	7
Depreciation	3,352	3,767	4,631	3,129	7,991
Finance costs	2,166	2,853	3,429	2,654	2,451
Interest income	(70)	(144)	(193)	(151)	(225)
Release of assets related government grants	(204)	(489)	(489)	(368)	(368)
Loss (Gain) on disposal of property, plant and equipment, net	—	—	178	—	(1)
Provision for loss allowance of trade receivables, net	1	28	220	168	21
Operating cash inflows before movements in working capital	36,812	63,129	99,753	78,262	64,779
Changes in working capital:					
Inventories	(1,354)	(763)	17,659	5,090	(19,613)
Trade and other receivables	(13,699)	(5,130)	(16,043)	3,125	(6,067)
Trade and other payables	(12,293)	(907)	19,514	9,890	(1,670)
Cash generated from operations	9,466	56,329	120,883	96,367	37,429
Income tax paid	(4,229)	(7,154)	(12,768)	(9,543)	(8,569)
Net cash from operating activities	5,237	49,175	108,115	86,824	28,860
INVESTING ACTIVITIES					
Interest received	70	144	193	151	225
Payment for purchase of property, plant and equipment	(3,593)	(820)	(1,270)	(753)	(30,214)
Payment for acquisition of intangible assets	—	—	—	—	(100)
Payment for acquisition of right-of-use assets	(98)	(214)	—	—	—
Deposits paid for acquisition of property, plant and equipment	(208)	(4,310)	(400)	—	—
Proceeds from disposal of property, plant and equipment	—	—	56	—	5
Net cash used in investing activities	(3,829)	(5,200)	(1,421)	(602)	(30,084)
FINANCING ACTIVITIES					
Inception of interest-bearing borrowings	57,000	47,143	42,000	40,000	41,906
Repayment of interest-bearing borrowings	(54,000)	(32,067)	(46,580)	(42,076)	(43,000)
Advance from **[REDACTED]** Investors *(Note 18(c))*	—	—	—	—	4,905
Interest paid	(1,967)	(3,052)	(3,311)	(2,654)	(2,451)
Issue of share capital	—	—	—	—	8
Capital contribution made by the then shareholders/the Investors on subsidiaries *(Note 24(a)(iii))*	124	8,051	31,110	—	3,600
Payment for acquisition of Yizheng Juxinyuan under the Reorganisation *(Note 24(a)(iv))*	—	—	—	—	(3,240)
Dividends paid	—	—	(136,959)	(136,959)	—
Repayment of lease liabilities	(144)	(200)	(421)	(315)	(4,010)
Net cash from (used in) financing activities	1,013	19,875	(114,161)	(142,004)	(2,282)
Net increase (decrease) in cash and cash equivalents	2,421	63,850	(7,467)	(55,782)	(3,506)
Cash and cash equivalents at the beginning of the reporting period	31,624	34,045	97,895	97,895	90,428
Cash and cash equivalents at the end of the reporting period, represented by bank balances and cash	34,045	97,895	90,428	42,113	86,922

NOTES TO THE HISTORICAL FINANCIAL INFORMATION OF THE GROUP

1. GENERAL INFORMATION AND REORGANISATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 21 January 2022. The address of the Company's registered office is 89 Nexus Way, Camana Bay, Grand Cayman, KY1-9009, Cayman Islands. The Company's principal place of business is situated at Unit B, 13/F., Winsan Tower, 98 Thomson Road, Wan Chai, Hong Kong and the Group's headquarter is situated at No. 3, Jing'Er Road, Kalun Industrial South Region, Jiutai Economics Development Zone, Changchun City, Jilin Province, the People's Republic of China (the "**PRC**").

The principal activity of the Company is investment holding and the Group is principally engaged in development and manufacture of biodegradable plastic products and non-biodegradable automobile plastic parts in the PRC.

At the date of this report, in the opinion of the directors of the Company, the ultimate controlling parties are Ms. Zhang Yuqiu and Mr. Shan Yuzhu (together the "**Ultimate Controlling Parties**").

Pursuant to a group reorganisation (the "**Reorganisation**"), which was completed on 2 June 2022, as detailed in the paragraph headed "Reorganisation" of the section headed "History, Reorganisation and Group Structure" of the Document issued in connection with the Initial **[REDACTED]** on the Main Board of the Stock Exchange, the Company became the holding company of the entities now comprising the Group.

At the date of this report, the particulars of the Company's subsidiaries, which are private limited liability companies, of which the Company has direct or indirect interests, are as follows:

Name of subsidiary	Place of incorporation/ establishment	Date of incorporation/ establishment	Issued/paid up capital	Attributable equity interest held by the Company	Principal activities/place of operation
Directly held					
Tianshun International New Material Group Holdings Limited ("**Tianshun International BVI**") *(Note i)*	The British Virgin Islands (the "**BVI**")	1 February 2022	United States dollar ("**US$**") 1	100%	Investment holding/The BVI

Name of subsidiary	Place of incorporation/ establishment	Date of incorporation/ establishment	Issued/paid up capital	Attributable equity interest held by the Company	Principal activities/place of operation
Lvshui Technology Group Co., Ltd. ("**Lvshui Technology**") *(Note i)*. . .	The BVI	21 October 2021	US$1	100%	Investment holding/The BVI
Indirectly held					
HK Tianshun International Environmental Protection Technology Group Co., Limited ("**Tianshun International HK**") *(Note ii)*	Hong Kong	1 March 2022	Hong Kong dollar ("**HK$**") 1	100%	Investment holding/Hong Kong
Green Environmental Protection Technology Hong Kong Group Co., Limited ("**Green Environmental HK**") *(Note ii)*	Hong Kong	29 October 2021	HK$1	100%	Investment holding/Hong Kong
吉林省邁盛新材料有限公司 Jilin Province Maisheng New Material Co., Ltd. ("**Jilin Maisheng**") *(Notes ii & iii)*.	The PRC	15 April 2022	RMB1,000,000	100%	Technical consultation for resources recycling application services (other than projects requiring approvals in accordance with the relevant law)/The PRC
長春廣科科技有限公司 Changchun Guangke Technology Co., Ltd. ("**Changchun Guangke**") *(Notes ii & iii)*.	The PRC	17 April 2022	RMB1,010,101.01	99%	Technical consultation for resources recycling application services (other than projects requiring approvals in accordance with the relevant law)/The PRC

Name of subsidiary	Place of incorporation/ establishment	Date of incorporation/ establishment	Issued/paid up capital	Attributable equity interest held by the Company	Principal activities/place of operation
吉林省開順新材料有限公司 Jilin Province Kaishun New Material Co., Ltd. ("**Jilin Kaishun**") *(Note iii)*	The PRC	7 March 2014	RMB77,623,941.71	99.01%	Development and manufacture of biodegradable plastic products and non-biodegradable automobile plastic parts/The PRC
吉林省開順新材料有限公司 — 分公司 Jilin Province Kaishun New Material Co., Ltd. — branch company ("**Jilin Kaishun Branch**") *(Notes ii & iii)* .	The PRC	19 October 2021	N/A	99.01%	Manufacture of biodegradable plastic products/The PRC
儀徵市聚鑫源生物科技有限公司 Yizheng City Juxinyuan Biotechnology Co., Ltd. ("**Yizheng Juxinyuan**") *(Note iii)* . .	The PRC	28 February 2017	RMB10,000,000	99.01%	Trading of biodegradable packing materials/The PRC

The financial statements, as prepared in accordance with respective local financial reporting standards, of the Company's subsidiaries that fall into the Track Record Period have been audited as follows:

Subsidiary	Financial period	Auditors
Jilin Kaishun	Years ended 31 December 2019, 2020 and 2021	吉林仁和會計師事務所有限責任公司 (Jilin Renhe Certified Public Accountants Co., Ltd.) *(Note iii)*
Yizheng Juxinyuan	Years ended 31 December 2019, 2020 and 2021	吉林仁和會計師事務所有限責任公司 (Jilin Renhe Certified Public Accountants Co., Ltd.) *(Note iii)*

Notes:

(i) No statutory audited financial statements have been prepared by Tianshun International BVI and Lvshui Technology for the period from its date of incorporation to the date of this report as it is not required to issue audited financial statements under the statutory requirements of the BVI.

(ii) No statutory audited financial statements have been prepared for Tianshun International HK, Green Environmental HK, Jilin Kaishun Branch, Jilin Maisheng and Changchun Guangke as they are newly incorporated and their first set of statutory audited financial statements are not yet due for issuance.

(iii) The English names of the above companies/auditors represent the best effort made by the directors of the Company to translate the Chinese name as its name has not been registered officially in English.

2. BASIS OF PREPARATION AND PRESENTATION OF THE HISTORICAL FINANCIAL INFORMATION

Immediately prior to and after the Reorganisation, the Company and its subsidiaries now comprising the Group are under common control of the Ultimate Controlling Parties. The Group's business is mainly conducted through Jilin Kaishun and Yizheng Juxinyuan while the Company and other entities within the Group have not been involved in any other significant activities prior to the Reorganisation except for the reorganisation and certain fund raising activities. As the Reorganisation did not result in any change in the ultimate control of and the resources employed by the Group's business, the Group is regarded as a continuity entity and, therefore, the Reorganisation is considered to be a restructuring of entities and business under common control.

Accordingly, for the purpose of this report, the Historical Financial Information has been prepared on a combined basis under merger accounting principles, as further explained in the paragraph headed "Merger accounting for business combination involving entities under common control" in Note 3, which presents the combined financial position, combined financial performance, combined changes in equity and combined cash flows of the entities now comprising the Group as if the current group structure had always been in existence throughout the Track Record Period or since their respective date of establishment or incorporation, where applicable, except for an aggregate of 1% registered capital subscribed in Changchun Guangke by Ms. Zhang Yuqiu, Mr. Shan Yuzhu, Mr. Li Xiquan, executive directors of the Company, Mr. Chen Guobin and Mr. Lu Changdong was completed on 20 April 2022 as disclosed in Note 25.

The Historical Financial Information has been prepared based on the accounting policies set out in Note 3 which conforms with IFRSs issued by the IASB.

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The Historical Financial Information has been prepared in accordance with IFRSs issued by the IASB, which collective term includes all applicable individual IFRSs, International Accounting Standards ("**IASs**") and Interpretations issued by the IASB. The Historical Financial Information also complies with the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange.

The IASB has issued a number of new/revised IFRSs during the Track Record Period. For the purpose of the preparation of the Historical Financial Information, the Group has consistently adopted all those new/revised IFRSs that are relevant to its operations and are effective throughout the Track Record Period. The adoption of those new/revised IFRSs does not have any significant impact on the Historical Financial Information.

A summary of significant accounting policies adopted by the Group in preparing the Historical Financial Information is set out below.

Basis of measurement

The measurement basis used in the preparation of the Historical Financial Information is the historical cost basis.

Basis of combinations

The Historical Financial Information comprises the financial statements of the Company and all of its subsidiaries for the Track Record Period. The financial statements of the subsidiaries are prepared for the same reporting period as that of the Company using consistent accounting policies.

All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions are eliminated in full. The results of subsidiaries are combined from the date on which the Group obtains control and continue to be combined until the date that such control ceases.

Non-controlling interests are presented, separately from owners of the Company, in the combined statements of profit or loss and other comprehensive income and within equity in the combined statements of financial position. The non-controlling interests in the acquiree, that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in event of liquidation, are measured initially either at fair value or at the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets. This choice of measurement basis is made on an acquisition-by-acquisition basis. Other types of non-controlling interests are initially measured at fair value, unless another measurement basis is required by IFRSs.

Allocation of total comprehensive income

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income is attributed to the owners of the Company and the non-controlling interest even if this results in the non-controlling interest having a deficit balance.

Changes in ownership interest

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest determined at the date when control is lost and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests at the date when control is lost. The amounts previously recognised in other comprehensive income in relation to the disposed subsidiary are accounted for on the same basis as would be required if the parent had directly disposed of the related assets or liabilities. Any investment retained in the former subsidiary and any amounts owed by or to the former subsidiary are accounted for as a financial asset, associate, joint venture or others as appropriate from the date when control is lost.

Merger accounting for business combination involving entities under common control

The Historical Financial Information incorporates the financial statements of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the Ultimate Controlling Parties.

The net assets of the combining entities or businesses are combined using the existing carrying values. No amount is recognised as consideration for goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the Ultimate Controlling Parties' interest. All differences between the cost of acquisition (fair value of consideration paid) and the amounts at which the assets and liabilities, arising from the

Reorganisation, are recognised directly in equity as part of the capital reserve. The combined statements of profit or loss and other comprehensive income include the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

Transaction costs, including professional fees, registration fees, costs of furnishing information to shareholders, costs or losses incurred in combining operations of the previously separate businesses, etc., incurred in relation to the common control combination that is to be accounted for by using merger accounting, are recognised as an expense in the period in which they are incurred.

Subsidiaries

A subsidiary is an entity that is controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the elements of control.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment loss, if any. The carrying amounts of the investments are reduced to its recoverable amounts on an individual basis, if it is higher than the recoverable amount. The results of the subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to the working condition and location for its intended use. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Construction in progress represents buildings under construction and is stated at cost less accumulated impairment losses (if any). Costs includes the costs of construction and acquisition and capitalised borrowing costs (if any). No provision for depreciation is made on construction in progress until such time as the relevant assets are completed and ready for intended use. When the assets concerned are available for use, the costs are transferred to the respective categories of property, plant and equipment and depreciated in accordance with the policy as stated below.

Depreciation is provided to write off the cost less accumulated impairment losses of property, plant and equipment, other than construction in progress, over their estimated useful lives as set out below from the date on which they are available for use and after taking into account their estimated residual values, using the straight-line method. Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis and depreciated separately:

Buildings	20 years
Leasehold improvements	10 years
Plant and machinery	10 years
Furniture, fixtures and office equipment	5 years
Motor vehicles	5 years

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the period in which the item is derecognised.

Intangible assets

Acquired patents

The initial cost of acquired patents is capitalised. Patents with indefinite useful lives are carried at cost less accumulated impairment losses. Patents with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is provided on the straight-line basis over their estimated useful lives of 10 years with reference to the estimated periods that the Group intends to derive future economic benefits from the use of the patent and the expectation of technological or commercial obsolescence of the patent.

Research and development costs

Research costs are expensed as incurred. Costs incurred on development activities, which involve the application of research findings to a plan or design for the production of new or substantially improved products and processes, are capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources to complete the development. The expenditure for capitalisation includes the cost of materials, direct labour and an appropriate proportion of overheads and outsourcing costs. Other development expenditure is recognised in profit or loss as an expense as incurred. When the asset is available for use, the capitalised development costs are amortised on a straight-line basis over their estimated useful lives.

During the Track Record Period, no development cost was capitalised by the Group.

Financial instruments

Financial assets

Recognition and derecognition

Financial assets are recognised when and only when the Group becomes a party to the contractual provisions of the instruments and on a trade date basis.

A financial asset is derecognised when and only when (i) the Group's contractual rights to future cash flows from the financial asset expire or (ii) the Group transfers the financial asset and either (a) it transfers substantially all the risks and rewards of ownership of the financial asset, or (b) it neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset but it does not retain control of the financial asset.

If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises the financial asset to the extent of its continuing involvement and an associated liability for amounts it may have to pay.

Financial assets (except for trade receivables without a significant financing component which are initially measured at their transaction price) are initially recognised at their fair value plus, in the case of financial assets not carried at fair value through profit or loss ("**FVPL**"), transaction costs that are directly attributable to the acquisition of the financial assets. Such trade receivables are initially measured at their transaction price.

On initial recognition, a financial asset is classified as (i) measured at amortised cost; (ii) debt investment measured at fair value through other comprehensive income ("**FVOCI**"); (iii) equity investment measured at FVOCI; or (iv) measured at FVPL.

The classification of financial assets at initial recognition depends on the Group's business model for managing the financial assets and the financial asset's contractual cash flow characteristics. Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing them, in which case all affected financial assets are reclassified on the first day of the first annual reporting period following the change in the business model.

Financial assets measured at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as FVPL:

(i) it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

(ii) its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses arising from impairment, derecognition or through the amortisation process are recognised in profit or loss.

The Group's financial assets at amortised cost include trade and other receivables and bank balances and cash.

Financial liabilities

Recognition and derecognition

Financial liabilities are recognised when and only when the Group becomes a party to the contractual provisions of the instruments.

A financial liability is derecognised when and only when the liability is extinguished, that is, when the obligation specified in the relevant contract is discharged, cancelled or expired.

Classification and measurement

Financial liabilities are initially recognised at their fair value plus, in the case of financial liabilities not carried at FVPL, transaction costs that are directly attributable to the issue of the financial liabilities.

The Group's financial liabilities include trade and other payables, interest-bearing borrowings and lease liabilities. All financial liabilities, except for financial liabilities at FVPL, are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method, unless the effect of discounting would be insignificant, in which case they are stated at cost.

Impairment of financial assets

The Group recognises loss allowances for expected credit losses ("**ECL**") on financial assets that are measured at amortised cost. Except for the specific treatments as detailed below, at each reporting date, the Group measures a loss allowance for a financial asset at an amount equal to the lifetime ECL if the credit risk on that financial asset has increased significantly since initial recognition. If the credit risk on a financial asset has not increased significantly since initial recognition, the Group measures the loss allowance for that financial asset at an amount equal to 12-month ECL.

Measurement of ECL

ECL is a probability-weighted estimate of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the financial instrument.

For financial assets, a credit loss is the present value of the difference between the contractual cash flows that are due to an entity under the contract and the cash flows that the entity expects to receive.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of a financial instrument while 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Where ECL is measured on a collective basis, the financial instruments are grouped based on the following one or more shared credit risk characteristics:

(i) past due information;

(ii) nature of financial instruments;

(iii) nature of collateral (if any);

(iv) industry of debtors;

(v) geographical location of debtors; and

(vi) external credit risk ratings.

Loss allowance is remeasured at each reporting date to reflect changes in the financial instrument's credit risk and loss since initial recognition. The resulting changes in the loss allowance are recognised as an impairment gain or loss in profit or loss with a corresponding adjustment to the carrying amount of the financial instrument.

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that the Group may not receive the outstanding contractual amounts in full if the financial asset that meets any of the following criteria:

(i) information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group); or

(ii) there is a breach of financial covenants by the counterparty.

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Assessment of significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. In particular, the following information is taken into account in the assessment:

- the debtor's failure to make payments of principal or interest on the due dates;
- an actual or expected significant deterioration in the financial instrument's external or internal credit rating (if available);

- an actual or expected significant deterioration in the operating results of the debtor; and/or

- actual or expected changes in the technological, market, economic or legal environment that have or may have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial instrument has increased significantly since initial recognition when contractual payments are more than 30 days past due.

Notwithstanding the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date.

Low credit risk

A financial instrument is determined to have low credit risk if:

(i) it has a low risk of default;

(ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term; and

(iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group's bank balances and cash are determined to have low credit risk.

Simplified approach of ECL

For trade receivables without a significant financing component or otherwise for which the Group applies the practical expedient not to account for the significant financing components, the Group applies a simplified approach in calculating ECL. The Group recognises a loss allowance based on lifetime ECL at each reporting date and has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Credit-impaired financial asset

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;

(e) the disappearance of an active market for that financial asset because of financial difficulties; or

(f) the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

Write-off

The Group writes off a financial asset when the Group has no reasonable expectations of recovering the contractual cash flows on a financial asset in its entirety or a portion thereof. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities under the Group's procedures for recovery of amounts due, taking into account legal advice, if appropriate. Any subsequent recovery is recognised in profit or loss.

Cash equivalents

For the purpose of the combined statements of cash flows, cash equivalents represent short-term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

Revenue recognition

Revenue from contracts with customers within IFRS 15

Nature of goods or services

The nature of the goods or services provided by the Group is development and manufacture of biodegradable plastic products and non-biodegradable automobile plastic parts in the PRC.

Identification of performance obligations

At contract inception, the Group assesses the goods or services promised in a contract with a customer and identifies as a performance obligation each promise to transfer to the customer either:

(a) a good or service (or a bundle of goods or services) that is distinct; or

(b) a series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer.

A good or service that is promised to a customer is distinct if both of the following criteria are met:

(a) the customer can benefit from the good or service either on its own or together with other resources that are readily available to the customer (i.e. the good or service is capable of being distinct); and

(b) the Group's promise to transfer the good or service to the customer is separately identifiable from other promises in the contract (i.e. the promise to transfer the good or service is distinct within the context of the contract).

Timing of revenue recognition

Revenue is recognised when (or as) the Group satisfies a performance obligation by transferring a promised good or service (i.e. an asset) to a customer. An asset is transferred when (or as) the customer obtains control of that asset.

The Group transfers control of a good or service over time and, therefore, satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met:

(a) the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

(b) the Group's performance creates or enhances an asset (for example, work in progress) that the customer controls as the asset is created or enhanced; or

(c) the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If a performance obligation is not satisfied over time, the Group satisfies the performance obligation at a point in time when the customer obtains control of the promised asset. In determining when the transfer of control occurs, the Group considers the concept of control and such indicators as legal title, physical possession, right to payment, significant risks and rewards of ownership of the asset, and customer acceptance.

Revenue from development and manufacture of biodegradable plastic products and non-biodegradable automobile plastic parts is recognised at a point in time at which the customer obtains the control of the promised asset, which generally coincides with the time when the goods are delivered to customers and the title is passed.

Transaction price: significant financing components

When the contract contains a significant financing component (i.e. the customer or the Group is provided with a significant benefit of financing the transfer of goods or services to the customer), in determining the transaction price, the Group adjusts the promised consideration for the effects of the time value of money. The effect of the significant financing component is recognised as an interest income or interest expense separately from revenue from contracts with customers in profit or loss.

The Group determines the interest rate that is commensurate with the rate that would be reflected in a separate financing transaction between the Group and its customer at contract inception by reference to, where appropriate, the interest rate implicit in the contract (i.e. the interest rate that discounts the cash selling price of the goods or services to the amount paid in advance or arrears), the prevailing market interest rates, the Group's borrowing rates and other relevant creditworthiness information of the customer of the Group.

The Group has applied the practical expedient in paragraph 63 of IFRS 15 and does not adjust the consideration for the effect of the significant financing component if the period of financing is one year or less.

Interest income

Interest income from financial assets is recognised using the effective interest method. For financial assets measured at amortised cost that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the assets while it is applied to the amortised cost (i.e. the gross carrying amount net of loss allowance) in case of credit-impaired financial assets.

Contract assets and contract liabilities

If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, the contract is presented as a contract asset, excluding any amounts presented as a receivable. Conversely, if a customer pays consideration, or the Group has a right to an amount of consideration that is unconditional, before the Group transfers a good or service to the customer, the contract is presented as a contract liability when the payment is made or the payment is due (whichever is earlier). A receivable is the Group's right to consideration that is unconditional or only the passage of time is required before payment of that consideration is due.

For a single contract or a single set of related contracts, either a net contract asset or a net contract liability is presented. Contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

The Group receives payments from the customer which are largely in line with the timing of revenue recognition and no significant contract assets are recognised. Contract liabilities in relation to refundable receipts in advance are recognised under "Other payables".

Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "**functional currency**"). The Company's functional currency is HK$ and majority of its subsidiaries have RMB as their functional currency. The Historical Financial Information is presented in RMB and rounded to the nearest thousands unless otherwise indicated, which is the Group's presentation currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

The results and financial position of all the group entities that have a functional currency different from the presentation currency ("**foreign operations**") are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the end of the reporting period;

- income and expenses for each statement of profit or loss and other comprehensive income are translated at average exchange rate;

- all resulting exchange differences arising from the above translation and exchange differences arising from a monetary item that forms part of the Group's net investment in a foreign operation are recognised as a separate component of equity;

- on the disposal of a foreign operation, which includes a disposal of the Group's entire interest in a foreign operation and a disposal involving the loss of control over a subsidiary that includes a foreign operation, the cumulative amount of the exchange differences relating to the foreign operation that is recognised in other comprehensive income and accumulated in the separate component of equity is reclassified from equity to profit or loss when the gain or loss on disposal is recognised; and

- on the partial disposal of the Group's interest in a subsidiary that includes a foreign operation which does not result in the Group losing control over the subsidiary, the proportionate share of the cumulative amount of the exchange differences recognised in the separate component of equity is re-attributed to the non-controlling interests in that foreign operation and are not reclassified to profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, which comprises all costs of purchase and, where applicable, other costs that have been incurred in bringing the inventories to their present location and condition, is calculated using the weighted average method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period of the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Impairment of other assets

At the end of each reporting period, the Group reviews internal and external sources of information to assess whether there is any indication that the Group's intangible assets, property, plant and equipment, right-of-use assets and the Company's investments in subsidiaries may be impaired or impairment loss previously recognised no longer exists or may be reduced. If any such indication exists, the recoverable amount of the asset is estimated, based on the higher of its fair value less costs of disposal and value in use. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the smallest group of assets that generates cash flows independently (i.e. cash-generating unit).

If the recoverable amount of an asset or a cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. Impairment losses are recognised as an expense in profit or loss immediately.

A reversal of impairment loss is limited to the carrying amount of the asset or cash-generating unit that would have been determined had no impairment loss been recognised in prior periods. Reversal of impairment loss is recognised as income in profit or loss immediately.

Borrowing costs

Borrowing costs incurred, net of any investment income on the temporary investment of the specific borrowings, that are directly attributable to the acquisition, construction or production of qualifying assets, i.e. assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised as an expense in the period in which they are incurred.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, the fair value credited to a deferred income account and is released to profit or loss on a systematic basis over the expected useful life of the relevant asset.

Leases

The Group assesses whether a contract is, or contains, a lease at inception of the contract. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group as lessee

The Group applies the recognition exemption to short-term leases and low-value asset leases. Lease payments associated with these leases are recognised as an expense on a straight-line basis over the lease term.

The Group has elected not to separate non-lease components from lease components, and accounts for each lease component and any associated non-lease components as a single lease component.

The Group accounts for each lease component within a lease contract as a lease separately. The Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and, where applicable, the aggregate stand-alone price of the non-lease components.

Amounts payable by the Group that do not give rise to a separate component are considered to be part of the total consideration that is allocated to the separately identified components of the contract.

The Group recognises a right-of-use asset and a lease liability at the commencement date of the lease.

The right-of-use asset is initially measured at cost, which comprises

(a) the amount of the initial measurement of the lease liability;

(b) any lease payments made at or before the commencement date, less any lease incentives received;

(c) any initial direct costs incurred by the Group; and

(d) an estimate of costs to be incurred by the Group in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Subsequently, the right-of-use asset is measured at cost less any accumulated depreciation and any accumulated impairment losses and adjusted for any remeasurement of the lease liability. Depreciation is provided on a straight-line basis over the shorter of the lease term and the estimated useful lives of the right-of-use asset (unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or if the cost of the right-of-use asset reflects that the Group will exercise a purchase option — in which case depreciation is provided over the estimated useful life of the underlying asset) as follows:

Leasehold land	Over the unexpired term of lease
Leased properties	Over the unexpired term of lease
Motor vehicles	5 years

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date of the contract.

The lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

(a) fixed payments (including in-substance fixed payments), less any lease incentives receivable;

(b) variable lease payments that depend on an index or a rate;

(c) amounts expected to be payable under residual value guarantees;

(d) exercise price of a purchase option if the Group is reasonably certain to exercise that option; and

(e) payments of penalties for terminating the lease, if the lease term reflects the Group exercising an option to terminate the lease.

The lease payments are discounted using the interest rate implicit in the lease, or where it is not readily determinable, the incremental borrowing rate of the lessee.

Subsequently, the lease liability is measured by increasing the carrying amount to reflect interest on the lease liability and by reducing the carrying amount to reflect the lease payments made.

The lease liability is remeasured using a revised discount rate when there are changes to the lease payments arising from a change in the lease term or the reassessment of whether the Group will be reasonably certain to exercise a purchase option.

The lease liability is remeasured by using the original discount rate when there is a change in the residual value guarantee, the in-substance fixed lease payments or the future lease payments resulting from a change in an index or a rate (other than floating interest rate). In case of a change in future lease payments resulting from a change in floating interest rates, the Group remeasures the lease liability using a revised discount rate.

The Group recognises the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. If the carrying amount of the right-of-use asset is reduced to zero and there is a further reduction in the measurement of the lease liability, the Group recognises any remaining amount of the remeasurement in profit or loss.

A lease modification is accounted for as a separate lease if

(a) the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

(b) the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

When a lease modification is not accounted for as a separate lease, at the effective date of the lease modification,

(a) the Group allocates the consideration in the modified contract on the basis of relative stand-alone price as described above;

(b) the Group determines the lease term of the modified contract;

(c) the Group remeasures the lease liability by discounting the revised lease payments using a revised discount rate over the revised lease term;

(d) for lease modifications that decrease the scope of the lease, the Group accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease and recognising any gain or loss relating to the partial or full termination of the lease in profit or loss; and/or

(e) for all other lease modifications, the Group accounts for the remeasurement of the lease liability by making a corresponding adjustment to the right-of-use asset.

The Group has applied the practical expedient provided in Amendments to IFRS 16: *COVID-19-Related Rent Concessions beyond 30 June 2021* and does not assess whether eligible rent concessions occurring as a direct consequence of the COVID-19 pandemic are lease modification. The Group accounts for any change in lease payments resulting from the rent concession the same way it would account for the change applying IFRS 16 if the change was not a lease modification.

The practical expedient applies only to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions are met:

(a) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

(b) any reduction in lease payments affects only payments originally due on or before 30 June 2022; and

(c) there is no substantive change to other terms and conditions of the lease.

The Group has applied the practical expedient consistently to all eligible rent concessions with similar characteristics and in similar circumstances.

Employee benefits

Short term employee benefits

Salaries, bonuses, paid annual leave and the cost of non-monetary benefits are accrued in the period in which the associated services are rendered by employees.

Defined contribution plans

The obligations for contributions to defined contribution retirement scheme are recognised as an expense in profit or loss as incurred. The assets of the scheme are held separately from those of the Group in an independently administered fund.

In accordance with the rules and regulations in the PRC, the employees of the Group's entities established in the PRC are required to participate in defined contribution retirement plans organised by local governments. Contributions to these plans are expensed in profit or loss as incurred and other than these monthly contributions, the Group has no further obligation for the payment of retirement benefits to its employees.

Taxation

The charge for current income tax is based on the results for the period as adjusted for items that are non-assessable or disallowed. It is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax is provided, using the liability method, on all temporary differences at the end of each reporting period between the tax bases of assets and liabilities and their carrying amounts in the Historical Financial Information. However, any deferred tax arising from initial recognition of goodwill; or other asset or liability in a transaction other than a business combination that at the time of the transaction affects neither the accounting profit nor taxable profit or loss is not recognised.

The deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is recovered or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the end of each reporting period.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, tax losses and credits can be utilised.

Deferred tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary differences is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Related parties

A related party is a person or entity that is related to the Group, that is defined as:

(a) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a holding company of the Group.

(b) An entity is related to the Group if any of the following conditions applies:

(i) the entity and the Group are members of the same group (which means that each holding company, subsidiary and fellow subsidiary is related to the others);

(ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);

(iii) both entities are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a holding company of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to a holding company of the Group.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(a) that person's children and spouse or domestic partner;

(b) children of that person's spouse or domestic partner;

(c) dependants of that person or that person's spouse or domestic partner.

In the definition of a related party, an associate includes subsidiaries of the associate and a joint venture includes subsidiaries of the joint venture.

Segment reporting

Operating segments, and the amounts of each segment item reported in the Historical Financial Information, are identified from the financial information provided regularly to Group's most senior executive management for the purpose of allocating resources to, and assessing the performance of, the Group's various lines of business.

Individual material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products, the nature of production processes, the type or class of customers, the methods used to distribute the products, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

Critical accounting estimates and judgements

Estimates and assumptions concerning the future and judgements are made by the management of the Group in the preparation of the Historical Financial Information. They affect the application of the Group's accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. They are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances. Where appropriate, revisions to accounting estimates are recognised in the period of revision and future periods, in case the revision also affects future periods.

Key sources of estimation uncertainty

(i) Useful lives of property, plant and equipment, right-of-use assets and intangible assets

The management of the Group determines the estimated useful lives of the Group's property, plant and equipment, right-of-use assets and intangible assets based on the historical experience of the actual useful lives of the relevant assets of similar nature and functions. The estimated useful lives could be different as a result of technical innovations which could affect the related depreciation charges included in profit or loss.

(ii) Impairment of property, plant and equipment, right-of-use assets and intangible assets

The management of the Group determines whether the Group's property, plant and equipment, right-of-use assets and intangible assets are impaired when an indication of impairment exists. This requires an estimation of the recoverable amounts of the property, plant and equipment, right-of-use assets and intangible assets, which is equal to the higher of fair value less costs of disposal and value in use. Estimating the value in use requires the management to make an estimate of the expected future cash flows from the property, plant and equipment, right-of-use assets and intangible assets and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Any impairment will be charged to profit or loss.

(iii) Allowance for inventories

The management of the Group reviews the inventory ageing and subsequent sales/utilisation analysis periodically and where applicable, makes allowances for inventories that are identified as obsolete, slow-moving or no longer recoverable or suitable for use in production. The Group carries out the inventory review on a product-by-product basis and makes allowances at the end of each reporting period by reference to management's estimation of the net realisable value based on the latest market prices and current market conditions.

(iv) Loss allowance for ECL

The management of the Group estimates the loss allowance for trade and other receivables by using various inputs and assumptions including risk of a default and expected loss rate. The estimation involves high degree of uncertainty which is based on the Group's historical information, existing market conditions as well as forward-looking estimates at the end of each reporting period. Where the expectation is different from the original estimate, such difference will impact the carrying amount of trade and other receivables.

(v) Income taxes

Significant estimates are required in determining the provision for income taxes and deferred taxation. There are transactions and calculations for which the ultimate tax determination is uncertain where the final tax outcome of these matters may be different from the amounts that were initially recorded and such differences will affect the income tax and deferred tax provision in the period in which such determination is made.

Future changes in IFRSs

At the date of approving the Historical Financial Information, the IASB has issued the following new/revised IFRSs that are not yet effective for the Track Record Period, which the Group has not early adopted.

Amendments to IAS 1	Disclosure of Accounting Policies (1)
Amendments to IAS 8	Definition of Accounting Estimates (1)
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction (1)
IFRS 17	Insurance Contracts (1)
Amendment to IFRS 17	Initial Application of IFRS 17 and IFRS 9 — Comparative Information (1)
Amendments to IAS 1	Classification of Liabilities as Current or Non-current (2)
Amendments to IAS 1	Non-current Liabilities with Covenants (2)
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback(2)
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (3)

(1) Effective for annual periods beginning on or after 1 January 2023

(2) Effective for annual periods beginning on or after 1 January 2024

(3) The effective date to be determined

The management of the Group does not anticipate that the adoption of the new/revised IFRSs in future periods will have any material impact on the Group's combined financial information.

4. SEGMENT INFORMATION

Information reported to the executive directors of the Company, being identified as the chief operating decision makers ("**CODM**"), for the purposes of resource allocation and assessment of segment performance focuses on types of goods delivered. No operating segments identified by the CODM have been aggregated in arriving at the reportable operating segments of the Group.

Specifically, the Group's reportable and operating segments are as follows:

1) Development and manufacture of biodegradable plastic products.

2) Development and manufacture of non-biodegradable automobile plastic parts.

Segment revenue and results

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 3.

Segment revenue represents revenue derived from development and manufacture of biodegradable plastic products and non-biodegradable automobile plastic parts.

Segment results represent the gross profit reported by each segment without allocation of other income, selling and distribution expenses, administrative and other operating expenses, finance costs, **[REDACTED]** expenses and income tax expenses. This is the measure reported to the CODM of the Group for the purposes of resource allocation and performance assessment.

The segment information provided to the CODM of the Group for the reportable operating segments for the Track Record Period is as follows:

	Development and manufacture of biodegradable plastic products	Development and manufacture of non-biodegradable automobile plastic parts	Total
	RMB'000	*RMB'000*	*RMB'000*
Year ended 31 December 2019			
Segment revenue	97,200	5,500	102,700
Segment cost of sales	(57,285)	(3,806)	(61,091)
Segment results	39,915	1,694	41,609
Other income			1,144
Selling and distribution expenses			(1,143)
Administrative and other operating expenses			(7,877)
Finance costs			(2,166)
Profit before tax			31,567
Income tax expenses			(4,426)
Profit for the year			27,141
Other information			
Depreciation *(Note)*			
— Property, plant and equipment	996	365	1,361
— Right-of-use assets	66	—	66
(Reversal of) Provision for loss allowances on trade receivables, net	(1)	2	1

	Development and manufacture of biodegradable plastic products	Development and manufacture of non-biodegradable automobile plastic parts	Total
	RMB'000	*RMB'000*	*RMB'000*
Year ended 31 December 2020			
Segment revenue	150,068	16,654	166,722
Segment cost of sales	(88,021)	(8,564)	(96,585)
Segment results	62,047	8,090	70,137
Other income			1,066
Selling and distribution expenses			(894)
Administrative and other operating expenses			(10,342)
Finance costs			(2,853)
Profit before tax			57,114
Income tax expenses			(7,842)
Profit for the year			49,272
Other information			
Depreciation *(Note)*			
— Property, plant and equipment	1,021	712	1,733
— Right-of-use assets	66	—	66
Provision for loss allowances on trade receivables, net	25	3	28

	Development and manufacture of biodegradable plastic products	Development and manufacture of non-biodegradable automobile plastic parts	Total
	RMB'000	*RMB'000*	*RMB'000*
Year ended 31 December 2021			
Segment revenue	238,773	17,967	256,740
Segment cost of sales	(134,505)	(9,103)	(143,608)
Segment results	104,268	8,864	113,132
Other income			1,208
Selling and distribution expenses			(1,409)
Administrative and other operating expenses			(13,311)
Finance costs			(3,429)
[REDACTED] expenses			(4,214)
Profit before tax			91,977
Income tax expenses			(13,560)
Profit for the year			78,417
Other information			
Depreciation *(Note)*			
— Property, plant and equipment	1,034	769	1,803
— Right-of-use assets	66	—	66
Provision for loss allowances on trade receivables, net	205	15	220

	Development and manufacture of biodegradable plastic products	Development and manufacture of non-biodegradable automobile plastic parts	Total
	RMB'000	*RMB'000*	*RMB'000*
Nine months ended 30 September 2021 (Unaudited)			
Segment revenue	177,143	13,119	190,262
Segment cost of sales	(99,008)	(6,268)	(105,276)
Segment results	78,135	6,851	84,986
Other income			803
Selling and distribution expenses			(996)
Administrative and other operating expenses			(9,309)
Finance costs			(2,654)
Profit before tax			72,830
Income tax expenses			(10,680)
Profit for the period			62,150
Other information			
Depreciation *(Note)*			
— Property, plant and equipment	772	576	1,348
— Right-of-use assets	49	—	49
Provision for loss allowances on trade receivables, net	157	11	168

	Development and manufacture of biodegradable plastic products	Development and manufacture of non-biodegradable automobile plastic parts	Total
	RMB'000	*RMB'000*	*RMB'000*
Nine months ended 30 September 2022			
Segment revenue	198,872	15,239	214,111
Segment cost of sales	(119,362)	(8,764)	(128,126)
Segment results	79,510	6,475	85,985
Other income			594
Selling and distribution expenses			(3,589)
Administrative and other operating expenses			(13,484)
Finance costs			(2,451)
[REDACTED] expenses			(12,152)
Profit before tax			54,903
Income tax expenses			(9,407)
Profit for the period			45,496
Other information			
Amortisation of intangible assets	7	—	7
Depreciation *(Note)*			
— Property, plant and equipment	821	624	1,445
— Right-of-use assets	51	—	51
Provision for loss allowances on trade receivables, net	12	9	21

Note:

Unallocated depreciation of property, plant and equipment and right-of-use assets not included in other information during years ended 31 December 2019, 2020 and 2021 and the nine months ended 30 September 2021 and 2022 amounted to approximately RMB1,836,000, RMB1,857,000, RMB1,912,000, RMB1,514,000 and RMB2,362,000 and RMB89,000, RMB111,000, RMB850,000, RMB218,000 and RMB4,133,000, respectively.

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable and operating segments:

	Development and manufacture of biodegradable plastic products	Development and manufacture of non-biodegradable automobile plastic parts	Unallocated	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2019				
Assets				
Reportable segment assets	58,933	10,595	89,912	159,440
Liabilities				
Reportable segment liabilities	10,637	177	37,571	48,385
Other information				
Capital expenditures	218	3,259	490	3,967
At 31 December 2020				
Assets				
Reportable segment assets	64,966	13,713	152,793	231,472
Liabilities				
Reportable segment liabilities	8,207	273	54,614	63,094
Other information				
Capital expenditures	90	553	1,202	1,845
At 31 December 2021				
Assets				
Reportable segment assets	87,510	12,725	125,287	225,522
Liabilities				
Reportable segment liabilities	20,451	2,871	61,254	84,576
Other information				
Capital expenditures	443	460	7,093	7,996
At 30 September 2022				
Assets				
Reportable segment assets	111,475	10,087	175,290	296,852
Liabilities				
Reportable segment liabilities	14,532	487	95,420	110,439
Other information				
Capital expenditures	851	1,150	55,726	57,727

For the purposes of monitoring segment performance and allocating resources between segments:

- segment assets include deposits for acquisition of property, plant and equipment, inventories, trade receivables, certain property, plant and equipment, right-of-use assets, intangible assets and other receivables. Other assets are not allocated to operating segments as these assets are managed on a corporate basis; and

- segment liabilities include trade payables and certain other payables. Other liabilities are not allocated to operating segments as these liabilities are managed on a corporate basis.

Geographical information

The Company is an investment holding company and the principal place of the Group's operation is in the PRC. All of the Group's revenue from external customers during the Track Record Period is derived from the PRC and almost all of the Group's assets and liabilities are located in the PRC.

Information about major customers

Details of the customers (including entities under common control) individually accounting for 10% or more of total revenue of the Group during the Track Record Period are as follows:

	Year ended 31 December			Nine months ended 30 September	
	2019	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Development and manufacture of biodegradable plastic products					
Customer A	15,929	24,415	41,240	31,065	32,378
Customer B	12,381	26,795	37,807	27,534	26,982
Customer C	10,487	18,996	29,033	21,126	21,761

5. REVENUE

	Year ended 31 December			Nine months ended 30 September	
	2019	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Revenue from contracts with customers within IFRS 15					
At a point in time					
— Development and manufacture of biodegradable plastic products	97,200	150,068	238,773	177,143	198,872
— Development and manufacture of non-biodegradable automobile plastic parts	5,500	16,654	17,967	13,119	15,239
	102,700	166,722	256,740	190,262	214,111

The amounts of revenue recognised for the years ended 31 December 2019, 2020 and 2021 and the nine months ended 30 September 2021 and 2022 that were included in the contract liabilities in relation to refundable receipts in advance at the beginning of the respective reporting periods were approximately RMB263,000, RMB43,000, nil, nil and RMB386,000, respectively *(Note 18(b))*.

6. OTHER INCOME

	Year ended 31 December			Nine months ended 30 September	
	2019	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Interest income	70	144	193	151	225
Government grants *(Note)*	1,074	910	1,015	652	368
Gain on disposal of property, plant and equipment	—	—	—	—	1
Sundry income	—	12	—	—	—
	1,144	1,066	1,208	803	594

Note: Government grants represent various form of subsidies granted to the Group by the local government authorities in the PRC for compensation of expenses incurred by the Group. These grants are generally made for business supports and awarded to the Group on a discretionary basis. The Group received these government grants in respect of its investments in the PRC. Included in government grants, there were assets related grants of approximately RMB204,000, RMB489,000, RMB489,000, RMB368,000 and RMB368,000 for the years ended 31 December 2019, 2020 and 2021 and the nine months ended 30 September 2021 and 2022, respectively *(Note 22)*.

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

7. PROFIT BEFORE TAX

This is stated after charging (crediting):

	Year ended 31 December			Nine months ended 30 September	
	2019	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Finance costs					
Interest on interest-bearing borrowings	2,144	2,829	3,258	2,614	1,778
Interest on lease liabilities	22	24	171	40	673
	2,166	2,853	3,429	2,654	2,451
Staff costs (including directors' emoluments)					
Salaries, discretionary bonus, allowances and other benefits in kind	6,315	6,640	7,649	5,768	7,010
Contributions to defined contribution plans *(Note i)*	1,952	383	1,889	1,030	1,712
	8,267	7,023	9,538	6,798	8,722
Other items					
Cost of inventories *(Note ii)*	60,320	95,312	141,296	103,670	127,043
Auditor's remuneration	13	13	15	—	—
Amortisation of intangible assets (charged to "administrative and other operating expenses")	—	—	—	—	7
Depreciation of property, plant and equipment (charged to "cost of sales", "selling and distribution expenses" and "administrative and other operating expenses", as appropriate)	3,197	3,590	3,715	2,862	3,807
Depreciation of right-of-use assets (charged to "cost of sales" and "administrative and other operating expenses", as appropriate)	155	177	916	267	4,184
[REDACTED] expenses	—	—	4,214	—	12,152
Loss (Gain) on disposal of property, plant and equipment, net	—	—	178	—	(1)
Research and development expenses (charged to "administrative and other operating expenses") *(Note iii)*	4,540	7,568	9,707	7,207	7,163
Expenses recognised under short-term leases	—	—	18	—	110
Provision for loss allowance of trade receivables, net	1	28	220	168	21

Notes:

(i) To support the PRC entities under COVID-19, starting from February 2020 to December 2020, the relevant PRC government authorities have given certain temporary reliefs to entities incorporated in the PRC to be exempted from payment of certain amount of levies on the society security insurance.

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

	Year ended 31 December			Nine months ended 30 September	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Staff costs	5,652	4,866	6,589	4,817	6,116
Depreciation on:					
— Property, plant and equipment	2,316	2,701	2,774	2,412	3,248
— Right-of-use assets	—	—	561	18	1,682
	7,968	7,567	9,924	7,247	11,046

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

	Year ended 31 December			Nine months ended 30 September	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Staff costs	633	793	932	618	552
Depreciation on property, plant and equipment	83	83	83	69	293
	716	876	1,015	687	845

8. DIRECTORS' REMUNERATION

The Company was incorporated in the Cayman Islands on 21 January 2022. Mr. Shan Yuzhu was appointed as an executive director of the Company on 1 February 2022 and Ms. Zhang Yuqiu, Mr. Li Xiquan and Mr. Li Peng were appointed as executive directors of the Company on 16 May 2022. Mr. Ng Tat Fung, Dr. Sun Shulin and Dr. Lai King Yin were appointed as independent non-executive directors of the Company on [•].

Certain directors of the Company received remuneration from the entities now comprising the Group during the Track Record Period for their appointment as employees of these entities. The aggregate amounts of remuneration received and receivable by the directors of the Company during the Track Record Period are set out below.

Year ended 31 December 2019

	Directors' fees	Salaries, allowances and other benefits in kind	Discretionary bonus	Contributions to defined contribution plans	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors					
Ms. Zhang Yuqiu	—	93	—	27	120
Mr. Shan Yuzhu	—	120	—	34	154
Mr. Li Xiquan	—	—	—	—	—
Mr. Li Peng	—	60	—	17	77
	—	273	—	78	351

Year ended 31 December 2020

	Directors' fees	Salaries, allowances and other benefits in kind	Discretionary bonus	Contributions to defined contribution plans	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors					
Ms. Zhang Yuqiu	—	96	—	10	106
Mr. Shan Yuzhu	—	210	—	11	221
Mr. Li Xiquan	—	—	—	—	—
Mr. Li Peng	—	60	—	10	70
	—	366	—	31	397

Year ended 31 December 2021

	Directors' fees	Salaries, allowances and other benefits in kind	Discretionary bonus	Contributions to defined contribution plans	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors					
Ms. Zhang Yuqiu	—	96	—	24	120
Mr. Shan Yuzhu	—	387	—	46	433
Mr. Li Xiquan	—	64	—	16	80
Mr. Li Peng	—	60	—	15	75
	—	607	—	101	708

Nine months ended 30 September 2021 (Unaudited)

	Directors' fees	Salaries, allowances and other benefits in kind	Discretionary bonus	Contributions to defined contribution plans	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors					
Ms. Zhang Yuqiu	—	72	—	17	89
Mr. Shan Yuzhu	—	184	—	29	213
Mr. Li Xiquan	—	40	—	9	49
Mr. Li Peng	—	45	—	10	55
	—	341	—	65	406

Nine months ended 30 September 2022

	Directors' fees	Salaries, allowances and other benefits in kind	Discretionary bonus	Contributions to defined contribution plans	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors					
Ms. Zhang Yuqiu	—	77	—	17	94
Mr. Shan Yuzhu	—	272	—	29	301
Mr. Li Xiquan	—	77	—	17	94
Mr. Li Peng	—	48	—	11	59
	—	474	—	74	548

During the Track Record Period, no remuneration was paid by the Group to any of these directors as an inducement to join or upon joining the Group, or as a compensation for loss of office. There was no arrangement under which a director waived or agreed to waive any emoluments during the Track Record Period.

9. FIVE HIGHEST PAID INDIVIDUALS

An analysis of the five highest paid individuals during the Track Record Period is as follows:

	Number of individuals				
	Year ended 31 December			Nine months ended 30 September	
	2019	2020	2021	2021	2022
				(Unaudited)	
Director	2	2	2	2	3
Non-director	3	3	3	3	2
	5	5	5	5	5

Details of the remuneration of the above highest paid non-director individuals are as follows:

	Year ended 31 December			Nine months ended 30 September	
	2019	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Salaries, discretionary bonus, allowances and other benefits in kind	283	287	286	214	154
Contributions to defined contribution plans	81	31	70	50	35
	364	318	356	264	189

The number of these non-director individuals whose emoluments fell within the following emoluments band is as follows:

	Year ended 31 December			Nine months ended 30 September	
	2019	2020	2021	2021	2022
				(Unaudited)	
Nil to HK$1,000,000 (equivalent to approximately RMB820,000)	3	3	3	3	2

During the Track Record Period, no remuneration was paid by the Group to any of these highest paid non-director individuals as an inducement to join or upon joining the Group, or as a compensation for loss of office. There was no arrangement under which any of these highest paid non-director individuals waived or has agreed to waive any emoluments during the Track Record Period.

10. TAXATION

	Year ended 31 December			Nine months ended 30 September	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Current tax					
PRC enterprise income tax ("**PRC EIT**")	4,496	7,771	13,382	10,925	9,259
Deferred taxation *(Note 21)*					
Changes in temporary differences	(70)	71	178	(245)	148
Total income tax expenses for the year/period	4,426	7,842	13,560	10,680	9,407

The group entities established in the Cayman Islands and the BVI are exempted from corporate income tax therein.

No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in or derived from Hong Kong for the Track Record Period.

The Group's entities established in the PRC are subject to the PRC EIT at a statutory rate of 25% except for Jilin Kaishun which was recognised as High and New Technology Enterprise ("**HNTE**") and is entitled to a preferential tax rate of 15% during the Track Record Period. The entitlement of this tax benefit is subject to renewal by respective tax bureau in the PRC every three years. The latest approval for Jilin Kaishun enjoying this tax benefit was obtained in September 2021 for the three years ending 31 December 2024.

Reconciliation of income tax expenses

	Year ended 31 December			Nine months ended 30 September	
	2019	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Profit before tax	31,567	57,114	91,977	72,830	54,903
Income tax at statutory tax rate applicable in respective tax jurisdictions	7,892	14,279	22,994	18,476	13,725
Effect of preferential tax treatments	(3,211)	(5,731)	(9,210)	(7,475)	(5,676)
Non-deductible expenses	116	3	703	57	1,984
Additional tax deduction on research and development expenses	(466)	(757)	(957)	(396)	(734)
Unrecognised tax losses	95	48	30	18	108
Income tax expenses for the year/period	4,426	7,842	13,560	10,680	9,407

11. EARNINGS PER SHARE

No earnings per share information is presented as its inclusion, for the purpose of the Historical Financial Information, is not considered meaningful.

12. DIVIDENDS

	Year ended 31 December			Nine months ended 30 September	
	2019	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Dividends declared to the then equity owners of the entities now comprising the Group	—	—	136,959	136,959	—

No dividends per share information is presented as its inclusion, for the purpose of the Historical Financial Information, is not considered meaningful.

13. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Leasehold improvements	Plant and machinery	Furniture, fixtures and office equipment	Motor vehicles	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Reconciliation of carrying amount — year ended 31 December 2019							
At 1 January 2019	28,196	—	14,759	169	314	—	43,438
Additions	—	—	3,545	—	48	—	3,593
Depreciation	(1,527)	—	(1,579)	(19)	(72)	—	(3,197)
At 31 December 2019	26,669	—	16,725	150	290	—	43,834
Reconciliation of carrying amount — year ended 31 December 2020							
At 1 January 2020	26,669	—	16,725	150	290	—	43,834
Additions	—	—	820	—	—	—	820
Depreciation	(1,527)	—	(1,964)	(19)	(80)	—	(3,590)
At 31 December 2020	25,142	—	15,581	131	210	—	41,064
Reconciliation of carrying amount — year ended 31 December 2021							
At 1 January 2021	25,142	—	15,581	131	210	—	41,064
Additions	—	—	909	—	361	—	1,270
Disposals	—	—	(216)	—	(18)	—	(234)
Depreciation	(1,527)	—	(2,036)	(19)	(133)	—	(3,715)
At 31 December 2021	23,615	—	14,238	112	420	—	38,385
Reconciliation of carrying amount — nine months ended 30 September 2022							
At 1 January 2022	23,615	—	14,238	112	420	—	38,385
Additions	—	—	2,194	6	368	28,046	30,614
Transfer	—	28,046	—	—	—	(28,046)	—
Disposal	—	—	—	—	(4)	—	(4)
Depreciation	(1,145)	(888)	(1,628)	(15)	(131)	—	(3,807)
At 30 September 2022	22,470	27,158	14,804	103	653	—	65,188

	Buildings	Leasehold improvements	Plant and machinery	Furniture, fixtures and office equipment	Motor vehicles	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2019							
Cost	32,139	—	20,147	203	421	—	52,910
Accumulated depreciation	(5,470)	—	(3,422)	(53)	(131)	—	(9,076)
	26,669	—	16,725	150	290	—	43,834
At 31 December 2020							
Cost	32,139	—	20,967	203	421	—	53,730
Accumulated depreciation	(6,997)	—	(5,386)	(72)	(211)	—	(12,666)
	25,142	—	15,581	131	210	—	41,064
At 31 December 2021							
Cost	32,139	—	21,484	203	708	—	54,534
Accumulated depreciation	(8,524)	—	(7,246)	(91)	(288)	—	(16,149)
	23,615	—	14,238	112	420	—	38,385
At 30 September 2022							
Cost	32,139	28,046	23,678	209	1,050	—	85,122
Accumulated depreciation	(9,669)	(888)	(8,874)	(106)	(397)	—	(19,934)
	22,470	27,158	14,804	103	653	—	65,188

The Group's buildings with a total carrying amount of approximately RMB26,669,000, RMB25,142,000, RMB23,615,000 and RMB22,470,000 at 31 December 2019, 2020 and 2021 and 30 September 2022, respectively, and plant and machineries with a total carrying amount of approximately RMB4,332,000 at 31 December 2020, were pledged to secure banking facilities granted to the Group *(Note 19)*.

14. RIGHT-OF-USE ASSETS

	Leasehold land	Leased properties	Motor vehicles	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Reconciliation of carrying amount — year ended 31 December 2019				
At 1 January 2019	912	226	—	1,138
Additions	—	—	374	374
Depreciation	(24)	(66)	(65)	(155)
At 31 December 2019	888	160	309	1,357
Reconciliation of carrying amount — year ended 31 December 2020				
At 1 January 2020	888	160	309	1,357
Additions	—	—	1,025	1,025
Depreciation	(24)	(66)	(87)	(177)
At 31 December 2020	864	94	1,247	2,205
Reconciliation of carrying amount — year ended 31 December 2021				
At 1 January 2021	864	94	1,247	2,205
Additions	—	6,726	—	6,726
Depreciation	(24)	(626)	(266)	(916)
At 31 December 2021	840	6,194	981	8,015
Reconciliation of carrying amount — nine months ended 30 September 2022				
At 1 January 2022	840	6,194	981	8,015
Additions	—	27,013	—	27,013
Depreciation	(18)	(3,967)	(199)	(4,184)
At 30 September 2022	822	29,240	782	30,844

	Leasehold land	Leased properties	Motor vehicles	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2019				
Cost	973	292	374	1,639
Accumulated depreciation	(85)	(132)	(65)	(282)
	888	160	309	1,357
At 31 December 2020				
Cost	973	292	1,399	2,664
Accumulated depreciation	(109)	(198)	(152)	(459)
	864	94	1,247	2,205
At 31 December 2021				
Cost	973	7,018	1,399	9,390
Accumulated depreciation	(133)	(824)	(418)	(1,375)
	840	6,194	981	8,015
At 30 September 2022				
Cost	973	34,031	1,399	36,403
Accumulated depreciation	(151)	(4,791)	(617)	(5,559)
	822	29,240	782	30,844

The Group leases properties and motor vehicles for its daily operations and the lease terms are 3 years for each lease under the Track Record Period. The leasehold land represents lump sum consideration paid by the Group, which are with initial lease period of 41 years and there are no ongoing payments to be made under the terms of the land leases.

The Group's leasehold land with a total carrying amount of approximately RMB888,000, RMB864,000, RMB840,000 and RMB822,000 at 31 December 2019, 2020 and 2021 and 30 September 2022, respectively, were pledged to secure banking facilities granted to the Group *(Note 19)*.

The Group's motor vehicles with a total carrying amount of approximately RMB309,000, RMB1,247,000, RMB981,000 and RMB782,000 at 31 December 2019, 2020 and 2021 and 30 September 2022, respectively, were pledged to secure the lease liabilities *(Note 20)*.

Extension and termination options

The lease contracts of the leased property contain extension or termination options. These options aim to provide flexibility to the Group in managing the leased assets. The extension option of the leased property is normally exercised because the Group does not want to incur additional costs, such as leasehold improvements, while exercising the termination option is normally unusual unless the Group could replace the leased property without significant cost or acquisition of a new property. The Group seldom exercises options that were not included in the lease liabilities. During the years ended 31 December 2019, 2020 and 2021 and the nine months ended 30 September 2021 and 2022, the lease contract for the leased property contains an extension or termination option, in which the total lease payment made amounted to approximately RMB73,000, RMB73,000, RMB73,000, RMB31,000 and RMB31,000, representing the total cash outflows for lease during the Track Record Period.

Restriction or covenants

Except for the leasehold land, other leases of the Group impose a restriction that, unless approval is obtained from the lessor, the right-of-use assets can only be used by the Group and the Group is prohibited from selling or pledging the underlying assets. The Group is also required to keep those leased assets in a good state of repair and return the leased assets in their original condition at the end of the lease.

15. INTANGIBLE ASSETS

	Patents
	RMB'000
Reconciliation of carrying amount	
At 1 January 2019, 2020 and 2021 and 1 January 2022	—
Additions	100
Amortisation	(7)
At 30 September 2022	93
At 30 September 2022	
Cost	100
Accumulated amortisation	(7)
	93

Patents represent certain new technologies for the manufacture of biodegradable plastic products, which are capitalised and amortised (if applicable) in accordance with the accounting policies set out in Note 3.

16. INVENTORIES

	At 31 December			At 30 September
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Raw materials	12,963	10,925	6,650	26,971
Finished goods	17,913	20,714	7,330	6,622
	30,876	31,639	13,980	33,593

17. TRADE AND OTHER RECEIVABLES

		At 31 December			At 30 September
		2019	2020	2021	2022
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables					
From third parties		23,126	28,561	73,355	76,014
Less: Loss allowances	*28*	(116)	(144)	(364)	(385)
	17(a)	23,010	28,417	72,991	75,629
Other receivables					
Prepayments *(Note)*		—	—	—	3,610
Prepaid **[REDACTED]** expenses		—	—	257	185
Deposits paid to suppliers		100	—	—	—
Other deposits and receivables		300	216	334	186
Due from a related party	*17(b)*	176	55	—	—
Due from Jiyuan Biotechnology	*17(c)*	24,553	24,553	—	—
Value-added tax and other tax recoverable		—	—	—	18
		25,129	24,824	591	3,999
		48,139	53,241	73,582	79,628

Note: The amounts at 30 September 2022 mainly represent prepaid research and development expenses and prepaid repair and maintenance expenses.

17(a) Trade receivables

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

	At 31 December			At 30 September
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 30 days	9,075	14,200	20,451	31,386
31 to 60 days	9,381	13,160	26,181	30,988
61 to 90 days	4,311	871	26,216	13,255
Over 90 days	243	186	143	—
	23,010	28,417	72,991	75,629

At the end of each reporting period, the ageing analysis of the trade receivables, net of loss allowances, by due date is as follows:

	At 31 December			At 30 September
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Not yet due	22,767	28,231	72,848	75,629
Past due:				
61 to 90 days	243	186	143	—
	23,010	28,417	72,991	75,629

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

17(b) Due from a related party

The amount due was non-trade in nature, unsecured, interest-free and repayable on demand. The amount was fully settled during the year ended 31 December 2021.

	Year ended 31 December 2019		
	Greatest amount outstanding during the year	Balance at 31 December 2019	Balance at 1 January 2019
	RMB'000	*RMB'000*	*RMB'000*
Mr. Li Peng *(Note)*	176	176	—

	Year ended 31 December 2020		
	Greatest amount outstanding during the year	Balance at 31 December 2020	Balance at 1 January 2020
	RMB'000	*RMB'000*	*RMB'000*
Mr. Li Peng *(Note)*	176	55	176

	Year ended 31 December 2021		
	Greatest amount outstanding during the year	Balance at 31 December 2021	Balance at 1 January 2021
	RMB'000	*RMB'000*	*RMB'000*
Mr. Li Peng *(Note)*	55	—	55

Note: Mr. Li Peng is the executive director of the Company.

17(c) Due from Jiyuan Biotechnology

長春市吉源生物科技有限公司 (Changchun City Jiyuan Biotechnology Co., Ltd.* ("**Jiyuan Biotechnology**")) is a related company of the Group at 31 December 2020 upon the Ultimate Controlling Parties have acquired 70% and 30% equity interests of Jiyuan Biotechnology from Mr. Zhang Baoxian and Jiang Guifen, the parents of Ms. Zhang Yuqiu and parents-in-laws of Mr. Shan Yuzhu, respectively, on 3 September 2020.

On 9 September 2021, the Ultimate Controlling Parties have disposed 100% equity interests of Jiyuan Biotechnology to independent third parties (the "**2021 Disposal**"). Jiyuan Biotechnology is ceased to be a related party of the Group upon the completion of the 2021 Disposal.

The amount due is non-trade in nature, unsecured, interest-free and repayable on demand. No provision has been made for non-repayment of the amount due during the Track Record Period. The Group does not hold any collateral over this balance.

	Year ended 31 December 2019		
	Greatest amount outstanding during the year	**Balance at 31 December 2019**	**Balance at 1 January 2019**
	RMB'000	*RMB'000*	*RMB'000*
Jiyuan Biotechnology *(Note)*	24,553	24,553	12,403

	Year ended 31 December 2020		
	Greatest amount outstanding during the year	**Balance at 31 December 2020**	**Balance at 1 January 2020**
	RMB'000	*RMB'000*	*RMB'000*
Jiyuan Biotechnology *(Note)*	24,553	24,553	24,553

	Year ended 31 December 2021		
	Greatest amount outstanding during the year	**Balance at 31 December 2021**	**Balance at 1 January 2021**
	RMB'000	*RMB'000*	*RMB'000*
Jiyuan Biotechnology *(Note)*	24,553	—	24,553

Note: The amount due from Jiyuan Biotechnology was fully settled before the 2021 Disposal.

* *The English name of this entity represents the best effort made by the directors of the Company to translate the Chinese name as its name has not been registered officially in English.*

17(d) Information about the Group's exposure to credit risks and loss allowance for trade and other receivables is included in Note 28.

18. TRADE AND OTHER PAYABLES

		At 31 December			At 30 September
		2019	**2020**	**2021**	**2022**
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables					
To third parties.	*18(a)*	10,068	7,844	22,368	15,304
Other payables					
Contract liabilities — refundable receipts in advance	*18(b)*	43	—	386	—
Salary payables		521	700	894	940
Value-added tax and other tax payables		4	1,150	1,466	2,159
Due to Pre-**[REDACTED]** Investors.	*18(c)*	—	—	—	4,905
Accruals and other payables *(Note)*.		2,027	1,863	6,075	11,513
		2,595	3,713	8,821	19,517
		12,663	11,557	31,189	34,821

Note: The amounts at 31 December 2019, 2020 and 2021 and 30 September 2022 included accrued **[REDACTED]** expenses of nil, nil, approximately RMB3,641,000 and RMB8,420,000, respectively.

18(a) Trade payables

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

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

	At 31 December			At 30 September
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 30 days	4,771	4,253	12,743	12,970
31 to 60 days	4,917	3,186	9,625	2,334
61 to 90 days	224	405	—	—
Over 90 days	156	—	—	—
	10,068	7,844	22,368	15,304

18(b) Contract liabilities — refundable receipts in advance

The Group applies the practical expedient and does not disclose information about remaining performance obligations that have original expected durations of one year or less.

The movements (excluding those arising from increases and decreases both occurred within the same reporting period) of refundable receipts in advance with customers within IFRS 15 during the Track Record Period are as follows:

	Year ended 31 December			Nine months ended 30 September
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At the beginning of the reporting period	263	43	—	386
Addition	43	—	386	—
Revenue recognised *(Note 5)*	(263)	(43)	—	(386)
At the end of the reporting period	43	—	386	—

The contract liabilities of approximately RMB43,000, nil, RMB386,000 and nil at 31 December 2019, 2020 and 2021 and 30 September 2022, respectively, represented the aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied as at the end of each reporting period. The Group expects the transaction price of approximately RMB43,000, nil, RMB386,000 and nil at 31 December 2019, 2020 and 2021 and 30 September 2022, respectively, allocated to the unsatisfied performance obligations will be recognised as revenue in one year or less when the obligations are performed.

18(c) Due to [REDACTED] Investors

	At 31 December			At 30 September
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Mr. Chen Guobin	—	—	—	4,399
Mr. Zhang Zhifang	—	—	—	506
	—	—	—	4,905

The amounts due to **[REDACTED]** Investors (as detailed in the paragraph headed "**[REDACTED]** Investments from the **[REDACTED]** Investors" of the section headed "History, Reorganisation and Group Structure"), Mr. Chen Guobin and Mr. Zhang Zhifang, were non-trade in nature, unsecured, interest-bearing at 3% per annum and repayable on demand.

On 30 September 2022, the Company and Mr. Shan Yuzhu had entered into a formal loan agreement with each of the **[REDACTED]** Investors (Mr. Chen Guobin and Mr. Zhang Zhifang) whereby Mr. Shan Yuzhu was a guarantor and the Company was a borrower in respect of the respective amount due to Mr. Chen Guobin and Mr. Zhang Zhifang (totalling approximately RMB4.9 million as at the contract date). Each of the loan principals will be repaid before the **[REDACTED]** and carries an interest rate of 3.0% per annum. Mr. Shan Yuzhu has already deposited an equivalent amount of RMB to Mr. Chen Guobin and Mr. Zhang Zhifang, respectively, up to the date of this report as security in respect of such guarantees. As at 30 September 2022, the amounts due to **[REDACTED]** Investors with aggregate carrying amount of approximately RMB4.9 million were continued to be classified as other payables under current liabilities.

19. INTEREST-BEARING BORROWINGS

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

	At 31 December			At 30 September
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Secured borrowings				
— Entrusted loan	12,000	22,000	18,000	16,000
— Other loan	18,000	23,076	22,496	22,000
	30,000	45,076	40,496	38,000
Unsecured borrowings				
— Other loan	—	—	—	1,402
	30,000	45,076	40,496	39,402

The secured borrowings are repayable ranging from within one year to two years since their inception. At 31 December 2019, 2020 and 2021 and 30 September 2022, the secured borrowings carry weighted average effective interest rates of approximately 6.70%, 7.55%, 7.21% and 6.83% per annum, respectively.

The unsecured borrowings at 30 September 2022 are repayable within one year and carry effective interest rate of 12% per annum.

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

	At 31 December			At 30 September
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current portion	30,000	44,579	40,496	39,402
Non-current portion	—	497	—	—
	30,000	45,076	40,496	39,402

	At 31 December			At 30 September
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Carrying amounts of the above borrowings are repayable:				
Within one year				
— Entrusted loan *(Note)*	12,000	22,000	18,000	16,000
— Other loan	18,000	22,579	22,496	23,402
	30,000	44,579	40,496	39,402
More than one year, but not exceeding two years				
— Other loan	—	497	—	—
	30,000	45,076	40,496	39,402
Less: amounts shown under current liabilities	(30,000)	(44,579)	(40,496)	(39,402)
Amounts shown under non-current liabilities	—	497	—	—

Note: During the years ended 31 December 2019, 2020 and 2021 and the nine months ended 30 September 2022, Jilin Kaishun entered into entrusted loan agreements with 長春新投新興產業投資有限公司 (Changchun Xintou Emerging Industry Investment Co., Ltd.*), 長春新投工業發展投資中心(有限合夥) (Changchun Xintou Industrial Development Investment Center (Limited Partnership)*), (together the "**Xintou Group**") and 長春南關惠民村鎮銀行有限責任公司 (Changchun Nanguan Huimin Village Bank Co., Ltd.* ("**Changchun Nanguan**")), whereby the Xintou Group agreed to provide loans through Changchun Nanguan to the Group.

* *The English names of these entities represent the best effort made by the directors of the Company to translate the Chinese names as their names have not been registered officially in English.*

The secured borrowings are secured by:

(i) properties held by the Ultimate Controlling Parties;

(ii) leasehold land and buildings held by a related party, 長春吉北科技有限公司 (Changchun Jibei Technology Co., Ltd.*) (formally known as 長春御華庭科技有限公司 (Changchun Yuhuating Technology Co., Ltd.*)) ("**Jibei Technology**"), whose equity interests are 100% held by the Ultimate Controlling Parties at 31 December 2020 and also equity interest and corporate guarantee of Jibei Technology. The pledge of leasehold land and buildings held by Jibei Technology and corporate guarantee were released upon full repayment of the relevant loans under the revolving loan facility in November 2021 and the pledge for equity interest was released on 16 July 2021;

(iii) a leasehold land of the Group with aggregate net carrying amounts of RMB888,000, RMB864,000, RMB840,000 and RMB822,000 at 31 December 2019, 2020 and 2021 and 30 September 2022, respectively, as set out in Note 14;

(iv) buildings of the Group with aggregate net carrying amounts of approximately RMB26,669,000, RMB25,142,000, RMB23,615,000 and RMB22,470,000 at 31 December 2019, 2020 and 2021 and 30 September 2022, respectively, as set out in Note 13; and

(v) plant and machineries of the Group with an aggregate net carrying amount of approximately RMB4,332,000 at 31 December 2020 as set out in Note 13.

In addition, the secured borrowings are guaranteed by Yizheng Juxinyuan, the Ultimate Controlling Parties and Mr. Shan Bingqi, the son of the Ultimate Controlling Parties (collectively referred to as the "**Guarantees**").

All facilities obtained from banks and other financial institutions are subject to the fulfilment of covenants, as is commonly found in lending arrangements with financial institutions. If the Group was to breach the covenants, the drawn down facilities would become repayable on demand. At 31 December 2019, 2020 and 2021 and 30 September 2022, none of the covenants relating to drawn down facilities had been breached.

The Guarantees and the pledged assets provided by the Ultimate Controlling Parties are expected to be released and replaced by a corporate guarantee to be given by the Company upon the Initial **[REDACTED]** and the banks and other financial institutions have provided their consent in this regard.

* *The English name of this entity represents the best effort made by the directors of the Company to translate the Chinese name as its name has not been registered officially in English.*

20. LEASE LIABILITIES

	At 31 December			At 30 September
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current portion	159	422	2,940	11,467
Non-current portion	206	554	4,341	18,817
	365	976	7,281	30,284

The Group has recognised the following amounts relating to short-term leases during the Track Record Period:

	Year ended 31 December			Nine months ended 30 September	
	2019	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Lease payments —					
Short-term leases . . .	—	—	18	—	110

Commitments and present value of lease liabilities:

	Lease payments				Present value of lease payments			
	At 31 December			At 30 September	At 31 December			At 30 September
	2019	2020	2021	2022	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Amounts payable:								
Within one year.	174	474	3,347	12,474	159	422	2,940	11,467
In the second to third years inclusive	213	590	4,625	19,447	206	554	4,341	18,817
	387	1,064	7,972	31,921	365	976	7,281	30,284
Less: future finance charges	(22)	(88)	(691)	(1,637)	—	—	—	—
Total lease liabilities	365	976	7,281	30,284	365	976	7,281	30,284

The total cash outflows for leases for the years ended 31 December 2019, 2020 and 2021 and the nine months ended 30 September 2021 and 2022 were approximately RMB166,000, RMB224,000, RMB610,000, RMB355,000 and RMB4,793,000, respectively.

The lease liabilities are secured by certain right-of-use assets with aggregate net carrying amounts of approximately RMB309,000, RMB1,247,000, RMB981,000 and RMB782,000 at 31 December 2019, 2020 and 2021 and 30 September 2022, respectively *(Note 14)*.

At 31 December 2019, 2020 and 2021 and 30 September 2022, the weighted average effective interest rates of lease liabilities of the Group were 5.35%, 5.98%, 7.23% and 7.48% per annum, respectively.

21. DEFERRED TAX ASSETS

For the purpose of presentation in the combined financial statements, the following is the analysis of the deferred taxation:

	Year ended 31 December			Nine months ended 30 September
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At the beginning of the reporting period	911	981	910	732
Credit (Charge) to profit or loss	70	(71)	(178)	(148)
At the end of the reporting period	981	910	732	584

The movements in the Group's deferred tax assets for the Track Record Period were as follows:

	Accrued revenue and costs
	RMB'000
At 1 January 2019	911
Income tax credit	70
At 31 December 2019	981
At 1 January 2020	981
Income tax expense	(71)
At 31 December 2020	910
At 1 January 2021	910
Income tax expense	(178)
At 31 December 2021	732
At 1 January 2022	732
Income tax expense	(148)
At 30 September 2022	584

At the end of each reporting period, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings of the Group's subsidiaries established in the PRC. In the opinion of the management of the Group, it is probable that the earnings will not be distributed in the foreseeable future. The estimated withholding tax effects on the distribution of accumulated profits were approximately RMB5,138,000, RMB10,015,000, RMB2,693,000 and RMB8,381,000 at 31 December 2019, 2020 and 2021 and 30 September 2022, respectively.

22. DEFERRED INCOME

	At 31 December			At 30 September
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Assets related government grants	4,796	4,307	3,818	3,450

Movement of assets related government grants:

	RMB'000
At 1 January 2019	5,000
Credit to profit or loss	(204)
At 31 December 2019	4,796
At 1 January 2020	4,796
Credit to profit or loss	(489)
At 31 December 2020	4,307
At 1 January 2021	4,307
Credit to profit or loss	(489)
At 31 December 2021	3,818
At 1 January 2022	3,818
Credit to profit or loss	(368)
At 30 September 2022	3,450

The carrying amount of deferred income of the Group analysed as:

	At 31 December			At 30 September
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current portion	489	489	489	489
Non-current portion	4,307	3,818	3,329	2,961
	4,796	4,307	3,818	3,450

The assets related government grant represents amount of RMB5,000,000 which was received in a year prior to the year ended 31 December 2019 in relation to subsidies for acquisition of certain building and plant and machineries.

23. SHARE CAPITAL AND THE FINANCIAL INFORMATION OF THE COMPANY

23(a) Share capital

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 21 January 2022. Upon its incorporation, the authorised share capital of HK$380,000 was divided into 38,000,000 ordinary shares at HK$0.01 each and 1 ordinary share was issued. On 23 May 2022 and 24 May 2022, further 989,999 ordinary shares and 10,000 ordinary shares, respectively, were issued at HK$0.01 each.

Pursuant to the Reorganisation completed on 2 June 2022, the Company became the holding company of the entities now comprising the Group. Further details of the change in authorised and issued capital of the Company since its incorporation are set out in the paragraph headed "Reorganisation" of the section headed "History, Reorganisation and Group Structure" of the Document.

Save as disclosed above, the Company has not commenced any significant business or operation since its incorporation.

23(b) Investments in subsidiaries

Investments in subsidiaries represent 100% of the issued share capital of Tianshun International BVI and Lvshui Technology.

23(c) Amounts due from (to) a subsidiary

The amounts due are non-trade in nature, unsecured, interest-free and repayable on demand.

23(d) Reserves of the Company

	Translation reserve	Accumulated losses	Total
	RMB'000	*RMB'000*	*RMB'000*
At 21 January 2022 (date of incorporation)	—	—	—
Loss for the period	—	(10,822)	(10,822)
Other comprehensive loss			
Exchange difference on translation into presentation currency	(4)	—	(4)
At 30 September 2022	(4)	(10,822)	(10,826)

23(e) Other payables

	Note	At 30 September 2022
	Note	*RMB'000*
Other payables		
Accrued **[REDACTED]** expenses		8,420
Due to **[REDACTED]** Investors	*18(c)*	4,905
Accruals and other payables		1,584
		14,909

24. RESERVES

24(a) Capital reserve

The capital reserve represents the aggregate amount of the nominal value of the issued/paid-up capital of the entities now comprising the Group before completion of the Reorganisation less consideration paid to acquire the relevant interests (if any) in relation to the Reorganisation.

During the Track Record Period, the Group has the following movement on capital reserve:

(i) During the years ended 31 December 2019 and 2020, capital contributions amounting to RMB124,000 and RMB51,000 were injected to Yizheng Juxinyuan by the then shareholders.

(ii) On 1 September 2020, capital contribution amounting to RMB8,000,000 was injected by 吉林省創新企業投資有限公司 (Jilin Province Innovative Enterprises Investment Co., Ltd.*) ("**Jilin Innovative Investment**") to Jilin Kaishun.

(iii) Pursuant to the Reorganisation, Mr. Chen Guobin, Mr. Li Xiquan, Mr. Lu Changdong and Green Environmental HK (collectively referred to as the "**Investors**"), the Ultimate Controlling Parties and Jilin Kaishun entered into an equity increase agreement on 2 November 2021 pursuant to which the Investors agree to make a capital injection for an aggregate amount of RMB34,710,000 to Jilin Kaishun, out of which RMB31,110,000 was paid during the year ended 31 December 2021 and the remaining amount of RMB3,600,000 was settled on 18 February 2022.

(iv) Pursuant to the Reorganisation, Mr. Shan Yuzhu as the seller and Jilin Kaishun as the purchaser entered into an equity transfer agreement on 27 May 2022, pursuant to which Jilin Kaishun will acquire the entire equity interest of Yizheng Juxinyuan for a consideration of approximately RMB3,240,000. The consideration was fully settled on 1 June 2022. Upon completion of the said transfers, Yizheng Juxinyuan became a wholly-owned subsidiary of Jilin Kaishun.

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24(b) Statutory reserve

As stipulated by the relevant laws and regulations for enterprises incorporated/established in the PRC, the Group's subsidiaries in the PRC are required to appropriate to the statutory reserve an amount not less than 10% of the amount of profit after tax (as reported in the respective statutory financial statements of the PRC subsidiaries prepared in accordance with the PRC accounting regulations). If the accumulated statutory reserve reaches 50% of the registered share capital of the respective PRC subsidiaries, the subsidiary may not be required to make any further appropriation. The statutory reserve can be used to make up for losses, expand the existing operation and convert to additional capital.

24(c) Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the Group's entities that have functional currency different from the presentation currency for combinations/consolidation.

25. CHANGE IN THE GROUP'S OWNERSHIP INTERESTS IN SUBSIDIARIES WHICH ARISING FROM THE REORGANISATION

Pursuant to the share capital increase agreement dated 11 April 2022 entered into among Ms. Zhang Yuqiu, Mr. Shan Yuzhu, Mr. Chen Guobin, Mr. Li Xiquan, Mr. Lu Changdong and Jilin Maisheng, Ms. Zhang Yuqiu, Mr. Shan Yuzhu, Mr. Chen Guobin, Mr. Li Xiquan and Mr. Lu Changdong agreed to subscribe 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 on 20 April 2022, the registered capital of Changchun Guangke is owned by Jilin Maisheng as to 99.0000%, Ms. Zhang as to 0.4752%, Mr. Shan as to 0.4375%, Mr. Chen Guobin as to 0.0601%, Mr. Li as to 0.0140% and Mr. Lu Changdong as to 0.0132%, respectively.

The transfer of 99% equity interest of Jilin Kaishun from Ms. Zhang Yuqiu, Mr. Shan Yuzhu, Mr. Chen Guobin, Mr. Li Xiquan 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%, respectively. Upon completion, Changchun Guangke became an indirect non-wholly owned subsidiary of the Company.

Details of above are set out in the paragraph headed "Reorganisation" of the section headed "History, Reorganisation and Group Structure" of the Document.

The financial impact of the above arrangement to the Historical Financial Information is set out as follows:

	RMB'000
Total consideration received from NCI	—
Deemed equity interest in Changchun Guangke disposed of on 10 May 2022	1,686
	1,686

26. RELATED PARTY TRANSACTIONS

During the Track Record Period, information of the related party transactions is set out below.

(a) Transactions between the group entities have been eliminated on combination and are not disclosed. During the Track Record Period, the Group had the following significant transactions with a related party. In the opinion of the directors of the Company, they are under normal commercial terms that are fair and reasonable and in the best interests of the Group.

Name of the related company	Nature of transaction	Year ended 31 December			Nine months ended 30 September	
		2019	2020	2021	2021	2022
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Jiyuan Biotechnology* *(Note 17(c))*	Sales of biodegradable plastic bags	842	—	—	—	—

* During the year ended 31 December 2019, Jiyuan Biotechnology was owned by Mr. Zhang Baoxian and Ms. Jiang Guifen, the parents of Ms. Zhang Yuqiu and parents-in-laws of Mr. Shan Yuzhu.

(b) Pledge of assets/guarantees provided for borrowings of the Group by the related parties:

As detailed in Note 19 to the Historical Financial Information, the secured borrowings of approximately RMB30,000,000, RMB45,076,000, RMB40,496,000 and RMB38,000,000 at 31 December 2019, 2020 and 2021 and 30 September 2022 were secured by, among others, (i) properties held by the Ultimate Controlling Parties; (ii) leasehold land and buildings held by a former related party, Jibei Technology, whose equity interests were 100% held by the Ultimate Controlling Parties at 31 December 2020 and also equity interest of Jibei Technology; and (iii) guarantees given by the related parties.

As detailed in Note 18(c) to the Historical Financial Information, on 30 September 2022, the amounts due to **[REDACTED]** Investors of approximately RMB5.5 million were secured by equivalent amounts of cash held by Mr. Shan Yuzhu and deposited to **[REDACTED]** Investors, Mr. Chen Guobin and Mr. Zhang Zhifang.

The above guarantees and the pledged assets provided by the related parties are expected to be released and replaced by a corporate guarantee to be given by the Company upon the Initial **[REDACTED]** and the lenders including banks and other financial institutions have provided their consent in this regard.

(c) Balance with related parties:

	At 31 December			At 30 September
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Due from related parties				
Mr. Li Peng *(Note (i))*	176	55	—	—
Jiyuan Biotechnology *(Note (ii))*	24,553	24,553	—	—

Notes:

(i) The amount due was non-trade in nature, unsecured, interest-free and repayable on demand. The amount was fully settled during the year ended 31 December 2021. Details are disclosed in Note 17(b) to the Historical Financial Information.

(ii) The amount due is non-trade in nature, unsecured, interest-free and repayable on demand. The amount was fully settled during the year ended 31 December 2021. Details are disclosed in Note 17(c) to the Historical Financial Information.

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

	Year ended 31 December			Nine months ended 30 September	
	2019	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Salaries, discretionary bonus, allowances and other benefits in kind	273	366	607	340	474
Contributions to defined contribution plans	78	31	101	65	74
	351	397	708	405	548

Further details of the remuneration of the Company's directors are set out in Note 8.

27. ADDITIONAL INFORMATION ON THE COMBINED STATEMENTS OF CASH FLOWS

(a) Major non-cash transactions

During the years ended 31 December 2019, 2020 and 2021 and the nine months ended 30 September 2022, the Group entered into lease arrangements in respect of right-of-use assets with total capital value at the inception of leases of approximately RMB276,000, RMB811,000, RMB6,726,000 and RMB27,013,000, respectively.

(b) Reconciliation of liabilities arising from financing activities

The movements during the Track Record Period in the Group's liabilities arising from financing activities are as follows:

			Non-cash changes		
	At 1 January 2019	Net cash flows	Declaration of dividends	Addition of right-of-use assets	At 31 December 2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2019					
Interest-bearing borrowings	27,000	3,000	—	—	30,000
Lease liabilities	233	(144)	—	276	365
Total liabilities from financing activities	27,233	2,856	—	276	30,365

			Non-cash changes		
	At 1 January 2020	Net cash flows	Declaration of dividends	Addition of right-of-use assets	At 31 December 2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2020					
Interest-bearing borrowings	30,000	15,076	—	—	45,076
Lease liabilities	365	(200)	—	811	976
Total liabilities from financing activities	30,365	14,876	—	811	46,052

	At 1 January 2021	Net cash flows	Non-cash changes: Declaration of dividends	Non-cash changes: Addition of right-of-use assets	At 31 December 2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2021					
Interest-bearing borrowings	45,076	(4,580)	—	—	40,496
Lease liabilities	976	(421)	—	6,726	7,281
Dividends payable	—	(136,959)	136,959	—	—
Total liabilities from financing activities	46,052	(141,960)	136,959	6,726	47,777

	At 1 January 2021	Net cash flows	Non-cash changes: Declaration of dividends	Non-cash changes: Addition of right-of-use assets	At 30 September 2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Nine months ended 30 September 2021 (Unaudited)					
Interest-bearing borrowings	45,076	(2,076)	—	—	43,000
Lease liabilities	976	(315)	—	—	661
Dividends payable	—	(136,959)	136,959	—	—
Total liabilities from financing activities	46,052	(139,350)	136,959	—	43,661

	At 1 January 2022	Net cash flows	Non-cash changes: Declaration of dividends	Non-cash changes: Addition of right-of-use assets	At 30 September 2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Nine months ended 30 September 2022					
Interest-bearing borrowings	40,496	(1,094)	—	—	39,402
Due to **[REDACTED]** Investors	—	4,905	—	—	4,905
Lease liabilities	7,281	(4,010)	—	27,013	30,284
Total liabilities from financing activities	47,777	(199)	—	27,013	74,591

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise of bank balances and cash, interest-bearing borrowings and lease liabilities. The main purpose of these financial instruments is to raise and maintain finance for the Group's operations. The Group has various other financial instruments such as trade and other receivables and trade and other payables, which arise directly from its business activities.

The main risks arising from the Group's financial instruments are interest rate risk, credit risk and liquidity risk. The Group generally adopts conservative strategies on the Group's risk management and limits the Group's exposure to these risks to a minimum. The management of the Group reviews and agrees policies for managing each of these risks and they are summarised below. The Group also monitors the market price risk arising from all financial instruments.

Interest rate risk

The Group's exposure to market risk for changes in interest rates relates primarily to the Group's interest-bearing borrowings with floating interest rates of approximately RMB18,000,000, RMB18,000,000, nil and nil at 31 December 2019, 2020 and 2021 and 30 September 2022, respectively. The Group currently does not have a policy to hedge against the interest rate risk as the management of the Group does not expect any significant interest rate risk at the end of each reporting period.

At the end of each reporting period, if interest rates had been 1% higher/lower and all other variables were held constant, the Group's pre-tax results would decrease/increase by approximately RMB180,000, RMB180,000, nil and nil for the years ended 31 December 2019, 2020 and 2021 and the nine months ended 30 September 2022, respectively.

The sensitivity analysis above has been determined assuming that the changes in interest rate had occurred throughout the Track Record Period and had been applied to the exposure to interest rate risk for the closing balances of interest-bearing borrowings in existence at the end of each reporting period. The stated changes represent management's assessment of a reasonably possible change in interest rates over the Track Record Period.

In the opinion of the management of the Group, the sensitivity analysis is unrepresentative of the inherent interest rate risk because the exposure at the end of each reporting period does not reflect the exposure during the Track Record Period.

In addition, the Group's financial liabilities measured at amortised cost are considered not to expose to fair value interest rate risk at the end of each reporting period.

Credit risk

The carrying amount of financial assets recognised on the Historical Financial Information, which is net of loss allowances, represents the Group's exposure to credit risk on these financial assets without taking into account the credit enhancements.

	At 31 December			At 30 September
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Deposits paid for acquisition of property, plant and equipment	208	4,518	400	—
Trade and other receivables	48,139	53,241	73,325	79,628
Bank balances and cash	34,045	97,895	90,428	86,922
	82,392	155,654	164,153	166,550

Trade receivables

The Group trades only with recognised, creditworthy parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. The Group limits its exposure to credit risk from trade receivables by establishing a maximum payment period of 90 days.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry and region in which customers operate also has an influence on credit risk but to a lesser extent. Credit quality of a customer is assessed based on an extensive credit rating and individual credit limit assessment which is mainly based on the Group's own trading records.

At 31 December 2019, 2020 and 2021 and 30 September 2022, the Group had a concentration of credit risk as approximately 16.70%, 17.69%, 15.67% and 17.71% of the total trade receivables was due from the Group's largest trade debtor, respectively, and approximately 52,76%, 54.56%, 56.55% and 48.95% of the total trade receivables was due from the Group's five largest trade debtors, respectively.

The Group's customer base consists of a wide range of customers and the trade receivables are categorised by common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. The Group applies a simplified approach in calculating ECL for trade receivables and recognises loss allowances based on lifetime ECL at the end of each reporting period and has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. The expected loss rate used in the provision matrix is calculated for each category based on actual credit loss experience over the past periods and adjusted for current and forward- looking factors to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and the Group's estimate on future economic conditions over the expected lives of the receivables. There was no change in the estimation techniques or significant assumptions made during the Track Record Period.

Considered no significant default history and no forward-looking factors that give rise to significant default risk on trade receivables for both past due or not yet past due balances at 31 December 2019, 2020 and 2021 and 30 September 2022, and no material change in late payment and default risk as well as forward-looking factors throughout the Track Record Period, the management of the Group estimates that the ECL for those balances is insignificant and assign 0.5% as the expected loss rate, which represented a reasonable estimation of credit risk exposure, for the Track Record Period.

The Group does not hold any collateral over trade receivables at 31 December 2019, 2020 and 2021 and 30 September 2022.

Having considered the expected loss rate of 0.5% for the Track Record Period, the Group recognised loss allowances of approximately RMB116,000, RMB144,000, RMB364,000 and RMB385,000 on the trade receivables at 31 December 2019, 2020 and 2021 and 30 September 2022, respectively. The movements in loss allowances for trade receivables during the Track Record Period are summarised below.

	Year ended 31 December			Nine months ended 30 September
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At the beginning of the reporting period	115	116	144	364
Provision for loss allowances, net	1	28	220	21
At the end of the reporting period	116	144	364	385

None of the trade receivables were written off during the Track Record Period.

Other financial assets carried at amortised costs

The Group's other financial assets carried at amortised costs include bank balances and cash and other receivables in the combined statements of financial position.

The majority of the Group's bank balances are deposited in major financial institutions located in the PRC, which are of high credit rating. The management of the Group does not expect any losses arising from non-performance by these counterparties.

The management of the Group considers that the other receivables have low credit risk based on the borrowers' strong capacity to meet its contractual cash flow obligations in the near term and low risk of default. Loss allowances on other receivables is measured on 12-month ECL and reflects the short maturities of the exposures.

In estimating the ECL, the management of the Group has taken into account the historical actual credit loss experience over the past years and the financial position of the counterparties, past collection history, current creditworthiness, adjusted for forward-looking factors that are specific to the counterparties and general economic conditions of the industry in which the counterparties operate, in estimating the probability of default of these financial assets, as well as the loss upon default in each case. The management of the Group considers the ECL of other receivables to be negligible after taking into account the financial position, credit quality and past settlement records of the counterparties.

There was no change in the estimation techniques or significant assumptions made during the Track Record Period.

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility. The Group has no specific policy for managing its liquidity. The undiscounted contractual maturity profile of the Group's financial liabilities at the end of each reporting period, based on the contractual undiscounted payments, is summarised below:

	Total carrying amount	Total contractual undiscounted cash flow	On demand or less than 1 year	1 to 2 years	2 to 3 years
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2019					
Trade and other payables	10,310	10,310	10,310	—	—
Interest-bearing borrowings	30,000	30,671	30,671	—	—
Lease liabilities	365	387	174	174	39
	40,675	41,368	41,155	174	39
At 31 December 2020					
Trade and other payables	7,874	7,874	7,874	—	—
Interest-bearing borrowings	45,076	46,630	46,062	568	—
Lease liabilities	976	1,064	474	340	250
	53,926	55,568	54,410	908	250
At 31 December 2021					
Trade and other payables	26,528	26,528	26,528	—	—
Interest-bearing borrowings	40,496	41,464	41,464	—	—
Lease liabilities	7,281	7,972	3,347	2,750	1,875
	74,305	75,964	71,339	2,750	1,875
At 30 September 2022					
Trade and other payables	31,580	31,580	31,580	—	—
Interest-bearing borrowings	39,402	41,603	41,603	—	—
Lease liabilities	30,284	31,921	12,474	11,990	7,457
	101,266	105,104	85,657	11,990	7,457

29. FAIR VALUE MEASUREMENT

The management of the Group estimates the fair value of its financial assets and financial liabilities measurement of amortise cost using the discounted cash flows analysis. The management of the Group considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the combined statements of financial position approximate their fair value.

30. COMMITMENTS

(a) Capital expenditure commitments

	At 31 December			At 30 September
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contracted but not provided net of deposits paid for acquisition of property, plant and equipment	4,680	232	900	—

In December 2019, the Group entered into a purchase agreement with a machinery supplier, an independent third party, to purchase machineries at a total consideration of RMB4,750,000. The Group has settled RMB155,000 and RMB4,518,000 at 31 December 2019 and 2020, respectively. During the year ended 31 December 2021, the machineries were delivered to the Group and tested the conditions. Since the machineries were below the required standard, the purchase agreement was mutually terminated by the Group and the machinery supplier and the total consideration paid were fully refunded to the Group during the year ended 31 December 2021.

In October 2022, the Group entered into purchase agreements with other two independent third party machinery suppliers to purchase machineries for the establishment of the new plant and production lines at Huizhou production base at a total consideration of RMB3,360,000, of which a deposit of RMB336,000 was made to the machinery suppliers in November 2022 and the balance of RMB3,024,000 will be paid upon the delivery of the machineries to the Group and the completion of installation and testing works. As the aforesaid agreements were entered into by the Group subsequent to 30 September 2022, no capital expenditure commitment was recorded at 30 September 2022 in this respect.

(b) Commitments under leases

The Group as lessee

At 31 December 2019, 2020 and 2021 and 30 September 2022, the Group was committed to nil, nil, RMB62,000 and RMB6,000 for short-term leases.

31. CAPITAL MANAGEMENT

The objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to provide returns for equity owners. The Group manages its capital structure and makes adjustments, including payment of dividend, call for additional capital from equity owners or sale of assets to reduce debts. No changes were made in the objectives, policies or processes during the Track Record Period.

32. EVENTS AFTER THE REPORTING PERIOD

Subsequent to 30 September 2022, the Group has the following subsequent events:

(i) Pursuant to the resolution in writing of the Company's shareholders passed on [•], inter-alia, the authorised share capital of the Company was increased from 38,000,000 to [10,000,000,000] by the creation of an additional [9,962,000,000] shares of HK$0.01 each and the **[REDACTED]** (as defined below) was conditionally approved.

(ii) Pursuant to the resolution in writing of the Company's shareholders passed on [•], subject to the share premium account of the Company being credited as a result of the **[REDACTED]** of the Company's shares, the directors of the Company were authorised to allot and issue a total of **[REDACTED]** shares of HK$0.01 each to the existing shareholders, credited as fully paid at par by way of capitalisation of the sum of [HK$**[REDACTED]**] standing to the credit of the share premium account of the Company (the "**[REDACTED]**") and the shares to be allotted and issued pursuant to this resolution shall carry the same rights as all shares in issue (save for the right to participate in the **[REDACTED]**).

33. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared in accordance with IFRSs and/or other applicable financial reporting standards for the Company or any of its subsidiaries in respect of any period subsequent to 30 September 2022.