中寶新材集團有限公司
CHINA TREASURES NEW MATERIALS GROUP LTD.

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 2439

2023
ANNUAL REPORT

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Ms. Zhang Yuqiu *(Chair)*
Mr. Shan Yuzhu *(Chief Executive Director)*
Mr. Li Xiquan
Mr. Li Peng

Independent Non-Executive Directors

Mr. Ng Tat Fung
Dr. Sun Shulin
Dr. Lai King Yin

AUDIT COMMITTEE

Mr. Ng Tat Fung *(Chairman)*
Dr. Lai King Yin
Dr. Sun Shulin

REMUNERATION COMMITTEE

Dr. Sun Shulin *(Chairman)*
Mr. Shan Yuzhu
Dr. Lai King Yin

NOMINATION COMMITTEE

Dr. Lai King Yin *(Chairman)*
Mr. Li Xiquan
Dr. Sun Shulin

ESG COMMITTEE

Dr. Sun Shulin *(Chairman)*
Mr. Shan Yuzhu
Mr. Li Xiquan
Dr. Lai King Yin

AUTHORISED REPRESENTATIVES

Mr. Shan Yuzhu
Mr. Yeung Kwong Wai, *HKICPA, AICPA, CFA*

COMPANY SECRETARY

Mr. Yeung Kwong Wai, *HKICPA, AICPA, CFA*

AUDITOR

Mazars CPA Limited
Certified Public Accountants
Registered Public Interest Entity Auditor
42nd Floor, Central Plaza
18 Harbour Road
Wan Chai
Hong Kong

REGISTERED OFFICE

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KY1–9009
Cayman Islands

PRINCIPAL PLACE OF BUSINESS AND HEAD OFFICE IN THE PRC

No. 3, Jing'Er Road
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Jiutai Economics Development Zone
Changchun City
Jilin Province
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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302–308 Hennessy Road
Wan Chai
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Ogier Global (Cayman) Limited
89 Nexus Way
Camana Bay
Grand Cayman
KY1–9009
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

LEGAL ADVISER

As to Cayman Islands laws:
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11th Floor
Central Tower
28 Queen's Road Central
Hong Kong

COMPLIANCE ADVISER

Soochow Securities International Capital Limited
Level 17, Three Pacific Place
1 Queen's Road East
Hong Kong

PRINCIPAL BANKS

Changchun Nanguan Huimin Village Bank Co., Ltd
Industrial Bank Co., Ltd Changchun Branch
Bank of Communications Co., Ltd Jilin Province Branch
China Everbright Bank Co., Ltd Changchun Branch

STOCK CODE

2439

WEBSITE

www.jl-ks.cn

CHAIR'S STATEMENT

I, on behalf of the board (the "**Board**") of directors (the "**Directors**") of China Treasures New Materials Group Ltd. (the "**Company**") and its subsidiaries (collectively, the "**Group**"), hereby present the annual report of the Company (the "**Annual Report**") for the year ended 31 December 2023 (the "**Year**" or "**FY2023**") to the shareholders (the "**Shareholders**") after the listing of the Company's shares (the "**Shares**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 31 March 2023 (the "**Listing**").

Our Group principally engages in development and manufacturing of biodegradable plastic product bags mainly in the Northeast China with production base locating in Changchun, Jilin province, the People's Republic of China (the "**PRC**", for the purpose of the Annual Report only, excluding Hong Kong, Macau and Taiwan). In order to capture the growth momentum in the market of the Southeast China, we have initially established a production base in Huizhou, Guangdong province, the PRC, during the second half of the year ended 31 December 2022 (the "**Preceding Year**" or "**FY2022**"). However, upon a strategic review of the establishment of the Huizhou factory site, we have adjusted our expansion plan by terminating the lease of such factory site during the Year and relocated our new factory to Dongguan, Guangdong province, the PRC.

Throughout the Year, the Group has adhered to its business strategies by focusing firmly on its core business – development and manufacturing of biodegradable plastic product bags with a view in eliminating the threats of White Pollution in the PRC. Amid the persistent economic, financial and geopolitical complexities worldwide and the challenging business environment in the PRC during the Year, we achieved encouraging growth and progress across all of our markets in the PRC. In addition, through our strategically business expansion in the Southeast China during the Year, the new factory site in Dongguan has already commenced its trial run in production during the second half of 2023 and will start to make positive contribution to the Group in the near future. Further, in light of the anticipated growing demand of biodegradable plastic products in the Southeast region, the Group has leased another factory site located at Anji, Zhejiang province, the PRC during the Year as its third production base. This Anji factory has been financed by the Group's internal funding and is expected to commence its operation during the second quarter of 2024. Benefiting from the optimization of business structure and improvement of capacity utilization, the Group's profitability will be greatly improved.

In FY2023, the Group's revenue increased 22.0% to approximately RMB365.8 million, exhibited a strong performance, as compared to approximately RMB299.8 million achieved in FY2022. The Group's profit attributable to the Shareholders stood at approximately RMB84.6 million, representing a robust increase of 48.5% year-on-year versus approximately RMB57.0 million recorded for FY2022.

Details of the Group's performance, achievements and financial analysis for FY2023 are set out in the sections headed "Chief Executive Officer's Review" and "Management Discussion and Analysis" of this Annual Report.

Following the Listing, we have successfully raised the net proceeds of approximately HK$155.4 million, approximately HK$36.2 million of which has been utilized for expansion of new production lines in our Changchun production base and financing research and development ("**R&D**") projects of the Group as well as general working capital during the Year. Our mission for achieving a green environment remains one of our cornerstones of the Group's strategies, we shall review our operational requirements and business strategic approaches from time to time to ensure that this blueprint stays aligned with the latest development in our business and the external risks and uncertainties of economic environment in the PRC.

The development of the biodegradable plastic products market in the PRC is driven by the policies and regulations imposed by the PRC Government. Undoubtedly, the PRC Government is committed to uphold a clean and green environment and will continue to strongly support environmental protection industries relating to development and manufacturing of environmental products. It has been clearly stated that by end of 2025, the use of non-biodegradable plastic bags at various marketplaces shall be prohibited. Our business has benefited from a number of favorable policies and initiatives promulgated by the PRC Government, we have confidence that against this backdrop, the prospects for biodegradable plastic products business are optimistic and our Group is well positioned to navigate the business opportunities and challenges ahead.

On behalf of the Board, I would like to take this opportunity to thank our Shareholders and stakeholders for their continued support and our management team as well as employees for their resolute commitments and dedications in pursuing the Group's strategic priorities and long-term goals during the Year.

Zhang Yuqiu
Chair of the Board

Hong Kong, 28 March 2024

CHIEF EXECUTIVE OFFICER'S REVIEW

It is my pleasure to report on the Group's business performance for FY2023.

The Group was established in March 2014 primarily engaging in the development and manufacturing of non-biodegradable automobile plastic parts. In response to the PRC Government's environmental protection policies and regulations relating to restriction and prohibition of the use of non-biodegradable plastic bags and controlled plastic pollution, we, since 2015, had gradually diversified our business into the development and manufacturing of biodegradable plastic products while maintaining the operation for non-biodegradable automobile plastic parts which accounted for approximately 5.2% of the Group's total revenue for FY2023.

As such, the Group is now principally engaged in developing and manufacture of biodegradable plastic products in the Northeast China with its main production base located in Changchun, Jilin province, the PRC. During the second half of 2022, the Group initially leased a factory site in Huizhou, Guangdong province, the PRC with a view to capturing the business opportunities in the Southeast China. However, upon a review of the progress of the Huizhou factory site, the Group has modified its expansion plan by terminating the lease of the Huizhou factory site during the Year and relocating the factory site to Dongguan, also in Guangdong province, the PRC. The new Dongguan factory has already commenced its trial run in operation during the second half of 2023 and current phase 1 is anticipated to be in full scale operation in first half of 2024. Phase 1 of the Dongguan factory was financed by internal resources of the Company. In order to cope with the anticipated growing demand of biodegradable plastic products in the Southeast region, the Group has utilized its internal funding to lease another factory site located at Anji, Zhejiang province, the PRC during the Year as its third production base. Initial set up including installation of machineries and application for requisite licenses from the relevant government authorities are now being arranged, it is expected that the Anji factory will commence operation during the second quarter of 2024.

Our biodegradable products mainly comprise (i) biodegradable produce bag rolls; (ii) biodegradable shopping bags; and (iii) biodegradable stretch wraps. During the Year, all our biodegradable products were sold to customers in the PRC, mainly in the Northeast China, which accounted for approximately 80.5% of the Group's total revenue, whilst the sales to other cities in the PRC accounted for the remaining approximately 19.5%.

In recent years, the PRC Government has strongly committed to advocate environmental protection and control plastic pollution by implementing a number of reforms and regulations, including but not limited to, strict prohibition of the use of non-degradable plastic bags in various marketplaces by end of 2025; deployment of various goals and tasks to achieve plastic pollution control plans; and promulgation of the management standards for prohibition and restriction of related plastic products.

In light of the Group's expertise in the development and manufacturing of biodegradable plastic products for the last decade, we had contributed the discussion and formulation of the national standard for biodegradable plastic shopping bags, namely, "GB/T 38082-2019", which was issued by The State Administration for Market Regulation of the PRC and The Standardization Administration of the PRC in October 2019. The "GB/T 38082-2019" has remained as the sole and only national standard in the PRC for biodegradable plastic shopping bags since then. In view of our expertise in the industry and the recognition earned from the PRC Government, we have possessed the competitive strength in the areas of production capabilities, technology level and quality control, which positioned us as the market leader in this policy-driven market.

During the Year, we continued to devote resources to further strengthen our production capacity and deepen our cooperation with major research organizations, including the R&D of biodegradable plastic products through collaboration with The Changchun Institute of Applied Chemistry Chinese Academy of Science ("**CIAC**"), a third-party research institute, in which we owned the rights to the R&D results. The Group also joined as members of those plastic production related industry associations in the PRC, including the Degradable Plastics Committee of China Plastic Processing Industry Association and The Changchun Die & Mold Industry Association so as to embrace the changing market trends and bring new growth momentum to the Group's business development.

The Group has been qualified as a High and New Technology Enterprise since 2018, we, therefore, entitled to enjoy a preferential PRC enterprise tax rate of 15% instead of the current prevailing rate of 25% as well as additional deduction allowances for qualified R&D expenses granted under the Enterprise Income Tax Law and the relevant regulations in the PRC.

In FY2023, although the stringent pandemic measures as well as travel and transportation restrictions were removed, the COVID-19 pandemic had brought fundamental change to the dining and consumption habits of the local residents in the PRC from dining in to preparing meals at home and/or ordering takeaway, which, contributed to the increase of sale of perishable food and fruits, and thus, in turn, stimulated the use of biodegradable shopping bags and biodegradable produce bag rolls. Such change led to an increase in revenue derived from the demand and sales of the biodegradable plastic products of the Group during the Year.

Following the Listing, the Company had successfully raised the net proceeds of approximately HK$155.4 million. With such strong financial backup, we are able to pursue our strategic imperatives for further expansion of the Group's operations and extend our footprint to other regions in the PRC. During FY2023, we had taken positive steps to (i) expand and establish new production lines in our Changchun production base to enhance the existing productivity in the Northeast region; (ii) set up a new production base in Dongguan, Guangdong province to capture the growing demand and potential business opportunities in the Southeast region; (iii) strengthen our R&D capabilities by upgrading the existing R&D equipment and engaging further collaborations with CIAC; (iv) finance our R&D projects; and (v) strengthen our IT system to enhance our overall operation efficiency and day-to-day management.

Despite the persistent geopolitical tensions and volatile global economic conditions, such as, soaring interest rates, inflationary pressures, economic malaise and the lasting effects of the COVID-19 pandemic, we are confident that the business opportunities and potential growth for the biodegradable plastic products market in the PRC remain optimistic given the improved economy and increasing commitment of the PRC Government in advocating environmental protection and reducing the treats of White Pollution. We will keep abreast of the market trends and continue to sharpen our competitive edges and enhance our production capabilities as well as technology level to accommodate our next phase of development and expansion.

Thanks to our resilient management team, our leading position in the industry as well as the rebound of the economic conditions and market activities in the PRC during the second half of FY2023, the Group achieved notable strategic progress and delivered a strong financial performance for FY2023. Discussion on the Group's FY2023 financial results is set out in the section headed "Management Discussion and Analysis" in this Annual Report.

Taking this opportunity, I would like to thank our valued Shareholders and customers for their continued trust and support. I would also like to thank my fellow management team and staff for their excellent works and dedications to our strategic achievements throughout FY2023.

Shan Yuzhu
Director and Chief Executive Officer

Hong Kong, 28 March 2024

FINANCIAL HIGHLIGHTS

The table below sets forth the selected key financial ratios of the Group for FY2023 and FY2022 and as at the dates indicated:

	2023	2022
Net profit margin[1] *(%)*	**23.1**	19.0
Current ratio[2] *(times)*	**5.0**	2.4
Quick ratio[3] *(times)*	**4.7**	2.0
Gearing ratio[4] (%)	**13.7**	31.7
Return on total assets[5] *(%)*	**15.2**	18.7
Return on equity[6] *(%)*	**18.9**	28.8
Interest coverage ratio[7] *(times)*	**25.9**	21.6

(1) Net profit margin equals to net profit for the year divided by total revenue for the year.

(2) Current ratio equals to total current assets divided by total current liabilities as at the year.

(3) Quick ratio equals to total current assets less inventories divided by total current liabilities as at the year-end.

(4) Gearing ratio equals to total debts divided by total equity as at the year-end. Total debts include interest-bearing borrowings and lease liabilities.

(5) Return on total assets equals to net profit for the year divided by the closing balance of total assets as at the year-end.

(6) Return on equity equals to net profit for the year divided by the closing balance of total equity as at the year-end.

(7) Interest coverage ratio equals to the profit before finance costs and income tax expenses divided by the finance costs for the year.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

For FY2023, the Group's revenue recorded an increase of 22.0% to approximately RMB365.8 million, as compared with approximately RMB299.8 million recorded for FY2022. This strong performance was attributed by the post-pandemic economic rebound and lifting of stringent anti-pandemic measures during the Year. Following the full resumption of economic activities in the PRC and removal of travel restrictions, the market sentiments and consumer spendings have greatly improved, which led to the increase in sales of the biodegradable plastic products of the Group.

Cost of Sales

During the Year, the Group's cost of sales amounted to approximately RMB220.4 million, representing a significant increase of 22.7%, as compared with approximately RMB179.5 million for the Preceding Year. This increase was primarily due to the increase in production costs and raw material costs in line with the increased sales during the Year.

Gross Profit and Gross Profit Margin

During FY2023, thanks to the strong business performance of the Group, the gross profit amounted to approximately RMB145.5 million, versus approximately RMB120.2 million recorded for the Preceding Year, representing an increase of 21.0%, whilst the gross profit margin for the Year was 39.8%, against 40.1% for FY2022. The slight decline in gross profit margin was resulted from the increment in the raw material costs contributed by the inflationary impact brought by the post-pandemic during the Year.

Other Income

During the Year, the Group's other income amounted to approximately RMB7.3 million, against approximately RMB0.7 million recorded for the Preceding Year, representing an increase of 883.3%. Such substantial increase was mainly attributable to (i) the increase in the Government grants, which amounted to a total of approximately RMB2.9 million, due to the increase in the expenses incurred for the production of biodegradable plastic products of the Group; (ii) the increase in bank interest income amounting to a total of approximately RMB2.5 million, which was derived mainly from the deposit of the net proceeds raised from the Listing with the banks in Hong Kong and the PRC; and (iii) the gain on termination of the lease of the Huizhou factory site during the Year in the amount of approximately RMB1.9 million.

Selling and Distribution Expenses

The Group's selling and distribution expenses for the Year amounted to RMB5.8 million, representing an increase of 11.5%, as compared with approximately RMB5.2 million recorded for FY2022, such increase was mainly due to the increase in logistics costs incurred for products deliveries resulting from the strong sales of biodegradable plastic products during the Year.

Administrative and Other Operating Expenses

During FY2023, the Group's administrative and other operating expenses increased significantly to approximately RMB40.5 million from approximately RMB25.4 million recorded for the Preceding Year. Such significant increase of 59.6% was contributed by the following factors: (i) the increase in depreciation of the Group in the amount of approximately RMB2.5 million, which was primarily attributable to the increase in depreciation of the right-of-use assets relating to the Dongguan factory and Anji factory as well as leasehold improvements for factories in Changchun; (ii) the increase in the R&D costs of approximately RMB5.2 million incurred for the R&D projects collaborated with CIAC; and (iii) the increase in office expenses resulted from the expansion of the Group's operation during the Year.

Finance Costs

During the Year, the Group's finance costs amounted to approximately RMB4.0 million, as compared with the amount of approximately RMB3.4 million for the Preceding Year, representing an increase of 18.4%, such increase was mainly due to the increase in interest-bearing borrowings utilized by the Group to cope with its business expansion during the Year.

Listing Expenses

The listing expenses for the Group incurred during the Year was approximately RMB2.3 million, versus the amount of approximately RMB17.1 million for the Preceding Year. Such substantial decrease was due to the completion of the Listing on 31 March 2023. These expenses were non-recurring in nature and treated as one-off expenses.

Taxation

The Group's income tax expenses increased from approximately RMB12.8 million for the Preceding Year to approximately RMB15.5 million for the Year, representing an increase of 20.9%, which was mainly attributable to the increase of profit before tax as a result of the strong business performance achieved by the Group for the Year.

Profit for the Year

The Group recorded a profit for the Year of approximately RMB84.6 million, whilst the profit for FY2022 stood at approximately RMB57.0 million. The increase in profit by 48.5% for the Year was mainly resulted from (i) the increase in gross profit derived from the increase in revenue for the Year; and (ii) the decrease in listing expenses during the Year.

Property, Plant and Equipment

The property, plant and equipment of the Group significantly increased to approximately RMB99.8 million as at 31 December 2023, as compared with approximately RMB63.6 million as at 31 December 2022, which was mainly due to (i) the purchase of machineries for non-biodegradable automobiles plastic parts production in place of the obsolete ones; (ii) expansion of biodegradable plastic products production line at the Changchun production base; and (iii) the setup of the Dongguan factory to cope with the increasing demand of the biodegradable plastic products in the Southeast China during FY2023.

Right-of-use Assets

The Group recorded the right-of-use assets as at 31 December 2023 amounting to approximately RMB11.7 million, versus the amount of approximately RMB28.0 million as at 31 December 2022. Such decrease was mainly due to the aggregate effect of (i) termination of leased properties of the Huizhou factory and (ii) the newly leased properties of the Dongguan factory and Anji factory during FY2023.

Inventories

As at 31 December 2023, the inventories balance of the Group stood at approximately RMB21.2 million, against the balance in the amount of approximately RMB37.8 million as at 31 December 2022. The decrease in inventories was mainly due to the reduced inventory level kept by the Group during the Year after the epidemic and lifting of travel restrictions. In the Preceding Year, the Group maintained a higher inventory level in order to ensure a stable supply of raw materials since the travel restrictions had significantly affected the logistic arrangements for deliveries.

Trade and Other Receivables

As at 31 December 2023, the trade and other receivables of the Group amounted to approximately RMB108.7 million, as compared with approximately RMB75.4 million recorded as at 31 December 2022, the significant increase of 44.2% was mainly attributed by the increase in sale orders of the Group for the Year.

Trade and Other Payables

As at 31 December 2023, the trade and other payables of the Group was in the amount of approximately RMB44.5 million, as compared with approximately RMB38.1 million as at 31 December 2022, the increase of 16.9% was mainly attributable to the increase in productions costs and other expenses of the Group to cope with the increased sales during the Year.

Liquidity and Financial Resources and Capital Structure

The Group exercised high level of prudence through stringent review of liquidity, risk exposure and market conditions and reacted swiftly to identify and mitigate risks.

As at 31 December 2023, the Group had maintained adequate liquidity with bank balances and cash in a total of approximately RMB315.7 million (including bank balances of approximately HK$119.2 million (equivalent to approximately RMB108.0 million), being the unutilized net proceeds raised from the Listing), as compared with approximately RMB99.2 million as at 31 December 2022.

As at 31 December 2023, the Group had interest-bearing borrowings of approximately RMB49.7 million, against approximately RMB39.8 million as at 31 December 2022.

The Group's gearing ratio as at 31 December 2023 was 13.7%, compared to 31.7% as at 31 December 2022. The gearing ratio equals to total debts divided by total equity, whereby total debts include interest-bearing borrowings and lease liabilities. The significant improvement in gearing ratio was due to the substantial increase in total equity as a result of the Listing during FY2023.

During FY2023, the Group financed its operations with borrowings from banks and financial institutions and internal cash flows. The Directors considered that the Group maintained at healthy liquidity position for its business operations with sufficient buffer for contingencies.

Treasury Policies

The Group implemented prudent treasury policies to maintain strong flexibility and capability to fund its business operations and manage unexpected contingencies. During the Year, the management performed credit assessments and evaluation of financial status of its customers to mitigate the Group's credit risk exposure while closely monitored the Group's liquidity position to ensure availability of sufficient financial resources to meet with the Group's funding requirements and commitments.

Exchange Rate Exposure

The majority of the Group's transactions, assets and liabilities were denominated in RMB. Since the exchange rate risk was not significant, the Group did not commit to any financial instruments to hedge against its foreign exchange exposure during the Year. The Directors and senior management closely monitor the foreign exchange exposure of the Group and will consider applicable financial derivatives as and when necessary.

Charge on Group Assets

As at 31 December 2023, the Group's interest-bearing borrowings and lease liabilities were secured by charges over the following assets of the Group:

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Buildings	**20,561**	22,088
Leasehold Land	**792**	816
Patents	**82**	91
	21,435	22,995

The secured interest-bearing borrowings for the both financial years were maintained at a constant position whilst there was a slight increase in unsecured borrowings of approximately RMB2.8 million during the Year.

Contingent Liabilities

As at 31 December 2023, the Group had no material contingent liabilities *(2022: Nil)*.

Commitments

As at 31 December 2023, the Group had capital expenditure commitments of approximately RMB3.5 million *(2022: approximately RMB3.0 million)*, details of which are set out in note 30 to the consolidated financial statements in this Annual Report.

Significant Investments, Material Acquisitions and Disposals

Save for those reorganization activities took place for the purpose of the Listing as set out in the section headed "History, Reorganization and Group Structure" in the prospectus dated 21 March 2023 (the "**Prospectus**"), 2022 annual report for the year ended 31 December 2022 (the "**2022 Annual Report**") and 2023 interim report for the six months ended 30 June 2023 (the "**2023 Interim Report**") of the Company, the Group did not have any significant investments, material acquisitions and disposals during the Year.

Final Dividend

The Directors do not recommend the payment of a final dividend for the Year *(FY2022: Nil)*.

Significant Events After the Reporting Period

The Group did not have any significant events after the reporting period and up to the date of this Annual Report.

Human Resources

As at 31 December 2023, the Group had a total of 182 employees *(2022: 159)* serving its business in the PRC, all our employees stationed in the PRC. Total staff cost including Directors' emoluments and retirement benefit costs for FY2023 amounted to approximately RMB13.1 million, against approximately RMB11.9 million as recorded in the Preceding Year.

The Group remunerated its employees and Directors in line with the prevailing market practices after taking into account their experience, responsibilities and scope of work. The Group has established a share option scheme and share options will be granted to the employees and Directors in accordance with the Group's remuneration policy with reference to the performance of the respective employees and Directors under the terms and conditions of the share option scheme.

FUTURE PLANS AND USE OF PROCEEDS

The Shares were listed on the Stock Exchange on 31 March 2023, the date of Listing, a total of 190,000,000 offer Shares were allotted and issued based on the final offer price of HK$1.05 per offer Share and the net proceeds from the global offering amounted to approximately HK$155.4 million.

There were no material changes in the intended use of net proceeds as disclosed previously in the Prospectus, 2022 Annual Report and 2023 Interim Report. Up to 31 December 2023, the net proceeds had been utilized as follows:

	Adjusted net proceeds *HK$'000*	**Amount utilized** *HK$'000*	**Amount unutilized** *HK$'000*
Expand biodegradable plastic products production lines at the Changchun Production Base	51,743	18,548	33,195
Establish the Huizhou Production Base in the Southeast China [(1)]	51,588	–	51,588
Strengthen R&D capabilities and upgrade existing R&D equipment of the Group	6,682	–	6,682
Finance R&D projects of the Group	33,253	14,320	18,933
Strengthen IT system of the Group	4,662	–	4,662
General working capital	7,458	3,349	4,109
	155,386	36,217	119,169

As at 31 December 2023, the unutilized net proceeds of approximately HK$119.2 million were deposited into licensed banks in the PRC.

The business objectives, future plans and intended use of net proceeds were based on the best estimation and assumption of future market conditions by the Group at the time of preparing the Prospectus whilst the application of the net proceeds was based on the actual development of the Group's businesses and the industry.

Note:

(1) As (i) the Dongguan factory site is less than 100 kilometers from our original site in Huizhou and within the same province; (ii) with local Government's support; and (iii) lower rental payment, the Group has adjusted its expansion plan by relocating its new factory to Dongguan. Phase 1 (trial run operation) was financed by the Group's internal resources.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Directors

Ms. Zhang Yuqiu (張玉秋) ("Ms. Zhang"), aged 48, is the co-founder of our Group. She is the Chair of our Board, executive Director, and one of our Controlling Shareholders. Ms. Zhang is also the spouse of Mr. Shan, our executive Director, chief executive officer and one of our Controlling Shareholders. She was appointed as an executive Director and the chair of our Board on 16 May 2022. She currently holds directorship in Jilin Kaishun, a subsidiary of our Company. Ms. Zhang is in charge of the operational function of our Group and assisting in the management of our Group's R&D efforts.

Prior to co-founding our Group in March 2014, Ms. Zhang started her own business in the logistics services industry in December 2004 with Mr. Shan. Together, they co-founded Changchun City Hangtong Logistics Co., Ltd.* (長春市航通物流有限公司) and Changchun Kaishun Logistics Co., Ltd.* (長春開順物流有限公司), both of which were primarily engaged in the provision of cargo transportation service. In June 2012, Ms. Zhang and Mr. Shan established Jilin Insulation Materials, which was initially engaged in the manufacturing and sales of machineries and trading of non-wooden construction materials. Jilin Insulation Materials then expanded into the manufacturing and sales of insulation materials for construction, in particular, benzene board and glue, and extrusion board, and construction services for exterior wall insulation. In March 2014, considering that the PRC governmental authorities were promoting environmental protection measures and implementing policies for biodegradable products, they subsequently ventured into the production and R&D of biodegradable materials through Jilin Kaishun in 2015 to exploit the potential new market opportunities on environmental materials business.

Ms. Zhang joined the part-time courses and obtained a diploma in economics and corporate management from Changchun University for Employees (長春市職工大學) in the PRC in July 2002.

Mr. Shan Yuzhu (單玉柱) ("Mr. Shan"), aged 50, is an executive Director and the chief executive officer of our Group and one of our Controlling Shareholders. Mr. Shan is also the spouse of Ms. Zhang, our executive Director and one of our Controlling Shareholders. He was appointed as a Director on 1 February 2022 and was re-designated as an executive Director on 16 May 2022. Mr. Shan was also appointed as the chief executive officer of our Company on 16 May 2022. He holds directorship in each of the subsidiaries of our Group. Mr. Shan is responsible for overseeing overall strategic planning and general management and daily operation of our Group, and leading our Group's R&D efforts. Mr. Shan is also a member of each of the Remuneration Committee and the ESG Committee.

Prior to co-founding our Group in March 2014, Mr. Shan served as a driver in the Chinese People's Armed Police Force Fire Brigade Changchun Branch (中國人民武裝員警部隊長春市消防支隊) from December 1991 to December 1993. From March 1995 to March 2000, Mr. Shan was attached to Changchun City Transportation Operation Company* (長春市運輸經營總公司) and provided logistics services. Mr. Shan started his own business in the logistics services industry in December 2004 with Ms. Zhang. Together, they co-founded Changchun City Hangtong Logistics Co., Ltd* (長春市航通物流有限公司) and Changchun Kaishun Logistics Co., Ltd* (長春開順物流有限公司), both of which were primarily engaged in the provision of cargo transportation service. In June 2012, Ms. Zhang and Mr. Shan then established Jilin Insulation Materials, which was initially engaged in the manufacturing and sales of machineries and trading of non-wooden construction materials. Jilin Insulation Materials then expanded into the manufacturing and sales of insulation materials for constructions, in particular, benzene board and glue, and extrusion board, and construction services for exterior wall insulation. In March 2014, considering that the PRC governmental authorities were promoting environmental protection measures and implementing policies for biodegradable products, they subsequently ventured into the production and R&D of biodegradable materials through Jilin Kaishun in 2015 to exploit the potential new market opportunity on environmental materials business. In addition to his work experiences, Mr. Shan was also recognised in the biodegradable plastic industry. Mr. Shan was one of the drafters and participated in the drafting of the GB/T 38082-2019 standard in the PRC, a standard for biodegradable plastic shopping bags issued by the SAMR and the Standardisation Administration of the PRC (國家標準化管理委員會) in October 2019.

Mr. Shan obtained a bachelor's degree in industrial and commercial management from Heilongjiang Industry and Commerce Technology Institute (黑龍江工商職業技術學院) in the PRC in July 2006.

Mr. Li Xiquan (李溪泉) ("Mr. Li"), aged 51, is an executive Director and the vice president of the administrative department of our Group and one of the Pre-IPO Investors. Mr. Li joined our Group in May 2021 as the vice president of our administrative department, responsible for overseeing the daily administrative and human resources management of our Group. Mr. Li is also a director of Jilin Kaishun, a subsidiary of our Company. He was appointed as an executive Director on 16 May 2022. Mr. Li is also a member of the Nomination Committee.

Mr. Li has over 11 years of investment experience and almost 20 years of corporate management experience in different industries. From 1995 to 2001, Mr. Li worked at Shenyang Military Region Insurance Service Centre (瀋陽軍區保險服務中心). From April 2004 to April 2010, he worked as administrative manager of Heilongjiang Province Jingwei Cultural Communication Co., Ltd.* (黑龍江省經緯文化傳播有限公司), which was principally engaged in advertisement design and information consultation. From April 2010 to December 2020, Mr. Li co-invested with his friend in the hotel business in Qitaihe City, Heilongjiang province, including Qitaihe City Taoshan District Xilong Hotel (七台河市桃山區禧龍賓館). From April 2010 to February 2021, Mr. Li worked as the administrative general manager of Jiamusi City Oriental Hospital Co., Ltd (佳木斯市東方醫院有限責任公司) and was principally responsible for general administrative management. In May 2021, Mr. Li invested in Jilin Kaishun and has since acted as the vice president of the administrative department of our Group.

Mr. Li obtained a bachelor's degree in economics and management from Heilongjiang University of Finance and Economics (黑龍江財經學院) in the PRC in June 2012.

Mr. Li Peng (李鵬), aged 29, is an executive Director and the vice president of our production department. Mr. Li Peng joined our Group after his graduation from university in July 2016. He was appointed as an executive Director on 16 May 2022. Mr. Li Peng is responsible for supervising the production operation of our Group. Mr. Li Peng is also a member of the ESG Committee.

Mr. Li Peng joined Jilin Kaishun in July 2016 as an assistant to the chair of the board of directors of Jilin Kaishun, who at the relevant time was Mr. Shan. Mr. Li Peng assisted Mr. Shan to manage Jilin Kaishun, including (i) assisted Mr. Shan in organizing discussions among different departments of our Group covering strategic development plans, tendering and sales, and R&D, production and quality control of our products; (ii) assisted Mr. Shan in formulating corporate governance measures and policies; and (iii) acted as the liaison between our Board and competent governmental authorities or external parties. In July 2018, after accumulated experiences by working closely with Mr. Shan, Mr. Li Peng was promoted to the vice president of our production department. Our Directors believe that although Mr. Li Peng is relatively inexperienced in the beginning, through his work experience with us, he is able to understands better of our operations, and provide our Board a more diversified view, especially with a younger mindset and ideas for initiatives of biodegradable products.

On 29 July 2022, Mr. Li Peng was appointed as the committee member of the expert committee of Jilin Province Packaging Technology Association* (吉林省包裝技術協會), a provincial industry association governed by the Jilin Province Department of Civil Affairs* (吉林省民政廳). Mr. Li Peng obtained a bachelor's degree in mechatronics technology from Heilongjiang Industry and Commerce Technology Institute (黑龍江工商職業技術學院) in the PRC in July 2016.

Independent Non-executive Directors

Mr. Ng Tat Fung (吳達峰) ("Mr. Ng"), aged 41, was appointed as our independent non-executive Director on 9 March 2023. Mr. Ng is responsible for providing independent advice on the business strategies, operations and management of our Board. He is also the chairman of the Audit Committee.

Mr. Ng has almost 15 years of experience in the accounting and finance industry. From September 2007 to September 2008, he worked as an auditor at W.H. Tse & Company, a CPA firm in Hong Kong. From September 2008 to April 2010, he worked as an auditor at K.P. Cheng & Co., a CPA firm in Hong Kong. From July 2010 to December 2011, he became an audit senior of K.P. Cheng & Co.. From January 2012 to November 2013, he worked as an audit senior at Mazars CPA Limited, a CPA firm in Hong Kong with a focus on providing audit, accountancy, advisory, tax and legal services. Since October 2013, he has been a director of NGP Business Advisory Limited (怡峰商業顧問有限公司) (formerly known as Lloyds Chartered Company Limited), a company principally engaged in the provision of business consulting services. In March 2017, Mr. Ng founded Ng & Partners CPA Limited (怡峰會計師事務所有限公司), a CPA firm in Hong Kong, and has been its director since then. Mr. Ng served as an independent non-executive director of Haina Intelligent Equipment International Holdings Limited (海納智慧裝備國際控股有限公司) (stock code: 1645), a company listed on the Stock Exchange, a manufacturer engaging in the design and production of automated machines for manufacturing disposable hygiene products, including baby diapers, adult diapers and lady sanitary napkins in the PRC, from 4 May 2020 to 25 May 2023.

Mr. Ng obtained his bachelor's degree in finance, accounting and management from the University of Nottingham in the United Kingdom in July 2007. Mr. Ng has been a member of the Hong Kong Institute of Certified Public Accountants since March 2016, and is currently a member of The Institute of Chartered Accountants in England and Wales and The Society of Chinese Accountants & Auditors.

Dr. Sun Shulin (孫樹林) ("Dr. Sun"), aged 47, was appointed as our independent non-executive Director on 9 March 2023. Dr. Sun is responsible for providing independent advice on business strategies, operation and management of our Board. He is also the chairman of each of the Remuneration Committee and the ESG Committee, and a member of each of the Audit Committee and Nomination Committee.

After Dr. Sun's graduation from Changchun Institute of Applied Chemistry Chinese Academy of Sciences (中國科學院長春應用化學研究所) in March 2006, he has since worked in Changchun University of Technology (長春工業大學) and is currently a professor and a mentor to doctor students of Changchun University of Technology. Dr. Sun is also the vice-dean of National & Local United Engineering Laboratory for Polymer Material Synthetic Technology (高分子材料合成技術國家地方聯合工程實驗室). He also works as a part-time technology consultant of China Petroleum Jihua Group Co., Ltd.* (中國石油吉化集團公司), a comprehensive petrochemical production company.

He is a commentator of National Natural Science Fund Project (國家自然科學基金專案). In 2012, he was awarded the honorary titles of Jilin Top Innovative Talents (吉林省拔尖創新人才). In 2013, he was awarded the honorary title of Jilin Discipline Leading Professor (吉林省學科領軍教授). He has published 25 scientific papers in journals such as the Chemical Engineering Journal and ACS Sustainable Chemistry & Engineering Journal. Dr. Sun won Second Class Prize for Jilin Provincial Science and Technology (吉林省科學技術二等獎) in December 2010 and Second Class Prize for Jilin Provincial Natural Science Academic Achievement (吉林省自然科學學術成果二等獎) in November 2012. He is also the owner of five invention patents relating to biomaterial.

Dr. Sun obtained his bachelor and master's degrees in polymer material and engineering (高分子材料與工程) and chemical engineering (化學工程) from Changchun University of Technology in the PRC in July 1999 and April 2002, respectively. Dr. Sun obtained a doctorate degree of science from Changchun Institute of Applied Chemistry Chinese Academy of Sciences in the PRC in March 2006.

Dr. Lai King Yin (賴景然) ("Dr. Lai"), aged 41, was appointed as our independent non-executive Director on 9 March 2023. Dr. Lai is responsible for providing independent advice on the business strategies, operations and management of our Board. He is also the chairman of the Nomination Committee, and a member of each of the Audit Committee, Remuneration Committee and the ESG Committee.

Dr. Lai has more than 16 years of research experience and more than six years corporate management experience. In June 2014, Dr. Lai co-founded Novus Life Sciences Limited (薪創生命科技有限公司) ("**Novus**"), a graduated company of the Incu-Bio Programme of Hong Kong Science and Technology Parks Corporation, which is primarily engaged in the R&D and production of biomaterials for use in orthopaedics. Since February 2015, Dr. Lai has served as an executive director of Novus responsible for management of daily operation of Novus. He also took a leading role in establishing a French branch office of Novus in France in 2017. Dr. Lai was trained as a researcher in the State Key Laboratory of Emerging Infectious Diseases, The University of Hong Kong ("**HKU**"), a laboratory established by the Ministry of Science and Technology of the PRC in recognition of the outstanding contribution made by HKU scientists in response to the Severe Acute Respiratory Syndrome outbreak during 2003/2004.

In October 2021, Dr. Lai joined HKU School of Professional and Continuing Education and has since served as a part-time lecturer for the bachelor's degree course in Pharmaceutical Science. In 2021, Dr. Lai founded Research Institute for Technology Application Limited, a company principally engaged in providing consulting service in technology application and business strategy, assisting enterprises in researching innovation and technology demands and upgrading and transformation strategies under the support of the Government of the HKSAR and the Angel Investment Foundation, and has since served as a director.

Dr. Lai obtained a Bachelor of Science degree with a major in animal and plant biotechnology, a Master of Medical Sciences, a Master of Philosophy degree in Microbiology and a Doctor of Philosophy degree in Surgery from HKU, in December 2005, December 2006, November 2010 and in November 2015, respectively. Dr. Lai was awarded the French Tech Ticket and granted a "Passport Talent" in 2017 by the French Government. From 2009 to 2018, Dr. Lai published more than ten research journal articles and was invited to write for a book chapter in biomedicine area. Dr. Lai is also an inventor of three patents relating to biotechnology application area.

SENIOR MANAGEMENT

Our senior management team consists of five members, namely, four executive Directors (Ms. Zhang, Mr. Shan, Mr. Li and Mr. Li Peng) and Mr. Wang Hao (王浩), the finance manager of our Group, and is responsible for the day-to-day management and operation of our Group. For details of biographies of Ms. Zhang, Mr. Shan, Mr. Li and Mr. Li Peng, please refer to the paragraph headed "Directors — Executive Directors" above.

Mr. Wang Hao (王浩) ("Mr. Wang"), aged 43, is the finance manager of our Group. Mr. Wang joined our Group in November 2017 and is responsible for assisting in the financial reporting and management matters of our Group.

From August 2003 to August 2009, Mr. Wang served as an accountant of Jiamusi City Jiasi Motor Co., Ltd.* (佳木斯市佳四電機有限責任公司), which is principally engaged in manufacturing of motor and motor parts. From September 2009 to October 2017, he served as financial officer of Jiamusi Electronic Fan Co., Ltd.* (佳木斯佳電風機有限公司), which was deregistered in August 2021 and was then principally engaged in the manufacturing of electronic fans prior to its deregistration. In November 2017, he joined Jilin Kaishun and has since acted as the finance manager of our Group.

Mr. Wang obtained a diploma in computerised accounting from Jiamusi City United Staff College* (佳木斯市聯合職工大學) in the PRC in July 2003.

COMPANY SECRETARY

Mr. Yeung Kwong Wai (楊光偉) ("Mr. Yeung"), aged 50, was appointed as the company secretary of our Company on 16 May 2022. Mr. Yeung is a director of corporate services of Ascent Corporate Services Limited and is responsible for assisting listed companies in professional corporate secretarial work. He has over 24 years of auditing, accounting, financial management and corporate governance experience. Mr. Yeung graduated in Canada in October 1997 with a major in accounting. He is a Certified Public Accountant (Practising) of Hong Kong Institute of Certified Public Accountants and a member of the American Institute of Certified Public Accountants. He is also a chartered financial analyst charterholder.

* *For identification purpose only*

CORPORATE GOVERNANCE REPORT

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company is committed to the establishment of good corporate governance practices and procedures. The corporate governance principles of the Company emphasize accountability and transparency to the shareholders of the Company (the "**Shareholders**").

The Company has adopted the principles and all relevant code provisions as set out under the Corporate Governance Code (the "**CG Code**") as set out in Appendix C1 to the Rules Governing the Listing of Securities (the "**Listing Rules**") on the Stock Exchange since 31 March 2023. The Board considered that the Company has complied with all applicable code provisions set out in the CG Code since 31 March 2023 (the "**Listing Date**") and up to the date of this Annual Report.

CORPORATE PURPOSE, VALUE AND STRATEGY

Our Group is committed to developing a positive and harmonious culture that laid down the foundation for building our purpose and value. Our purpose and value represent the framework for our business, which enables our employees to unleash their full potential to thrive for our success in terms of long term sustainable growth and as a leading player in the biodegradable plastic products market in the PRC.

Our purpose

We aim to build a better environment by advocating the biodegradable plastic products for controlling the "White Pollution" in the PRC. We are striving for long term development of our business articulating with the megatrends of the biodegradable plastic products market in the PRC.

Our value

We recognise the eminence of environmental protection and adhere to the policies of the PRC government in eliminating the impact of "White Pollution". We uphold the environmental protection concepts and always look for collaborations which bring in better ideas and technologies. We are engaged in the markets and communities in which we operate and committed to delivering high quality products.

Our strategy

We have a thorough and proactive strategic planning process to identify and assess the challenges as well as the business opportunities, which allows us to formulate pertinent action plans promptly with a view to generating sustainable long term value for our Shareholders.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix C3 to the Listing Rules as its own code of conduct regarding Directors' securities transactions as the Listing Date. Based on specific enquiry made to the Directors, all of the Directors have confirmed that they had complied with the Model Code since the Listing Date and up to the date of this Annual Report.

BOARD OF DIRECTORS

The functions and duties of the Board include but not limited to convening the general meetings, reporting on the performance of the Board's work at the general meetings, implementing the resolutions passed at the general meetings, determining business and investment plans, formulating our annual financial budget and final accounts, formulating our proposals for increase or reduction of our capital as well as exercising other powers, functions and duties as conformed in accordance with the second amended and restated articles of association of the Company adopted on 9 March 2023 and effective upon the Listing (the "**Articles of Association**").

The composition of the Board from the Listing Date up to the date of this Annual Report is set out as follows:

Executive Directors

Ms. Zhang Yuqiu *(Chair)*[1]
Mr. Shan Yuzhu *(Chief Executive Director)*[1]
Mr. Li Xiquan
Mr. Li Peng

Independent Non-Executive Directors

Mr. Ng Tat Fung
Dr. Sun Shulin
Dr. Lai King Yin

Note:

1. Ms. Zhang and Mr. Shan are spouses.

The biographical details of the Directors are set out under the section headed "Biographical Details of Directors and Senior Management" on pages 15 to 19 of this Annual Report. Save as disclosed in this Annual Report, to the best knowledge of the Company, there is no relationship (including financial, business, family or other material or relevant relationships) amongst members of the Board.

Since the Listing Date and up to the date of this Annual Report, the Board has all times met the requirements of Rules 3.10(1), 3.10(2) and 3.10A of the Listing Rules relating to the appointment of at least three independent non-executive directors with at least one independent non-executive director possessing appropriate professional qualifications, or accounting or related financial management expertise, and independent non-executive directors representing at least one-third of the Board.

CHAIR OF THE BOARD AND CHIEF EXECUTIVE OFFICER

Since the Listing Date up to the date of this Annual Report, the roles of Chair of the Board (the "**Chair**") and Chief Executive Officer (the "**CEO**") of the Company were separated and performed by different individuals. On 16 May 2022, Ms. Zhang Yuqiu and Mr. Shan Yuzhu has been appointed as the Chair and the CEO, respectively.

The Chair provides leadership and is responsible for the effective functioning and leadership of the Board. The CEO focuses on the Company's business development and daily management and operations generally.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the independent non-executive Directors, a confirmation of his independence pursuant to Rule 3.13 of the Listing Rules.

The independent non-executive Directors are independent of the management and hence the Company considers that they are free of any relationship that could potentially interfere with the exercise of their independent judgment. None of the independent non-executive Directors has any business or financial interests with the Company nor has any relationship with other Directors. The Company considers all of the independent non-executive Directors are independent.

APPOINTMENT, RE-ELECTION AND REMOVAL OF DIRECTORS

Each of the executive Directors has entered into a service contract with the Company for an initial fixed term of three years commencing from the date thereof, and will be renewed for another three years term thereafter until terminated by not less than three months' notice in writing served by either party on the other.

Each of the independent non-executive Directors has entered into a letter of appointment with the Company for an initial fixed term of one year commencing from the Listing Date and will be renewed for a new fixed term of one year thereafter until terminated by not less than one month's notice in writing served by the independent non-executive Directors or the notice in writing with immediate effect served by the Company.

According to the Articles of Association, the Board shall have power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy or as an additional Director but so that the number of Directors so appointed shall not exceed the maximum number determined from time to time by the Shareholders in general meeting. Any Director appointed by the Board to fill a casual vacancy shall hold office only until the next first annual general meeting of the Company (the "**AGM**") after his appointment and be subject to re-election at such meeting. Any Director appointed by the Board as an addition to the existing Board shall hold office only until the next first AGM after his appointment and shall then be eligible for re-election. Any Director appointed under the Articles of Association shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at an AGM.

According to the Article of Association, at each AGM, one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third, shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement at an AGM by rotation at least once every three years. A retiring Director shall be eligible for re-election. The Company at the general meeting at which a Director retires may fill the vacated office.

Furthermore, pursuant to code provision B.2.2 set out in the CG Code, every director, including those appointed for a specific term, should be subject to retirement by rotation at least every three years.

BOARD MEETING AND GENERAL MEETING

According to code provision C.5.1 of the CG Code, the Board should meet regularly and Board meetings should be held at least four times a year at approximately quarterly intervals. Notice of at least 14 days should be given of a regular Board meeting to give all Directors an opportunity to attend in accordance with code provision C.5.3 of the CG Code.

The Company was listed on the Main Board of the Stock Exchange on the Listing Date. During the period from the Listing Date to 31 December 2023, the Company held three Board meetings in which Directors at the time to determine and review the overall strategic development of the Group and to oversee the achievement of the plan in relation thereto. The attendance records of each Director at the Board meetings of the Company held during the period from the Listing Date to 31 December 2023 are set out in the table below:

Name of Directors	**Attendance of Meetings**
Executive Directors	
Ms. Zhang Yuqiu *(Chair)*	3/3
Mr. Shan Yuzhu	3/3
Mr. Li Xiquan	3/3
Mr. Li Peng	3/3
Independent Non-Executive Directors	
Mr. Ng Tat Fung	3/3
Dr. Sun Shulin	3/3
Dr. Lai King Yin	3/3

One general meeting was held during the period from the Listing Date to 31 December 2023. The attendance records of each Director at the general meeting held during the period from the Listing Date to 31 December 2023 are set out in the table below:

Name of Directors	**Attendance of Meeting**
Executive Directors	
Ms. Zhang Yuqiu *(Chair)*	1/1
Mr. Shan Yuzhu	1/1
Mr. Li Xiquan	1/1
Mr. Li Peng	1/1
Independent Non-Executive Directors	
Mr. Ng Tat Fung	1/1
Dr. Sun Shulin	1/1
Dr. Lai King Yin	1/1

DIRECTORS TRAINING AND PROFESSIONAL DEVELOPMENT

Pursuant to the code provision C.1.4 of the CG Code, all Directors of the Company should participate in continuous professional development to develop and refresh their knowledge and skills, which is to ensure that their contribution to the Board remains informed and relevant.

During the period from the Listing Date to 31 December 2023, all Directors (or the relevant Directors as a proposed Director at the time) attended the training session on duties and obligations of directors of companies listed on the Stock Exchange, covering topics on connected transactions and corporate governance, the duties and responsibilities of being a director, the relevant laws and regulations applicable to the Directors and duty of disclosure of interest.

Name of Directors	**Attending training session and/ or reading materials relevant to the business or directors' duties**
Executive Directors	
Ms. Zhang Yuqiu	✔
Mr. Shan Yuzhu	✔
Mr. Li Xiquan	✔
Mr. Li Peng	✔
Independent Non-Executive Directors	
Mr. Ng Tat Fung	✔
Dr. Sun Shulin	✔
Dr. Lai King Yin	✔

BOARD COMMITTEES

The Board has established four Board committees in accordance with the relevant laws and regulations and the corporate governance practice under the Listing Rules, including the audit committee (the "**Audit Committee**"), remuneration committee (the "**Remuneration Committee**"), nomination committee (the "**Nomination Committee**") and environmental, social and governance committee (the "**ESG Committee**").

Audit Committee

The Audit Committee was established by the Board pursuant to a resolution of the Board on 9 March 2023 with written terms of reference in compliance with the CG Code. The terms of reference of the Audit Committee are of no less exacting terms than those set out in the code provision D.3.3 and D.3.7 of the CG Code.

The primary duties of the Audit Committee are to make recommendations to the Board on the appointment and dismissal of the external auditor, monitor and review the financial statements and information and oversee the financial reporting system, risk management and internal control systems of the Group.

As at the date of this Annual Report, the members of the Audit Committee are Mr. Ng Tat Fung, Dr. Sun Shulin and Dr. Lai King Yin, all of whom are independent non-executive Directors. Mr. Ng Tat Fung is the chairman of the Audit Committee.

Two meetings of the Audit Committee were held during the period from the Listing Date to 31 December 2023. The attendance records of each member at the Audit Committee meetings held during the period from the Listing Date to 31 December 2023 are set out in the table below:

Name of members	**Attendance of Meetings**
Mr. Ng Tat Fung (Chairman)	2/2
Dr. Sun Shulin	2/2
Dr. Lai King Yin	2/2

The summary of the work of the Audit Committee is as follows:

(i) reviewed the final results and annual report of the Group for FY2022, the interim results and report for the six months ended 30 June 2023 with a recommendation to the Board for approval and monitored the integrity of such consolidated financial statements;

(ii) reviewed the Group's financing and accounting policies; and

(iii) reviewed and recommended appointment of external auditor, improvements on the Group's internal and compliance control system and risk management functions.

On 28 March 2024, the Group's results for FY2023 have been reviewed by the Audit Committee.

During FY2023 and FY2022, the fees paid/payable to the Company's external auditor, Mazars CPA Limited ("**Mazars**") were as follows:

Services rendered	**2023** *RMB'000*	2022 *RMB'000*
Audit services – Annual audit	**1,531**	1,459
Non-audit services – Interim review	**451**	–
Professional services in connection to the Listing as the reporting accountant *(Note)*	**–**	3,691
	1,982	5,150

Note: The amount represents the total fee for the entire professional services as the reporting accountant for the Listing. Such professional fees have been/will be recognised in various accounting periods.

Remuneration Committee

The Remuneration Committee was established by the Board pursuant to a resolution of the Board on 9 March 2023 with written terms of reference in compliance with the CG Code. The terms of reference of the Remuneration Committee are of no less exacting terms than those set out in the code provision E.1.2 of the CG Code.

The primary duties of the Remuneration Committee are to make recommendation to our Board on the overall remuneration policy and structure for all Directors and senior management of our Group, review remuneration and ensure that none of the Directors determine their own remuneration.

As at the date of this Annual Report, the members of the Remuneration Committee are Dr. Sun Shulin, Mr. Shan Yuzhu and Dr. Lai King Yin. Dr. Sun Shulin is the chairman of the Remuneration Committee.

One meeting of the Remuneration Committee was held during the period from the Listing Date to 31 December 2023. The attendance records of each member at the Remuneration Committee meeting held during the period from the Listing Date to 31 December 2023 are set out in the table below:

Name of members	**Attendance of Meeting**
Dr. Sun Shulin (Chairman)	1/1
Mr. Shan Yuzhu	1/1
Dr. Lai King Yin	1/1

The summary of the work of the Remuneration Committee is as follows:

(i) made recommendations to the Board on the Company's remuneration policy of Directors and senior management;

(ii) reviewed the remuneration packages of Directors and senior management in relation to the performance and financial position of the Company; and

(iii) made recommendations to the Board on the remuneration of independent non-executive Directors.

Pursuant to code provision E.1.5 of the CG Code, the annual remuneration of the members of the senior management (excluding executive Directors) by band for FY2023 is set out below:

Remuneration band	
HK$1,000,000 or below (equivalent to approximately RMB901,000 or below)	1

Details of the remuneration of each Director for FY2023 are set out in note 8 to the consolidated financial statements

Nomination Committee

The Nomination Committee was established by the Board pursuant to a resolution of the Board on 9 March 2023 with written terms of reference in compliance with the CG Code. The terms of reference of the Nomination Committee are of no less exacting terms than those set out in the code provision B.3.1 of the CG Code.

The primary duties of the Nomination Committee are to review the structure, size, composition and diversity of our Board at least annually and make recommendation to the Board regarding candidates to fill vacancies on the Board and/or in senior management.

As at the date of this Annual Report, the members of the Nomination Committee are Dr. Lai King Yin, Mr. Li Xiquan and Dr. Sun Shulin. Dr. Lai King Yin is the chairman of the Nomination Committee.

One meeting of the Nomination Committee was held during the period from the Listing Date to 31 December 2023. The attendance records of each member at the Nomination Committee meeting held during the period from the Listing Date to 31 December 2023 are set out in the table below:

Name of members	Attendance of Meeting
Dr. Lai King Yin (Chairman)	1/1
Mr. Li Xiquan	1/1
Dr. Sun Shulin	1/1

The summary of the work of the Nomination Committee is as follows:

(i) reviewed the structure, size and composition (including the skills, knowledge and experience) of the Board;

(ii) assessed the independence of independent non-executive Directors;

(iii) made recommendations on the retiring directors at the AGM of the Company; and

(iv) considered the candidate's integrity, qualifications, experience, independence and other relevant criteria necessary to complement the corporate strategy and achieve Board diversity on selection of candidates for directorship of the Company.

ESG Committee

The ESG Committee was established by the Board pursuant to a resolution of the Board on 9 March 2023 with written terms of reference.

The primary duties of the ESG Committee are to support the Board in targets and strategies, conducting materiality assessments of environmental-related, climate-related, social-related risks and assessing how the Group adapts its business in light of climate change, collecting ESG data from different parties while preparing for the ESG report, and continuous monitoring of the implementation of measures to address the Group's ESG-related risks and responsibilities. It is also responsible for the investigation of deviation from targets and liaising with the responsible party or functional department to take prompt rectification actions.

As at the date of this Annual Report, the members of the ESG Committee are Dr. Sun Shulin, Mr. Shan Yuzhu, Mr. Li Peng and Dr. Lai King Yin. Dr. Sun Shulin is the chairman of the ESG Committee.

One meeting of the ESG Committee was held during the period from the Listing Date to 31 December 2023. The attendance records of each member at the ESG Committee meeting held during the period from the Listing Date to 31 December 2023 are set out in the table below:

Name of members	Attendance of Meeting
Dr. Sun Shulin (Chairman)	1/1
Mr. Shan Yuzhu	1/1
Mr. Li Xiquan	1/1
Dr. Lai King Yin	1/1

The summary of the work of the ESG Committee is as follows:

(i) reviewed the ESG performance and the effectiveness of ESG systems of the Group; and

(ii) reviewed the ESG report for FY2022 with a recommendation to the Board for approval.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the corporate governance functions with written specific terms of reference in compliance with the code provision A.2.1 of the CG Code.

The duties of the Board in respect of the corporate governance functions are summarised as follows:

- to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;
- to review and monitor the training and continuous professional development of the Directors and senior management of the Company;
- to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

- to develop, review and monitor the code of conduct and compliance manual applicable to employees and Directors; and

- to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report in this Annual Report.

BOARD DIVERSITY POLICY

The Group has adopted a board diversity policy (the "**Board Diversity Policy**") which sets out the approach to achieve and maintain an appropriate balance of skills, experience and diversity perspectives of the Board that are relevant to the Group's business growth. Pursuant to the Board Diversity Policy, selection of Board candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge, and industry experience. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

The Board has taken, and will continue to take steps to promote gender diversity at all levels of the Group, including but without limitation at the Board and workforce (including senior management). As at the date of this Annual Report, the Board comprised seven Directors, one of which was female. The Group had 182 employees *(2022: 159 employees)* in total comprising of 67 females *(2022: 56 females)* and 115 males *(2022: 103 males)* as at 31 December 2023, that is, a female-to-male ratio of approximately 0.58:1 *(2022: 0.54:1)*. The Group will continue with our endeavor to achieve gender equality in the Group.

The Directors have a balanced mix of age, gender, knowledge and experiences, including business and corporate management, strategic development, research and development of polymer material and construction materials supplement experiences. The Board members also obtained degrees and/or diplomas in various majors including economics and corporate management, finance, accounting, polymer material and engineering, chemical engineering, science and mechatronics technology.

The age group diversity of the Board members as at 31 December 2023 are set out below:

Age composition	**Number of individuals**
Aged below 30	1
Aged 31–40	–
Aged 41–50	5
Aged 51 or above	1
Total	7

For the purpose of implementation of the Board Diversity Policy, the following measurable objectives have been adopted:

- the Company should comply with the requirements on board composition in the Listing Rules from time to time;
- The number of independent non-executive Directors should be not less than three and one-third of the Board;
- At least one Director is female;
- At least one Director shall have obtained accounting or other professional qualifications; and
- At least one Director should be the professional or have intensive experience of the industry on which the business of the Group is.

The Nomination Committee is responsible for ensuring the diversity of the Board. The Nomination Committee is responsible to review the Board Diversity Policy (including gender balance) from time to time to ensure its continued effectiveness on an annual basis. The Nomination Committee considered that all measurable objectives have been fulfilled during FY2023.

NOMINATION PROCEDURE

All Board appointments will be based on the Board Diversity Policy and meritocracy. Candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

The ultimate decision will be made by Board on merit and contribution that the selected candidates will bring to the Board.

According to the Articles and Association, any Director appointed by the Board to fill a casual vacancy shall hold office only until the next first AGM after his appointment and be subject to re-election at such meeting.

FINANCIAL REPORTING

The Directors acknowledge their responsibility for the preparation of the consolidated financial statements for FY2023 which give a true and fair view of the state of affairs of the Group in accordance with the statutory requirements and accounting standards and other financial disclosure requirements under the Listing Rules. The financial results of the Group are announced in a timely manner in accordance with statutory and/or regulatory requirements. The Directors' and auditor's responsibilities in respect of the consolidated financial statements are set out in the "**Independent Auditor's Report**" on pages 88 to 93 in this Annual Report.

The Directors are not aware of material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as going concern. Therefore, the consolidated financial statements are prepared in going concern basis.

The Audit Committee and the Board have reviewed the consolidated financial statements of the Group for FY2023.

AUDITOR'S REMUNERATION

Details of the remuneration paid/payable to Mazars are set out on page 27.

The Audit Committee has expressed its views to the Board that the level of fees paid/payable to the Company's external auditor for audit services and non-audit service is reasonable. There has been no major disagreement between the external auditor and the management of the Company during FY2023.

The responsibilities of the external auditor about its financial reporting are set out in the independent auditor's report attached to the Company's consolidated financial statements are set out in the "Independent Auditor's Report" on pages 88 to 93 in this Annual Report.

DIVIDEND POLICY

The Directors do not recommend the payment of final dividend for FY2023 *(FY2022: Nil)*.

The Board adopted a dividend policy (the "**Dividend Policy**") in accordance with the requirement set out in the code provision F.1.1 of the CG Code, which aimed to provide stable and sustainable returns to the Shareholders.

The declaration, payment and the amount of any future dividends are subject to the discretion of the Board and shall be taken into account of the results of operations, cash flows, financial position, statutory and regulatory restrictions on the payment of dividends. The declaration, payment and amount of any future dividends will be subject to the constitutional documents of the Company including, where necessary, the approval of the Shareholders.

INSIDE INFORMATION

The Group strictly follows the requirements of the Securities and Futures Ordinance of Hong Kong (the "**SFO**") and the Listing Rules and ensures that inside information is disclosed to the public as soon as reasonably practicable unless the information falls within any of the safe harbours of the SFO. All employees are bound by the Group's Code of Conduct to keep all inside information strictly confidential until the disclosure of such information is appropriately approved and refrain from accepting personal benefits through the power or authority derived from their positions.

COMPANY SECRETARY

Mr. Yeung Kwong Wai was appointed as the company secretary of the Company (the "**Company Secretary**") on 16 May 2022. According to code provision C.6.1 of the CG Code, where the Company engages an external service provider as its company secretary, it should disclose the identity of a person with sufficient seniority at the Company whom the external provider can contact. Mr. Yeung is an external service provider in respect of the appointment of Mr. Yeung as the Company Secretary, the primary person at the Company with whom Mr. Yeung has been contacting in respect of company secretarial matters is Ms. Zhang, an executive Director.

During the period from the Listing Date to 31 December 2023, Mr. Yeung had undertaken no less than 15 hours of relevant professional training in compliance with Rule 3.29 of the Listing Rules.

The biographical details of Mr. Yeung are set out in the section headed "Biographical Details of Directors and Senior Management" on page 19 of this Annual Report.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board is responsible for formulating and overseeing the implementation of the Group's internal control measures and the effectiveness of the Group's risk management system.

The Board has delegated to the Audit Committee to review the effectiveness of the risk management and internal controls of the Group. Based on its review, the Audit Committee advises the Board on the effectiveness of the Group's risk management and internal control systems, including the identification and monitoring of the risks, the adequacy of resources, staff qualifications and experience, training programmes and the Company's accounting and financial reporting functions. The management has also been delegated to design, implement and maintain the appropriate and effective risk management and internal control systems of the Group.

The Company has conducted a review on the effectiveness and efficiency of the Groups risk management and internal control systems and makes timely improvements based on changes and existing defects for the purpose of listing of the Shares on the main board of the Stock Exchange during FY2023 and the management has confirmed that there is no significant deficiency and weakness on the internal control system has been identified by the external advisers. Since the Listing and up to the date of this Annual Report, the Board satisfied and confirmed that the Group's risk management and internal control systems were effective and adequate. However, the systems aim to manage but not eliminate the risks relating to failure to achieve business objectives, and the Board will only give reasonable but not absolute assurance against material misstatement or loss.

ANTI-BRIBERY AND ANTI-CORRUPTION POLICY AND WHISTLEBLOWING POLICIES

The Group adopts a policy of zero tolerance towards bribery, extortion, fraud and money-laundering. The Group has adopted anti-bribery and anti-corruption policy (the "**Anti-Corruption Policy**") to ensure that all employees comply with the relevant law and the Group's internal policies on the prevention of corruption.

The Group has also adopted a whistleblowing policy (the "**Whistleblowing Policy**") to encourage reporting of bribery, extortion, fraud and money laundering, under which all employees have a responsibility to report to their supervisor or senior management any suspected violations, malpractice or impropriety within the Group.

Details of implementation of the Anti-Corruption Policy and the Whistleblowing Policy are set out in the section headed "Environmental, Social and Governance Report" on page 79 of this Annual Report.

SHAREHOLDERS' RIGHTS

The Company welcomes the Shareholders to attend the general meetings to express their opinions and encourages all Directors to attend the general meetings to get into direct communications with the Shareholders.

Convening an Extraordinary General Meeting

According to Article 64 of the Articles of Association, the Board may, whenever it thinks fit, convene an extraordinary general meeting. Extraordinary general meetings shall also be convened on the requisition of one or more Shareholders holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings; on a one vote per share basis in the share capital of the Company, and the foregoing Shareholders shall be able to add resolutions to the meeting agenda. Such requisition shall be made in writing to the Board or the Secretary for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two Months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Procedures for Shareholders to Put Enquiries to the Board

Shareholders of the Company who have enquiries for the Board are most welcomed to contact the Company at any time and such enquiries will be forwarded to the Board. The contact details are as follows:

Address: Room 1910, 19/F., C C Wu Building 302-308 Hennessy Road, Wan Chai, Hong Kong

Facsimile: (852) 2529 9292

E-mail: IR@jl-ks.cn

Procedures for Shareholders to Put Proposals at General Meeting

Shareholders of the Company are advised to follow Article 64 of the Articles of Association for including a resolution through a valid requisition of an extraordinary general meeting. Details are set out in paragraph "Convening an extraordinary general meeting" above.

INVESTOR RELATIONS

In order to ensure timely, transparent and accurate communications between the Shareholders and the Company, in general, information is communicated to the Shareholders mainly through the Company's interim reports and annual reports, general meetings, as well as the corporate communications and publications published on the website of the Stock Exchange (www.hkexnews.hk) and on the Company's website (www.jl-ks.cn).

The Company aims to provide its Shareholders and investors with high standards of disclosure and financial transparency and has established a shareholders communication policy between itself, its Shareholders and investors which aims to set out the principles of the Company in relation to the shareholders' communications. The policy will be under review from time to time in order to ensure its effectiveness.

CONSTITUTIONAL DOCUMENTS

The Articles of Association were approved on 9 March 2023 by special resolution and with effect from the Listing Date. Save as disclosed therein, there were no significant changes in the constitutional documents of the Company during the period from 9 March 2023 to the date of this Annual Report.

On behalf of the Board

Zhang Yuqiu
Chair

Hong Kong, 28 March 2024

REPORT OF THE DIRECTORS

The Directors are pleased to present to the Shareholders their report together with the audited consolidated financial statements of the Group for FY2023.

SHARE OFFER

The Company was incorporated in the Cayman Islands on 21 January 2022 as an exempted company with limited liability under the Companies Act of the Cayman Islands.

As at 31 December 2023, the issued share capital of the Company was HK$10,000 divided into 1,000,000 Shares with nominal value of HK$0.01 each. Immediately after completion of the capitalisation issue and the global offering of the Shares (the "**Global Offering**") and up to the date of this Annual Report, the issued share capital of the Company increased to HK$10,000,000 divided into 1,000,000,000 Shares with nominal value of HK$0.01 each.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Particulars of the Company's principal subsidiaries are set out in note 24 to the consolidated financial statements.

BUSINESS REVIEW

A fair review of the Group's business and likely future development, and a description of the principal risks and uncertainties being faced by the Group are provided in the "Chair's Statement" on pages 4 to 5, "Chief Executive Officer's Review" on pages 6 to 7 and "Management Discussion and Analysis" on pages 9 to 14 of this Annual Report.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group believes there are certain risks and uncertainties involved in its operations, some of which are beyond the Group's. These risks and uncertainties can be broadly categorised into: (i) risks relating to the Group's business and industry; (ii) risks relating to conducting business in the PRC; and (iii) risks relating to the Listing. For a more comprehensive list of risk factors and explanations, please refer to the section headed "Risk Factors" in the Prospectus. There was no material difference in the identified risks between those disclosed in the Prospectus and this Annual Report.

Further descriptions of the Group's financial risk (including credit risk and liquidity risk) management objectives and policies are set out in note 28 to the consolidated financial statements.

An analysis of the Group's performance during FY2023 using financial key performance indicators is set out in the section headed "Financial Summary" and "Management, Discussion and Analysis" on page 170 and pages 9 to 14 of this Annual Report, respectively.

The Group did not have any significant events after the reporting period and up to the date of this Annual Report.

COMPLIANCE WITH LAWS AND REGULATIONS

As far as the Board and management are aware, the Group has complied in material aspects with the relevant laws and regulations that have a significant impact on the business and operation of the Group. During FY2023, there was no material breach of or non-compliance with the applicable of relevant laws and regulations by the Group.

RELATIONSHIP WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

Employees

The Group considers employees are the important assets and their contribution is valued at all times. The Group provides competitive remuneration package to attract and retain high quality employees for long term business development. The Group reviews the compensation to employees in accordance with their performances, contributions and the prevailing market practice annually. The Group regularly provides training programme to the employees to enhance our employees' skills, knowledge and capability. To ensure that all of our employees are aware of our safety procedures and policies, the Group also regularly provides training programme to the employees on workplace safety.

The Directors believe that the Group has a good relationship with its employees. During FY2023, none of the employees had any labour dispute or claim involving and against the Group.

Customers and Suppliers

The Group understands the importance of maintaining a good relationship with its suppliers and customers to meet its immediate and long-term goals. The Group enjoy good relationships with customers and suppliers with mutual trust. Accordingly, the management have kept good communications, promptly exchanged ideas and shares business update with them when appropriate. During FY2023, there were no material and significant dispute between the Group and its customers and/or suppliers.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to long term sustainability of the environment and communities in which it operates. Acting in an environmentally responsible manner, the Group endeavors to comply with the laws and regulations regarding environmental protection and adopt effective measures to achieve efficient use of resources, energy saving and waste reduction.

Details of environmental, social and governance policies and performance of the Group are set out in the section headed "Environmental, Social and Governance Report" on pages 49 to 87 of this Annual Report.

RESULTS AND DIVIDEND

The results for FY2023 are set out in the consolidated statement of profit or loss and other comprehensive income on pages 94 to 95 of this Annual Report.

The Directors do not recommend the payment of final dividend for FY2023 *(FY2022: Nil).*

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five years is set out on page 170 of this Annual Report.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group during FY2023 are set out in note 13 to the consolidated financial statements.

BORROWINGS

Particulars of borrowings of the Group as at 31 December 2023 are set out in note 20 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during FY2023 are set out in note 25 to the consolidated financial statements.

RESERVE

Details of movements in the reserves of the Group during FY2023 are set out in the consolidated statement of changes in equity on pages 98 to 99 of this Annual Report.

DONATIONS

During FY2023, the Group made charitable and other donations at approximately RMB30,000 *(FY2022: Nil)*.

EQUITY-LINKED AGREEMENT

Save as disclosed in this Annual Report relating to the "Share Option Scheme", no equity-linked agreements were entered into during FY2023 or subsisted at the end of FY2023.

AGM AND CLOSURE OF REGISTER OF MEMBERS

To ascertain the entitlement to attend and vote at the annual general meeting to be held on Friday, 28 June 2024 (the "**2024 AGM**"), the register of members of the Company will be closed from Tuesday, 25 June 2024 to Friday, 28 June 2024 (both days inclusive) during which no transfer of Shares will be registered. In order to be eligible to attend and vote at the 2024 AGM, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's registrar, Tricor Investor Services Limited, 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration no later than 4:30 p.m. on Monday, 24 June 2024.

DIRECTORS

The Directors during FY2023 and up to the date of this Annual Report were:

Executive Directors

Ms. Zhang Yuqiu *(Chair)*[1]
Mr. Shan Yuzhu *(Chief Executive Director)*[1]
Mr. Li Xiquan
Mr. Li Peng

Independent Non-Executive Directors

Mr. Ng Tat Fung
Dr. Sun Shulin
Dr. Lai King Yin

Note:

1. Ms. Zhang and Mr. Shan are spouses.

Pursuant to Article 108(a) of the Articles of Association, at every AGM, one-third of the Directors for the time being shall retire from office by rotation provided that every Director shall be subject to retirement at an AGM by rotation at least once every three years. Furthermore, pursuant to Article 112 of the Articles of Association, any Director appointed by the Board as an addition to the existing Board shall hold office only until the next first AGM after his appointment and shall then be eligible for re-election. The Directors retiring by rotation at the 2024 AGM are Mr. Ng Tat Fung, Dr. Sun Shulin and Dr. Lai King Yin. They will retire and, being eligible, offer themselves for re-election as Directors at the 2024 AGM.

DIRECTORS' SERVICE CONTRACTS

None of the Directors being proposed for re-election at the 2024 AGM has service contracts with the Company or any of its subsidiaries which is not terminable by the Group within one year without payment of compensation (other than statutory compensation).

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or existed during FY2023.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Save as disclosed in this Annual Report relating to the "Share Option Scheme", at no time during FY2023, was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of Shares in or debentures of the Company or other body corporate.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

No contracts, transactions or arrangements of significance, to which the Company, its subsidiaries, its holding company or any of its subsidiaries was a party and in which a Director or entity connected with a Director had a material interest, whether directly or indirectly, subsisted at the end of FY2023 or at any time during FY2023.

PERMITTED INDEMNITY PROVISION

Pursuant to the Articles of Association, every Director shall be entitled to be indemnified and secured harmless out of the assets of the Company from and against all actions, costs, charges, losses, damages and expenses which he/she may incur or sustain or about the execution of the duties of his office or otherwise in relation thereto.

The Company maintains a directors and officers liability insurance cover in respect of potential costs and liabilities arising from claims brought against its Directors and officers since the Listing.

SHARE OPTION SCHEME

The Company has adopted the share option scheme (the "**Share Option Scheme**") on 9 March 2023 (the "**Adoption Date**") and effective upon the Listing for a period of 10 years and will expire on 30 March 2033. The terms of the Share Option Scheme are in compliance with the provisions of Chapter 17 of the Listing Rules. The following is a summary of the principal terms of the Share Option Scheme:

(A) Purpose

The purpose of the Share Option Scheme is to give the Eligible Persons (as defined in the following paragraph) an opportunity to have a personal stake in the Company and help motivate them to optimise their future contributions to the Group and/or to reward them for their past contributions, to attract and retain or otherwise maintain on-going relationships with such Eligible Persons who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of the Group, and additionally in the case of any manager of, or other employee holding an executive, managerial, supervisory or similar position in any member of the Group, to enable the Group to attract and retain individuals with experience and ability and/or to reward them for their past contributions.

(B) Participants

In accordance with the terms of the Share Option Scheme, our Board may, at its absolute discretion, offer the grant of options ("**Options**") to subscribe for such number of Shares to:

(a) any full-time employee of any member of the Group ("**Employee**"); and

(b) any director of any member of the Group who does not perform an executive function (the person referred to in paragraphs (a) and (b) above are the "**Eligible Persons**").

(C) Total Number of Shares Available for Issue

The maximum number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes of the Group shall not in aggregate exceed 10% of the Shares in issue as at the Listing Date.

At the date of this Annual Report, a total of 100,000,000 Shares, representing 10% of the issued share capital of the Company, are available for issue under the Share Option Scheme.

(D) Maximum Entitlement of Each Participant

The maximum number of Shares issued and to be issued upon exercise of the Options granted to any one Eligible Person (excluding any Options lapsed in accordance with the terms of the Share Option Scheme) in any 12-month period shall not exceed 1% of the Shares in issue from time to time. Where any further grant of Options to such an Eligible Person would result in the Shares issued and to be issued upon exercise of all Options granted and to be granted to such Eligible Person (including exercised, cancelled and outstanding Options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the Shares in issue, such further grant shall be separately approved by the Shareholders in general meeting with such Eligible Person and his close associates (or his associates if such Eligible Person is a connected person) abstaining from voting. The Company shall send a circular to the Shareholders disclosing the identity of the Eligible Person, the number and terms of the Options to be granted (and Options previously granted in the 12-month period) to such Eligible Person, the purpose of granting options to the Eligible Person and an explanation as to how the terms of the options serve such purpose, and containing the details and information required under the Listing Rules. The number and terms (including the subscription price) of the Options to be granted to such Eligible Person must be fixed before the approval of the Shareholders and the date of the meeting or resolution of the Board proposing such grant shall be taken as the offer date for the purpose of calculating the exercise price of those Options.

(E) Offer and Grant of Options

Subject to the terms of the Share Option Scheme, the Board shall be entitled at any time within 10 years from the Adoption Date to offer the grant of an Option to any Eligible Person as the Board may in its absolute discretion select to subscribe at the subscription price for such number of Shares as the Board may (subject to the terms of the Share Option Scheme) determine (provided the same shall be a board lot for dealing in the Shares on the Stock Exchange or an integral multiple thereof).

(F) Minimum Vesting Period

All Options granted under the Share Option Scheme will be subject to a vesting period of no less than 12 months from the date of grant except for the specific circumstances set out in the Share Option Scheme.

(G) Subscription Price

The subscription price in respect of any particular Option shall be such price as our Board may in its absolute discretion determine at the time of grant of the relevant Option (and shall be stated in the letter containing the offer of the grant of the Option) but the subscription price shall not be less than whichever is the highest of:

(a) nominal value of a Share;

(b) the closing price of a Share as stated in the Stock Exchange's daily quotations sheet on the offer date, which must be a business day; and

(c) the average closing price of a Share as stated in the Stock Exchange's daily quotations sheets for the five business Days (as defined in the Listing Rules) immediately preceding the offer date.

For a more details, please refer to section headed "Statutory and General Information – F. Share Option Scheme" in Appendix V to the Prospectus. No share option has been granted, exercised, cancelled or lapsed under the Share Option Scheme since the Adoption Date and as at 31 December 2023.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 31 December 2023, the interests and short positions of the Directors and chief executive of the Company in Shares, underlying Shares and debentures of the Company or any of the associated corporations (within the meaning of Part XV of SFO which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interest or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or under the Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

(a) Interests in the Shares

Name of Shareholder	Capacity/Nature of interest	Number of Shares held (L)(1)(2)	Approximate percentage of the Company's issued share capital(1)(2) (%)
Ms. Zhang(3)	Interests in controlled corporation	321,080,700 (L) 20,000,000 (S)	32.11 (L) 2.00 (S)
Mr. Shan(4)	Interests in controlled corporations	190,822,340 (L)	19.08 (L)
Mr. Li(5)	Interest in a controlled corporation	11,250,090 (L)	1.13 (L)

Notes:

(1) The Letter "L" demonstrates long position.

(2) The Letter "S" demonstrates short position.

(3) Ms. Zhang beneficially owns the entire issued shares of Lvsetianye Technology Holdings Limited ("**Lvsetianye Technology**"). Lvsetianye Technology is a company incorporated in the British Virgin Islands (the "**BVI**"), which in turn holds 341,080,700 Shares or approximately 34.11% of the issued share capital of the Company. Therefore, Ms. Zhang is deemed, or taken to be, interested in all the Shares held by Lvsetianye Technology for the purpose of the SFO.

(4) Mr. Shan beneficially owns the entire issued shares of Lvsesenlin Technology Holdings Limited ("**Lvsesenlin Technology**"). Lvsesenlin Technology is a company incorporated in the BVI which in turn holds 91,022,880 Shares or approximately 9.10% of the issued share capital of the Company. Daziran Technology Invest Holdings Limited ("**Daziran Technology**") and China Plastic Environmental Protection Holdings Limited ("**CPEP Holdings**"), the companies incorporated in the BVI and are wholly owned by Lvsesenlin Technology, in turn holds 92,599,460 Shares or approximately 9.26% and 7,200,000 Shares or approximately 0.72% of the issued share capital of the Company, respectively. Therefore, Mr. Shan is deemed, or taken to be, interested in all the Shares held by Lvsesenlin Technology, Daziran Technology and CPEP Holdings for the purpose of the SFO.

(5) Mr. Li beneficially owns the entire issued shares of Languang Technology Invest Holdings Limited ("**Languang Technology**"). Languang Technology is a company incorporated in the BVI which in turn holds 11,250,090 Shares or approximately 1.13% of the issued share capital of the Company. Therefore, Mr. Li Xiquan is deemed, or taken to be, interested in all the Shares held by Languang Technology for the purpose of the SFO.

(b) Long positions in associated corporation

Changchun Guangke Technology Co., Ltd

Name of Director	**Capacity/Nature of interest**	**Approximate percentage of shareholding in Changchun Guangke** *(%)*
Ms. Zhang	Beneficial owner	0.0039
Mr. Shan	Beneficial owner	0.0036
Mr. Li	Beneficial owner	0.0001

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

As at 31 December 2023, the following persons held an interest or a short position in the Shares which would be required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which would be required to be recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO, or who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group were as follow:

Name of Shareholder	Capacity/Nature of Interest	Number of Shares held[(1)(2)]	Approximate percentage of the Company's issued share capital[(1)(2)] (%)
Ms. Zhang[(3)(5)]	Interest in a controlled corporation	321,080,700 (L)	32.11 (L)
		20,000,000 (S)	2.00 (S)
Mr. Shan[(4)(5)]	Interest in controlled corporations	190,822,340 (L)	19.08 (L)
Lvsetianye Technology[(3)]	Beneficial owner	321,080,700 (L)	32.11 (L)
		20,000,000 (S)	2.00 (S)
Lvsesenlin Technology[(4)]	Beneficial owner	91,022,880 (L)	9.10 (L)
	Interest in controlled corporations	99,799,460 (L)	9.98 (L)
Daziran Technology[(4)]	Beneficial owner	92,599,460 (L)	9.26 (L)
CPEP Holdings[(4)]	Beneficial owner	7,200,000 (L)	0.72 (L)
ZhongBaoNew materials[(6)]	Beneficial owner	97,402,000 (L)	9.74 (L)
Beijing Anji Fenghan LLP[(6)]	Interest in a controlled corporation	97,402,000 (L)	9.74 (L)
Zhuhai Jianchao[(6)]	Interest in a controlled corporation	97,402,000 (L)	9.74 (L)
Anji Fenghan[(6)]	Interest in a controlled corporation	97,402,000 (L)	9.74 (L)
Guocheng Zhejiang[(6)]	Interest in a controlled corporation	97,402,000 (L)	9.74 (L)
Hainan Fengshi[(6)]	Interest in a controlled corporation	97,402,000 (L)	9.74 (L)
Zhejiang Anji EDZ[(6)]	Interest in a controlled corporation	97,402,000 (L)	9.74 (L)

Notes:

(1) The Letter "L" demonstrates long position.

(2) The Letter "S" demonstrates short position.

(3) Lvsetianye Technology held approximately 34.11% of the issued share capital of the Company. Lvsetianye Technology is wholly owned by Ms. Zhang. Ms. Zhang is therefore deemed to be interested in the Shares that Lvsetianye Technology is interested in.

(4) Lvsesenlin Technology, Daziran Technology and CPEP Holdings held approximately 9.10%, 9.26% and 0.72% of the issued share capital of the Company, respectively. Each of Daziran Technology and CPEP Holdings is wholly owned by Lvsesenlin Technology, which is in turn wholly owned by Mr. Shan. Mr. Shan is therefore deemed to be interested in the Shares that each of Lvsesenlin Technology, Daziran Technology and CPEP Holdings is interested in.

(5) Ms. Zhang and Mr. Shan are wife and husband. They are therefore deemed to be interested in the Shares that the other is interested in under the SFO.

(6) ZhongBaoNew materials. Ltd ("**ZhongBaoNew materials**"), a company incorporated in the BVI for the purpose of the cornerstone investment, is wholly-owned by Beijing Anji Fenghan Management Consulting Partnership (limited partnership) (北京安吉豐瀚管理諮詢合夥企業(有限合夥)) ("**Beijing Anji Fenghan LLP**"). Beijing Anji Fenghan LLP is a private investment fund and its general partner is Zhuhai Jianchao Investment Management Center (Limited Partnership) (珠海健巢投資管理中心(有限合夥)) ("**Zhuhai Jianchao**"), holding approximately 0.01% of equity interest in Beijing Anji Fenghan LLP as at the Listing Date. The remaining 99.99% of Beijing Anji Fenghan LLP is held by Anji Fenghan Private Equity Investment Fund Partnership (Limited Partnership) (安吉豐瀚私募股權投資基金合夥企業(有限合夥)) ("**Anji Fenghan**") as a limited partner as at the Listing Date. The limited partner of Anji Fenghan is Guocheng (Zhejiang) Industrial Development Co., Ltd. (國成(浙江)實業發展有限公司) ("**Guocheng Zhejiang**"), which is intersted in 99.00% of Anji Fenghan, and the general partners of Anji Fenghan are Hainan Fengshi Private Equity Fund Management Co., Ltd. (海南豐世私募基金管理有限公司) ("**Hainan Fengshi**") and Zhuhai Jianchao, holding 0.90% and 0.10% in Anji Fenghan, respectively, as at the Listing Date. Guocheng Zhejiang in turn is wholly owned by Management Committee of Zhejiang Anji Economic Development Zone (浙江安吉經濟開發區管理委員會) ("**Zhejiang Anji EDZ**"), as at the Listing Date. As such, all of Beijing Anji Fenghan LLP, Zhuhai Jianchao, Anji Fenghan, Guocheng Zhejiang, Hainan Fengshi and Zhejiang Anji EDZ are all deemed to be interested in 97,402,000 Shares held by ZhongBaoNew materials under the SFO.

Save as disclosed above, the Directors are not aware of any other person who had beneficial interests or short positions in any Shares or underlying Shares, which will be required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any member of the Group.

CONNECTED/RELATED PARTIES TRANSACTIONS

Save as disclosed in note 26 of the consolidated financial statements, the Company had not entered into any connected transaction during FY2023, which is required to be disclosed under the Listing Rules. The related party transactions made during FY2023 were disclosed in note 26 to the consolidated financial statements. Save for the transactions between the Group with connected parties of the Group, none of the related party transactions set out in note 26 to the consolidated financial statements continue after the Listing. Pursuant to Rule 14A.73 of the Listing Rules, the Company confirmed that the related party transactions continued after the Listing are continuing connected transaction exempt from the connected transactions requirements. The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

MAJOR CUSTOMERS AND SUPPLIERS

During FY2023, the Group made approximately 31.3% *(FY2022: approximately 44.6%)* of its entire sales to Group's five largest customers and sales to the largest customer included therein amounted to approximately 11.7% *(FY2022: approximately 13.7%)*. Purchases from the Group's five largest suppliers accounted for approximately 60.2% *(FY2022: approximately 64.4%)* of the total purchases for FY2023 and purchases from the largest supplier included therein amounted to approximately 18.6% *(FY2022: approximately 22.0%)*.

None of the Directors, their associate or any Shareholder (which to the best knowledge of the Directors own more than 5% of the Company's share capital) had any beneficial interest in the major customers or suppliers noted above.

RETIREMENT BENEFIT SCHEMES

The Group strictly complies with the defined contribution retirement plans organised by local governments in the PRC. Details of the Group's retirement benefit schemes for FY2023 are set out in note 2 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association, or the laws of the Cayman Islands, where the Company is incorporated, which oblige the Company to offer new Shares on a pro-rata basis to existing Shareholders.

TAX RELIEF AND EXEMPTION

The Group is not aware of any tax relief and exemption available to the Shareholders by reason of their holding of the Company's securities. Intending holders and investors of the Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications (including tax relief) of subscribing for, purchasing, holding, disposing of or dealing in the Shares. It is emphasized that none of the Company or its Directors or officers will accept any responsibility for any tax effect on, or liabilities of, holders of the Shares resulting from their subscription for, purchase, holding, disposal of or dealing in the Shares.

DIRECTORS' RIGHTS TO PURCHASE SHARES OR DEBENTURES

Save as otherwise disclosed in the Report of the Directors, at no time during FY2023 was the Company or any of its holding companies, subsidiaries or fellow subsidiaries a party to any arrangements to enable the Directors and chief executives of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any body corporate, and none of the Directors and chief executives or their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right during FY2023.

COMPETING INTEREST

Since the Listing Date and up to the date of this Annual Report, none of the Directors or their respective associates (as defined in the Listing Rules) had an interest in a business, which competes or may compete directly or indirectly with the business of the Group.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

Since the Listing Date and up to the date of this Annual Report, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

REMUNERATION POLICY

During FY2023, the remuneration policy of the Group to reward its employees and executives is based on their performance, qualifications, competence displayed and market comparable. Remuneration package typically comprise salary, contribution to pension schemes and discretionary bonus related to the profit of the relevant company.

Upon and after Listing, the remuneration package of the Directors and the senior management will, in addition to the above factors, be linked to the return to the Shareholders. The Remuneration Committee will review regularly the remuneration of all Directors to ensure that it is attractive enough to attract and retain a competent team of executive members.

The Company has adopted the Share Option Scheme as an incentive to Directors and eligible employees, details are set out in the paragraph headed "Share Option Scheme" on pages 41 to 43 in this Annual Report.

USE OF PROCEEDS FROM THE LISTING

The Company was successfully listed on the Main Board of the Stock Exchange on the Listing Date with net proceeds received by the Company from the Listing in the amount of approximately HK$155.4 million after deducting underwriting commissions and all related expenses. For details of use of proceeds from the Listing, please refer to the paragraph headed "Future Plans and Use of Proceeds" on page 14 in this Annual Report.

Since the Listing Date, the Group will gradually utilise the net proceeds in accordance with the intended purposes as stated in the Prospectus. Please refer to the section headed "Future Plans and Use of Proceeds" in the Prospectus for details.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, since the Listing Date and up to the date of this Annual Report, the Company has maintained a sufficient public float of not less than 25% of the Company's total number of issued Shares as required under the Listing Rules.

AUDITOR

The consolidated financial statements for the year ended 31 December 2023 have been audited by Mazars CPA Limited, *Certified Public Accountants*. Mazars will retire in the 2024 AGM, and being eligible, offer themselves for re-appointment. A resolution for their re-appointment as the auditor of the Company will be proposed at the 2024 AGM.

From the incorporation of the Company and up to the date of this Annual Report, there has been no change in the Company's auditor.

On behalf of the Board

Zhang Yuqiu
Chair

Hong Kong, 28 March 2024

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THIS REPORT

Introduction

China Treasures New Materials Group Ltd. (hereinafter referred to as "**China Treasures New Materials**" or the "**Group**") hereby presents the Environmental, Social and Governance Report (the "**ESG Report**") of the Group in accordance with the Environmental, Social and Governance Reporting Guide (the "**ESG Reporting Guide**") as set out in Appendix C2 to the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). The purpose of this report is to identify and disclose material issues, performances, initiatives and achievements related to environmental, social and governance ("**ESG**") and to clarify the Group's long-term commitment to fulfil the corporate social responsibility.

Reporting Principles

This Report has been prepared in accordance with the "comply or explain" principle set forth in the ESG Reporting Guide and the following four reporting principles:

1. Materiality: environmental, social and governance issues that may have an impact on the stakeholders shall be disclosed in this Report.

2. Quantitative: The key performance indicators related to historical data on the identified environmental, social and governance targets shall be measured, so that the key performance indicators in this ESG Report can be compared with peers, industry standards and performance in previous years.

3. Balance: The information contained in this ESG Report shall be unbiased and free from any selections and omissions or presentation formats that may inappropriately influence a decision or judgement by the reader of this ESG Report.

4. Consistency: To ensure comparability, all key performance indicators are calculated and assumed to be consistent with previous years. Any changes in relevant assumptions or calculation methods will be clearly disclosed to stakeholders.

Reporting Scope

The scope of this Report mainly covers the Group's major activities from 1 January 2023 to 31 December 2023 (the "**Reporting Period**"), namely, the manufacturing and sale of biodegradable materials, rubber and plastic materials and finished products; road transportation for general cargoes; import and export of goods. With the exception of the data section, system, policy and compliance with laws and regulations are disclosed based on the Group. The Group has prepared the ESG key performance indicators ("**KPIs**"), which are supplemented by notes in this ESG Report as benchmarks. The Group will continue to assess key ESG aspects of different types of business to determine whether they need to be included in the ESG Report.

ESG REGULATORY FRAMEWORK

In order to create long-term value for stakeholders and manage scarce natural resources, the Group strives to pursue sustainable business development through the integration of ESG themes into its daily business activities. The Group acknowledges its responsibilities on environmental protection and social responsibilities, and is aware of climate-related issues that may have impact on its daily business. The Group has formulated the Policy on Environmental, Social and Governance Disclosure (the "**ESG Policy**") in accordance with Appendix C2 to the Listing Rules, which outlined the following:

(i) the appropriate risk governance on ESG matters, including climate-related risks and opportunities;

(ii) identification of key stakeholders and the communication channels to engage with them;

(iii) the identification of key performance indicators ("**KPIs**") the relevant measurements and mitigating measures; and

(iv) environmental incident reporting procedure and mitigating measures.

The Board has the overall responsibility for overseeing and determining the Group's ESG-related, climate-related and social-related risks and opportunities impacting the Group, establishing and adopting the ESG Policy and targets of the Group, reviewing the Group's performance annually against ESG-related targets and revising the ESG strategies as appropriate if significant variance from the target is identified.

The Group will conduct enterprise risk assessment at least once a year to cover the current and potential risks in its business, including, but not limited to the risks arising from the ESG aspects strategic risk around disruptive forces such as climate change. The Board will assess or engage independent third parties to assess the risks and review the Group's existing strategy, target and internal controls, and necessary improvements will be implemented to mitigate the risks. The Board, ESG Committee and Audit Committee will maintain oversight of the Group's approach to risk management (including climate-related risks).

In order to manage the environmental-related risks, social sustainability risks and climate-related issues, the Board has adopted the measures to tackle the risks identified during the enterprise risk assessment and has ensured that any potential risks inherent in its business operations or issues that may impact its operations are minimised. Risks are monitored as part of its standard operating processes to ensure the appropriate mitigations are in place as part of the regular management reviews.

STAKEHOLDER CONCERNS

The Group defines stakeholders based on their relationship with the Group and the degree of mutual influence. Engaging with stakeholders helps deepen the Group's mutual understanding of aspirations and interests and enhances its relationship with stakeholders. Through extensive communication channels, the Group understands the concerns of internal and external stakeholders, thereby gaining a holistic and balanced view of ESG issues. During the Reporting Period, the key stakeholders involved included investors, employees, suppliers, media, communities, customers and the Stock Exchange. The following table provides an overview of the Group's key stakeholders, communication and response channels, and sustainability topics of interest to stakeholders.

Stakeholders		Communication and Response Channels	Concerns
Internal	Employees	• Training activities and seminars • Meetings and briefings • Performance review meetings and interviews	• Training opportunities and career development • Employee data and privacy protection • Healthy and safe work environment • Employee entitlements, benefits and compensation
	Investors	• Management information announcements and annual reports • Annual general meetings and shareholders' meetings • Telephone, WeChat and e-mail communications	• Sound risk management and effective corporate governance • Diversity and inclusion • Financial stability and responsible investment • Information transparency • Ethical business operations

Stakeholders		Communication and Response Channels	Concerns
External	Suppliers	• Tender meetings • On-site visits • Supplier performance review • Industry seminars	• Fair and transparent supplier selection process • Win-win cooperation
	Government	• On-site visits and meetings • Industry updates and seminars • Mandatory local and regional reporting requirements	• Compliance with laws and regulations • Community involvement and social welfare • Corporate governance • Environmental impact and carbon footprint
	Stock Exchange	• Webinars and reports on regulatory updates • Training activities • Online meetings	• Disclosure materials for ESG themes • Compliance with the Listing Rules • Corporate governance • Timely announcement and issuance of external reports
	Media	• Public relations activities • Newsletters on the Company's website	• Financial results • Corporate governance • Community involvement • Environmental impact
	Social	• Philanthropic partnerships • Community volunteering activities and welfare services • Charity activities	• Environmental impact • Community development and involvement • Social welfare services • Corporate social responsibility
	Customers	• Customer service hotline and e-mail • After-sales services • Telephone consulting	• Integrity operation • Product and service quality • Privacy practices • Transparent, fair and reasonable prices • After-sales services • Telephone consulting

MATERIALITY ASSESSMENT

To enhance stakeholders' understanding of the Group's ESG performance and sustainability strategy, the Group invited key stakeholders to participate in a substantive survey in which participants ranked the ESG issues according to their importance. They affirmed that the Group is on the right path towards long-term sustainable development, and their feedback is an important source of developing new solutions to address stakeholder concerns.

The Group's key ESG issues are shown in the following table:

	Environment	Social	Governance
Highly major issue	• Environmentally friendly products and services	• Customer satisfaction	• Number of legal cases concluded regarding corrupt practices such as bribery, extortion, fraud and money laundering
	• Energy use (e.g. electricity, natural gas, fuel) • Hazardous waste production • Select and monitor suppliers • water use	• Product health and safety • Customer information and privacy • Occupational health and safety • Staff development and training • Employee compensation, benefits and rights (e.g. working hours, rest periods, working conditions)	• Anti-Corruption policy and whistleblowing procedures • Anti-corruption training for directors and employees

	Environment	Social	Governance
Moderately major issue	• Increase local employment • air emissions • Suppliers' environmental risks (such as pollution) and social risks (such as monopoly) • Mitigation measures to protect the environment and natural resources	• Prevent child labor and forced labour • Comply with and protect intellectual property rights • Diversity and equal opportunities for employees	
General major issues	• Emission of greenhouse gases • Material use (e.g. paper, packaging, raw materials) • Generation of non-hazardous waste • Climate change	• Product and service labeling • Community support (e.g. donations, volunteering) • Marketing communications (such as advertising)	

Based on the assessment, the social aspects of ESG were identified as being more important to stakeholders. With "environmental-friendly products and services", "customer satisfaction", and "product health and safety" as the top three areas of key concern during the year, the Board will set targets for material KPIs at the beginning of each financial year, in accordance with the disclosure requirements of Appendix C2 to the Listing Rules and other relevant rules and regulations. Relevant ESG targets for material KPIs will be reviewed annually to ensure that they remain appropriate to the needs of the Group.

Materials and Feedback

The latest information on the Group's financial performance and corporate governance during the Reporting Period can be found on the official website (www.jl-ks.cn) and the Annual Report. The Group welcomes all feedback from investors and stakeholders, particularly in the material areas identified in the materiality assessment. Your comments are highly valued. If you have any suggestions or comments, please contact us at:

Address: Unit 1910, 19/F, C C Wu Building, 302–308 Hennessy Road, Wan Chai, Hong Kong
Tel: 0431–8256933
Fax: 0431–8256933
E-mail: IR@jl-ks.cn

ENVIRONMENTAL

Natural disasters and extreme weather events have surged in the past decade due to climate change. This has caused an ecological cascade effect that could threaten biodiversity and possibly lead to the extinction of some species. Climate-related stresses and shocks in social and economic systems exacerbated by the COVID-19 impact will translate into larger-than-expected economic losses.

The Group's commitment to sustainability and environmental management covers every business. It is one of the main objectives of the Group's strategy to reduce pollution in its business activities in order to maintain a healthy environment for the benefit of enterprises, people and society, and the Group remains focused on implementing its business strategy to eliminate the impact of white pollution in China by promoting the use of biodegradable plastic products, thus accomplishing our mission in building a better environment. The Group has adopted data collection for environmental key performance indicators as part of its normal business operations, and has developed measures to reduce its impact on the environment. The relevant measures are detailed in the "Energy Management" and "Water Resources Management" sections under "Use of Resources". In daily operations, the production and sales of biodegradable materials, rubber and plastic materials and products have less impact on the environment from the consumption of natural resources.

Emissions

The Group always ensures compliance with relevant local laws and regulations in its business activities, including but not limited to the Environmental Protection Law of the People's Republic of China, the Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution, the Measures for Pollutant Discharge Permitting Administration (For Trial Implementation) and the Law of the People's Republic of China on Environmental Impact Assessment, and sets strict requirements on management measures for environmental protection. If an entity does not comply with relevant laws and regulations, the competent department of environmental protection or other relevant government departments may decide to order correction, impose a fine, order to stop operation or close down the business. The Group has developed a series of environmental protection measures such as emission reduction, consumption reduction and low carbon, and has incorporated environmental management into the scope of daily operation, striving to minimise the impact on the environment. During the Reporting Period, the Group is not aware of any non-compliance or violation of environmental protection or the persistence of any circumstance which may adversely affect the management of the Group's business operation management.

Waste gas emissions

Waste gas pollutants produced by the Group include nitrogen oxides ("**NOx**"), sulphur oxides ("**SOx**") and particulate matter ("**PM**"). The Group's waste gas emission data during the Reporting Period were presented as follows:

Waste Gas Emissions	Unit	2022	**2023**	Percentage of Change
Nitrogen oxides (NOx)	kg	750.90	**347.87**	-53.67%
Sulphur oxides (SOx)	kg	3.25	**1.38**	-57.52%
Particulate matter (PM)	kg	73.79	**34.18**	-53.68%
Total emissions	kg	827.94	**383.43**	-53.69%

The nitrogen oxide emissions from every ton of products sold by the Group were approximately 0.08 kg and 0.03 kg respectively; the sulphur oxide emissions from every ton of products sold the Group were approximately 0.0004 kg and 0.0001 kg respectively; and the particulate matter emissions from every ton of products sold by the Group were approximately 0.008 kg and 0.003 kg respectively in FY2022 and FY2023. The significant decrease in 2023 compared to 2022 is due to the fact that the Company transports goods in two ways, one by its own vehicles and the other by external carriers, while in 2023, the Company reduced the transportation by its own vehicles and increased the proportion of transportation by external carriers.

Greenhouse gas emissions

Global warming is a key aspect of climate change, which disrupts the balance of the natural world and ultimately affects the livelihoods of employees, customers and communities. Over the past decade, global warming accelerated due to human activities such as burning fossil fuels and cutting down forests. The Group has been closely monitoring greenhouse gas emission levels and exploring different ways to reduce pollution.

The Group's greenhouse gas emissions during the Reporting Period are as presented follows:

Greenhouse Gases[1]	Unit	2022	**2023**	Percentage of Change
Scope 1 – Direct greenhouse gas emissions	tCO2e	537.37	**242.50**	-54.87%
Scope 2 – Indirect greenhouse gas emissions from energy sources[3]	tCO2e	6,798.58	**6,514.90**	-4.17%
Scope 3 – Other indirect greenhouse gas emissions[4]	tCO2e	3.47	**14.40**	+315.35%
Total greenhouse gas emissions	tCO2e	7,339.42	**6,771.80**	-7.73%
Greenhouse gas emission density[2]	tCO2e/ton of products sold	0.82	**0.52**	-36.59%

Notes:

1. The above greenhouse gas emissions data were compiled with reference to the How to Prepare an ESG Report – Appendix II: Guide on Reporting of Environmental Key Performance Indicators issued by the Stock Exchange

2. Density is calculated by dividing greenhouse gas emissions by the tons of products sold by the Group during the Reporting Period. The Group sold 8,942 tons and 13,026.19 tons of products in 2022 and 2023.

3. The main reason for the significant decrease in the use of gasoline and diesel fuel for vehicles in 2023 as compared to 2022 is that the Company has two ways of transporting goods, one is by its own vehicles and the other is by external transportation companies. In 2023, the Company has reduced the transportation of vehicles owned by the Company and increased the transportation by external transportation companies, hence reducing the use of gasoline and diesel fuel for vehicles owned by the Company.

4. The main emission in Scope 3 in 2023 was due to an increase in the frequency of business trips by employees. The increase in business trips was due to the establishment of several companies in the southern China, which increased the demand for business trips by employees.

During the Track Record Period, greenhouse gas emissions from every ton of products sold by the Group in FY2022 and FY2023 were approximately 0.82 tCO_2e and 0.52 tCO_2e, respectively. Greenhouse gas emissions include Scope 1 direct greenhouse gas emissions, Scope 2 indirect greenhouse gas emissions, and Scope 3 other indirect greenhouse gas emissions. Scope 1 direct greenhouse gas emissions come from the burning of fuels in automobiles, because the Group is usually responsible for delivery of products to the locations designated by customers within Jilin Province, China; Scope 2 indirect greenhouse gas emissions come from electricity purchased to support business operation and production; Scope 3 other indirect greenhouse gas emissions come from activities that give rise to indirect greenhouse gas emissions, including disposal of waste paper for disposal at landfills, electricity consumed by government departments in the treatment of fresh water and sewage, and greenhouse gases produced by business trip by airplane for employees. The greenhouse gas emissions in Scope 1 from every ton of products sold by the Group in FY2022 and FY2023 were approximately 0.06 tCO_2e and 0.02 tCO_2e, respectively; the greenhouse gas emissions in Scope 2 from every ton of products sold by the Group in FY2022 and FY2023 were approximately 0.76 tCO_2e and 0.50 tCO_2e, respectively; and greenhouse gas emissions in Scope 3 from every ton of products sold by the Group in FY2022 and FY2023 were approximately 0.0004 tCO_2e and 0.0011 tCO_2e, respectively. The Group has set a target of reducing the greenhouse gas emissions by at least 2% in the three years ending 2025 compared with FY2022.

The largest proportion of greenhouse gas emissions falls in Scope 2, namely indirect emissions from electricity consumption. The Group endeavours to reduce greenhouse gas emissions by reducing energy consumption levels. The Group adopts the following policies and measures to reduce its emissions/greenhouse gases:

- Shut down all non-functioning electronic equipment;
- Perform proper and regular maintenance on equipment to maintain its efficiency and reduce energy consumption;
- Ensure reasonable driving, prohibit private use of company vehicles, and strictly review long-distance travel to reduce unnecessary trips; and
- Turn off lighting at lunchtime and require the last employees to leave the offices to make sure all lights are turned off.

Waste Management

As part of its strategy of environmental protection, the Group manages all types of waste from its production and operation to protect its employees, the environment and the local community. During the Reporting Period, the Group complied with all relevant laws and regulations concerning the generation of hazardous waste and non-hazardous waste, including but not limited to the Law of the People's Republic of China on the Prevention and Control of Solid Waste Pollution and the Measures for Pollutant Discharge Permitting Administration (For Trial Implementation). Failing to comply with the Atmospheric Pollution Prevention and Control Law of the People's Republic of China, an entity may be imposed a fine, and may be ordered to cease operation or close its business, depending on the extent of the violation. In accordance with the Measures for Pollutant Discharge Permitting Administration (For Trial Implementation), failing to comply with the requirements for monitoring industrial emissions, hazardous air or water pollution, an entity may be imposed a fine, and if the entity refuses to take corrective action, it may be ordered to cease operation; if an entity discharges pollutants without a discharge permit, it may be imposed a fine and ordered to cease operation or close business.

Hazardous waste

The Company is mainly engaged in the manufacturing and sale of biodegradable materials, rubber and plastic materials and products, therefore no hazardous waste will be produced during its operation.

Non-hazardous waste

The non-hazardous waste of the Group is general office waste, mainly including waste paper and plastics generated during office hours. Details of the non-hazardous waste generated by the Group are as follows:

Non-hazardous Waste	Unit	2022	**2023**	Percentage of Change
Common office waste	Ton	0.2	**0.5**	+150.00%
Total hazardous waste produced	Ton	0.2	**0.5**	+150.00%
Density of non-hazardous waste[1]	Ton/number of employees	0.0013	**0.0027**	+107.69%

Notes:

1. The density of non-hazardous waste is calculated by dividing the total hazardous waste produced by the total number of employees of the Group during the Reporting Period. The number of employees of the Group is 159 in 2022 and 182 in 2023.

2. The increase in office waste in 2023 compared to 2022 is primarily due to the addition of two new factories in the southeastern China.

Harmless wastes such as waste paper and plastics generated during office hours are centralised and collected by each department and handed over to the general office for recycling and disposal, or handed over to qualified third-party companies for disposal if recycling is not possible. The Group is also committed to reducing the generation of common office waste by:

- encouraging employees to send documents electronically (e.g., WeChat, email, or encrypted Universal Serial Bus ("**USB**")) to save paper;
- promoting the use of recycled paper for printing internal documents until both sides of the paper are used up; and
- encouraging employees to collect recyclable materials.

By adopting the above waste reduction measures, the Group has continuously enhanced its employees' environmental awareness. Noise and solid waste disposal does not have a significant impact on the Group. If the importance of these two items increases in the future, the ESG Committee will identify the relevant data sources, the data collection process and disclose them accordingly.

Use of Resources

The Group always adheres to the highest environmental standards in its business operation, as the Group believes that environmental protection is a key factor in the sustainable development of its business. In order to meet regulatory requirements, relevant departments will carry out environmental monitoring according to the Environmental Monitoring Plan issued by the Company every year. If excessive emission is identified during monitoring, the relevant departments should be timely informed according to procedure documents. Meanwhile, the Group actively carries out environmental protection publicity and education activities to popularise environmental protection knowledge, and improve the environmental awareness of all employees, and effectively publicises the "April 22nd World Earth Day" and "June 5th World Environment Day".

Energy management

Because greenhouse gas emissions are largely based on energy consumption levels, the Group is strongly committed to the principles of resource conservation and environmental protection as part of its long-term business strategy. The Group has developed and implemented relevant energy conservation policies and adopted best practices for energy conservation. This will further reduce the Group's energy consumption and ultimately reduce greenhouse gas emissions to support the transition to a net-zero economy. The Group complies with relevant laws and regulations, including but not limited to the Energy Conservation Law of the People's Republic of China.

In order to save energy, the Group has implemented internal monitoring, such as temperature control, regulating the efficient use of raw materials by workers, and regular maintenance of equipment that uses a lot of energy. This enables the Group to optimise energy use by specifically designing energy saving measures for different sources of energy consumption. The Group actively promotes the following measures:

- encouraging employees to turn off equipment and appliances when they are not in use to save power in the workplace;
- requiring employees to turn off the lights during lunch and non-office hours;
- performing regular maintenance on appliances to ensure efficient use of electricity; and
- setting air conditioning at 25° C to reduce unnecessary energy use.

By adopting various energy conservation measures and instilling energy conservation principles in employees, this will reduce energy consumption overall in the long run. The Group will review these measures regularly and adopt new approaches to further reduce the Group's energy use in the future. The Group's performance in energy use is set out in following table:

Type of Energy	Unit	2022	**2023**	Percentage of Change
Direct energy consumption	Kilowatt-hours	2,158,560.37	**915,237.57**	-57.60%
– Petrol	Kilowatt-hours	103,862.37	**41,957.80**	-59.60%
– Diesel	Kilowatt-hours	2,054,698.00	**873,279.77**	-57.50%
Indirect energy consumption	Kilowatt-hours	11,143,388.76	**11,423,632.66**	+2.51%
– Outsourced electricity[2]	Kilowatt-hours	11,143,388.76	**11,423,632.66**	+2.51%
Total energy consumption	Kilowatt-hours	13,301,949.13	**12,338,870.23**	-7.24%
Energy consumption density	Kilowatt hours/ton of products sold	1,487.58	**947.24**	-36.32%

Notes:

1. The Group sold 8,942.00 tons and 13,026.19 tons of products in 2022 and 2023.
2. Over the past two years, electricity consumption has been the main source of energy for the Group and the increase in electricity consumption is proportional to the increase in business activities.
3. The figures for direct energy consumption for 2023 are lower than those for 2022, because the Company has two ways of transporting goods, one is by its own vehicles and the other is by external transportation companies. In 2023, the Company has reduced the transportation of vehicles owned by the Company and increased the transportation by external transportation companies, hence reducing the use of gasoline and diesel fuel.

Water resources management

Water plays an important role in a number of macro trends of sustainable development, such as biodiversity loss and climate change. Water is an important resource for society, and is vital to the natural environment. As water scarcity has affected more and more communities around the world, governments and organisations have been working together to manage and restore freshwater ecosystems. The Group sees water management as an important area to address these trends of sustainable development and as one of the key mechanisms through which the Group can contribute to a future of sustainable development.

Water resources management is a core value of stakeholders. Collecting data on the Group's water consumption has become part of normal business operations. Therefore, the Group can identify and manage potential risks and water use related to water. Details of water consumption from the Group's operation are as follows:

Water Use Indicators	Unit	2022	**2023**	Percentage of Change
Total water consumption	m^3	886	**846**	-4.51%
Water consumption density	m^3/ton of products sold	0.10	**0.065**	-35.00%

During the Track Record Period, the total water consumption from every ton of products sold by the Group in FY2022 and FY2023 were approximately 0.1 m^3 and 0.065 m^3, respectively. It is the Group's goal to maintain water consumption at or below 10 m^3 per ton of products sold.

Aware of the role of enterprises in responsible management of water, the Group is fully committed to protecting water through the fundamental principles of the Environmental Protection Management System. The Group has also implemented various measures and initiatives to reduce water consumption. These measures and initiatives include, but are not limited to:

- the Group strictly prohibits any behaviour or action that wastes water;
- the management organises regular inspection of water pipes to prevent water leakage;
- water meters are checked and recorded regularly to identify any potential signs of pipeline leakage;
- activities of wastewater reduction by water conservation are carried out and water is used for multiple purposes or recycled to improve the comprehensive utilisation rate of water; and
- the management often shares water conservation measures and encourages employees to adopt such measures in the offices and outlets, as well as at home.

Corresponding to its business areas, the Group complies with the Law of the People's Republic of China on the Prevention and Control of Water Pollution, which aims to control and prevent water pollution, protect and improve the environment and ensure the safety of drinking water. During the Reporting Period, there were no obvious risks associated with water. In addition, because the Group obtained water through direct supply from the government rather than natural sources, the Group did not experience any problems in obtaining suitable water sources.

Use of packaging materials

The Group uses packaging materials including paper and plastic in its daily operation. The Group also tries to promote the application of recyclable, recyclable and degradable kraft paper packaging paper for green, lightweight and recyclable packaging, with a view to promoting green civilisation. Details of the use of the Group's packaging materials are as follows:

Category	Unit	2022	**2023**	Percentage of Change
Paper	Ton	151.80	**182.00**	+19.89%
Plastic	Ton	12.00	**11.00**	-8.33%
Total	Ton	163.80	**193.00**	+17.83%
Density	Ton/ton of products sold	0.018	**0.015**	-16.67%

The Environment and Natural Resources

As a manufacturing company, the Group's environmental impact and resource consumption level are minimised. The Group continues to operate to the highest environmental standards and its business operations are governed by comprehensive environmental pollution prevention and control systems and waste disposal systems to prevent any damage to the environment. The management is responsible for reviewing these systems on a regular basis to align them with international standards. The Group also closely monitors environmental risks arising from business activities and assesses the effectiveness of measures relating to environment. Based on the Group's risk appetite, the management will further develop and implement effective preventive measures to reduce the risk to an acceptable level.

It is one of the key foundations for an environmentally sustainable company to promote environmental awareness in the business departments, in particular energy conservation, emission reduction and efficient use of resources. The Group aims to minimise long-term transition risks through energy efficiency, green supply chains and the use of renewable energy sources, and is committed to achieving emission reduction targets. This reduces the transformation risks faced by the Group, and improves the environmental performance of products. During the Reporting Period, the Group acted in strict accordance with all laws and regulations relating to emissions and resource utilisation.

Climate Change

In addition to environmental and social related risks, the Group is also concerned about potential acute and chronic health risks arising from climate change, such as acute health risks arising from extreme weather conditions, e.g., floods and storms, and chronic health risks arising from prolonged high temperatures. These risks may affect the financial position of the Group.

For climate-related risks and opportunities, the Board of Directors and the ESG Committee will assess the likelihood of occurrence in the short term (one to two years), medium term (three to five years) and long term (six to ten years), and estimate the magnitude of the resulting impacts. Decisions to mitigate, transfer, accept or control risks are influenced by a variety of factors such as the location of production plants and policy changes. The Group takes analysis of health and transformation risks as a consideration to develop risk assessment procedures and risk appetite. Risks and opportunities considered to be material will be incorporated into the strategic and financial planning. It is expected that extreme weather conditions, continuous high temperatures (associated with potential health risks) and changes in climate-related regulations and policies (associated with potential transformation risks) will not have a material impact on the Group's operation in the short to medium term.

Nevertheless, the Group has taken mitigation measures to address the aforesaid climate-related risks, including those associated with extreme weather conditions and continuous high temperatures. The Group has installed appropriate fire fighting equipment to reduce the risk of fire and resulting loss. The Group has also taken various measures to prevent the build-up of static electricity and to prevent sparks that may cause fire during the unloading of such raw materials, including thunderstorms and no unloading when there is an open fire within 50 meters of the unloading area.

The Group's production plant is located at Jinger Road, South Kalun Industrial Zone, Jiutai Economic Development Zone, Changchun, Jilin Province, China. Although the risk of acute physical risks such as floods and extreme weather events such as storms is relatively low, the Group has developed contingency measures covering all weather related periods to mitigate the risk.

The Group's approved suppliers are all based in China and the Group may be indirectly affected by supply chain disruptions if suppliers experience extreme weather events such as floods or storms. Following an assessment of the relevant potential impacts that could result in disruption to the Group's production and supply networks, the Group maintains a pool of qualified suppliers in different geographical locations to prevent disruption to its supply networks. Therefore, the Group has not been affected by extreme weather events such as floods and storms since its establishment, and is at a relatively low risk from floods and storms. The Group maintains a pool of qualified suppliers. In FY2022 and FY2023, the number of its recognised suppliers for procurement of raw materials was 54 and 22, respectively. If some suppliers are affected by extreme weather events, the Group may also purchase from other approved suppliers to reduce the risk of supply chain disruption.

The Board of Directors and the ESG Committee will also continuously monitor climate related matters and government action on climate change, and take action to minimise the impact on the Group's business operation.

SOCIAL

Employment

Employees are valuable assets that constitute the basis for the Group's business success. In the corporate culture, the Group adheres to the core values of respect, professionalism and equality, strives to empower employees, treats employees with dignity, and promotes equal opportunities and cultural diversity. Based on the "people-oriented" principle, the Group is committed to creating a safe and healthy working environment and attaches importance to teamwork, diversity and inclusiveness. The Employee Manual prepared by the Group summarises the relevant regulations and standards in several aspects, including but not limited to employee employment, redeployment and promotion, dismissal, training and education, wages and benefits, labour insurance, etc.

During the Reporting Period, the Group complied with labour-related laws and regulations, including but not limited to the Labour Law of the People's Republic of China, the Regulation on Labour Security Supervision, and the Labour Contract Law of the People's Republic of China. The Group did not find any non-compliance with relevant rules and regulations that had a significant impact on the Group.

Current situation of employees

The Group's employees are all full-time employees. The distribution of employees by gender, employee category, age and geographical region is as follows:

Category	Unit	2022	**2023**	Percentage of Change
Gender				
– Male	Person	103	**115**	+11.65%
– Female	Person	56	**67**	+19.64%
Employee category				
– Senior management	Person	5	**8**	+60.00%
– Middle management	Person	7	**7**	+0.00%
– Frontline and other employees	Person	147	**167**	+13.61%
Age composition				
Aged below 30	Person	18	**20**	+11.11%
Aged 31–40	Person	58	**68**	+17.24%
Aged 41–50	Person	62	**64**	+3.23%
Aged 51 or above	Person	21	**30**	+42.86%
Geographical region				
– China	Person	159	**182**	+14.47%
– Hong Kong	Person	–	**–**	–

During the Reporting Period, the total turnover rate of the Group's employees in 2022 and 2023 was 2.57% and 1.17%, respectively, and the employee turnover rate by (i) gender, (ii) age group and (iii) geographical region is shown in the table below:

Category	Unit	2022	**2023**	Percentage of Change
Gender				
– Male	Percentage	2.91%	**1.74%**	-40.29%
– Female	Percentage	1.79%	**0.00%**	-100.00%
Age composition				
Aged below 30	Percentage	11.11%	**0.00%**	-100.00%
Aged 31–40	Percentage	1.72%	**0.00%**	-100.00%
Aged 41–50	Percentage	1.61%	**3.13%**	+93.75%
Aged 51 or above	Percentage	–	**–**	–
Geographical region				
– China	Percentage	2.57%	**1.17%**	-54.36%
– Hong Kong	Percentage	–	**–**	–

Remuneration and benefits

The Group has arranged fair and rational remuneration for all employees and formulated the Regulation on the Administration of Remuneration and Benefits. The Company provides labour safety and health conditions in line with national requirements and necessary labour protection supplies and performs regular inspections on employees engaged in operations with occupational hazards and underage employees. Employees are entitled to all statutory leaves, holidays and benefits as per laws and regulations, including but not limited to annual leave, funeral leave, public holidays, sick leave and marriage leave.

Meanwhile, employees are entitled to the social insurance benefits stipulated in the labour contract, such as pension insurance, medical insurance, unemployment insurance, work injury insurance, maternity insurance, and housing provident fund, which is in line with the provisions of the Labour Contract Law of the People's Republic of China. The employee costs (excluding the remuneration of directors) of the Group in the fiscal years of 2022 and 2023 were about RMB8.2089 million and RMB8.7817 million, respectively. If an enterprise fails to pay the social insurance premiums in accordance with the Social Insurance Law of the People's Republic of China, the relevant departments may require the enterprise to pay the outstanding social insurance premiums within a specified time limit, and the enterprise may also have to pay a belated fee of 0.05% per day for the arrears. If the enterprise fails to pay the arrears within the specified time limit, the relevant departments may impose a fine of one to three times the amount of the arrears. If an enterprise fails to pay the housing provident funds in accordance with the Regulation on the Administration of Housing Provident Funds, the relevant departments may require the enterprise to pay the outstanding housing provident funds within a specified time limit. If the enterprise fails to pay the arrears within the specified time limit, the relevant departments may apply to a people's court of China for compulsory execution.

Employment, promotion and dismissal

The Group is devoted to developing a powerful talent channel to meet strategic needs. The Group adopts an integrated workforce planning process to determine the techniques and experience required for the entire business operation and employs local persons as much as possible. When making employment decisions, the Group takes into account a variety of factors including the business strategy, development plan, industry trend and competition environment and selects employees from the open market depending on working experience, educational background, professional qualification and other factors. All employees of the Group have fixed wages and can get other allowances and commissions according to their grades and performance.

The principle of "gender equality and nationality equality" is implemented in the employment of employees by the Group. Where a special type of work or post has special provisions on gender or nationality, such provisions shall prevail. To ensure equal treatment for all applicants regardless of their background, religion, race, age, gender and other factors, the Group adopts a comprehensive approach. When recruiting employees, the Group follows the principle of comprehensive appraisal, selecting excellent employees, appointing employees on their merits, and internal selection before external employment, and those who do not meet the employment conditions will not be employed. During each period, employees shall complete self-appraisal and conduct the appraisal with their supervisors, thereby determining which areas they performed well in and which areas they need improvements in. This is also an opportunity to determine whether one employee possesses sufficient knowledge and professional skills in this area to get promoted. This provides a healthy competitive environment to encourage employees to surpass themselves.

When employees resign, they will get reasonable compensation for their resignation according to their reasons and the Group's policies. The human resources departments will hold resignation meetings to learn about the thoughts and feelings of employees during their work in the Group. Employees' opinions will be used to further develop the Group's working conditions and enhance employee satisfaction.

As of 31 December 2023, the Group did not encounter any major difficulties in recruiting employees or any major employee or labour disputes.

Diversity and inclusiveness

Diversity and inclusiveness are deeply rooted in the Group's corporate culture. The Group attaches great importance to the uniqueness of all people in policy and acknowledges that this difference exists in a productive, inclusive and talent-and performance-oriented environment, under which everyone feels valued, their skills are brought into full play, their performance is recognised, their professional responsibilities are acknowledged, and their organisational goals are realised.

The Group places special emphasis on strengthening inclusive leadership. The leadership of the Company is committed to upholding the principles of diversity and inclusiveness. They closely collaborate with different departments and develop action plans to remove the obstacles to creating an inclusive and respectful working environment. The Group believes that a diversified team will stimulate creativity, bring new thoughts to business and meet the needs of stakeholders and changing markets with innovative solutions, products and services.

In addition, one key element in the Group's value and culture is the continuous concern to provide equal opportunities in all aspects of employment, thereby preventing any harassment or discrimination based on skin colour, religion, place or origin, age, sexual orientation and marital status, as well as the firm commitment to creating a professional and positive workplace.

Health and Safety

One top priority of the Group is to build a positive health and safety culture. A healthier employee team will lead to better productivity and higher morale and will eventually lead to the creation of a high-performance and flexible organisation. The Company has organised the formulation of various safety production rules and regulations and safety technical operating regulations and urged the implementation thereof. Employees are supported to achieve physical health and mental health from the two perspectives of physical safety and mental health.

Physical safety

In order to protect the physical safety of employees, the Group adheres to the principle of "safety first and prevention orientation" during its operation and follows a set of policies and procedures for management, including but not limited to employee security policies, emergency rescue procedures, hazard source identification and risk control, and safety standardisation regulations.

As specified by the safety standardisation regulations, the safety management departments are in charge of implementing various types of safety inspections, safety education, safety risk, safety review, legislative compliance and emergency procedures. In routine work, they organise regular, professional, seasonal and frequent safety inspections, urge all grassroots units to rectify the identified potential accidents and poison hazards, and correct problems such as rule-violating operations and commands. In the event of particularly urgent unsafe circumstances, they shall have the right to order to stop the operation (or withdraw from the site) and immediately report to the relevant leaders for inspection and handling. The Group provides regular safety training for employees to raise their consciousness of occupational health and safety. Extra training is offered to employees involved in potential occupational hazards to further reduce the risk of occupational hazards and prevent the occurrence of work accidents. Besides, regular physical examinations are arranged for such employees.

The Group complies with relevant laws and regulations, including but not limited to the Law of the People's Republic of China on Prevention and Control of Occupational Diseases and the Occupational Safety and Health Act. In addition, the Group did not find any violations of laws and regulations regarding the health and safety of employees. Over the previous three years, there were no employee deaths or serious accidents, and the number of days lost due to work-related injuries was zero.

Mental health

Apart from supporting the physical health of employees, it is also very important to promote their mental health. The management pays close attention to the mental health of employees and has developed a series of measures to maintain their mental resilience.

One key measure is to promote the concept of balanced work and life. The Group strives to develop a working environment and corporate culture that allows employees to achieve the best balance between their private life and professional life. During business operations, the working hours, rest time and holidays of employees are explicitly defined in the Employee Manual to protect the legitimate rights and interests of employees and their right to rest and take holidays.

One method to raise morale and team spirit is to carry out activities for employees to take part in. This will strengthen the relations between managers and employees and strengthen the communication among employees with different qualifications. Employees can establish contacts with team members from other departments, which promotes inclusiveness and may stimulate creativity.

Development and Training

The Group's culture is shaped by the diversity and quality of the employees. Employees who fully accept the Group's values are examples of group brands and are most capable of achieving excellent results and contributing to the growing business. To achieve this target, the Group has invested a lot in its employees by offering a series of learning, training and development opportunities. The training provided by the Group is designed to improve the techniques, knowledge and capabilities of employees. Orientation training is available to all new employees to get familiar with the company. Then, on-the-job training is conducted according to the needs of the relevant departments and the development strategy of the Group, and various internal training is conducted based on employees' positions and job requirements.

Orientation training

Orientation training aims to help new employees smoothly integrate into the new enterprise environment and enhance their sense of belonging. The training contents include an introduction to the Group's business background, corporate culture, rules and regulations, job responsibilities, workplace etiquette, training opportunities, etc.

On-the-job training

On-the-job training aims to prepare employees for the future workspace. This includes upgrading and retraining the skills of employees and technicians so that they can operate with advanced machines. This is crucial because the Group uses the latest technologies in business operations to provide the best services, which requires employees to adapt to the use of new machines and new workflows.

During the Reporting Period, all full-time employees received training. The distribution of trained employees by gender and employee category is as follows:

	Number of Participants (%)			Average Training Duration (Hour)		
Category	2022	**2023**	Percentage of Change	2022	**2023**	Percentage of Change
Percentage of employees trained	100%	**100%**	+0.00%	100%	**100%**	+0.00%
Gender						
– Male	64.78%	**63.19%**	-2.46%	7.07	**9.00**	+27.34%
– Female	35.22%	**36.81%**	+4.52%	9.00	**9.00**	+0.00%
Employee category						
– Senior management	3.15%	**4.40%**	+39.78%	15.50	**9.00**	-41.94%
– Middle management	4.40%	**3.85%**	-12.64%	15.50	**9.00**	-41.94%
– Frontline and other employees	92.45%	**91.76%**	-0.75%	7.12	**9.00**	+26.48%

The average training duration of employees in 2022 and 2023 was approximately 7.75 hours and 9.00 hours.

Labour Standards

The Group strictly abides by all laws and regulations related to the prohibition of child labour or forced labour, including but not limited to the Minors Protection Law of the People's Republic of China, the Labour Contract Law of the People's Republic of China and the Provisions on the Prohibition of Using Child Labour. During the Reporting Period, the Group did not find any violations of laws and regulations regarding the prohibition of the use of child labour that had a significant impact on the Group, and there was no case of forced labour or child labour.

The Group acknowledges that child labour and forced labour are violations of basic human rights. As a result, child labour or forced labour of any form should be prohibited. The Group has taken a series of measures to prevent the occurrence of such incidents. It is stipulated in the Employee Manual that an employee must be at least 18 years old when applying for a position in the Company.

As part of the employment procedure, the identity card, graduation certificate and other documents provided by employees must be their real certificates, and employees shall not borrow or forge documents to deceive the Company. The human resources departments will first verify the legitimacy of the relevant documents. After that, the relevant documents will be sent to the personnel department or the personnel administration department of a franchise store for further investigation to ensure the authenticity of the holders and their age is 18 or above.

As specified in the Employee Manual, the Company will arrange work shifts in a unified manner with the consent of employees based on production needs, and employees will be compensated accordingly. The Group arranges the rest time and working hours of employees on a transparent basis and will make efforts to arrange the working hours of employees to achieve the best balance between their private life and professional life. Any negative behaviour against employees is strictly prohibited, such as corporal punishment, verbal abuse, sexual harassment, physical abuse and oppression.

Supply Chain Management

As a leading enterprise in environmental and social governance, the Group has continued to integrate the principle of sustainable development into its supply chain management. The Group cooperates with suppliers in conformity with its strategic goals and shares corporate values and vision of supporting community and reducing environmental impact. By doing so, it has established a mutual benefit relationship with suppliers, further maximising customer value and obtaining sustainable competitive edge.

Qualification inspection process

The Group is committed to maintaining favourable cooperation with environment-friendly suppliers, and procures environmentally sound raw materials in accordance with relevant environmental protection requirements. All suppliers shall be recognised as qualified suppliers before providing materials and services to the Group. The Group maintains a pool of qualified suppliers. In FY2022 and FY2023, the number of its recognised suppliers for procurement of raw materials was 54 and 22, respectively, all of which were located in the Chinese mainland. The Group selects suppliers based on actual demand and has optimized the selection of suppliers during the Year. Therefore, the number of suppliers in 2023 was lower than that in 2022, but the Group does not rule out the possibility of increasing the number of suppliers as necessary in the future.

The Group implements a qualified supplier assessment mechanism, and regularly evaluates suppliers in terms of compliance with the relevant safety and environmental control requirements. Its procurement department takes charge of assessment, which covers product quality, service performance, environmental requirements, safety, compliance and other dimensions. The procurement department is also responsible for data collection, including factory inspection reports, business licences and permits for operation. In addition, the Group conducts on-site inspection and conference discussion to deeply explore the environmental, social and governance performance of suppliers, and their business operation and risk management methods. Only suppliers which pass the assessment can be included in the pool of qualified supplier list. All things being equal, the Group prefers to choose environmentally friendly enterprises, which effectively mitigates environmental and social risks, and deepens the understanding of their capabilities to properly perform obligations as a supplier and meet the Group's high standards, further enhancing the sustainable culture of supply chain management.

Goods shipment

For raw materials purchased, there are special inspectors to check the goods when they arrive at the warehouses in the Group's factories. The qualified raw materials will be delivered to storage by warehouse manager. For substandard raw materials, the Group will communicate with suppliers to return the goods. If there is any quality problem, the Spare Parts Department will inform customers timely and take remedial actions, so as to avoid affecting business operation. The finance department will conduct regular cost assessments on suppliers as well.

Annual review

At the end of each year, the procurement department takes charge of reviewing all qualified suppliers for the year, by obtaining feedback from departments that have used the supplier's materials and services. The procurement department may also require suppliers to provide additional documents and information to assist the assessment of annual suppliers. The Group makes efforts to initiate a change in the whole supply chain through reaching out to substandard suppliers. If suppliers' performance remains lower than the Group's expectation, they will be removed from the qualified supplier pool, which helps reduce procurement risk.

In 2023, the Group has established cooperation with 22 suppliers located in multiple regions in China. The distribution of suppliers by geographical region is as follows:

Region	Unit	2022	**2023**	Percentage of Change
Northeast China[1]	number of suppliers	29	**7**	-75.86%
North China[2]	number of suppliers	8	**4**	-50.00%
East China[3]	number of suppliers	9	**9**	+0.00%
South China[4]	number of suppliers	5	**–**	-100.00%
Northwest China[5]	number of suppliers	2	**2**	+0.00%
Southwest China[6]	number of suppliers	1	**–**	-100.00%
Total	number of suppliers	54	**22**	-59.26%

Notes:

1. Northeast China refers to Heilongjiang, Jilin, and Liaoning in China.
2. North China refers to Beijing, Tianjin, Shanxi, Hebei, and Inner Mongolia in China.
3. East China refers to Shanghai, Jiangsu, Zhejiang, Anhui, Fujian, Jiangxi, and Shandong in China.
4. South China refers to Henan, Hubei, Hunan, Guangxi, Guangdong, and Hainan in China.
5. Northwest China refers to Shaanxi, Gansu, Qinghai, Ningxia, and Xinjiang in China.
6. Southwest China refers to Chongqing, Sichuan, Guizhou, Yunnan, and Tibet in China.
7. The Group selects suppliers based on actual demand and has optimized the selection of suppliers during the Year, thus resulting in a decrease in the number of suppliers during the Year. The Group does not rule out the possibility of increasing the number of suppliers as necessary in the future.

Due to the diversified network of suppliers, the Group has not encountered any difficulties in procuring products and services. No company has been identified as a key supplier. The objective of the Group is to maintain long-term strategic partnerships with suppliers with high quality service, high visibility and a strong sense of social responsibility.

Product Responsibility

The Group attaches great importance to product quality. It has a sound quality control and assurance system to ensure the conformity of product quality with regulatory and industry standards and customers' expectations. The Group strictly complied with product responsibility-related laws and regulations, including, but not limited to the Law of the People's Republic of China on Protection of Consumer Rights and Interests, the Advertising Law of the People's Republic of China and the Product Quality Law of the People's Republic of China. During the Reporting Period, the Group did not find any violations of laws and regulations regarding product and service safety, labelling, advertising and privacy matters.

In order to strengthen monitoring and management of product quality, the Group implements sampling checks on products in accordance with the Product Quality Check Programme, ensuring the compliance with quality standards. For products which have been sold and waited for delivery, the Group conducts quality inspection on them before packaging and transportation, so as to guarantee product quality.

Product technique

The Group manufactures the plastic masterbatches based on the designated specification by mixing different kinds of plastic polymers according to the required ratio. The plastic masterbatches would be melted down under controlled conditions until they become liquefied and pliable. For biodegradable plastic products, film extrusion, shaping, cutting and pressing procedures are required before they become finished products. For non-biodegradable automobile plastic parts, the plastic is molten and then poured into different kinds of plastic parts through plastic injection moulding machine. The plastic parts would be welded into the designated form and structure before final finishing and fixing works.

During the above production process, because the granules, powder, masterbatch or pellets of plastic resin are poured into plastic by heating or pressure, toxic plastic fumes may be emitted. The Group considers environmental protection as one of its primary duties and has adopted a number of measures to reduce the environmental impact of its production process. For example, the Group has installed adequate air-filtering units to purify the air, before the air is emitted and discharged into the surrounded atmosphere. Furthermore, as it might generate industrial noise during the manufacturing process, the Group has installed vibration-cancelling and noise-reduction devices to ensure the level of noise it emits is within the permissible level in accordance with national environmental standards. Any production waste, scrap materials (such as edge trimmings and ends), substandard or obsolete products are returned to the biodegradable plastic masterbatches tank for re-use purpose.

Raw material

During the Reporting Period, the Group generated approximately 95% of its revenue from the sales of biodegradable plastic products. The Group also engages in the development and manufacturing of non-biodegradable automobile plastic parts. Such products only accounted for not more than 5% of its revenue during the Reporting Period.

The raw materials of its non-biodegradable automobile parts are mainly polypropylene (**PP**) and polyethylene (**PE**). PP is a thermoplastic polymer produced via chain-growth polymerisation from the monomer propylene, which is fossil-based and is produced as a co-product of ethylene production through steam cracking of hydrocarbon feedstocks or as a by-product of petroleum refining. PE is a light, versatile synthetic resin made from the polymerisation of ethylene, which is fossil-based and mainly obtained from petroleum or natural gas.

The raw materials of biodegradable plastic products are primarily biodegradable plastics. Biodegradable plastics are plastics that will decompose in natural aerobic (composting) and anaerobic (landfill) environments. Biodegradation of plastics occurs when microorganisms metabolise the plastics to either assimilable compounds or to humus-like materials that are less harmful to the environment. Based on their composition, biodegradable plastics can be further segmented into bio-based biodegradable plastics and fossil based biodegradable plastics. Bio-based biodegradable plastics include polylactic acid (**PLA**), polyhydroxyalkanoates (**PHA**), starch based, cellulose based and others, while fossil based biodegradable plastics include Polybutylene Adipate Terephthalate (**PBAT**), Polybutylene succinate (**PBS**), polycaprolactone (**PCL**) and others. PLA, PBAT, and PBS are the major raw materials for the Group to manufacture biodegradable plastic products.

		2022	**2023**	Percentage of Change
PLA, PBAT and PBS	RMB'000	115,908	**165,554**	+43.83%
	Percentage of cost of raw materials	74.71	**80.00**	+7.08%
Consumables	RMB'000	6,420	**9,633**	+50.05%
	Percentage of cost of raw materials	4.14	**5.00**	+20.77%
Other materials[1]	RMB'000	32,808	**32,088**	-2.24%
	Percentage of cost of raw materials	21.15	**15.00**	-29.08%
Total[2]	RMB'000	155,136	**207,275**	+33.61%
	Percentage of cost of raw materials	100.00	**100.00**	+0.00%

Notes:

1. Other materials include raw materials for automobile plastic parts such as PP, PE, etc...

2. The increase in purchased raw materials during the Year is mainly due to the increase in sales volume during the Year resulting in an increase in purchased raw materials.

During the Reporting Period, the Group's utilisation of petrochemical materials and non-petrochemical materials was as follows:

Category	Unit	2022	**2023**	Percentage of Change
Petrochemical materials	RMB'000	78,978.43	**83,701.83**	+5.98%
Non-petrochemical materials	RMB'000	99,569.89	**107,769.60**	+8.24%
Total	RMB'000	178,548.32	**191,471.43**	+7.24%

Product quality

All biodegradable produce bag rolls and biodegradable shopping bags produced by the Group are in compliance with national standards "GB/T 33798–2017" and "GB/T 38082–2019". The standard "GB/T 38082–2019" is the sole and only national standard in the PRC for biodegradable plastic shopping bags issued by the State Administration for Market Regulation and the Standardization Administration of the PRC in October 2019. Specifically, the biodegradation rate of fully biodegradable plastics reaches 92%, which meets the requirements stipulated in the "GB/T 20197–2006" standard of Define, Classify, Marking and Degradability Requirement of Degradable Plastic. The biodegradation rate, the relative degradation rate and the proportion of total volatile solids of non-food direct contact biodegradable plastic shopping bags reaches 90.46%, 92.8% and 94.33% respectively, and the average carbon dioxide produced by decomposition is 107.25mgCO_2/g, in line with the requirements stipulated in the standard "GB/T 38082–2019" of Biodegradable Plastic Shopping Bags. The biodegradation rate, the relative degradation rate and the proportion of total volatile solids of PLA fully biodegradable produce bag rolls reaches 90.04%, 92.37% and 93.92% respectively, and the average carbon dioxide produced by decomposition is 107.25mgCO_2/g, in conformity with the "GB/T 33798–2017", "Q/JKS 01–2019" and "GB/T 33798–2017" standards.

In addition, the Group has obtained certifications of IATF16949 (Automotive Quality Management System), ISO9001 (Quality Management System) and ISO14001 (Environmental Management System). The Group was awarded as a provincial and municipal technology little giant enterprise and a winner of the finals of China Innovation & Entrepreneurship Competition. Meanwhile, its biodegradable shopping bags have passed the green product design, and it passed the declaration of provincial green factory of green manufacturing in May 2020.

Complaint processing programme

With a customer-first mindset, the Group listens to customers' advice to improve their experience with products and services. As a result, the Group attaches great importance to complaint resolution and is committed to responding to any complaint in an accurate, timely and polite manner.

The Group has formulated the User Complaint Management Manual to standardise the complaint processing programme, to ensure that all customer complaints have been properly dealt with. Complaints will also be kept confidential, and the Group ensures no retaliation of any kind for any complaint. There shall be sufficient auxiliary personnel responsible for the investigation and processing of quality complaints. All information related to complaints and investigation shall be notified to qualified persons.

All complaints shall be registered and audited, and complaints related to product quality defects shall be recorded in detail and investigated. At the same time, there shall be records of complaint investigation and processing, with information on the products investigated. Subsequently, the complaint records shall be reviewed and analysed regularly to identify and take corresponding measures on problems requiring vigilance and repeating continuously. During the Reporting Period, the Group did not receive any major complaint related to products.

Intellectual property

During the Reporting Period and as at the date of this Annual Report, the Group was not involved in any material legal proceedings, claims, disputes, arbitration or administrative proceedings pending or threatened against any of its members or any of its Directors with regard to any intellectual property claim against it. But the Group always adheres to the Patent Law of the People's Republic of China and the Trademark Law of the People's Republic of China. The Group will continue to assess whether the intellectual property is important to its business and stipulate measures to protect intellectual property when necessary.

Product recall

Customer safety remains the Group's top priority. If the Group finds products that may not comply with its regulations, it will track back all these affected products as soon as possible as required. The Group will conduct further investigations to better understand the situation and determine whether a recall is necessary. Once a recall is confirmed, the Customer Service Department will take charge of initiating the recall process, supervising the entire recall process and providing value-added services and feedback compensation to affected customers on the extent of the impact. During the Recording Period, no product sold or shipped was recalled for safety and health reasons. The Group aims to continuously uphold high standards and maintain a clean record of product related complaints and product recall incidents due to safety and health reasons.

Customer privacy protection

The Group is committed to protecting the personal data and privacy of its customers, employees and partners. The Group's confidentiality policy and privacy practices include, but are not limited to collection, processing, utilisation and disclosure of personal data.

The Group is engaged in full compliance with the privacy policies of its customers, suppliers and other interested parties. It has established a secure environment with data protection measures to store these data in its internal system. Only authorised employees have access to the data. The Group will not disclose the personal data of its employees, customers or suppliers without permission of relevant parties, preventing any accidental or unauthorised access, modification or utilisation of these data.

During the Reporting Period, the Group complied with laws and regulations related to the protection of customer data, including, but not limited to the Personal Information Protection Law of the People's Republic of China. The Group shall abide by the privacy policies and maintain a zero-tolerance attitude towards non-compliance in terms of all businesses. During the Reporting Period, the Group did not engage in any significant consumer information or privacy breaches.

Anti-corruption

The Group is committed to fostering an ethical culture through training, effective communication, top-down management and accountability, which is essential to maintaining the Group's reputation and the confidence of its commercial partners. The ethical culture, includes zero tolerance to corruption and bribery, as a key element in the health and sustainability of its businesses. To this end, the Group has formulated the Anti-Fraud Management System, the Regulations on Anti-Fraud and Reporting Mechanism, the Whistleblowing Policy and the Integrity Policy. The Anti-Fraud Management System describes fraud behaviour to help employees identify situations that may lead to immorality, as well as procedures to prevent, identify and resolve any anti-corruption incidents. Any money laundering activity leveraging public or private bank account shall be strictly prohibited. The Group will take relevant actions against such misconduct.

The Group encourages employees to observe laws, and comply with code of conduct and ethics in their daily work and interaction inside the Company, making them correctly deal with conflicts of interest and temptations of improper interest in their work. Meanwhile, the Group informs all stakeholders in society, including external stakeholders (customers, suppliers, regulators and shareholders) in an appropriate form, that the Company promotes the compliance with law, integrity and ethics.

The Group strictly abides by laws and regulations related to anti-corruption, including, but not limited to the Advertising Law of the People's Republic of China, the Anti-Money Laundering Law of the People's Republic of China, the Criminal Law of the People's Republic of China and the Interim Provisions on Banning Commercial Bribery.

The data of anti-corruption training is listed in the table below:

Number of People Receiving Anti-corruption Training	Unit	2022	**2023**	Percentage of Change
Directors	Number	4	**5**	+25.00%
Employees	Number	155	**177**	+14.19%

Length of Anti-corruption Training	Unit	2022	**2023**	Percentage of Change
Directors	Hour	13.0	**20.0**	+53.85%
Employees	Hour	618.0	**708.0**	+14.56%
Total	Hour	631.0	**728.0**	+15.37%

The Group adopts a principle-based approach to maintain its ethical culture, encourage employees to do what is right, and speak up and confront unethical behaviour. The Group prohibits the following behaviours:

- employees take advantage of their position to seek benefits for others, and accept bribes through reimbursement by others with public funds or payment of expenses that shall be borne by employees themselves;

- act of borrowing or embezzling the Company's money in violation of regulations for profit-making activities or illegal activities;

- act of entering into false contracts and defrauding the Company's money and property through deceptive methods of fabricating facts or concealing the truth;

- employees of the Company shall not request for and accept gifts, cash gifts, marketable securities, rebates or others from any unit or individual during the normal business interaction with partners and customers. Benefits that cannot be refused shall be turned over to the Company;

- employees of the Company shall not participate in the dinners and entertainment activities of the business partners without permission. For unavoidable activities, they shall report to the superior for approval before attending;

- employees of the Company shall not negotiate business with partners alone. Two or more employees are required to participate in business negotiations or procurement of engineering equipment and facilities;

- all affairs of the Company shall be done according to procurement and finance-related systems. Acts in violation of regulations, malpractice, fraud, corruption and bribery, misappropriation of construction funds and others are strictly prohibited; and

- cash, rewards or transfer of benefits due to working relationships shall be treated as the Company's operating income and turned over to the Company. Gifts shall be handed over for the record (souvenirs of less than RMB100 are generally issued to personal commemorations, but it shall be reported to the superior).

As stated in the Whistleblowing Policy, the Group has multiple whistleblowing channels, such as e-mail, telephone or letter, allowing employees to report unethical behaviour to the reporting department. Each reporting channel has a set of procedures to ensure that reports of unethical behaviour are confidential and anonymous. For questionable individuals and matters found in open and secret investigations and complaints from other employees, they shall be publicly exposed and dealt with once confirmed, and granted with warnings, fines, dismissal and other penalties based on the severity of circumstance and the impact. If the amount reaches the mandatory limit, they shall be transferred to the judicial authority according to national regulations. On the basis of continuous operation, the Group will continue to review the effectiveness of reporting mechanism and make corresponding changes as the business develops. During the Reporting Period, the Group did not have any incidents of corruption, bribery or money laundering.

Community Investment

The Group is keen on feeding back the society and making contributions to our community. In August 2023, the Group donated RMB30,000 to the Changchun Jiutai District Charity Association to support the educational development. The Group will continue to insist on the principle of being responsible for its shareholders, investors, suppliers, customers and the public, seek opportunities of further development and maintain a harmonious relationship with stakeholders.

The Group also encourages employees to actively participate in public welfare activities. By doing so, the Group believes its employees can foster their social responsibility, and its reputation as an active community builder can be further improved. As a result, the Group continues to encourage employees to participate in community activities to build a more sustainable future, a more prosperous economy and a more harmonious society.

CONTENT INDEX OF ESG REPORTING GUIDE OF HONG KONG STOCK EXCHANGE

Subject Areas, Aspects, General Disclosures and KPIs	Description	Section/Declaration
A. Environmental		
Aspect A1: Emissions		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Emissions
KPI A1.1	The types of emissions and respective emissions data.	Emissions-Waste gas emissions
KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Emissions-Greenhouse gas emissions
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Waste Management-Hazardous waste
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Waste Management-Non-hazardous waste
KPI A1.5	Description of emissions target(s) set and steps taken to achieve them.	Waste Management
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	Waste Management

Subject Areas, Aspects, General Disclosures and KPIs	Description	Section/Declaration
A. Environmental		
Aspect A2: Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Use of Resources
KPI A2.1	Direct and/or indirect energy consumption by type (e. g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	Use of Resources-Energy management
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Use of Resources- Water resources management
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	Use of Resources- Energy management
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	Use of Resources- Water resources management
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Use of Resources- Use of packaging materials
Aspect A3: The Environment and Natural Resources		
General Disclosure	Policies on minimising the issuer's significant impacts on the environment and natural resources.	The Environment and Natural Resources
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	The Environment and Natural Resources
Aspect A4: Climate Change		
General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	Climate Change
KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	Climate Change

Subject Areas, Aspects, General Disclosures and KPIs	Description	Section/Declaration
B. Social		
Aspect B1: Employment		
General disclosure	Information on (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Employment
KPI B1.1	Total workforce by gender, employment type (for example, full- or part-time), age group and geographical region.	Employment
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	Employment
Aspect B2: Health and Safety		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Health and Safety
KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	Health and Safety
KPI B2.2	Lost days due to work injury.	Health and Safety
KPI B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	Health and Safety
Aspect B3: Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Development and Training
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Development and Training
KPI B3.2	The average training hours completed per employee by gender and employee category.	Development and Training

Subject Areas, Aspects, General Disclosures and KPIs	Description	Section/Declaration
B. Social		
Aspect B4: Labour Standards		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Labour Standards
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	Labour Standards
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	Labour Standards
Aspect B5: Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Supply Chain Management
KPI B5.1	Number of suppliers by geographical region.	Supply Chain Management
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	Supply Chain Management
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Supply Chain Management
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Supply Chain Management

Subject Areas, Aspects, General Disclosures and KPIs	Description	Section/Declaration
B. Social		
Aspect B6: Product Responsibility		Product Responsibility
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Product Responsibility
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	Product Responsibility-Compliant processing programme
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Product Responsibility-Intellectual property
KPI B6.4	Description of quality assurance process and recall procedures.	Product Responsibility-Product recall
KPI B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	Product Responsibility-Customer data privacy
Aspect B7: Anti-corruption		
General Disclosure General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Anti-corruption
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Anti-corruption
KPI B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	Anti-corruption
KPI B7.3	Description of anti- corruption training provided to directors and staff.	Anti-corruption

Subject Areas, Aspects, General Disclosures and KPIs	Description	Section/Declaration
B. Social		
Aspect B8: Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Community Investment
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Community Investment
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	Community Investment

INDEPENDENT AUDITOR'S REPORT

Mazars CPA Limited
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To the members of China Treasures New Materials Group Ltd.
(incorporated in Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of China Treasures New Materials Group Ltd. (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**"), set out on pages 94 to 169, which comprise the consolidated statement of financial position at 31 December 2023, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group at 31 December 2023, and of its financial performance and cash flows for the year then ended in accordance with IFRS Accounting Standards issued by the International Accounting Standards Board (the "**IASB**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"). Our responsibilities under those standards are further described in the "**Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**" section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "**Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTERS (CONTINUED)

Expected credit losses ("ECL") assessment of trade receivables

The Key Audit Matter	How the matter was addressed in our audit
At 31 December 2023, the gross carrying amount of trade receivables and the related allowance for ECL amounted to approximately RMB101,546,000 and RMB508,000, respectively. At each reporting date, the management of the Group estimates the amount of ECL on trade receivables based on provision matrix that is based on historical data and is adjusted for forward-looking information of respective trade receivables. The management of the Group believes that they have considered reasonable and supportable information that is relevant and available without undue cost and effort for this purpose. Such assessment has taken the quantitative and qualitative historical information and also, the forward-looking analysis. We have identified ECL assessment of trade receivables as a key audit matter because the carrying amount of trade receivables was significant to the consolidated financial statements and the ECL assessment of these balances required significant judgement and involved high level of uncertainty. Related disclosures are included in Notes 2, 17 and 28 to the consolidated financial statements.	Our key audit procedures, among others, included: – understanding of the Group's credit risk management and practices and assessing the Group's ECL policy in accordance with the requirements of applicable accounting standards; – evaluating the methodologies, inputs and assumptions used by the Group in calculating the ECL; – checking the ageing profile of the trade receivables at the end of reporting period and the post year-end subsequent settlements from customers, on a sample basis, to underlying accounting records and supporting documents; – understanding and evaluating the management's process in identifying the relevant forward-looking information for the ECL assessment; and – checking the calculation of ECL based on the methodology adopted by the Group and adequacy of the Group's disclosures in relation to credit risk of the Group in the consolidated financial statements.

KEY AUDIT MATTERS (CONTINUED)

Recognition of expenses for the proposed initial listing of the shares of the Company (the "Listing")

The Key Audit Matter	How the matter was addressed in our audit
Relevant costs incurred for the Listing are allocated and classified among (i) profit or loss as listing expenses and (ii) equity as a reduction of share premium upon the capitalisation issue on the basis that whether the costs are (i) costs for the Company to obtain listing status or (ii) incremental costs for the Company to raise additional funds from the issue of new shares, respectively. During the year ended 31 December 2023, approximately RMB2,289,000 were charged to profit or loss as listing expenses and cost of approximately RMB16,363,000 attributable to issue of new shares were recognised in equity as reduction of share premium. We have identified the above matter as a key audit matter because the classification and allocation of relevant costs incurred involves a significant degree of management's judgement. Related disclosures are included in Note 2 to the consolidated financial statements.	Our key audit procedures, among others, included: – enquiring of the management of the Group on the bases of classification and allocation for the relevant costs and assessing the reasonableness of these bases with reference to the applicable accounting standards and guidelines; and – checking samples of expenses items that made up the total costs incurred for the Listing to invoices and agreements to confirm the nature of the items and checking whether these items have been correctly classified and allocated according to the bases determined by the management of the Group.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the 2023 annual report of the Company but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS Accounting Standards issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are also responsible for overseeing the Group's financial reporting process. Those charged with governance are responsible for assisting the directors in discharging their responsibility in this regard.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

– Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

– Obtain an understanding of internal control relevant to the audit in order to design audit 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.

– Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

– Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

– Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

– Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Mazars CPA Limited
Certified Public Accountants
Hong Kong, 28 March 2024

The engagement director on the audit resulting in this independent auditor's report is:
Law Lai Ting
Practising Certificate number: P07322

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2023

	Note	**2023**	2022
		RMB'000	*RMB'000*
Revenue	5	**365,811**	299,789
Cost of sales		**(220,357)**	(179,545)
Gross profit		**145,454**	120,244
Other income	6	**7,345**	747
Selling and distribution expenses		**(5,845)**	(5,242)
Administrative and other operating expenses		**(40,520)**	(25,382)
Finance costs	7	**(4,015)**	(3,392)
Listing expenses		**(2,289)**	(17,146)
Profit before tax	7	**100,130**	69,829
Income tax expenses	10	**(15,523)**	(12,842)
Profit for the year		**84,607**	56,987
Other comprehensive income (loss):			
Item that will not be reclassified to profit or loss			
Translation of the Company's financial statements into presentation currency		**3,707**	(2)
Item that may be reclassified subsequently to profit or loss			
Exchange difference on consolidation/combinations		**2,609**	(295)
Total other comprehensive income (loss)		**6,316**	(297)
Total comprehensive income for the year		**90,923**	56,690
Profit for the year attributable to:			
Owners of the Company		**83,970**	56,508
Non-controlling interests		**637**	479
		84,607	56,987

	Note	2023 *RMB'000*	2022 *RMB'000*
Total comprehensive income for the year attributable to:			
Owners of the Company		**90,286**	56,211
Non-controlling interests		**637**	479
		90,923	56,690
		RMB cents	*RMB cents*
Earnings per share attributable to owners of the Company	11		
Basic and diluted		**8.80**	6.98

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2023

	Note	2023 *RMB'000*	2022 *RMB'000*
Non-current assets			
Property, plant and equipment	13	**99,772**	63,641
Right-of-use assets	14	**11,655**	27,960
Intangible assets	15	**82**	91
Deposits paid for acquisition of property, plant and equipment	29	**823**	336
Deferred tax assets	22	**147**	428
		112,479	92,456
Current assets			
Inventories	16	**21,187**	37,799
Trade and other receivables	17	**108,683**	75,360
Bank balances and cash	18	**315,696**	99,230
		445,566	212,389
Current liabilities			
Trade and other payables	19	**44,533**	38,101
Interest-bearing borrowings	20	**40,158**	39,844
Lease liabilities	21	**3,280**	6,867
Deferred income	23	**489**	489
Income tax payables		**1,379**	2,691
		89,839	87,992
Net current assets		**355,727**	124,397
Total assets less current liabilities		**468,206**	216,853
Non-current liabilities			
Lease liabilities	21	**8,231**	16,009
Interest-bearing borrowings	20	**9,500**	–
Deferred income	23	**2,351**	2,840
		20,082	18,849
NET ASSETS		**448,124**	198,004

	Note	2023 RMB'000	2022 RMB'000
Capital and reserves			
Share capital	25	**8,800**	8
Reserves	25	**436,522**	195,831
Equity attributable to owners of the Company		**445,322**	195,839
Non-controlling interests		**2,802**	2,165
TOTAL EQUITY		**448,124**	198,004

The consolidated financial statements on pages 94 to 169 were approved and authorised for issue by the Board of Directors on 28 March 2024 and signed on its behalf by

Shan Yuzhu
Director

Li Peng
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2023

	Share capital RMB'000 (Note 25(a))	Reserves: Share premium RMB'000 (Note 25(b))	Reserves: Capital reserve RMB'000 (Note 25(c))	Reserves: Statutory reserve RMB'000 (Note 25(d))	Reserves: Translation reserve RMB'000 (Note 25(e))	Reserves: Accumulated profits RMB'000	Total reserves RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2022	–	–	107,350	18,105	–	15,491	140,946	–	140,946
Profit and total comprehensive income for the year	–	–	–	–	–	56,508	56,508	479	56,987
Other comprehensive loss:									
Item that will not be reclassified to profit or loss									
Translation of the Company's financial statements into presentation currency	–	–	–	–	(2)	–	(2)	–	(2)
Item that may be reclassified subsequently to profit or loss									
Exchange difference on consolidation/combination	–	–	–	–	(295)	–	(295)	–	(295)
Total other comprehensive loss	–	–	–	–	(297)	–	(297)	–	(297)
Total comprehensive income for the year	–	–	–	–	(297)	56,508	56,211	479	56,690
Transactions with owners:									
Contributions and distributions									
Capital contribution made by the Investors on Jilin Kaishun	–	–	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 11)*	–	–	(3,240)	–	–	–	(3,240)	–	(3,240)
Appropriation to statutory reserve	–	–	–	7,273	–	(7,273)	–	–	–
	8	–	360	7,273	–	(7,273)	368	–	368
Change in ownership interests									
Change in ownership interests in subsidiaries without change in control which arising from the Reorganisation	–	–	–	–	–	(1,686)	(1,686)	1,686	–
Total transactions with owners	8	–	360	7,273	–	(8,959)	(1,318)	1,686	368
At 31 December 2022	8	–	107,710	25,378	(297)	63,040	195,839	2,165	198,004

		Reserves							
	Share capital RMB'000 (Note 25(a))	Share premium RMB'000 (Note 25(b))	Capital reserve RMB'000 (Note 25(c))	Statutory reserve RMB'000 (Note 25(d))	Translation reserve RMB'000 (Note 25(e))	Accumulated profits RMB'000	Total reserves RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2023	8	–	107,710	25,378	(297)	63,040	195,839	2,165	198,004
Profit and total comprehensive income for the year	–	–	–	–	–	83,970	83,970	637	84,607
Other comprehensive income:									
Item that will not be reclassified to profit or loss									
Translation of the Company's financial statements into presentation currency	–	–	–	–	3,707	–	3,707	–	3,707
Item that may be reclassified subsequently to profit or loss									
Exchange difference on consolidation	–	–	–	–	2,609	–	2,609	–	2,609
Total other comprehensive income	–	–	–	–	6,316	–	6,316	–	6,316
Total comprehensive income for the year	–	–	–	–	6,316	83,970	90,286	637	90,923
Transactions with owners:									
Contributions and distributions									
Issue of shares pursuant to the Capitalisation Issue *(Note 25(a) (ii))*	7,119	(7,119)	–	–	–	–	–	–	–
Issue of shares pursuant to the Global Offering *(Note 25(a) (iii))*	1,673	173,887	–	–	–	–	175,560	–	175,560
Transaction costs attributable to issue of shares *(Note 25(a) (iii))*	–	(16,363)	–	–	–	–	(16,363)	–	(16,363)
Appropriation to statutory reserve	–	–	–	9,086	–	(9,086)	–	–	–
Total transactions with owners	8,792	150,405	–	9,086	–	(9,086)	159,197	–	159,197
At 31 December 2023	8,800	150,405	107,710	34,464	6,019	137,924	445,322	2,802	448,124

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2023

	2023	2022
	RMB'000	*RMB'000*
OPERATING ACTIVITIES		
Profit before tax	**100,130**	69,829
Adjustments for:		
Amortisation	**9**	9
Depreciation	**15,050**	12,543
Finance costs	**3,929**	3,392
Interest income	**(2,496)**	(257)
Release of assets related government grants	**(489)**	(489)
Loss (Gain) on disposal of property, plant and equipment, net	**369**	(1)
Gain on early termination of lease	**(1,867)**	–
Provision for (Reversal of) loss allowance of trade receivables, net	**145**	(1)
Operating cash inflows before movements in working capital	**114,780**	85,025
Changes in working capital:		
Inventories	**16,612**	(23,819)
Trade and other receivables	**(32,468)**	(1,777)
Trade and other payables	**22,751**	(3,388)
Cash generated from operations	**121,675**	56,041
Income tax paid	**(16,554)**	(11,639)
Net cash from operating activities	**105,121**	44,402
INVESTING ACTIVITIES		
Interest received	**2,496**	257
Payment for purchase of property, plant and equipment	**(43,581)**	(30,335)
Payment for acquisition of intangible assets	**–**	(100)
Deposits paid for acquisition of property, plant and equipment	**(823)**	(336)
Proceeds from disposal of property, plant and equipment	**554**	5
Net cash used in investing activities	**(41,354)**	(30,509)

	2023	2022
	RMB'000	*RMB'000*
FINANCING ACTIVITIES		
Inception of interest-bearing borrowings	**57,962**	42,348
Repayment of interest-bearing borrowings	**(48,244)**	(43,000)
(Repayment to) Advance from Pre-IPO Investors	**(10,003)**	10,003
Interest paid	**(3,929)**	(3,392)
Issue of share capital	**175,560**	8
Capital contribution made by the then shareholders/the investors on subsidiaries	**–**	3,600
Payment for acquisition of Yizheng Juxinyuan under the Reorganisation	**–**	(3,240)
Payment for transaction costs attributable to issue of shares	**(16,363)**	–
Repayment of lease liabilities	**(2,380)**	(11,418)
Net cash from (used in) financing activities	**152,603**	(5,091)
Net increase in cash and cash equivalents	**216,370**	8,802
Cash and cash equivalents at beginning of year	**99,230**	90,428
Effect on exchange rate changes	**96**	–
Cash and cash equivalents at end of year, represented by bank balances and cash	**315,696**	99,230

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 21 January 2022, and its shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 31 March 2023 (the "**Listing**"). The address of the Company's registered office is 89 Nexus Way, Camana Bay, Grand Cayman, KY1-9009, Cayman Islands. The Company's principal place of business is situated at Room 1910, 19/F., C C Wu Building, 302–308 Hennessy Road, Wan Chai, Hong Kong and the Group's headquarter is situated at No. 3, Jing'Er Road, Kalun Industrial South Region, Jiutai Economics Development Zone, Changchun City, Jilin Province, the People's Republic of China (the "**PRC**").

The principal activity of the Company is investment holding and the Group is principally engaged in development and manufacture of biodegradable plastic products and non-biodegradable automobile plastic parts in the PRC. The principal activities of its subsidiaries are set out in Note 24 to the consolidated financial statements.

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**").

2. PRINCIPAL ACCOUNTING POLICIES

Statement of compliance

The consolidated financial statements have been prepared in accordance with IFRS Accounting Standards issued by the International Accounting Standards Board ("**IASB**"), which collective term includes all applicable individual IFRS Accounting Standards, IAS Standards and IFRIC Interpretations issued by the IASB. The consolidated financial statements also comply with the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange.

The consolidated financial statements are presented in Renminbi ("**RMB**") and all amounts have been rounded to the nearest thousand ("**RMB'000**"), unless otherwise stated.

The consolidated financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2022 consolidated financial statements except for the adoption of the following new/revised IFRS Accounting Standards that are relevant to the Group and effective from the current year.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Adoption of new/revised IFRS Accounting Standards

The Group has applied, for the first time, the following new/revised IFRS Accounting Standards:

Amendments to IAS 1	Disclosure of Accounting Policies
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to IAS 12	International Tax Reform – Pillar Two Model Rules

Amendments to IAS 1: Disclosure of Accounting Policies

The amendments require companies to disclose their material accounting policy information rather than their significant accounting policies.

Amendments to IAS 8: Definition of Accounting Estimates

The amendments clarify how companies should distinguish changes in accounting policies from changes in accounting estimates.

Amendments to IAS 12: Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments narrow the scope of the recognition exemption in paragraphs 15 and 24 of IAS 12 so that it no longer applies to transactions that, on recognition, give rise to equal taxable and deductible temporary differences.

Amendments to IAS 12: International Tax Reform – Pillar Two Model Rules

The amendments provide entities with temporary relief from accounting for deferred taxes arising from the Organisation for Economic Co-operation and Development's Pillar Two model rules. The Amendments also introduce targeted disclosure requirements to help investors understand an entity's exposure to income taxes arising from the rules.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Adoption of new/revised IFRS Accounting Standards (Continued)

The adoption of the above amendments does not have any significant impact on the consolidated financial statements.

A summary of principal accounting policies adopted by the Group in preparing the consolidated financial statements is set out below.

Basis of measurement

The measurement basis used in the preparation of the consolidated financial statements is the historical cost basis.

Basis of consolidation/combinations

The consolidated financial statements comprise the financial statements of the Company and all of its subsidiaries for the reporting 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 consolidated statement of profit or loss and other comprehensive income and within equity in the consolidated statement 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 IFRS Accounting Standards.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Basis of consolidation/combinations (Continued)

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.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Merger accounting for business combination involving entities under common control

The consolidated financial statements incorporate 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 consolidated statement of profit or loss and other comprehensive income includes 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.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

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 leasehold improvements under construction and is stated at cost less accumulated impairment losses (if any). Cost 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 to 20 years
Furniture, fixtures and office equipment	3 to 5 years
Motor vehicles	4 to 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.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

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 reporting period, no development cost was capitalised by the Group.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

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.

On initial recognition, a financial asset is classified as measured at amortised cost.

Classification and measurement

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.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Classification and measurement (Continued)

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, lease liabilities and interest-bearing borrowings. 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.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

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.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Impairment of financial assets (Continued)

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.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Impairment of financial assets (Continued)

Assessment of significant increase in credit risk (Continued)

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.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Impairment of financial assets (Continued)

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 consolidated statement 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.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

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).

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (Continued)

Revenue from contracts with customers within IFRS 15 (Continued)

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.

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.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Contract liabilities

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.

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 Hong Kong dollar ("**HK$**") and majority of its subsidiaries have RMB as their functional currency. The consolidated financial statements are 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.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Foreign currency translation (Continued)

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.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

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.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

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.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Leases (Continued)

The Group as lessee (Continued)

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.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Leases (Continued)

The Group as lessee (Continued)

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.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Leases (Continued)

The Group as lessee (Continued)

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.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

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 consolidated financial statements. 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.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

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.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Related parties (Continued)

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 Group and include:

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

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

(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 consolidated financial statements, are identified from the financial information provided regularly to the executive directors of the Company 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 consolidated financial statements. 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.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Critical accounting estimates and judgements (Continued)

Critical judgements in applying accounting policies

(i) Recognition of listing expenses

The Group's management determines the allocation and classification of relevant costs incurred for the Initial Listing among (i) profit or loss as listing expenses and (ii) equity as a reduction of share premium upon the capitalisation issue based on its judgement on whether such costs are (a) costs for the Company to obtain the listing status or (b) incremental costs for the Company to raise additional funds from the issue of new shares, respectively.

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.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Critical accounting estimates and judgements (Continued)

Key sources of estimation uncertainty (Continued)

(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. Considered the carrying amount of loss allowance for trade receivable is insignificant at 31 December 2023 and 2022, no sensitivity analysis has been prepared in this respect.

(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.

3. FUTURE CHANGES IN IFRS ACCOUNTING STANDARDS

At the date of approving the consolidated financial statements, the IASB has issued the following new/revised IFRS Accounting Standards that are not yet effective for the reporting period, which the Group has not early adopted.

Amendments to IAS 1	*Non-current Liabilities with Covenants* (1)
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current* (1)
Amendments to IAS 7 and IFRS 7	*Supplier Finance Arrangements* (1)
Amendments to IFRS 16	*Lease liability in a Sale and leaseback* (1)
Amendments to IAS 21	*Lack of Exchangeability* (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 2024
(2) Effective for annual periods beginning on or after 1 January 2025
(3) The effective date to be determined

The management of the Group does not anticipate that the adoption of the new/revised IFRS Accounting Standards in future periods will have any material impact on the Group's consolidated financial statements.

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; and

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

Segment revenue and results

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 2.

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

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

4. SEGMENT INFORMATION (CONTINUED)

Segment revenue and results (Continued)

The segment information provided to the CODM of the Group for the reportable operating segments for the reporting period is as follows:

	Development and manufacture of biodegradable plastic products *RMB'000*	Development and manufacture of non-biodegradable automobile plastic parts *RMB'000*	Total *RMB'000*
Year ended 31 December 2023			
Segment revenue	346,936	18,875	365,811
Segment cost of sales	(209,269)	(11,088)	(220,357)
Segment results	137,667	7,787	145,454
Other income			7,345
Selling and distribution expenses			(5,845)
Administrative and other operating expenses			(40,520)
Finance costs			(4,015)
Listing expenses			(2,289)
Profit before tax			100,130
Income tax expenses			(15,523)
Profit for the year			84,607
Other information			
Research and development costs	17,443	–	17,443
Amortisation of intangible assets	9	–	9
Depreciation *(Note)*			
– Property, plant and equipment	1,156	967	2,123
– Right-of-use assets	69	–	69
Provision for loss allowances on trade receivables, net	128	17	145

4. SEGMENT INFORMATION (CONTINUED)

Segment revenue and results (Continued)

	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 2022			
Segment revenue	280,484	19,305	299,789
Segment cost of sales	(168,887)	(10,658)	(179,545)
Segment results	111,597	8,647	120,244
Other income			747
Selling and distribution expenses			(5,242)
Administrative and other operating expenses			(25,382)
Finance costs			(3,392)
Listing expenses			(17,146)
Profit before tax			69,829
Income tax expenses			(12,842)
Profit for the year			56,987
Other information			
Research and development costs	12,210	–	12,210
Amortisation of intangible assets	9	–	9
Depreciation *(Note)*			
– Property, plant and equipment	1,108	836	1,944
– Right-of-use assets	69	–	69
Reversal of loss allowances on trade receivables, net	(1)	–	(1)

Note: Unallocated depreciation of property, plant and equipment of approximately RMB4,740,000 *(2022: RMB3,531,000)* and right-of-use assets of approximately RMB8,118,000 *(2022: RMB6,999,000)* were not included in other information for the year ended 31 December 2023.

4. SEGMENT INFORMATION (CONTINUED)

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 *RMB'000*	Development and manufacture of non-biodegradable automobile plastic parts *RMB'000*	Unallocated *RMB'000*	Total *RMB'000*
At 31 December 2023				
Assets				
Reportable segment assets	**125,965**	**37,539**	**394,541**	**558,045**
Liabilities				
Reportable segment liabilities	**36,305**	**345**	**73,271**	**109,921**
Other information				
Capital expenditures	**7,996**	**25,545**	**20,127**	**53,668**
At 31 December 2022				
Assets				
Reportable segment assets	111,122	10,288	183,435	304,845
Liabilities				
Reportable segment liabilities	10,200	–	96,641	106,841
Other information				
Capital expenditures	870	1,150	55,828	57,848

4. SEGMENT INFORMATION (CONTINUED)

Segment assets and liabilities (Continued)

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, certain right-of-use assets, intangible assets and certain 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 years ended 31 December 2023 and 2022 is derived from the PRC and almost all of the Group's assets and liabilities are located in the PRC.

Information about major customers

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

	2023 ***RMB'000***	2022 *RMB'000*
Development and manufacture of biodegradable plastic products		
Customer A	**42,629**	41,201

5. REVENUE

	2023	2022
	RMB'000	*RMB'000*
Revenue from contracts with customers within IFRS 15		
At a point in time		
Development and manufacture of biodegradable plastic products	**346,936**	280,484
Development and manufacture of non-biodegradable automobile plastic parts	**18,875**	19,305
	365,811	299,789

The amounts of revenue recognised for the years ended 31 December 2023 and 2022 that were included in the contract liabilities in relation to refundable receipts in advance at the beginning of the reporting period were Nil and approximately RMB386,000, respectively (Note 19(b)).

6. OTHER INCOME

	2023	2022
	RMB'000	*RMB'000*
Interest income	**2,496**	257
Government grants *(Note)*	**2,889**	489
Gain on disposal of property, plant and equipment	**–**	1
Gain on early termination of lease *(Note 27(a))*	**1,867**	–
Net exchange gain	**93**	–
	7,345	747

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 and investments made by the Group. These grants are generally made for business supports and awarded to the Group on a discretionary basis. The Group also received government grants in respect of its investments in the PRC. During the year ended 31 December 2023, amortisation of assets related grants was approximately RMB489,000 (2022: RMB489,000) *(Note 23)*.

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

7. PROFIT BEFORE TAX

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

	2023 ***RMB'000***	2022 *RMB'000*
Finance costs		
Interest on bank loans	**3,165**	2,406
Interest on lease liabilities	**850**	986
	4,015	3,392
Staff costs (including directors' emoluments in Note 8)		
Salaries, discretionary bonus, allowances and other benefits in kind	**11,372**	9,585
Contributions to defined contribution plans	**1,726**	2,278
	13,098	11,863
Other items		
Cost of inventories *(Note i)*	**217,534**	177,860
Auditor's remuneration	**1,982**	1,459
Amortisation of intangible assets (charged to "**administrative and other operating expenses**")	**9**	9
Depreciation of property, plant and equipment (charged to "**cost of sales**", "**selling and distribution expenses**" and "**administrative and other operating expenses**", as appropriate)	**6,863**	5,475
Depreciation of right-of-use assets (charged to "**cost of sales**" and "**administrative and other operating expenses**", as appropriate)	**8,187**	7,068
Listing expenses	**2,289**	17,146
Loss (Gain) on disposal of property, plant and equipment, net	**369**	(1)
Research and development expenses (charged to "**cost of sales**" and "**administrative and other operating expenses**", as appropriate) *(Note ii)*	**17,443**	12,210
Expenses recognised under short-term leases	**91**	147
Provision for (Reversal of) loss allowance of trade receivables, net	**145**	(1)

7. PROFIT BEFORE TAX (CONTINUED)

Notes:

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

	2023 *RMB'000*	2022 *RMB'000*
Staff costs	**7,361**	8,305
Depreciation on:		
– Property, plant and equipment	**5,270**	4,542
– Right-of-use assets	**2,389**	2,242
	15,020	15,089

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

	2023 *RMB'000*	2022 *RMB'000*
Staff costs	**1,162**	772
Depreciation on property, plant and equipment	**390**	442
	1,552	1,214

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 9 March 2023.

Certain directors of the Company received remuneration from the entities now comprising the Group during the year ended 31 December 2023 for their appointment as employees of these entities. The aggregate amounts of remuneration received and receivable by the directors of the Company during the years ended 31 December 2023 and 2022 are set out below.

8. DIRECTORS' REMUNERATION (CONTINUED)

Year ended 31 December 2023

	Directors' fees *RMB'000*	Salaries, allowances and other benefits in kind *RMB'000*	Discretionary bonus *RMB'000*	Contributions to defined contribution plans *RMB'000*	Total *RMB'000*
Executive directors					
Ms. Zhang Yuqiu	**78**	**125**	**–**	**40**	**243**
Mr. Shan Yuzhu	**78**	**612**	**–**	**158**	**848**
Mr. Li Xiquan	**78**	**124**	**–**	**39**	**241**
Mr. Li Peng	**78**	**77**	**–**	**25**	**180**
Independent non-executive directors					
Mr. Ng Tat Fung	**78**	**–**	**–**	**–**	**78**
Dr. Lai King Yin	**78**	**–**	**–**	**–**	**78**
Dr. Sun Shulin	**78**	**–**	**–**	**–**	**78**
	546	**938**	**–**	**262**	**1,746**

Year ended 31 December 2022

	Directors' fees *RMB'000*	Salaries, allowances and other benefits in kind *RMB'000*	Discretionary bonus *RMB'000*	Contributions to defined contribution plans *RMB'000*	Total *RMB'000*
Executive directors					
Ms. Zhang Yuqiu	–	108	–	30	138
Mr. Shan Yuzhu	–	415	–	63	478
Mr. Li Xiquan	–	108	–	30	138
Mr. Li Peng	–	68	–	18	86
	–	699	–	141	840

During the years ended 31 December 2023 and 2022, 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 years ended 31 December 2023 and 2022.

9. FIVE HIGHEST PAID INDIVIDUALS

An analysis of the five highest paid individuals during the reporting period is as follows:

	Number of individuals	
	2023	2022
Director	**3**	3
Non-director	**2**	2
	5	5

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

	2023	2022
	RMB'000	*RMB'000*
Salaries, discretionary bonus, allowances and other benefits in kind	**250**	216
Contributions to defined contribution plans	**80**	59
	330	275

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

	2023	2022
Nil to HK$1,000,000	**2**	2

During the years ended 31 December 2023 and 2022, no remuneration was paid by the Group to any of these 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 a non-director individual waived or agreed to waive any emoluments during the years ended 31 December 2023 and 2022.

10. TAXATION

	2023	2022
	RMB'000	*RMB'000*
Current tax		
PRC enterprise income tax ("**PRC EIT**")	**15,242**	12,538
Deferred tax *(Note 22)*		
Changes in temporary differences	**281**	304
Total income tax expenses for the year	**15,523**	12,842

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

No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in or derived from Hong Kong for the years ended 31 December 2023 and 2022.

The Group's entities established in the PRC are subject to the PRC EIT at a statutory rate of 25% except for Jilin Province Kaishun New Material Co., Ltd* (吉林開順新材料有限公司) ("**Jilin Kaishun**") which was recognised as High and New Technology Enterprise ("**HNTE**") and is entitled to a preferential tax rate of 15% during the years ended 31 December 2023 and 2022. 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

	2023	2022
	RMB'000	*RMB'000*
Profit before tax	**100,130**	69,829
Income tax at statutory tax rate applicable in respective tax jurisdictions	**25,445**	17,457
Effect of preferential tax treatments	**(10,348)**	(6,983)
Non-deductible expenses	**1,204**	3,129
Additional tax deduction on research and development expenses *(Note)*	**(1,322)**	(1,007)
Unrecognised tax losses	**544**	246
Total income tax expenses for the year	**15,523**	12,842

Note:

According to the relevant laws and regulations promulgated by the State Administration of Taxation of the PRC, enterprises engaging in research and development activities are entitled to claim 150% to 175% of their research and development expenses incurred as tax deductible expenses when determining their assessable profits for that year.

* *English name for identification purpose only.*

11. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to owners of the Company is based on the following data:

	2023	2022
	RMB'000	*RMB'000*
Profit:		
Profit attributable to owners of the Company used for the purpose of basic earnings per share	**83,970**	56,508
	'000	*'000*
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**953,671**	810,000

The calculation of basic earnings per share is based on the profit attributable to owners of the Company and the weighted average number of ordinary shares in issue during the year. For the years ended 31 December 2023 and 2022, the weighted average number of ordinary shares for the purpose of calculating basic and diluted earnings per share was on the basis as if the reorganisation (the "**Reorganisation**"), as detailed in the paragraph headed "Reorganisation" of the section headed "History, Reorganisation and Group Structure" of the prospectus dated 21 March 2023 in connection with the Listing and the Capitalisation Issue (Note 25) had been effective on 1 January 2022.

There were no dilutive potential ordinary shares during the years ended 31 December 2023 and 2022, and therefore, diluted earnings per share is the same as the basic earnings per share.

12. DIVIDENDS

The directors of the Company do not recommend the payment of a dividend for the year ended 31 December 2023 *(2022: Nil)*.

13. PROPERTY, PLANT AND EQUIPMENT

	Buildings *RMB'000*	Leasehold improvements *RMB'000*	Plant and machinery *RMB'000*	Furniture, fixtures and office equipment *RMB'000*	Motor vehicles *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
Reconciliation of carrying amount – year ended 31 December 2023							
At 1 January 2023	**22,088**	**26,492**	**14,359**	**100**	**602**	**–**	**63,641**
Additions	**–**	**–**	**43,373**	**128**	**416**	**–**	**43,917**
Disposal	**–**	**–**	**(923)**	**–**	**–**	**–**	**(923)**
Depreciation	**(1,527)**	**(2,664)**	**(2,473)**	**(30)**	**(169)**	**–**	**(6,863)**
At 31 December 2023	**20,561**	**23,828**	**54,336**	**198**	**849**	**–**	**99,772**
Reconciliation of carrying amount – year ended 31 December 2022							
At 1 January 2022	23,615	–	14,238	112	420	–	38,385
Additions	–	–	2,313	7	368	28,047	30,735
Transfer	–	28,047	–	–	–	(28,047)	–
Disposal	–	–	–	–	(4)	–	(4)
Depreciation	(1,527)	(1,555)	(2,192)	(19)	(182)	–	(5,475)
At 31 December 2022	22,088	26,492	14,359	100	602	–	63,641
At 31 December 2023							
Cost	**32,139**	**28,047**	**64,794**	**338**	**1,467**	**–**	**126,785**
Accumulated depreciation	**(11,578)**	**(4,219)**	**(10,458)**	**(140)**	**(618)**	**–**	**(27,013)**
	20,561	**23,828**	**54,336**	**198**	**849**	**–**	**99,772**
At 31 December 2022							
Cost	32,139	28,047	23,797	210	1,051	–	85,244
Accumulated depreciation	(10,051)	(1,555)	(9,438)	(110)	(449)	–	(21,603)
	22,088	26,492	14,359	100	602	–	63,641

At 31 December 2023, the Group's buildings with a total carrying amount of approximately RMB20,561,000 (2022: RMB22,088,000) were pledged to secure banking facilities granted to the Group *(Note 20)*.

14. RIGHT-OF-USE ASSETS

	Leasehold land *RMB'000*	Leased properties *RMB'000*	Motor vehicles *RMB'000*	Total *RMB'000*
Reconciliation of carrying amount – year ended 31 December 2023				
At 1 January 2023	**816**	**26,429**	**715**	**27,960**
Additions	**–**	**9,751**	**–**	**9,751**
Disposal upon termination of lease	**–**	**(17,869)**	**–**	**(17,869)**
Depreciation	**(24)**	**(7,897)**	**(266)**	**(8,187)**
At 31 December 2023	**792**	**10,414**	**449**	**11,655**
Reconciliation of carrying amount – year ended 31 December 2022				
At 1 January 2022	840	6,194	981	8,015
Additions	–	27,013	–	27,013
Depreciation	(24)	(6,778)	(266)	(7,068)
At 31 December 2022	816	26,429	715	27,960
At 31 December 2023				
Cost	**973**	**25,913**	**1,399**	**28,285**
Accumulated depreciation	**(181)**	**(15,499)**	**(950)**	**(16,630)**
	792	**10,414**	**449**	**11,655**
At 31 December 2022				
Cost	973	34,031	1,399	36,403
Accumulated depreciation	(157)	(7,602)	(684)	(8,443)
	816	26,429	715	27,960

The Group leases properties and motor vehicles for its daily operations and the lease terms are 3 to 6 years for each lease during the year ended 31 December 2023. 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.

14. RIGHT-OF-USE ASSETS (CONTINUED)

The Group's leasehold land with a total carrying amount of approximately RMB792,000 and RMB816,000 at 31 December 2023 and 2022, respectively, were pledged to secure banking facilities granted to the Group *(Note 20)*.

The Group's motor vehicles with a total carrying amount of approximately RMB449,000 and RMB715,000 at 31 December 2023 and 2022, respectively, were pledged to secure the lease liabilities *(Note 21)*.

Extension and termination options

Certain lease contracts of the leased properties 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 2023 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 and RMB73,000, representing the total cash outflows for lease during the reporting 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 2023	**91**
Amortisation	**(9)**
At 31 December 2023	**82**
Reconciliation of carrying amount	
At 1 January 2022	–
Additions	100
Amortisation	(9)
At 31 December 2022	91
At 31 December 2023	
Cost	**100**
Accumulated amortisation	**(18)**
	82
At 31 December 2022	
Cost	100
Accumulated amortisation	(9)
	91

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 2.

16. INVENTORIES

	2023	2022
	RMB'000	*RMB'000*
Raw materials	**14,549**	30,165
Finished goods	**6,638**	7,634
	21,187	37,799

17. TRADE AND OTHER RECEIVABLES

		2023	2022
	Note	***RMB'000***	*RMB'000*
Trade receivables			
From third parties		**101,546**	72,968
Less: Loss allowances		**(508)**	(363)
	17(a)	**101,038**	72,605
Other receivables			
Prepayments	17(b)	**2,473**	2,421
Prepaid listing expenses		**–**	152
Other deposits and receivables	17(c)	**1,871**	181
Value-added tax and other tax recoverable		**3,301**	1
		7,645	2,755
		108,683	75,360

17. TRADE AND OTHER RECEIVABLES (CONTINUED)

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:

	2023	2022
	RMB'000	*RMB'000*
Within 30 days	**34,946**	29,566
31 to 60 days	**34,903**	33,275
61 to 90 days	**31,189**	9,764
	101,038	72,605

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

	2023	2022
	RMB'000	*RMB'000*
Not yet due	**101,038**	72,605

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

17(b) The amount at 31 December 2023 mainly represents prepayment for purchase of raw materials *(2022: prepaid research and development expenses and prepaid repair and maintenance expenses)*.

17(c) The amount at 31 December 2023 mainly represents prepaid lease payment of RMB1,000,000 to be returned to the Group by the lessor upon termination of a lease. It was subsequently settled in March 2024.

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. BANK BALANCES AND CASH

Cash at banks earn interest at floating rates based on daily bank deposit rates. The carrying amounts of bank balances and cash are denominated in the following currencies:

	2023	2022
	RMB'000	*RMB'000*
RMB	**315,598**	98,185
HK$	**98**	1,045
	315,696	99,230

At 31 December 2023, bank balances that were placed with banks in the PRC amounted to approximately RMB315,598,000 (2022: approximately RMB98,185,000). Remittance of funds out of the PRC is subject to the exchange controls imposed by the PRC government.

19. TRADE AND OTHER PAYABLES

		2023	2022
	Note	***RMB'000***	*RMB'000*
Trade payables			
To third parties	19(a)	**36,650**	10,200
Other payables			
Salary payables		**1,426**	1,126
Value-added tax and other tax payables		**35**	1,359
Amount due to a director	19(c)	**353**	–
Due to Pre-IPO Investors		**–**	10,003
Accruals and other payables	19(d)	**6,069**	15,413
		7,883	27,901
		44,533	38,101

19. TRADE AND OTHER PAYABLES (CONTINUED)

19(a) Trade payables

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

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

	2023	2022
	RMB'000	*RMB'000*
Within 30 days	**17,601**	10,200
31 to 60 days	**19,049**	–
	36,650	10,200

19(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 reporting period are as follows:

	2023	2022
	RMB'000	*RMB'000*
At the beginning of the reporting period	**–**	386
Revenue recognised *(Note 5)*	**–**	(386)
At the end of the reporting period	**–**	–

The contract liabilities of Nil and approximately RMB386,000 at 31 December 2023 and 2022, represented the aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied as at the end of reporting period.

19(c) Amount due to a director

The amount due is unsecured, interest-free and repayable on demand.

19(d) Accruals and other payables

The amount at 31 December 2023 included provision for legal and professional fee of approximately RMB2,027,000 *(2022: RMB3,200,000)* and accrued listing expenses of Nil *(2022: approximately RMB7,879,000)*.

20. INTEREST-BEARING BORROWINGS

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

	Note	**2023** **RMB'000**	2022 *RMB'000*
Secured borrowings	(a), (d)		
– Entrusted loan	(b)	**16,000**	16,000
– Other loan		**29,000**	22,000
		45,000	38,000
Unsecured borrowings	(c)		
– Other loan		**4,658**	1,844
		49,658	39,844
Current portion		**40,158**	39,844
Non-current portion		**9,500**	–
		49,658	39,844

The carrying amounts of the interest-bearing borrowings are denominated in the following currencies:

	2023 **RMB'000**	2022 *RMB'000*
RMB	**45,000**	38,000
HK$	**4,658**	1,844
	49,658	39,844

20. INTEREST-BEARING BORROWINGS (CONTINUED)

Notes:

20(a) At 31 December 2023, the secured borrowings carry weighted average effective interest rate of approximately 6.39% *(2022: 6.92%)* per annum.

20(b) During the years ended 31 December 2023 and 2022, Jilin Kaishun entered into entrusted loan agreements with長春新投工業發展投資中心(有限合夥) (Changchun Xintou Industrial Development Investment Center (Limited Partnership)*) (the "**Changchun Xintou**"), 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 Changchun Xintou agreed to provide loans through Changchun Nanguan to the Group.

20(c) The unsecured borrowings as at 31 December 2023 carry effective interest rate of 12% *(2022: 12%)* per annum.

20(d) The secured borrowings are secured by:

(i) patents held by Jilin Kaishun with net carrying amount of approximately RMB82,000 and RMB91,000 at 31 December 2023 and 2022, respectively (Note 15);

(ii) a leasehold land of the Group with aggregate net carrying amounts of approximately RMB792,000 and RMB816,000 at 31 December 2023 and 2022, respectively (Note 14); and

(iii) buildings of the Group with aggregate net carrying amounts of approximately RMB20,561,000 and RMB22,088,000 at 31 December 2023 and 2022, respectively (Note 13).

In addition, the secured borrowings are guaranteed by a non-wholly owned subsidiary,儀徵市聚鑫源生物科技有限公司 Yizheng City Juxinyuan Biotechnology Co., Ltd.* ("**Yizheng Juxinyuan**"), Changchun Guangke and the Company.

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 2023 and 2022, none of the covenants relating to drawn down facilities had been breached.

During the year ended 31 December 2023, the guarantees and pledged assets provided by the Ultimate Controlling Parties and their son against the Group's certain outstanding loans were released upon settlement of those loans or replaced by corporate guarantees given by the Group's entities and/or certain assets held by Jilin Kaishun as detailed above.

* *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.*

21. LEASE LIABILITIES

	2023	2022
	RMB'000	*RMB'000*
Current portion	**3,280**	6,867
Non-current portion	**8,231**	16,009
	11,511	22,876

The Group has recognised the following amounts relating to short-term leases during the reporting period:

	2023	2022
	RMB'000	*RMB'000*
Lease payments – Short-term leases	**91**	147

Commitments and present value of lease liabilities:

	Lease payments		**Present value of lease payments**	
	2023	2022	**2023**	2022
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Amounts payable:				
Within one year	**3,720**	7,824	**3,280**	6,867
In the second to fifth years inclusive	**8,863**	16,379	**8,231**	16,009
	12,583	24,203	**11,511**	22,876
				–
Less: future finance charges	**(1,072)**	(1,327)	**–**	–
Total lease liabilities	**11,511**	22,876	**11,511**	22,876

The total cash outflows for leases for the years ended 31 December 2023 and 2022 were approximately RMB3,321,000 and RMB12,551,000, respectively.

The lease liabilities are secured by certain right-of-use assets with aggregate net carrying amounts of approximately RMB449,000 and RMB715,000 at 31 December 2023 and 2022, respectively *(Note 14)*.

At 31 December 2023, the weighted average of the incremental borrowing rates for the lease liabilities of the Group was 4.49% *(2022: 7.48%)* per annum.

22. DEFERRED TAX ASSETS

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

	2023 ***RMB'000***	2022 *RMB'000*
At the beginning of the reporting period	**428**	732
Charge to profit or loss	**(281)**	(304)
At the end of the reporting period	**147**	428

The movements in the Group's deferred tax assets for the reporting period were as follows:

	Accrued revenue and costs *RMB'000*
At 1 January 2022	732
Income tax expense	(304)
At 31 December 2022	428
At 1 January 2023	428
Income tax expense	(281)
At 31 December 2023	**147**

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 RMB20,104,000 *(2022: RMB10,938,000)*.

23. DEFERRED INCOME

	2023	2022
	RMB'000	*RMB'000*
Assets related government grants	**2,840**	3,329

Movement of assets related government grants:

	RMB'000
At 1 January 2022	3,818
Credit to profit or loss	(489)
At 31 December 2022	3,329
At 1 January 2023	3,329
Credit to profit or loss	(489)
At 31 December 2023	**2,840**

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

	2023	2022
	RMB'000	*RMB'000*
Current portion	**489**	489
Non-current portion	**2,351**	2,840
	2,840	3,329

The assets related government grant represents amount of RMB5,000,000 which was received in prior years in relation to subsidies for acquisition of certain building and plant and machineries.

24. SUBSIDIARIES

Details of principal subsidiaries at the end of reporting period are as follows:

Name of subsidiary	Class of shares held	Place of incorporation and business	Attributable equity interest indirectly held by the Company	Issued/ registered capital	Principal activities
HK Tianshun International Environmental Protection Technology Group Co., Limited	Ordinary	Hong Kong	100% *(2022: 100%)*	HK$1	Investment holding
Green Environmental Protection Technology Hong Kong Group Co., Limited ("**Green Environmental HK**")	Ordinary	Hong Kong	100% *(2022: 100%)*	HK$1	Investment holding
吉林省邁盛新材料有限公司 Jilin Province Maisheng New Material Co., Ltd.* ("**Jilin Maisheng**")	Registered	The PRC	100% *(2022: 100%)*	RMB123,000,000	Technical consultation for resources recycling application services (other than projects requiring approvals in accordance with the relevant law)
長春廣科科技有限公司 Changchun Guangke Technology Co., Ltd.* ("**Changchun Guangke**")	Registered	The PRC	99% *(2022: 99%)*	RMB123,010,101	Technical consultation for resources recycling application services (other than projects requiring approvals in accordance with the relevant law)
Jilin Kaishun	Registered	The PRC	99.01% *(2022: 99.01%)*	RMB150,823,942	Development and manufacture of biodegradable plastic products and non-biodegradable automobile plastic parts

24. SUBSIDIARIES (CONTINUED)

Name of subsidiary	Class of shares held	Place of incorporation and business	Attributable equity interest indirectly held by the Company	Issued/ registered capital	Principal activities
Yizheng Juxinyuan	Registered	The PRC	99.01% *(2022: 99.01%)*	RMB10,000,000	Trading of biodegradable packing materials
廣東省首塑新材料科技有限公司 Guangdong Province Shousu New Material Technology Co., Ltd.*	Registered	The PRC	90% *(2022: N/A)* *<Remarks>*	RMB10,000,000	Development and manufacture of biodegradable plastic products and non-biodegradable automobile plastic parts
浙江安吉金克新材料科技有限公司 Zhejiang Anji Jinke New Material Technology Co., Ltd.*	Registered	The PRC	100% *(2022: N/A)* *<Remarks>*	RMB7,000,000	Development and manufacture of biodegradable plastic products and non-biodegradable automobile plastic parts
浙江安吉金興新材料有限公司 Zhejiang Anji Jinxing New Materials Co., Ltd.*	Registered	The PRC	100% *(2022: N/A)* *<Remarks>*	RMB7,000,000	Inactive

The above table lists the subsidiaries of the Company which, in the opinion of the directors of the Company, principally affected the results or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors of the Company, result in particulars of excessive length.

None of the subsidiaries had any debt securities outstanding during the reporting period or at the end of the reporting period.

Remarks: These entities were incorporated during the year ended 31 December 2023.

* *English name for identification purpose only.*

25. SHARE CAPITAL AND RESERVES

25(a) Share capital

	Notes	Number of shares	Amount HK'000
Ordinary share of HK$0.01 each			
Authorised:			
At 21 January 2022 (date of incorporation) and 31 December 2022		38,000,000	380
Increase	(i)	9,962,000,000	99,620
At 31 December 2023		**10,000,000,000**	**100,000**

		Number of shares	Amount HK'000	Equivalent to RMB'000
Issued and fully paid:				
At date of incorporation		1	-*	-*
Issue of share capital		999,999	10	8
At 31 December 2022		**1,000,000**	**10**	**8**
Issue of shares pursuant to the Capitalisation Issue	(ii)	809,000,000	8,090	7,119
Issue of shares pursuant to the Global Offering	(iii)	190,000,000	1,900	1,673
At 31 December 2023		**1,000,000,000**	**10,000**	**8,800**

* Represent amounts less than RMB1,000.

Notes:

(i) Pursuant to the resolution in writing of the Company's shareholders passed on 9 March 2023, 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.

(ii) Pursuant to the resolution in writing of the Company's shareholders passed on 9 March 2023, subject to the share premium account of the Company being credited as a result of the Global Offering of the Company's shares, the directors of the Company were authorised to allot and issue a total of 809,000,000 shares of HK$0.01 each to the then shareholders, credited as fully paid at par by way of capitalisation of the sum of HK$8,090,000 standing to the credit of the share premium account of the Company (the "**Capitalisation Issue**") and the shares 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 Capitalisation Issue). The Capitalisation Issue was completed on 31 March 2023.

25. SHARE CAPITAL AND RESERVES (CONTINUED)

25(a) Share capital (Continued)

Notes: (Continued)

(iii) On 31 March 2023, 250,000,000 ordinary shares with par value of HK$0.01 of the Company were offered to sell at a price of HK$1.05 per share by way of share offer (the "**Global Offering**"). Under the Global Offering, 190,000,000 new shares were issued and 60,000,000 sale shares (the "**Sale Shares**") were offered by a selling shareholder, Lvsesenlin Technology Holdings Limited (the "**Selling Shareholder**") which is directly owned by Mr. Shan Yuzhu.

The net proceeds of HK$59,220,000 were received by the Selling Shareholder from the sale of Sale Shares (after deduction of the proportionate share of underwriting commissions of HK$3,780,000 borne by the Selling Shareholder in relation to the Global Offering). The Company would not receive any of the proceeds from sale of Sale Shares.

Also, the gross proceeds from the sale of 190,000,000 new shares amounted to HK$199,500,000 (equivalent to approximately RMB175,560,000). The expenses directly attributable to the issue of 190,000,000 new shares in relation to the Global Offering of approximately RMB16,363,000 have been recognised in the share premium account of the Company.

25(b) Share premium

Share premium represents the excess of the net proceeds or consideration from issuance of the Company's shares over their par value.

25(c) 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.

25(d) 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.

25(e) 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.

26. RELATED PARTY TRANSACTIONS

In addition to the transactions/information disclosed elsewhere in the consolidated financial statements, during the year ended 31 December 2023, further information of the related party transactions is set out below.

(a) Transactions between the group entities have been eliminated on consolidation and are not disclosed. During the years ended 31 December 2023 and 2022, the Group had no significant transactions with other related parties.

(b) Balance with related parties:

At 31 December 2023, there was no significant balance with related parties except for the amount due to a director with carrying amount of RMB353,000 *(2022: Nil)* as further detailed in Note 19(c).

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

	2023	2022
	RMB'000	*RMB'000*
Salaries, discretionary bonus, allowances and other benefits in kind	**1,484**	699
Contributions to defined contribution plans	**262**	141
	1,746	840

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

27. ADDITIONAL INFORMATION ON THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the years ended 31 December 2023 and 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 RMB9,751,000 and RMB27,013,000, respectively.

During the year ended 31 December 2023, the Group entered into a lease termination agreement with a lessor, pursuant to which, a lease arrangement in respect of a factory was terminated and a lease payment of RMB1,000,000 previously prepaid would be returned to the Group. Accordingly, the Group derecognised right-of-use assets of approximately RMB17,869,000 and lease liabilities of approximately RMB18,736,000 and recognised other receivables of RMB1,000,000 which resulted in a gain on early termination of lease of approximately RMB1,867,000 (Note 6).

(b) Reconciliation of liabilities arising from financing activities

The movements during the reporting period in the Group's liabilities arising from financing activities are as follows:

			Non-cash changes			
	At 1 January 2023 *RMB'000*	Net cash flows *RMB'000*	Exchange adjustments *RMB'000*	Termination of lease *RMB'000*	Addition of right-of-use assets *RMB'000*	At 31 December 2023 *RMB'000*
Year ended 31 December 2023						
Interest-bearing borrowings	**39,844**	**9,718**	**96**	**–**	**–**	**49,658**
Lease liabilities	**22,876**	**(2,380)**	**–**	**(18,736)**	**9,751**	**11,511**
Due to Pre-IPO Investors (included in "Trade and other payables")	**10,003**	**(10,003)**	**–**	**–**	**–**	**–**
Total liabilities from financing activities	**72,723**	**(2,665)**	**96**	**(18,736)**	**9,751**	**61,169**

27. ADDITIONAL INFORMATION ON THE CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(b) Reconciliation of liabilities arising from financing activities (Continued)

			Non-cash changes			
	At 1 January 2022	Net cash flows	Exchange adjustments	Termination of lease	Addition of right-of-use assets	At 31 December 2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2022						
Interest-bearing borrowings	40,496	(652)	–	–	–	39,844
Lease liabilities	7,281	(11,418)	–	–	27,013	22,876
Due to Pre-IPO Investors (included in "Trade and other payables")	–	10,003	–	–	–	10,003
Total liabilities from financing activities	47,777	(2,067)	–	–	27,013	72,723

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 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.

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk

The carrying amount of financial assets recognised on the consolidated financial statements, 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.

	2023 *RMB'000*	2022 *RMB'000*
Deposits paid for acquisition of property, plant and equipment	**823**	336
Trade and other receivables	**102,909**	72,786
Bank balances and cash	**315,696**	99,230
	419,428	172,352

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 2023, the Group had a concentration of credit risk as approximately 13.20% *(2022: 9.13%)* of the total trade receivables was due from the Group's largest trade debtor, and approximately 30.64% *(2022: 31.06%)* of the total trade receivables was due from the Group's five largest trade debtors, respectively.

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk (Continued)

Trade receivables (Continued)

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 reporting 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 2023 and 2022, and no material change in late payment and default risk as well as forward- looking factors throughout the reporting 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 reporting period.

The Group does not hold any collateral over trade receivables at 31 December 2023 and 2022.

Having considered the expected loss rate of 0.5% for the reporting period, the Group recognised loss allowances of approximately RMB508,000 and RMB363,000 on the trade receivables at 31 December 2023 and 2022, respectively. The movements in loss allowances for trade receivables during the reporting period are summarised below.

	2023	2022
	RMB'000	*RMB'000*
At the beginning of the reporting period	**363**	364
Provision for (Reversal of) loss allowances, net	**145**	(1)
At the end of the reporting period	**508**	363

None of the trade receivables were written off during the reporting period.

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk (Continued)

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 consolidated statement 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 reporting period.

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

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 the 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 2023					
Trade and other payables	**43,072**	**43,072**	**43,072**	**–**	**–**
Interest-bearing borrowings	**49,658**	**52,997**	**43,477**	**9,520**	**–**
Lease liabilities	**11,511**	**12,583**	**3,720**	**2,620**	**6,243**
	104,241	**108,652**	**90,269**	**12,140**	**6,243**
At 31 December 2022					
Trade and other payables	33,315	33,315	33,315	–	–
Interest-bearing borrowings	39,844	41,993	41,993	–	–
Lease liabilities	22,876	24,203	7,824	10,786	5,593
	96,035	99,511	83,132	10,786	5,593

29. FAIR VALUE MEASUREMENT

The management of the Group estimates the fair value of its financial assets and financial liabilities measurement at 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 consolidated statement of financial position approximate their fair value.

30. COMMITMENTS

(a) Capital expenditure commitments

	2023	2022
	RMB'000	*RMB'000*
Contracted but not provided net of deposits paid for acquisition of property, plant and equipment	**3,503**	3,024

During the year ended 31 December 2022, the Group entered into purchase agreements with two independent third party machinery suppliers to purchase plant and machineries for the establishment of the new plant and production lines at new 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 plant and machineries to the Group and the completion of installation and testing works.

During the year ended 31 December 2023, the Group further entered into purchase agreements with several independent third party machinery suppliers to purchase plant and machineries for the establishment of the new plant and production lines at new production base at a total consideration of RMB966,000, of which a deposit of approximately RMB487,000 was made to the machinery suppliers and the balance of approximately RMB479,000 will be paid upon the delivery of the plant and machineries to the Group and the completion of installation and testing works.

(b) Commitments under leases

The Group as lessee

At 31 December 2023 and 2022, the Group was committed to approximately RMB110,000 and RMB179,000 for short-term leases, respectively.

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 reporting period.

32. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Note	**2023** **RMB'000**	2022 RMB'000
Non-current assets			
Investments in subsidiaries		**–***	–*
Property, plant and equipment		**1**	–
		1	–*
Current assets			
Other receivables and prepayments		**5,223**	25
Amounts due from subsidiaries	32(a)	**143,595**	5,086
Bank balances and cash		**70**	641
		148,888	5,752
Current liabilities			
Other payables	32(b)	**2,969**	20,896
Interest-bearing borrowings		**4,658**	442
Amount due to a subsidiary	32(a)	**1,531**	1,440
		9,158	22,778
Net current assets (liabilities)		**139,730**	(17,026)
NET ASSETS (LIABILITIES)		**139,731**	(17,026)
Capital and reserves			
Share capital	25	**8,800**	8
Reserves	32(c)	**130,931**	(17,034)
TOTAL EQUITY		**139,731**	(17,026)

* *Represent amounts less than RMB1,000.*

32. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

32(a) Amounts due from (to) subsidiaries

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

32(b) Other payables

	2023	2022
	RMB'000	*RMB'000*
Accrued listing expenses	**–**	7,693
Due to Pre-IPO Investors	**–**	10,003
Provision for legal and professional fees	**2,027**	3,200
Others	**942**	–
	2,969	20,896

32. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

32(c) Reserves

	Share premium *RMB'000*	Translation reserve *RMB'000*	Accumulated losses *RMB'000*	Total *RMB'000*
At 21 January 2022 (date of incorporation)	–	–	–	–
Loss for the period	–	–	(17,032)	(17,032)
Other comprehensive loss				
Exchange difference on translation into presentation currency	–	(2)	–	(2)
At 31 December 2022	**–**	**(2)**	**(17,032)**	**(17,034)**
At 1 January 2023	–	(2)	(17,032)	(17,034)
Loss for the year	–	–	(6,147)	(6,147)
Other comprehensive income				
Exchange difference on translation into presentation currency	–	3,707	–	3,707
Total comprehensive loss for the year	**–**	**3,705**	**(23,179)**	**(19,474)**
Transactions with owners				
Contributions and distributions				
Issue of shares pursuant to the Capitalisation Issue *(Note 25(a) (ii))*	(7,119)	–	–	(7,119)
Issue of shares pursuant to the Global Offering *(Note 25(a) (iii))*	173,887	–	–	173,887
Transaction costs attributable to issue of shares *(Note 25(a) (iii))*	(16,363)	–	–	(16,363)
Total transactions with owners	**150,405**	**–**	**–**	**150,405**
At 31 December 2023	**150,405**	**3,705**	**(23,179)**	**130,931**

FINANCIAL SUMMARY

The summary of the published results and of the assets and liabilities of the Group for the last five years is as follows:

RESULTS

	For the year ended 31 December				
	2023[1]	*2022[1]*	2021[1]	2020[2]	2019[2]
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	**365,811**	299,789	256,740	166,722	102,700
Cost of sales	**(220,357)**	(179,545)	(143,608)	(96,585)	(61,091)
Gross profit	**145,454**	120,244	113,132	70,137	41,609
Other income	**7,345**	747	1,208	1,066	1,144
Selling and distribution expenses	**(5,845)**	(5,242)	(1,409)	(894)	(1,143)
Administrative and other operating expenses	**(40,520)**	(25,382)	(13,311)	(10,342)	(7,877)
Finance costs	**(4,015)**	(3,392)	(3,429)	(2,853)	(2,166)
Listing expenses	**(2,289)**	(17,146)	(4,214)	–	–
Profit before tax	**100,130**	69,829	91,977	57,114	31,567
Income tax expenses	**(15,523)**	(12,842)	(13,560)	(7,842)	(4,426)
Profit for the year	**84,607**	56,987	78,417	49,272	27,141
Profit for the year attributable to:					
Owners of the Company	**83,970**	56,508	78,417	49,272	27,141
Non-controlling interests	**637**	479	–	–	–
	84,607	56,987	78,417	49,272	27,141

ASSETS AND LIABILITIES

	At 31 December				
	2023[1]	2022[1]	2021[1]	2020[2]	2019[2]
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Total assets	**558,045**	304,845	225,522	231,472	159,440
Total liabilities	**(109,921)**	(106,841)	(84,576)	(63,094)	(48,385)
Total equity	**448,124**	198,004	140,946	168,378	111,055
Equity attributable to Owners of the Company	**445,322**	195,839	140,946	168,378	111,055
Non-controlling interests	**2,802**	2,165	–	–	–
	448,124	198,004	140,946	168,378	111,055

(1) The financial figures were extracted from the consolidated financial statements in annual reports.

(2) The financial figures were extracted from the Prospectus.