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## SUMMARY

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

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

## OVERVIEW

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

Our leading position in toluene derivative products is substantiated by our industry ranking and market share in the PRC and the global market. According to the Frost & Sullivan Report, our Group ranked as the largest manufacturer for both benzoic acid and sodium benzoate and the second largest benzyl alcohol manufacturer in China in terms of the sales revenue in 2021, representing 57.2%, 41.3% and 25.8% of the PRC total market revenue in 2021, respectively. In the global market, we ranked second place among benzoic acid manufacturer and sodium benzoate manufacturers and third place among benzyl alcohol manufacturers in 2021, accounting for 33.8%, 23.4% and 14.7% of the global total market revenue in 2021, respectively.

As of the Latest Practicable Date, we had a self-produced product portfolio primarily consisting of five toluene oxidation products, two toluene chlorination products, two benzoic acid ammonification products and more than 20 types of other fine chemical products for broad market uses. In 2020, 2021 and 2022, we recorded sales volume of approximately 234,392 tons, 362,302 tons and 375,848 tons of products, respectively. Our high-quality products are widely recognized around the world. We are the contracted supplier of many renowned global companies, including many Fortune 500 companies and major regional industry participants. We have established long-term business relationships with these companies, which enable our customers to procure high-quality products at competitive prices while providing us with a loyal and valued customer base. Sales to our Fortune 500 customers contributed approximately 11.2%, 7.7% and 8.5% of our total revenue for the years ended December 31, 2020, 2021 and 2022. While our existing products enjoy broad market appeal and use, we strive to maintain our competitive advantages by allocating additional resources to product development to ensure the delivery of diversified and cost-efficient products to our customers.

Our efforts and commitments to excellence were evidenced by our business growth during the Track Record Period. The sales volume of our top three products, namely benzoic acid, sodium benzoate and benzyl alcohol increased from approximately 93,671 tons, 38,510 tons and 27,305 tons, respectively, in 2020 to 113,050 tons, 49,361 tons and 42,064 tons, respectively, in 2022, representing a growth of 20.7%, 28.2% and 54.1%, respectively.

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For the years ended December 31, 2020, 2021 and 2022, we generated revenue of RMB1,598.6 million, RMB2,789.5 million and RMB3,133.8 million, respectively, and generated RMB207.0 million, RMB309.1 million and RMB340.5 million, respectively, in profits for the corresponding periods. The following table sets forth the revenue and percentage of total revenue by business segments during the Track Record Period:

	Year ended December 31,					
	2020		2021		2022	
	RMB'000	% of total revenue	RMB'000	% of total revenue	RMB'000	% of total revenue
<b>Revenue from self-produced products</b>	<b>1,507,625</b>	<b>94.3</b>	<b>2,213,551</b>	<b>79.4</b>	<b>2,721,500</b>	<b>86.8</b>
<i>Toluene oxidation products</i>	890,671	55.7	1,311,522	47.0	1,555,182	49.6
– benzoic acid	524,244	32.8	752,321	27.0	910,379	29.0
– sodium benzoate	311,181	19.5	451,129	16.2	543,084	17.3
– others	55,246	3.4	108,072	3.8	101,719	3.3
<i>Toluene chlorination products</i>	388,907	24.3	487,513	17.5	831,305	26.5
– benzyl chloride	113,762	7.1	124,810	4.5	189,440	6.0
– benzyl alcohol	275,145	17.2	362,703	13.0	641,865	20.5
<i>Benzoic acid ammonification products</i>	151,588	9.5	237,010	8.5	130,392	4.2
– benzonitrile	54,221	3.4	48,319	1.7	27,180	0.9
– benzoguanamine	97,367	6.1	188,691	6.8	103,212	3.3
<i>Other fine chemical products</i>	76,459	4.8	177,506	6.4	204,621	6.5
<b>Revenue from products trading</b>	<b>91,006</b>	<b>5.7</b>	<b>575,926</b>	<b>20.6</b>	<b>412,336</b>	<b>13.2</b>
Toluene product trading	55,845	3.5	541,042	19.4	360,815	11.6
Other products trading	35,161	2.2	34,884	1.2	51,521	1.6
<b>Total</b>	<b>1,598,631</b>	<b>100.0</b>	<b>2,789,477</b>	<b>100.0</b>	<b>3,133,836</b>	<b>100.0</b>

*Sales of self-produced products.* Our revenue was primarily generated from sales of our self-produced products, which include revenues from toluene oxidation product sales, toluene chlorination product sales, benzoic acid ammonification product sales and other fine chemical product sales. Revenue contribution from sales of self-produced products accounted for 94.3%, 79.4% and 86.8% of our total revenue for the years ended December 31, 2020, 2021 and 2022, respectively.

*Products trading.* We engage in products trading to supplement our primary production operations and sales. We categorize our products trading by toluene product trading and other products trading. Revenue contribution from products trading accounted for 5.7%, 20.6% and 13.2% of our total revenue for the years ended December 31, 2020, 2021 and 2022, respectively. Our revenue generated from products trading decreased by 28.4% from RMB575.9 million in 2021 to RMB412.3 million in 2022 because the decrease in trading volume of petroleum toluene from approximately 112,272 tons to 54,823 tons in the corresponding years. This decrease in sale volume and overall revenue was due to our increased internal demand for petroleum toluene for our production needs and market fluctuations in 2022.

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

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### OUR COMPETITIVE STRENGTHS

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

### OUR BUSINESS STRATEGIES

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

### OUR BUSINESS OPERATING DATA

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

	Year ended December 31,								
	2020			2021			2022		
	ASP	Sales volume	Gross profit margin	ASP	Sales volume	Gross profit margin	ASP	Sales volume	Gross profit margin
	<i>RMB per ton</i>	<i>tons</i>		<i>RMB per ton</i>	<i>tons</i>		<i>RMB per ton</i>	<i>tons</i>	
<b>Sale of self-produced products</b>	<b>7,135</b>	<b>211,305</b>	<b>28.2%</b>	<b>8,909</b>	<b>248,462</b>	<b>28.7%</b>	<b>8,536</b>	<b>318,818</b>	<b>24.3%</b>
<i>Toluene oxidation products</i>	<i>6,403</i>	<i>139,094</i>	<i>28.3%</i>	<i>8,145</i>	<i>161,028</i>	<i>29.6%</i>	<i>9,150</i>	<i>169,962</i>	<i>20.0%</i>
– benzoic acid	5,597	93,671	28.7%	7,288	103,224	32.0%	8,053	113,050	17.2%
– sodium benzoate	8,081	38,510	31.6%	9,600	46,994	29.2%	11,002	49,361	23.5%
– others	7,991	6,913	6.0%	9,997	10,810	14.7%	13,470	7,551	25.9%
<i>Toluene chlorination products</i>	<i>8,319</i>	<i>46,749</i>	<i>22.1%</i>	<i>9,519</i>	<i>51,217</i>	<i>18.7%</i>	<i>13,411</i>	<i>61,988</i>	<i>27.5%</i>
– benzyl chloride	5,851	19,444	25.8%	6,784	18,398	21.7%	9,508	19,924	31.9%
– benzyl alcohol	10,077	27,305	20.5%	11,052	32,819	17.6%	15,260	42,064	26.3%
<i>Benzoic acid ammonification products</i>	<i>19,081</i>	<i>7,945</i>	<i>45.8%</i>	<i>29,920</i>	<i>7,921</i>	<i>54.6%</i>	<i>28,232</i>	<i>4,619</i>	<i>52.5%</i>
– benzonitrile	14,633	3,706	45.8%	15,371	3,143	42.4%	18,540	1,467	43.2%
– benzoguanamine	22,968	4,239	45.8%	39,493	4,778	57.8%	32,738	3,152	54.9%
<i>Other fine chemical products</i>	<i>4,365</i>	<i>17,517</i>	<i>23.9%</i>	<i>6,273</i>	<i>28,296</i>	<i>15.1%</i>	<i>2,488</i>	<i>82,249</i>	<i>26.0%</i>
<b>Sale of products trading</b>	<b>3,942</b>	<b>23,087</b>	<b>(2.2)%</b>	<b>5,059</b>	<b>113,840</b>	<b>0.6%</b>	<b>7,230</b>	<b>57,030</b>	<b>9.2%</b>
Toluene product trading	3,492	15,993	(7.8)%	4,819	112,272	(0.5)%	6,581	54,823	6.9%
Other products trading	4,956	7,094	6.6%	22,253	1,568	18.1%	23,344	2,207	25.2%
<b>Total</b>		<b>234,392</b>			<b>362,302</b>			<b>375,848</b>	

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During the Track Record Period, the ASPs of our self-produced products increased from approximately RMB7,135 per ton in 2020 to RMB8,909 per ton in 2021 and slightly decreased to RMB8,536 per ton in 2022. The ASPs of our self-produced products are primarily affected by the price fluctuation of raw materials, and petroleum toluene, in particular, as our major raw material used. The ASP of our benzoic acid products increased from approximately RMB5,597 per ton in 2020 to RMB7,288 per ton in 2021 and further to RMB8,053 per ton in 2022.

During the Track Record Period, we recorded significant increases in the sales volume of our self-produced products. Our sales volume of self-produced products increased from approximately 211,305 tons in 2020 to 248,462 tons in 2021 and further to 318,818 tons in 2022. In particular, sales volume of benzoic acid increased from approximately 93,671 tons in 2020 to 103,224 tons in 2021 and further to 113,050 tons in 2022. The increases in sales volume of benzoic acid were primarily due to a ban on the use of antibiotics in animal feed additive implemented by the PRC government in July 2020. Benzoic acid is a viable replacement for antibiotics, and our Company is one of the a few manufacturers capable of producing the qualified feed-level benzoic acid in the PRC market, which led to the significant increase in sale volume of our benzoic acid products.

During the Track Record Period, our gross profit margin for sales of self-produced products increased from 28.2% in 2020 to 28.7% in 2021 and decreased to 24.3% in 2022. The gross profit margin of our products may fluctuate in tune with market supply. In particular, the decrease in gross profit margin in 2022 is mainly attributable to the decrease in margin of our toluene oxidation products from 29.6% in 2021 to 20.0% in 2022, as we employed a market-oriented pricing strategy to sell our products at a relatively lower price to gain market share.

We also engage products trading during the Track Record Period, which complements our self-produced products sales and enhances customers cohesiveness for our business operation by providing customers with various trading products. Trading volume increased significantly during the Track Record Period from approximately 23,087 tons in 2020 to 57,030 tons in 2022. We incurred gross losses of RMB2.0 million for our products trading in 2020, primarily due to the relative lower ASP of toluene product trading in 2020, the amount of which represents a minimal portion as compared with our net profits in the corresponding years. We recorded gross profits from products trading in 2022 because we resold our surplus petroleum toluene at a higher price compared to our purchase price as we captured the favorable market opportunities in 2022. We conduct products trading primarily to maintain a stable and sufficient supply of raw materials for our manufacturing, and it also helps us to enhance and develop our relationship with clients and to better manage our inventories in raw materials. Therefore, despite fluctuating profit margins, we anticipate greater market opportunities in the long run and will continue to engage in products trading.

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

## SUMMARY

### OUR CONTROLLING SHAREHOLDERS

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

### SALES AND CUSTOMERS

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

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

	Year ended December 31,					
	2020		2021		2022	
	<i>RMB'000</i>	<i>% of revenue</i>	<i>RMB'000</i>	<i>% of revenue</i>	<i>RMB'000</i>	<i>% of revenue</i>
Direct sales	852,859	53.3	1,224,453	43.9	1,624,669	51.8
Distribution sales	654,766	41.0	989,098	35.5	1,096,831	35.0
Products trading	91,006	5.7	575,926	20.6	412,336	13.2
<b>Total</b>	<b>1,598,631</b>	<b>100.0</b>	<b>2,789,477</b>	<b>100.0</b>	<b>3,133,836</b>	<b>100.0</b>

As of December 31, 2022, we sold our products in the PRC and more than 70 other countries and regions in the global market. The table below sets forth an analysis of our revenue by customer location for the periods indicated:

	Year ended December 31,					
	2020		2021		2022	
	<i>RMB'000</i>	<i>% of revenue</i>	<i>RMB'000</i>	<i>% of revenue</i>	<i>RMB'000</i>	<i>% of revenue</i>
Mainland China	1,199,623	75.0	2,171,112	77.8	2,452,017	78.2
Asia (except Mainland China)	139,766	8.7	262,513	9.4	308,110	9.8
The Americas	131,368	8.2	212,821	7.6	159,116	5.1
Europe	109,132	6.8	119,477	4.3	185,654	5.9
Other countries/regions	18,742	1.3	23,554	0.9	28,939	1.0
<b>Total</b>	<b>1,598,631</b>	<b>100.0</b>	<b>2,789,477</b>	<b>100.0</b>	<b>3,133,836</b>	<b>100.0</b>

## **SUMMARY**

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### **PROCUREMENT AND SUPPLIERS**

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

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

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

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

### **PRODUCTION PLANTS AND EXPANSION PLANS**

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



## SUMMARY

### Current Production Capacity and Utilization Rate

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

	Year ended December 31,		
	2020	2021	2022
<b>Wuhan Production Plant</b>			
Designed Production Capacity <sup>(1)</sup> (tons)	302,500	302,500	302,500
Actual Production Volume <sup>(2)</sup> (tons)	274,280	309,683	371,579
Utilization Rate <sup>(3)</sup>	90.7%	102.4%	122.8%
<b>Qianjiang Xinyihong Production Plant</b>			
Designed Production Capacity <sup>(1)</sup> (tons)	124,040	144,040	144,040
Actual Production Volume <sup>(2)</sup> (tons)	93,846	132,190	132,050
Utilization Rate <sup>(3)</sup>	75.7%	91.8%	91.7%

*Notes:*

- (1) The designed production capacity figures are calculated based on a number of assumptions, including the operation hours. The figures for the years ended December 31, 2020, 2021 and 2022 are based on the assumption that each production plant operates approximately 8,000 hours per year (i.e., 330 days per year). The designed production capacity is calculated with reference to (i) the annual production capacity of our Group’s production equipment as designated by the equipment manufacturers and (ii) the registration documents our Group filed with the PRC authorities for our production facilities. Our Company expanded our production plants and adopted new manufacturing technique to enhance utilization of the equipment, which leads to the increased annual designed production capacity of Qianjiang Xinyihong Production Plant.
- (2) Actual production is the actual number of products manufactured by our Group for the indicated period, including self-produced products and those used as raw material for other self-produced products. As certain portion of self-produced products was used as raw materials for the manufacturing of our Group’s other self-produced products, our Group’s production volume may exceed the sales volume of our self-produced products during the Track Record Period.
- (3) The utilization rate is calculated based on the actual production volume divided by the annual design production capacity in the relevant year multiplies 100%. Our actual production volume may exceed the designed production capacity, which leads to utilization rates exceeding 100% due to (i) certain self-produced products manufactured by our Group can be sold as a final product and used as raw upstream products for the production of refined products of the same category, and (ii) technical improvements we adopted in our manufacturing process which enable our actual production volume to exceed certain designed production capacity. According to Frost & Sullivan, it is a common situation for manufacturing companies to operate with a utilization rate, which exceeds 100%.

### Business Expansion Plan

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

Production facility	Expected construction date	Expected capital expenditure		Expected payback years since production <sup>(1)</sup>
		use of proceeds	internal resources	
(RMB'million)				
Hubei Xinxuanhong Production Plant	July 2023	[REDACTED]	377.5	3.9
Wuhan Production Plant	May 2023	[REDACTED]	321.0	4.6
Hydrogenation Production Line				

*Note:*

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

## SUMMARY

The following table sets forth information regarding our planned production facilities that are currently or planned to be owned and operated by our joint ventures, including those that are currently under development:

Production facility	Actual/expected construction date	Expected capital expenditure		Expected payback years since production <sup>(3)</sup>
		use of proceeds	internal resources	
		(RMB'million)		
Hebei Kangshi <sup>(1)</sup> Production Plant	September 2020	[REDACTED]	40.6	4.7
Thailand Production Plant <sup>(2)</sup>	2025	[REDACTED]	276.4	8.1

Notes:

- (1) a joint venture of our Group where our Company directly owns 51% shareholding interest.
- (2) the Thailand Production Plant will be developed by a joint venture, and the total expected investment amount is RMB[REDACTED]. The amount invested by our Group is expected to be RMB[REDACTED], which is in proportion to the 50% shareholding interests expected to be owned by our Group.
- (3) derived from the feasibility study report for the respective production plant, which was primarily calculated by the estimated total investment amount divided by the expected annual profit.

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

During the Track Record Period, we operated two production plants: our Wuhan Production Plant and Qianjiang Xinyihong Production Plant. Our production expansion plan includes the establishment of Hubei Xinxuanhong Production Plant, Hebei Kangshi Production Plant and Thailand Production Plant, and the expansion of our Wuhan Production Plant. The following table sets forth the designed annual production capacity for our major products before and after our production expansion plan:

	As of December 31, 2022		After Completion of Production Expansion Plan			
	(tons)		(tons)			
	Wuhan Production Plant	Qianjiang Xinyihong Production Plant <sup>(2)</sup>	Wuhan Production Plant	Hubei Xinxuanhong Production Plant	Hebei Kangshi Production Plant	Thailand Production Plant
<i>Toluene oxidation products</i>						
– benzoic acid	200,000	–	200,000	–	60,000	60,000
– sodium benzoate	65,000	–	65,000	–	15,000	15,000
– others	12,000	–	12,000	–	4,000	4,000
<i>Toluene chlorination products</i>						
– benzyl chloride	–	74,000	–	100,000	–	–
– benzyl alcohol	–	60,000	–	50,000	–	–
<i>Benzoic acid ammonification products</i>						
– benzonitrile	10,000	–	10,000	–	–	–
– benzoguanamine	5,000	–	5,000	–	–	–
<i>Other fine chemical products</i>	10,500	10,040	20,000	130,000	–	–
<b>Designed Annual Production Capacity<sup>(1)</sup></b>	<b>302,500</b>	<b>144,040</b>	<b>312,000</b>	<b>280,000</b>	<b>79,000</b>	<b>79,000</b>



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*Note:*

- (1) The designed annual production capacity figures are calculated based on a number of assumptions, including the assumption that each production plant operates approximately 8,000 hours per year.
  - (2) Qianjiang Xinyihong Production Plant is not part of our “Production Plant Expansion Plan”.
- *Hubei Xinxuanhong Production Plant:* The designed annual production capacity mainly includes approximately 150,000 tons of toluene chlorination products and 130,000 tons of other fine chemical products. The Phase I production is expected to begin in April 2024.
  - *Wuhan Production Plant Hydrogenation Production Line:* The designed annual production capacity is designed for the downstream product chain of toluene oxidation products and derivatives, and mainly includes the designed annual production capacity of approximately 10,000 tons for each of the cyclohexylcarboxylic acid and benzamine. The production in Phase I is expected to begin in October 2024.
  - *Hebei Kangshi Production Plant:* The designed annual production capacity mainly includes approximately 60,000 tons of industrial-grade benzoic acid, 15,000 tons of sodium benzoate, 2,000 tons of benzaldehyde and 2,000 tons of benzyl benzoate. The project is operated by Hebei Kangshi, a joint venture of our Group, and production commenced in January 2023.
  - *Thailand Production Plant:* The designed annual production capacity mainly includes approximately 60,000 tons of industrial-grade benzoic acid, 30,000 tons of melt-crystallized benzoic acid, 15,000 tons of sodium benzoate, 2,000 tons of benzaldehyde and 2,000 tons of benzyl benzoate. This production plant is planned to be built in Thailand and operated by an yet-to-be-established joint venture in Thailand. The production is preliminarily scheduled to begin in the first quarter of 2026.

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

## SUMMARY

### SUMMARY OF HISTORICAL FINANCIAL INFORMATION

#### Selected Information on Our Consolidated Statements of Profit or Loss

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

	Year ended December 31,		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
Revenue	1,598,631	2,789,477	3,133,836
Cost of sales	(1,174,811)	(2,150,355)	(2,434,558)
<b>Gross profit</b>	<b>423,820</b>	<b>639,122</b>	<b>699,278</b>
Selling and distribution expenses	(17,075)	(19,820)	(24,009)
Administrative expenses	(61,311)	(100,457)	(116,498)
Research and development expenses	(79,373)	(110,831)	(133,001)
<b>Profit before tax</b>	<b>263,752</b>	<b>393,536</b>	<b>427,690</b>
<b>Profit for the year</b>	<b>206,974</b>	<b>309,137</b>	<b>340,470</b>

Our total revenue increased significantly by 74.5% from RMB1,598.6 million in 2020 to RMB2,789.5 million in 2021, primarily due to the increase in sales volume and price of our self-produced products and volume of products trading. Our total sales volume of products increased from approximately 234,392 tons in 2020 to 362,302 tons in 2021 because our major overseas competitors sustained manufacturing interruptions due to the COVID-19 pandemic, and we increased our export of toluene oxidation products to the overseas markets in 2021. We also expanded our production capacity of benzyl alcohol in 2021 and adopted a pricing strategy with relatively lower gross profit margin to gain market share, which also contributed to the increase in sales volume of our products in 2021. The increase in average sales price of our self-produced products from approximately RMB7,135 per ton in 2020 to RMB8,909 per ton in 2021 was primarily due to the increase in the price of petroleum toluene for the corresponding years. In addition, our revenue from toluene product trading increased significantly by 868.8% from RMB55.8 million in 2020 to RMB541.0 million in 2021 due to our increased trading volume of toluene from approximately 15,993 tons to 112,272 tons in the corresponding years as we expanded our procurement of petroleum toluene with suppliers and allocated more petroleum toluene for trading. Our total revenue increased by 12.3% from RMB2,789.5 million in 2021 to RMB3,133.8 million in 2022, primarily due to the increase in sales volume of our self-produced products, and increase in average unit price of our trading products. In particular, the sales volume of our toluene chlorination products increased by 21.0% from 51,217 tons in 2021 to 61,988 tons in 2022 as a result of the market supply shortages. The total sales volume of our products increased from approximately 362,302 tons to 375,848 tons in 2021 and 2022, respectively.

During the Track Record Period, we incurred cost of sales of RMB1,174.8 million, RMB2,150.4 million and RMB2,434.6 million for the years ended December 31, 2020, 2021, and 2022, respectively. Our cost of sales increased by 83.0% from RMB1,174.8 million in 2020 to RMB2,150.4 million in 2021 as the result of higher production volume as well as an increase in the average unit cost for petroleum toluene, our primary raw material used for

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production, from approximately RMB3,750 per ton in 2020 to RMB4,973 per ton in 2021. Our cost of sales increased by 13.2% from RMB2,150.4 million in 2021 to RMB2,434.6 million in 2022 primarily due to the increase in total sales volume from approximately 362,302 tons to 375,848 tons in the corresponding years. In addition, the average unit price of petroleum toluene increased from approximately RMB4,973 per ton in 2021 to RMB6,710 per ton in 2022 due to the macro-environment of global politics and economy. As confirmed by Frost & Sullivan, the average unit price of the primary raw material of toluene and toluene-derived chemical products may be affected and fluctuate correspondingly with the macro-environment of global politics and economy.

During the Track Record Period, we generated net profit of RMB207.0 million, RMB309.1 million, and RMB340.5 million for the years ended December 31, 2020, 2021 and 2022, respectively, which demonstrate our business’s profitability. Our net profit increased by 49.3% in 2021 as compared with that of 2020, which was in line with our business expansion. Our net profit increased by 10.1% from RMB309.1 million in 2021 to RMB340.5 million in 2022, primarily due to the increase in gross profit by 9.4% from RMB639.1 million to RMB699.3 million in the corresponding years.

For the detailed analysis on the fluctuation of operating results during the Track Record Period, please refer to “Financial Information — Discussion of Results of Operations” in this document.

### Selected Information on Our Consolidated Statements of Financial Position

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

	As at December 31,		
	2020	2021	2022
	RMB’000	RMB’000	RMB’000
Total current assets	1,201,582	1,753,796	864,887
Total non-current assets	1,105,099	1,182,574	1,292,451
Total current liabilities	944,968	1,228,303	1,229,688
Total non-current liabilities	150,836	187,749	201,543
<b>Net assets</b>	<b>1,210,877</b>	<b>1,520,318</b>	<b>726,107</b>

We recorded net current assets of RMB256.6 million and RMB525.5 million as at December 31, 2020 and 2021. The increase in our net current assets from 2020 to 2021 was consistent with our business expansion, which led to the continued increase in sales volume and profitable operations. These increases were partially offset by increase in interest-bearing bank loans and other borrowings as a result of borrowings incurred in the ordinary course of business operation and expansion of our production plants.

As at December 31, 2022, we recorded net current liabilities of RMB364.8 million, which was primarily due to the dividend distribution of RMB1,013.0 million and RMB89.8 million declared in February and December 2022, respectively, to our sole shareholder. For details of the dividend distribution of our Group, please refer to “Financial Information — Dividend” in this document.

We had net assets of RMB1,210.9 million, RMB1,520.3 million and RMB726.1 million as of December 31, 2020, 2021 and 2022, respectively. The increase in net assets in 2021 was

## SUMMARY

primarily due to our net profits recorded in 2021 of RMB309.1 million. Our net assets was RMB726.1 million as of December 31, 2022. The decrease in our net assets was mainly due to the dividend distributions of RMB1,013.0 million and RMB89.8 million declared in February and December 2022, respectively, partially offset by the net profit recorded in the year of RMB340.5 million. For details, please refer to Note 11 and Note 28 of “Appendix I — Accountants’ Report” in this document.

### Selected Information on Consolidated Statements of Cash Flows

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

	Year ended December 31,		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
Net cash flows from operating activities	24,808	124,233	148,362
Net cash flows from/(used in) investing activities	(155,972)	(236,724)	53,904
Net cash flows from/(used in) financing activities	151,725	139,713	(188,969)
Net increase in cash and cash equivalents	20,561	27,222	13,297
Cash and cash equivalents at beginning of year	21,972	42,354	69,461
Effect of foreign exchange rate changes	(179)	(115)	693
Cash and cash equivalents at end of year	42,354	69,461	83,451

During the Track Record Period, our cash flows from operating activities were generated primarily from our self-produced products sales and products trading. For the year ended December 31, 2020, 2021 and 2022, we recorded continuous increases in cash and cash equivalents at end of year from approximately RMB42.4 million to RMB69.5 million and further to RMB83.5 million, respectively, which mainly attributed to net cash flows from our operating activities.

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

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

## SUMMARY

For the year ended December 31, 2020, our net cash flows from operating activities of RMB24.8 million reflect our profit before tax of RMB263.8 million, as negatively adjusted primarily by (i) a decrease in trade and bills payables of RMB139.3 million, (ii) an increase in trade and bills receivables of RMB118.3 million, and (iii) an increase in inventories of RMB49.0 million, partially offset by positive adjustment of depreciation of plant and equipment of RMB72.6 million.

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

## KEY FINANCIAL RATIOS

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

	Year ended December 31,		
	2020	2021	2022
Gross profit margin <sup>(1)</sup>	26.5%	22.9%	22.3%
Net profit margin <sup>(2)</sup>	12.9%	11.1%	10.9%
Return on Equity <sup>(3)</sup>	17.1%	20.3%	46.9%
Return on Assets <sup>(4)</sup>	9.0%	10.5%	15.8%
Current Ratio <sup>(5)</sup>	1.27	1.43	0.7
Gearing Ratio <sup>(6)</sup>	28.1%	29.2%	46.6%

### Notes:

- (1) Gross profit margin equals gross profit divided by revenue for the periods.
- (2) Net profit margin equals profit for the periods divided by revenue for the periods.
- (3) Return on equity equals profit for the periods divided by total equity as at end of the periods.
- (4) Return on assets equals profit for the periods divided by total assets as at end of the periods.
- (5) Current ratio equals current assets divided by current liabilities as of the end of the periods.
- (6) Gearing ratio equals net debt divided by the capital plus net debt as at end of the periods.

Our return on equity increased from 17.1% as at December 31, 2020 to 20.3% as at December 31, 2021, and further to 46.9% as at December 31, 2022, primarily attributed to our increase in net profits generated and the dividend distributions in 2022. For details of our key financial ratios, please refer to “Financial Information — Key Financial Ratios” in this document.

## [REDACTED] STATISTICS

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

## SUMMARY

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

*Notes:*

- (1) The calculation of market capitalization is based on [REDACTED] Shares expected to be in issue, with [REDACTED] Shares to be issued pursuant to the [REDACTED], immediately upon completion of the [REDACTED].
- (2) The unaudited pro forma adjusted consolidated net tangible assets value per Share is calculated after making certain adjustments referred to in “Appendix II — Unaudited Pro Forma Financial Information” in this document.

We intend to use the net proceeds from the [REDACTED] for the following purposes assuming the [REDACTED] is not exercised and assuming an [REDACTED] of HK\$[REDACTED] per [REDACTED], being the mid-point of the [REDACTED] range stated in this document:

- approximately [REDACTED]% of the net proceeds from the [REDACTED] (or approximately HK\$[REDACTED]), will be used for the construction of production facilities at our Wuhan Production Plant to extend the downstream product chain of toluene oxidation products and further diversify our product portfolio;
- approximately [REDACTED]% of the net proceeds from the [REDACTED] (or approximately HK\$[REDACTED]), will be used to increase our production capacity by constructing new production facilities at Hubei Xinxuanhong Production Plant;
- approximately [REDACTED]% of the net proceeds from the [REDACTED] (or approximately HK\$[REDACTED]), will be used for the construction of Thailand Production Plant mainly to produce benzoic acid, sodium benzoate and other toluene derivative products;
- approximately [REDACTED]% of the net proceeds from the [REDACTED] (or approximately HK\$[REDACTED]), will be used for our research and development activities;
- approximately [REDACTED]% of the net proceeds from the [REDACTED] (or approximately HK\$[REDACTED]), will be used for sales and marketing activities to enhance our brand recognition in the PRC and overseas; and
- approximately [REDACTED]% of the net proceeds from the [REDACTED] (or approximately HK\$[REDACTED]), will be used for our working capital and general corporate purposes, including procurement of raw materials and management of inventory level.

For details, please refer to “Future Plans and Use of Proceeds — Use of Proceeds” in this Document.



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### [REDACTED] EXPENSES

Our [REDACTED] expenses mainly include (i) [REDACTED]-related expenses of HK\$[REDACTED]; and (ii) non-[REDACTED] related expenses of HK\$[REDACTED] (including fees and expenses paid to legal advisors and the Reporting Accountant of HK\$[REDACTED], and other fees and expenses of HK\$[REDACTED]). The total [REDACTED] expenses of our Company are estimated to be approximately HK\$[REDACTED] (or approximately RMB[REDACTED]), representing [REDACTED]% of our estimated net proceeds and [REDACTED]% of the gross proceeds from the [REDACTED], assuming the [REDACTED] is not exercised and based on an [REDACTED] of HK\$[REDACTED] (being the mid-point of our [REDACTED] range of HK\$[REDACTED] to HK\$[REDACTED] per [REDACTED]). There were no [REDACTED] commissions incurred up to December 31, 2022 by our Company. The [REDACTED] expenses incurred up to December 31, 2022 by our Company in relation to the [REDACTED] and the [REDACTED] were RMB[REDACTED], of which (i) RMB[REDACTED] and RMB[REDACTED] were charged to our consolidated statement of profit or loss for the year ended December 31, 2021 and the year ended December 31, 2022, respectively, and (ii) RMB[REDACTED] will be deducted from equity upon [REDACTED]. We estimate that additional [REDACTED] expenses (including estimated [REDACTED] commissions) of approximately RMB[REDACTED], assuming the [REDACTED] is not exercised and based on the mid-point of our [REDACTED] range of HK\$[REDACTED] to HK\$[REDACTED] per [REDACTED]) will be incurred by our Company, approximately RMB[REDACTED] of which is expected to be charged to our consolidated statements of profit or loss, and approximately RMB[REDACTED] of which is expected to be deducted from equity upon [REDACTED].

### LEGAL PROCEEDINGS AND NON-COMPLIANCE MATTERS

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

During the year ended December 31, 2021, our Group provided advances to Linuo Group and Linuo Investment, each a related party of our Group, in the amount of RMB259.6 million and RMB229.1 million, respectively. These advances were made in cash as well as through endorsement of a small portion of bank acceptance bills (the “bills”), and were recorded as other receivables due from related parties as of December 31, 2021. Our Group endorsed 245 and 87 bills with an aggregate amount of RMB50.8 million and RMB12.2 million to Linuo Group and Linuo Investment, respectively, for the year ended December 31, 2021 (the “Advances Arrangement”). Our Group received all the bills under the Advances Arrangement through actual underlying transaction and was not the drawer of such bills. There was no advances to Linuo Group and Linuo Investment similar to the Advances Arrangement in the year ended December 31, 2022 and up to the Latest Practicable Date.

According to Article 10 of the Negotiable Instruments Laws of the PRC (《中華人民共和國票據法》) (the “PRC Negotiable Instruments Laws”), the issue, acquisition and endorsement of the bills shall follow the principle of good faith and shall be supported by actual underlying transaction or pre-existing debt relationship. As advised by our PRC Legal Advisors, the Advances Arrangement was not in compliance with Article 10 of the PRC Negotiable Instruments Laws as it was not supported by actual underlying transaction or pre-existing debt relationships (i.e. our Group was not a creditor to Linuo Group and Linuo Investment at the time of endorsement of bills).

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Furthermore, Article 102 of the PRC Negotiable Instruments Laws specifies the actions constituting criminal violations of the regulation and Article 103 provides the government’s guidance on the enforcement latitude. Our PRC Legal Advisors are of the view that the endorsement of bills without actual underlying transaction or pre-existing debt relationship does not constitute any of the conducts listed in Article 102 and Article 103 of the PRC Negotiable Instruments Laws, which may be subject to administrative penalties or criminal liabilities. According to the telephone consultation by our PRC Legal Advisors to the Wuhan Branch of the People’s Bank of China (the “**Wuhan PBOC**”), the staff of Wuhan PBOC confirmed that the PBOC generally does not impose administrative penalty on endorsement of bills without actual underlying transaction or pre-existing debt relationship. In addition, the Company has further made a written submission setting out the details of the Advances Arrangement to the Wuhan Branch of the PBOC through the Office of the Leading Group for Listing Affairs of Hubei Province (湖北省企業上市工作領導小組辦公室) and sought their view and guidance as to the implication of the Advances Arrangement from a regulator’s perspective. On December 6, 2022, the Wuhan PBOC formally issued a written reply which confirmed that subsequent to January 1, 2021 and up to the date of the written reply (during which the Advances Arrangement occurred), it had not imposed any administrative penalty on Wuhan Youji (as a result of, including but not limited to, the Advances Arrangement). According to Article 3 of the PRC Negotiable Instruments Measures, the PBOC is the competent authority governing and administering negotiable instruments. Wuhan PBOC, as a local branch of the PBOC, operates under the direct instructions of the PBOC to perform the functions of the PBOC within Hubei Province. Based on the foregoing, our PRC Legal Advisors are of the view that the risk of our Group and our directors and senior management being subject to administrative penalty for the Advances Arrangement by the PBOC is remote. For details, please refer to “Business — Non-compliance Relating to Advances Arrangement” in this document.

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

## RISK FACTORS

Our business operations and the [REDACTED] involve certain risks and uncertainties. For further information, please refer to “Risk Factors” in this document. Some of the major risk factors include: (i) any shortage in supply of raw materials or material fluctuation in their purchase prices may adversely affect our profit margins and results of operation; (ii) any change in demand may adversely affect our revenue and profitability as we generate a substantial portion of our revenue through the sales of our self-produced products; (iii) we may be subject to liability in connection with accidents that occur during the production process at our production facilities due to, amongst others, failure to comply with safety measures and procedures; (iv) we rely on certain key personnel and may not be able to retain their services; and (v) the national and regional economies in China and our business may be adversely affected by factors beyond our control such as natural disasters, acts of war or terrorism and epidemics, including COVID-19.

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### RECENT DEVELOPMENTS AND NO MATERIAL ADVERSE CHANGE

Subsequent to the Track Record Period and up to the date of this document, our business operation remained stable and in line with our expectations due to our continuous manufacturing and sales efforts.

On December 28, 2022, the directors of our Company passed a series of resolutions for the dividend distribution in the amount of RMB89.8 million to its shareholders including Vastocean Capital Limited, SYM Holdings Limited, Custodian Capital Ltd., FullFaith Capital Limited, NovaVision Holdings I Ltd., NovaVision Holdings II Ltd. and NovaVision Holdings III Ltd. (the “**December 2022 Dividend**”). Based on an agreement entered into by the above shareholders, Mr. Gao, Mr. Shen, Linuo Investment, Linuo Group and Wuhan Youji on December 28, 2022, the relevant parties agreed that RMB65.9 million of the total December 2022 Dividend entitled by Vastocean Capital Limited and SYM Holdings Limited will be used to offset our Group’s receivables due from Linuo Group and Linuo Investment as of December 31, 2022. The remaining dividend is expected to be paid in cash to the entitled and contactable shareholders by end of March 2023.

The proposal of payment and the amount of our dividends in the future will be made at the discretion of our Board and will depend on our general business condition and strategies, cash flows, financial results and capital requirements, the interests of our Shareholders, taxation conditions, statutory and regulatory restrictions and other factors that our Board deems relevant. Any declaration and payment of dividends will be subject to our constitutional documents and the Companies Act. We will review our dividend policy from time to time.

### Impact of the COVID-19 Pandemic

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

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

While there continue to be sporadic cases of COVID-19 in the PRC at various cities and provinces, our products are considered necessities and widely used for daily-life supply as confirmed by Frost & Sullivan, and therefore, we do not expect significant production interruptions due to the pandemic. In addition, the Chinese government has been maintaining regular control and “dynamic clearing” policy to effectively curb the pandemic. Given these factors, we do not believe the current scale of the pandemic in the PRC will significantly affect our operations in the near future.

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During the Track Record Period, our business operations were exposed to certain transportation interruptions due to the COVID-19 pandemic, international trading restrictions and other reasons from time to time. However, we responded rapidly and proactively sought alternatives to carry out our daily business, and elevated our reliability when our competitors were not able to ensure continuity of production and certainty of delivery. We managed to source our raw material and sold our products through various transportation methods. We actively utilized railway transportation when maritime transportation was inaccessible in the market and resorted to inland waterway transportation on the Yangtze River and truck transportation to ensure our access to transportation. Our sufficient inventory of raw materials also contributed to our continuous manufacturing during the lock-down period in Wuhan. For the year ended December 31, 2020, 2021 and 2022, the purchase amount from our suppliers located in Wuhan represented 31.5%, 27.2% and 27.2% of our total purchase amount for the corresponding periods, and the sales generated from our customers located in Wuhan represented 5.7%, 5.4% and 5.9% of our total revenue for the corresponding years, respectively. These percentages remained relatively stable during the Track Record Period.

Moreover, due to the circumstance of the pandemic at each particular country and region, many international manufacturers experienced significant interruption due to its business stoppage and global logistics congestion caused by the COVID-19 pandemic. In contrast, our strong and continuing production capacity provided a stable supply and attracted more customers. Our improved business operation performance was evidenced by the increase in revenue and gross profit during the Track Record Period, which increased from RMB1,598.6 million and RMB423.8 million, respectively, in 2020 to RMB3,133.8 million and RMB699.3 million, respectively, in 2022. Therefore, we do not foresee any significant obstacles related to the COVID-19 pandemic.

We believe that there is no material adverse impact on our business due to the COVID-19 pandemic during the Track Record Period and up to the date of this document, and we do not foresee any significant obstacles resulted from the COVID-19 pandemic. For more detail related to the potential risk and impact of the COVID-19 pandemic on our business operations, please refer to “Risk Factors — Risks Relating to the PRC — The national and regional economies in China and our business may be adversely affected by factors beyond our control such as natural disasters, acts of war or terrorism and epidemics, including COVID-19” in this document.

### **No Material Adverse Change**

Our Directors confirm that, as of the date of this document, there has been no material adverse change in our financial or trading position, indebtedness, mortgage, contingent liabilities, guarantees or prospects since December 31, 2022, the end of the period reported on the Accountants’ Report included in Appendix I to this document.