
SUMMARY

This summary aims to give you an overview of the information contained in this prospectus and is qualified in its entirety by, and should be read in conjunction with, the more detailed information and financial information appearing elsewhere in this prospectus. As this is a summary, it does not contain all the information that may be important to you and we urge you to read the entire prospectus carefully before making your investment decision. Various expressions used in this summary are defined in the section headed “Definition” and “Glossary of Technical Terms” in this prospectus. There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in the section headed “Risk Factors” in this prospectus. You should read that section carefully before you decide to invest in the Offer Shares. You should read the entire prospectus before you decide to invest in the Offer Shares.

Who We Are. We principally engage in manufacturing of biodegradable plastic products bags in Northeast China and our production base locates in Changchun, Jilin province, the PRC during the Track Record Period. We sell biodegradable masterbatches (生物降解母粒) that can be used to manufacture our biodegradable plastic products, namely, biodegradable produce bag rolls (生物降解連卷袋), biodegradable shopping bags (生物降解購物袋), and biodegradable stretch wraps (生物降解包裝纏繞膜). We generally manufacture biodegradable masterbatches base on our customers’ requirements. We are not in the business of trading masterbatches and its raw materials. In addition, we also sell non-biodegradable automobile plastic parts. These products only accounted for 5.4%, 10.0%, 7.0% and 7.1% of our total revenue during the Track Record Period.

Our History. We were established in March 2014. At our inception, we were primarily engaged in the development and manufacturing of non-biodegradable automobile plastic parts. With a vision that the implementation of encouraging policies in the PRC (which restricted or prohibited the sale and use of non-degradable plastic bags and utensils and required shopping malls, shops and markets’ organisers to monitor the implementation of the plastic ban, for details, please refer to the subsection headed “— PRC Government policies” in this section) could potentially drove the demand and sales of biodegradable plastic products in the future, our founders, Controlling Shareholders and executive Directors, Ms. Zhang and Mr. Shan, gradually diversified our business in 2015 into the development and manufacture of biodegradable plastic products. We maintain our non-biodegradable automobile plastic products segment for potential future conversion as our Directors consider biodegradable plastic parts will become a trend one day.

SUMMARY

Our Expertise. Having the expertise in the develop and manufacture of biodegradable plastic products, our Company contributed to the discussion and formulation of the national standard for biodegradable plastic shopping bags, namely “GB/T 38082-2019”, which was issued by the SAMR and the Standardisation Administration of the PRC (國家標準化管理委員會) in October 2019. As at the Latest Practicable Date, “GB/T 38082-2019” remained the sole and only national standard in the PRC for biodegradable plastic shopping bags. Furthermore, we invested in the R&D of biodegradable plastic products by collaborating with the CIAC (中國科學院長春應用化學研究所), a third-party research institute, which we owned the rights to the R&D results. We joined plastic production related industry associations in the PRC, including the Degradable Plastics Committee of China Plastic Processing Industry Association (中國塑料加工工業協會降解塑料專業委員會) and the Changchun Die & Mold Industry Association (長春市模具工業協會), so as to keep ourselves abreast of the market trends and to seek other potential business opportunities.

OUR PRODUCTS

During the Track Record Period, we principally developed and manufactured biodegradable plastic products in Northeast China. Our biodegradable plastic products mainly comprise (i) biodegradable produce bag rolls; (ii) biodegradable shopping bags; and (iii) biodegradable stretch wraps. Our biodegradable plastic products generally after a few months in landfill environment would react with bacteria, biomass and microorganisms and would begin to decompose. The Company also engages in the development and manufacture of non-biodegradable automobile

SUMMARY

plastic parts. Such products only accounted for not more than 10% of our revenue during the Track Record Period. The following table sets forth the breakdown of our revenue by products, sales volume, average selling price and gross profit margin during the Track Record Period:

	FY2019				FY2020				FY2021							
	Revenue		Sales volume		Average selling price		Gross profit margin		Revenue		Sales volume		Average selling price		Gross profit margin	
	RMB'000	%	kg'000	RMB/kg	RMB'000	%	RMB/kg	%	RMB'000	%	kg'000	RMB/kg	RMB'000	%	kg'000	RMB/kg
	<i>(approximately)</i>															
Biodegradable plastic products																
— Produce bag rolls	56,673	55.2	1,569	36.1	94,862	56.9	2,802	33.9	39.7	124,942	48.7	3,837	32.6	41.5		
— Shopping bags	40,320	39.3	1,213	33.2	54,349	32.6	1,463	37.2	44.7	108,154	42.1	3,017	35.9	47.6		
— Stretch wraps	207	0.1	9	24.2	857	0.5	38	22.7	10.4	1,698	0.7	70	24.2	19.9		
— Masterbatches	—	—	—	—	—	—	—	—	—	3,979	1.5	212	—	16.8		
Sub-total/Overall	97,200	94.6	2,791	34.8	150,068	90.0	4,303	34.9	41.3	238,773	93.0	7,136	33.5	43.7		
Non-biodegradable automobile plastic parts																
parts	5,500	5.4	156	35.3	16,654	10.0	809	20.6	48.6	17,967	7.0	790	22.7	49.3		
Total/Overall	102,700	100.0	2,947		166,722	100.0	5,112		42.1	256,740	100.0	7,926		44.1		

SUMMARY

	9M2021					9M2022				
	Revenue		Average sales selling price		Gross profit margin	Revenue		Average sales selling price		Gross profit margin
	RMB'000	%	kg'000	RMB/kg	%	RMB'000	%	kg'000	RMB/kg	%
	(approximately) (unaudited)					(approximately)				
Biodegradable plastic products										
— Produce bag rolls	92,271	48.5	2,832	32.6	41.5	96,514	45.1	2,982	32.4	36.2
— Shopping bags	82,645	43.4	2,303	35.9	47.8	96,515	45.1	2,489	38.8	45.3
— Stretch wraps	1,098	0.6	45	24.4	22.4	1,621	0.7	64	25.3	17.5
— Masterbatches	1,129	0.6	58	19.5	14.0	4,222	2.0	198	21.3	12.6
Sub-total/Overall	177,143	93.1	5,238	33.8	44.1	198,872	92.9	5,733	34.7	40.0
Non-biodegradable automobile plastic parts										
	13,119	6.9	588	22.3	52.2	15,239	7.1	664	23.0	42.5
Total/Overall	190,262	100.0	5,826		44.7	214,111	100.0	6,397		40.2

Our Directors consider that the demand for our biodegradable shopping bags is mainly driven by policy. During the Track Record Period, the sales of biodegradable plastic products accounted for approximately 94.6%, 90.0%, 93.0%, 93.1% and 92.9% of our total revenue for FY2019, FY2020, FY2021, 9M2021 and 9M2022, respectively. Our revenue increased from FY2019 to FY2021 primarily due to an increase in sales to recurring customers. In FY2020, our increase in sales was driven by a surge in sales of biodegradable produce bag rolls. Our Directors believe the COVID-19 pandemic drove up the demand of perishable food and fruits in supermarkets which required extensive use of produce bag rolls. In FY2021, we recorded a notable increase in revenue when there was a further emphasis on the ban of non-degradable plastic bags in 2020, which drove up the sales of our biodegradable produce bag rolls and biodegradable shopping bags. Our business operation from March to April 2022 was negatively affected by the temporary lockdown in Changchun, which resulted in a fall in revenue for our biodegradable plastic products in these two months. Since May 2022, our business has gradually picked-up. For 9M2022, our revenue increased by approximately 12.5% as compared with that of 9M2021.

During the Track Record Period, the average selling price for our biodegradable plastic products ranged from approximately RMB33.5 per kg to RMB34.9 per kg. From FY2019 to FY2021, the average selling price of our biodegradable plastic products exhibited a slight decrease from approximately RMB34.8 per kg for FY2019 to approximately RMB33.5 per kg in FY2021. To secure our market shares and promote our products, we offer strategic adjustment on the selling price to stimulate the demand of our products. However, in general, we strive to improve our profit

SUMMARY

margin by controlling our manufacturing costs, and the average selling price of biodegradable plastic products increased from RMB33.8 per kg in 9M2021 to RMB34.7 per kg in 9M2022. Due to the lockdown of Changchun from March to May 2022, we were able to temporarily increase the selling price of our main biodegradable plastic products, namely, biodegradable shopping bags and produce bag rolls. For our non-biodegradable automobile plastic part products, the average selling price decreased from RMB35.3 in FY2019 to RMB20.6 in FY2020 and RMB22.7 in FY2021, respectively. Such decrease was mainly due to a change in product mix as we introduced new automobile plastic parts with lower average selling price but with higher profit margin as these products required lean production technology.

The overall increase in gross profit margin in FY2021 was mainly due to a surge in sales of biodegradable shopping bags (which has a higher gross profit margin than that of biodegradable produce bag rolls in FY2020 and FY2021) as its specifications (such as size, thickness, colour, weight holding capacity, tear resistance and light transmittance) were relatively more complicated than biodegradable produce bag rolls. In addition, produce bag rolls are usually provided to end-users for free while shopping bags are being charged. Our customers (such as supermarket chains, department stores and outlets) are therefore more sensitive to price fluctuations in produce bag rolls than shopping bags.

Our gross profit slightly increased by approximately 1.2% from approximately RMB85.0 million for 9M2021 to approximately RMB86.0 million for 9M2022. For 9M2022, the decrease in gross profit margin of both biodegradable plastic products segment and non-biodegradable automobile plastic parts segment was mainly the combined results of (i) increase in staff costs, depreciation and raw material costs; and (ii) due to the lockdown of Changchun, when we were temporarily able to increase the selling price of our main biodegradable plastic products, namely shopping bags and produce bag rolls as our customers were willing to pay higher price to secure supply. We managed to mitigate the fall in overall gross profit margin of biodegradable plastic products segment due to further increase in revenue (and overall weighting) from shopping bags which had a relatively higher gross profit margin than that of produce bag rolls. Hence, the overall gross profit margin fell to approximately 40.2% for 9M2022 (44.7% in 9M2021).

SUMMARY

During the Track Record Period, all of our products were sold to our customers in the PRC, mainly in Northeast China. The following table sets forth the breakdown of our revenue by geographical locations, based on the registered address of the relevant contractual party, during the Track Record Period:

	FY2019		FY2020		FY2021		9M2021		9M2022	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(unaudited)									
Northeast China	80,118	78.0	132,144	79.3	200,995	78.3	150,720	79.2	165,650	77.4
— Jilin province	77,589	75.5	126,441	75.8	194,326	75.7	146,065	76.8	158,990	74.3
— Heilongjiang province . . .	2,435	2.4	5,526	3.3	6,188	2.4	4,655	2.4	6,034	2.8
— Liaoning province	94	0.1	177	0.1	481	0.2	—	—	626	0.3
Others ⁽¹⁾	22,582	22.0	34,578	20.7	55,745	21.7	39,542	20.8	48,461	22.6
Total	102,700	100.0	166,722	100.0	256,740	100.0	190,262	100.0	214,111	100.0

Note:

(1) Others mainly include Beijing, Shandong province, Zhejiang province, Shanghai and Guangdong province, the PRC.

During the Track Record Period, Jilin province, where our production base was located, contributed to the majority of our revenue, which accounted for approximately 75.0% of our revenue.

This was largely due to (i) we were established in Jilin province, where we began our operation and business and had our production base in Changchun; (ii) we received prior investments to fund our early operation from Jilin Innovative Investment and Jilin Technology Fund; (iii) we maintained a close and good working relationship with CIAC for our biodegradable plastic products related R&D; (iv) we were a member of Changchun Die & Mold Industry Association; (v) during the Track Record Period, approximately 45.8%, 56.3%, 52.7% and 48.6% of our total revenue was derived from our major customers, whose principal place of business were mainly in Jilin province; (vi) Jilin province was the first province in China to fully ban the production and sale of non-degradable plastic bags and utensils, and required shopping malls, shops, and markets' organisers to monitor the implementation of the plastic ban, where the People's Government of Jilin Province (吉林省人民政府) approved the Policy of Prohibition of Production, Sale and Supply of Single-Use Non-Degradable Plastic Shopping Bags and Utensils in Jilin Province (吉林省禁止生產銷售和提供一次性不可降解塑料袋、塑料餐具規定) in 2014, aimed at reducing plastic waste and conserving resources; and (vii) as at 2022, Jilin province remained one of the pioneers with strictest level of enforcement against the production and sale of non-degradable plastic products while the enforcement of similar policies on comprehensively

SUMMARY

prohibiting the production, sale, and use of plastic products in other provinces such as Heilongjiang province and Liaoning province was less stringent due to the implementation of such policies was later in these provinces than Jilin province. We intend to maintain our leading position in Northeast China and geographically expand into other regions of China by leveraging on the sales network of our existing customers.

LANDSCAPE OF CHINA DISPOSABLE BIODEGRADABLE PLASTIC PRODUCTS MARKET

Ranking and Market Share

The disposable biodegradable plastic products market in China is fragmented and competitive, and many are engaged in the export business. According to the Frost & Sullivan Report, in terms of revenue contributed by disposable biodegradable plastic products manufacturers in China, our Group ranked fourth among all disposable biodegradable plastic products manufacturers in China, with a market share of approximately 2.6% in 2021.

PRC Government policies

Our business has benefited from a number of favourable policies and initiatives of the PRC Government for the development of the biodegradable plastic products market in China. In the 14th Five-Year Plan for the Development Plan of Circular Economy, the NDRC conducts special actions for the whole chain treatment of plastic pollution and actively and steadily promotes degradable plastics, strengthens market supervision and severely cracks down on illegal production and sales of plastic products ban by the PRC Government. Furthermore, various local governments continued to announce plastic restrictions to ban the production and sale of non-degradable plastic products. Details of the key PRC government policies are as follows:

Key government policies	Issuing authorities	Area of focus
Opinions on Further Strengthening the Control of Plastic Pollution (關於進一步加強塑料污染治理的意見)	Ministry of Ecology and Environment (生態環境部) and NDRC	<p>It set out the PRC government's target to reduce the consumption of single-use plastic products by 2022 and reduce landfill volume of plastic waste by 2025.</p> <p>However, it stipulated that, by the end of 2020, non-degradable plastic bags should be prohibited in shopping malls, supermarkets, pharmacies, bookstores and other places in urban built-up areas of centrally-administered municipalities, provincial capitals and cities specifically designated in the state plan, as well as catering packing take-out services and various exhibition activities.</p>

SUMMARY

Key government policies	Issuing authorities	Area of focus
Catalogue of Plastic Products Prohibited or Restricted From Production, Sale and Use (Draft for comments) (禁止、限制生產、銷售和使用的塑料製品目錄(徵求意見稿)	NDRC	It set out the list of prohibited and restricted plastic products, including non-degradable plastic bag.

Industry key challenges

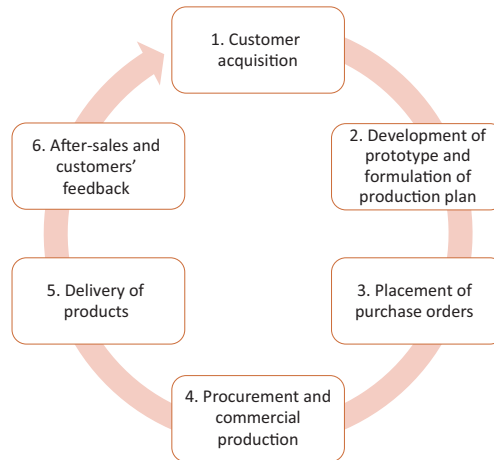
We consider the disposable biodegradable plastic products market in China is facing various key challenges, including:

- *Further tightening of plastic products ban:* During the Track Record Period, we have been benefited from the implementation of various PRC policies that have banned non-biodegradable plastics. As a policy-driven market, the development of the biodegradable plastic products market in the PRC relies on policies and regulations that the PRC Government introduces. In the extreme event that the PRC government decides to tighten or adopt draconian measures to ban all plastic products (irrespective of whether they are biodegradable or environmentally friendly or not), it is possible that such aforesaid plastic control policy may include our products, and our business, financial condition and results of operations may be materially and adversely affected.
- *Evolving consumer behaviours:* Environmental protection consciousness positively affects consumers behaviours. For certain consumer groups, they prefer to choose reusable shopping bags rather than disposable shopping bags for environmental protection purpose. Consumers generally are becoming more environmentally conscious and the general awareness of environmental issues are increasing. As a result, our business, financial condition, and results of operations may be hindered.
- *Potential threats from alternative product:* For biodegradable products, there are other raw materials, such as paper, wood, bamboo and other materials that can be used to produce substitute or alternative products. For non-biodegradable automobile plastics parts, there are also other raw materials, such as steel, rubber and aluminium, that can be used to substitute plastic. Although these substitutes or alternative products may have different application or functionalities due to the nature of the material, it is difficult to predict whether the consumer may choose to use these alternative products based on their preference. Therefore, our business is subject to the potential threats from alternative products.

SUMMARY

OUR BUSINESS MODEL

The key phases of our business operations for our products are as follows:

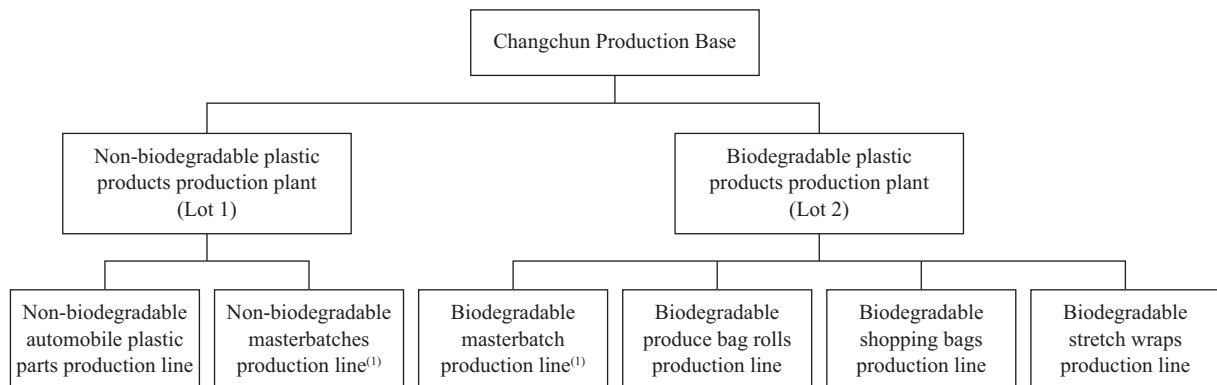


Our Pricing Strategy

In general, selling prices of our products are affected by various factors including the cost of raw materials, the product specifications and complexity to manufacture the products, quantity, relationship with the customer, historical sales data, labour costs and prevailing market trend. So long as we have the capacity and order is profitable with an overall desirable margin, we will accept the order from our customers.

Our Production Facilities and Capacities

As at the Latest Practicable Date, our production base is located in Changchun, Jilin province, the PRC. At our Changchun Production Base, we have two separate plants for biodegradable and non-biodegradable plastic products, namely, the biodegradable plastic products production plant on Lot 2 and the non-biodegradable automobile plastic parts production plant on Lot 1. The following chart illustrates the production lines in our Changchun Production Base as at the Latest Practicable Date:



Note:

- (1) All of our masterbatch mixers can be used inter-changeably for masterbatch production for both biodegradable plastic product and non-biodegradable plastic product production lines.

SUMMARY

Biodegradable plastic products production plant

Our biodegradable plastic products production plant, located in Lot 2 with a total gross floor area of approximately 19,055 sq.m., comprised of our biodegradable produce bag rolls production line, biodegradable shopping bags production line, biodegradable stretch wraps production line, and biodegradable masterbatches production line as at the Latest Practicable Date.

Prior to October 2021, all of our production lines (i.e., for all of biodegradable and non-biodegradable production lines) were located in Lot 1 with a total gross floor area of approximately 12,412 sq.m. In October 2021, to streamline our production and separate the production of our biodegradable and non-biodegradable plastic products, we moved our production lines for biodegradable plastic products to the new plant on Lot 2, while our production lines for non-biodegradable plastic products remained at the existing plant in Lot 1. At the new plant located in Lot 2, we manufactured and stored our biodegradable plastic products that we produced. For further details about our biodegradable plastic products production plant, please refer to the section headed “Business — Properties” in this prospectus.

The following table sets forth the utilisation rate of our biodegradable plastic products production line (excluding the utilisation of masterbatch production) for the years/periods indicated:

	<u>FY2019</u>	<u>FY2020</u>	<u>FY2021</u>	<u>9M2021</u>	<u>9M2022</u>
Effective designed capacity (kg'000).	5,796	6,440	6,440	4,830	4,830
Actual production volume (kg'000).	2,653	4,520	6,182	5,116	5,463
Effective utilisation rate (%). . . .	45.8	70.2	96.0	105.9 ⁽¹⁾	113.1 ⁽¹⁾

Note:

- (1) The effective utilisation rate is derived by dividing the actual production volume by the effective designed capacity, while the effective designed capacity is determined and calculated by multiplying the daily capacity of our production lines with the applicable number of days of operation per year (excluding all employees' general holiday and public holidays but including downtime due to maintenance/inspection).

Given the increased demand of our products during 9M2021 and 9M2022, the actual production volumes were larger than the effective designed capacity and hence, the effective utilisation rates were 105.9% and 113.1%, respectively. This was achieved by shortening the downtime due to maintenance/inspection as well as the slack/cleaning time. However, we consider this was not a long-term arrangement as problems such as machine overrun, overheat, metal fatigue or machinery failure may arise when the effective utilisation rate of production lines approach or over 100% for prolonged period.

In any event, as advised by our PRC Legal Advisers and to the best knowledge and belief of the Directors, there is no material non-compliance or violations of any labour or environmental protection laws and regulations currently exist or persist that could adversely affect our business operations and financial conditions during the Track Record Period.

SUMMARY

Non-biodegradable automobile plastic parts production plant

Our non-biodegradable automobile plastic parts production plant, located in Lot 1 with a total gross floor area of approximately 12,412 sq.m., comprised of our non-biodegradable automobile plastic parts production line and non-biodegradable masterbatches production line. For further details about our non-biodegradable automobile plastic parts production plant, please refer to the subsection headed “Business — Properties” in this prospectus.

The following table sets forth the utilisation rate of our non-biodegradable automobile plastic parts production line (excluding the utilisation of masterbatch production) for the years/periods indicated:

	<u>FY2019</u>	<u>FY2020</u>	<u>FY2021</u>	<u>9M2021</u>	<u>9M2022</u>
Effective designed capacity (kg'000).	8,064	10,080	10,080	7,560	7,560
Actual production volume (kg'000).	135	833	830	602	649
Effective utilisation rate (%). . . .	1.7	8.3	8.2	8.0	8.6

Masterbatch production

Before October 2021, all of our masterbatch mixers were located in our existing plant located in Lot 1 and were utilised to produce masterbatches for both biodegradable plastic products and non-biodegradable plastic products. In October 2021, we moved some of our masterbatch mixers to the new plant located in Lot 2 when we separated our biodegradable plastic products and non-biodegradable plastic products production lines. Nevertheless, all of our masterbatch mixers can still be used inter-changeably for masterbatch production for both our biodegradable plastic products and non-biodegradable plastic products.

The following table sets forth the utilisation rate of all of our masterbatch mixers for the years/periods indicated:

	<u>FY2019</u>	<u>FY2020</u>	<u>FY2021</u>	<u>9M2021</u>	<u>9M2022</u>
Effective designed capacity (kg'000).	11,844	11,844	11,844	8,883	8,883
Actual production volume (kg'000).	2,788	5,353	7,224	5,766	6,310
Effective utilisation rate (%). . . .	23.5	45.2	61.0	65.0	71.0

SUMMARY

Our Major Customers

During the Track Record Period, our major customers are mainly supermarket chains, department stores and outlets, of which, our top three major customers are subsidiaries of listed companies in the PRC or in Hong Kong (all of which are our biodegradable plastic products customers). In FY2019, FY2020, FY2021 and 9M2022, sales to our five largest customers in each year/period during the Track Record Period represented approximately 45.8%, 56.3%, 52.7% and 48.6% of our total revenue, respectively. Sales to our largest customer in each year/period during the Track Record Period represented approximately 15.5%, 16.1%, 16.1% and 15.1% of our total revenue, respectively, over the same period. Our top five customers during the Track Record Period have business relationships with us from three years to seven years. All of our major customers are Independent Third Parties.

Although we did not enter into any long-term sales framework agreement with our customers, most of our revenue during the Track Record Period was derived from recurring customers. For FY2019, FY2020, FY2021 and 9M2022, approximately RMB101.1 million, RMB165.8 million, RMB245.3 million and RMB208.4 million, representing approximately 98.4%, 99.5%, 95.6% and 97.3% of our total revenue derived from our recurring customers. As our customers usually have their product specifications such as size, weight holding capacity for the biodegradable plastic products, with repeat orders from the same customer it allows us to lower our R&D and production cost as well as production lead time. Furthermore, during the Track Record Period, our recurring customers profile also includes (i) an American multinational food and beverage company that is most well-known for its carbonated soft drinks; and (ii) a French-based multinational sports retailer. Please refer to the section headed “Business — Our Sales and Customers” in this prospectus for details. One of our major customers was also our supplier during the Track Record Period. Please refer to the section headed “Business — Entity Who is Our Customer and also Our Supplier” in this prospectus for details.

Our Major Suppliers

During the Track Record Period, our major suppliers were raw materials providers, providing us with major ingredients (such as PLA, PBAT and PBS), additives and consumables for our manufacturing operation. In FY2019, FY2020, FY2021 and 9M2022, transactions with our five largest suppliers in each year/period during the Track Record Period were approximately RMB42.5 million, RMB75.7 million, RMB99.5 million and RMB95.6 million, representing approximately 80.0%, 85.2%, 82.2% and 69.3% of our total purchase, respectively, over the same period. Purchases from our largest supplier in each year/period during the Track Record Period were approximately RMB12.1 million, RMB22.6 million, RMB35.1 million and RMB34.1 million, representing approximately 22.8%, 25.4%, 29.0% and 24.7% of our total purchase, respectively, over the same period. All of our major suppliers are Independent Third Parties.

SUMMARY

OUR COMPETITIVE STRENGTHS

We believe that the following competitive strengths of our Group have contributed to our success in the industry: (i) we are a leading player in the disposable biodegradable plastic products manufacturers in China; (ii) we invest in the R&D and the manufacturing of biodegradable plastic products; (iii) we have stringent quality control to our products; (iv) we have established stable business relationships with our major customers; and (v) we have a seasoned management team with extensive experience. For further details, please refer to the subsection headed “Business — Competitive Strengths” in this prospectus.

OUR BUSINESS STRATEGIES

We aim to strengthen our position as one of the leading manufacturers of disposable biodegradable plastic products in China, and to expand our footprint to other regions of the PRC. To achieve this, we intend to: (i) expand and establish new production lines in our Changchun Production Base; (ii) establish a new production base in Huizhou; (iii) strengthen our R&D capabilities by upgrading our existing R&D equipment and further collaborating with CIAC; (iv) finance our R&D projects; and (v) strengthen our IT system. For further details, please refer to the subsections headed “Business — Business Strategies” and “Business — Our Production Facilities – Expansion Plan” in this prospectus.

SUMMARY OF MATERIAL RISK FACTORS

There are certain risks involved in our operations which may be beyond our control. These risks are further described in the section headed “Risk Factors” in this prospectus. Major risks we take include (i) our results of operations are significantly affected by fluctuation in prices and availability of our major raw material; (ii) there may be evolving consumer behaviour; (iii) potential threats from alternative products; (iv) we are subject to stringent environmental protection laws and regulations; (v) we have a concentration of customers during the Track Record Period; (vi) we are subject to credit risk for trade receivables arising from our customers and other parties; (vii) further transmission of COVID-19/any future natural disasters/any contagious disease; and (viii) our reliance on the cooperation with CIAC may adversely affect our business operation.

SUMMARY OF HISTORICAL FINANCIAL INFORMATION

The tables below include, for the periods indicated, selected financial data derived from our combined financial statements, the details of which are set forth in the Accountants’ Report in Appendix I to this prospectus.

SUMMARY

Selected Items of Combined Statements of Profit or Loss and Other Comprehensive Income

	FY2019	FY2020	FY2021	9M2021	9M2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				(unaudited)	
Revenue	102,700	166,722	256,740	190,262	214,111
Cost of sales	(61,091)	(96,585)	(143,608)	(105,276)	(128,126)
Gross profit	41,609	70,137	113,132	84,986	85,985
Profit before tax	31,567	57,114	91,977	72,829	54,903
Profit for the year/period attributable to:					
—Owners of the Company . . .	27,141	49,272	78,417	62,150	45,178
—Non-controlling interests . . .	—	—	—	—	318
Total comprehensive income . . .	27,141	49,272	78,417	62,150	45,099

Net Profit

Our net profit increased by approximately 81.9% from RMB27.1 million in FY2019 to RMB49.3 million in FY2020, which was primary attributable to: (i) revenue increased by approximately 62.3% from approximately RMB102.7 million for FY2019 to approximately RMB166.7 million for FY2020 mainly due to surge in demand for produce bag rolls and shopping bags; (ii) gross profit increased by approximately 68.5% from approximately RMB41.6 million for FY2019 to approximately RMB70.1 million for FY2020 mainly due to an increase in revenue contributed by biodegradable shopping bags; (iii) selling and distribution expenses decreased by RMB0.2 million from approximately RMB1.1 million in FY2019 to approximately RMB0.9 million in FY2020; and (iv) our Company was subject to a 15% business income tax rate.

Net profit further increased by 59.0% from approximately RMB49.3 million in FY2020 to approximately RMB78.4 million in FY2021. Such increase was mainly due to: (i) an increase of approximately RMB88.7 million in revenue of biodegradable plastic products mainly due to surge in demand for produce bag rolls and shopping bags and an increase of revenue from the non-biodegradable automobile plastic parts segment from approximately RMB16.7 million in FY2020 to approximately RMB18.0 million in FY2021; and (ii) an increase of gross profit margin from 42.1% in FY2020 to 44.1% in FY2021 as a result of the decrease in average unit cost of raw materials.

Net profit decreased by approximately 26.8% from approximately RMB62.2 million in 9M2021 to approximately RMB45.5 million in 9M2022. Such decrease in 9M2022 was a combined result of (i) increases in cost of sales (which lead to a fall in our overall gross profit margin), selling and distribution expenses, and administrative and other operating expenses from 9M2021 to

SUMMARY

9M2022; and (ii) our Group incurred listing expenses amounted to approximately RMB12.2 million during the 9M2022; and partially offset by our increase in revenue (in particular for our shopping bag) from RMB82.6 million in 9M2021 to RMB96.5 million in 9M2022.

For further details, please refer to the subsection headed “Financial Information — Principal Components of Combined Statements of Profit or Loss and Other Comprehensive Income” in this prospectus.

Selected Items of Combined Statements of Financial Position

	As at 31 December			As at 30 September
	2019	2020	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Total current assets	113,060	182,775	177,990	200,143
Total current liabilities	43,872	58,225	76,906	88,661
Net current assets	69,188	124,550	101,084	111,482
Total non-current assets	46,380	48,697	47,532	96,709
Total non-current liabilities	4,513	4,869	7,670	21,778
Net assets	111,055	168,378	140,946	186,413
Non-controlling interests	—	—	—	2,004

Our Net Current Asset

As at 31 December 2019, our Group recorded net current assets position amounting to approximately RMB69.2 million. The net current assets improved to approximately RMB124.6 million as at 31 December 2020. Such change was mainly due to a notable increase in bank balances and cash of approximately RMB63.9 million which was mainly attributable to the increase in operating cash flow resulted from increase in net profit.

Our net current assets decreased to approximately RMB101.1 million as at 31 December 2021. Such decrease was mainly due to: (i) decrease in bank balances and cash of approximately RMB7.5 million resulting from payment of dividends amounted to approximately RMB137.0 million during FY2021 which was net off by an increase in operating cash flow mainly resulted from increase in net profit; and (ii) increase in trade and other payables by approximately RMB19.6 million due to ordering of raw material before year-end to cope with Chinese New Year in early February.

SUMMARY

Our net current assets increased slightly to approximately RMB111.5 million as at 30 September 2022. Such increase was mainly due to increase in year-end inventories by RMB19.6 million and partially offset by increase in lease liabilities of approximately RMB8.5 million for 9M2022.

Our Net Assets

Our net assets increased by approximately 51.6% from RMB111.1 million in as at 31 December 2019 to RMB168.4 million as at 31 December 2020, which was primarily contributed by: (i) the increase in net profit of approximately RMB49.3 million in FY2020; (ii) capital contribution amounted to RMB8.0 million injected by Jilin Innovative Investment to Jilin Kaishun on 1 September 2020; and (iii) no dividend was distributed during the period.

Our net assets decreased by approximately 16.3% from RMB168.4 million as at 31 December 2020 to RMB140.9 million as at 31 December 2021. While the Company recorded further increase in net profit of approximately RMB78.4 million and capital contribution made by the pre-IPO investors on Jilin Kaishun of approximately RMB31.1 million, such increase was offset by the dividends paid of approximately RMB137.0 million and thus recorded a decrease in net assets as at 31 December 2021.

Our net assets increased by approximately 32.3% from RMB140.9 million in FY2021 to RMB186.4 million as at 30 September 2022. Such increase was mainly due to: (i) increase in net profit of approximately RMB45.5 million in 9M2022; (ii) capital contribution of approximately RMB3.6 million was injected by the investors into Jilin Kaishun and approximately RMB3.2 million was offset by the payment for the acquisition of Yizheng Juxinyuan under the Reorganisation; and (iii) no dividend was distributed during the period.

For further details, please refer to the subsection headed “Financial Information — Principal Components of Combined Statements of Profit or Loss and Other Comprehensive Income” in this prospectus.

SUMMARY

Selected Items of Combined Statements of Cash Flows

	<u>FY2019</u>	<u>FY2020</u>	<u>FY2021</u>	<u>9M2021</u>	<u>9M2022</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				(unaudited)	
Net cash from operating activities	5,237	49,175	108,115	86,824	28,860
Net cash used in investing activities ⁽¹⁾	(3,829)	(5,200)	(1,421)	(602)	(30,084)
Net cash from (used in) financing activities ⁽²⁾	1,013	19,875	(114,161)	(142,004)	(2,282)
Net increase (decrease) in cash and cash equivalents	2,421	63,850	(7,467)	(55,782)	(3,506)
Cash and cash equivalents at the beginning of the reporting period	31,624	34,045	97,895	97,895	90,428
Cash and cash equivalents at the end of the reporting period	34,045	97,895	90,428	42,113	86,922

Notes:

1. In 9M2022 we paid RMB30.2 million for purchase of property, plant and equipment which resulted in an increase in cash used in investing activities.
2. In 9M2021 and FY2021, we distributed RMB137.0 million dividends to the then shareholders, which resulted in net cash used in financing activities.

For further details, please refer to the subsection headed “Financial Information — Liquidity and Capital Resources — Cash Flows” in this prospectus.

SUMMARY

Key Financial Ratios

The table below sets out the key financial ratios for the years/period and as at the dates indicated:

	As at 31 December 2019/FY2019	As at 31 December 2020/FY2020	As at 31 December 2021/FY2021	As at 30 September 2022/9M2022
Gross profit margin (%)	40.5	42.1	44.1	40.2
Net profit margin (%)	26.4	29.6	30.5	21.2
Current ratio (<i>times</i>)	2.6	3.1	2.3	2.3
Quick ratio (<i>times</i>)	1.9	2.6	2.1	1.9
Gearing ratio (%)	27.3	27.4	33.9	37.4
Return on total assets (%)	17.0	21.3	34.8	N/A
Return on equity (%)	24.4	29.3	55.6	N/A
Interest coverage ratio (<i>times</i>)	15.6	21.0	27.8	23.4

Fluctuation in key financial ratios

The improvement in gross profit margin in FY2021 was mainly due to a surge in sales of biodegradable shopping bags (which has a relatively higher gross profit margin than that of biodegradable produce bag rolls) that resulted in an improvement of our overall gross profit margin for biodegradable plastic products segment. In FY2021, our net profit margin improved mainly due to our ability to control our average unit costs from the increase in production scale as costs such as staff cost and depreciation were relatively flat.

Our net profit margin decreased to 21.2% for 9M2022 owing to decrease in gross profit margin from 44.1% in FY2021 to 40.2% in 9M2022 and recognition of Listing expenses of approximately RMB12.2 million in 9M2022.

Also, we have been a qualified High and New Technology Enterprise since 2018 and are therefore entitled to enjoy a preferential PRC enterprise income tax rate of 15%. Furthermore, under the Enterprise Income Tax Law of the PRC and its relevant regulations, there is an additional deduction allowance for qualified R&D expenses. These tax benefits allowed us to have a higher net profit margin. The increase in return on equity in FY2021 was mainly due to the payment of dividends of approximately RMB137.0 million to Ms. Zhang, Mr. Shan and the then shareholders. For further details, please refer to the subsection headed “Financial Information — Key Financial Ratios” in this prospectus.

SUMMARY

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Ms. Zhang, and her spouse, Mr. Shan, are our founders and our executive Directors and are presumed to be acting in concert under the Takeovers Code. Ms. Zhang is holding our Shares through her investment holding entity, Lvsetianye Technology. As for Mr. Shan, he is holding our Shares through his investment holding entities, Lvsesenlin Technology, Daziran Technology and CPEP Holdings. For the purpose of the Listing and under the Listing Rules, Ms. Zhang and Lvsetianye Technology, as well as Mr. Shan, Lvsesenlin Technology, Daziran Technology and CPEP Holdings are considered our Controlling Shareholders. Immediately after completion of the Global Offering, our Controlling Shareholders will control, in aggregate, the exercise of voting rights of 67.1903% of our Shares eligible to vote in the general meeting of our Company (assuming that none of the Over-allotment Option and options to be granted under the Share Option Scheme is exercised). None of our Controlling Shareholders or their respective associates has any interest in any company which may, directly or indirectly, compete with the business of our Group as at the Latest Practicable Date. For further details, please refer to the subsection headed “Relationship with our Controlling Shareholders — Our Controlling Shareholders” in this prospectus.

PRE-IPO INVESTMENTS

We have received Pre-IPO Investments from the Pre-IPO Investors, namely, Mr. Chen Guobin (陳國斌), Mr. Li, Mr. Lu Changdong (盧昌東), and Mr. Zhang Zhifang (章志方) (indirectly through Green Environmental HK prior to the Reorganisation) with an aggregate consideration of RMB34,710,000 for a total equity interest of 9.6416% in Jilin Kaishun. Through the Reorganisation, the Pre-IPO Investors transferred their direct or indirect equity interests in Jilin Kaishun (as the case may be) to Changchun Guangke and now held our Shares, representing an aggregate of 9.6416% of the total issued Shares, through their respective investment holding entity, namely, Shenzhou Technology, Languang Technology, Tianxingjian Technology and EP Technology. Immediately after completion of the Global Offering (assuming that none of the Over-allotment Option and options to be granted under the Share Option Scheme is exercised), such Pre-IPO Investment will be diluted and will represent approximately 7.8097% of the total issued Shares. For further details, please refer to the subsection headed “History, Reorganisation and Group Structure” in this prospectus.

DIVIDEND POLICY

In 2021 and prior to the Pre-IPO Investments from the Pre-IPO Investors, we declared and distributed a total dividends of approximately RMB137.0 million to the then shareholders of Jilin Kaishun, which were Ms. Zhang, Mr. Shan, Jilin Technology Fund and Jilin Innovative Investment. All dividends declared was fully paid in FY2021. Our historical dividend distribution record may not

SUMMARY

be used as a reference or basis to determine the level of dividends that may be declared or paid by us in the future. The declaration, payment and the amount of any dividends, if paid, are subject to the discretion of our Directors and depend on the results of operations, cash flows, financial position, statutory and regulatory restrictions on the payment of dividends by us, future prospects and other factors that we may consider relevant. Subject to the factors as described above, we expect that, in the future, interim and final dividends will be paid from time to time in an aggregate amount of approximately 30% of profits attributable to the equity holder of our Company. Holders of the Shares will be entitled to receive such dividends pro rata according to the amount paid up or credited as paid up on the Shares. After the Listing, declaration of dividends will be subject to recommendation of our Board and other factors as described above.

GLOBAL OFFERING STATISTICS⁽¹⁾

The Global Offering comprises: (i) Hong Kong Public Offering of 25,000,000 Shares; and (ii) the International Offering of 225,000,000 Shares (comprising 165,000,000 new Shares and 60,000,000 Sale Shares), subject, in each case, to reallocation on the basis as described in the section headed “Structure and Conditions of the Global Offering” in this prospectus. The following table sets out certain offering related data, assuming the Global Offering has been completed:

	Based on an Offer Price of HK\$0.945 per Offer Share, after a Downward Offer Price Adjustment of 10%	Based on minimum indicative Offer Price of HK\$1.05 per Offer Share	Based on Maximum indicative Offer Price of HK\$1.35 per Offer Share
Market capitalisation of our Shares ⁽²⁾	HK\$945 million	HK\$1,050 million	HK\$1,350 million
Unaudited pro forma adjusted combined net tangible assets per Share ⁽³⁾	HK\$0.36 (Equivalent to RMB0.32)	HK\$0.38 (equivalent to RMB0.34)	HK\$0.43 (Equivalent to RMB0.39)

Notes:

- (1) All statistics in this table are on the assumption that the Over-allotment Option is not exercised.
- (2) The calculation of market capitalisation is based on 1,000,000,000 Shares expected to be in issue immediately after completion of the Global Offering.
- (3) The unaudited pro forma adjusted combined net tangible assets of the Group attributable to owners of the Company per Offer Share is calculated after making the adjustments referred to in “Appendix II — Unaudited Pro Forma Financial Information” and on the basis that 1,000,000,000 Shares were in issue assuming the Global Offering has been completed on 30 September 2022.

SUMMARY

USE OF PROCEEDS

We estimate the net proceeds of the Global Offering which we will receive, assuming an Offer Price of HK\$1.20 per Offer Share (being the mid-point of the Offer Price range stated in this prospectus) and assuming the Over-allotment Option is not exercised, will be approximately HK\$181.0 million (equivalent to RMB163.8 million), after deduction of underwriting fees and commissions and estimated expenses payable by us in connection with the Global Offering and we intend to use the net proceeds of the Global Offering as follows:

	Total	Total	Approximate percentage of the total net proceeds
	<i>(HK\$ million)</i>	<i>(RMB million)</i>	<i>(%)</i>
(i) Expand and establish new production lines in our Changchun Production Base	60.2	54.5	33.3
(ii) Establish a new production base in Huizhou	60.1	54.4	33.2
(iii) Strengthen our R&D capabilities and upgrade our existing R&D equipment	7.8	7.1	4.3
(iv) Finance our R&D projects	38.7	35.0	21.4
(v) Strengthen our IT system	5.5	5.0	3.0
(vi) General working capital	8.7	7.8	4.8
Total	181.0	163.8	100.0

For further details, please refer to the section headed “Future Plans and Use of Proceeds” in this prospectus.

We estimate that the net proceeds to be received by the Selling Shareholder from the sale of the Sale Shares (after deduction of the proportionate share of underwriting commissions payable by our Selling Shareholder in relation to the Global Offering, and assuming an Offer Price of HK\$1.20 per Offer Share, being the mid-point of the Offer Price range and assuming the Over-allotment Option is not exercised) will be approximately HK\$67.7 million. We will not receive any of the proceeds from the Sale Shares.

LISTING EXPENSES

Our estimated Listing expenses primarily consisted of underwriting fees and commissions as well as legal and professional fees in relation to the Listing. Assuming an Offer Price of HK\$1.20 per Share, being the mid-point of the Offer Price range stated in this prospectus, the Listing expenses to be borne by our Company are estimated to be approximately HK\$47.0 million

SUMMARY

(representing approximately 20.6% of the total gross proceeds from the Global Offering), of which approximately HK\$19.6 million (RMB17.8 million) is directly attributable to the issue of new Shares and is to be accounted for as a deduction from equity. The Selling Shareholder will bear the proportionate underwriting commissions which will be approximately HK\$4.3 million. For the remaining amount of approximately HK\$27.4 million (RMB24.8 million), (i) approximately HK\$4.6 million (RMB4.2 million) and HK\$13.5 million (RMB12.2 million) is recognised in our combined statements of profit and loss and other comprehensive income for FY2021 and 9M2022; and (ii) approximately HK\$6.1 million (RMB5.5 million) is expected to be recognised in our combined statements of profit or loss and other comprehensive income for the three months ended 31 December 2022; and (iii) approximately HK\$3.2 million (RMB2.9 million) is expected to be recognised in our combined statements of profit or loss and other comprehensive income for the year ending 31 December 2023. The aforementioned total estimated Listing expenses (based on the mid-point of the Offer Price range stated in this prospectus and assuming that the Over-allotment Option is not exercised) in relation to the Global Offering includes (i) underwriting-related expenses (including but not limited to underwriting fees and commissions) of approximately HK\$13.7 million (equivalent to RMB12.4 million); and (ii) non-underwriting-related expenses of approximately HK\$33.3 million (equivalent to RMB30.2 million), which can be further categorised into (a) fees and expenses of legal advisers and reporting accountants of approximately HK\$17.1 million (equivalent to RMB15.5 million); and (b) other fees and expenses of approximately HK\$16.2 million (equivalent to RMB14.7 million). The estimated Listing expenses are subject to adjustments based on the actual amount incurred or to be incurred.

The preliminary financial information of our Group as of and for the year ended 31 December 2022 in Appendix III to this prospectus have been agreed by the Reporting Accountant, Mazars CPA Limited, to the amounts set out in the Group's consolidated financial statements for the year ended 31 December 2022 following with their work under Practice Note 730 "Guidance for Auditors Regarding Preliminary Announcements of Annual Results".

RECENT DEVELOPMENTS

Our Directors confirm that since 30 September 2022, being the date of the latest combined financial information of our Group, and up to the date of this prospectus, there has been no material adverse change in our business model, financial or trading position and prospects of the overall biodegradable plastic products industry. We also confirm that there have been no events since 30 September 2022 which would materially affect the financial information shown in the Accountants' Report, the text of which is set out in Appendix I to this prospectus.

SUMMARY

Our Business and Results of Operations after the Track Record Period

The transmission of COVID-19 in Jilin province since March 2022 has impacted us in various ways. On the one hand, we encountered decline in demand as some of our customers were ordered to operate with restricted opening hours or to shut down temporarily. Travel and transportation restrictions also increased our suppliers' difficulties to deliver their products to us, as well as for us to deliver our products to our customers. There was a strong demand for biodegradable produce bag rolls and biodegradable shopping bags as they were crucial for delivery of foods and daily necessities to local residents. Accordingly, some of our major customers during the Track Record Period were endorsed by the local authorities as "Key enterprise to provide daily necessities" (重點保供企業), and their operations were subjected to restrictions to a lesser extent.

To cope with the restrictions on travel and transportation and to ensure we could deliver our products to our customers during the imposition of tightened COVID-19 measures, we have adopted a "closed-loop management" system at our production base. A sufficient number of staff members of our production base was either residing within our production base and/or in close proximity. Also due to the travel and transportation restrictions, we had to rely more on our own transportation fleet and staff members to deliver our products. We deviated from our normal practices during March and April 2022 and delivered our products to area outside Jilin province (e.g. Heilongjiang) by ourselves so far as travel and transportation restrictions were complied with, as certain third parties logistics companies outside Jilin province had difficulties to travel across different provinces.

Our business exhibited a pick up trend since May 2022 when the lockdown in Changchun was gradually released. For FY2022, our total revenue increased by 16.8% to approximately RMB299.8 million compared to approximately RMB256.7 million in FY2021. The temporary lockdown of Changchun from March to May 2022 has slowed down demand for our biodegradable plastic products notably in March and April 2022, yet our business gradually picked up since May 2022. In FY2022, the increase of revenue was mainly due to the increase of revenue in biodegradable plastic products. Our Directors believe that the COVID-19 pandemic drove up the sales of perishable food and fruits as a result of changing dining habits from dining in to preparing meals at home and/or ordering takeaway, which in turn stimulate the use of biodegradable shopping bags and biodegradable produce bag rolls. For FY2022, we were able to increase the average selling price of our biodegradable plastic products (from RMB33.5 per kg to RMB34.6 per kg). Our Directors considered that such increase in the average selling price was attributed to the biodegradable shopping bags in particular. Our Directors believe that due to the temporary lockdown in Changchun, our customers were more willing to secure products at a relative higher price as quality and steady supply of biodegradable plastic products at the material time is crucial

SUMMARY

for our customers' operation. For FY2022, our non-biodegradable automobile plastic parts business exhibited slight growth in terms of sales revenue compared to FY2021 with slight increase in average selling price from RMB22.7 per kg in FY2021 to RMB23.1 per kg in FY2022.

Overseas Listing Measures

On 17 February 2023, the CSRC promulgated the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Enterprises (《境內企業境外發行證券和上市管理試行辦法》), the Notice on Filing Management Arrangements for Overseas Listing of Domestic Enterprises (《關於境內企業境外發行上市備案管理安排的通知》) and corresponding guidelines (collectively referred to as the “**Filing Measures**”). The Trial Measures shall come into force as of 31 March 2023.

The Filing Measures will comprehensively improve and reform the existing regulatory regime for overseas offering and listing of PRC domestic companies' securities and will regulate both direct and indirect overseas offering and listing of PRC domestic companies' securities by adopting a filing-based regulatory regime. For details, please refer to the subsection headed “Regulatory Overview — Laws and Regulations Relating to Overseas Securities Offering and Listing by Domestic Companies” in this prospectus. The CSRC clarifies that companies satisfying all of the following conditions shall be deemed as “Existing Applicants (存量企業)” and are not required to complete the overseas listing filing immediately, but shall complete filings as required if they conduct refinancing or are involved in other circumstances that require filing with the CSRC: (i) the application for overseas offering or listing shall have been approved by the relevant overseas regulatory authorities or stock exchanges (such as passing the hearing for the listing application of its shares on the Stock Exchange) prior to 31 March 2023 and is not required to reapply for offering and listing procedures to the overseas regulatory authorities or securities exchanges after 31 March 2023, and (ii) such overseas securities offering or listing shall be completed on or prior to 30 September 2023.

Therefore, based on the above mentioned measures and our current expected timetable, if we complete the Listing before 30 September 2023, as advised by our PRC Legal Advisers, we are not required to complete the overseas listing filing.