

SUMMARY

This summary aims to give you an overview of the information contained in this document. As it 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 in conjunction with, the full text of this document. You should read the entire document before you decide to invest in the [REDACTED].

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

OVERVIEW

We are a leading spicy snack food company in China with strong growth momentum. According to Frost & Sullivan, in terms of retail sales value in 2021, we ranked first among all spicy snack food enterprises in China, with a market share of 6.2%, and ranked first in each of the seasoned flour product and spicy vegetable snack product categories. Weilong is a popular snack food brand among young consumers in China. According to Frost & Sullivan, 95.0% of our consumers are at or under the age of 35, and 55.0% are at or under the age of 25, and we are the most well-recognized and favored spicy snack food brand among consumers in China and the No. 1 snack food brand in terms of brand awareness among those at or under the age of 25.

We are committed to making authentic Chinese gourmet more entertaining, casual, convenient and affordable, and to introducing more spicy snack food products that offer consumers a cheerful consumption experience.

20 years ago, inspired by traditional Chinese formulas, we started our business with seasoned flour products, also commonly known as *Latiao* (辣條). In the early years, we produced some popular seasoned flour products with enticing spicy flavor using our self-developed formulas and raw materials procured from reputable suppliers, and offered them through a broad distribution channel at affordable prices to young consumers, which helped our brand cultivate a broad customer base. Our products accompanied the youthhood of the millennials in China, who became our first loyal customers. Over the years, we continued to enhance our formulas and improve our production process and techniques to maintain our leading position in the seasoned flour product category.

We are dedicated to using household food materials, such as soybean, flour and kelp, as our main ingredients and adhere to our product development philosophy of “maximizing the intrinsic value of nature with an industrialized approach”. With our product development capabilities, we have in recent years diversified into vegetable and bean-based product categories, and launched multiple brands such as our “*Fengchi*” and “*Kiss Burn*” series. In 2021, two of our product categories, namely our seasoned flour products and our vegetable products, each generated over RMB1.0 billion in annual retail sales value; among them, four products, namely *Big Latiao*, *Konjac Shuang*, *Kiss Burn* and *Mini Latiao*, each generated over RMB500.0 million in annual retail sales value.

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We focus on the research and development, manufacturing, sales and distribution of spicy snack food. We are committed to continuously upgrading existing products and introducing new products. We have a well-diversified and strategically-constructed product portfolio, covering the following categories:

- Seasoned flour products, primarily comprising *Big Latiao* (大麵筋), *Mini Latiao* (小麵筋), *Spicy Hot Stick* (麻辣棒), *Mini Hot Stick* (小辣棒) and *Kiss Burn* (親嘴燒).
- Vegetable products, primarily comprising *Konjac Shuang* (魔芋爽) and *Fengchi Kelp* (風吃海帶).
- Bean-based and other products, primarily comprising *Soft Tofu Skin* (軟豆皮), *78° Braised Egg* (78°滷蛋) and meat products.

We constantly adapt to changing purchasing behavior of consumers and have quickly expanded to supermarkets, chained convenience stores and e-commerce channels, which have wide exposure to young consumers. As of December 31, 2021, we cooperated with more than [1,900] offline distributors and our distributors’ sales network covered approximately [690,000] retail points of sale in China, with significant potential for future expansion. Meanwhile, we have strengthened our presence on major e-commerce platforms. Our revenue from online channels increased by 52.2% from RMB250.8 million in 2019 to RMB381.8 million in 2020. Our revenue generated from online channels increased by 45.1% from RMB381.8 million in 2020 to RMB553.8 million in 2021, primarily due to growth in both online direct sales and online distribution resulting from our increasing online advertising activities and cooperation with new e-commerce platforms during 2021. In addition, we use e-commerce and social media channels to build a trendy and engaging brand image through interactive marketing activities, turning young consumers into our natural brand promoters.

Over the years, we have been dedicated to meet the changing needs of consumers through launching new products, upgrading existing products, introducing new product categories, as well as improving consumer experience. We actively explore new packaging size and style and consumer-friendly pricing policies to keep our products appealing to young consumers and to address a wide range of consumption scenarios. We have adopted brand building strategy that targets young consumers through content-based marketing, branding activities and the involvement of key opinion leaders. In addition, we continuously improve and upgrade both our online and offline distribution channels to provide consumers with more convenient purchase experience. As a result, during the Track Record Period, we achieved strong growth and outstanding profitability. In 2019, 2020 and 2021, our total revenue reached RMB3,384.8 million, RMB4,120.4 million and RMB4,800.2 million, respectively. From 2019 to 2021, the CAGR of our total revenue reached 19.1%, far exceeding the 4.2% CAGR of the snack food industry in China for the same period, according to Frost & Sullivan. Our net profit margin reached 17.2% in 2021, higher than the average net profit margin of approximately 10% in the snack food industry in China in 2021, according to Frost & Sullivan.

According to Frost & Sullivan, the spicy snack food market in China is relatively fragmented, with the top five players accounting for an aggregate market share of 11.5% in 2021 in terms of retail sales value. In 2021, we were the largest spicy snack food player in China with 6.2% market share, 3.9 times of the second largest player in terms of retail sales value. According to the same source, the spicy snack food market accounted for 21.0% of the total market size of the snack food industry in China in 2021, which is also fragmented. In 2021, we ranked

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10th among approximately 3,000 snack food companies with annual revenue of over RMB20.0 million and a presence in China and we ranked sixth among all domestic snack food companies, accounting for 1.3% of the overall market share in terms of retail sales value.

Leveraging our strong brand recognition, product competitiveness and channel distribution capability, we believe that we will continue to increase our market share and capitalize on future growth opportunities in the spicy snack food industry, which, according to Frost & Sullivan, is expected to reach a total addressable market of RMB273.7 billion by 2026.

OUR STRENGTHS

We believe that the following strengths contribute to our leading market position, ensure our success and distinguish us from our competitors:

- Leader and pioneer in the spicy snack food industry in China;
- Broad customer base cultivated by frequent consumption, creating an influential brand among young consumers;
- Continuous upgrade of existing products and introduction of new products that makes authentic Chinese gourmet entertaining, casual, convenient and affordable;
- Omni-channel sales and distribution network with a huge growth potential that effectively reaches young consumers;
- A focus on quality through establishing an industry-leading production system and strict quality assurance system; and
- Strong corporate culture and a dedicated, earnest and vigorous management team.

OUR STRATEGIES

In order to achieve our goals, we have formulated the following strategies:

- Continue to expand product categories and improve product quality to enhance the core competency of our products;
- Continue to be devoted to brand building and enhance user engagement;
- Increase the breadth and depth of our distribution network;
- Accelerate digital intelligentization to improve our operating efficiency;
- Improve manufacturing capability and strategically expand production capacity; and
- Further enhance our R&D capabilities and upgrade our R&D facilities and management systems.

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OUR PRODUCTS

The table below sets forth a breakdown of our revenue by product category for the periods indicated:

	Year ended December 31,					
	2019		2020		2021	
	RMB'000	%	RMB'000	%	RMB'000	%
Seasoned flour products	2,474,574	73.1	2,690,287	65.3	2,918,039	60.8
Vegetable products	664,959	19.6	1,167,541	28.3	1,664,120	34.7
Bean-based and other products	245,233	7.3	262,529	6.4	218,041	4.5
Total	3,384,766	100.0	4,120,357	100.0	4,800,200	100.0

Our total revenue showed an increasing trend during the Track Record Period. Revenue from our seasoned flour products increased by 8.7% from RMB2,474.6 million in 2019 to RMB2,690.3 million in 2020 and further increased by 8.5% to RMB2,918.0 million in 2021, primarily due to (i) increasing market demand as a result of greater recognition among consumers; (ii) our expansion of distribution network with the number of counties that our distribution network covered increased from 513 as of December 31, 2019 to 584 as of December 31, 2020 and further increased to 623 as of December 31, 2021. Revenue from the sales of premium packaging products, both in the absolute amount and as a percentage of total revenue, was higher than that from the sales of classic packaging products during the Track Record Period. Revenue from our seasoned flour products as a percentage of total revenue decreased from 73.1% in 2019 to 65.3% in 2020 and further decreased to 60.8% in 2021, reflecting our more diversified product mix following the significant sales growth of our vegetable products, which accounted for 19.6%, 28.3% and 34.7% of our total revenue, respectively, during those years. Our revenue from vegetable products grew both in absolute amount and as a percentage of our total revenue in 2019, 2020 and 2021, as the market demand for such products increased and we continued to expand our production capacity for such products during the same periods.

The table below sets forth a breakdown of our sales volume and average selling price per kg by product category for the periods indicated:

		Year ended December 31,		
		2019	2020	2021
		Seasoned flour products	ton	173,296.0
	RMB/kg	14.3	15.0	15.1
Vegetable products	ton	24,130.1	41,585.4	60,699.3
	RMB/kg	27.6	28.1	27.4
Bean-based and other products	ton	11,378.9	10,161.0	7,212.7
	RMB/kg	21.6	25.8	30.2

Our sales volume of the seasoned flour products and vegetable products showed an increasing trend during the Track Record Period. The continued increases in the sales volume of our seasoned flour products were attributable to a combination of (i) our enhanced product and brand recognition; and (ii) an expansion of our distribution network across China with the number of counties that our distribution network covered increased from 513 as of December 31, 2019 to 584 as of December 31, 2020 and further increased to 623 as of December 31, 2021. The increases in the sales volume of our vegetable products during the Track Record Period

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were mainly the results of (i) an increase in the market demand for such products; (ii) an expansion of our distribution network and an increase of distribution coverage of such products; and (iii) an increase in our production capacity for such products in 2020 and 2021 with the designed production capacity for vegetable products increased from 24,756.2 tons in 2019 to 45,936.0 tons in 2020 and further increased to 79,992.0 tons in 2021. See “Business – Our Sales Channel – Offline Channels.” The decrease in the sales volume of our bean-based and other products during the Track Record Period was mainly because (i) we adopted a new packaging design for our bean-based products, and it took time for consumers to become familiar with our new design; and (ii) we discontinued certain such products to optimize the product mix.

OUR CUSTOMERS AND SALES CHANNELS

Our customers are primarily offline and online distributors, and to a much lesser extent, individual consumers who purchase from our self-operated online stores. We distribute our products through both our offline channels and online channels. The table below sets out a breakdown of our revenue by sales channels for the periods indicated.

	Year ended December 31,					
	2019		2020		2021	
	RMB'000	%	RMB'000	%	RMB'000	%
Offline channels ⁽¹⁾	3,133,928	92.6	3,738,582	90.7	4,246,420	88.5
Online channels	250,838	7.4	381,775	9.3	553,780	11.5
– <i>Online distribution</i> ⁽²⁾	144,034	4.2	230,677	5.6	302,289	6.3
– <i>Online direct sales</i> ⁽³⁾	106,804	3.2	151,098	3.7	251,491	5.2
Total	3,384,766	100.0	4,120,357	100.0	4,800,200	100.0

(1) Offline channels mainly include distribution through our offline distributors. During the Track Record Period, our revenue generated from offline channels other than offline distributors was immaterial.

(2) Online distribution refers to the sales model under which we distribute goods to online retailers such as Tmall Supermarket and JD Supermarket, or other online distributors, who then sell our products to consumers.

(3) Online direct sales refers to the sales model under which we sell products directly to consumers through our self-operated online stores on multiple third-party online platforms, such as Tmall, JD.com, Pinduoduo, Douyin, and Kuaishou.

We have a nationwide distribution network that deeply penetrates the Chinese market. As of December 31, 2021, we cooperated with more than [1,900] offline distributors which covered approximately [690,000] retail points of sale in China. We implement a strict screening and evaluation mechanism and regularly visit distributors and retail points of sale to monitor their performance.

We mainly adopt a single-layer distribution model. For each geographical region, we choose a certain number of distributors who are key to our business expansion and cooperation in the region. We usually deliver products to distributors after they have made payment and generally do not accept returns or exchange of products from distributors except for quality problems that occur during the warranty period of the product.

We have established a traceability system to minimize the risk of cannibalization. Most packaged products are identifiable with a QR code on their packages of the smallest sellable unit, their wholesale box packages, and

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their delivery notes from us. Products sold in bulk are identifiable with a QR code on their delivery boxes and delivery notes from us. For example, we offer *Konjac Shuang* in packages and in bulk packs. Each package of *Konjac Shuang*, which contains 20 smaller single individual packs, is a smallest sellable unit to end-consumers. We sell such packaged products in wholesale boxes to our distributors. Meanwhile, *Konjac Shuang* in bulk packs are usually sold in bulk or by weight at retail points of sale to end-consumers. For such products, we sell them in delivery boxes to our distributors. All distributors are required to scan the QR code when they receive the products to record the flow of products. Receiving distributor scans the QR code on the products to confirm products receipt and complete the registration process, which allows our system to establish a link between the products and the receiving distributor. The receiving distributor is marked permanently as the first distributor. If the products carrying the QR code are sold outside the designated sales region of the first distributor, our sales team or distributors in the affected regions could easily track such on-sell activities by tracing the products through their QR code back to the first distributor.

To complement our offline channels, we also sell our products through our online channels, either under our online direct sales model, or under our online distribution model. Revenue generated from online channels (including online direct sales model and online distribution model) in 2019, 2020 and 2021 grew at a CAGR of [48.6]%, which amounted to RMB250.8 million, RMB381.8 million and RMB553.8 million, respectively, accounting for approximately 7.4%, 9.3% and 11.5%, respectively, of our total revenue in the same periods.

OUR PRODUCTION

As of December 31, 2021, we had four plants in Henan, namely Pingping Plant, Luohe Weilai Plant, Zhumadian Weilai Plant and Weidao Plant. The tables below set out the details of our designed production capacities, actual production volumes, and utilization rates for the periods indicated, by product types and by plants:

	Year ended December 31,								
	2019			2020			2021		
	Designed Capacity	Actual Production	Utilization Rate	Designed Capacity	Actual Production	Utilization Rate	Designed Capacity	Actual Production	Utilization Rate
Product Segment	(ton)			(ton)			(ton)		
Seasoned flour products	190,407.3	166,579.5	87.5%	235,972.0	168,855.3	71.6%	261,308.3	179,653.9	68.8%
Vegetable products	24,756.2	21,760.4	87.9%	45,936.0	39,331.6	85.6%	79,992.0	60,599.3	75.8%
Bean-based and other products	11,101.7	7,558.5	68.1%	4,860.6	3,642.6	74.9%	5,388.5	4,643.9	87.5%
Total	226,265.2	195,898.4	86.6%	286,768.6	211,829.5	73.9%	346,688.8	244,897.1	70.7%

	Year ended December 31,								
	2019			2020			2021		
	Designed Capacity	Actual Production	Utilization Rate	Designed Capacity	Actual Production	Utilization Rate	Designed Capacity	Actual Production	Utilization Rate
Production Plants	(ton)			(ton)			(ton)		
Pingping Plant	117,437.3	97,198.2	82.8%	123,619.5	97,032.5	78.5%	113,563.0	86,365.4	76.1%
Luohe Weilai Plant	38,003.2	32,412.1	85.3%	60,358.8	39,029.5	64.7%	64,034.7	38,280.9	59.8%
Zhumadian Weilai Plant	70,120.7	65,761.2	93.8%	71,253.9	55,391.1	77.7%	70,848.6	55,386.5	78.2%
Luohe Weidao Plant	704.0	526.9	74.8%	31,536.4	20,376.3	64.6%	98,242.5	64,864.2	66.0%
Total	226,265.2	195,898.4	86.6%	286,768.6	211,829.5	73.9%	346,688.8	244,897.1	70.7%

For details of the fluctuation of our designed production capacities, actual production volumes, and utilization rates, see “Business – Our Production – Our Production Facilities.”

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RAW MATERIALS, PACKAGING MATERIALS AND SUPPLIERS

We aim to provide safe and delicious products to our consumers by selecting high-quality raw materials. We cooperate with large-scale raw material providers and directly purchase raw materials from their key production regions to ensure high-quality and stable supply of raw materials.

We produce our products from a wide variety of ingredients. The primary raw materials that we use in the production of our products are soybean oil, flour and konjac, among others. Seasoning and other auxiliary materials such as chili and pricklyash are also used in our production process. We also purchase and use large quantities of packaging materials, including cardboard boxes and packaging bags.

Most of our primary raw materials, such as soybean oil and flour, are commodities. For commodities that we use across many of our product categories, we coordinate sourcing requirements and centralize procurement to leverage our scale. Their prices generally fluctuate with market conditions. The prices of our other primary raw materials and packaging materials fluctuate as a result of various factors, including supply and demand, our bargaining power with our suppliers and logistics. On a case-by-case basis, we seek to establish preferred purchaser status and have developed long-term partnerships with some of our suppliers to achieve favorable pricing and dependable supply for certain commodities. Although the prices of raw material and packaging materials may fluctuate in the future, there will be an adequate supply of raw materials and packaging materials generally available from numerous sources.

Our suppliers are mainly raw material suppliers, packaging material suppliers and OEM suppliers. See “Business – Our Raw Materials, Packaging Materials and Suppliers – Suppliers.”

COMPETITIVE LANDSCAPE

According to the Frost & Sullivan Report, the snack food market in China is relatively fragmented, with the top 15 players accounting for an aggregate market share of 21.5% in 2021 in terms of retail sales value. In 2021, we ranked the 10th in China’s snack food market, among approximately 3,000 domestic and MNC (“multinational companies”) companies with a presence in China which had an annual revenue of over RMB20.0 million and we ranked sixth among all domestic companies, accounting for 1.3% of the overall market in terms of retail sales value.

According to the Frost & Sullivan Report, the spicy snack food market in China is also relatively fragmented, with the top five players accounting for an aggregate market share of 11.5% in 2021 in terms of retail sales value. In 2021, we were the largest spicy snack food player in China with a market share of 6.2%, 3.9 times of the second largest in terms of retail sales value, exceeding the aggregate market share of players ranked 2nd to 5th.

As the leading players continue to increase their market shares, we are faced with increasingly intense competition with other leading players in various aspects of our business, including continuous upgrade of existing products and introduction of new products, product quality, consumer experience as well as customer acquisition and retention. New competitors may emerge from time to time, which may further intensify the competition in the snack food market in China. For additional information, see “Industry Overview,” and “Risk

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Factors – Risks Relating to Our Business and Industry – We operate in a highly competitive industry. Failure to compete effectively could adversely affect our market share, growth and profitability.”

FOOD SAFETY AND QUALITY CONTROL

Food safety and quality is our top priority. Our food safety and quality assurance system covers the entire production process of our products, including steps from procurement, production, storage, distribution to sales. The raw materials and products are tracked in order to meet customers’ requirements and the corresponding legal and regulatory requirements.

Our ingredients primarily include wheat flour, konjac, kelp, water, and soybean oil. We also use food additives such as flavor enhancers including MSG and antioxidants including TBHQ. Our use of food additives is in strict compliance with applicable laws and regulations. Consumption of snack food with this level of food additives generally does not impose health risks for consumers.

Our nutrients primarily include carbohydrate, protein, fat, and dietary fibers. The main source of fat in our products is soybean oil. The fat content of our main products ranges from less than 2% (*Fengchi Kelp*) to approximately 50% (*Soft Tofu Skin*), with the fat content of the majority of our main products under 25%. According to the Frost & Sullivan Report, saturated fat exists naturally in many foods and ingredients. Soybean oil generally has lower share of saturated fat comparing to animal or tropical plant-based oils. The saturated fat content in our products ranges approximately from 0.3% to 7.5%, with the saturated fat content in most of our products under 3.8%. Common health issues associated with excessive consumption of snack food with fat include obesity.

We are devoted to food and nutrition research in our continuous upgrade of existing products and launch of new products. For example, we offer *Kiss Burn* with 3.3g dietary fiber in every 100g of our products, which is also free of trans-fatty acids or cholesterol. Also, we offer *Fengchi Kelp* as a low-fat snack option with 2.6g fat contained in every 100g of our products.

We set up control points for food safety and quality in every segment throughout the production process and carefully track and inspect our formulas, raw materials, food additives, and production processes. Our quality management center is responsible for food safety management, raw and packaging materials management, production process management and customer service management, as well as the establishment of food safety and quality assurance systems. We strive to use high-quality ingredients, scientifically sound formulas and advanced production techniques to present the original flavor and nutritional value of the raw materials used in our processed food products. We implemented stringent internal standards for food additives used in our products. However, the growing trends of healthy food and negative publicity on food additives may harm the reputation of our products. See “Risk Factors – The growing trends of healthy snacking and the negative publicity on potentially carcinogenic additives, flavor enhancer and other chemicals used in the production of snacks, whether substantiated or not, may have material adverse impact on our business.”

For details of our food safety and quality control measures, see “Business – Food Safety and Quality Control.”

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SUMMARY OF HISTORICAL FINANCIAL INFORMATION

The following tables present our summary historical financial information for the periods or as of the dates indicated. This summary has been derived from our historical financial information set forth in the Accountant’s Report in Appendix I to this document. The summary historical financial data set forth below should be read together with, and is qualified in its entirety by reference to, the historical financial information included in the Accountant’s Report in Appendix I to this document, including the accompanying notes, and the information set forth in “Financial Information.” Our historical financial information was prepared in accordance with IFRS.

Summary of Consolidated Statements of Profit or Loss

The following table sets out a summary of our consolidated statements of profit or loss for the periods indicated:

	<u>Year ended December 31,</u>		
	<u>2019</u>	<u>2020</u>	<u>2021</u>
	<u>(RMB’000)</u>	<u>(RMB’000)</u>	<u>(RMB’000)</u>
Revenue from contracts with customers	3,384,766	4,120,357	4,800,200
Cost of sales of goods	(2,130,463)	(2,554,692)	(3,007,169)
Gross profit	<u>1,254,303</u>	<u>1,565,665</u>	<u>1,793,031</u>
Distribution and selling expenses	(281,265)	(370,975)	(520,613)
Administrative expenses	(138,204)	(201,096)	(359,110)
Net impairment losses on financial assets	—	(600)	(303)
Other income, net	35,148	58,841	152,666
Other (losses)/gains, net	(1,744)	31,427	11,715
Operating profit	<u>868,238</u>	<u>1,083,262</u>	<u>1,077,386</u>
Finance income	107	481	24,782
Finance costs	(3,215)	(5,785)	(5,536)
Finance (costs)/income, net	(3,108)	(5,304)	19,246
Share of net profit of associate accounted for using the equity method	1,378	379	—
Profit before income tax	<u>866,508</u>	<u>1,078,337</u>	<u>1,096,632</u>
Income tax expense	(208,409)	(259,573)	(269,903)
Profit for the year	<u><u>658,099</u></u>	<u><u>818,764</u></u>	<u><u>826,729</u></u>

Non-IFRS Measures

To supplement our consolidated financial statements, which are presented in accordance with IFRS, we also use adjusted net profit as additional financial measure, which is not required by, or presented in accordance with IFRS. We believe this non-IFRS measure facilitates comparisons of operating performance from period to period and company to company by eliminating potential impacts of certain items.

We believe this measure provides useful information to investors and others in understanding and evaluating our combined results of operations in the same manner as it helped our management. However, our presentation of adjusted net profit may not be comparable to similarly titled measures presented by other

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companies. The use of this non-IFRS measure has limitations as an analytical tool, and you should not consider it in isolation from, or as a substitute for an analysis of, our results of operations or financial condition as reported under IFRS.

We define adjusted net profit as net profit for the year adjusted by adding back share-based payment expenses and [REDACTED] expenses. The following table reconciles our adjusted net profit for the years presented to the most directly comparable financial measures calculated and presented in accordance with IFRS, which is net profit for the year:

	Year ended December 31,		
	2019	2020	2021
	(RMB'000)	(RMB'000)	(RMB'000)
Reconciliation of net profit to adjusted net profit			
Profit for the year	658,099	818,764	826,729
<i>Add:</i>			
Share-based payment expenses ⁽¹⁾	—	—	50,519
[REDACTED] expenses ⁽²⁾	[REDACTED]	[REDACTED]	[REDACTED]
Adjusted net profit (Unaudited) ⁽³⁾	659,004	821,221	907,750

- (1) Share-based payment expenses mainly represent the arrangement that we receive services from employees as consideration for our equity instruments.
- (2) [REDACTED] expenses mainly relate to the [REDACTED].
- (3) A non-IFRS measure.

Gross profit and gross margin

The table below sets forth a breakdown of our gross profit and gross margins by products for the periods indicated:

	Year ended December 31,					
	2019		2020		2021	
	RMB'000	%	RMB'000	%	RMB'000	%
Seasoned flour products	920,009	37.2	1,012,162	37.6	1,046,962	35.9
Vegetable products	247,574	37.2	458,302	39.3	663,403	39.9
Bean-based and other products	86,720	35.4	95,201	36.3	82,666	37.9
Total	1,254,303	37.1	1,565,665	38.0	1,793,031	37.4

Our total gross profit showed an increasing trend during the Track Record Period as the result of the continuous increase in gross profit from vegetable products and seasoned flour products. Our gross profit increased by 24.8% from RMB1,254.3 million in 2019 to RMB1,565.7 million in 2020 and further increased by 14.5% to RMB1,793.0 million in 2021, mainly due to the increase in our revenue. Our gross profit margin increased from 37.1% in 2019 to 38.0% in 2020, mainly due to the increased selling prices of seasoned flour products and changes in product mix. Our gross profit margin remained relatively stable at 38.0% in 2020 and 37.4% in 2021.

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Summary of Consolidated Balance Sheets

	As of December 31,		
	2019	2020	2021
	(RMB'000)		
Current assets	1,085,873	1,860,071	2,986,265
Current liabilities	786,779	1,167,951	1,255,512
Net current assets	299,094	692,120	1,730,753
Non-current assets	557,985	1,080,422	2,204,324
Non-current liabilities	42,928	140,278	265,148
Total equity	814,151	1,632,264	3,669,929

Our net current assets increased from RMB299.1 million as of December 31, 2019 to RMB692.1 million as of December 31, 2020, primarily due to an increase in the financial assets at fair value through profit or loss. Our net current assets increased from RMB692.1 million as of December 31, 2020 to RMB1,730.8 million as of December 31, 2021, primarily due to an increase in our term deposits with initial term of over three months and an increase in our cash and cash equivalents.

Summary of the Consolidated Statements of Cash Flows

	Year ended December 31,		
	2019	2020	2021
	(RMB'000)		
Net cash generated from operating activities	750,005	706,401	889,126
Net cash used in investing activities	(619,554)	(878,781)	(1,780,817)
Net cash (used in)/generated from financing activities	(217,693)	245,605	1,260,476
Net increase/(decrease) in cash and cash equivalents	(87,242)	73,225	368,785
Cash and cash equivalents at the beginning of the year	176,236	88,994	161,740
Effects of exchange rate changes on cash and cash equivalents	—	(479)	(36,250)
Cash and cash equivalents at the end of the year	88,994	161,740	494,275

Key Financial Ratios

The following table sets out our key financial ratios for the periods indicated:

	Year ended/As of December 31,		
	2019	2020	2021
Net profit margin ⁽¹⁾	19.4%	19.9%	17.2%
Adjusted net profit margin ⁽²⁾	19.5%	19.9%	18.9%
Return on assets ⁽³⁾	49.9%	35.7%	20.3%
Return on equity ⁽⁴⁾	135.6%	66.9%	31.2%
Current ratio ⁽⁵⁾	1.38	1.59	2.38
Quick ratio ⁽⁶⁾	0.87	1.13	1.90
Gearing ratio ⁽⁷⁾	16.9%	24.1%	12.5%

(1) Equals profit for the period divided by revenue and multiplied by 100%.

(2) Equals adjusted net profit for the period as a non-IFRS measure divided by revenue and multiplied by 100%.

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- (3) Equals profit for the years ended December 31, 2019, 2020 and 2021 divided by the average of the beginning and ending balance of total assets for that period and multiplied by 100%.
- (4) Equals profit for the years ended December 31, 2019, 2020 and 2021 divided by the average of the beginning and ending balance of total equity for that period and multiplied by 100%.
- (5) Equals current assets divided by current liabilities as of the same date.
- (6) Equals current assets less inventories and divided by current liabilities as of the same date.
- (7) Equals total debt divided by total equity and multiplied by 100%

RISK FACTORS

Our business and the [REDACTED] involve certain risks as set out in “Risk Factors.” You should carefully read that section in its entirety before you decide to invest in our [REDACTED]. Some of the major risks we face include: (i) Our business and future growth prospects rely on consumer demand for our products. Any shift in consumer demand, or any unexpected situation with a negative impact on consumer demand may materially and adversely affect our business and results of operations; (ii) Our business depends on market recognition of our brand, and any damage to our brand, trademarks or reputation, or failure to effectively promote our brand, could materially and adversely impact our business and results of operations; (iii) Any failure to maintain food safety and consistent quality could have a material and adverse effect on our brand, business and financial performance; (iv) We rely on third-party distributors to place our products into the market and we may not be able to control our distributors and their sub-distributors and retailers; and (v) Adverse publicity involving us, our products, our raw materials, our Directors, our management team, our spokespersons, our competitors or our industry could materially and adversely impact our business and results of operations.

OUR CONTROLLING SHAREHOLDERS

Immediately following the completion of the [REDACTED] (assuming the [REDACTED] is not exercised), Mr. LIU Weiping and Mr. LIU Fuping, through their trust vehicles and various intermediary subsidiaries, will be collectively interested in approximately [REDACTED]% of our enlarged issued share capital through HH Global Capital, and therefore will continue to be the group of our Controlling Shareholders.

None of the Company’s Controlling Shareholders has any interest in any business, other than the Group’s business, which competes or is likely to compete, either directly or indirectly, with the Group’s business. See “Relationship with Our Controlling Shareholders – Competing Issues under Rule 8.10 of the Listing Rules.”

CONTINUING CONNECTED TRANSACTIONS

We have entered into and are expected to continue with certain transactions after the completion of the [REDACTED] which will constitute our non-exempt continuing connected transactions under Chapter 14A of Listing Rules upon [REDACTED]. See “Connected Transactions” and “Waivers from Strict Compliance with Listing Rules – Non-exempt Continuing Connected Transactions.”

PRE-[REDACTED] INVESTMENTS

We introduced CPE, CWL Management XVIII Limited, Hillhouse, Tencent, Yunfeng Capital, Sequoia Capital China, Duckling Fund, L.P., Hosen Capital, Oceanpine Capital and Shanghai Hongluo as our Pre-[REDACTED]

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Investors through the Pre-[REDACTED] Investments. For details of the Pre-[REDACTED] Investments, see “History and Reorganization – Pre-[REDACTED] Investments.”

EMPLOYEE INCENTIVE SCHEME

In order to incentivize and reward our Directors, members of senior management and other employees who have contributed to the development of our Group, an RSU Scheme was approved and adopted by our Board on January 1, 2021. For further details about the RSU Scheme, see “Statutory and General Information – D. Employee Incentive Scheme” in Appendix IV.

DIVIDEND

We paid dividends of RMB308.1 million, RMB1.4 million and RMB596.0 million, respectively, in 2019, 2020 and 2021. We may distribute dividends by way of cash or by other means that our Board considers appropriate. Distribution of dividends is subject to the discretion of our Board and, if necessary, the approval of our Shareholders. Our Board may recommend a distribution of dividends in the future after taking into account our results of operations, financial condition, operating requirements, capital requirements, Shareholders’ interests and any other conditions that our Board may deem relevant. Subject to applicable laws and regulations, our dividend policy is to distribute to our Shareholders no less than 25% of our distributable profits for any particular year after the [REDACTED]. We cannot assure you that we will be able to distribute dividends of the above amount or any amount, or at all, in any year. The declaration and payment of dividends may also be limited by legal restrictions and by loan or other agreements that our Company and our subsidiaries have entered into or may enter into in the future. See “Financial Information – Dividend.”

USE OF [REDACTED]

We estimate that we will receive net [REDACTED] of approximately HK\$[REDACTED] million from the [REDACTED], after deducting the [REDACTED] fees and [REDACTED] and estimated expenses payable by us in connection with the [REDACTED], assuming the [REDACTED] of HK\$[REDACTED] per [REDACTED] (being the mid-point of the indicative [REDACTED] range stated in this document) and assuming that the [REDACTED] is not exercised. We intend to use the net [REDACTED] from the [REDACTED] for the following purposes:

- approximately [REDACTED]% of the net [REDACTED] (approximately HK\$[REDACTED] million) will be used to expand and upgrade our production facilities and supply chain system to improve our production capacity and warehousing management and product quality;
- approximately [REDACTED] % of the net [REDACTED] (approximately HK\$[REDACTED] million) will be used to prudently invest in or acquire companies that are synergistic to our business;
- approximately [REDACTED]% of the net [REDACTED] (approximately HK\$[REDACTED] million) will be used to further expand our sales and distribution network;
- approximately [REDACTED]% of the net [REDACTED] (approximately HK\$[REDACTED] million) will be used for brand building;

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- approximately [REDACTED]% of the net [REDACTED] (approximately HK\$[REDACTED] million) will be used for product research and development activities and enhancement of research and development capabilities;
- approximately [REDACTED]% of the net [REDACTED] (approximately HK\$[REDACTED] million) will be used to advance the digitization and intelligence of our business; and
- approximately [REDACTED]% of the net [REDACTED] (approximately HK\$[REDACTED] million) will be used for working capital and general corporate purpose.

For details, see “Future Plans and Use of [REDACTED] – Use of [REDACTED].”

IMPACT OF COVID-19 AND RECENT DEVELOPMENT

Impacts of the COVID-19 Outbreak

Since the end of December 2019, the outbreak of a novel strain of coronavirus named COVID-19 has materially and adversely affected the global economy. In response, China, together with other countries and regions across the world, has taken various measures to contain the spread of the virus. In the first half of 2022, there had been large-scale resurgence of COVID-19, including the highly transmissible Delta and Omicron variant in various provinces across China (the “Resurgence”).

Although there was no suspension of operations at our production plants, our production capacity was affected in April 2022 primarily due to higher absence rate of work staff. Our supply chain was also, to a certain extent, impacted. As we have maintained long term relationship with nationwide suppliers, such impacts on our raw material procurement were limited. We have also taken additional measures including procuring from back-up suppliers, applying for transportation pass, designating specialized coordinator, and utilizing self-owned vehicles to pick up goods, to minimize the negative impact on our raw material procurement. We have not encountered any shortage of raw materials. On the other hand, some of our product deliveries were delayed. During the Track Record Period and up to the Latest Practicable Date, we did not experience any threatened or pending disputes, litigation, or legal proceedings for not being able to fulfill our orders resulting from COVID-19 outbreak which would have a material adverse effect on our business.

We prioritize the health conditions of our employees in all our business operations. In response to the COVID-19 outbreak, we have employed various measures to mitigate the impact of the COVID-19 outbreak on our business operations, such as (i) organizing shuttle buses for our staff and monitoring them closely to track their health and wellness status; (ii) increasing salaries for certain production workers to alleviate their financial difficulties, which also helped us retain a steady workforce; and (iii) increasing our sales and marketing efforts on online channels that are catered to the evolving consumption habits and preferences. In response to the Resurgence, we have employed measures including (i) conducting routine sanitization; (ii) requiring regular negative COVID-19 PCR result; (iii) providing preventive gears such as masks, gloves, and medicines; and (iv) designating separate venue for quarantine purposes.

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There is no guarantee that the prolonged pandemic will not affect the demands for our products and our operations in the future. Should China experience a further outbreak, our business operation may be impacted. Our results of operations and financial position will be affected by the future development of the COVID-19, including its local and global severity and actions taken to contain it, which are highly uncertain and unpredictable.

See “Risk Factors – Risks relating to Our Business and Industry – The outbreak of COVID-19 adversely affected, and may continue to affect, the demand for our products, our business operations and financial conditions.” As of the Latest Practicable Date, our business operations and financial conditions were not materially impacted by the COVID-19 outbreak.

In April 2022, our Company, our Controlling Shareholders and Pre-[REDACTED] investors entered into a supplemental share purchase agreement, pursuant to which our Company issued and sold to these investors a total number of 157,626,890 ordinary shares, at a par value of US\$0.00001 of each share, for a consideration of US\$1,576.2689. In accordance with the relevant accounting standards, such an issue of shares will result in a one-off share-based payment expense to be charged to our consolidated statements of profit and loss in 2022.

Certain production lines of our Xinglin plant have been put into operation for tests and trials since May 2022. In addition, in March 2022, we entered into a land use right transfer agreement for a parcel of land with an area of 139,496.00 sq.m. with the local government in Yunnan Province. As of the Latest Practicable Date, we had paid the full consideration of the land use right to the local government and are in the process of registering a land ownership certificate for such land which will be used for our Yunnan Plant.

Since May 2022, we have initiated price increases for our major products in response to the rising procurement prices of certain raw materials used in our production, and as a part of our overall product upgrade and operation strategy adjustment, underpinned by our persistence in delivering quality products to our customers.

After performing sufficient due diligence work which our Directors consider appropriate and after due and careful consideration, the Directors confirm that, save for the above, up to the date of this document, there has been no material adverse change in our financial or trading position or prospects since December 31, 2021, being the end date of the periods reported on in the Accountant’s Report in Appendix I to this document, and there is no event since December 31, 2021 that would materially affect the information as set out in the Accountant’s Report in Appendix I to this document.

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[REDACTED] STATISTICS

All statistics in the following table are based on the assumptions that (i) the [REDACTED] has been completed and [REDACTED] Shares are issued pursuant to the [REDACTED], (ii) [REDACTED] Shares are issued and outstanding prior to the [REDACTED], and (iii) the [REDACTED] is not exercised.

	Based on an [REDACTED] of HK\$[REDACTED]	Based on an [REDACTED] of HK\$[REDACTED]
Market capitalization of our Shares ⁽¹⁾	HK\$[REDACTED] million	HK\$[REDACTED] million
Unaudited [REDACTED] adjusted consolidated net tangible assets per Share	HK\$[REDACTED]	HK\$[REDACTED]

(1) The calculation of market capitalization is based on [REDACTED] Shares expected to be in issue immediately upon completion of the [REDACTED].

[REDACTED] EXPENSES

[REDACTED] expenses represent professional fees, [REDACTED] and other fees incurred in connection with the [REDACTED]. We expect to incur [REDACTED] expenses of approximately HK\$[REDACTED] million (based on the mid-point of the indicative [REDACTED] range and assuming the [REDACTED] is not exercised), of which approximately HK\$[REDACTED] million will be directly attributable to the issue of our Shares and therefore capitalized, and the remaining HK\$[REDACTED] million will be expensed in our consolidated statement of profit or loss. The [REDACTED] expense is expected to account for [REDACTED]% of gross [REDACTED] from the [REDACTED]. Our Directors do not expect such expenses to materially impact our results of operations in 2022.

The following table sets forth the breakdown of [REDACTED] expenses by nature.

[REDACTED] fee breakdown	Total Amount	
	(assuming the [REDACTED] is not exercised)	(assuming the [REDACTED] is fully exercised)
	(HKD in millions)	
[REDACTED] fees	[REDACTED]	[REDACTED]
Non-[REDACTED] fees	[REDACTED]	[REDACTED]
Professional fees	[REDACTED]	[REDACTED]
Non-professional fees	[REDACTED]	[REDACTED]