

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 June 30, 2022, we cooperated with more than 1,830 offline distributors and our distributors' sales network covered approximately 735,000 retail points of sale in China, with significant potential for future expansion. Meanwhile, we have strengthened our presence on major e-commerce platforms. In 2019, 2020, 2021 and the six months ended June 30, 2021 and 2022, revenue generated from online channels amounted to RMB250.8 million, RMB381.8 million, RMB553.8 million, RMB268.4 million, and RMB239.4 million, accounting for approximately 7.4%, 9.3%, 11.5%, 11.7%, and 10.6%, respectively, of our total revenue. 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, in 2019, 2020 and 2021, 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. Our revenue slightly decreased by 1.8% from RMB2,302.8 million in the six months ended June 30, 2021 to RMB2,260.5 million in the six months ended June 30, 2022. 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 10th among approximately 3,000 snack food companies with annual revenue of over RMB20.0 million and a

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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 and loyal follower 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,						Six months ended June 30,			
	2019		2020		2021		2021		2022	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
							<i>(unaudited)</i>			
Seasoned flour products	2,474,574	73.1	2,690,287	65.3	2,918,039	60.8	1,401,128	60.9	1,341,422	59.3
Vegetable products	664,959	19.6	1,167,541	28.3	1,664,120	34.7	792,962	34.4	817,624	36.2
Bean-based and other products	245,233	7.3	262,529	6.4	218,041	4.5	108,752	4.7	101,483	4.5
Total	3,384,766	100.0	4,120,357	100.0	4,800,200	100.0	2,302,842	100.0	2,260,529	100.0

Our total revenue showed an increasing trend from 2019 to 2021 and slightly decreased in the six months ended June 30, 2022 compared with that of the same period in 2021. 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 generated from our seasoned flour products decreased by 4.3% from RMB1,401.1 million in the six months ended June 30, 2021 to RMB1,341.4 million in the six months ended June 30, 2022, primarily due to (i) the impact on our production and delivery from the COVID-19 Resurgence, and (ii) the temporary impact on sales volume due to the price adjustment resulted from our recent product upgrade launched in our major product categories with new packages, production techniques, ingredients or specifications in the first half of 2022, which took time for our customers to adapt to. 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 to 60.8% in 2021, and decreased from 60.9% during the six months ended June 30, 2021 to 59.3% during the same period in 2022, reflecting our more diversified product mix following the significant sales growth of our vegetable products. In 2019, 2020, 2021 and the six months ended June 30, 2021 and 2022, revenue from our vegetable products accounted for 19.6%, 28.3%, 34.7%, 34.4% and 36.2% of our total revenue, respectively. Our revenue from vegetable products grew both in absolute amount and as a percentage of our total revenue in 2019, 2020, 2021 and the six months ended June 30, 2021 and 2022, as the market demand for such products increased and we continued to expand our production capacity for such products during the same periods.

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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,			Six months ended June 30,	
		2019	2020	2021	2021	2022
Seasoned flour products	ton	173,296.0	179,511.4	193,598.6	<u>94,669.9</u>	<u>81,588.7</u>
	RMB/kg	14.3	15.0	15.1	<u>14.8</u>	<u>16.4</u>
Vegetable products	ton	24,130.1	41,585.4	60,699.3	<u>29,003.5</u>	<u>27,861.4</u>
	RMB/kg	27.6	28.1	27.4	<u>27.3</u>	<u>29.3</u>
Bean-based and other products	ton	11,378.9	10,161.0	7,212.7	<u>3,665.8</u>	<u>2,943.4</u>
	RMB/kg	21.6	25.8	30.2	<u>29.7</u>	<u>34.4</u>

Our sales volume of the seasoned flour products showed an increasing trend from 2019 to 2021 and decreased from the six months ended June 30, 2021 to the six months ended June 30, 2022. The continued increases in the sales volume of our seasoned flour products from 2019 to 2021 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 to 623 as of December 31, 2021, and the decrease in sales volume of our seasoned flour products from the six months ended June 30, 2021 to the six months ended June 30, 2022 was primarily attributable to (i) the impact on our production and delivery from the COVID-19 Resurgence, and (ii) the temporary impact due to the price adjustment resulted from our recent product upgrade launched in our major product categories with new packages, production techniques, ingredients or specifications in the first half of 2022, which took time for our customers to adapt to. See “Business – Our Sales Channel – Offline Channels.”

The increase in the sales volume of our vegetable products from 2019 to 2021, which was generally in line with the increase in its revenue scales during the same period, was 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 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, and the decrease in sales volume of our vegetable products from the six months ended June 30, 2021 to the six months ended June 30, 2022 was primarily in relation to (i) the impact on our production and delivery from the Resurgence of COVID-19, and (ii) the temporary impact due to the price adjustment resulted from our recent product upgrade launched in our major product categories with new packages, production techniques, ingredients or specifications in the first half of 2022, which took time for our customers to adapt to.

The decrease in the sales volume of our bean-based and other products from 2019 to 2021 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 and from the six months ended June 30, 2021 to the six months ended June 30, 2022 primarily due to (i) the impact on our production and delivery from the COVID-19 Resurgence, and (ii) our optimization of marketing resource allocation which reduced marketing activities for certain of our bean-based and other products.

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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,						Six months ended June 30,			
	2019		2020		2021		2021		2022	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Offline channels ⁽¹⁾	3,133,928	92.6	3,738,582	90.7	4,246,420	88.5	2,034,446	88.3	2,021,169	89.4
Online channels	250,838	7.4	381,775	9.3	553,780	11.5	268,396	11.7	239,360	10.6
– Online distribution ⁽²⁾	144,034	4.2	230,677	5.6	302,289	6.3	153,590	6.7	117,861	5.2
– Online direct sales ⁽³⁾	106,804	3.2	151,098	3.7	251,491	5.2	114,806	5.0	121,499	5.4
Total	3,384,766	100.0	4,120,357	100.0	4,800,200	100.0	2,302,842	100.0	2,260,529	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 June 30, 2022, we cooperated with more than 1,830 offline distributors which covered approximately 735,000 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 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

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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 June 30, 2022, we had four plants in Henan, namely Luohe Pingping Plant, Luohe Weilai Plant, Zhumadian Weilai Plant and Luohe Weidao Plant, and one plant under construction in Henan, namely Luohe Xinglin Plant, at which part of the production lines had been utilized for test production. The tables below set out the details of our designed production capacities, actual production volume, and utilization rates for the periods indicated, by product types and by plants:

	Year ended December 31,									Six months ended June 30,		
	2019			2020			2021			2022		
	Designed Capacity	Actual Production	Utilization Rate	Designed Capacity	Actual Production	Utilization Rate	Designed Capacity	Actual Production	Utilization Rate	Designed Capacity	Actual Production	Utilization Rate
Product Segment	(ton)			(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%	107,773.2	75,497.2	70.1%
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%	38,214.0	26,809.9	70.2%
Bean-based and other products	11,101.7	7,558.5	68.1%	4,860.6	3,642.6	74.9%	5,310.0	4,643.9	87.5%	1,545.8	1,192.5	77.1%
Total	226,265.2	195,898.4	86.6%	286,768.6	211,829.5	73.9%	346,610.2	244,897.1	70.7%	147,533.1	103,499.5	70.2%

	Year ended December 31,									Six months ended June 30,		
	2019			2020			2021			2022		
	Designed Capacity	Actual Production	Utilization Rate	Designed Capacity	Actual Production	Utilization Rate	Designed Capacity	Actual Production	Utilization Rate	Designed Capacity	Actual Production	Utilization Rate
Production Plants	(ton)			(ton)			(ton)			(ton)		
Luohe Pingping Plant	117,437.3	97,198.2	82.8%	123,619.5	97,032.5	78.5%	113,484.5	86,365.4	76.1%	52,696.9	34,292.0	65.1%
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%	28,278.6	18,382.6	65.0%
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%	18,354.1	14,557.8	79.3%
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%	48,203.5	34,202.7	71.0%
Luohe Xinglin Plant	=	=	=	=	=	=	=	=	=	N/A	2,064.4	N/A
Total	226,265.2	195,898.4	86.6%	286,768.6	211,829.5	73.9%	346,610.2	244,897.1	70.7%	147,533.1	103,499.5	70.2%

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

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.

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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 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.

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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.

Underpinned by our dedication to delivering quality products to consumers, 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. In addition, we have launched an overall upgrade of our major products, among which we have applied new packages, production techniques, ingredients and specification since May 2022.

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.”

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

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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.

Key Items of Consolidated Statements of Profit or Loss

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

	<u>Year ended December 31,</u>			<u>Six months ended June 30,</u>	
	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2021</u>	<u>2022</u>
	<u>(RMB’000)</u>	<u>(RMB’000)</u>	<u>(RMB’000)</u>	<u>(RMB’000)</u>	<u>(RMB’000)</u>
				<i>(unaudited)</i>	
Revenue from contracts with customers	3,384,766	4,120,357	4,800,200	<u>2,302,842</u>	<u>2,260,529</u>
Cost of sales of goods	<u>(2,130,463)</u>	<u>(2,554,692)</u>	<u>(3,007,169)</u>	<u>(1,453,138)</u>	<u>(1,398,981)</u>
Gross profit	<u>1,254,303</u>	<u>1,565,665</u>	<u>1,793,031</u>	<u>849,704</u>	<u>861,548</u>
Distribution and selling expenses	(281,265)	(370,975)	(520,613)	<u>(262,610)</u>	<u>(269,487)</u>
Administrative expenses	(138,204)	(201,096)	(359,110)	<u>(140,446)</u>	<u>(220,704)</u>
Other income, net	35,148	58,841	152,666	<u>16,221</u>	<u>59,909</u>
Other (losses)/gains, net	<u>(1,744)</u>	<u>31,427</u>	<u>11,715</u>	<u>2,490</u>	<u>(598,655)</u>
Operating profit/(loss)	<u>868,238</u>	<u>1,083,262</u>	<u>1,077,386</u>	<u>465,359</u>	<u>(167,046)</u>
Finance income	107	481	24,782	<u>7,865</u>	<u>31,704</u>
Finance costs	<u>(3,215)</u>	<u>(5,785)</u>	<u>(5,536)</u>	<u>(1,967)</u>	<u>(7,971)</u>
Profit/(loss) before income tax	<u>866,508</u>	<u>1,078,337</u>	<u>1,096,632</u>	<u>471,257</u>	<u>(143,313)</u>
Profit/(loss) for the year/period	<u>658,099</u>	<u>818,764</u>	<u>826,729</u>	<u>357,586</u>	<u>(260,830)</u>

Note: The above table sets forth selected key items of our consolidated statements of profit or loss. See “Financial Information – Description of Major Components of Our Results of Operations”.

Non-IFRS Measures

To supplement our consolidated financial statements, which are presented in accordance with IFRS, we also use adjusted net profit (Non-IFRS measure) 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 (Non-IFRS measure) may not be comparable to similarly titled measures presented by other 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 (Non-IFRS measure) as net profit/(loss) for the year/period adjusted by adding back share-based payment expenses and [REDACTED] expenses. The following table reconciles our adjusted net

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profit (Non-IFRS measure) for the periods presented to the most directly comparable financial measures calculated and presented in accordance with IFRS, which is net profit for the period:

	Year ended December 31,			Six months ended June 30,	
	2019	2020	2021	2021	2022
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
				<i>(unaudited)</i>	
Reconciliation of net profit/(loss) to adjusted net profit (Non-IFRS measure)					
Profit/(loss) for the year/period	658,099	818,764	826,729	357,586	(260,830)
Add:					
Share-based payment to employees ⁽¹⁾	—	—	50,519	8,308	49,107
[REDACTED] expenses ⁽²⁾	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
One-off share-based payments related to Pre-[REDACTED] Investments ⁽³⁾	=	=	=	=	628,811
Adjusted net profit (Non-IFRS measure)⁽⁴⁾	659,004	821,221	907,750	379,644	424,892

(1) Share-based payment to employees, which is non-cash in nature 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) One-off share-based payments related to Pre-[REDACTED] Investments refer to the supplemental agreement of share purchase agreement our Company entered into with certain Pre-[REDACTED] investors, 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 April 2022.

(4) 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,						Six months ended June 30,			
	2019		2020		2021		2021		2022	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
							<i>(unaudited)</i>			
Seasoned flour products	920,009	37.2	1,012,162	37.6	1,046,962	35.9	494,195	35.3	467,013	34.8
Vegetable products	247,574	37.2	458,302	39.3	663,403	39.9	311,238	39.3	353,561	43.2
Bean-based and other products	86,720	35.4	95,201	36.3	82,666	37.9	44,271	40.7	40,974	40.4
Total	1,254,303	37.1	1,565,665	38.0	1,793,031	37.4	849,704	36.9	861,548	38.1

Our total gross profit showed an increasing trend during the Track Record Period primarily as the result of the continuous increase in gross profit from vegetable products during the Track Record Period and the increase in gross profit from seasoned flour products from 2019 to 2021. 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 increased by 1.4% from RMB849.7 million in the six months ended June 30, 2021 to RMB861.5 million in the six months ended June 30, 2022,

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primarily due to the increase in gross profit from vegetable products, partially offset by the decrease in gross profit from seasoned flour products. 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. Our gross profit margin increased from 36.9% in the six months ended June 30, 2021 to 38.1% in the six months ended June 30, 2022 primarily due to the increased selling prices of our products.

Profit/loss for the year/period

Our profit for the year increased by 24.4% from RMB658.1 million in 2019 to RMB818.8 million in 2020, primarily due to the increase in our revenue. Our profit for the year was RMB818.8 million in 2020 and RMB826.7 million in 2021, respectively, which remained relatively stable. Our profit/loss for the period changed from a profit of RMB357.6 million in the six months ended June 30, 2021 to a loss of RMB260.8 million in the six months ended June 30, 2022, primarily due to the one-off share-based payments related to Pre-[REDACTED] Investments, partially offset by the increase in our gross profit from RMB849.7 million to RMB861.5 million during the same period.

Key Items of Consolidated Balance Sheets

The following table sets out the key items of our consolidated balance sheets as of the dates indicated:

	<u>As of December 31,</u>			<u>As of June 30,</u>
	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
	<u>(RMB'000)</u>	<u>(RMB'000)</u>	<u>(RMB'000)</u>	<u>(RMB'000)</u>
<u>Non-current assets</u>	<u>557,985</u>	<u>1,080,422</u>	<u>2,204,324</u>	<u>2,745,160</u>
<u>Property, plant and equipment</u>	<u>371,141</u>	<u>663,522</u>	<u>964,449</u>	<u>1,418,054</u>
<u>Term deposits with initial term over three months</u>	<u>—</u>	<u>110,000</u>	<u>954,340</u>	<u>984,587</u>
<u>Current assets</u>	<u>1,085,873</u>	<u>1,860,071</u>	<u>2,986,265</u>	<u>3,174,236</u>
<u>Financial assets at fair value through profit or loss</u>	<u>458,564</u>	<u>842,289</u>	<u>802,103</u>	<u>1,562,997</u>
<u>Non-current liabilities</u>	<u>42,928</u>	<u>140,278</u>	<u>265,148</u>	<u>370,634</u>
<u>Deferred income</u>	<u>13,945</u>	<u>117,662</u>	<u>160,316</u>	<u>196,606</u>
<u>Current liabilities</u>	<u>786,779</u>	<u>1,167,951</u>	<u>1,255,512</u>	<u>1,412,672</u>
<u>Trade and other payables</u>	<u>401,388</u>	<u>462,114</u>	<u>593,855</u>	<u>506,557</u>
<u>Borrowings</u>	<u>137,720</u>	<u>393,366</u>	<u>396,112</u>	<u>681,870</u>

Note: The above table sets forth selected key items of our consolidated balance sheets. See “Financial Information – Key Line Items of Our Current Assets and Liabilities”.

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. Our net current assets increased from RMB1,730.8 million as of December 31, 2021 to RMB1,761.6 million as of June 30, 2022, primarily due to the increase in our financial assets at fair value through profit or loss mainly in relation to the increase in our purchase of structured deposit.

SUMMARY

Our net assets increased from RMB814.2 million as of December 31, 2019 to RMB1,632.3 million as of December 31, 2020 primarily in relation to our profit for the year in 2020, and further increased to RMB3,669.9 million as of December 31, 2021 primarily in relation to capital injection and profit for the year in 2021, which was partially offset by our repurchase of shares in connection with Pre-[REDACTED] Investments and our dividends declared. Our net assets further increased to RMB4,136.1 million as of June 30, 2022 primarily in relation to our profit before one-off share-based payments related to Pre-[REDACTED] Investments.

Summary of the Consolidated Statements of Cash Flows

	<u>Year ended December 31,</u>			<u>Six months ended June 30,</u>	
	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2021</u>	<u>2022</u>
	<u>(RMB'000)</u>	<u>(RMB'000)</u>	<u>(RMB'000)</u>	<u>(RMB'000)</u>	<u>(RMB'000)</u>
				<i>(unaudited)</i>	
Net cash generated from operating activities	750,005	706,401	889,126	450,865	447,159
Net cash used in investing activities	(619,554)	(878,781)	(1,780,817)	(383,403)	(1,126,607)
Net cash (used in)/generated from financing activities	(217,693)	245,605	1,260,476	1,118,527	353,679
Net increase/(decrease) in cash and cash equivalents	(87,242)	73,225	368,785	1,185,989	(325,769)
Cash and cash equivalents at the beginning of the year/ period	176,236	88,994	161,740	161,740	494,275
Effects of exchange rate changes on cash and cash equivalents	—	(479)	(36,250)	(31,022)	12,349
Cash and cash equivalents at the end of the year/period	88,994	161,740	494,275	1,316,707	180,855

Key Financial Ratios

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

	<u>Year ended/As of December 31,</u>			<u>Six months ended/As of June 30,</u>
	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Net profit/(loss) margin ⁽¹⁾	19.4%	19.9%	17.2%	(11.5%)
Adjusted net profit margin (non-IFRS measure) ⁽²⁾	19.5%	19.9%	18.9%	18.8%
Return on assets ⁽³⁾	49.9%	35.7%	20.3%	(9.4%)
Adjusted return on assets (non-IFRS measure) ⁽⁴⁾	50.0%	35.8%	22.3%	15.3%
Return on equity ⁽⁵⁾	135.6%	66.9%	31.2%	(13.4%)
Adjusted return on equity (non-IFRS measure) ⁽⁶⁾	135.7%	67.1%	34.2%	21.8%
Current ratio ⁽⁷⁾	1.38	1.59	2.38	2.25
Quick ratio ⁽⁸⁾	0.87	1.13	1.90	1.89
Gearing ratio ⁽⁹⁾	16.9%	24.1%	12.5%	19.8%

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

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

(3) Equals profit for the years ended December 31, 2019, 2020 and 2021, or annualized profit/(loss) for the six months ended June 30, 2022 divided by the average of the beginning and ending balance of total assets for that period and multiplied by 100%.

(4) Equals adjusted net profit as a non-IFRS measure for the years ended December 31, 2019, 2020 and 2021, or annualized adjusted net profit as a non-IFRS measure for the six months ended June 30, 2022 divided by the average of the beginning and ending balance of total assets for that period and multiplied by 100%.

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- (5) Equals profit for the years ended December 31, 2019, 2020 and 2021, or annualized profit/(loss) for the six months ended June 30, 2022 divided by the average of the beginning and ending balance of total equity for that period and multiplied by 100%.
- (6) Equals adjusted net profit as a non-IFRS measure for the years ended December 31, 2019, 2020 and 2021, or annualized adjusted net profit as a non-IFRS measure for the six months ended June 30, 2022 divided by the average of the beginning and ending balance of total equity for that period and multiplied by 100%.
- (7) Equals current assets divided by current liabilities as of the same date.
- (8) Equals current assets less inventories and divided by current liabilities as of the same date.
- (9) 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.”

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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] 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, RMB596.0 million and nil, respectively, in 2019, 2020, 2021 and the six months ended June 30, 2022. 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 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; and
- approximately [REDACTED]% of the net [REDACTED] (approximately HK\$[REDACTED] million) will be used to advance the digitization and intelligence of our business.

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.

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.

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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.

Recent Developments

Our business operations and financial results remained relatively stable since June 30, 2022, while we observed a slight decrease in sales for the ten months ended October 31, 2022, primarily due to (i) the regional resurgences of COVID-19 in certain parts of China; and (ii) the price adjustment resulted from our recent product upgrade in our major product categories in the first half of 2022. See “Financial Information – RESULTS OF OPERATIONS – The six months ended June 30 2022 compared to the six months ended June 30, 2021.” Leveraging our strong brand awareness, broad customer base and efficient supply chain management, we do not expect that COVID-19 and price adjustment would materially and adversely impact our results of operations and profit margins in 2022.

Our profit for the year in 2022 is expected to decrease substantially mainly due to the share-based payments related to Pre-[REDACTED] Investments in relation to the supplemental agreement of share purchase agreement our Company entered into with certain Pre-[REDACTED] investors, 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 April 2022.

Certain production lines of our Luohe 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. In September 2022, we entered into a land use right transfer agreement for a parcel of land with an area of 17,399.00 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 Qujing Plant.

As the leader in spicy snack industry with accumulated industry experience, expertise and advanced level of R&D, we worked with Chinese Institute of Food Science and Technology (the “CIFST”) and other academic institutes and associations in drafting the Industry Standards for Seasoned Flour Products (QB/T 5729-2022), which was promulgated by the Ministry of Industry and Information Technology on April 24, 2022 and came into effect on October 1, 2022. In July 2022, we assisted the CIFST to host a seminar discussing the abovementioned industry standards, which provided guidance for the development of the industry in the long term. The new standard will significantly reduce the number of varieties of food additives and lower the content of salt and oil in seasoned flour products, and is expected to raise entry barriers to the players in the industry. Leading players with higher operating standards could benefit from the rising industry standard and gain more market share in the future.

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 June 30, 2022, 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 June 30, 2022 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] are [REDACTED] pursuant to the [REDACTED], (ii) [REDACTED] are [REDACTED] 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] expected to be in [REDACTED] 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 [REDACTED] of our [REDACTED] and deducted from equity, 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)
[REDACTED] fees	[REDACTED]	[REDACTED]
Non-[REDACTED] fees	[REDACTED]	[REDACTED]
Professional fees	[REDACTED]	[REDACTED]
Non-professional fees	[REDACTED]	[REDACTED]