

## FUTURE PLANS AND USE OF [REDACTED]

### FUTURE PLANS

See “Business – Our Strategies” in this document for a detailed description of our future plans.

### 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 [REDACTED] range stated in this document) and assuming that the [REDACTED] is not exercised.

Assuming that the [REDACTED] is fixed at HK\$[REDACTED] per [REDACTED] (being the mid-point of the indicative [REDACTED] range), 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 in the next three to five years. In particular:
  - (i) According to Frost & Sullivan Report, the market size for spicy snack food in China is expected to reach approximately RMB273.7 billion in 2026 at a CAGR of 9.6% from 2021 to 2026. Major market drivers include increasing disposable income and purchasing power of consumers, popularity of spicy cuisine, growing consumer base across various age groups, and more diversified consumption occasions and increasing consumption frequency. We plan to seize the market potentials by continuing to enhance the core competency of our products, devote to brand building, enhance consumer engagement, increase the breadth and depth of our distribution network, and improve our operating efficiencies. Assuming continuous production at our current four production plants with an 80% utilization rate, the market demands for our seasoned flour products, vegetable products, and certain of our bean-based and other products will exceed our production capacity in 2022. We will engage in production expansion to meet the market demands; approximately [REDACTED]% of the net [REDACTED] (approximately HK\$[REDACTED] million) will be used to construct new plants, and expand and upgrade our existing plant to increase the production capacities by 176,745 tons, with the production capacities of our seasoned flour products increasing by 90,000 tons, of our vegetable products increasing by 72,000 tons, and of our bean-based and other products, including new products such as our spicy meat products, potato-based products, and egg-based products, increasing by 14,745 tons to meet the consumers’ increasing demand for our products, including:
    - a. approximately [REDACTED]% of the net [REDACTED] (approximately HK\$[REDACTED] million) will be used to construct new plants: (a) approximately [REDACTED]% of the net [REDACTED] (approximately HK\$[REDACTED] million) will be used for land purchase, plants construction, equipment procurement, and other general expenditures in relation with

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the construction of the new plant in eastern China. We expect to start the construction for our new plant in eastern China in 2025, which is expected to be fully operational by 2028. The forecast payback period is approximately three years, and the forecast break even period is approximately one year after the plants become operational; In our forecast payback period and forecast break even period estimates, we have assumed that: (1) the optimal utilization rate will be 80%. We schedule downtimes for maintenance and repairs and regular inspections of production facilities and equipment to prolong their useful lives. We also carry out routine cleaning and maintenance of our production equipment. According to Frost & Sullivan Report, generally, the utilization rate in the snack food industry would range between 75% to 85% for the leading players; (2) we will purchase land upon which production plants will be built. This plant is expected to increase the output of our seasoned flour products, vegetable products and bean-based and other products by 59,400 tons each year; and (b) approximately [REDACTED]% of the net [REDACTED] (approximately HK\$[REDACTED] million) will be used in construction of a new plant in Qujing, Yunnan, which is scheduled to start initial production by 2023 and is expected to be fully operational by 2025. The forecast payback period for our Yunnan Qujing Plant is approximately three to four years, and the forecast break even period is approximately one year after the plant becomes fully operational. In our forecast payback period and forecast break even period estimates, we have assumed that the utilization rate will be 80% for the aforementioned reasons. This plant is expected to increase the output of our seasoned flour products and vegetable products by 59,400 tons each year;

- b. approximately [REDACTED]% of the net [REDACTED] (approximately HK\$[REDACTED] million) will be used for the expansion and upgrade of our Luohe Xinglin Plant, which is expected to become fully operational by 2023. The forecast payback period for our Luohe Xinglin Plant is approximately five years, and the forecast break even period is approximately one year after the plant becomes fully operational. In our forecast payback period and forecast break even period estimates, we have assumed that the utilization rate will be 80% for the aforementioned reasons. This plant is expected to increase the output of our vegetable products and bean-based and other products by 57,945 tons per year;
- (ii) approximately [REDACTED]% of the net [REDACTED] (approximately HK\$[REDACTED] million) will be used to upgrade our production equipment, mainly including the introduction of automation equipment for seasoned flour products and vegetable products, such as automatic seasoning-mixing systems and automatic packaging systems;
- (iii) approximately [REDACTED]% of the net [REDACTED] (approximately HK\$[REDACTED] million) will be used to improve automation and intelligence of our warehousing equipment and system and improve the distribution network layout according to the sales of the target market, such as setting up three regional distribution centers (RDC) in key cities in Northeastern China, Southwestern China and Southern China to shorten the delivery time. We also aim to achieve automation and intelligence of all key steps during the warehousing processes. For

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example, we will use the warehouse management system (WMS) to manage receiving and dispatching products as well as inventory management, the transportation management system (TMS) to manage logistics arrangements and tracking delivery information, and the warehouse control system (WCS) to integrate the use of smart warehouse management system and automated hardware, including automated robotic arms, adjustable conveyors and automated guided vehicles (AGV).

- approximately [REDACTED]% of the net [REDACTED] (approximately HK\$[REDACTED] million) will be used to further expand our sales and distribution network in the next three to five years. See “Business – Our Sales Channels”. In particular:
  - (i) approximately [REDACTED]% of the net [REDACTED] (approximately HK\$[REDACTED] million) will be used to further improve and expand our distribution channels, in particular: (i) cooperate with more quality offline distributors and to establish more liaison offices in selected cities, and assist offline distributors to visit key retail points of sale and enhance their management capabilities of retail points of sale to improve product sales by increasing the visibility of our products and (ii) increase investment for long-term product display at retail points of sale and increase offline advertising and marketing efforts such as purchasing shelf space for product display and conducting marketing activities for festivals so as to enhance product sales;
  - (ii) approximately [REDACTED]% of the net [REDACTED] (approximately HK\$[REDACTED] million) will be used to further improve our proprietary sales management system over the next five years, primarily providing (a) sales data collection and analysis functions for us to understand the market demands more effectively, (b) visualized and customized sales guidelines and tools to enable our internal team to provide better instructions with respect to shelf space display and marketing promotion, and (c) more function modules for our distributors to track the activities of their sales specialists and the performance of their respective retail points of sale, as well as enhance their online services such as online order management and online billing activities.
- approximately [REDACTED]% of the net [REDACTED] (approximately HK\$[REDACTED] million) will be used for brand building in the next three to five years. It will be used for online brand marketing activities, such as text, audio and video content marketing activities for brand and product promotion, entertainment marketing activities (film, television advertising placement, sponsorship of popular variety shows), and social media interaction through various online platforms or websites to increase the communication frequency with target consumers, such as the co-promotion of spicy snack products with well-known internet celebrities, and co-branding initiatives.
- 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 in the next three to five years. See “Business – Our Research and Development”.
  - (i) Our main uses of approximately [REDACTED]% of the net [REDACTED] (approximately HK\$[REDACTED] million) include: (a) approximately [REDACTED]% of the net [REDACTED] (approximately HK\$[REDACTED] million) will be used for improving or upgrading our existing products, including research

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and development activities on 1. products with different ingredients and nutrient content, such as products with reduced salt, reduced sugar, reduced oil, or higher content of dietary fibers, 2. adjustment and optimization of production techniques for existing products, including further automation of current production lines to achieve higher production efficiency and improvement of production processes to reduce scrap and associated costs, 3. adoption of more environmentally friendly packaging materials, such as recyclable materials, and new packaging styles for various consumption scenarios, and 4. measurement of key grading index in raw materials to select high quality and cost effective of raw materials to ensure the safety and stable high quality of our products; (b) approximately [REDACTED]% of the net [REDACTED] (approximately HK\$[REDACTED] million) will be used for launching new product varieties within existing product categories catering to differentiated consumption needs that have not been sufficiently served, including 1. selection, experiment and test of raw materials suitable for new product varieties considering different properties, such as texture and starch content, in relation with different types of raw materials, 2. in-house research and development of new food processing technologies, 3. collaboration with third parties to license or purchase new food processing technologies; and 4. development of proprietary tools and molds to accommodate production of new product varieties; (c) approximately [REDACTED]% of the net [REDACTED] (approximately HK\$[REDACTED] million) will be used for continuous research and development on products in our product pipelines, such as our spicy meat products, potato-based products, egg-based products, and bean-based products, including 1. further research and development on product performance and stability, 2. adjustment, upgrade and purchase of equipment and development of proprietary tools and molds for large-scale production, 3. trial production and pilot projects to conduct quantitative and qualitative consumer surveys, focus group studies, and market acceptance analysis, to achieve product optimization, which usually last approximately 2 years for products in the pipeline and 4. technology adjustment and upgrade, including further automation of production lines to achieve higher efficiency for large-scale production; and (d) approximately [REDACTED]% of the net [REDACTED] (approximately HK\$[REDACTED] million) will be used for expanding into new product categories according to our strategy to solidify our market position including 1. initial market survey and positioning research, 2. establishment of test platforms from small-scale laboratory to mid-scale production test for product formula, ingredients, and nutrients research and development, experiment and optimization, and 3. enlargement of product pipelines for new products;

- (ii) approximately [REDACTED]% of the net [REDACTED] (approximately HK\$[REDACTED] million) will be used to introduce high-end technology talents, strengthen the R&D ability for new products, product improvement capability and frontier and fundamental research capabilities. To this end, we intend to expand our R&D team by around 100% to approximately 200 personnel in the next 5 years by hiring people with different background, including food processing and safety, food science and engineering, biological engineering, automation and control engineering, and chemistry. Currently, we plan to hire 10% personnel with PhD degrees to lead research and development projects, 80% personnel with master degrees, and 10% personnel with bachelor degrees;

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- (iii) approximately [REDACTED]% of the net [REDACTED] (approximately HK\$[REDACTED] million) will be used to establish our Weilong Research Institute, including strengthening project cooperation with universities and research institutes at home and abroad, and promoting the fundamental research of R&D. We will cover research and development in various fields including nutrition and food safety, raw material research, biological engineering, agricultural study, and packaging material researches, among others. Our Weilong Research Institute will be equipped with microbiology laboratories and physical properties testing laboratories, among others. We intend to apply to establish work stations of postdoctoral scientific researches at Weilong Research Institute;
  - (iv) approximately [REDACTED]% of the net [REDACTED] (approximately HK\$[REDACTED] million) will be used for the purchase of instrument and equipment, mainly for advanced instrument and equipment for research of products and raw materials, such as thermal analyzers for studying the properties of proteins and oils and scanning electron microscopes for imaging microstructures to facilitate our research activities;
  - (v) approximately [REDACTED]% of the net [REDACTED] (approximately HK\$[REDACTED] million) will be used to improve our product quality and safety management, mainly including investment in relevant hardware and software facilities and upgrades of food testing technologies.
- approximately [REDACTED]% of the net [REDACTED] (approximately HK\$[REDACTED] million) will be used to advance the digitization and intelligence of our business in the next three to five years:
    - (i) approximately [REDACTED]% of the net [REDACTED] (approximately HK\$[REDACTED] million) will be used for (a) digitization of production, supply chain, marketing, R&D, finance and quality, among others. Through external procurement and in-house development, we aim to establish and implement a cross-department operating system covering each critical step of our business process from procurement, production and sales to customer services and functional departments such as finance and human resource, to facilitate a closer collaboration between different departments, improve our operation efficiency as well as achieve more effective and comprehensive assessment of our works by setting multiple KPIs at the headquarter level; (b) the deployment and construction of mixed cloud, IaaS, PaaS and other IT infrastructure. We intend to improve our data storage and analysis capabilities through building our own cloud storage facilities as well as procuring cloud computing and storage services from IaaS and PaaS providers. We also plan to procure, install and upgrade software, hardware and other IT supporting facilities to support the expansion of our business; and (c) automation, intelligence and digitization of user operation;
    - (ii) approximately [REDACTED]% of the net [REDACTED] (approximately HK\$[REDACTED] million) will be used for the introduction of IT talents. We plan to recruit approximately 120 IT talents of various seniority levels by 2025, specialized in areas such as business and process architecture, product design, product development, product testing, consulting and implementation, project management, and data analysis with annual salaries ranging from RMB0.3 million to RMB1.9 million.

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The above allocation of the [REDACTED] will be adjusted on a pro rata basis in the event that the [REDACTED] is fixed at a higher or lower level compared to the mid-point of the estimated [REDACTED] range or the [REDACTED] is not exercised.

If the [REDACTED] is determined at HK\$[REDACTED] per [REDACTED], being the high end of the [REDACTED] range stated in this document, after deducting the [REDACTED] fees and [REDACTED] and estimated expenses payable by us in respect with the [REDACTED], we will receive net [REDACTED] of approximately HK\$[REDACTED] million, assuming that the [REDACTED] is not exercised.

If the [REDACTED] is determined at HK\$[REDACTED] per [REDACTED], being the low end of the [REDACTED] range stated in this document, after deducting the [REDACTED] fees and [REDACTED] and estimated expenses payable by us in connection with the [REDACTED], we will receive net [REDACTED] of approximately HK\$[REDACTED] million, assuming that the [REDACTED] is not exercised.

If the [REDACTED] is exercised in full, we will receive the additional net [REDACTED] from approximately HK\$[REDACTED] million (assuming an [REDACTED] of HK\$[REDACTED] per Share, being the low end of the proposed [REDACTED] range) to HK\$[REDACTED] million (assuming an [REDACTED] of HK\$[REDACTED] per Share, being the high end of the proposed [REDACTED] range), after deducting the [REDACTED] fees and [REDACTED] and estimated expenses payable by us in connection with the [REDACTED].

To the extent that the net [REDACTED] of the [REDACTED] are not immediately used for the above purposes or if we are unable to effect any part of our future development plans as intended, we will only deposit those net [REDACTED] into short-term interest-bearing accounts at licensed commercial banks and/or other authorized financial institutions (as defined under the Securities and Futures Ordinance, the Law of the People’s Republic of China on Commercial Banks (《中華人民共和國商業銀行法》) and other applicable laws in the PRC). In such event, we will comply with the appropriate disclosure requirements under the Listing Rules.