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OVERVIEW

Established in 2002, we are an agricultural food products producer in the PRC. We first developed our business from producing dried food products. Leveraging our experience and established brand name in dried food products production, we expanded our business into production of instant vegetable snacks in September 2018 and further expanded our production lines to produce instant meat snacks in January 2021. We principally engage in manufacturing and, to a lesser extent, trading of instant snacks and dried food products. For our manufacturing business, we produce and sell a variety of (i) instant snacks (including instant vegetable snacks and instant meat snacks) such as bamboo shoots crisps and roasted duck necks; and (ii) packaged dried food products such as fungi, dried aquatic products, algae, grains and seasonings in the PRC. We generally (i) source raw materials from our suppliers, (ii) process the raw materials and package products at our own production facilities, and (iii) sell the products under our own “Shengyao (聲耀)” and “Gangweifang (贛味坊)” brands. For our trading business, we purchase dried candied fruit, nuts and other products in bulk from suppliers and sell to retailers and corporate customers without further processing in the PRC. We believe the trading business model allows us to introduce selected products to enrich our product offerings and to fully utilise our sales channels and marketing resources to cater customers’ needs and preferences. We offer a large and evolving range of diverse product portfolio covering five types of products including (i) instant snacks; (ii) dried delicacies; (iii) dried aquatic products; (iv) grains; and (v) seasonings and others. As at 31 December 2021 and the Latest Practicable Date, our product portfolio included 560 and 564 types of instant snacks, and 623 and 625 types of dried food products, respectively. According to the Frost & Sullivan Report, we were ranked third with market share of approximately 0.5% of the vegetables, fungus, fruits and nuts and aquatic products processing market and fifth with market share of approximately 1.2% of the snack food market, in Jiangxi Province, in terms of revenue in 2021.

As at the Latest Practicable Date, we have two production facilities, namely Nanchang Plant and Guangchang Plant, in Jiangxi Province, the PRC. Nanchang Plant is specialised in the processing and packaging of dried food products and Guangchang Plant is equipped with cooking equipment which is dedicated for the production of instant snacks.

We primarily sell our products to retailers such as supermarkets and grocery stores, corporate customers, e-commerce channel on Tmall.com, and other individual customers. We also sell our products such as instant snacks, dried aquatic products, nuts, cereals and mushrooms at concessionary counters in supermarkets, where our promoters will promote and interact face-to-face with end consumers to provide useful product information tailored to the interests and needs of individual consumers. The products sold at concessionary counters are generally not pre-packaged but sold according to weight.

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We generally source raw materials such as cuttlefish, lotus seeds, black fungi, pistachios, bamboo shoots, chicken feet and duck necks from farmers and agricultural cooperatives and corporate suppliers. We secure raw materials in advance to maintain the stability of our supplies and control our procurement cost. We maintain a selected list of suppliers for raw materials. We evaluate materials, quality of the products and timeliness of product delivery of our suppliers. We have also established strong relationships with our five largest suppliers which help to reduce our exposure to price and supply fluctuations.

We believe our customers choose our products mainly based on (i) our high quality of products; (ii) our stable product supply, and (iii) our large and evolving range of diverse product offerings. During the Track Record Period, our products were mainly sold and delivered to our customers in Jiangxi Province, Hubei Province, Zhejiang Province and Sichuan Province. As at 31 December 2021, we had 28 sales representatives and over 200 promoters in the PRC. Our sales representatives are responsible to manage our relationships with customers and follow up with customer orders, whereas our promoters are stationed at concessionary counters in supermarkets to promote our products to end consumers. We believe our strong and diversified customer base and track record serve as a solid foundation for our future growth and development.

We believe that quality control and product development are crucial to our competitiveness and continued success. We have adopted and implemented the HACCP standard which is an internationally recognised management system addressing food safety. In recognition of our standards and efforts, we have also been accredited ISO9001:2015 in relation to our quality management and food safety. Our stringent quality control practices cover the sourcing of raw materials, production, packaging and inventory storage. We also put significant emphasis on product development and are committed to enhancing product quality to cater for changing consumer preference. Our product development team worked closely with our sales and marketing team, production team and quality control team to introduce new products and enhance our existing products and product packages from time to time for our business development and sustainable growth. For FY2019, FY2020 and FY2021, we introduced 114, 227 and 310 new products, respectively, such as spicy bamboo shoot crisps, spicy enoki mushroom, spicy kelp, marinated chicken wing tips and roasted duck necks into the market. We believe that the high quality of our products and their attractive packaging and design increased end consumers' acceptance of our products.

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The following table sets out the sales volume in tonne and average selling price per kg of our products during the Track Record Period:

	FY2019		FY2020		FY2021	
	Sales volume	Average selling price per kg	Sales volume	Average selling price per kg	Sales volume	Average selling price per kg
	(tonne)	(RMB)	(tonne)	(RMB)	(tonne)	(RMB)
Instant snacks	2,308	55.6	3,369	40.8	4,046	42.3
Dried delicacies	1,281	67.8	1,127	62.5	1,098	79.6
Dried aquatic products	392	119.2	379	139.7	426	138.5
Grains	3,510	8.2	1,546	11.6	1,754	12.2
Seasonings and others	514	13.0	343	12.1	314	10.1
Total	8,005	N/A	6,764	N/A	7,638	N/A

The following table sets out a breakdown of our revenue categorised by product line during the Track Record Period:

	FY2019		FY2020		FY2021	
	RMB'000	%	RMB'000	%	RMB'000	%
Instant snacks	128,419	43.2	137,426	48.6	171,059	50.0
Dried delicacies	86,800	29.2	70,454	24.9	87,410	25.6
Dried aquatic products	46,716	15.7	52,965	18.7	59,002	17.3
Grains	28,791	9.7	17,899	6.3	21,358	6.2
Seasonings and others	6,672	2.2	4,145	1.5	3,169	0.9
Total	297,398	100.0	282,889	100.0	341,998	100.0

The following table sets out a breakdown of our revenue categorised by business models and sales channels during the Track Record Period:

	FY2019		FY2020		FY2021	
	RMB'000	%	RMB'000	%	RMB'000	%
Manufacturing						
Shengyao (聲耀)	205,826	69.2	208,308	73.6	221,060	64.6
Gangweifang (贛味坊)	17,609	5.9	20,641	7.3	29,292	8.6
Subtotal	223,435	75.1	228,949	80.9	250,352	73.2
Trading	73,963	24.9	53,940	19.1	91,646	26.8
Total	297,398	100.0	282,889	100.0	341,998	100.0

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The following table sets out a breakdown of our revenue categorised by sales channels during the Track Record Period:

	FY2019		FY2020		FY2021	
	RMB'000	%	RMB'000	%	RMB'000	%
Retailers						
Supermarkets	208,097	70.0	196,040	69.3	230,751	67.5
Concessionary counters . .	29,198	9.8	38,697	13.7	50,559	14.8
Grocery stores	1,588	0.5	1,935	0.7	6,604	1.9
Subtotal	238,883	80.3	236,672	83.7	287,914	84.2
Corporate customers	57,215	19.2	42,251	14.9	51,261	15.0
E-commerce	841	0.3	3,944	1.4	2,728	0.8
Others (<i>Note</i>)	459	0.2	22	0.0	95	0.0
Total	297,398	100.0	282,889	100.0	341,998	100.0

Note: Others mainly refer to direct sales to individual customers who, to the best knowledge of our Directors, purchase our products for their own consumption.

For detailed discussion of the fluctuations of our revenue during the Track Record Period, please refer to the paragraph headed “Financial Information — Description of Selected Items in Combined Statements of Profit or Loss and Other Comprehensive Income — Revenue” in this document.

OUR COMPETITIVE STRENGTHS

A track record of over 20 years in the agricultural food product processing industry with established brand in the PRC

We have over 20 years of experience in the agricultural food product processing industry in the PRC. Mr. Yang, who is our founder and also our executive Director, established Jiangxi Zhengwei in 2002 to engage in production of dried food products and further expanded our business into production of instant snacks in 2018. In 2011, our “Shengyao (聲耀)” brand was recognised as the “Well-known Trademark in Jiangxi Province” (江西省知名商標) by the Jiangxi Administration for Industry and Commerce. In 2014, we further developed our “Gangweifang (贛味坊)” brand. With our long-established “Shengyao (聲耀)” and “Gangweifang (贛味坊)” brands, we believe we have highly differentiated ourselves from our competitors in the agricultural food product processing market. With our continuous efforts in marketing our products through word-of-mouth promotion among our customers, in-store displays in supermarkets, as well as other promotions and advertising campaigns, we believe that, over the years, we have established a

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brand image that is associated with money for value, high standards, premium taste, reasonable price and good quality products. According to the Frost & Sullivan Report, we were ranked third with market share of approximately 0.5% of the vegetables, fungus, fruits and nuts and aquatic products processing market and fifth with market share of approximately 1.2% of the snack food market, in Jiangxi Province, in terms of revenue in 2021.

Solid customer base and long-term relationship with our major customers

Having over 20 years of history and experience in the agricultural food product processing industry and our continuous commitment and effort in maintaining high quality product and our emphasis on food safety, we have established a solid customer base. Our customers include retailers such as supermarkets and grocery stores, corporate customers and other individual customers. We also sell our products directly to end consumers through e-commerce platform on Tmall.com. We believe that our pursuit of good quality and high standards have helped us retain our existing customers as well as develop new customers. Our five largest customers during the Track Record Period have established business relationship with us for over five years. We believe that recurring sales orders from our existing customers enabled us to maintain stable sales volume during the Track Record Period. We believe that we have established close business relationships with our major customers, and such business relationship will continue to contribute to our future growth and development. As at 31 December 2021, we had 28 sales representatives, who cooperate closely and maintain our relationship with our major customers such as supermarkets, grocery stores, and corporate customers. Out of our five largest customers during the Track Record Period, over half of them are scaled supermarket chains for each financial year. Supermarkets also promote our products to end consumers in their advertisements and promotional events. Our established relationships with them signify their trust and confidence to the quality of our products, which allowed us to cross sell our instant vegetable and instant meat snacks when we first launched them in 2018 and 2021, respectively. We believe such long-term and trusted relationship will continue to offer us valuable sales channel to introduce new products to the market in the future. Through extensive network of our customers' physical stores, we believe our retailer customers such as supermarkets and grocery stores will continue to play a significant role in promoting our products to our end consumers, which further drive demand for our products and improve our brand image among end consumers.

Strong devotion and commitment to standardised production and stringent quality standards and control

We are committed to maintaining high product quality and implementing stringent quality management procedures from sourcing of raw materials, production, packaging and inventory storage. We have established procurement procedures to ensure that the raw materials such as cuttlefish, lotus seeds, black fungi, pistachios, bamboo shoots, chicken feet and duck necks

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sourced from suppliers meet our production and quality requirements. To ensure high quality of products, we have also maintained quality management and assurance procedures across our production and packaging facilities. We have adopted a set of comprehensive hygiene and safety standards, which our production staff is required to comply with during the production and packaging process. We have established standard operating procedures with step-by-step instructions of our production and packaging procedures to ensure each of our production staff will consistently follow our protocol of safe and high-quality food production. We also provide trainings to our production staff on food safety and quality requirements from time-to-time to ensure our product quality. Our production staff acts as the frontline of our quality control process, while our quality control team, which works independently from our production team, would check our product quality at different stage of production. For details of our quality control on raw materials, production processes and finished products, please refer to the paragraph headed “Quality Control and Food Safety” in this section.

We have also adopted and implemented the HACCP standard which is an internationally recognised management system addressing food safety. We also apply the relevant industry standards in our production process, including ISO9001:2015 to ensure that our products are consistently produced in compliance with the applicable industry standards. In addition, we were recognised as the Jiangxi Provincial Agricultural Industrialisation Leading Enterprise (江西省農業產業化省級龍頭企業) by Department of Agricultural and Rural Affairs of Jiangxi Province (江西省農業農村廳) in 2020. We believe these certifications and awards signify our commitment to pursue standardised production and excellence in our quality control standards and food safety measures, which we believe is fundamental to our customers’ loyalty and confidence to our brand and products.

Diversified product portfolio supported by innovative product development capabilities

Our comprehensive product portfolio offers a diversified choice of product offerings to meet the different requirements and tastes of our customers, which provides us the capability to respond to the change of preference of our end consumers and allow us to reach a broad customer base. As at 31 December 2019, 31 December 2020 and 31 December 2021, we had 487, 604 and 623 types of dried food products, respectively, and 159, 269 and 560 types of instant snacks in our product portfolio, respectively. As at the Latest Practicable Date, our product portfolio comprised (i) 564 types of instant snacks such as bamboo shoots crisps and roasted duck necks; and (ii) 625 types of dried food products, which included dried delicacies such as fungi and mushrooms, grains such as beans, rice and millet, dried aquatic products such as dried cuttlefish, squid, whitebait, scallop and algae and seasonings such as sugar.

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We continuously strive to innovate, diversify and improve the types of products we offer in variety of combinations of raw material, flavourings and packaging. Our product development team works closely with our sales and marketing team, production team and quality control team in enhancing our existing product portfolio and developing new products and packaging based on feedback from our customers and market research. As at 31 December 2021, we had 50 staff in our product development team dedicated to product development. We aim to improve our existing products and introduce new products to cater to changing consumer preferences, particularly product tastes and packaging, while maintaining our production costs at reasonable levels. For FY2019, FY2020 and FY2021, we introduced 114, 227 and 310 new products, respectively, such as spicy bamboo shoot crisps, spicy enoki mushroom, spicy kelp, marinated chicken wing tips and roasted duck necks into the market. For further details of our product development, please refer to the paragraph headed “Product Development” in this section.

According to Frost & Sullivan, with the increasing income level and purchasing power, the consumption of agricultural food products have been evolved from satiety to pleasure and enjoyment. Considering that our snack food products generally generate higher profit margin, going forward, we intend to focus our product development efforts on introducing new flavours to our existing snack food products, upgrading our design packaging and developing new snack food products such as quail eggs and quail meat snacks. For further details, please refer to the paragraph headed “Business Strategies — Expansion of our production capacity and enriching our product offerings” in this section.

Stable supply of raw materials and established relationship with suppliers

We source raw materials such as cuttlefish, lotus seeds, black fungi, pistachios, bamboo shoots, chicken feet and duck necks through our stable network of suppliers, including farmers, agricultural cooperatives and corporate suppliers. We secure raw materials in advance to maintain the stability of our supplies and control our procurement cost. Most of our five largest suppliers during the Track Record Period have established business relationship with us ranging from three to five years. We believe that we have established strong business relationships with our major suppliers which help to reduce our exposure to price and supply fluctuations.

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We select our suppliers from our selected suppliers’ list and evaluate them based on, among others, quality of products and timeliness of product delivery of our suppliers. We also maintain regular communications with our suppliers during the harvest period on readiness and quality of our raw materials and any material change in market supplies and market prices. We may visit our suppliers, if required, to ensure that the raw materials procured by us satisfy our product quality standards. As at 31 December 2021, we had an procurement team comprising five staff who are responsible for communicating with our suppliers and coordinating our procurement of raw materials for production. We have also adopted and maintained strict procedures for the selection of our suppliers to ensure that our raw materials meet our quality standards. We have the right to reject raw materials that do not meet our quality standards. Our raw materials are generally available from a number of suppliers, and we generally have at least two sources of supply for each type of raw materials to reduce the reliance on any single supplier. We did not experience any material shortage or quality issues with our raw materials during the Track Record Period that materially affected our operations.

Stable and experienced management team with a proven track record

We have a stable and experienced management team committed to achieving our goals. Our executive Directors have served our Group for an average of more than 17 years and are endeavoured to achieve excellence in execution in every aspect of our business. We believe that the vision and extensive experience of our executive Directors, coupled with in-depth industry knowledge and understanding of the market through our daily operations, are essential to our success. Mr. Yang, our founder and executive Director, has more than 30 years of experience in food and trading industry. Our other executive Directors, namely, Ms. Lin and Mr. Li Hui, also have abundant sales and marketing as well as business management experience. For biographical details of our executive Directors, please refer to the section headed “Directors and Senior Management” in this document. Under the leadership of our executive Directors, our employees have consistently driven product innovation and formulated effective sales and marketing strategy to continuously expand our product portfolios and improve our sales and growth. We believe that their extensive experience and knowledge of the agricultural food product processing and snack food industry, as well as foresight into market trends, have led us to grow our revenue and market share substantially over the years.

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We intend to strengthen our market position and increase our market share by pursuing the following strategies:

Expansion of our production capacity and enriching our product offerings

In FY2019, FY2020 and FY2021, revenue generated from our manufacturing business represented approximately 75.1%, 80.9% and 73.2% of our total revenue for the same year, respectively. We believe that our future success, in part, depends on (i) our ability to enhance our production capabilities, which include increasing our production volume, upgrading our production technology and improving our production efficiency, as well as (ii) our ability to develop and introduce new products. Therefore, we plan to acquire new production lines for our instant vegetable snacks and instant meat snacks. We intend to increase production capacity of our popular instant meat snack products such as marinated chicken wing tips and roasted duck necks as well as instant vegetable snack products such as spicy enoki mushroom and spicy kelp. We also intend to research and develop new snack products such as quail eggs and quail meat snacks with our new production lines to enrich our product offerings.

Our actual production volume for instant vegetable snacks was approximately 1,589 tonnes, 2,469 tonnes and 1,629 tonnes in FY2019, FY2020 and FY2021, respectively. Our actual production volume for instant meat snacks was approximately 1,555 tonnes in FY2021. For FY2019, FY2020 and FY2021, utilisation rate of our instant vegetable snack production line was approximately 102.3%, 147.8% and 91.1%, respectively, and utilisation rate of our instant meat snack production line was approximately 90.9% for FY2021. Having considered that our utilisation rate for instant snacks production lines generally exceeded 90.0% during the Track Record Period, and it is expected to take 18 months for our new production lines to commence commercial production, we plan to increase our production capacity of instant vegetable and meat snack products by expanding our Guangchang Plant upon [REDACTED]. The new production lines will be equipped with machines, among others, with defrosting, slicing, washing, sterilising, weighting, mixing and stirring, braising, dehydrating and packaging functions. Our Directors believe that the new production lines would, given its better specifications, increased automation and recency of the machine model, enable us to increase our production volume as well as production efficiency.

During the Track Record Period, to cope with production demand, we increased our production volume by recruiting temporary production workers to the production lines or extending work shifts of our full-time production workers. For example, in FY2020, we received more customer orders for our instant vegetable snacks such as spicy kelp, which was launched in late 2019, and spicy enoki mushroom, which was launched in 2020. However, the increase of manual input to our production lines resulted in increase of our cost of sales. Given the rise in

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average wages of production workers in the PRC, our direct labour costs increased from 3.6% in FY2019 to 5.8% in FY2020 as a portion to our cost of sales. Our Directors consider that it is not cost-efficient and impracticable in the long run to increase our production capacity by increasing manual input to our production lines, taking into account the increasing average wages, general unwillingness for production staff to work on night shifts, and lower productivity resulting from excessive overtime work. Our Directors are of the view that acquisition of new production lines with increased level of automation will reduce our cost of sales, boost our efficiency and productivity and improve our profitability and competitiveness in the long run.

In addition, in FY2019, FY2020 and FY2021, approximately 43.2%, 48.6% and 50.0% of our revenue was generated from the sales of our instant snacks, and our Directors expect that the demand of our instant snack products will continue to grow. In particular, although our instant meat snacks were only introduced in January 2021, it already accounted for approximately 17.7% of our total revenue for FY2021. Apart from increasing production of our popular instant snack products, we also consider to introduce new flavours to our existing instant snack products to attract customers who are keen to try and experiment with new flavours. We have conducted our internal research on popularity of products. We will also obtain feedback from our retailer customers on acceptance of new flavours and purchase pattern of end consumers in the market. Being front line sale channels reaching end consumers day-to-day, we believe our retailer customers such as supermarkets and grocery stores have sufficient expertise and direct knowledge of the preference of the end consumers. As a demonstration of their confidence in our products, five customers, out of which four are our top five customers in FY2021, had signed letters of intent with us confirming, generally, (i) their intention to increase their orders to us by 10% to 15% based on their purchase amount in FY2021, and (ii) their interests in ordering more instant vegetable and instant meat snack products, including new snack products to be launched, from us. With the long-term and established relationship with our retailer customers, our Directors consider that we already have stable sales channels to sell and market our new snack products readily.

Our Directors are of the view that, based on the utilisation rates during the Track Record Period, if our instant snacks become more and more popular, our production capacity would be unable to cope with the demand from our customers and would hinder the potential growth of our Group. As expected by Frost & Sullivan, the size of the snack food industry in the PRC will increase from approximately RMB796.1 billion in 2021 to RMB1,105.9 billion in 2026, with a CAGR of approximately 6.8%. In particular, according to Frost & Sullivan, the market size of vegetable snacks and meat and aquatic animal snacks will increase from RMB22.0 billion and RMB42.6 billion, respectively, to RMB36.0 billion and RMB62.5 billion, respectively in the PRC from 2021 to 2026. Having considered (i) the size of the snack food industry, particularly vegetable snacks, and meat and aquatic animal snacks, in the PRC; and (ii) the high utilisation rates of our existing production lines in the Guangchang Plant during the Track Record Period, our

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Directors consider that it is crucial for our Group to expand our production capacity for instant snacks not only to maintain our competitiveness but also to capture business opportunities and increase our market share in the industry in the future.

In order to facilitate the introduction of new production lines and expansion of our production capacity for sustainable long-term growth, we plan to build a new factory building for housing the new production lines, which could not be fitted in our existing production buildings in the Guangchang Plant due to limited space. It is expected that the construction work of the new factory building will commence in or around January 2023, and will be completed in or around January 2024, subject to the receipt of necessary license, permits and approvals from relevant authorities relating to the construction work. We expect to commence installation and testing of equipment and machines in or around October 2023 when construction work of the new factory building is largely completed. We expect that inspection of our new production lines will be completed in or around June 2024, and thereafter our new production lines will be ready for commercial production. The construction and installation work progress is provided on the current estimates of our Directors, which is subject to factors beyond our control, for example, the future development of the outbreak of COVID-19 in Jiangxi Province and any incidental governmental lockdown or business suspension measures.

It is expected that upon completion of the construction of new factory building and installation of the new production lines as mentioned above, our Group will have two production lines for instant vegetable snacks with designed annual production capacity of approximately 3,000 tonnes and two production lines for instant meat snacks with designed annual production capacity of approximately 3,700 tonnes, representing an increase in approximately 1,200 tonnes and 2,000 tonnes, respectively, or an increase of approximately 67.7% and 116.2%, respectively, from that before introduction of the new production lines.

In addition, considering that instant snacks generally generate higher gross profit margin than dried food products, we also plan to continuously expand our product offerings of instant snacks, by developing new snack products with different flavours and ingredients and upgrading our product packaging to meet evolving customer preferences and consumption trends. We intend to establish a small scale production line for product development and production of prototypes or samples of instant snacks. We consider that a separate production line specialising in product development could minimise disruption to the production of our instant vegetable snacks and instant meat snacks production lines. This new production line will be dedicated to our product development requirements and to fulfill our needs of small-scale production of product prototypes and samples. Such production line is expected to be installed in the new factory building aforementioned in or around October 2023. In the event that we receive urgent customer orders or our other production lines encounter unexpected failure, this small scale production line can be used to temporarily supplement production requirements to fulfill customer orders.

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Currently, we are exploring to develop quail eggs and quail meat snacks to expand our product portfolio. We have been actively negotiating with the Management Committee of Nanchang Xiaolan Economic and Technological Development Zone (南昌小藍經濟技術開發區管委會), which had confirmed to us that they, as a support to our project and further development, intend to grant us a land parcel in Nanchang in favourable terms below the market price for production purpose. Further, we have engaged independent market researcher to research on the market size, potential growth and competitive landscape of quail egg snack products. We have also commenced internal research on tastes, recipe and package design of quail egg and quail meat snack products in the market. However, the aforesaid plan is still at a preliminary stage and subject to our further research and studies. We plan to fund this project, if materialised, using our operating cash inflows and, if required, bank loans.

It is expected that the total investment costs for our expansion of Guangchang Plant would be approximately RMB69.8 million (equivalent to approximately HK\$82.0 million). The total investment costs include construction costs of approximately RMB35.8 million (equivalent to approximately HK\$42.0 million) and purchase cost of production lines of approximately RMB34.0 million (equivalent to approximately HK\$40.0 million). We intend to finance investment in relation to expansion of our production capacity in Guangchang Plant by the [REDACTED] from the [REDACTED], representing approximately [REDACTED]% of the [REDACTED] from the [REDACTED].

For illustration purpose only, we will be able to achieve breakeven for both of our new instant vegetable snack production line and new instant meat snack production line (i.e. the income contributed by the new production lines equals to the operating expenses incurred by them) within one month and investment payback (i.e. the amount of time that it takes for the income contributed by the new production lines to equal to its total investment cost and operating expenses) for our new instant vegetable snack production line and new instant meat snack production line in approximately seven years and six years, respectively, assuming an annual sales growth of 12% for both of our instant vegetable snacks and instant meat snacks, with reference to (i) the historical growth rate in our revenue generated from our instant vegetable snacks during the Track Record Period; (ii) the projected growth in market size at a CAGR of 11.4% for vegetable snacks and 9.0% of meat and aquatic animal snacks in China for 2021 to 2026; and (iii) our key customers' intention to increase their orders to us by 10% to 15% based on their purchase amount in FY2021 as stated in the letters of intent. Breakeven and investment payback analysis of the small scale production line specialising in product development is not applicable because there is no identifiable income stream for such production line with product development as its major intended use.

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Increase our sales through enhancement of marketing efforts and expansion of sales channels

We intend to continue to enhance our marketing efforts and expand our sales channels to maximise the exposure of our brand and the accessibility of our products to end consumers across the PRC. In particular, our planned initiatives include the following:

Expand our sales network and concessionary counter network in Southwestern China

We plan to consolidate our relationship with existing customers in provinces where we have established presence while continue to identify and look for new customers in provinces where we currently have limited presence. In FY2021, we increased our sales to Southwestern China, including Sichuan province and Chongqing, by approximately RMB65.9 million as compared to FY2020, which was mainly contributed by the sale of products to the outlets in Sichuan Province of a supermarket customer, who was one of our top five customers throughout the Track Record Period. Our Directors believe that we successfully introduced our products and raised awareness to our “Shengyao 聲耀” and “Gangweifang (贛味坊)” brands to end consumers in Sichuan province and Chongqing, which provided us opportunities to further market and promote our products to other retailer customers and corporate customers in Southwestern China. Going forward, we intend to further increase our marketing resources to promote our products and establish business relationship with retailers and corporate customers in Southwestern China. To this end, we plan to recruit additional five sales representatives in the next two years to visit operators of local supermarket chains and grocery stores and develop relationships with local corporate companies to look for potential business opportunities.

Leveraging our experience in face-to-face production and brand promotion at concessionary counters in Jiangxi Province and Hubei Province, we intend to strategically replicate our successful concessionary counter model into Southwestern China, particularly Sichuan Province, by expanding our concessionary counter network in supermarkets. In general, we will particularly focus on leading or well-known supermarket chains with physical stores in cities or counties with high population densities and strategic locations that can provide a potential customer base for our dried food products and instant snacks products. We believe “experience-based” retail model across our concessionary counters in supermarkets allow our promoters to highlight our product features and promote our brand directly to end consumers, which leading up to purchase and enhancement of our brand from enjoyable shopping experiences. We intend to open concessionary counters in 14 supermarket stores in the next two years, and station one promoter in each concessionary counter.

We intend to apply approximately RMB[REDACTED] (equivalent to approximately HK\$[REDACTED]), representing approximately [REDACTED]% of the [REDACTED] from the [REDACTED], to finance our expansion of sales network and concessionary counter network in Southwestern China.

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Promotional activities with supermarket chain customers

Supermarket chains had been, and will continue to be, our key sales channels. For FY2019, FY2020 and FY2021, revenue generated from supermarkets amounted to approximately RMB208.1 million, RMB196.0 million and RMB230.8 million, accounting for approximately 70.0%, 69.3% and 67.5% of our revenue, respectively. Considering our long term relationship with these supermarket chains and their familiarity and receptiveness to our products, we believe there is still room for our sales to them to grow further. In order to attract end consumers to purchase our products, we plan to strengthen our marketing and promotional efforts in cooperation with our supermarket chain customers. In particular, we plan to organise promotional activities together with supermarket stores outside or at their store entrance by setting up promotional booths which our promoters as well as supermarket staff will display our products, offer our products for pedestrians to try and taste, offer free gifts to or organise lucky draws for end consumers who purchase over a minimum amount. We believe such promotional activities can attract customer traffic to the supermarket stores while boosting the sales of our products and raising our brand awareness, creating a win-win situation for both our supermarket chain customers and us. We have entered into framework purchase agreements with certain supermarket chains to expand our promotional and marketing activities in the next two years. We intend to apply approximately RMB[REDACTED] (equivalent to approximately HK\$[REDACTED]), representing approximately [REDACTED]% of the [REDACTED] from the [REDACTED], to finance our promotional activities with supermarket chain customers.

Expand our marketing and advertising efforts

We intend to promote our brands by expanding our marketing efforts across a wide variety of media channels, such as placing advertisements on public transports, television commercials, radio broadcast, high-traffic locations such as train stations, airports and bus stations, as well as social media such as WeChat. Furthermore, we intend to launch promo packs of instant vegetable snacks and instant meat snacks printed with on-pack codes where end consumers may scratch to win prizes or free products, or organise lucky draws for those who purchase a minimum spending amount of our instant snack products. We plan to organise promotional activities in high schools or tertiary education institutions to promote our products to youngsters, whom our Directors consider to be one of our key targeted consumer groups with considerable consumption power for instant snacks. In addition, we plan to penetrate into provinces where we currently have limited presence by opening short-term pop-up stores or organising short-term sales events at locations with high traffic, such as major shopping malls in city centre, to enhance the awareness of our brands and products. In addition to generating revenue and profits, our Directors consider short-term promotional activities in school campuses and pop-up stores or sales events in shopping malls also serve as pilots for our expansion and product development strategies, as the sales performance and market feedback, including customer traffic, spending patterns, preference on product types and flavours, generated by our direct interaction with end consumers, would provide valuable data

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insight, which we will be able to leverage when formulating our subsequent product development plan. For promotional activities or pop-up stores in locations with sales performance continuously below our expectation, we are able to quickly move to other locations without incurring significant costs. We intend to apply approximately RMB[REDACTED] (equivalent to approximately HK\$[REDACTED]), representing approximately [REDACTED]% of the [REDACTED] from the [REDACTED], to finance our marketing and advertising expenses in these regards.

BUSINESS MODEL

Our business model principally comprises

- (i) manufacturing of (i) instant snacks such as bamboo shoots crisps and roasted duck necks; and (ii) packaged dried food products such as fungi, dried aquatic products, algae, grains and seasonings in the PRC, where we generally (a) source raw materials from our suppliers, (b) process the raw materials and package products at our own production facilities, and (c) sell the products under our own “Shengyao (聲耀)” and “Gangweifang (贛味坊)” brands to customers including retailers such as supermarkets and grocery stores, corporate customers and other individual customers in the PRC as well as e-commerce channel on Tmall.com; and
- (ii) trading of instant snacks and dried food products, where we purchase dried candied fruit, nuts and other products in bulk from suppliers and sell to retailers and corporate customers without further processing in the PRC.

The table below sets out a breakdown of our revenue categorised by business model during the Track Record Period:

	FY2019		FY2020		FY2021	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Manufacturing	223,435	75.1	228,949	80.9	250,352	73.2
Trading	73,963	24.9	53,940	19.1	91,646	26.8
Total	<u>297,398</u>	<u>100.0</u>	<u>282,889</u>	<u>100.0</u>	<u>341,998</u>	<u>100.0</u>

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BRAND

Our origin can be traced back to 2002 when Mr. Yang, our founder and executive Director, established Jiangxi Zhengwei and our “Shengyao (聲耀)” brand being his first name. In 2014, we further developed our “Gangweifang (贛味坊)” brand. Each of our “Shengyao 聲耀” and “Gangweifang (贛味坊)” brand carries a variety of products. While “Shengyao 聲耀” brand is generally used for our dried delicacies, dried aquatic products and instant vegetable and meat snack products, our “Gangweifang (贛味坊)” brand is generally used for our dried candied fruits and nuts products.

PRODUCTS

We have a large and diverse product portfolio, comprising the following five product lines:

- Instant snacks, which include pistachios, marinated chicken wing tips, spicy enoki mushroom, spicy bamboo shoots crisps, roasted duck necks and spicy kelp
- Dried delicacies, which include dried bamboo shoots, black fungi, autumn fungi and dried mushroom
- Dried aquatic products, which include dried medium cuttlefish, dried large cuttlefish, dried whitebait, dried shrimp and algae
- Grains, which include green beans, rice, millet, yellow millet, and peanuts
- Seasonings and others, which include rock sugar, white sugar and crystalised sugar






The table below sets out a breakdown of our revenue categorised by product line during the Track Record Period:

	FY2019		FY2020		FY2021	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Instant snacks	128,419	43.2	137,426	48.6	171,059	50.0
Dried delicacies.	86,800	29.2	70,454	24.9	87,410	25.6
Dried aquatic products	46,716	15.7	52,965	18.7	59,002	17.3
Grains	28,791	9.7	17,899	6.3	21,358	6.2
Seasonings and others	6,672	2.2	4,145	1.5	3,169	0.9
Total	297,398	100.0	282,889	100.0	341,998	100.0


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The tables below set forth the sample product pictures, typical selling price as at 31 December 2021 and typical shelf life of our key products under our five product lines:




Instant snacks

<u>Key Product</u>	<u>Sample Product Picture</u>	<u>Typical Selling Price</u>	<u>Typical Shelf Life</u>
		<i>Approximately</i>	<i>Months</i>
Pistachios		Loose package: RMB111.2/kilogram Per can (220 grams): RMB28.3 Per packet (500 grams): RMB66.4	18
Marinated chicken wing tips		Loose package: RMB57.5/kilogram Per packet (90 grams): RMB9.8	12
Spicy enoki mushroom		Loose package: RMB39.3/kilogram Per box (400 grams): RMB19.3	12
Spicy bamboo shoot crisps		Loose package: RMB34.7/kilogram Per packet (138 grams): RMB5.9 Per box (520 grams): RMB21.7	12
Roasted duck necks . .		Loose package: RMB57.5/kilogram Per packet (90 grams): RMB9.8	12

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Key Product	Sample Product Picture	Typical Selling Price	Typical Shelf Life
Spicy kelp		<i>Approximately</i> Loose package: RMB28.0/kilogram Per packet (138 grams): RMB5.1 Per box (720 grams): RMB21.8	<i>Months</i> 12

Dried Delicacies

Key Product	Sample Product Picture	Typical Selling Price	Typical Shelf Life
Dried bamboo shoots .		<i>Approximately</i> Loose package: RMB81.1/kilogram Per packet (300 grams): RMB49.8	<i>Months</i> 12
Black fungi		Loose package: RMB77.5/kilogram Per packet (100 grams): RMB7.8 Per packet (500 grams): RMB39.2	18
Dried mushroom		Loose package: RMB81.4/kilogram Per packet (80 grams): RMB8.3 Per packet (500 grams): RMB41.1	18

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Dried aquatic products

Key Product	Sample Product Picture	Typical Selling Price	Typical Shelf Life
		<i>Approximately</i>	<i>Months</i>
Dried medium cuttlefish		Loose package: RMB74.9/kilogram Per packet (120 grams): RMB20.0 Per packet (408 grams): RMB52.3	12
Dried large cuttlefish .		Loose package: RMB151.8/kilogram Per packet (250 grams): RMB37.3 Per packet (500 grams): RMB69.7	12
Dried whitebait		Loose package: RMB214.2/kilogram Per packet (60 grams): RMB25.0 Per packet (500 grams): RMB168.6	12
Dried shrimp		Loose package: RMB75.2/kilogram Per packet (100 grams): RMB10.5	12
Algae		Loose package: RMB75.4/kilogram Per packet (50 grams): RMB4.4 Per packet (100 grams): RMB8.9	12

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Grains

Key Product	Sample Product Picture	Typical Selling Price	Typical Shelf Life
		<i>Approximately</i>	<i>Months</i>
Green beans		Loose package: RMB10.8/kilogram Per packet (400 grams): RMB4.9 Per packet (2.5 kilograms): RMB35.3	12
Rice		Loose package: RMB5.3/kilogram Per packet (500 grams): RMB4.0	8
Millet		Loose package: RMB12.8/kilogram Per packet (400 grams): RMB5.5 Per packet (one kilogram): RMB14.6	8
Yellow millet		Loose package: RMB19.0/kilogram Per packet (380 grams): RMB6.9	12
Peanuts		Loose package: RMB18.2/kilogram Per packet (400 grams): RMB9.6	12

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Seasonings and others

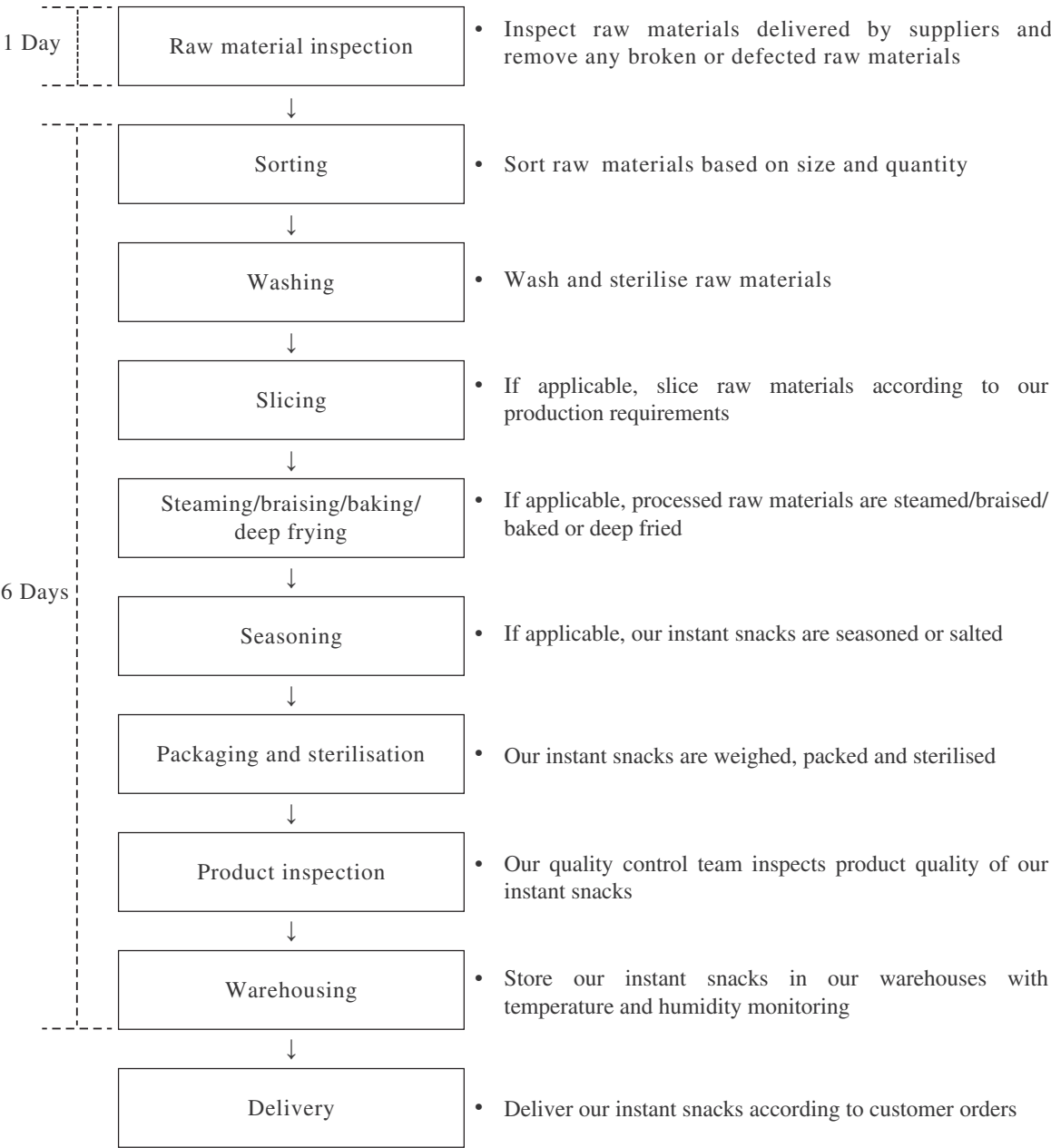
Key Product	Sample Product Picture	Typical Selling Price	Typical Shelf Life
		<i>Approximately</i>	<i>Months</i>
Rock sugar		Loose package: RMB10.1/kilogram Per packet (458 grams): RMB5.5 Per packet (2.5 kilograms): RMB31.0	18
White sugar.		Loose package: RMB9.5/kilogram Per packet (500 grams): RMB5.1	18
Crystallised sugar.		Loose package: RMB12.0/kilogram Per packet (458 grams): RMB5.5 Per packet (2.5 kilograms): RMB27.3	18

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OUR PRODUCTION

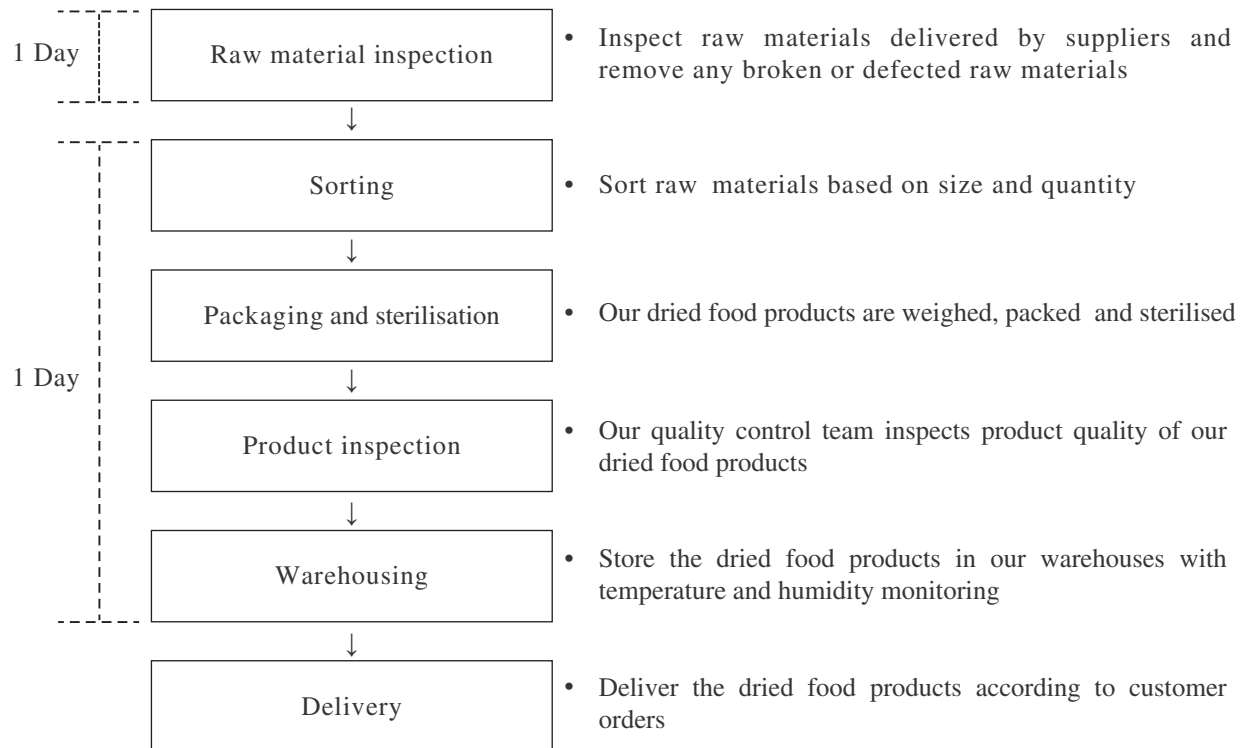
Production process

The following chart illustrates the general production process of our instant snacks:



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The following chart illustrates the general production process of our dried food products:



Production planning

We typically make our production plans based on our historical sales statistics, existing production schedules and annual sales forecast, subject to adjustments based on market conditions. To effectively control our risk exposure to excess production and inventory, our production, procurement, inventory control and sales representatives attend regular meetings to review our production plans and make adjustments to production volume, production schedule and procurement where necessary.

Production facilities

As at 31 December 2021, we operated two production facilities in Jiangxi province, the PRC, namely Nanchang Plant and Guangchang Plant. Nanchang Plant consists of packaging lines and warehouses, and primarily processes and packages our dried food products. Guangchang Plant consists of production lines and warehouses, and primarily produces our instant snacks. Our food processing and cooking equipment include, for example, slicing machines, washing machines, braising and steaming machines, weighting machines, sterilising machines, dehydrating machines and packaging machines. Please refer to the paragraph headed “Properties” in this section for details of our Nanchang Plant and Guangchang Plant.

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Designed production capacity, actual production volume and utilisation rate

The following table sets out the designed production capacity, actual production volume and utilisation rate of our production and packaging facilities for the years indicated:

Production facilities	Production Lines	FY2019			FY2020			FY2021		
		Designed production capacity ⁽¹⁾	Actual production volume	Utilisation rate ⁽²⁾	Designed production capacity ⁽¹⁾	Actual production volume	Utilisation rate ⁽²⁾	Designed production capacity ⁽¹⁾	Actual production volume	Utilisation rate ⁽²⁾
		(tonnes)	(tonnes)	%	(tonnes)	(tonnes)	%	(tonnes)	(tonnes)	%
Guangchang Plant . . .	Instant vegetable snack production line	1,553	1,589	102.3	1,671	2,469	147.8	1,789	1,629	91.1
	Instant meat snack production line	N/A ⁽³⁾	N/A ⁽³⁾	N/A ⁽³⁾	N/A ⁽³⁾	N/A ⁽³⁾	N/A ⁽³⁾	1,711	1,555	90.9
Nanchang Plant	Dried food product production line	4,420	5,423	122.7	4,420	3,517	79.6	4,420	4,174	94.4

Notes:

- (1) Designed production capacity means the estimated maximum output of the relevant products that each facility can produce in the relevant year. It is calculated on the assumption that our production lines operate eight hours per day in two shifts and 260 days (52 weeks per year times five working days in a week) per year, taking into account the downtime for inspection, repairs and maintenance, and shutdown for commercial production due to public holiday in the PRC.
- (2) The utilisation rate is derived from dividing the actual production volume by the designed production capacity.
- (3) Our production line for instant meat snacks only commenced operation in January 2021.

In respect of our instant vegetable snack production line in the Guangchang plant, our designed annual production capacity increased from approximately 1,553 tonnes in FY2019 to approximately 1,671 tonnes in FY2020 and further to approximately 1,789 tonnes in FY2021 because we acquired additional equipment and machines such as slicer, mixer, steamer and packing machines to expand our production capacity in FY2020 and FY2021. When we first established our instant vegetable snack production line in 2018, we took a prudent approach by installing a smaller scale production line to test market acceptance of our instant vegetable snack products. In view that the utilisation rate of our instant vegetable snack production line reached over 100% in FY2019, we decided to expand our production capacity to cope with increased product order by installing additional equipment and machines to the original production line, therefore resulting in increased annual production capacity in FY2020 and FY2021. In FY2020, despite we installed additional equipment and machine to increase our production capacity, our utilisation rate increased to 147.8% as we received more customer orders for spicy kelp, which was launched in late 2019, and spicy enoki mushroom, which was launched in 2020. In FY2021, our utilisation rate decreased to 91.1% as a combined result of (i) the increased designed production capacity due to installation of new machines and equipment; (ii) the decreased production volume of instant vegetable snacks, which was primarily attributable to fragrant lotus seeds; and (iii) our strategy to

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promote our newly launched instant meat snacks in FY2021. For details, please refer to the paragraph headed “Financial Information — Description of Selected Items in Combined Statements of Profit or Loss and Other Comprehensive Income — Revenue — (b) Revenue by product line — Instant snacks” in this document. Taking into account our instant meat snack production line introduced in FY2021, our production volume of instant snacks increased as a whole with utilisation rates of both production lines exceeding 90.0% in FY2021.

In respect of our dried food product production line in the Nanchang Plant, our utilisation rate decreased from 122.7% in FY2019 to 79.6% in FY2020 because the demand of our dried food products, particularly dried delicacies and grains, decreased. In FY2021, our utilisation rate resumed to 94.4% due to the increase in customer orders for dried delicacies, grains and dried aquatic products. For details, please refer to the paragraph headed “Financial Information — Description of Selected Items in Combined Statements of Profit or Loss and Other Comprehensive Income — Revenue — (b) Revenue by product line” in this document.

During the Track Record Period, we coped with increased customer orders by recruiting temporary production workers or extending work shifts of our full-time production workers to increase our production volume. As a result, our utilisation rates of the instant vegetable snack production line and the dried food product production line exceeded 100% in particular financial years. However, considering that the increasing average wages, general unwillingness for production staff to work on night shifts, and lower productivity resulting from excessive overtime work, our Directors consider that it is not cost-efficient and impracticable to increase manual input to our production lines to cope with increasing production demand in the long run. Therefore, we intend to expand our Guangchang Plant to acquire additional production lines for instant vegetable snacks and instant meat snacks. For details, please refer to the paragraph headed “Business Strategies — Expansion of our production capacity and enriching our product offerings” in this section.

Production equipment

Our production facilities are installed with production equipment selected by us and sourced from multiple suppliers in the PRC. As at the Latest Practicable Date, save as the cold storage facilities which we leased, we owned all the production equipment used in our production process. We have the experience and expertise to support on-site installation and maintenance of our production facilities. We consider various key factors in selecting our equipment suppliers which include bidding price, industry experience, reputation and after-sale service of such equipment suppliers. Our product development team has also been continuously collaborating with our production team and equipment suppliers in designing and enhancing our production lines in order to increase our production and operational capabilities and efficiency.

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Our production equipment generally has useful lives of approximately 5 to 10 years. Based on our experience, such useful lives may be extended for longer period with proper repair and maintenance. We believe that our production facilities are well maintained and are in good operating condition, and none of these production facilities, or the production technology involved, is obsolete or outdated. We have implemented standardised procedures and guidelines for the operation, management, and maintenance of our production equipment. We carry out regular inspections and assessments of the condition of our production facilities and conduct regular repair and maintenance. We estimate that the average remaining useful lives of our production facilities are in the range between 2 to 9 years. The estimation of the useful life of production equipment is generally based on our experience with similar production equipment that are used and maintained in a similar way.

Repair and maintenance

We schedule downtimes for regular inspections, maintenance and repairs of production machineries in accordance with our internal policies. Such internal standards are formulated by taking into account the technical and other specific requirements and procedures set out in the operation manual of the relevant production machines and equipment, the ISO standards and the actual workflow in our production. We allocate regular downtimes to avoid occasional stalling in order to maximise our production efficiency. We conduct regular and annual maintenance on our major production machines and equipment in accordance with the manufacturers’ guidelines or from our operational experience over the years. As at 31 December 2021, we had in-house electrician and mechanic who are responsible for routine inspection and maintenance of our production machineries. On an as need basis, we will engage external service providers to repair our production machineries and equipment. To maximise our production capacity, we also aim to schedule major maintenance works during weekend and public holidays. We did not experience any material or extended interruptions to our production process due to production machines and equipment failures during the Track Record Period.

EXPANSION PLAN

We plan to acquire new production lines in our Guangchang Plant to increase our production capacity of instant vegetable snacks and instant meat snacks. For details, please refer to the paragraph headed “Business Strategies — Expansion of our production capacity and enriching our product offerings” in this section.

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SALES NETWORK

We have an extensive sales network, which encompasses the following online and offline sales channels:

- *Retailers.* We sell our products to retailers such as supermarkets and grocery stores, which in turn sell our products to end consumers. This also include our sales over concessionary counters where we deploy promoters to promote our products face-to-face to end consumers in concessionary counters in supermarkets, and end consumers pay for our products at cashier counters of the supermarkets.
- *Corporate customers.* We sell our products to (i) trading companies which, to the best knowledge of our Directors, generally purchase our dried food products or instant snacks and then sell to their customers, which may comprise corporates and individuals, for their business uses or self-consumption; and (ii) other corporate companies which, to the best knowledge of our Directors, give out our products as gifts or souvenirs to their clients and contacts and as staff benefit.
- *E-commerce.* We sell our products on Tmall.com.
- *Others.* We sell our products to individuals who, to the best knowledge of our Directors, purchase our products for their own consumption.

The following table sets out a breakdown of our revenue categorised by sales channels during the Track Record Period:

	FY2019		FY2020		FY2021	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Retailers						
Supermarkets	208,097	70.0	196,040	69.3	230,751	67.5
Concessionary counters . .	29,198	9.8	38,697	13.7	50,559	14.8
Grocery stores	1,588	0.5	1,935	0.7	6,604	1.9
Subtotal	238,883	80.3	236,672	83.7	287,914	84.2
Corporate customers	57,215	19.2	42,251	14.9	51,261	15.0
E-commerce	841	0.3	3,944	1.4	2,728	0.8
Others (<i>Note</i>)	459	0.2	22	0.0	95	0.0
Total	297,398	100.0	282,889	100.0	341,998	100.0

Note: Others mainly refer to direct sales to individual customers who, to the best knowledge of our Directors, purchase our products for their own consumption.

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Retailers

Retailer customers primarily include supermarkets and grocery stores, as well as our sales over concessionary counters in supermarkets. For FY2019, FY2020 and FY2021, sales to our retailer customers accounted for approximately 80.3%, 83.7% and 84.2% of our total revenue for the same year, respectively. We generally enter into sales agreement directly with the headquarters of our supermarkets customers and deliver our products to their respective branches and/or retail stores as requested. For smaller orders with other retailers customers such as grocery stores, requests for our products are generally made through purchase orders. To the best knowledge and belief of our Directors after making all reasonable enquiries, none of our Directors, their close associates or any Shareholder (who or which, to the best knowledge of our Directors owns more than 5% of the issued share capital of our Company as at the Latest Practicable Date) has any interest in any of our direct sales retailer customers during the Track Record Period.

Our sales representatives visit our retailer customers regularly to collect information about their retail sales volumes and inventory levels of our products. We regularly evaluate the performance of our retailers based primarily on a number of factors, including timeliness of payment, participation in marketing events and overall sales performance of our products. We do not suggest any retail price to our retailer customers, and our retailer customers may price our products for sale to end consumers at their own discretion.

During the Track Record Period and up to the Latest Practicable Date, we did not experience any material sales returns or exchanges from our retailers.

Key terms of sales agreement with retailer customers

Save for purchase orders for smaller orders, we generally enter into sales agreement with our retailer customers on an annual basis. These agreements specify a variety of terms, including the payment method, credit terms and delivery arrangements. During the Track Record Period, we did not experience any material breach by our retailers customers.

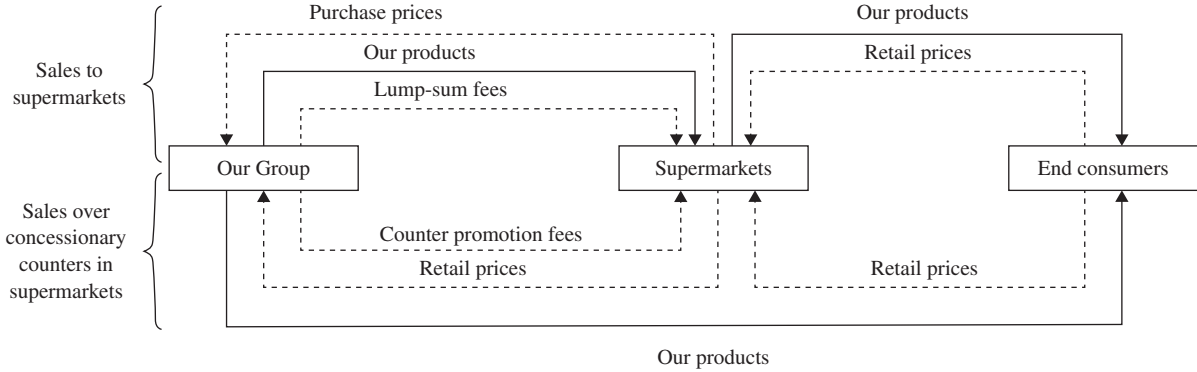
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Set out below are the key terms of our sales agreement with retailer customers:

- Payment and credit terms: Ranging from 30–90 days upon issuance of invoice or as otherwise agreed by the parties
- Delivery of products: Delivery arranged at location(s) within the time limit as requested by customer; we may be liable to charges for late delivery
- Product returns/exchanges: Products may generally be returned or exchanged due to quality issues; for certain customers, products may be returned if remain unsold for prolonged period subject to negotiation between the parties. For details of our sales return, please refer to the paragraph headed “Sales Returns and Recall Policies” in this section
- Minimum purchase amount: Nil
- Termination: Subject to negotiation by the parties and/or force majeure events

Our relationship with supermarkets

The following diagram illustrates our cooperation with supermarkets under two models, namely (i) direct sales to supermarkets, where supermarkets purchase our products and sell to end consumers in their physical stores; and (ii) sales over concessionary counters in supermarkets, where we set up concessionary counters in supermarket stores and deploy our promoters to directly promote our products and brands to end consumers, and end consumers pay for our products at cashier counters of the supermarket stores:



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Regarding direct sales to supermarkets, supermarkets generally charge us lump-sum fees in order to have our products placed on their shelves in stores. Supermarkets enter into sales agreement with us for the supply of instant snacks products and dried food products by us to them on an annual basis. For details of the key terms of our sales agreement with supermarkets, please refer to the paragraph headed “Sales Network — Retailers — Key terms of sales agreement with retailer customers” in this section. We deliver our products pursuant to orders placed by supermarkets. Generally, taking into account our established relationship with key supermarket customers and the large quantities they purchase, we offer discounted prices to supermarkets. Once the products are delivered and accepted by the supermarkets, the control of such products are transferred to the supermarkets, and we are entitled to recognise revenue accordingly. Our revenue under direct sales to supermarkets are recognised net of the lump-sum fees charged by our supermarket customers. For details of our accounting policies on revenue recognition, please refer to note 4 to the Accountants’ Report in Appendix I to this document.

Pursuant to concessionary counter arrangements between supermarkets and us, we set up concessionary counters in supermarket stores and deploy our promoters to directly promote our products and brands to end consumers, and end consumers pay for our products at cashier counters of the supermarket stores. We retain control of our products, which are counted towards our inventory, until they are sold to the end consumers. Supermarkets shall pay us the sales proceeds, representing the retail prices, of our products sold to end consumers under concessionary counter arrangements on a monthly basis. Supermarkets generally charge us counter promotional fees for operating concessionary counters in their stores, and such fees are generally charged with reference to the costs of promotional events or festival events organised by such supermarkets subject to the negotiation of the parties. The counter promotional fees charged by supermarkets in relation to concessionary counters are recorded as our marketing and promotion expenses under our distribution and selling expenses. For details, please refer to “Financial Information — Description of Selected Items in Combined Statements of Profit or Loss and Other Comprehensive Income — Distribution and selling expenses” in this document.

Concessionary counters in supermarkets

During the Track Record Period, we also deploy promoters to promote our products to end consumers in our concessionary counters set up at supermarkets, and end consumers pay for the products at the cashier counters at supermarkets. For FY2019, FY2020 and FY2021, sales over concessionary counters accounted for approximately 9.8%, 13.7% and 14.8% of our total revenue for the same year, respectively. The concessionary counters at the supermarkets as well as the supermarkets themselves are not our distributors. The concessionary counters serve as an additional platform for us to market our products to end consumers directly, and we deploy our promoters to be stationed in those concessionary counters.

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We believe that the retail experience at the concessionary counters in supermarkets contributes significantly to purchase decisions of the end consumers and the brand image of our products. We believe these supermarkets that allow us to have our concessionary counters provide us with significant brand exposure and allow us to leverage their marketing campaigns and promotional activities. Accordingly, we have dedicated resources in the implementation of brand management policies to implement concessionary counters in supermarkets. At our concessionary counters, consumers can try our products before purchasing, and understand more useful and practical information of our products through face-to-face exchanges and dialogues with our promoters. As our products at our concessionary counters are not pre-packaged but sold according to weight, consumers can also acquire our products in any quantity they desire. During the Track Record Period, all of the supermarkets where we operated concessionary counters were Independent Third Parties.

Generally, we station one to two promoters at our concessionary counters. As our sales promoters play an essential role in promoting our brand image and products, and collecting customer’s feedback, we conduct regular training on topics such as product and brand knowledge to ensure they are equipped with sufficient skills to serve the consumers in a consistent manner. Furthermore, we have developed standard procedures for our promoters to follow on various in-store promotion aspects, including, without limitation, product storage, in-store inspection of products and how to respond to customer enquiries and complaints.

We believe that the use of promoters effectively stimulates our in-store product sales, promotes our “Shengyao (聲耀)” and “Gangweifang (贛味坊)” brands and delivers product information to end consumers which ultimately drives up consumer demand. Since local supermarkets have the knowledge and experience on how to best promote products in their locality (including when and where to set up sign boards, the launching of themed promotion campaigns and the location of the designated sales counters in stores) based on local consumers’ preference, promoters are dispatched by us to work on-site to leverage on the local sales and promotion strategy and practice of the supermarkets. The duties and work schedules of the promoters are managed by us but such are subject to the operational restraints such as opening time of the supermarkets that the promoters are working at.

Our promoters receive commission from us on top of their basic salary as part of their remuneration with reference to the total sales amount of the concessionary counter which such promoter is stationed at. Our Directors believe providing commission on top of a basic salary provides sufficient incentives to promoters to promote the “Shengyao (聲耀)” and “Gangweifang (贛味坊)” brands, introduce products and stimulate sales to supermarket customers. Our promoters are responsible for in-store sales promotion and marketing activities at designated concessionary counters in supermarkets to end consumers, such as product demonstration and promotion, and collection of customers’ feedbacks of our products and market information.

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Certain supermarkets require us to pay deposits for warranty purposes before we are allowed to operate concessionary counters to promote our products. Generally, we shall bear all expenses in relation to the setting up of and operation of the concessionary counters. Promotion-related expenses and other expenses incurred by us for stationing our promoters in the concessionary counters in supermarkets generally include the cost for setting up of concessionary counters and acquiring cookware and other tools and consumables for in-store demonstration and promotion.

Payments from the sales of our products at our concessionary counters are typically collected by supermarkets. If end consumers decide to purchase our products, they pay for our products at cashier counters of the supermarkets, and the supermarkets will pay us based on the actual volume of products sold. Under our concessionary arrangement, titles to our products and risk of loss remain with us and do not transfer until they are sold to end consumers. Supermarkets are required to transfer the monthly sales proceeds to us within one month after we issue invoices for the sales to end consumers conducted at the concessionary counters. We actively monitor and manage the inventory at our concessionary counters, and we shall discard and destroy the stock once their shelf-lives expire.

Corporate customers

Corporate customers mainly comprise (i) trading companies which, to the best knowledge of our Directors, generally purchase our dried food products or instant snacks and then sell to their customer, which may comprise corporates and individuals, for their business uses or self-consumption; and (ii) other corporate companies which, to the best knowledge of our Directors, give out our products as gifts or souvenirs to their clients and contacts and as staff benefit. For FY2019, FY2020 and FY2021, sales to our corporate customers accounted for approximately 19.2%, 14.9% and 15.0% of our total revenue for the same year, respectively. To the best knowledge and belief of our Directors after making all reasonable enquiries, except for Mr. Lei and his associates, details of which are disclosed in note 40 to the Accountants' Report in Appendix I to this document, none of our Directors, their close associates or any Shareholder (who or which, to the best knowledge of our Directors owns more than 5% of the issued share capital of our Company as at the Latest Practicable Date) were our corporate customers during the Track Record Period.

BUSINESS

Key terms of sales agreement with corporate customers

We generally enter into sales agreement with our corporate customers on an one-off basis. During the Track Record Period, we did not experience any material breach by our corporate customers.

Set out below are the key terms of our sales agreement with corporate customers:

Payment and credit terms:	45 days upon issuance of invoice
Delivery of products:	We shall arrange delivery at location(s) as requested by customer within 20 days after execution of sales agreement; delivery costs to be borne by us
Product returns/exchanges:	Customer to inspect quality onsite upon receipt; customer to raise issues on quality within three days
Minimal purchase amount:	Nil
Termination:	Subject to negotiation between the parties

E-commerce

As at the Latest Practicable Date, we operated a flagship e-store in Tmall.com. For FY2019, FY2020 and FY2021, our sales through e-commerce accounted for approximately 0.3%, 1.4% and 0.8% of our total revenue for the same year, respectively. According to our PRC Legal Advisers, no licence, registration and/or approval is required for our sales through Tmall.com pursuant to the applicable PRC laws and regulations.

Others

Throughout the Track Record Period, we made direct sales to individual customers, to the best knowledge of our Directors, for their own consumption. For FY2019, FY2020 and FY2021, such sales accounted for approximately 0.2%, 0.0% and 0.0% of our total revenue for the same year, respectively. To the best knowledge and belief of our Directors after making all reasonable enquiries, except for the related party transaction as disclosed in note 40 to the Accountants' Report in Appendix I to this document, none of our Directors, their close associates or any Shareholder (who or which, to the best knowledge of our Directors owns more than 5% of the issued share capital of our Company as at the Latest Practicable Date) were our individual customers during the Track Record Period.

BUSINESS

Key terms of sales agreement with individual customers

We generally enter into sales agreement with our individual customers on an one-off basis. During the Track Record Period, we did not experience any material breach by our individual customers.

Set out below are the key terms of our sales agreement with individual customers:

Payment and credit terms:	45 days upon issuance of invoice
Delivery of products:	We shall arrange delivery at location(s) as requested by customer within an agreed date after execution of sales agreement; delivery costs to be borne by us
Product returns/exchanges:	Customer to inspect quality onsite upon receipt; customer to raise issues on quality within three days
Minimum purchase amount:	Nil
Termination:	Subject to negotiation between the parties

Management of sales network

Our extensive sales network is managed by our sales and marketing team. We review and evaluate our business relationships with our customers based on a combination of factors including their past relationship with us and timeliness of their payment.

With respect to our retailer customers, in particular supermarket customers, we maintain close communication to advise product offerings which are, in our opinion, suitable for their targeted consumers, with an aim to minimise unsold products and avoid overstocking, thereby helping ensure our sales to our retailer customers reflect the genuine market demand and mitigate the risk of inventory accumulation in such sales channels. We are not aware of any material accumulation of stock by our retailer customers during the Track Record Period.

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Geographical presence

Since our inception in Jiangxi Province in 2002, we have expanded our geographic presence for our product offerings to 26 provinces or autonomous regions and three municipalities across the PRC as at 31 December 2021. The table below sets forth an analysis of our revenue by delivery destinations during the Track Record Period:

	FY2019		FY2020		FY2021	
	RMB'000	%	RMB'000	%	RMB'000	%
Jiangxi Province	191,407	64.4	166,996	59.0	184,791	54.0
Hubei Province	32,341	10.9	74,884	26.5	32,434	9.5
Zhejiang Province	13,649	4.6	6,998	2.5	12,822	3.7
Sichuan Province (including Chongqing)	28	0.0	8,143	2.9	74,071	21.7
Others (<i>Note</i>)	59,973	20.1	25,868	9.1	37,880	11.1
Total	297,398	100.0	282,889	100.0	341,998	100.0

Note: Others comprise Hunan Province, Jiangsu Province, Shaanxi Province, Anhui Province, Hebei Province, Shandong Province, Inner Mongolia Autonomous Region, Guangdong Province, Shanxi Province, Liaoning Province, Henan Province, Ningxia Hui Autonomous Region, Fujian Province, Gansu Province, Jilin Province, Qinghai Province, Heilongjiang Province, Guangxi Zhuang Autonomous Region, Guizhou Province, Xinjiang Uygur Autonomous Region, Yunnan Province, Hainan Province, Beijing and Shanghai.

PROMOTION AND MARKETING

Our sales and marketing team plays a significant role in the expansion of our business as well as exploring potential markets and promoting our products. Our sales representatives are front-line staff responsible for identifying new customers, securing sales orders, managing order fulfilment and maintaining customer relationship.

While we mainly take advantage of the extensive sales and promotion network of our retailer customers, we also regard our sales to corporate and individual customers as an effective way to promote our products and brands given such corporate and individual customers may give away our products as gifts to their clients, contacts and staff, thereby exposing our brand and products to potential new customers and creating future growth for our product demand. We also promote our products to end consumers face-to-face through our concessionary counters in supermarkets where our promoters get in touch with end consumers directly by (i) explaining the different tastes, features, ingredients and nutritional value of our products; (ii) demonstrating different methods for cooking our products; and (iii) offering samples of our products for end consumers to touch, smell or taste.

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Going forward, we plan to increase our marketing and advertising efforts through multiple channels and platforms to promote our products. For details, please refer to the paragraph headed “Business Strategies — Increase our sales through enhancement of marketing efforts and expansion of sales channels” in this section.

CUSTOMERS

Our customers are primarily retailers such as supermarkets and grocery stores, corporate customers and other individual consumers in the PRC. Please refer to the paragraph headed “Sales Network” in this section for details of our sales arrangement with our customers. For FY2019, FY2020 and FY2021, our five largest customers accounted for approximately 78.6%, 85.8% and 81.8% of our revenue, respectively, and our largest customer accounted for approximately 38.9%, 42.9% and 43.7% of our revenue, respectively. To the best knowledge and belief of our Directors after making all reasonable enquiries, none of our Directors, their respective associates or Shareholders (who or which, to the best knowledge of our Directors, owns 5% or more of the total issued share capital of our Company as at the Latest Practicable Date) had any interest in any of our five largest customers during the Track Record Period.

We have established a stable and long-term relationship with our customers. Our five largest customers during the Track Record Period have established business relationship with us for over five years. We generally enter into sales agreement with our retailer customers on an annual basis and other corporate and individual customers on an one-off basis. For FY2019, FY2020 and FY2021, approximately RMB278.2 million, RMB252.8 million and RMB304.4 million (representing approximately 93.5%, 89.4% and 89.0% of the total revenue) was derived from our recurring customers, which refer to customers which engaged us for two times or more for purchase of our products during the Track Record Period (excluding our revenue generated from sales over concessionary counters in supermarkets for this purpose). We believe the consistently significant revenue contribution from our recurring customers is mainly attributable to the quality of our products as well as our sales and marketing efforts in maintaining relationships with our existing customers.

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Our five largest customers

The following tables set out the profile of our five largest customers and sales derived from them during the Track Record Period:

FY2019

Customer	Background	Year of commencement of relationship with us	Major products sold by our Group	Credit terms and payment method	Revenue <i>(RMB'000)</i>	Approximate % of our total revenue
Customer Group A ^(Note 1)	A group of companies which are subsidiaries of a company listed on the Main Board of the Stock Exchange, and its principal businesses are operation of supermarket chains and e-commerce platforms in China	2014	Instant snacks, dried delicacies, grains and dried aquatic products	45–75 days, bank transfer	115,766	38.9
Customer B	A limited liability company established in the PRC and its principal business is operation of supermarket chains in China	2016	Instant snacks, dried delicacies, grains and dried aquatic products	45 days, bank transfer	55,108	18.5
Customer Group C ^(Note 2)	A group of companies established in the PRC, and their principal business are operation of supermarket chains in China	2016	Instant snacks, dried delicacies, grains, and dried aquatic products	30–90 days, bank transfer	52,025	17.5
Customer D	A limited liability company established in the PRC, and its principal business is sales of foodstuff and daily necessities	2017	Dried delicacies and dried aquatic products	45 days, bank transfer	7,182	2.4
Customer E	A limited liability company established in the PRC, and its principal business is sales of foodstuff	2017	Instant snacks, dried delicacies and dried aquatic products	45 days, bank transfer	3,723	1.3
Total					233,804	78.6

Notes:

- (1) Customer Group A comprises three companies established in the PRC all of which are under control of the same ultimate controlling party. Transactions with Customer Group A is presented on common controlling party group basis.
- (2) Customer Group C comprises two companies established in the PRC all of which are under control of the same ultimate controlling party. Transactions with Customer Group C is presented on common controlling party group basis.

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FY2020

Customer	Background	Year of commencement of relationship with us	Major products sold by our Group	Credit terms and payment method	Revenue <i>(RMB'000)</i>	Approximate % of our total revenue
Customer Group A ^(Note 1)	As disclosed in the table above	2014	Instant snacks, dried delicacies, grains and dried aquatic products	45–75 days, bank transfer	121,474	42.9
Customer B	As disclosed in the table above	2016	Instant snacks, dried delicacies, grains and dried aquatic products	45 days, bank transfer	53,148	18.8
Customer Group C ^(Note 2)	As disclosed in the table above	2016	Instant snacks, dried delicacies, grains and dried aquatic products	30–45 days, bank transfer	51,515	18.2
Customer Group F ^(Note 3)	A group of companies which are branch or branch of a subsidiary of a state-owned enterprise, and their principal businesses are, among others, provision of postal and courier services	2016	Instant snacks, dried delicacies, grains and dried aquatic products, and to the best knowledge of our Directors, for gifts and souvenir packs	45 days, bank transfer	12,171	4.3
Customer G	A limited liability company established in the PRC and its principal business is domestic trading and provision of electronic products related services	2016	Instant snacks, dried delicacies, grains and dried aquatic products	45 days, bank transfer	4,387	1.6
Total					242,695	85.8

Notes:

- (1) Customer Group A comprises three companies established in the PRC all of which are under control of the same ultimate controlling party. Transactions with Customer Group A is presented on common controlling party group basis.
- (2) Customer Group C comprises two companies established in the PRC all of which are under control of the same ultimate controlling party. Transactions with Customer Group C is presented on common controlling party group basis.
- (3) Customer Group F comprises two branches of companies established in the PRC, all of which are under control of the same ultimate controlling party. Transactions with Customer Group F is presented on common controlling party group basis.

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FY2021

Customer	Background	Year of commencement of relationship with us	Major products sold by our Group	Credit terms and payment method	Revenue	Approximate % of our total revenue
Customer Group A ^(Note 1)	As disclosed in the FY2019 table above	2014	Instant snacks, dried delicacies, grains and dried aquatic products	45–60 days, bank transfer	(RMB'000) 149,349	43.7
Customer Group C ^(Note 2)	As disclosed in the FY2019 table above	2016	Instant snacks, dried delicacies, grains and dried aquatic products	60 days, bank transfer	66,526	19.5
Customer B	As disclosed in the FY2019 table above	2016	Instant snacks, dried delicacies, grains and dried aquatic products	60 days, bank transfer	54,349	15.9
Customer H	A limited liability company established in the PRC and its principal business is domestic trading of foodstuff	2017	Instant snacks, dried delicacies, grains and dried aquatic products	30 days, bank transfer	4,922	1.4
Customer Group I ^(Note 3)	A group of companies which include an A-share listed company listed on the Shanghai Stock Exchange together with its certain subsidiaries and their principal businesses are operation of supermarket chains and general stores in China	2006	Instant snacks, dried delicacies, grains and dried aquatic products	30 days, bank transfer	4,442	1.3
Total					279,588	81.8

Notes:

- (1) Customer Group A comprises three companies established in the PRC all of which are under control of the same ultimate controlling party. Transactions with Customer Group A is presented on common controlling party group basis.
- (2) Customer Group C comprises two companies established in the PRC all of which are under control of the same ultimate controlling party. Transactions with Customer Group C is presented on common controlling party group basis.
- (3) Customer Group I comprises four companies established in the PRC, all of which are under control of the same ultimate controlling party. Transactions with Customer Group I is presented on common controlling party group basis.

We have not experienced any major disruption of business due to material delay or default of payment by our customers due to their financial difficulties during the Track Record Period. Our Directors further confirmed that they are not aware that any of our customers have experienced material financial difficulties that may materially affect our Group’s business.

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DELIVERY AND LOGISTICS

Except for delivery to customers located in Nanchang, Jiangxi Province, close to our headquarters and production facilities by our employees and vehicle fleets, we generally engage third-party logistics service providers to deliver our products. We usually enter into service agreements with our third-party logistics service providers for a period of one year and to renew thereafter. During the Track Record Period and as at the Latest Practicable Date, we did not experience any significant delay in delivery that materially affected our business operations.

For the purchase of raw materials from our corporate suppliers, the raw materials are delivered directly to us by the relevant suppliers after we place our orders.

PRICING POLICY

The price of our products is generally determined on a “cost-plus” basis. In determining our pricing strategies, we primarily take into account the prevailing market conditions, our production costs, purchase volume, and prices of competing brands’ products. We conduct market research on a regular basis in order to compete more effectively with our competitors. Regarding our sales to retailer customers, we may also take into account our relationship with such retailer, the order quantities and our strategy to leverage such retailer as a point-of-sale to promote our new products or to penetrate into new market.

All the price quotes and sales orders have to be reviewed by our sales manager before final approval by general manager. We assess the information collected and engage in discussions with the parties involved in our sales network and update our pricing and sales policies as necessary.

PAYMENT TERMS AND CREDIT CONTROL

All the products sold by us are settled in Renminbi. Our customers settle their purchases through bank transfers. Please refer to the paragraphs headed “Key terms of sales agreement with retailer customers”, “Key terms of sales agreement with corporate customers” and “Key terms of sales agreement with individual customers” in this section for details of the payment terms.

Staff in our finance team is responsible for monitoring the collection and, with the assistance of our sales representatives, following up with the customers when payment is due. In addition, our management periodically monitors all outstanding receivables and re-assesses the creditworthiness of the customers. During the Track Record Period, we did not experience any material bad debts, nor experience any significant difficulties in collecting our trade receivables from our customers.

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SALES RETURNS AND RECALL POLICIES

We allow for product returns or exchanges for defective products or damaged products based on our examination and approval. We will refund the relevant purchase amount to our customers for any defective or damaged products returned to us. With respect to certain retailer customers, in particular supermarket chains with relatively stronger bargaining power, the sales agreement allows for return of products which remain unsold for prolonged period subject to negotiation between the parties. For FY2019, FY2020 and FY2021, the product returns from our customers amounted to approximately RMB2.8 million, RMB0.7 million and RMB0.2 million, respectively, representing approximately 1.0%, 0.2% and 0.1% of our total revenue for the same year, out of which only RMB0.8 million, RMB0.2 million and RMB0.2 million, respectively, was related to return of unsold products as agreed between us and our retailer customers. In addition, we generally do not provide warranties on our products. During the Track Record Period and up to the Latest Practicable Date, there were no product recalls or returns, product liability claims, or customer complaints that materially and adversely affected our business.

Save as disclosed in this document, during the Track Record Period and up to the Latest Practicable Date, we did not receive (i) material fines, product recall orders or other penalties from the PRC Government or other regulatory bodies, (ii) any material products return requests from our customers or (iii) any material complaints from our customers and we were not subject to any material product liability claims.

SUPPLIERS

We source different raw materials from different suppliers in the PRC which mainly include (i) suppliers of unprocessed and processed aquatic products, meats and plant products from farmers or agricultural cooperatives; and (ii) suppliers of packaging materials such as plastic wraps and cardboard boxes. We established business relationship of three to five years with most of our five largest suppliers during the Track Record Period, and maintained our network with reliable suppliers of stable supply for raw materials.

Our raw materials are generally available from a number of suppliers. Our stable access to high quality suppliers helps assure our customers of our ability to meet their orders. We believe our customers would be less willing to consider purchasing products from competitors without stable supply chains.

We procure raw materials from our approved suppliers in order to ensure the quality and stable supply of raw materials. Our list of approved suppliers is determined and reviewed annually by our procurement team with reference to, amongst others, production management, quality control processes, delivery and other after-sales services. We generally have several approved

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suppliers for each type of our major raw materials. In any event, the major raw materials procured by us are readily available in the PRC market and our Directors confirm that we do not rely on any particular supplier.

Although we did not enter into any procurement framework agreement with our suppliers during the Track Record Period, we maintained long-term relationships with our approved suppliers. During the Track Record Period and up to the Latest Practicable Date, we did not experience any material shortages or delays in the supply of raw materials or quality issues with our raw materials that materially affected our operations, and we do not foresee any material shortages or delays in our procurement of raw materials in the future.

For FY2019, FY2020 and FY2021, our direct materials costs amounted to approximately RMB186.4 million, RMB172.2 million and RMB209.6 million, respectively, representing approximately 92.7%, 89.5% and 89.7% of our total cost of sales, respectively. As most of our direct materials are commodities, our Directors believe that the price fluctuation of our raw materials used in the production of our food products are dependent on a number of factors, including supply and demand, weather, processing costs and government regulations and policies. During the Track Record Period, fluctuation of market prices of our raw materials had not caused material impact on our costs of raw materials. Further, in general, we intend to pass on increases in cost of raw materials to our customers if such increases affect our business operation and profit margin.

We conduct sample check on each batch of raw materials directly delivered to our production facility to ensure our suppliers comply with our quality control standards and specifications. If the raw materials supplied do not meet the quality standards stipulated under the supply contracts or purchase orders, we will reject and return the defective raw materials. We also carry on-site inspections on our major suppliers periodically. For details of our quality control over raw materials and products, please refer to the paragraph headed “Quality Control and Food Safety” in this section.

Our five largest suppliers

All of our major suppliers are located in the PRC. The aggregate total purchases from our five largest suppliers accounted for approximately 28.9%, 34.8% and 39.9%, respectively of our total purchases for FY2019, FY2020 and FY2021. The total purchases made by us to our largest supplier accounted for approximately 6.9%, 10.4% and 13.3% of our total purchases for FY2019, FY2020 and FY2021, respectively. In general, our suppliers grant us credit terms with respect to the supply of raw materials around 30 days from the date of billing. The payments are generally settled by bank transfers.

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The following tables set out the profile of our five largest suppliers and amount purchased by us during the Track Record Period:

FY2019

Supplier	Background	Year of commencement of relationship with us	Major products provided to our Group	Credit terms and payment method	Purchase amount	Approximate % of our total purchases
					<i>(RMB'000)</i>	
Xiuyan Manchu Autonomous County Muniu Town Yilin Edible Mushroom Plantation Farmer Cooperative* (岫岩滿族自治縣牧牛鄉益林食用菌種植專業合作社)	An agricultural cooperative established in Liaoning Province and its principal business is cultivation and sales of edible fungi	2018	Dried mushroom and fungus	One month, bank transfer	12,653	6.9
Wenling Shanlihuang Dry Aquatic Products Professional Cooperative* (溫嶺市山里皇乾製水產品專業合作社)	An agricultural cooperative established in Zhejiang Province and its principal business is production and sales of dried aquatic products	2018	Dried cuttlefish	One month, bank transfer	12,318	6.7
Heshan Lifengtai Trading Co., Ltd.* (鶴山市利豐泰貿易有限公司)	A limited liability company established in the PRC and its principal business is sales and trading of agricultural food products	2017	Pistachios	One month, bank transfer	10,128	5.5
Gutian Huating Edible Mushroom Professional Cooperative* (古田縣華庭食用菌專業合作社)	An agricultural cooperative established in Fujian Province and its principal business is cultivation and sales of edible fungi	2019	Black fungus	One month, bank transfer	9,567	5.2
Wenling Songcang Dried Fish Professional Cooperative* (溫嶺市松蒼魚蕪專業合作社)	An agricultural cooperative established in Zhejiang Province and its principal business is production and sales of dried aquatic products	2018	Dried cuttlefish and dried whitebait	One month, bank transfer	8,521	4.6
Total					53,187	28.9

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FY2020

Supplier	Background	Year of commencement of relationship with us	Major products provided to our Group	Credit terms and payment method	Purchase amount	Approximate % of our total purchases
Heshan Lifengtai Trading Co., Ltd.* (鶴山市利豐泰貿易有限公司)	As disclosed in the table above	2017	Pistachios	One month, bank transfer	(RMB'000) 22,286	10.4
Wenling Liqi Aquatic Products Co., Ltd.* (溫嶺市利祈水產有限公司)	A limited liability company established in the PRC and its principal business is processing and sales of aquatic products	2019	Dried cuttlefish	One month, bank transfer	22,015	10.3
Xiuyan Manchu Autonomous County Muniu Town Yilin Edible Mushroom Plantation Farmer Cooperative* (岫岩滿族自治縣牧牛鄉益林食用菌種植專業合作社)	As disclosed in the table above	2018	Dried mushroom	One month, bank transfer	13,719	6.4
Guangchang Yihe Food Co., Ltd.* (廣昌縣義荷食品有限公司)	A limited liability company established in the PRC and its principal business is processing and sales of agricultural products	2019	Lotus seeds	One month, bank transfer	10,289	4.8
Gutian Huating Edible Mushroom Professional Cooperative* (古田縣華庭食用菌專業合作社)	As disclosed in the table above	2019	Autumn black fungus and enoki mushroom	One month, bank transfer	6,301	2.9
Total					74,610	34.8

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FY2021

Supplier	Background	Year of commencement of relationship with us	Major products provided to our Group	Credit terms and payment method	Purchase amount	Approximate % of our total purchases
					<i>(RMB'000)</i>	
Wenling Liqi Aquatic Products Co., Ltd.* (溫嶺市利祈水產有限公司)	As disclosed in the FY2020 table above	2019	Dried cuttlefish	One month, bank transfer	29,942	13.3
Heshan Lifengtai Trading Co., Ltd.* (鶴山市利豐泰貿易有限公司).	As disclosed in the FY2019 table above	2017	Pistachios	One month, bank transfer	21,949	9.7
Guangchang Yihe Food Co., Ltd.* (廣昌縣義荷食品有限公司). . .	As disclosed in the FY2020 table above	2019	Lotus seeds	One month, bank transfer	15,163	6.7
Quanzhou Yihao Trading Co., Ltd.* (泉州溢豪商貿有限公司)	A limited liability company established in the PRC and its principal business is sales and trading of packaged foods and agricultural products	2019	Snow fungus and autumn black fungus	One month, bank transfer	11,595	5.1
Supplier A	An agricultural cooperative established in Fujian Province and its principal business is cultivation and sales of agricultural products	2019	Dried mushroom and black fungus	One month, bank transfer	11,417	5.1
Total					<u>90,066</u>	<u>39.9</u>

Although we generally did not enter into any long-term procurement framework agreements with our suppliers during the Track Record Period, we procured raw materials during the Track Record Period from recurring suppliers.

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The table below sets forth the key terms of sales agreement we generally enter into with our suppliers:

Quality:	Compliance with national, industry and enterprise standards and environmental protection and food safety laws and regulations
Payment and credit terms:	Bank transfer, 30 days
Delivery of products:	Supplier to arrange delivery at location(s) as requested by us
Inspection and product returns/exchanges:	Products with quality not meeting our requested standard may be exchanged; losses caused by late delivery as a result shall be borne by the supplier

Our procurement team is primarily responsible for monitoring the market prices of our key raw materials, negotiating and determining the purchase prices of raw materials with our suppliers, identifying new qualified suppliers and managing existing suppliers. As at 31 December 2021, we had five staff members in our procurement team.

To the best knowledge and belief of our Directors after making all reasonable enquiries, none of our Directors, their close associates or any Shareholder (who or which, to the best knowledge of our Directors owns more than 5% of the issued share capital of our Company as at the Latest Practicable Date) has any interest in any of our five largest suppliers during the Track Record Period.

INVENTORY CONTROL

We store our raw materials and finished products in warehouses and cold storage facilities at our Guangchang Plant and Nanchang Plant. The cold storage facilities are equipped with temperature and humidity control to minimise the risk of food deterioration and to ensure that the materials are stored in good conditions. We closely monitor our inventory level. In general, we do not need to maintain a high level of inventory because the production cycle of our products generally ranges from one to six days. The time taken from acceptance of orders confirmation to despatch of our products from our warehouses generally ranges from five to 10 days.

We procure raw materials and plan our production based on our sales schedule. We also take into consideration of our historical sales and future projections when we monitor our inventory level. We generally maintain a reasonable level of raw materials, and all of our raw materials and finished products at our production plants are respectively consumed and sold on a first-in-first-out

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basis. Once our products are packaged, we endeavour to deliver them to our customers at the earliest possible time. We also use an information system to track inventory levels as well as to ensure that we have reasonable levels of raw materials and finished products. Through close monitoring of our inventory level, we believe we have managed to minimise the costs for storage and transportation and enhance working capital efficiency and reduce the risk of deterioration of products while in storage.

In order to maintain accurate inventory records, we conduct sample inventory counts monthly together with our finance department and address any discrepancies immediately. We also conduct full inventory counts once every year and assess the effectiveness of our historical inventory levels on a regular basis.

As at 31 December 2019, 2020 and 2021, our closing balance of inventories amounted to approximately RMB62.4 million, RMB98.2 million, and RMB106.5 million, respectively, which represented approximately 28.8%, 31.7% and 34.0% of our total current assets, respectively. Our average inventory turnover days were approximately 120.3, 152.5 and 160.0 days for FY2019, FY2020 and FY2021, respectively. For more details of our average inventory turnover days, please refer to the paragraph headed “Financial Information — Selected Items of Combined Statements of Financial Position — Inventories” in this document.

QUALITY CONTROL AND FOOD SAFETY

Quality control management

We are committed to providing safe and high quality products to the consumers. We have adopted and implemented the HACCP standard which is an internationally recognised management system addressing food safety. We adhere to stringent quality control guidelines and conduct quality check at various points of the entire production process, from sourcing of raw materials to processing, packaging and inventory storage. We have established standard operating procedures with step-by-step instructions of our production and packaging procedures to ensure each of our production staff will consistently follow our protocols of safe food production. Our dedicated quality control team is responsible for ensuring that we adhere to our internal quality control procedures.

We have maintained all relevant and required certifications and licences in relation to our product quality and safety control systems for our production facilities. Our quality control system covers different stages of the production process from raw material procurement, food processing, packaging, to finished products and storage.

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Quality standards and certifications

Our operations are in compliance with applicable PRC laws and regulations in relation to food processing and production, as well as the quality control requirements imposed by China Food and Drug Administration (國家食品藥品監督管理總局). We have obtained the Food Production Licences (食品生產許可證) for repackaging of dried aquatic products, dried edible fungi and aquatic snacks at our production facilities in both Guangchang Plant and Nanchang Plant in Jiangxi.

Quality control over raw materials

We have adopted and maintained strict procedures for the selection of our suppliers to ensure that the raw materials we use are of high quality. We maintain an approved supplier list and typically work with trustworthy suppliers that we have established long-term relationship with to secure key raw materials we sourced for our operation. We use standardised criteria for the selection and qualification of our suppliers on the basis of product price, product quality, years of relationship with us and delivery period. We require raw materials provided by our suppliers to meet our high quality standards and PRC national standards. If the raw materials supplied to us do not meet the quality standards stipulated under the contracts with our suppliers, we are entitled to reject them and be compensated for any related costs.

In addition, we have implemented quality control measures for our raw materials, primarily including:

- conducting inspections regarding each purchase order for raw materials delivered to our warehouse before acceptance and examining whether the raw materials meet the quality standards stipulated in the contracts with our suppliers;
- performing sample testing on our raw materials in accordance with the standards stipulated by the PRC Government, such as colour, smell, visual appearance and hygiene standards. Raw materials that fail these tests are marked and returned to our suppliers; and
- requiring our suppliers to provide inspection reports from independent laboratories for the raw materials they deliver at times.

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Quality control over finished products

Our finished products are stored at our warehouses before they are delivered to our customers. These finished products are stored in designated zones within our warehouses according to their manufacturing dates and product categories. To maintain their freshness, our finished products are stored in temperature and humidity controlled warehouses. We also take safety measures to minimise fire hazards, water damage and other similar risks to our finished products.

We ensure that all customers’ feedback and complaints concerning our products is resolved promptly upon receipt. All customers’ feedback and complaints are directed to and handled by our sales representatives and quality control staff. We believe that this process helps us reinforce our high quality control standards to consumers and their confidence in our products. Our quality control team retains records of all feedback and complaints.

During the Track Record Period and as at the Latest Practicable Date, we did not experience any customer complaints or administrative penalties in relation to our product quality or safety which had a material adverse effect on our business or results of operations, nor were there any voluntary product recalls.

EFFECTS OF THE COVID-19 OUTBREAK

Since the beginning of 2020, the outbreak of COVID-19 has materially and adversely affected the global economy. In response to the COVID-19 outbreak, the PRC Government implemented strict measures to control the outbreak in the PRC, including schools and businesses closures, transport suspension and city lockdowns. The COVID-19 outbreak has affected our business operations in the following aspects:

- our Nanchang Plant and Guangchang Plant suspended production for 13 days and 15 days, respectively, in February 2020;
- our revenue slightly decreased in FY2020, as COVID-19 negatively affected the trading sales to our customers. For details, please refer to the paragraph headed “Financial Information — Description of Selected Items in Combined Statements of Profit or Loss and Other Comprehensive Income — Revenue” in this document; and
- we incurred additional administrative expenses to purchase personal protection equipment and put in place other precautionary measures to ensure the health and safety of our employees.

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As the outbreak of COVID-19 became relatively contained and stabilised in the PRC in 2021, our revenue has rebounded in FY2021 and reached approximately RMB342.0 million. Please refer to the paragraph headed “Financial Information — Description of Selected Items in Combined Statements of Profit or Loss and Other Comprehensive Income — Revenue” in this document for further details of the financial impact caused by COVID-19 on our Group. Our Directors confirm that, since February 2020 and up to the Latest Practicable Date, our operations, including procurement of raw materials from suppliers, product development and production at our production facilities, sales and delivery of our products to customers, and sales over concessionary counters in supermarkets were not materially affected by the outbreaks of COVID-19.

More recently, there have been regional outbreaks of COVID-19 variants including the highly transmissible Delta and Omicron. In response, local governments in the affected areas imposed various restrictions on business and social activities, including city lockdowns, work-from-home requirements, restrictions on travel and other emergency quarantines. As at the Latest Practicable Date, we do not plan to, nor are we aware of any government policy to, permanently shut down any of our production facilities. Even though our business operation was not materially affected by COVID-19 as at the Latest Practicable Date, we cannot predict whether the resurgence of COVID-19 will deteriorate or whether the outbreak will continue to recur from time to time. If there is a resurgence of COVID-19 cases in the future, our revenue, gross profit margins and net profit may be negatively affected. For risks relating to the potential impact to our business due to COVID-19 outbreak, please refer to the paragraph headed “Risk Factors — Risks Relating to Our Business — The outbreak of COVID-19 adversely affected, and may continue to affect, the demand for our products, our business operations and financial conditions” in this document.

PRODUCT DEVELOPMENT

Product development team

We have successfully expanded our product offerings through continuous research and product development efforts. We undertake our product development activities in-house by our product development team. As at 31 December 2021, our product development team comprised 50 personnel possessing related experience in, among others, food manufacturing industries. Our product development team is primarily responsible for (i) the research and development of products and quality standard, in particular the development of new products in response to customer demands and quality enhancement such as introduction of new food items, new flavours and textures for existing food items, as well as the development of new and improvement of existing production techniques; and (ii) the research and development of product packaging technologies, where we develop different packaging and appearance to meet consumer demands, tastes and preference as well as new packaging technologies that may prolong shelf life without compromising the taste of our products. Our research and development efforts are primarily

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focused on studying and analysing customer preference in order to capture the maximum potential market. We have been continuously releasing new products on the market throughout the Track Record Period which have been well received by our customers such as fragrant lotus seeds in FY2019, spicy enoki mushroom in FY2020 and marinated chicken wing tips in FY2021. We seek feedback from the market through our customer surveys regularly. Such feedback provides us with first-hand information on consumer’s satisfaction level and expectation in relation to our products.

For FY2019, FY2020 and FY2021, our research and development expenses were approximately RMB9.5 million, RMB10.2 million and RMB10.4 million, respectively. Our research and development expenses are primarily attributable to staff costs and product testing costs.

Product development process

Each of our product development projects primarily consists of the following key steps:

- *Market research.* At the first stage of our product development process, we obtain market information, including consumer preferences and demand and market trend, to determine the overall direction of product development.
- *Market analysis and project approval.* We run a feasibility analysis based on (i) information obtained at the market research step and (ii) production technology and production capacity to determine whether the project is approved for development.
- *Research and development.* Research and development mainly includes product research and development, packaging research and development and production process and technology study.
- *Product testing.* Product tests generally include food safety tests, taste tests and product storage tests.
- *Market feedback collection.* After the new product meets all product testing requirements, we will conduct market surveys to collect initial feedback from potential consumers. We will adjust our new products with the aim to meet the average and broader consumers’ preferences where necessary.

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- *Packaging design.* We will design, study and confirm the packaging design for our new product. We pay attention to both functionality and attractiveness of our packaging. We aim to choose packaging materials that keep our products hygienic and in good quality during their shelf life, and design the packaging of our products in attractive colors and fonts to distinguish our brands and products from competitors.

- *Mass production.* Mass production of the new product will commence after the previous stages are completed to our satisfaction. We will liaise with the raw materials suppliers for favourable sales terms and secure sufficient supplies prior to mass production.

- *Release to market.* We will promote and market our new products to the market through various means including our concessionary counters in supermarkets and other advertising campaigns.

- *Constant improvisation.* We conduct customer survey from time to time after our initial mass production and market release to collect the latest feedback from consumers.

Past product development highlights

With the efforts of our product development team, we have successfully developed and launched a number of instant snacks products. In particular, we have launched the following key instant snacks products during the Track Record Period which:

Key product

Sample product picture

Year of release: 2019

Fragrant lotus seeds



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Key product

Sample product picture

Spicy bamboo shoot crisps series



Spicy kelp series



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Key product

Sample product picture

Year of release: 2020

Spicy enoki mushroom series



Year of release: 2021

Marinated chicken wing tips series



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Key product

Sample product picture

Roasted duck necks series



Future product development roadmaps

We believe it is favourable to our business to develop new product offerings to cater to changing consumer preferences and consumption patterns. We plan to introduce new flavours to our popular products and develop new snack products such as quail eggs and quail meat snacks. Please refer to the paragraph headed “Business Strategies — Expansion of our production capacity and enriching our product offerings” in this section for further details.

HEALTH, SAFETY AND ENVIRONMENTAL, SOCIAL AND GOVERNANCE

We are subject to PRC laws in relation to labour, safety and environment protection matters. For details of the regulatory requirements, please refer to the section headed “Regulatory Overview” in this document.

We are committed to environmental protection and promoting corporate social responsibility and best corporate governance practices for the sustainable development and take up responsibilities as a corporate citizen. We have established ESG policies which set forth our environmental protection measures, social responsibility principles and internal governance.

Health and safety

We are committed to a safe working environment, particularly for the daily operations at our production facility. In addition, we provide safety training to promote occupational health and safety and to ensure compliance with the applicable laws and regulations in the PRC. Our internal policies are generally documented in writing and supplemented with instructions, trainings and

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demonstrations. Our staff are required to follow the policies strictly. We will continue to put adequate resources and effort to maintain and improve our safety management in order to reduce any associated risks.

We provide regular product quality, production safety and other technical training to our employees, including production personnel, quality control personnel, as well as our management, to inform them of the latest safety and hygiene requirements. During the Track Record Period, and as at the Latest Practicable Date, (i) we did not experience any material accidents in the course of our operations nor were there any material claims for personal or property damages or compensation from our employees; and (ii) our PRC Legal Advisers advised that we had complied with PRC laws in relation to workplace safety in all material respects.

We put occupational health and safety of our employees as top priority. In response to COVID-19, we have implemented precautionary measures, including but not limited to the following measures to maintain a hygienic working environment:

- (i) disposable masks, shoe coverings and gloves are provided and must be worn inside production facilities;
- (ii) staff must wash their hands before entering into the production facilities and hand sanitizers are provided at the production facilities;
- (iii) we would record the health conditions of our employees including measuring body temperatures before they enter into the production facilities;
- (iv) we require our employees to have green code of the health tracking apps adopted by the PRC Government before they are allowed to enter into the production facilities;
- (v) if any of our employees have any symptom of a respiratory infection, that employee shall not enter into the production facilities and shall report to our senior management;
- (vi) we sanitise our production facilities and office daily; and
- (vii) all vehicles entering into our premises shall be sanitised.

Social responsibilities

Our Group maintains policies on compensation, dismissal, equal opportunities, diversity and antidiscrimination. We give each job applicant an equal job opportunity and hire employees based on their merits. It is our corporate policy to offer equal opportunities to our employees regardless

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of gender, age, race, ethnicity, religion or any other social or personal characteristics. Decisions relating to human resource management such as career promotion, salary increment and dismissal within our Group would be made solely depending on the employee's performance, experience and capability. We also made donations to governmental and charitable organisations for charitable causes in Guangchang County, Jiangxi Province, the PRC in FY2020 and FY2021. During the outbreak of COVID-19, we also actively responded to and coped with local government's calls on anti-pandemic efforts.

Environmental protection

We consider the protection of the environment to be important and have implemented measures in the operation of our businesses to ensure our compliance with all applicable requirements. Our production generates sewage and food and solid wastes at different stages of production process. All of our production facilities have completed the requisite environmental impact assessments at the initial construction stage and have established the relevant environmental protection equipment and passed the completion inspections by the government authority before commercial production. Our Guangchang Plant has been accredited with ISO9001:2015 certification.

To ensure our production to be compliant with applicable environmental protection laws and regulations, we closely monitor the change of local environmental laws and regulations and update our internal production requirements accordingly, conduct regular environmental inspections to monitor the pollutants emission and resources consumptions and keep track of environmental risks and impacts during the production process and enhance our employees' environmental protection sensitivity by education and training.

Our Directors consider that our operations are not the major sources of environmental pollution as they do not involve any significant direct air emissions and noise emissions. We collect and dispose waste discharged from our packaging and production processes timely. We have also established internal procedures on safe disposal of organic waste. Hence, we are not aware of any risks arising from potential violations of the relevant environmental laws and regulations in respect of air and greenhouse gas emissions, discharge into water or land, and generations of hazardous and non-hazardous waste that would cause a significant impact on our business operations and our future strategy and financial planning.

During the Track Record Period and up to the Latest Practicable Date, our PRC Legal Advisers advised that we had complied with PRC laws in relation to environment protection in all material respects.

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Energy and water consumption and green gas emission

Our energy consumption is mainly derived from electricity consumption from our production facilities and offices. It is also the main source of our indirect greenhouse gases emissions. We also use water during our daily operations. The table below sets forth our electricity consumption analysis for the Track Record Period:

	FY2019	FY2020	FY2021
Electricity consumption (kWh)	990,164.00	1,362,723.00	2,490,424.00
Electricity consumption (kWh)/revenue (RMB in millions)	3,333.89	4,815.28	7,281.94

The table below sets forth our water consumption analysis for the Track Record Period:

	FY2019	FY2020	FY2021
Water consumption (ton’000)	32,804.00	63,804.00	129,586.00
Water consumption (ton’000)/revenue (RMB in millions)	110.45	225.46	378.91

ESG risks and opportunities

Our Board has the collective and overall responsibility for establishing, adopting and reviewing the environmental, social and governance (“**ESG**”) vision and target of our Group, identifying the key performance indicators and the relevant measurements and evaluating, determining and addressing our ESG-related risks in accordance with Appendix 27 to the **[REDACTED]** Rules. Our Board will assess and evaluate the ESG risks, and review our existing strategy, target and internal controls. Necessary improvement will then be implemented to mitigate the risks.

In particular, we expect to establish ESG policies following the **[REDACTED]** which set out, among others, (i) ESG strategy formation procedures, (ii) ESG risk management and monitoring, and (iii) the identification of key performance indicators (“**KPI(s)**”) and the relevant measurements. The ESG policies will be established in accordance with the standards of Appendix 27 to the **[REDACTED]** Rules. When setting targets for each KPI, we will take into account the need to maintain a balance between business growth and ESG considerations in achieving sustainable development. We will review the key KPIs regularly to ensure that they remain appropriate to the needs of our Group.

After the **[REDACTED]**, we will publish an ESG report each year pursuant to the reporting requirements under the Listing Rules which will analyse and disclose important ESG matters, risk management and accomplishment of performance and objectives.

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LICENCES AND PERMITS

For the laws and regulations governing the licences, permits and approvals of our Group, please refer to the section headed “Regulatory Overview” in this document for details. As advised by our PRC Legal Advisers, we have obtained all requisite licences, permits and approvals necessary to conduct our business operations in the PRC as at the Latest Practicable Date in all material respects.

As at the Latest Practicable Date, we held the following major licences, permits and approvals for our business operation in the PRC:

	Permit/Licence	Group company	Issuing Authority	Issue Date	Expiry Date	Reference number
1.	Food Production Licence (食品生產許可證)	Jiangxi Zhengwei	Nanchang Administrative Examination and Approval Bureau (南昌縣行政審批局)	12 April 2021	11 April 2026	SC10336012110961
2.	Food Production Licence (食品生產許可證)	Guangchang Zhenglian	Fuzhou Administration for Market Regulation (撫州市市場監督管理局)	14 December 2020	7 October 2023	SC12236103010166
3.	Food Distribution Permit (食品經營許可證)	Jiangxi Zhengwei	Nanchang Administration for Market Regulation (南昌縣市場監督管理局)	12 November 2019	11 November 2024	JY13601210014028
4.	Food Distribution Permit (食品經營許可證)	Jiangxi Zhengwei	Nanchang Administration for Market Regulation (南昌縣市場監督管理局)	9 March 2020	8 March 2025	JY33601210084910
5.	Food Distribution Permit (食品經營許可證)	Nanchang Kaixing	Nanchang Administration for Market Regulation (南昌縣市場監督管理局)	23 November 2021	22 November 2026	JY13601210014036
6.	Food Distribution Permit (食品經營許可證)	Guangchang Zhenglian	Guangchang Administration for Market Regulation (廣昌縣市場監督管理局)	16 April 2020	16 September 2023	JY13610300023226

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	Permit/Licence	Group company	Issuing Authority	Issue Date	Expiry Date	Reference number
7.	Food Distribution Permit (食品經營許可證)	Guangchang Zhenglian	Guangchang Administration for Market Regulation (廣昌縣市場監督管理局)	27 March 2020	26 March 2025	JY13610300032593
8.	Food Distribution Permit (食品經營許可證)	Guangchang Zhenglian	Guangchang Administration for Market Regulation (廣昌縣市場監督管理局)	6 November 2020	5 November 2025	JY33610300037107

During the Track Record Period, we have not encountered any difficulty or rejection in obtaining or renewing the requisite licences, permits and approvals necessary to conduct our business operations. Our Directors and our PRC Legal Advisers are of the view that, provided we comply with the then applicable laws and regulations and submit all the documentation required in a timely manner and have taken all proper administrative steps, there will be no substantial legal impediment for us to renew all such licences, permits and approvals in the future for our business operations in the PRC.

Our administration department is responsible for monitoring the validity status of our permits, licences and certifications, as well as preparing timely applications for renewal of the relevant permits, licences and certifications. The renewal procedures for the above key permits, licences and certifications are to be carried out within six months prior to their respective expiration dates. Our Directors are not aware of any reason that would cause or lead to non-renewal of our permits, licences and certifications.

AWARDS AND RECOGNITION

Over the years, we have received the following key awards and recognitions relating to our business operation:

Award/Certification/Ranking	Year of Grant	Group company	Issuing Authority
High and New Technology Enterprise Certificate (高新技 術企業證書)	2017	Jiangxi Zhengwei	Science and Technology Department of Jiangxi Province (江西省科學技 術廳), Department of Finance of Jiangxi Province (江西省財政廳), Jiangxi Provincial State Taxation Administration (江西省國家稅務局) and Jiangxi Local Taxation Bureau (江西省地方稅務局)

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Award/Certification/Ranking	Year of Grant	Group company	Issuing Authority
	2019	Guangchang Zhenglian	Science and Technology Department of Jiangxi Province (江西省科學技術廳), Department of Finance of Jiangxi Province (江西省財政廳) and Jiangxi Provincial Tax Service of State Taxation Administration (國家稅務總局江西省稅務局)
	2020	Jiangxi Zhengwei	Science and Technology Department of Jiangxi Province (江西省科學技術廳), Department of Finance of Jiangxi Province (江西省財政廳) and Jiangxi Provincial Tax Service of State Tax Administration (國家稅務總局江西省稅務局)
Jiangxi Provincial Agricultural Industrialisation Leading Enterprises (江西省農業產業化省級龍頭企業)	2018	Jiangxi Zhengwei	Department of Agricultural and Rural Affairs of Jiangxi Province (江西省農業農村廳)

We have implemented quality control and assurance systems that meet the international and industry standards for our business operation. As at the Latest Practicable Date, we have obtained the following certificate:

Certification	Specifications/Scope	Issuing Authority	Relevant Period
HACCP	HACCP certification for repackaging lotus seed, mushroom and black mushroom	China Quality Certification Centre (中國質量認證中心)	14 June 2022 to 25 July 2025 (date of first issue: 10 November 2016)

INTELLECTUAL PROPERTY

We have marketed our business in the PRC using “Shengyao (聲耀)” and “Gangweifang (贛味坊)” as our brand names. As at the Latest Practicable Date, we had registered 16 trademarks, five software copyrights and 13 patents in the PRC, and one trademark in Hong Kong which are material to our business. We have registered the domain “www.zhengwei100.com”. Detailed information of our material intellectual property rights is set out in the paragraph headed “Statutory and General Information — 6. Further Information about our Business — B. Our Intellectual Property Rights” in Appendix IV to this document.

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As at the Latest Practicable Date, we were not aware of any material infringement, nor any pending or threatened claims in relation thereto, (i) by us of any intellectual property rights owned by third parties, or (ii) by any third parties of any intellectual property rights owned by us. Our Directors believe that we have taken all reasonable measures to prevent any infringement of our own intellectual property rights.

EMPLOYEES

As at 31 December 2021, we had 640 full-time employees in the PRC. The table below sets forth our full-time employees by functions:

Business functions	Number of employees
Sales and marketing	276
Production	257
Quality control	3
Administration	30
Procurement	5
Product development	50
Finance	19
Total	640

We endeavour to hire the quality employees in the market by offering competitive wages, benefits, systematic training opportunities and internal upward mobility. We recruit our personnel from the labour market and we enter into employment contracts with them. During our recruiting process, we seek talent that is best suited to our vacancy by sourcing through a broad range of channels, including online advertisements. Our screening and selection process primarily include (i) review of resumes and face-to-face interviews by the human resources department; (ii) screening of candidates by the human resources department; and (iii) second round face-to-face interview with relevant recruiting department. Once qualified candidates are selected, we send offer letter to the candidate after final internal approval.

In order to promote overall efficiency, employee loyalty and retention, we provide our employees with on-the-job training and education. Our staff receive training on a regular basis to familiarise themselves with the requirements of their job and to enhance their knowledge in the latest trends and techniques. A specialised training programme is provided to all our new recruits for cultural integration and to promote our quality standards. A probation period may be imposed on our new recruits depending on their relevant industry experience. At the end of their probation period, they will be confirmed as full-time employees if their respective supervisors are satisfied with their performance during the probation period.

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We offer attractive remuneration packages to our employees. We pay in respect of our employees in the PRC social security funds including, pension insurance, medical insurance, unemployment insurance, occupational injury insurance, insurance for maternity leave and housing provident fund contributions as required under the PRC laws and regulations.

During the Track Record Period and up to the Latest Practicable Date, our employees did not negotiate their terms of employment through any labour union or by way of collective bargaining agreements nor did we experience any material labour disputes or shortages or labour strike that may have a material adverse effect on our business, financial position and results of operations.

INSURANCE

During the Track Record Period and up to the Latest Practicable Date, we had maintained motor vehicle insurance in the PRC. Our employee-related insurance consists of employee pension insurance, employees’ compensation, medical insurance, and housing funds as required by the PRC laws and regulations. We rely on our stringent quality control to limit our product liability risks. During the Track Record Period, we did not encounter any material product liability claim by our customers.

During the Track Record Period and up to the Latest Practicable Date, our Directors confirm that we had not made or had been the subject of any material insurance claim. Our Directors consider that our insurance coverage is sufficient and in line with normal commercial practices in the PRC. However, there is no assurance that our insurance coverage is adequate to cover all potential risks in relation to our business operation. For details, please refer to the paragraph headed “Risk Factors — Risks Relating to Our Business — Our insurance coverage may not be adequate to cover all the risks” in this document.

MARKET COMPETITION

We compete with other agricultural food products producers in the PRC. According to the Frost & Sullivan Report, consumers in the PRC select instant snacks and dried food products primarily based on price, brand recognition and taste. Agricultural food products producers compete on the basis of product quality, stability of their supplies and the number and diversity of their products. Please refer to the paragraph headed “Industry Overview — Competitive Landscape — Competitive Landscape in China’s Agricultural Food Product Processing Industry” in this document for further details. We consider large companies engaging in the agricultural food products industry with access to abundant financial resources, strong ability and rich experience in product development and innovation a particular challenge to our Group. We believe, however,

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that we are able to remain competitive as we have (i) established brand reputations to customers; (ii) high quality and diversified product portfolio; and (iii) an experienced team from product development, production, quality control to sales and marketing.

PROPERTIES

We occupy certain properties in the PRC in connection with our business operations. These properties are used for non-property activities as defined under Rule 5.01(2) of the Listing Rules.

Owned properties

As at the Latest Practicable Date, save as disclosed below, we own the land use right and buildings of Guangchang Plant and Nanchang Plant. The table below sets forth details of our Nanchang Plant and Guangchang Plant:

Facility name	Address	Major use of property	Expiry of land use rights	Approximate total site area (sq.m.)	Approximate gross floor area (sq.m.)
Guangchang Plant	Guangchang Industrial Park, Guangchang County, Jiangxi Province, the PRC (廣昌縣工業園區)	Warehouse, production workshop and office	December 2062	36,096.98	19,436.8 (excluding the Guangchang Structures (as defined below))
Nanchang Plant	487 Yuhu Road, Xiaolan Economic and Technological Development Zone, Nanchang County, Jiangxi Province, the PRC (南昌縣小藍經濟技術開發區玉湖路487號)	Warehouse, production workshop and office	June 2055	20,065.00	13,722.4 (excluding the Nanchang Structures (as defined below))

Title defects of certain building structures in our Guangchang Plant and Nanchang Plant

As at the Latest Practicable Date, we had not obtained the building ownership certificates of (i) an aggregate gross floor area of approximately 700 sq.m., comprising a boiler room of 400 sq.m., lavatory of 200 sq.m. and entrance guard house of 100 sq.m. in our Guangchang Plant (the “**Guangchang Structures**”) and (ii) an office area with an aggregate gross floor area of approximately 355.5 sq.m. in our Nanchang Plant (the “**Nanchang Structures**”). We constructed these building structures in our production facilities as we expanded our operations over the years, and our Directors confirm that there would be no difference in land cost to be paid by us if there was no defective title with respect to the Guangchang Structures and the Nanchang Structures.

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Such non-compliance was mainly caused by our employees being not familiar with the relevant regulatory requirements. Except for the boiler room where our boiler machine is housed, these building structures are generally used for administration purposes or as ancillary facilities, instead of for our principal production purposes. We had obtained construction project planning permits (建設工程規劃許可證) for the Guangchang Structures and the Nanchang Structures, in June 2022 and April 2022, respectively, which required us to complete construction, completion inspection and building ownership registration procedures within two years of such permit. As at the Latest Practicable Date, Jiangxi Zhengwei had submitted application materials for registration of building ownership regarding the Nanchang Structures, while Guangchang Zhenglian was preparing application materials for registration of building ownership regarding the Guangchang Structures. It is expected that building ownership registration will be completed within six months upon submission of application materials to the relevant regulatory authorities. Our PRC Legal Advisers confirmed that there will not be any legal impediments to complete registration of building ownership regarding the Nanchang Structures and the Guangchang Structures.

To the best knowledge of our Directors, the Guangchang Structures and the Nanchang Structures were in safe conditions as at the Latest Practicable Date. As advised by our PRC Legal Advisers, prior to completion of building ownership registration procedures, the Guangchang Structures and the Nanchang Structures will not be transferrable or are unlikely to be accepted by banks as security for mortgages.

With respect to the Guangchang Structures, pursuant to a confirmation issued on 26 April 2022, Guangchang Real Estate Administration (廣昌縣房產管理局), which is the relevant competent regulatory authority as confirmed by our PRC Legal Advisers, confirmed that Guangchang Zhenglian had not involved in violation of property laws and regulations, nor had it been subject to any administration penalties or investigations due to violation of property laws and regulations. Pursuant to confirmations issued on 27 April 2022 and 22 June 2022, Guangchang Housing and Urban-Rural Development Administration (廣昌縣住房和城鄉建設局), which is the relevant competent regulatory authority as confirmed by our PRC Legal Advisers, confirmed that (i) Guangchang Zhenglian had complied with the laws and regulations in relation to supervision of construction, and it had not violated any laws and regulations on construction projects nor had it been subject to any administration penalties or investigations in relation to any construction projects; and (ii) Guangchang Zhenglian is allowed to use the Guangchang Structures in their current conditions, and Guangchang Zhenglian will not be required to demolish, relocate from or cease to use the Guangchang Structures prior to completion of building ownership registration. There will not be any obstacles for Guangchang Zhenglian to obtain building ownership certificate in respect of the Guangchang Structures. No punishment will be imposed on Guangchang Zhenglian for its failure to complete building ownership registration procedures in respect of the Guangchang Structures.

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On 18 April 2022, the Environmental Planning and Technology Department of the Management Committee of Nanchang Xiaolan Economic and Technological Development Zone (南昌縣小藍經濟開發區經濟技術開發區管理委員會環保規劃技術部), which is the relevant competent regulatory authority as advised by our PRC Legal Advisers, confirmed in writing that it will not require the demolition of the Nanchang Structures prior to completion of building ownership registration. Pursuant to a confirmation issued on 27 April 2022, Nanchang Housing Security Center (南昌縣住房保障中心), which is the relevant competent regulatory authority as confirmed by our PRC Legal Advisers, confirmed that Jiangxi Zhengwei had not violated any property laws and regulations, nor had it been subject to any administration penalties or investigations due to violation of property laws and regulations.

On the basis that (i) the aforementioned confirmations were issued by relevant competent PRC regulatory authorities, pursuant to which had confirmed that the Guangchang Structures and the Nanchang Structures can be used in their current status prior to completion of building ownership registration, no punishment will be imposed with respect to our failure to complete building ownership registration procedures or we were not subject to any administration penalties or investigations due to violation of property laws and regulations; and (ii) construction project planning permits (建設工程規劃許可證) were obtained for the Guangchang Structures and the Nanchang Structures, our PRC Legal Advisers are of the view that the risk of Guangchang Zhenglian or Jiangxi Zhengwei being penalised for failure to complete building ownership registration procedures is remote.

Considering that the Guangchang Structures and the Nanchang Structures are largely used for administration purposes or as ancillary facilities only, and it would not be difficult to arrange our employees to use other buildings or existing facilities in our Guangchang Plant and Nanchang Plant as an alternative, save for the boiler room of the Guangchang Structures, our Directors are of the view that the Guangchang Structures and the Nanchang Structures with title defects are collectively not crucial to our operation. If required, the relevant administrative staff could be relocated to other office area in the Nanchang Plant. In the event that we are required to demolish or otherwise relocate the boiler room in our Guangchang Plant, our Directors believe we could either move the boiler to or, alternatively, acquire and install a new boiler in another building in our Guangchang Plant. We expect we may only be required to suspend the affected production lines for a maximum period of two days, and incur additional costs on relocation or acquisition of new boiler of approximately RMB1.0 million in this regard. In such event, where required, we will recruit additional temporary production workers or arrange overtime for our production staff to fulfil customer orders. Our Directors believe such disruption to our operation, if any, and additional costs associated with this would not have any material adverse impact on our financial performance. As we had obtained confirmations from relevant competent PRC regulatory

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authorities which confirmed that the Guangchang Structures and the Nanchang Structures can be used in their current status prior to completion of building ownership registration, no provision has been made in our combined financial statements.

Leased properties

As at the Latest Practicable Date, our Group leased the following properties in the PRC:

Description	Address	Use of Property	Tenure	Landlord	Tenant	Approximate gross floor area <i>(sq. m.)</i>	Monthly rental <i>(RMB)</i>
Low temperature warehouse	East of Jinsha Road, South of Yinhu Road, Xiaolan Economic and Technological Development Zone (小藍開發區以東銀湖 路以南)	Warehouse for cold storage	1 January 2022 to 31 December 2022	Nanchang Dazhong Ice Production Co., Ltd. (南昌大衆 製冰有限公司), an Independent Third Party	Jiangxi Zhengwei	78	3,790.8
Low temperature warehouse	East of Jinsha Road, South of Yinhu Road, Xiaolan Economic and Technological Development Zone (小藍開發區以東銀湖 路以南)	Warehouse for cold storage	1 January 2022 to 31 December 2022	Nanchang Dazhong Ice Production Co., Ltd. (南昌大衆 製冰有限公司), an Independent Third Party	Nanchang Kaixing	78	3,790.8

As at the Latest Practicable Date, we had not registered the leases of the two warehouses aforementioned. For details, please refer to the paragraph headed “Non-Compliance — Unregistered Leases” in this section.

As at the Latest Practicable Date, we had no single property with a carrying amount of 15% or more of our total assets, and on this basis, we are not required by Rule 5.01A of the Listing Rules to include in this document any valuation reports. Pursuant to section 6(2) of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong), this document is exempted from compliance with the requirements of section 342(1)(b) of the Companies (Winding Up and

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Miscellaneous Provisions) Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, which requires a valuation report with respect to all of our interests in land or buildings.

NON-COMPLIANCE

Legal Proceedings

We may from time to time be involved in legal, arbitration or administrative proceedings in the ordinary course of our business. As of the Latest Practicable Date, there were no legal, arbitration or administrative proceedings pending or threatened against us or any of our Directors which could have a material adverse effect on our financial condition or results of operations.

Historical Non-compliance Incidents Regarding Social Insurance and Housing Provident Funds

The summary below describes our historical non-compliance with applicable laws and regulations with respect to social insurance and housing provident fund contributions during the Track Record Period. Our Directors believe that such non-compliance will not have any material operational or financial impact on us.

Background

According to the relevant PRC laws and regulations, we are required to make contributions to social insurance fund (including pension fund, medical insurance, unemployment insurance, work-related injury insurance, and maternity insurance) and housing provident fund for the benefit of our employees in China. During the Track Record Period, all of our PRC subsidiaries namely, Jiangxi Zhengwei, Nanchang Kaixing and Guangchang Zhenglian did not make full contribution to the social insurance and housing provident funds for some of our employees as required under PRC laws and regulations.

Reasons for the non-compliance

As confirmed by our Directors, we did not make full social insurance and housing provident fund contributions during the Track Record Period, primarily because some of our employees were reluctant to participate in the social insurance fund and housing provident fund contribution plans during the Track Record Period.

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Potential maximum penalties and legal consequences

As advised by our PRC Legal Advisers, according to the relevant PRC laws and regulations in respect of social insurance contributions, if we do not pay the full amount of social insurance contributions as required, the relevant authorities may demand us to pay the outstanding social insurance contributions within the deadline stipulated by them and we may be liable to a late payment fee equal to 0.05% of the outstanding amount for each day of delay. We may be liable to a fine from one to three times the amount of the outstanding contributions if we fail to make such payments. In respect of outstanding housing provident fund contributions, we may be ordered to pay the outstanding housing provident fund contributions within the time period stipulated by relevant authorities. If payment is not made within such stipulated time period, relevant employees may apply to PRC courts for compulsory enforcement.

Our Directors have considered the following in assessing our exposures relating to social insurance and housing provident fund contributions: (i) as at the Latest Practicable Date, we had not received any notification from relevant government authorities requiring us to pay shortfalls or the penalties with respect to social insurance and housing provident funds; (ii) during the Track Record Period and up to the Latest Practicable Date, we had not been subject to any administrative penalties, material litigations and legal proceedings, nor were we aware of any material employee complaints nor involved in any material labor disputes with our employees with respect to social insurance and housing provident funds; (iii) all of our PRC subsidiaries namely, Jiangxi Zhengwei and Nanchang Kaixing have obtained written confirmations from Nanchang County Human Resources and Social Security Bureau (南昌縣人力資源和社會保障局), and Guangchang Zhenglian has obtained written confirmation from Guangchang County Human Resources and Social Security Bureau (廣昌縣人力資源和社會保障局), which are competent local government authorities as confirmed by our PRC Legal Advisers, which confirmed that there is no need to pay any additional social insurance premiums (including late payment fees and other forms of economic penalties); (iv) all of our PRC subsidiaries namely, Jiangxi Zhengwei and Nanchang Kaixing have obtained written confirmations from Nanchang City Housing Provident Fund Management Center (南昌市住房公積金管理中心), which are competent local government authorities as confirmed by our PRC Legal Advisers, which confirmed that each of Jiangxi Zhengwei and Nanchang Kaixing has not violated laws and regulations in relation to housing provident fund, nor has it been subject to relevant administrative penalties or under relevant investigation, and Guangchang Zhenglian has obtained written confirmation from Guangchang County Housing Provident Fund Management Center (廣昌縣住房公積金管理中心), which are competent local government authorities as confirmed by our PRC Legal Advisers, which confirmed that there is no need to make any additional housing provident fund contributions (including late payment fees and other forms of economic penalties); (v) as advised by our PRC Legal Advisers, the risk of being penalised by the relevant authorities is remote; (vi) we made provisions for social insurance and housing provident fund contributions of RMB4.7 million, RMB1.7 million and

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RMB1.8 million for FY2019, FY2020 and FY2021; and (vii) we will make full contributions or pay any shortfall within a prescribed time period if demanded by the relevant government authorities. We believe that the provisions for social insurance and housing provident fund contributions are sufficient, having considered the above-mentioned reasons.

Based on the foregoing, our PRC Legal Advisers are of the view that the risk that we would be subject to material administrative penalties by relevant authorities is remote. In light of the above, our Directors believe that our failure to fully contribute to social insurance and housing provident funds during the Track Record Period would not have any material adverse effect on our business operations or results of operations.

Rectification measures

We have made provisions for our failure to make adequate social insurance and housing provident fund contributions in the amount of RMB4.7 million, RMB1.7 million and RMB1.8 million for FY2019, FY2020 and FY2021, respectively. Since 2022, we have been fully compliant with the requirements regarding social insurance and housing provident fund contribution. We have implemented the following internal policies and procedures: (i) regularly communicating with government agencies to ensure that our calculation and payment methods are in compliance with the relevant laws and regulations; (ii) consulting external counsel, if necessary, to understand whether we are at risk of non-compliance with the relevant laws and regulations; (iii) regularly preparing reports regarding our contribution amounts for review by our Board; and (iv) conducting internal trainings for our Directors, members of senior management and employees on the relevant laws and regulations.

Unregistered Leases

As at the Latest Practicable Date, our PRC subsidiaries namely, Jiangxi Zhengwei and Nanchang Kaixing, had not registered the lease for two warehouses with the local housing administration authorities as required under PRC laws.

These non-compliance incidents were primarily caused by lack of cooperation from the landlords in registering lease agreements, including submitting their identity documentations and building title certificates to the relevant authorities, which was beyond our control.

We were advised by our PRC Legal Advisers that the non-registration of these lease agreements would not affect the validity of such leases, but we might be ordered to rectify this non-compliance by competent authorities and if we do not rectify within a prescribed period, a

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penalty of RMB1,000 to RMB10,000 per agreement may be imposed on us as a result of such non-filing. The estimated total amount of penalty for our failure to register these leases is approximately RMB2,000 to RMB20,000.

As at the Latest Practicable Date, our Directors confirm that we had not received any notice from any regulatory authority with respect to potential administrative penalties or enforcement actions as a result of our failure to register the lease agreements described above.

In the event that we are required by competent authorities to rectify the non-compliance with lease registration requirement and we are not able to rectify due to lack of cooperation from the landlords, we intend to terminate the non-compliant leases, find alternative locations nearby and relocate without causing any material disturbances. We do not believe that any relocation would result in material disruptions to our business. Although we may incur additional relocation costs, our Directors are of the view that this would not have any material impact on our business, financial position and results of operations. The landlord of the above two leases have undertaken to indemnify us for any penalty or other monetary damages incurred as a result of the failure to register the lease agreements.

RISK MANAGEMENT AND INTERNAL CONTROL

Our Directors are responsible for formulating and overseeing the on-going implementation of the internal control measures and effectiveness of risk management system, which is designed to provide reasonable assurance regarding the achievement of objectives relating to operations, reporting and compliance. With a view to manage our business and operational risks, to ensure our smooth operation and to avoid future recurrence of historical non-compliance incidents, we have engaged an independent external firm (the “**Internal Control Consultant**”) to assist us in reviewing and providing recommendations on improving our internal control system, including corporate governance, enterprise risk assessment, internal audit, compliance consultancy and relevant business processes including revenue, procurement, expenses and cost management, raw materials and inventory management, fixed assets management, production safety and quality control, human resources, financial management and information technology. As part of the engagement, we have consulted with our Internal Control Consultant to identify factors relevant to enhancing our internal control system and the steps to be taken. The Internal Control Consultant provided a number of findings and recommendations and we have subsequently taken remedial actions in response to such findings and recommendations. Highlights of our internal control measures include but are not limited to the following:

- our Directors have attended training sessions conducted by Hong Kong legal advisers on the on-going obligations and duties of a director of a company whose shares are listed on the Stock Exchange;

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- we will comply with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. Our Directors will review our corporate governance measures and our compliance with the Corporate Governance Code each financial year and comply with the “comply or explain” principle in our corporate governance reports to be included in our annual reports after the [REDACTED];
- when necessary, we will engage external professionals, including auditors, internal control consultants, external legal adviser(s) and other advisers to render professional advice with respect to our compliance with statutory and regulatory requirements, as applicable to our Group from time to time;
- we have appointed Grand Moore Capital as our compliance adviser which will advise and assist our Board on compliance matters in relation to the Listing Rules; and
- we [have established] an audit committee to review and supervise our financial reporting process and internal control system.

Based on the recommendations of the Internal Control Consultant and the follow-up review procedures conducted, our Directors have confirmed that our Group had adopted all major internal control measures and policies suggested by the Internal Control Consultant and did not have any significant or material deficiencies in its internal control system as at the Latest Practicable Date.

We are exposed to various risks during our operations. For more details about these risks, please refer to the section headed “Risk Factors” in this document. In addition to the abovementioned internal control measures, we have implemented various policies and procedures to ensure effective risk management at each aspect of our operations, including the production and sales of products, administration of daily operations, financial reporting and recording, compliance procedures with applicable laws and regulations on environmental protection, production and food safety. Our Board oversees and manages the overall risks associated with our operations.